



Stock Code 6173

# Prosperity Dielectrics Co., Ltd.

## 2022 Annual Report

(Translation)

*(This English translation is prepared in accordance with the Chinese version and is for reference only. If there is any inconsistency between the Chinese version and this translation, the Chinese version shall prevail.)*

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PDC annual report is available at <http://www.pdc.com.tw>

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## 5. Name of Any Exchanges Where the Company's Securities Are Traded Offshore and Information : Not applicable.

## 6. Corporate Website : <http://www.pdc.com.tw>

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# Letter to Shareholders

Dear ladies and gentlemen shareholders,

First of all, I would like to thank all shareholders for the long-term support for PDC!

Looking back at the global economic development in 2022, COVID-19 raged again at the beginning of 2022, and cities and towns in the eastern and southern regions of China were closed due to the zero-clearing policy. In the second quarter of 2022, the global economy began to be affected by the war between Ukraine and Russia, global inflation soaring, weak demand for consumer electronics, and high electronic inventory levels. These factors have caused a sharp drop in demand for electronic components and affected the kinetic energy of sales.

In response to the rapid changes in the global international situation and industrial economy, the company adheres to the principle of steady growth and continues to improve its operations. In addition to the development of new products and new markets, it also strengthens resource integration, process improvement, output efficiency enhancement, management cost control, and optimization of product and customer portfolios, and continues to deploy niche products. The company's consolidated revenue and gross profit in 2022 decreased compared to last year : the consolidated revenue in 2022 was 4.14 billion , a decrease of 31% over last year; in terms of operating net profit, the operating net profit in 2022 was 0.617 billion , a decrease of 47.7% over last year; in terms of net profit after tax, the net profit in 2022 was 0.506 billion , a decrease of 55.7% over last year.

The report on PDC's 2022 operating results is as follows:

## **I .Global layout and internal process transformation**

- MLCC factory has completed the development of 150°C X8L capacitors.
- MLCC factory has completed the development of safety and automotive grade X1Y2, X2 capacitors.
- MLCC factory has completed the development of BME military grade capacitors.
- MLCC factory has completed the development of high voltage  $\geq 5KV$  X7R capacitors.
- Chip Resistors factory has completed the development of 0805 metal plate.
- Chip Resistors factory has completed the development of 0612/1225 Long electrode product.
- Chip Resistors factory has completed the development of 2512 High power Chip Resistor.
- Powder factory has completed the development of microwave porcelain powder NPO K38.
- Powder factory has completed the development of high-end formula powder for base metal capacitor porcelain powder.
- Powder factory has completed the development of high-end formula powder for NPO capacitor porcelain powder.
- Powder factory has completed the development of high-end formula powder for precious metal capacitor porcelain powder.
- Strengthen the mode of production and sales integration and cooperation between group companies.
- Actively improve factory constitution , optimize product mix and ,enhance efficiency and strengthen product quality.

## **II.New product development**

- Development of Midvoltage & Hi-cap X7R capacitors.
- Development of Low loss and low bias capacitors .

- Development of Hi-cap  $\geq 10\mu\text{F}$  X7R,X7S capacitors.
- Development of Midvoltage & Hi-cap NPO capacitors
- Development of 0508/2725 metal plate resistors.
- Development of 0612/1225 0612/1225 for low resistance products with long electrodes resistors .
- Development of 2010/1206 high power Chip Resistor.
- Development of 1206 lead free high voltage safety Chip Resistor.
- Continued development of low temperature co-fired ceramic powder and glass powder for 5G application.
- Continued development of various medium-voltage and high-voltage dielectric ceramic powder for vehicle

### III. Financial result and profitability :

Comparison table of income statement for 2022 and 2021 is as follows:

Unit: NT\$ thousand

| Item   | 2022      | 2021(Restated) | Growth rate |
|--|-----------|----------------|-------------|
| Net Revenue  | 4,142,386 | 6,010,110      | -31.08%     |
| Gross Profit   | 965,839   | 1,586,510      | -39.12%     |
| Operating Profit                                     | 616,600   | 1,177,762      | -47.65%     |
| Income Before Income Tax                             | 629,475   | 1,442,332      | -56.36%     |
| Net Income(Attributable to the owner of the company) | 506,518   | 1,143,641      | -55.71%     |
| Earnings Per Share                                   | 2.96      | 6.67           | -55.62%     |

- (1)Net Revenue : In 2022, due to the following factors, the revenue decreased by 1.868 billion yuan compared with the previous period, a decrease of 31.08%. At the beginning of the year, the new crown virus raged again, and the eastern and southern regions of the mainland were closed due to the zero-clearing policy, resulting in unsmooth shipments. In the second quarter, due to the continuation of the Russian-Ukrainian war and the soaring global inflation, the global economic environment continued to deteriorate, the demand for consumer electronics was weak, and the electronic inventory level remained high, resulting in an accelerated decline in the demand for electronic components.
- (2)Gross Profit : The consolidated gross profit margin in 2022 will be 23.3%, a decrease of 3.1% compared with 2021, mainly due to the decrease in demand and the decline in capacity utilization.
- (3)Operation Profit : The operation profit in 2022 decreased by 561,162 thousands compared with that in 2021, mainly due to the decline in the gross profit.
- (4)Income Before Income Tax : The pre-tax profit in 2022 decreased by 812,857 thousand compared with 2021, mainly due to the decrease in operating profit and non-operating income (including the increase in loss on valuation of financial assets at FVTPL compared with the previous period, investment losses recognized under the equity method, and exchange gain due to the depreciation of the Taiwan dollar).

Looking forward to the new year, risks such as global geopolitics, inflationary pressure, climate change, technology wars between the US and China, and energy storms will impact the global economy. However, with the application of future technologies such as 5G communication, automotive electronics, energy storage and solar energy, it is still expected to drive the growth of

demand for passive components.

In the face of rapid changes in global economic market and industry, in response to the volatile market situation, the company actively adopts the following countermeasures and plans, improve operational performance, and actively implement corporate governance and sustainable operation and increase shareholder remuneration :

- Continue to focus on the company's core products, invest in R&D, manufacturing and sales to enhance the company's competitiveness in order to get greater profits.
- Continue to promote smart factories to improve production efficiency.
- In response to the new demands derived from 5G, automotive electronics, and third-generation semiconductor-related applications, the company will continue to adjust or expand its production line to enhance the company's competitiveness.
- Continue to strengthen the production and sales integration and cooperation model among group companies.
- Continue to improve product quality, provide high quality products to customers, and serve customers with an innovative global distribution model.
- Continue to provide customers with innovative technology to become the best partner to create added value.
- Provide green products , continue to carry out environmental protection work and to promote ESG (Enterprise Sustainable Development).

Thank all of advanced, shareholders, ladies and gentlemen, for being able to come to the shareholders meeting in person. I very much welcome you to come, and please continue to support and guide us to create a better future for PDC.

Finally, wish all shareholders and advanced from all walks of life good health and all the best!

Chairman  
Chiao Yu-Heng

# Company Profile

## 2.1 Date of establishment: May 21,1990

## 2.2 Company History & Evolution:

- 1990 The established capital of Prosperity Dielectrics Co., Ltd. (PDC or the “Company”) is 150 million yuan ,and it manufactures, processes and sells chip-type multilayer ceramic capacitors (MLCC).
- 1994 The Company has passed the ISO9002 quality assurance certification of the British SGS and the Bureau of Standards, Metrology and Inspection.
- 1995 Handled the cash capital increase of NT\$ 480 million (the capital is NT\$ 670 million after the capital increase) and stock public offering of stocks.  
Merged Taiwan Precision Materials Co.,Ltd. (the current Taoyuan factory).  
Semi-conductive ceramic disk capacitor won the National Quality Award.
- 1996 The Nantou plant's chip capacitor plant expansion project was completed.  
The construction of the new chip resistor factory in Taoyuan Factory was completed.  
The expansion project of the second powder factory building of Taoyuan Factory was completed.
- 1997 Head office moved from Nantou to Taoyuan.
- 1998 The semi-conductive ceramic capacitor chip factory was expanded, and the production capacity increased to 220 million pieces per month.
- 1999 The production capacity of dielectric powder factory was expanded to 100 metric tons per month.  
Chip Inductor Division moved to Nantou Plant.
- 2000 Handled a cash capital increase of NT\$150 million , and the paid-in capital was increased to NT\$ 820 million .  
2KV medium and high voltage capacitors, high-precision capacitors with a precision of  $\pm 2\%$  and large-size 1812 products have been successfully developed and launched.  
The Chip Resistor Division has developed high-power 2512 resistors (1W), high-precision 0805 resistors (0.1%) and low-value resistors (20m $\Omega$ ).
- 2001 Handled surplus capital increase of NT\$90.93 million, and the paid-in capital increased to NT\$ 910.93 million .  
Microwave dielectric ceramic powder was successfully developed and launched.  
Dielectric ceramic powder for chip capacitors was successfully developed and launched.  
The chip capacitor 3KV-DC series complies with the international standard



IEC60384-14 safety test specification.

3KV medium and high voltage capacitors, high-precision capacitors with a precision of  $\pm 1\%$  and large-size 2220 products were successfully developed and launched.

The Chip Resistor Division has developed high-power 2512 resistors (1.5W), high-precision 0603 resistors (0.1%) and low-value resistors (10m $\Omega$ ).

The company is the fourth in the world and the first in Asia to obtain SEMKO safety certification.

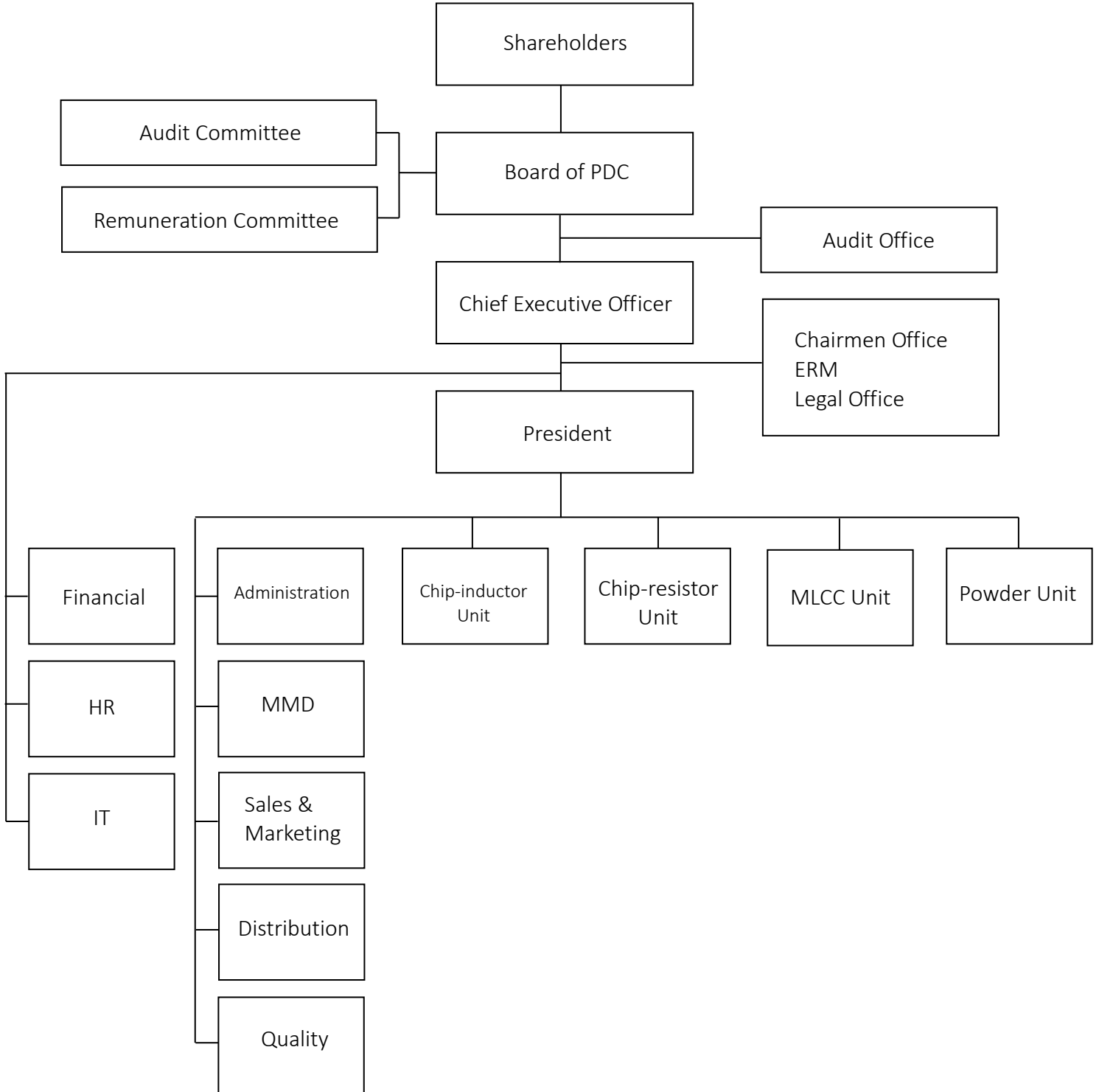
- 2002 On April 19, the stock was listed on the OTC securities trading center.
- On July 22, with the approval of Tai Cai Zheng Yi Zi No. 0910140867, the company was able to convert surplus and capital reserves into a capital increase of NT\$ 42,467,500 .
- On December 24, the issuance of 360 million domestic unsecured convertible corporate bonds was approved by Tai Cai Zheng Yi Zi No. 0910165715 for the expansion of BME process.
- 2003 On June 24, NT\$ 360 million convertible bonds was officially listed.
- 2004 On March 7, the company passed the ISO/TS16949: 2002 version certification and obtained the certificate.
- In October, ISO 14001/OHSAS 18001 certification was passed.
- In October, the company was selected as an excellent SHEMS demonstration team.
- In October, the company won the Industrial Sustainable Excellence Award.
- 2005 In September, the construction of Suzhou factory was completed .
- On October 7, Walsin Technology Co., Ltd. invested in the company and established a strategic alliance with the company.
- On November 7, the company won the honor of "Environmental Safety/Occupational Safety and Health Management System Continuous Improvement Team" in 2005 from the Industrial Development Bureau, MOEA(IDB).
- 2006 In July, the SAP system was launched.
- 2007 From February to April, it acquired 10.91% equity of Frontier electronic Industrial Co., Ltd. and obtained three directors on the board of directors.
- 2008 The company merged with Frontier electronic Industrial Co., Ltd. on March 1 as the merger base date. The company is the surviving company, and Frontier electronic Industrial Co., Ltd. is the eliminated company.
- The company obtained IECQ QC080000 HSF management certification.
- 2009 MLCC production line was moved to the Yangmei.

- 2011 The Chongqing factory was established and the construction of the Hunan factory was completed.
- 2012 The Dongguan production line was moved to the Hunan factory, and the Dongguan company was transformed into a trading company.
- 2015 The company's capacitor products have passed the AS9100 Aerospace industry Quality Management System certification.
- 2016 The company's capacitor automotive series products meet the quality requirements of AEC-Q200 and have obtained IECQ third-party certification.
- 2018 The company has obtained the IATF 16949:105 version of the automotive industry quality management system certification.  
Set up Shenzhen factory.
- 2019 Acquired the real estate of Yangmei Factory.
- 2021 Transferred 100% equity of Hunan Frontier Electronics Co., Ltd to Inpaq Technology (Suzhou) Co., Ltd.
- 2022 Obtained 26.38% equity of Joyin Co., Ltd.  
Acquired real estate in Liujia District, Tainan for operation and production.

# Corporate Governance Report

## 3.1 Company Organization

### 3.1.1 Organization Structure



### 3.1.2 Major Corporate Functions

| Department                      | Main Responsibilities  |
|---------------------------------|--|
| Chairmen Office                 | Business environment analysis and evaluation, monitoring and tracking of budget achievement, project management, public relationship, competitor analysis and strategy formulation, evaluation of investment cases, review and evaluation of mergers and acquisitions and strategic alliances.   |
| Enterprise Risk Management(ERM) | Responsible for customer credit and investigation, annual credit line calculation and adjustment, overdue accounts receivable call.  |
| Audit Office                    | Evaluate the deficiencies of the internal audit system and the efficiency of corporate operation. Prepare and submit the audit reports to the board of directors. Provide improving advice in due time to sustain a proper internal audit system. Implement the Internal Audit System effectively and assist management team to perform its duties faithfully. Assist departments in risk evaluation and self-check.   |
| Legal office                    | Draft, review and manage contracts. Research, consult and aid to legal issues. Suggest and deal with litigation and arbitration. Collect, compile, research and constantly update related rules, regulation and laws. Suggest and assist in trade secrets confidentiality and protection. Suggest and deal with legal enforcement of overdue receivables on demand. Suggest and assist in related government affairs. Promote and train for general legal knowledge training. Build up job description of legal department and train the related staffs. |
| President Office                | Responsible for strategic planning and coordination to achieve the company's goals, mastering and feedback of business information, promoting the improvement of business management physique, and business management of affiliate enterprise.  |
| Powder Unit                     | Manufacturing, sales, research and development, production technology improvement and engineering management of Powder products, product quality improvement and cost reduction, production system improvement and related enterprise operation management.  |
| MLCC Unit                       | Manufacturing, sales, research and development, production technology improvement and engineering management of MLCC products, product quality improvement and cost reduction, production system improvement and related enterprise operation management.  |
| Chip-resistor Unit              | Manufacturing, sales, research and development, production technology improvement and engineering management of Chip-resistor products, product quality improvement and cost reduction, production system improvement and related enterprise operation management.   |
| Chip-inductor Unit              | Manufacturing, sales, research and development, production technology improvement and engineering management of Chip-inductor products, product quality improvement and cost reduction, production system improvement and related enterprise operation management.   |

|                                   |  |
|-----------------------------------|--|
| Quality                           | <p>QC : Implement various quality and project improvement activities, enhance and maintain the quality system and statistical quality control knowledge, coordinate the internal quality system and external customer audits, and be responsible for the management and update of company-wide regulations and the preservation, release, and maintenance of standard operating procedures and quality records ISO and IATF quality (environmental protection) system.</p> <p>QA : Formulate the quality control system and product inspection standards for MLCC, chip-resistor, chip-inductor and etc. products, and be responsible for reliability testing, quality assurance of mass-produced products and materials, and handling of customer complaints.</p> |
| Distribution                      | Responsible for integrating orders, planning production scheduling, shipments, warehouse management, transportation and shipments, import and export, and other related work.  |
| Sales and Marketing               | Market research, analysis, development, promotion of new products, channel research, establishment and promotion of brand image, formulation and execution of sales plans and budgets, deployment and planning of sales channels, service, operation and development of domestic and foreign customers.  |
| Material Management Division(MMD) | Planning and control of raw material requirements, procurement operation planning, material source development, cost reduction and supply chain management.  |
| Administration                    | Repair and maintenance of plant equipment, establish and maintain environmental, safety and health systems.  |
| Information Technology(IT)        | Computer, network system/equipment management and maintenance, IT system operation training, integration of company information management system.   |
| Human Resources (HR)              | Human capital development planning and implementation: employee recruitment system, training and elite development system, performance appraisal management, salary and attendance system planning and implementation, employee insurance operations, employee arrival/ resignation management, foreign labor management, human resource management system formulation and execution, overseas human resource management and planning, and general affairs management.   |
| Financial                         | Budget preparation and control, implementation of accounting systems, preparation of financial statements, statistics and analysis, tax planning, implementation of financial related projects and overall planning and management of the source and use of funds, and handling of stock-related affairs.  |

## 3.2 Information On Board Directors, President, Vice Presidents, Assistant Vice Presidents and the Heads of Various Divisions and Branches

### 3.2.1 Information On Board Directors

#### 3.2.1.1 Information On Board Directors

2023.04.22

| Title                | Nationality or Registration Country | Name   | Gender /Age          | Date Elected | Term | Date First Elected | Shareholding When Elected |       | Current Shareholding |       | Shares Currently Held by Spouse and Underage Children |   | Shares Held in Name of Others |   | Key Education/Work Experience   | Other Current Positions Within the Company            | Other Officer, Director or Supervisor Who Are Spouse or Relative within Second Degree |      |              | Note 1 |
|----------------------|-------------------------------------|--|----------------------|--------------|------|--------------------|---------------------------|-------|----------------------|-------|---|---|-------------------------------|---|---|---|---|------|--------------|--------|
|                      |                                     |  |                      |              |      |                    | Number of Shares          | %     | Number of Shares     | %     | Number of Shares                                      | % | Number of Shares              | % |   |   | Position  | Name | Relationship |        |
| Chairman             | R.O.C                               | Yu-Heng Chiao                                | Male 61-70 years old | 2020/6/17    | 3    | 2005/10/27         | 1,065,861                 | 0.62  | 1,065,861            | 0.62  | 0   | 0 | 0                             | 0 | Golden Gate University MBA  | Note 2<br>Note 6                                      | None  | None | None         | Note 1 |
| Director             | R.O.C                               | Walsin Technology Corporation                | N/A                  | 2020/06/17   | 3    | 2005/10/27         | 74,186,468                | 43.13 | 74,186,468           | 43.13 | 0   | 0 | 0                             | 0 |   |   |   |      |              |        |
| Representative       | R.O.C                               | Walsin Technology Corporation :Li-Chin Ku    | Male 61-70 years old | 2020/06/17   | 3    | 2005/10/27         | 0                         | 0     | 0                    | 0     | 0   | 0 | 0                             | 0 | Bachelor of engineering, Chung Yuan Christian University<br>President of Walsin Technology Corporation  | Note 3  | None  | None | None         | None   |
| Representative       | R.O.C                               | Walsin Technology Corporation :Chih-Mou Hung | Male 61-70 years old | 2020/06/17   | 3    | 2005/10/27         | 0                         | 0     | 102,972              | 0.06  | 0   | 0 | 0                             | 0 | Master of chemical engineering ,National Cheng Kung University<br>Vice president of Walsin Technology Corporation   | Note 4<br>Note 6                                      | None  | None | None         | None   |
| Director             | R.O.C                               | Por-Yuan Wang                                | Male 71-80 years old | 2020/06/17   | 3    | 2002/06/28         | 0                         | 0     | 0                    | 0     | 0   | 0 | 0                             | 0 | PHD of Carnegie Mellon University<br>Chairman of Pacific Venture Partners   | Note 5  | None  | None | None         | None   |
| Independent Director | R.O.C                               | Po-Kang Fan                                  | Male 71-80 years old | 2020/06/17   | 3    | 2017/06/14         | 0                         | 0     | 0                    | 0     | 0   | 0 | 0                             | 0 | Bachelor of Accounting ,California State University<br>Administrator of Chiao Tung Bank Silicon Valley Branch<br>Manager of Walsin Lihwa Corporation<br>Vice president and director of Tsai Yi Corporation<br>Chairman of Chaintech | Independent Director of Walsin Technology Corporation | None  | None | None         | None   |

|                         |          |                    |                               |            |   |            |        |      |        |      |   |   |   |   |   |   |      |      |      |      |
|-------------------------|----------|--------------------|-------------------------------|------------|---|------------|--------|------|--------|------|---|---|---|---|---|---|------|------|------|------|
|                         |          |                    |                               |            |   |            |        |      |        |      |   |   |   |   | Technology Corporation<br>Director of Hannstouch<br>Solution Incorporated   |   |      |      |      |      |
| Independent<br>Director | R.O.C    | Eric Chen          | Male<br>61-70<br>years<br>old | 2020/06/17 | 3 | 2017/06/14 | 10,312 | 0.01 | 10,312 | 0.01 | 0 | 0 | 0 | 0   | Master of chemistry ,National<br>Taiwan University<br>Vice president of Walsin<br>Technology Corporation                  | Director of Wei Chia<br>International<br>Development<br>Company | None | None | None | None |
| Independent<br>Director | Malaysia | Yong- Chian<br>Tan | Male<br>51-60                 | 2020/06/17 | 3 | 2020/06/17 | 0      | 0    | 0      | 0    | 0 | 0 | 0 | Department of Civil Engineering,<br>Seattle University<br>Chairman of Beijing New World<br>Bio-Technology Co.,Ltd<br>President of Dongguan Hannstar<br>Electronics Co., Ltd.<br>Vice president of Shanghai Walsin<br>Lihwa Power Wire & Cable Co.,<br>Ltd.<br>Executive Director of Walcom<br>Group Ltd (listed company in<br>London Stock Exchange)<br>President of shanghai Walcom<br>Bio-chem Co., Ltd.<br>Independent Director of Global<br>Brands Manufacture Ltd. | Independent<br>Director of<br>Walsin<br>Technology<br>Corporation<br>President of Moxiq<br>Object Sdn.<br>Bhd.( Malaysia) | None  | None | None | None |      |

Note 1: The chairman and chief executive officer of the company are the same person. The main purpose to plan the company's future development and formulate the company's operating strategy, so it is necessary. In addition, more than half of the company's directors do not serve as employees or managers, which is sufficient to perform the supervisory function of the board of directors. In line with the spirit of corporate governance.

Note 2: Chairman Yu-Heng Chiao concurrently served duties in PDC and other companies as shown in the table below.

| Company Name                      | Title            | Company Name  | Title    | Company Name                              | Title                        |
|-----------------------------------|------------------|---|----------|---|------------------------------|
| Walsin Technology Corporation     | Chairman         | Walsin Lihwa Corporation                              | Director | Success Ocean Investments Ltd.            | Rep of corporate<br>director |
| Walton Advanced Engineering, Inc. | Chairman         | Gallatown Developments Ltd.                           |          | Always Up Investments Ltd.                |                              |
| Global Brands Manufacture Ltd.    | Chairman         | Nitsuko Electronics Corporation                       |          | Chongqing Dunning Real Estate Co.,Ltd.    |                              |
| Silitech Technology Corporation   | Chairman         | Walsin International Management (HK) Ltd.             |          | Chongqing Shuohong Investment Co., Ltd.   |                              |
| HannStar Board Corporation        | Chairman         | Walsin Electronics (S) Pte. Ltd.                      |          | GHPW Enterprise Corporation (CQ) Ltd.     |                              |
| Info-Tek Corporation              | Chairman and CEO | Walsin Technology Holding Corporation (HK)<br>Limited |          | Inpaq Technology Co., Ltd.                |                              |
| Career Technology (Mfg.) Co., Ltd | Chairman         | GHPW Enterprise Corporation (Hong Kong)<br>Ltd.       |          | Effort Growth Developments Ltd.           |                              |
| Prosperity Dielectrics Co., Ltd.  | Chairman         | Silitech (BVI) Holding Ltd.                           |          | CMK Global Brands Manufacture Ltd.        |                              |
|                                   |                  | Conduct Investments Limited                           |          | HannStar Board International Holdings Ltd |                              |
|                                   |                  | Hannstar Board Holdings (Hong Kong)Ltd.               |          | GBM UP (HK) Ltd.                          |                              |
|                                   |                  | Hannstar Board (SAMOA)Holdings Corp.                  |          | Walton Holding Universal Ltd.             |                              |
|                                   |                  | Pan Overseas (B.V.I.) Investments Co., Ltd.           |          | Walton Holding (Hong Kong) Ltd.           |                              |
|                                   |                  |   |          | Up First Investments Ltd.                 |                              |
|                                   |                  |   |          | Dynamic Skyline Ltd.                      |                              |

|  |  |   |  |  |  |
|--|--|---|--|--|--|
|  |  | Hannstar Board (BVI) Holdings Corp.<br>Kamaya Electric Co., Ltd.<br>HannStar Board Investments (Hong Kong) Ltd.<br>Silitech (Bermuda) Holding Ltd.<br>Silitech Technology Corporation Sdn. Bhd.<br>Silitech Technology Corporation Limited<br>Career Technology (Singapore) Private Co., Ltd.<br>Plenty Enterprises Ltd.<br>Soshin Electric Co., Ltd. |  | Centralian Investments Ltd.<br>Total Rich Holdings Ltd.<br>Forever Line Ltd.<br>Up Ever Holdings Ltd.<br>Will Grow Holdings Ltd.<br>Cheng Cheng Enterprise Co., Ltd. |  |
|--|--|---|--|--|--|

Note 3: Director Li-Chin Ku concurrently served duties in PDC and other companies as shown in the table below.

| Company Name   | Title                             | Company Name  | Title                | Company Name  | Title                |
|--|-----------------------------------|---|----------------------|---|----------------------|
| Walsin Technology Corporation<br>Walsin Electronics (S) Pte. Ltd.<br>Walsin International Management (HK) Ltd. | President<br>Director<br>Director | Pan Overseas (B.V.I.) Investments Co., Ltd.<br>Walsin Technology Holding Corporation (HK) Limited | Director<br>Director | Gallatown Developments Ltd.<br>Walsin Electronics India Private Limited | Director<br>Director |

Note 4: Director Chih-Mou Hung concurrently served duties in PDC and other companies as shown in the table below.

| Company Name  | Title                                  | Company Name                                       | Title                                 | Company Name                   | Title    |
|---|--|--|---------------------------------------|--------------------------------|----------|
| Prosperity Dielectrics Co., Ltd.<br>Falcon Automation Equipment Corporation | President<br>Rep of corporate director | Dongguan Huafai Trading Co., Ltd.<br>Joyin Co. Ltd | Director<br>Rep of corporate director | Fine Bright Technology Limited | Director |

Note 5: Director Por-Yuan Wang concurrently served duties in PDC and other companies as shown in the table below.

| Company Name                                     | Title  | Company Name               | Title                | Company Name             | Title    |
|--|--|----------------------------|----------------------|--------------------------|----------|
| Sercomm Corporation<br>Taiwan Cement Corporation | Rep of corporate director<br>Rep of corporate director | UPC Technology Corporation | Independent Director | Pacific Venture Partners | Chairman |

Note 6 : For details of other positions held by the director concurrently in a subsidiary of the Company, please refer to "8.1. Affiliates Information "of "8. Special Notes".



**Table 1 : Major shareholders of the institutional shareholders**

| Name of Institutional Shareholder                  | Major Shareholders of Institutional Shareholders   | shareholding |
|--|--|--------------|
| Walsin Technology Corporation<br>(as of 2023.4.22) | Walsin Lihwa Corporation   | 18.30%       |
|  | HannStar Board Corporation   | 7.66%        |
|  | Global Brands Manufacture Ltd.   | 3.31%        |
|  | Walton Advanced Engineering, Inc.  | 2.75%        |
|  | Yu-Heng Chiao  | 2.65%        |
|  | Maybank Kim Eng Securities Sdn Bhd Investment Fund under the custody of Citibank Taiwan  | 2.62%        |
|  | Winbond Electronics Corporation  | 1.73%        |
|  | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds | 1.39%        |
|  | Giga Investment Co.  | 1.37%        |
|  | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds                    | 1.34%        |

**Table 2 : Major shareholders of the Company's major institutional shareholders**

| Name of Institutional Shareholders                  | Major Shareholders of Institutional Shareholders   | shareholding |
|---|--|--------------|
| Walsin Lihwa Corporation<br>(as of 2023.3.21)       | Winbond Electronics Corporation  | 6.63%        |
|   | Chin-Xin Investment Co., Ltd.  | 6.63%        |
|   | LGT Bank (Singapore) Investment Fund under the custody of Business Department, Standard Chartered Bank (Taiwan) Ltd. | 6.38%        |
|   | Teco Electric & Machinery co., Ltd.  | 5.64%        |
|   | Rong Jiang Co., Ltd.   | 4.92%        |
|   | Patricia Chiao   | 2.92%        |
|   | Huali Investment Corp.   | 2.87%        |
|   | Yu-Heng Chiao  | 1.75%        |
|   | Pai-Yung Hong  | 1.39%        |
|   | Yu-Chi Chiao   | 1.38%        |
| HannStar Board Corporation<br>(as of 2023.4.17)     | Walsin Technology Corporation  | 20.32%       |
|   | Walsin Lihwa Corporation   | 12.06%       |
|   | Career Technology (Mfg.) Co., Ltd.   | 5.44%        |
|   | Chin-Xin Investment Co., Ltd   | 3.55%        |
|   | Yu-Heng Chiao  | 2.19%        |
|   | Pai-Yung Hong  | 1.86%        |
|   | Prosperity Dielectrics Co., Ltd.   | 1.07%        |
|   | Tsai Yi Corporation  | 0.96%        |
|   | Xingxing Investment Co., Ltd.  | 0.92%        |
|   | Yu-Yue Inc   | 0.89%        |
| Global Brands Manufacture Ltd.<br>(as of 2023.4.16) | HannStar Board Corporation   | 40.65%       |
|   | Citibank Taiwan in custody for Investment account of Norges Bank   | 1.32%        |

|  |  |         |
|--|--|---------|
|  | Yu-Heng Chiao  | 0.84%   |
|  | Min-Hui Liao   | 0.74%   |
|  | Ji cheng investment co., Ltd.  | 0.68%   |
|  | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds | 0.66%   |
|  | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds                    | 0.62%   |
|  | DFA Emerging Markets Core Securities Investment Fund under the custody of Citibank   | 0.52%   |
|  | Ying-zhao Investment Co., Ltd.   | 0.50%   |
|  | Chi-fu Chiou   | 0.50%   |
| Walton Advanced Engineering, Inc.<br>(as of 2023.4.18) | Walsin Lihwa Corporation   | 21.17%  |
|  | Winbond Electronics Corporation  | 9.67%   |
|  | Prosperity Dielectrics Co., Ltd.   | 6.16%   |
|  | Walsin Technology Corporation  | 6.16%   |
|  | HannStar Board Corporation   | 2.85%   |
|  | Yu-Heng Chiao  | 1.97%   |
|  | Yu-Lon Chiao   | 0.94%   |
|  | Tsai Yi Corporation  | 0.58%   |
|  | Chun-fen Li  | 0.53%   |
|  | JP Morgan Securities PLC Investment account under the custody of JPMorgan Chase Bank N.A., Taipei Branch   | 0.51%   |
| Winbond Electronics Corporation<br>(as of 2023.4.1)    | Walsin Lihwa Corporation   | 22.20%  |
|  | Chin-Xin Investment Co., Ltd.  | 6.03%   |
|  | Yu-Cheng Chiao   | 1.59%   |
|  | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds | 1.05%   |
|  | LGT Bank (Singapore) Investment Fund under the custody of Business Department, Standard Chartered Bank (Taiwan) Ltd.                                     | 1.04%   |
|  | Pai-Yung Hong  | 0.97%   |
|  | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds                    | 0.96%   |
|  | Yu-Heng Chiao  | 0.75%   |
|  | iShares MSCI Taiwan Index ETF Investment Fund under the custody of Business Department of Standard Chartered Bank (Taiwan) Limited                       | 0.69%   |
|  | Yu-Lon Chiao   | 0.65%   |
| Giga Investment Co.                                    | GIGA-BYTE TECHNOLOGY CO., LTD.   | 100.00% |

### 3.2.1.2 Disclosure of information as professional qualifications and independent status of directors and independent directors

| Qualification<br>Name     | Professional qualifications and experience  | Independent status  | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
|---------------------------|---|---|---|
| Chairman<br>Yu-Heng Chiao | Possesses five or more years of work experience required for the Company's business; the current position please refer to "3. Corporate Governance Report" in this annual report; and not been a person of any conditions defined in Article 30 of the Company Act. | (1)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.<br>(2)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.   | 0   |
| Director<br>Li-Chin Ku    | Possesses five or more years of work experience required for the Company's business; the current position please refer to "3. Corporate Governance Report" in this annual report; and not been a person of any conditions defined in Article 30 of the Company Act. | (1)Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.<br>(2)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.   | 0   |
| Director<br>Chih-Mou Hung | Possesses five or more years of work experience required for the Company's business; the current position please refer to "3. Corporate Governance Report" in this annual report; and not been a person of any conditions defined in Article 30 of the Company Act. | (1)Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.<br>(2)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.   | 0   |
| Director<br>Por-Yuan Wang | Possesses five or more years of work experience required for the Company's business; the current position please refer to "3. Corporate Governance Report" in this annual report; and not been a person of any conditions defined in Article 30 of the Company Act. | (1)Not an employee of the company or any of its affiliates.<br>(2)Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.<br>(3)Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. | 1   |

|   |  |   |          |
|---|--|---|----------|
| <p>Independent Director<br/>Po-Kang Fan</p> | <p>Possesses five or more years of work experience required for the Company's business; the current position please refer to "3. Corporate Governance Report" in this annual report; and not been a person of any conditions defined in Article 30 of the Company Act.</p> | <p>(4)Not a spouse, relative within the second Degree of kinship, or lineal relative within the Third degree of kinship, of a managerial officer Under subparagraph 1 or any of the persons in The preceding two subparagraphs.<br/>(5)Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27,paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.</p>  | <p>1</p> |
| <p>Independent Director<br/>Eric Chen</p>   | <p>Possesses five or more years of work experience required for the Company's business; the current position please refer to "3. Corporate Governance Report" in this annual report; and not been a person of any conditions defined in Article 30 of the Company Act.</p> | <p>(6)If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.<br/>(7)If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.<br/>(8)Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the company.<br/>(9)Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for</p> | <p>0</p> |

|   |   |   |   |
|---|---|---|---|
| Independent Director<br>Yong- Chian Tan | Possesses five or more years of work experience required for the Company's business; the current position please refer to "3. Corporate Governance Report" in this annual report; and not been a person of any conditions defined in Article 30 of the Company Act. | merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.<br>(10)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.<br>(11)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. | 1 |
|---|---|---|---|

### 3.2.1.3 Policy and implementation of diversity of board members

- (1) This policy is the policy adopted by the company's board of directors to achieve the diversity of members.
- (2) When formulating an appropriate diversity policy for board members, the company considers the industry type, international development needs, basic conditions (gender, nationality, education experience, etc.), and in accordance with Article 20 of Corporate Governance Best-Practice Principles , members of the board of directors must generally have the knowledge, skills and accomplishments necessary to perform their duties. When the company selects the members of the board of directors, it has been taken into consideration, and the overall members should have the following abilities:
- ① Operation judgment ability ② Accounting and financial analysis ability ③ Operation management ability ④ Crisis handling ability ⑤ Industry knowledge ⑥ International market outlook ⑦ Leadership ability ⑧ Decision-making ability.

The board of directors of the company is composed of shareholders, industry elites and experts in various fields in accordance with the spirit of diversity. The company has 7 directors, of which 43% are directors with employee status and 3 are independent directors (43%). None of the independent directors has served three consecutive terms. There are 3 directors over the age of 65, and 4 between the ages of 55 and 64.

Considering the list of directors of the company, among them, Chairman Yu-Heng Chiao has an international vision and is good at technology leadership, operational judgment and investment judgment; Director Li-Chin Ku and Director Chih-Mou Hung are familiar with the manufacturing, sales and operation management of the passive component industry; Director Por-Yuan Wang has an international vision, and is familiar with electronics industry, and is good at operation management and investment judgment. The company's independent directors also have industry knowledge and international market views, and among them, independent director Po-Kang Fan is good at finance, accounting and corporate governance; independent director Yong-Chian Tan has an international perspective, and has a good grasp of the market conditions in mainland China and Southeast Asia; Independent Director Eric Chen is familiar with the manufacturing and operation management of passive components industry.

The industry elite directors selected by the company participate in major investment projects related to the company's business, assist the company's finance, accounting

and corporate governance and other related businesses according to their professions, and generate extensive and professional opinions through the different experiences of the members to assist the company to make favorable decisions in doing business. In response to the company's development strategy and changes in the internal and external environment in the future, the company will continue to invite suitable candidates to join the board of directors according to future development needs, so as to strengthen the balance of the board of directors. The company's directors' professional diversity structure is as follows:

| Title                | Name           | Nationality | Gender | Employee Identity | Age   | The term of the Independent director is less than 3 terms | Whether it meets the abilities of the above (1)~(8) | Background  |          | Professional skills  |                        |                 |   |
|----------------------|----------------|-------------|--------|-------------------|-------|---|---|-------------|----------|----------------------|------------------------|-----------------|---|
|                      |                |             |        |                   |       |   |   | Electronics | Business | Financial Accounting | Information Technology | Risk Management |   |
| Director             | Yu-Heng Chiao  | R.O.C       | Male   | V                 | 61-70 |   | YES   | o           | o        | o                    |                        | o               |   |
|                      | Li-Chin Ku     |             | Male   | V                 | 61-70 |   | YES   | o           | o        |                      | o                      | o               |   |
|                      | Chih-Mou Hung  |             | Male   | V                 | 61-70 |   | YES   | o           | o        |                      | o                      | o               |   |
|                      | Por-Yuan Wang  |             | Male   |                   |       | 71-80   |   | YES         |          | o                    |                        | o               | o |
| Independent Director | Po-Kang Fan    |             | Male   |                   |       | 71-80   | V   | YES         |          | o                    | o                      |                 | o |
|                      | Eric Chen      |             | Male   |                   |       | 61-70   | V   | YES         | o        |                      |                        | o               | o |
|                      | Yong-Chian Tan | Malaysia    | Male   |                   |       | 51-60   | V   | YES         |          | o                    |                        | o               | o |

The current board of directors of the company consists of seven directors. The specific management objectives and achievement of the board diversity policy are as follows:

| Management goals  | Execution situation                            |
|---|--|
| <ul style="list-style-type: none"> <li>■ The number of independent directors exceeds one third of the number of directors</li> </ul>                    | Achieved                                       |
| <ul style="list-style-type: none"> <li>■ Directors who also serve as company managers should not exceed one-third of the number of directors</li> </ul> | Improvement is expected at the next reelection |
| <ul style="list-style-type: none"> <li>■ The term of independent directors has not exceeded 3 terms</li> </ul>  | Achieved                                       |
| <ul style="list-style-type: none"> <li>■ Board members include at least one female director</li> </ul>  | Improvement is expected at the next reelection |

### 3.2.2 Information on President, Vice Presidents, Assistant Vice Presidents and the Heads of Various Divisions and Branches

2023.04.22

| Title          | Nationality | Name             | Gender | Date Appointed | Shares Held      |      | Shares Held by Spouse and Underage Children |   | Shares Held through nominees |   | Principal work experience and academic qualifications   | Positions concurrently held in other companies at present | Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree |      |               | Remark |
|----------------|-------------|------------------|--------|----------------|------------------|------|---|---|------------------------------|---|---|---|---|------|---------------|--------|
|                |             |                  |        |                | Number of Shares | %    | Number of Shares                            | % | Number of Shares             | % |   |   | Title   | Name | Relation-ship |        |
| CEO            | R.O.C.      | Yu-Heng Chiao    | Male   | 2005.10.27     | 1,065,861        | 0.62 | 0   | 0 | 0                            | 0 | Golden Gate University MBA  | Note 1&2  | None  | None | None          | Note3  |
| President      | R.O.C.      | Chih-Mou Hung    | Male   | 2019.02.23     | 102,972          | 0.06 | 0   | 0 | 0                            | 0 | Master of chemical engineering ,National Cheng Kung University<br>Vice president of Walsin Technology Corporation         | Note 1&2  | None  | None | None          | None   |
| Vice president | R.O.C.      | Wen-Ko Lin       | Male   | 2012.06.18     | 188,039          | 0.11 | 0   | 0 | 0                            | 0 | Department of Industrial and Systems Engineering, Chung Yuan Christian University<br>AVP of Walsin Technology Corporation | Note 2  | None  | None | None          | None   |
| AVP            | R.O.C.      | Chung-Ya Tsao    | Male   | 1999.09.01     | 236,676          | 0.14 | 0   | 0 | 0                            | 0 | Master of Materials Science and Engineering, National Taiwan University   | None  | None  | None | None          | None   |
| AVP            | R.O.C.      | Hung-Chun Wu     | Male   | 2007.11.01     | 157,974          | 0.09 | 0   | 0 | 0                            | 0 | Institute of Engineering Physics,National Tsing Hua University  | Note 2  | None  | None | None          | None   |
| Director       | R.O.C.      | Chien-Wen Chiang | Male   | 2007.12.26     | 74,669           | 0.04 | 89  | 0 | 0                            | 0 | Master of Mechanical and Materials engineering, Tatung University   | Note 2  | None  | None | None          | None   |
| Director       | R.O.C.      | Liang-Wei Chen   | Male   | 2018.11.01     | 62,001           | 0.04 | 0   | 0 | 0                            | 0 | National Chengchi University EMBA   | None  | None  | None | None          | None   |
| Director       | R.O.C.      | Hsia-Ying Lo     | Female | 2006.07.01     | 107,102          | 0.06 | 0   | 0 | 0                            | 0 | Assistant manager Of PwC Taiwan<br>Assistant Accounting Manager of Walsin Technology Corporation                          | Note 2  | None  | None | None          | None   |

Note 1 : Please refer to "3.2.1.1 Information On Board Directors".

Note 2 : For details of other duties of the managerial officer concurrently serving as a subsidiary of the company, please refer to "8.1. Affiliates information" of "8. Special Notes".

Note 3 : The chairman and chief executive officer of the company are the same person. The main purpose to plan the company's future development and formulate the company's operating strategy, so it is necessary. In addition, more than half of the company's directors do not serve as employees or managers, which is sufficient to perform the supervisory function of the board of directors. In line with the spirit of corporate governance.

### 3.3 Remuneration of Directors & Managers in 2022

#### 3.3.1 Remuneration of Directors and Independent Directors

As of December 31, 2022 Unit:NT\$ thousands;

| Title                | Name                                 | Directors Remuneration |                           |   |                           |                               |                           |                         |                           | Amount and Ratio of Total Remuneration (A+B+C+D) and proportion of Net Income(%) |                           | Compensation Earned by a Director Who is an Employee of the Company or of the Company's Consolidated Entities |                           |   |                           |                            |        |                           |        | Amount and Ratio of Total Compensation (A+B+C+D+E+F+G) and proportion of Net Income(%) |                           | Remuneration from Ventures Other than Subsidiaries or from the Parent Company |        |       |       |         |
|----------------------|--------------------------------------|------------------------|---------------------------|---|---------------------------|-------------------------------|---------------------------|-------------------------|---------------------------|--|---------------------------|---|---------------------------|---|---------------------------|----------------------------|--------|---------------------------|--------|--|---------------------------|---|--------|-------|-------|---------|
|                      |                                      | Base Compensation (A)  |                           | Severance Pay and Pensions (B) (Note 1) |                           | Compensation to Directors (C) |                           | Allowances (D) (Note 2) |                           |  |                           | Salary, Bonuses, and Allowances (E)   |                           | Severance Pay and Pensions (F) (Note 1) |                           | Employees' Compensation(G) |        |                           |        |  |                           |   |        |       |       |         |
|                      |                                      | The Company            | All consolidated entities | The Company                             | All consolidated entities | The Company                   | All consolidated entities | The Company             | All consolidated entities | The Company  | All consolidated entities | The Company   | All consolidated entities | The Company                             | All consolidated entities | The Company                |        | All consolidated entities |        | The Company  | All consolidated entities |   |        |       |       |         |
|                      |                                      |                        |                           |   |                           |                               |                           |                         |                           |  |                           |   |                           |   |                           | Cash                       | Stocks | Cash                      | Stocks |  |                           |   |        |       |       |         |
| Director             | Yu-Heng Chiao                        |                        |                           |   |                           |                               |                           |                         |                           |  |                           |   |                           |   |                           |                            |        |                           |        |  |                           |   |        |       |       |         |
|                      | Walsin Technology Corporation ( WTC) |                        |                           |   |                           |                               |                           |                         |                           |  |                           |   |                           |   |                           |                            |        |                           |        |  |                           |   |        |       |       |         |
|                      | Rep of WTC: Li-Chin Ku               | 0                      | 0                         | 0                                       | 0                         | 4,287                         | 4,287                     | 300                     | 300                       | 4,587  | 4,587                     | 0.91%   | 0.91%                     | 16,912                                  | 32,912                    | 108                        | 108    | 1,721                     | 0      | 1,721  | 0                         | 23,328  | 39,328 | 4.61% | 7.77% | 116,410 |
|                      | Rep of WTC: Chih-Mou Hung            |                        |                           |   |                           |                               |                           |                         |                           |  |                           |   |                           |   |                           |                            |        |                           |        |  |                           |   |        |       |       |         |
|                      | Por-Yuan Wang                        |                        |                           |   |                           |                               |                           |                         |                           |  |                           |   |                           |   |                           |                            |        |                           |        |  |                           |   |        |       |       |         |
| Independent Director | Po-Kang Fan                          |                        |                           |   |                           |                               |                           |                         |                           |  |                           |   |                           |   |                           |                            |        |                           |        |  |                           |   |        |       |       |         |
|                      | Eric Chen                            | 0                      | 0                         | 0                                       | 0                         | 2,205                         | 2,205                     | 285                     | 285                       | 2,490  | 2,490                     | 0.49%   | 0.49%                     | 0                                       | 0                         | 0                          | 0      | 0                         | 0      | 0  | 0                         | 2,490   | 2,490  | 0.49% | 0.49% | 3,222   |
|                      | Yong- Chian Tan                      |                        |                           |   |                           |                               |                           |                         |                           |  |                           |   |                           |   |                           |                            |        |                           |        |  |                           |   |        |       |       |         |

- In order to facilitate the compliance of the company's directors and functional committee members' remuneration management, the company has formulated " Remuneration Measures for Directors " and " Rules for Performance Evaluation of Board of Directors ", which clearly regulate the payment standard of directors' remuneration and pay remuneration according to the degree of individual operation participation and contribution value, while considering the company's operating performance and future risks.
- In addition to what is disclosed in the above table, the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): 0



**Table of Director's Remuneration Ranges**

| Range of Remuneration Paid to Directors                 | Names of Directors  |   |   |  |
|---|---|---|---|--|
|   | Aggregate of First Four Remunerations (A+B+C+D)   |   | Aggregate of First Seven Remunerations (A+B+C+D+E+F+G)                    |  |
|   | The Company   | All consolidated entities   | The Company   | From All Consolidated Entities and Non-consolidated Affiliates |
| <NT\$1,000,000  | 6(Chih-Mou Hung 、 Li-Chin Ku 、 Por-Yuan Wang 、 Po-Kang Fan 、 Eric Chen 、 Yong- Chian Tan) | 6(Chih-Mou Hung 、 Li-Chin Ku 、 Por Yuan Wang 、 Po-Kang Fan 、 Eric Chen 、 Yong- Chian Tan) | 5(Li-Chin Ku 、 Por-Yuan Wang 、 Po-Kang Fan 、 Eric Chen 、 Yong- Chian Tan) | 2(Por-Yuan Wang 、 Eric Chen)                                   |
| NT\$1,000,000 (inclusive) ~ NT\$2,000,000               | 1(Walsin Technology Corporation)  | 1(Walsin Technology Corporation)  | 1(Walsin Technology Corporation)  | 0  |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000               | 1(Yu-Heng Chiao)  | 1(Yu-Heng Chiao)  | 0   | 2(Po-Kang Fan 、 Yong- Chian Tan)                               |
| NT\$3,500,000 (inclusive) ~ NT\$5,000,000               | 0   | 0   | 0   | 0  |
| NT\$5,000,000 (inclusive) ~ NT\$10,000,000              | 0   | 0   | 1(Yu-Heng Chiao)  | 0  |
| NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive) | 0   | 0   | 1(Chih-Mou Hung)  | 2(Walsin Technology Corporation 、 Chih-Mou Hung)               |
| NT\$15,000,000 (inclusive) ~ NT\$30,000,000             | 0   | 0   | 0   | 1(Li-Chin Ku)  |
| NT\$30,000,000 (inclusive) ~ NT\$50,000,000             | 0   | 0   | 0   | 0  |
| NT\$50,000,000 (inclusive)~ NT\$100,000,000             | 0   | 0   | 0   | 0  |
| > NT\$100,000,000 (inclusive)                           | 0   | 0   | 0   | 1(Yu-Heng Chiao)   |
| Total   | 8   | 8   | 8   | 8  |

Note 1 : The accrual or appropriation amount that belongs to the expensing of retirement pension.

Note 2 : The company had separately paid the driver a total remuneration of NT\$0.

Note 3 : Including the annual rent of NT\$0 for the car provided by the company.

### 3.3.2 Remuneration of President, Vice President

As of December 31, 2022 Unit: NT\$ thousands;

| Title          | Name          | Salary (A)     |                                 | Severance Pay (B)<br>(Note 1) |                                 | Bonuses and Allowances<br>(C)(Note 2) |                                 | Employee Compensation (D) |       |                                 |       | Amount and Ratio of<br>Total<br>Compensation<br>(A+B+C+D) and<br>proportion of Net<br>Income (%) |                                 | Remuneration<br>from<br>Ventures<br>other than<br>Subsidiaries<br>or from the<br>Parent<br>Company |
|----------------|---------------|----------------|---------------------------------|-------------------------------|---------------------------------|---------------------------------------|---------------------------------|---------------------------|-------|---------------------------------|-------|--|---------------------------------|--|
|                |               | The<br>Company | All<br>consolidated<br>entities | The<br>Company                | All<br>consolidated<br>entities | The<br>Company                        | All<br>consolidated<br>entities | The Company               |       | All<br>consolidated<br>entities |       | The<br>Company   | All<br>consolidated<br>entities |  |
|                |               |                |                                 |                               |                                 |                                       |                                 | Cash                      | Stock | Cash                            | Stock |  |                                 |  |
| CEO            | Yu-Heng Chiao |                |                                 |                               |                                 |                                       |                                 |                           |       |                                 |       |  |                                 |  |
| President      | Chih-Mou Hung | 8,425          | 8,425                           | 216                           | 216                             | 13,609                                | 29,609                          | 2,114                     | 0     | 2,114                           | 0     | 24,364<br>4.81%  | 40,364<br>7.97%                 | 89,667   |
| Vice President | Wen-Ko Lin    |                |                                 |                               |                                 |                                       |                                 |                           |       |                                 |       |  |                                 |  |

Note 1 : Retirement pension expenses actually paid.

Note 2 : Including the annual rent of NT\$0 for the car provided by the company.

#### Remuneration Range Table

| Range of Compensation to President, Vice President | President, Vice Presidents    |  |
|--|-------------------------------|--|
|  | The Company                   | From All Consolidated Entities and Non-consolidated Affiliates |
| <NT\$1,000,000                                     | 0                             | 0  |
| NT\$1,000,000 (inclusive) ~ NT\$2,000,000          | 0                             | 0  |
| NT\$2,000,000 (inclusive) ~ NT\$3,500,000          | 0                             | 0  |
| NT\$3,500,000 (inclusive) ~ NT\$5,000,000          | 0                             | 0  |
| NT\$5,000,000 (inclusive) ~NT\$10,000,000          | 2(Yu-Heng Chiao 、 Wen-Ko Lin) | 1(Wen-Ko Lin)  |
| NT\$10,000,000 (inclusive) ~ NT\$15,000,000        | 1(Chih-Mou Hung)              | 1(Chih-Mou Hung)   |
| NT\$15,000,000 (inclusive) ~ NT\$30,000,000        | 0                             | 0  |
| NT\$30,000,000 (inclusive) ~ NT\$50,000,000        | 0                             | 0  |
| NT\$50,000,000 (inclusive) ~NT\$100,000,000        | 0                             | 0  |
| > NT\$100,000,000                                  | 0                             | 1(Yu-Heng Chiao)   |
| Total  | 3                             | 3  |

**Distribution of Employees' Compensation to Managers**

2023.4.30 Unit:NT\$ thousands;

|          | Title                | Name             | Stock | Cash  | Total | Percentage of the Total to Net Income (%) |
|----------|----------------------|------------------|-------|-------|-------|---|
| Managers | CEO                  | Yu-Heng Chiao    | 0     | 3,733 | 3,733 | 0.74%                                     |
|          | President            | Chih-Mou Hung    |       |       |       |   |
|          | Vice President       | Wen-Ko Lin       |       |       |       |   |
|          | AVP                  | Hung-Chun Wu     |       |       |       |   |
|          | AVP                  | Chung-Ya Tsao    |       |       |       |   |
|          | AVP                  | Chun- Hsueh Chen |       |       |       |   |
|          | AVP                  | Liang-Wei Chen   |       |       |       |   |
|          | AVP                  | Chien-Wen Chiang |       |       |       |   |
|          | Director of Division | Hsia-Ying Lo     |       |       |       |   |

**3.3.3 Analysis of the ratio of total remunerations for directors, president and vice presidents to Net Income (Loss) in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision, relation to business performance and future risk:**

(1) Information of total remunerations to Directors, President and vice presidents in the last two years:

| Item  | 2022        |                           | 2021        |                           |
|---|-------------|---------------------------|-------------|---------------------------|
|   | The Company | All consolidated entities | The Company | All consolidated entities |
| Net Profit Attributable To Owners of the Company (NT\$ thousands) | 506,518     | 506,518                   | 1,143,641   | 1,143,641                 |
| Directors(%)  | 5.10%       | 8.26%                     | 3.04%       | 3.74%                     |
| President & Vice Presidents(%)                                    | 4.81%       | 7.97%                     | 2.06%       | 2.76%                     |

(2) The policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

(a). Remuneration distribution policy for directors:

The company's remuneration for directors includes transportation subsidy and profit distribution for directors. In terms of transportation subsidy, it refers to the industry standard and pays on a monthly basis; the remuneration of earnings distribution is handled in accordance with the company's articles of incorporation. The company allocates no more than 2% of the current year's profit as director's remuneration, which is resolved by the board of directors and submitted to the shareholders' meeting report.

In order to facilitate the compliance of the company's directors and functional committee members' remuneration payment management, the company has formulated "Remuneration Measures for Directors" and "Rules for Performance Evaluation of Board of Directors", which clearly regulate the payment standards of directors' remuneration and refer to the directors' performance evaluation results (Includes six aspects: mastery of company goals and tasks, awareness of directors' responsibilities, degree of participation in company operations, internal relationship management and communication, directors' professional and continuing education, internal control) and their individual participation in

operations and contributions Value, while taking into account the company's operating performance and future risks associated with payment remuneration.

(b). Remuneration distribution policy for managers:

Manager's remuneration includes salary, bonus and employee remuneration, etc. The salary is determined according to the position held and the responsibilities assumed, referring to the level of peers for similar positions; the bonus is issued according to the achievement of the budget or project goals; the provision of employee remuneration is handled in accordance with the company's articles of incorporation, and 2% to 10% of the company's annual profit is allocated as employee remuneration. and the distribution is based on the results of performance evaluation. Managers' remuneration must be submitted to the Remuneration Committee for consideration and approval by the Board of Directors.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Operation of Board of Directors

The Board of Directors totally held 9(A) meetings in the most recent year (2022) , the attendance records for directors were as follows:

| Title                | Name  | Attended in Person (B) | Attended by Proxy | Attendance Percentage (%)<br>【B/A】 | Remarks |
|----------------------|---|------------------------|-------------------|------------------------------------|---------|
| Chairman             | Yu-Heng Chiao   | 9                      | 0                 | 100                                |         |
| Director             | Li-Chin Ku<br>(Walsin Technology Corporation Representative)    | 8                      | 1                 | 89                                 |         |
| Director             | Chih-Mou Hung<br>(Walsin Technology Corporation Representative) | 9                      | 0                 | 100                                |         |
| Director             | Bo-Yuan Wang  | 9                      | 0                 | 100                                |         |
| Independent Director | Po-Kang Fan   | 9                      | 0                 | 100                                |         |
| Independent Director | Chun-Guei Chen  | 9                      | 0                 | 100                                |         |
| Independent Director | Yong-Chian Tan  | 9                      | 0                 | 100                                |         |

Other information required to be disclosed:

1. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

(1) Any matter under Article 14-3 of the Securities and Exchange Act.

| Board of Directors Meeting                 | Content of Proposal and the Company's Subsequent Action   | Independent Directors' Opinions | The Company's Handling of Independent Directors' Opinions | Independent directors' dissenting or reserved opinions with records or written statements |
|--|---|---------------------------------|---|---|
| 11th Term<br>11th Meeting<br>Jan. 13, 2022 | Proposal :<br>Proposal for the resolutions of the first meeting of the Remuneration Committee in 2022.<br>Resolution : Proposal passed.<br>Directors for Recusal : Yu-Heng Chiao,Chih-Mou Hung. | None                            | None  | None  |
| 11th Term<br>12th Meeting                  | Proposal :<br>Proposal for the evaluation   | None                            | None  | None  |

|  |   |      |      |      |
|--|---|------|------|------|
| Feb. 22, 2022                              | of independence of the CPAs , the appointment and compensation of the CPAs for the year 2022.<br>Resolution : Proposal passed.  |      |      |      |
|  | Proposal :<br>Proposal to release the non-competition responsibilities of chairman and managerial officer known to the Company for self operating or operating similar businesses for others.<br>Resolution : Proposal passed.<br>Directors for Recusal : Yu-Heng Chiao.  | None | None | None |
|  | Proposal :<br>The Company’s charitable donations.<br>Resolution : Proposal passed.<br>Directors for Recusal : Yu-Heng Chiao, Li-Chin Ku, Chih-Mou Hung.   | None | None | None |
| 11th Term<br>13th Meeting<br>Mar. 23, 2022 | Proposal :<br>Discussion of the amendments to “Procedures for Acquisition and Disposal of Assets”.<br>Resolution : Proposal passed.   | None | None | None |
|  | Proposal :<br>Proposal for the resolutions of the third meeting of the Remuneration Committee in 2022.(The distribution of Remuneration of directors of the Company for 2021.)<br>Resolution : Proposal passed.<br>Directors for Recusal : Yu-Heng Chiao, Li-Chin Ku, Chih-Mou Hung, Por-Yuan Wang, Po-Kang Fan, Eric Chen, Yong-Chian Tan. | None | None | None |
|  | Proposal :<br>Proposal for the resolutions of the third meeting of the Remuneration Committee in 2022.(The distribution of compensation of employees of the Company for 2021.)  | None | None | None |

|   |  |      |      |      |
|---|--|------|------|------|
|   | Resolution : Proposal passed.<br>Directors for Recusal : Yu-Heng Chiao, Chih-Mou Hung.   |      |      |      |
| 11th Term<br>14th Meeting<br>May 3, 2022  | Proposal :<br>Proposal for the resolutions of the fourth meeting of the Remuneration Committee in 2022.<br>Resolution : Proposal passed.<br>Directors for Recusal : Chih-Mou Hung.   | None | None | None |
|   | Proposal :<br>Proposal for the Company lease real estate from the related party ,Walsin Technology Corporation, to acquire the right of use assets.<br>Resolution : Proposal passed.<br>Directors for Recusal : Yu-Heng Chiao, Li-Chin Ku, Chih-Mou Hung, Po-Kang Fan, Yong-Chian Tan. | None | None | None |
| 11th Term<br>15th Meeting<br>Jun 17, 2022 | Proposal :<br>Proposal to acquisition of the shares of Joyin Co. Ltd. from an affiliated enterprise.<br>Resolution : Proposal passed.<br>Directors for Recusal : Yu-Heng Chiao, Li-Chin Ku, Chih-Mou Hung, Po-Kang Fan, Yong-Chian Tan.  | None | None | None |
| 11th Term<br>16th Meeting<br>Aug 4, 2022  | Proposal :<br>Discussion of the amendments to "Internal Control system".<br>Resolution : Proposal passed.  | None | None | None |
|   | Proposal :<br>Proposal for the resolutions of the fifth meeting of the Remuneration Committee in 2022.<br>Resolution : Proposal passed.<br>Directors for Recusal : Chih-Mou Hung.  | None | None | None |



|   |   |      |      |      |
|---|---|------|------|------|
| 11th Term<br>17th Meeting<br>Aug 30, 2022 | Proposal :<br>Proposal for the resolutions of the sixth meeting of the Remuneration Committee in 2022.<br>Resolution : Proposal passed.<br>Directors for Recusal : Chih-Mou Hung.   | None | None | None |
| 11th Term<br>18th Meeting<br>Nov 1, 2022  | Proposal :<br>Discussion of the amendments to "Procedures for lending funds to other parties".<br>Resolution : Proposal passed.   | None | None | None |
|   | Proposal :<br>Discussion of the amendments to "Procedures for Endorsements and Guarantees".<br>Resolution : Proposal passed.  | None | None | None |
|   | Proposal :<br>Discussion of the amendments to "Internal control system" and "Internal Audit Operation Implementation Rules".<br>Resolution : Proposal passed.   | None | None | None |
|   | Proposal :<br>Proposal to release the non-competition responsibilities of director and managerial officer known to the Company for self operating or operating similar businesses for others.<br>Resolution : Proposal passed.<br>Directors for Recusal : Yu-Heng Chiao, Chih-Mou Hung. | None | None | None |
| 11th Term<br>19th Meeting<br>Dec 14, 2022 | Proposal :<br>Proposal to disposal of Chip Inductor production equipment to a related company and other adjustment-related matters.<br>Resolution : Proposal passed.<br>Directors for Recusal : Yu-Heng Chiao, Li-Chin Ku, Chih-Mou Hung, Po-Kang Fan, Yong-Chian Tan.                  | None | None | None |
|   | Proposal :<br>Proposal for the resolutions of the seventh meeting of the Remuneration Committee in 2022.<br>Resolution : Proposal passed.   | None | None | None |

|   |   |      |      |      |
|---|---|------|------|------|
|   | Directors for Recusal : Yu-Heng Chiao,Chih-Mou Hung.  |      |      |      |
| 11th Term<br>21th Meeting<br>Feb 23, 2023 | Proposal :<br>Discussion of the amendments to "Internal control system".<br>Resolution : Proposal passed.   | None | None | None |
|   | Proposal :<br>The Company's charitable donations.<br>Resolution : Proposal passed.<br>Directors for Recusal : Yu-Heng Chiao, Li-Chin Ku, Chih-Mou Hung. | None | None | None |

(2) In addition to the matters referred to above, any dissenting or qualified opinion of an independent directory that is on record or stated in writing with respect to any board resolution:

None.

2. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted: For details, please refer to Table 1 below.

3. Frequency, period, scope, method, and items of self-evaluation of the Board of Directors:

(1) In order to implement corporate governance and enhance the functions of the company's board of directors, and to set forth performance objectives to improve the operation efficiency of the Board of Directors," Rules for Performance Evaluation of Board of Directors" (the "Rules") was established pursuant to Article 37 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and approved by the Company's Board of Directors on Jan. 20, 2020 and amended by the board of directors on 2022.08.30. The Rules applies to the entire board of directors, individual directors and functional committee members. The performance evaluation results of the company's board of directors may be used as a reference when selecting or nominating directors; the performance evaluation results of individual directors may be used as a reference for determining their individual salaries.

(2) Internal evaluation : Each deliberative unit shall provide questionnaires for directors/functional committee members to fill out in December each year, and provide the completed attachments and information related to performance evaluation for reference by directors/functional committee members. After the board members & functional committee members complete the questionnaires, deliberative unit will collect the questionnaires ,compile and score the data,and then submit the evaluation results to the Remuneration Committee & Functional committee and reported to the Board of Directors' meeting. " Rules for Performance Evaluation of Board of Directors" and the evaluation results are disclosed on the Company's website after the Board of Directors' meeting.

(3) External evaluation: According to the company's " Rules for Performance Evaluation of Board of Directors", the company's board of directors should conduct performance evaluation at least once a year. In addition, the implementation of the performance evaluation of the board of directors shall be conducted by an external professional independent organization or a team of external experts and scholars at least once every three years. In 2022, the company first appointed the Taiwan Investor Relations Association, which is independent and has no business relationship with the company, to evaluate the effectiveness of the board of directors. The evaluation dimension includes five aspects including board composition and professional development, board decision-making quality, board operation effectiveness, internal control and risk management, and board participation in corporate social responsibility. Evaluation methods include document review, questionnaires and on-site interviews. Through the review of professional organizations and the guidance and communication of the evaluation committee, the company has obtained professional and objective evaluation results and recommendations, and reported to the board of directors on January 17, 2023.

(4) Execution of the evaluation of the Board of Directors/ Functional committees in 2022 were as follows :

| Evaluation cycle | Evaluation period             | Scope of Evaluation    | Method of Evaluation                          | Evaluation content   |
|------------------|-------------------------------|------------------------|---|--|
| Once every year  | 2022/01/01<br>~<br>2022/12/31 | Individual directors   | Self evaluation by individual board members   | A. Familiarity with the goals and missions of the Company.<br>B. Awareness of the duties of a director.<br>C. Participation in the operation of the Company.<br>D. Management of internal relationship and communication.<br>E. The director's professionalism and continuing education.<br>F. Internal control. |
| Once every year  | 2022/01/01<br>~<br>2022/12/31 | The Board of Directors | Internal evaluation of the Board of Directors | A. Participation in the operation of the Company.<br>B. Improvement of the quality of the Board of Directors' decision making.<br>C. Composition and structure of the Board of Directors.<br>D. Election and continuing education of the directors.<br>E. Internal control.                                      |
| Once every year  | 2022/01/01<br>~               | Functional committees  | Internal self-evaluation                      | A. Participation in the operation of the Company.  |

|                   |                      |   |                                 |   |
|-------------------|----------------------|---|---------------------------------|---|
|                   | 2022/12/31           | (including audit committee and remuneration committee). | of functional committee members | B. Awareness of the duties of functional committee.<br>C. Improvement of the quality of functional committees' decision making<br>D. Functional Committee Composition and Member Appointment<br>E. Internal control |
| every three years | 2021.10.1-2022.09.30 | The Board of Directors                                  | Evaluation by external agencies | Board composition and professional development, board decision-making quality, board operational effectiveness, internal control and risk management, and board participation in corporate social responsibility.   |

(5) The results of internal performance evaluation and external performance evaluation of the board of directors/functional committees in 2022, including their content and improvement suggestions, were reported to the Compensation Committee on January 17, 2023 and disclosed on the company website after reporting to the board of directors on January 17, 2023.

4. Give an evaluation of the targets that were adopted for strengthening of the functions of the board during the current and immediately preceding fiscal years (e.g., establishing an audit committee, increasing information transparency, etc.) and the measures taken toward achievement thereof:

- (1) The Company set up the Audit Committee on June 17, 2020, and appointed three independent directors as members of the first Audit Committee.
- (2) After each meeting of the Board of Directors, the content of proposal that laws and regulations required public announcements disclosed immediately to improve information transparency.
- (3) The company pays attention to shareholders' rights and makes operations more transparent, so it formulates and revises relevant code procedures in accordance with regulations and these rules have been resolved by the board of directors., including "Regulations Governing Procedure for Board of Directors Meetings" 、 "Internal Material Information and Insider Trading Prevention Management Procedures" 、 "Corporate Governance Best-Practice Principles" 、 "Procedures for Ethical Management and Guidelines for Conduct" 、 "Codes of Ethical Conduct for Directors and Managers" 、 "Codes of Ethical Conduct for the employees " 、 "Sustainable Development Practice Principles" 、 "Rules for Performance Evaluation of Board of Directors" etc., and these procedures were approved by the Board of Directors. In order to improve the transparency of information, in 2022, the company revised the " Internal Material Information and Insider Trading Prevention Management Procedures " in

accordance with the latest regulations.

- (4) Performance evaluation of the board of directors: In order to implement corporate governance and enhance the functions of the board of directors of the company, and establish performance goals to enhance the operational efficiency of the board of directors, the company's " Rules for Performance Evaluation of Board of Directors" is formulated in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, which is applicable to the entire board of directors and each functional committees and individual directors. For the specific implementation in 2022, please refer to the preceding paragraph.

**Table 1 : Director recusals due to conflicts of interests :**

| Name(s) of Directors  | Proposal  | Reason for Recusal     | Participated in Vote or Not  | Remarks                                       |
|---|---|------------------------|--|---|
| Yu-Heng Chiao<br>Chih-Mou Hung  | The Company's manager bonus distribution.   | Personally Interested. | Recused as provided by law, not participating in discussions and voting. | 11th Term<br>11th Meeting<br>Jan. 13, 2022    |
| Yu-Heng Chiao   | Proposal to release the non-competition responsibilities of chairman and managerial officer known to the Company for self operating or operating similar businesses for others. |                        |  | 11th Term<br>12th Meeting<br>Feb. 22, 2022    |
| Yu-Heng Chiao<br>Li-Chin Ku<br>Chih-Mou Hung  | The Company's charitable donations.   |                        |  | 11th Term<br>12th Meeting<br>Feb. 22, 2022    |
| Yu-Heng Chiao<br>Li-Chin Ku<br>Chih-Mou Hung<br>Por-Yuan Wang<br>Po-Kang Fan<br>Eric Chen<br>Yong-Chian Tan | The distribution of compensation of directors of the Company for 2021.  |                        |  | 11th Term<br>13th Meeting<br>Mar. 23,<br>2022 |
| Yu-Heng Chiao<br>Chih-Mou Hung  | The distribution of compensation of employees of the Company for 2021.  |                        |  | 11th Term<br>13th Meeting<br>Mar. 23,<br>2022 |
| Chih-Mou Hung   | The Company's manager bonus distribution.   |                        |  | 11th Term<br>14th Meeting<br>May 3, 2022      |
| Yu-Heng Chiao<br>Li-Chin Ku<br>Chih-Mou Hung<br>Po-Kang Fan<br>Yong-Chian Tan                               | Proposal for the Company lease real estate from the related party ,Walsin Technology Corporation, to acquire the right of use assets.   |                        |  | 11th Term<br>14th Meeting<br>May 3, 2022      |
| Yu-Heng Chiao<br>Li-Chin Ku<br>Chih-Mou Hung  | Proposal to acquisition of the shares of Joyin Co. Ltd. from an affiliated enterprise.  |                        |  | 11th Term<br>15th Meeting<br>Jun 17, 2022     |

|   |  |  |  |   |
|---|--|--|--|---|
| Po-Kang Fan<br>Yong-Chian Tan   |  |  |  |   |
| Chih-Mou Hung   | Proposal for the resolutions of the fifth meeting of the Remuneration Committee in 2022.   |  |  | 11th Term<br>16th Meeting<br>Aug 4, 2022  |
| Chih-Mou Hung   | Proposal for the resolutions of the sixth meeting of the Remuneration Committee in 2022.   |  |  | 11th Term<br>17th Meeting<br>Aug 30, 2022 |
| Yu-Heng Chiao<br>Chih-Mou Hung  | Proposal to release the non-competition responsibilities of Directors and managerial officer known to the Company for self operating or operating similar businesses for others. |  |  | 11th Term<br>18th Meeting<br>Nov 1, 2022  |
| Yu-Heng Chiao<br>Li-Chin Ku<br>Chih-Mou Hung<br>Po-Kang Fan<br>Yong-Chian Tan | Proposal to disposal of Chip Inductor production equipment to a related company and other adjustment-related matters.  |  |  | 11th Term<br>19th Meeting<br>Dec 14, 2022 |
| Yu-Heng Chiao<br>Chih-Mou Hung  | Proposal for the resolutions of the seventh meeting of the Remuneration Committee in 2022.   |  |  | 11th Term<br>19th Meeting<br>Dec 14, 2022 |
| Yu-Heng Chiao<br>Li-Chin Ku<br>Chih-Mou Hung                                  | The Company's charitable donations.  |  |  | 11th Term<br>21th Meeting<br>Feb 23, 2023 |

### 3.4.2 Operation of the Audit Committee

The Audit Committee totally held 7 (A) meetings in the most recent year. The attendance records for Independent Director were as follows:

| Title                | Name           | Attended in Person (B) | Attended by Proxy | Attendance Percentage (%)<br>【B/A】 | Remarks |
|----------------------|----------------|------------------------|-------------------|------------------------------------|---------|
| Independent Director | Po-Kang Fan    | 7                      | 0                 | 100                                |         |
| Independent Director | Eric Chen      | 7                      | 0                 | 100                                |         |
| Independent Director | Yong-Chian Tan | 7                      | 0                 | 100                                |         |

**3.4.2.1 The Company established the “Audit Committee” in accordance with Article 14-4 of Securities and Exchange Act on June 17, 2020, and formulated “Audit Committee Charter” of the Company in accordance with Article 3 of “Regulations Governing the Exercise of Powers by Audit Committees of Public Companies”. The committee is composed of all independent directors, and the number of which shall not be less than three.**

**3.4.2.2 The Audit Committee’s duties and annual work summary were as follows:**

(1) The major matters reviewed by the Audit Committee include:

- A. The adoption or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- B. Assessment of the effectiveness of the internal control system.
- C. The adoption or amendment of the procedures for handling significant financial or business activities, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act.
- D. Matters in which a director is an interested party.
- E. Significant asset transactions or derivatives trading.
- F. Significant loans of funds, endorsements, or provision of guarantees.
- G. The offering, issuance, or private placement of equity type securities.
- H. The hiring or dismissal of a certified public accountant, or their compensation.
- I. The appointment or discharge of a financial, accounting, or internal audit officer.
- J. Annual financial report and semi-annual financial report.
- K. Other material matters may be required by the Company or the competent authority.

(2) The Audit Committee’s annual Work Summary :

- A. Matters related to the operation of the Audit Committee.
- B. Review of presentation fairly of the financial statements of the Company.
- C. Communicate regularly with the visa accountant.

D. The effectiveness of the Company's internal control.( Including whether all employees, managers and directors have transactions with related parties and possible conflicts of interest)

E. The Company follows relevant laws and regulations.

F. Management and control of the company's existing or potential risks.

### 3.4.2.3 Other information required to be disclosed:

(1) If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

A. Any matter under Article 14-5 of the Securities and Exchange Act

| Audit Committee Meeting Number and Date   | Board of Directors Meeting Number and Date | Proposals and Resolutions (Including the content of opinions and suggestions of independent directors)  | The Company's Handling of Audit Committee Member's Opinions   |
|---|--|---|---|
| 1st Term<br>10th Meeting<br>Feb. 22, 2022 | 11th Term<br>12th Meeting<br>Feb. 22, 2022 | Proposal : Proposal for the Company's 2021 business report , balance sheets , statements of comprehensive income, changes in equity and cash flows.<br>Resolution : Proposal passed.<br>Suggestion : None.  | All of the independent directors and the directors present approved the proposal unanimously.   |
|   |  | Proposal : Proposal for the Company's 2021 consolidated financial statements.<br>Resolution : Proposal passed.<br>Suggestion : None.  | All of the independent directors and the directors present approved the proposal unanimously.   |
|   |  | Proposal : Proposal for the affiliates' 2021 consolidated business report and consolidated financial statements.<br>Resolution : Proposal passed.<br>Suggestion : None.   | All of the independent directors and the directors present approved the proposal unanimously.   |
|   |  | Proposal : Proposal for the evaluation of independence of the CPAs , the appointment and compensation of the CPAs for the year 2022.<br>Resolution : Proposal passed.<br>Suggestion : None.   | All of the independent directors and the directors present approved the proposal unanimously.   |
|   |  | Proposal : Proposal for the 2021 statement on internal control system.<br>Resolution : Proposal passed.<br>Suggestion : None.   | All of the independent directors and the directors present approved the proposal unanimously.   |
|   |  | Proposal : Proposal to release the non-competition responsibilities of chairman and managerial officer known to the Company for self operating or operating similar businesses for others.<br>Resolution : Proposal passed.<br>Suggestion : None. | Except that the relevant directors shall not be counted in the voting pursuant to Article 15 of Regulations Governing Procedure for Board of Directors Meetings, other independent directors and directors present approved the proposal unanimously. |
|   |  | Proposal : The Company's charitable donations.<br>Resolution : Proposal passed.<br>Suggestion : None.   | Except that the relevant directors shall not be counted in the voting pursuant to Article 15 of Regulations Governing Procedure for Board of Directors Meetings,  |



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|   |  |   | other independent directors and directors present approved the proposal unanimously.  |
| 1st Term<br>11th Meeting<br>Mar. 23, 2022 | 11th Term<br>13th Meeting<br>Mar. 23, 2022 | Proposal : Discussion of the amendments to the Procedures for Acquisition and Disposal of Assets of the Company.<br>Resolution : Proposal passed.<br>Suggestion : None.                                 | All of the independent directors and the directors present approved the proposal unanimously.   |
| 1st Term<br>12th Meeting<br>May 3, 2022   | 11th Term<br>14th Meeting<br>May 3, 2022   | Proposal : Ratification of the Company's 2021 Earnings Distribution Proposal.<br>Resolution : Proposal passed.<br>Suggestion : None.  | All of the independent directors and the directors present approved the proposal unanimously.   |
|   |  | Proposal : Proposal for the Company lease real estate from the related party ,Walsin Technology Corporation, to acquire the right of use assets.<br>Resolution : Proposal passed.<br>Suggestion : None. | Except that the relevant directors shall not be counted in the voting pursuant to Article 15 of Regulations Governing Procedure for Board of Directors Meetings, other independent directors and directors present approved the proposal unanimously. |
| 1st Term<br>13th Meeting<br>Jun 17, 2022  | 11th Term<br>15th Meeting<br>Jun 17, 2022  | Proposal : Proposal to acquisition of the shares of Joyin Co. Ltd. from an affiliated enterprise.<br>Resolution : Proposal passed.<br>Suggestion : None.  | Except that the relevant directors shall not be counted in the voting pursuant to Article 15 of Regulations Governing Procedure for Board of Directors Meetings, other independent directors and directors present approved the proposal unanimously. |
| 1st Term<br>14th Meeting<br>Aug 4, 2022   | 11th Term<br>16th Meeting<br>Aug 4, 2022   | Proposal : Proposal for the Company's consolidated financial statements for the first two quarters of 2022.<br>Resolution : Proposal passed.<br>Suggestion : None.                                      | All of the independent directors and the directors present approved the proposal unanimously.   |
|   |  | Proposal : Discussion of the amendments to "Internal control system".<br>Resolution : Proposal passed.<br>Suggestion : None.  | All of the independent directors and the directors present approved the proposal unanimously.   |
| 1st Term<br>15th Meeting<br>Nov 1, 2022   | 11th Term<br>18th Meeting<br>Nov 1, 2022   | Proposal : Proposal for the Company's consolidated financial statements for the first three quarters of 2022.<br>Resolution : Proposal passed.<br>Suggestion : None.                                    | All of the independent directors and the directors present approved the proposal unanimously.   |
|   |  | Proposal : Discussion of the amendments to "Procedures for lending funds to other parties".<br>Resolution : Proposal passed.<br>Suggestion : None.  | All of the independent directors and the directors present approved the proposal unanimously.   |
|   |  | Proposal : Discussion of the amendments to "Procedures for Endorsements and Guarantees".<br>Resolution : Proposal passed.<br>Suggestion : None.   | All of the independent directors and the directors present approved the proposal unanimously.   |
|   |  | Proposal : Discussion of the amendments to "Internal control system" and "Internal Audit Operation Implementation Rules".<br>Resolution : Proposal passed.<br>Suggestion : None.                        | All of the independent directors and the directors present approved the proposal unanimously.   |
|   |  | Proposal : Proposal to release the non-competition responsibilities of directors and managerial officer known to the Company for self operating or operating similar                                    | Except that the relevant directors shall not be counted in the voting pursuant to Article 15 of Regulations Governing Procedure   |

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|  |   | businesses for others.<br>Resolution : Proposal passed.<br>Suggestion : None.  | for Board of Directors Meetings, other independent directors and directors present approved the proposal unanimously.   |
| 1st Term<br>16th Meeting<br>Dec 14, 2022 | 11th Term<br>19th Meeting<br>Dec 14, 2022 | Proposal : Proposal to disposal of Chip Inductor production equipment to a related company and other adjustment-related matters.<br>Resolution : Proposal passed.<br>Suggestion : None.                    | Except that the relevant directors shall not be counted in the voting pursuant to Article 15 of Regulations Governing Procedure for Board of Directors Meetings, other independent directors and directors present approved the proposal unanimously. |
| 1st Term<br>18th Meeting<br>Feb 23, 2023 | 11th Term<br>21th Meeting<br>Feb 23, 2023 | Proposal : Proposal for the Company's 2022 business report , balance sheets , statements of comprehensive income, changes in equity and cash flows.<br>Resolution : Proposal passed.<br>Suggestion : None. | All of the independent directors and the directors present approved the proposal unanimously.   |
|  |   | Proposal : Proposal for the Company's 2022 consolidated financial statements.<br>Resolution : Proposal passed.<br>Suggestion : None.   | All of the independent directors and the directors present approved the proposal unanimously.   |
|  |   | Proposal : Proposal for the affiliates' 2022 consolidated business report and consolidated financial statements.<br>Resolution : Proposal passed.<br>Suggestion : None.                                    | All of the independent directors and the directors present approved the proposal unanimously.   |
|  |   | Proposal : Proposal for the 2022 statement on internal control system.<br>Resolution : Proposal passed.<br>Suggestion : None.  | All of the independent directors and the directors present approved the proposal unanimously.   |
|  |   | Proposal : Discussion of the amendments to "Internal control system".<br>Resolution : Proposal passed.<br>Suggestion : None.   | All of the independent directors and the directors present approved the proposal unanimously.   |
|  |   | Proposal : The Company's charitable donations.<br>Resolution : Proposal passed.<br>Suggestion : None.  | Except that the relevant directors shall not be counted in the voting pursuant to Article 15 of Regulations Governing Procedure for Board of Directors Meetings, other independent directors and directors present approved the proposal unanimously. |

B. In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors : None.

(2) Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: specify the independent director's name, the content of the motion, the cause for recusal, and whether and how the independent director voted :

| Item | Audit Committee Meeting Number and Date  | Name(s) of Independent Directors | Proposals  | Reason for Recusal   | Participated in Vote or Not  |
|------|--|----------------------------------|--|--|--|
| 1    | 1st Term<br>12th Meeting<br>May 3, 2022  | Po-Kang Fan<br>Yong-Chian Tan    | Proposal for the Company lease real estate from the related party ,Walsin Technology Corporation, to acquire the right of use assets.. | Concurrently serving as independent director of both companies | Recused as provided by law, not participating in discussions and voting. |
| 2    | 1st Term<br>13th Meeting<br>Jun 17, 2022 | Po-Kang Fan<br>Yong-Chian Tan    | Proposal to acquisition of the shares of Joyin Co. Ltd. from an affiliated enterprise.   | Concurrently serving as independent director of both companies | Recused as provided by law, not participating in discussions and voting. |
| 3    | 1st Term<br>16th Meeting<br>Dec 14, 2022 | Po-Kang Fan<br>Yong-Chian Tan    | Proposal to disposal of Chip Inductor production equipment to a related company and other adjustment-related matters.                  | Concurrently serving as independent director of both companies | Recused as provided by law, not participating in discussions and voting. |

(3) Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company's finances and business and the method(s) and outcomes of the communication.) :

A. Communication between independent directors and the chief internal auditor.

(a) The chief internal audit officer shall attend the board of directors/audit committee at least once a quarter, and report to the independent directors the status of the company's internal audit implementation and internal control operations. Meetings may be called at any time in case of major abnormalities

(b) In addition to the aforementioned regular meetings, the convener of the audit committee may discuss the operation of internal control with the chief internal audit officer by phone or email at any time.

(c) Summary of communications between independent directors, Audit Committee and the chief internal auditor.

| Audit Committee Meeting Number and Date   | Board of Directors Meeting Number and Date | Communication Highlights   |
|---|--|--|
| 1st Term<br>10th Meeting<br>Feb. 22, 2022 | 11th Term<br>12th Meeting<br>Feb. 22, 2022 | (1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up. |

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|  |   | (2)Proposal for the 2021 statement on internal control system.   |
| 1st Term<br>12th Meeting<br>May 3, 2022  | 11th Term<br>14th Meeting<br>May 3, 2022  | (1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up.   |
| 1st Term<br>14th Meeting<br>Aug 4, 2022  | 11th Term<br>16th Meeting<br>Aug 4, 2022  | (1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up.<br>(2)Proposal for the amendments to internal control system.   |
| 1st Term<br>15th Meeting<br>Nov 1, 2022  | 11th Term<br>18th Meeting<br>Nov 1, 2022  | (1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up.<br>(2)Proposal for the amendments to internal control system and Internal auditing system.<br>(3)Proposal for the 2023 annual audit plan. |
| 1st Term<br>16th Meeting<br>Dec 14, 2022 | 11th Term<br>19th Meeting<br>Dec 14, 2022 | (1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up.   |
| 1st Term<br>17h Meeting<br>Jan 17, 2023  | 11th Term<br>20th Meeting<br>Jan 17, 2023 | (1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up.   |
| 1st Term<br>18th Meeting<br>Feb 23, 2023 | 11th Term<br>21th Meeting<br>Feb 23, 2023 | (1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up.<br>(2)Proposal for the 2022 statement on internal control system.<br>(3)Proposal for the amendments to internal control system.           |

B. Communication between independent directors, the chief internal auditor and CPAs.

- (a) The CPAs are invited to attend the Board of Directors meetings and the Audit Committee meetings at least twice a year and to report to the Board of Directors and the Audit Committee on the review or audit results of the Company's and its affiliates' financial statements and the internal control audit status. The CPA shall fully communicate any material adjustments to entries or any amendments to laws and regulations.
- (b) Hold communication meetings with the CPAs whenever necessary.
- (c) Summary of communications between independent directors, the chief internal auditor and the CPAs.

| Audit Committee Meeting Number and Date   | Communication Highlights   | Suggestions of Directors | Handling and Execution results  |
|---|--|--------------------------|---|
| 1st Term<br>10th Meeting<br>Feb. 22, 2022 | Discuss the issues of financial statement review and the amendments to laws and regulations. | None                     | After reporting to the Audit Committee, the issue was reported to the Board of Directors. |
| 1st Term<br>14th Meeting<br>Aug 4, 2022   | Discuss the issues of financial statement review and the amendments to laws and regulations. | None                     | After reporting to the Audit Committee, the issue was reported to the Board of Directors. |
| 1st Term<br>18th Meeting<br>Feb 23, 2023  | Discuss the issues of financial statement review and the amendments to laws and regulations. | None                     | After reporting to the Audit Committee, the issue was reported to the Board of Directors. |

### 3.4.3 Corporate Governance Implementation Status and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

| Evaluation item  | Implementation status (Note ) |    |   | Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|--|-------------------------------|----|---|--|
|  | Yes                           | No | Summary description   |  |
| 1.Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?   | V                             |    | The company has approved the formulation of the " Corporate Governance Best-Practice Principles " by the board of directors on March 17, 2014 and revised it on May 4, 2020, and reported it to the 2020 shareholders' meeting to promote the operation of corporate governance and disclose the code on the company's website (www.pdc.com.tw) and Public Information Observatory. | No difference.   |
| 2.Shareholding Structure and Shareholders' Rights<br>(1)Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly? | V                             |    | (1)The company has formulated the "Corporate Governance Code of Practice" norms, established a spokesperson system and set up an investor service mailbox. Special personnel are responsible for handling shareholders' suggestions, doubts, and disputes, and implement them according to procedures.  | No difference.   |
| (2)Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?   | V                             |    | (2)The stock affairs department of the company has a real grasp of the list of major shareholders and the ultimate controllers of major shareholders, and updates them in real time.  | No difference.   |
| (3)Has the Company built and implemented a risk  | V                             |    | (3)The company and affiliated companies operate   | No difference.   |

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| <p>management system and a firewall between the Company and its affiliates?</p>  |          | <p>independently, and have established "Operational procedures for transactions with group companies, specific companies, and related parties". In addition, the company has established the "Regulations Governing Supervision and Management of Subsidiaries" monitoring regulations for subsidiaries.</p>   |                       |
| <p>(4)Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?</p> | <p>V</p> | <p>(4)The company has formulated the " Internal Material Information and Insider Trading Prevention Management Procedures "(The amended provisions include that the company's directors and employees who have known the financial report are not allowed to trade the company's stocks during the closed period of 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report) . The specific implementation measures are as follows:</p> <ul style="list-style-type: none"> <li>① Announce the above-mentioned measures on the company's website, prohibiting company insiders from using unpublished information on the market to buy and sell securities.</li> <li>② Before taking office, insiders should be notified of relevant laws and regulations and given insider equity transaction brochure.</li> <li>③ Internal announcement to all employees to remind them that insider trading is prohibited.</li> <li>④ Conduct insider trading prevention education</li> </ul> | <p>No difference.</p> |

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|   |   |  | <p>and training for employees and insiders.</p> <p>⑤ 30/15 days before the announcement of the financial report, the head of corporate governance will notify insiders and employees who know the relevant information that they are not allowed to trade company stocks during the closed period.</p>  |  |
| <p>3.Composition and responsibilities of the board of directors</p> <p>(1)Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?</p> | V |  | <p>(1)The company plans the members of the board of directors according to its own operation, operation pattern and development needs. The members generally have the knowledge, skills and accomplishments required to perform their duties, including industrial practical experience, business, finance, accounting and work required by the company's business experience etc. The educational experience and concurrent job diversity of the company's current seven directors (including three independent directors) are also disclosed in the directors' information in this annual report.</p> | No difference.   |
| <p>(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?</p>   | V |  | <p>(2)The company has set up "Remuneration Committee", and will set up other functional committees in due course in the future according to the company's corporate governance needs.</p>   | In the future, other functional committees will be set up in due course according to the company's corporate governance needs. |
| <p>(3)Has the Company established rules and</p>   | V |  | <p>(3)The company has passed the " Rules for</p>  | No difference.   |

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| <p>methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?</p> |  | <p>Performance Evaluation of Board of Directors " and related evaluation questionnaires through the board of directors on January 20, 2020. According to the regulations, the company's board of directors should conduct performance evaluation at least once a year. In addition, the implementation of the performance evaluation of the board of directors shall be conducted by an external professional independent organization or a team of external experts and scholars at least once every three years, and the results of the performance evaluation shall be reported to the board of directors and used as a reference for individual directors' remuneration and nomination for renewal. In 2022, the company first appointed the Taiwan Investor Relations Association, which is independent and has no business relationship with the company, to evaluate the effectiveness of the board of directors. The evaluation dimension includes five aspects including board composition and professional development, board decision-making quality, board operation effectiveness, internal control and risk management, and board participation in corporate social responsibility. Evaluation methods include document review, questionnaires and on-site interviews. Through the review of professional organizations and the guidance and communication of the evaluation committee, the</p> |  |
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| <p>(4) Does the Company regularly evaluate its external auditors' independence?</p> | <p>V</p> | <p>company has obtained professional and objective evaluation results and recommendations, and reported to the board of directors on January 17, 2023. In addition, the internal performance evaluation of the board of directors for 2022 has been completed in December 2022 and reported to the board of directors on January 17, 2023. The 2022 assessment method and results are also disclosed in this annual report "3. Corporate Governance Report /Participation, Corporate Governance Operation Situation/3.4 Implementation of Corporate Governance /3.4.1 Operation of Board of Directors " and the company's website.</p> <p>(4) The audit committee of the company evaluates the independence and suitability of accountants every year. In 2023, in addition to requiring certified accountants to provide independent statements and "Audit Quality Indicators (AQI)", the assessment will be conducted in accordance with the standards in Note 1 and 13 AQI indicators. It is confirmed that the accountant has no other financial interests or business relationship with the company except for visa and financial and tax case fees, and the accountant's family members do not violate the independence requirements, and after referring to the AQI index information, it is confirmed that the audit experience and training hours of accountants and firms are on par with the</p> | <p>No difference.</p> |
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|  |   | average level of the industry, and they have also continued to introduce digital audit tools in recent years to improve audit quality. The assessment results of the latest year/the independence and suitability assessment of accountants will be submitted to the Audit Committee and the Board of Directors for consideration in May 2023.  |                |
| 4.Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)? | V | <p>The company passed the resolution of the board of directors on 2020.11.02, designating the current financial supervisor as the supervisor of corporate governance to strengthen the functions of the board of directors and matters related to corporate governance. The supervisor has been in charge of the financial, stock affairs or corporate governance related affairs of the public offering company for three years,and the above and continuing appointments meet the requirement of 12 hours of annual training hours for corporate governance supervisors.</p> <p>The main responsibilities of the corporate governance supervisor are as follows: handle matters related to the meetings of the board of directors and</p> | No difference. |

shareholders' meeting according to law, prepare the minutes of the board of directors and shareholders' meeting, assist directors to take office and continue their education, provide directors with information needed to perform business, and assist directors to follow laws and regulations, legal review of the qualifications of independent directors, assistance in handling matters related to the resignation of directors or the reassignment of representatives, etc.

The company has formulated the " Standard Operational Protocol for Responding to Requests from Directors ". Through the establishment of the operating procedures, the information required by the directors to perform business has also been properly processed.

The business execution status of the corporate governance supervisor in 2022 is described as follows. :

- ① Handle the pre-registration of the date of the shareholder meeting according to the law, make the meeting notice, the procedure manual, and the minutes of the meeting within the statutory time limit, and handle the change registration affairs in the revision of the articles of incorporation or the reelection of directors.
- ② Prepare the agenda of the board of directors and notify the directors seven days before the meeting, convene the meeting and provide meeting materials, and complete the minutes of the board

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|  |   | <p>meeting within 20 days after the meeting.</p> <p>③ Provide information on advanced training courses for independent directors and general directors and assist in the completion of the training program for directors. All directors in 2022 have completed the statutory training and the status of the training has been disclosed on the Public Information Observatory.</p> <p>④ Assist the board of directors and shareholders' meeting procedures and resolutions on legal compliance matters, assist independent directors and general directors to perform their duties and provide required information.</p>           |  |
| 5.Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues? | V | <p>The company has set up a special area for interested parties on the company website to disclose the contact information for responding to problems, and has a full-time responsible person who can receive, respond and reply to the questions of various stakeholders at any time. From 2020 onwards, the company will regularly report the communications with stakeholders to the board of directors.</p> <p>The communication situation in 2022 was reported to the board of directors on January 17, 2023, and the details has be disclosed on the company website: <a href="http://www.pdc.com.tw">www.pdc.com.tw</a>.</p> | No difference.                           |
| 6.Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?   | V | The company has a stock affairs office to handle the affairs of the shareholders meeting.   | The company runs its own stock business. |
| 7. Information Disclosure  |   |   |  |

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| <p>(1)Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?</p>  | <p>V</p> | <p>(1)The company's website (www.pdc.com.tw) discloses financial business and corporate governance information and regularly updates it.</p>  | <p>No difference.</p> |
| <p>(2)Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?</p>  | <p>V</p> | <p>(2)The company's website is set up in Chinese and English versions, and a special person is designated to be responsible for the collection and disclosure of company information and a spokesperson is responsible for speaking to the outsides.</p>  | <p>No difference.</p> |
| <p>(3)Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?</p>   | <p>V</p> | <p>(3)The company shall announce its annual financial report on the Public Information Observatory within two months after the end of the fiscal year, and announce the first, second, and third quarter financial reports and the operating conditions of each month before the prescribed deadline.</p>   | <p>No difference.</p> |
| <p>8.Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?</p> | <p>V</p> | <p>(1)Employee rights and employee care: Please refer to the description of "5. Operational Highlights" - "5.5. Labor Relations".<br/> (2)Investor Relations: The spokesperson of the company will receive and respond to investors' questions at any time.<br/> (3)Supplier relationship and rights of interested parties: The company has full-time responsible personnel who can receive feedback at any time and answer questions from stakeholders.<br/> (4)Directors' advanced training: the company irregularly provides relevant laws and regulations update information for directors to refer to, and</p> | <p>No difference.</p> |

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|  |  | <p>provides relevant training course information, and arranges directors to participate in relevant training courses. In 2022, all directors have completed the statutory training hours , and their advanced studies are disclosed in the "Open Information Observation Station" according to the law. The website : <a href="http://mops.twse.com.tw">http://mops.twse.com.tw</a>.</p> <p>(5)Implementation of risk management policies and risk measurement standards: The company has formulated internal control systems and "risk management policies and procedures" in accordance with regulations, and implemented them effectively, regularly reviewing and revising them, and has ERM department to regularly identify and evaluate various operational risks, please refer to the description of " 7.Financial Status, Operating Results and Risk Management".</p> <p>(6)Implementation of customer policy: The company has full-time responsible personnel to deal with customer-related issues in order to improve customer satisfaction.</p> <p>(7)Liability insurance for directors : The company has purchased liability insurance for directors and supervisors, and the insurance period lasts for one year.</p> |  |
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| <p>9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. (If the Company was not included among the companies evaluated for the given recent year, this item does not need to be completed.)</p> | <p>V</p> | <p>The results of the ninth (2022) corporate governance evaluation of the company are listed as 6%~20%, which is the same level as the eighth. The improved items in 2022 include the issuance of English version of the Shareholders' Meeting Handbook, and we will gradually improve the unimproved items in the future.</p> | <p>In the future, we will gradually improve the unimproved items.</p> |
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**Note1 : Evaluation Criteria of CPA's independence**

| Appraisal Items   | Results | Compliant with Independence? |
|---|---------|------------------------------|
| 1. Whether the CPA has a direct or significant indirect financial interest with the Company?  | False   | Yes                          |
| 2. Whether the CPA has/have financing or guarantee act with the Company or its directors?   | False   | Yes                          |
| 3. Whether the CPA has/have commercial relations and potential employment relationship with the Company?  | False   | Yes                          |
| 4. Currently or in the most recent two years, the CPA does/did hold any posts in the Company, such as the director, manager or any post which significantly influences the auditing work. | False   | Yes                          |
| 5. The CPA has/have provide non-audit service items to the company that may directly affect the audit work.   | False   | Yes                          |
| 6. Whether the CPA has brokered the stocks or other securities issued by the company?   | False   | Yes                          |
| 7. Whether the accountant acts as the company's defender or coordinates conflicts with other third parties on behalf of the company?.   | False   | Yes                          |
| 8. Whether the accountant is related to the company's directors, managers or personnel who have significant influence on the audit case?  | False   | Yes                          |



### 3.4.4 Duties, Composition and Operation of the Remuneration Committee

3.4.4.1. The company's board meeting on December 29, 2011 passed the company's "Remuneration Committee Charter" and established the Remuneration Committee. The Remuneration Committee should faithfully perform the following functions and powers with the attention of a good manager, and submit the proposed suggestions to the Board of Directors for discussion :

- (1) Regularly review "Remuneration Committee Charter" and propose amendments.
- (2) Formulate and regularly review policies, systems, standards and structures for performance evaluation and remuneration of directors and managers.
- (3) Regularly assess and determine the remuneration of directors and managers.

#### 3.4.4.2 Information on Remuneration Committee Members

| Identify                        | Condition   | Professional qualifications and experience                          | Independence Criteria  | Number of Other Public Companies in Which the Member Concurrently Serving as a Remuneration Committee Member |
|---------------------------------|-------------|---|--|--|
|                                 | Name        |   |  |  |
| Independent Director (Convener) | Po-Kang Fan | Please refer to relevant content of 3. Corporate Governance Report. | <ol style="list-style-type: none"> <li>1. Not an employee of the company or any of its affiliates;</li> <li>2. Not a director or supervisor of the company or any of its affiliates;</li> <li>3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;</li> <li>4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;</li> </ol> | 1  |
| Independent Director            | Eric Chen   |   |  | 0  |

|                      |                |  |  |   |
|----------------------|----------------|--|--|---|
| Independent Director | Yong-Chian Tan |  | <p>5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;</p> <p>6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;</p> <p>7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);</p> <p>8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;</p> <p>9. Other than serving as a Remuneration committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service" which total compensation within the recent two years.</p> <p>10. Not been a person of any conditions defined in Article 30 of the Company Law.</p> | 1 |
|----------------------|----------------|--|--|---|

#### 3.4.4.3 Operation of the Remuneration Committee

(1) The Company's Remuneration Committee is comprised of three members.

(2) Term for the current committee members: From June 17, 2020 to June 16, 2023.

The Remuneration Committee met seven (A) times in 2022 and the attendance records of the committee members are as follows:

| Title  | Name           | Attended in Person (B) | Attended by Proxy | Attendance Percentage (%) (B/A)(Note) | Remarks    |
|--|----------------|------------------------|-------------------|---------------------------------------|------------|
| Independent Director   | Po-Kang Fan    | 7                      | 0                 | 100%                                  | Re-elected |
| Independent Director   | Eric Chen      | 7                      | 0                 | 100%                                  | Re-elected |
| Independent Director   | Yong-Chian Tan | 7                      | 0                 | 100%                                  | Re-elected |
| <p>Other information required to be disclosed:</p> <p>1. If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons):None,please refer to the Attachment.</p> <p>2. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion: None,please refer to the Attachment.</p> |                |                        |                   |                                       |            |

**Attachment: Resolutions of the Remuneration Committee in 2022**

| Meeting Number and Date            | Proposals   | Resolution of Remuneration Committee    | Company's Handling of Remuneration Committee Member's Opinion |
|------------------------------------|---|---|---|
| 4 <sup>th</sup> Term<br>2022.01.13 | (1)The company's 2021 year-end bonuses for managers and audit supervisors.<br>(2)The company's performance bonus distribution case for managers and audit supervisors from July 2021 to September 2021.<br>(3)The company's 2021 employee and director remuneration appropriation ratio proposal.<br>(4)The 2021 annual performance evaluation report of the members of the company's board of directors. | Passed by all members of the committee. | Directors approved the proposal unanimously.                  |
| 4 <sup>th</sup> Term<br>2022.02.22 | (1)The distribution of bonuses to managers and audit supervisors for reaching the target in the second half of 2021.  | Passed by all members of the committee  | Directors approved the proposal unanimously.                  |
| 4 <sup>th</sup> Term<br>2022.03.23 | (1)Managers (above the division level) and audit supervisors' annual employee remuneration  | Passed by all members of                | Directors approved the  |

|                                    |  |  |  |
|------------------------------------|--|--|--|
|                                    | distribution plan for 2021.<br>(2)Remuneration distribution project for directors for 2021.  | the committee                          | proposal unanimously.                        |
| 4 <sup>th</sup> Term<br>2022.05.03 | (1)The company's performance bonus distribution case for managers and audit supervisors from October 2021 to December 2021.  | Passed by all members of the committee | Directors approved the proposal unanimously. |
| 4 <sup>th</sup> Term<br>2022.08.04 | (1)The distribution of bonuses for President in the first half of 2022.<br>(2)Salary adjustment for the company's President.<br>(3)Salary adjustment for the promotion of the company's managers.  | Passed by all members of the committee | Directors approved the proposal unanimously. |
| 4 <sup>th</sup> Term<br>2022.08.30 | (1)The distribution of bonuses for reaching the target in the first half of 2022.<br>(2)The company's performance bonus distribution case for managers and audit supervisors from January 2022 to Jun 2022.<br>(3)Salary adjustment for the company's managers.<br>(4)Amendments to the Company's " Rules for Performance Evaluation of Board of Directors". | Passed by all members of the committee | Directors approved the proposal unanimously. |
| 4 <sup>th</sup> Term<br>2022.12.14 | (1)The company's 2021 year-end bonuses for managers.   | Passed by all members of the committee | Directors approved the proposal unanimously. |

### 3.4.5 Setting up of the nomination committee:

The company has not yet established a nomination committee.

### 3.4.6 Fulfillment of Sustainable Development Implementations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

| Item   | Implementation status |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary description   |   |
| 1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board? | V                     |    | <p>(1).In 2020, the board of directors of the company approved the establishment of the company's " The Corporate Social Responsibility Practice Principles " and the establishment of full-time (part-time) units to promote corporate social responsibility. In January 2022, the board of directors approved the renaming and revision to " Sustainable Development Practice Principles " and "Sustainable Development Committee".</p> <p>(2).The committee is composed of a number of department heads in different fields. It is the highest management organization to promote sustainable development and is responsible for the proposal and implementation of sustainable development policies, systems or related management guidelines and specific promotion plans.</p> <p>(3).The committee reports to the board of directors every year, and the implementation of sustainable development in 2021 and 2022 has been reported to the board of directors in February 2022 and February 2023, respectively.</p> | No difference.  |
| 2. Does the company conduct risk assessments of  | V                     |    | In order to practice corporate social responsibility and  | No difference.  |

| Item   | Implementation status |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary description   |   |
| environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? |                       |    | <p>achieve the goal of sustainable development, the company has established overall risk management system in accordance with the "Sustainable Development Practice Principles" and "Risk Management Policies and Procedures". The previous Procedures and Principles have been disclosed on the company's website (<a href="http://www.pdc.com.tw">www.pdc.com.tw</a>).</p> <p>Based on the principle of materiality, the company will conduct risk assessments on environmental, social and corporate governance issues related to the company's operations for each factory in Taiwan and subsidiaries in Dongguan/Suzhou/Shenzhen in 2022, and formulate relevant risk management policies or strategies.</p> <p>The relevant risk assessment results were reported to the board of directors in November 2022 and disclosed in the company's sustainability report.</p> <p>After integrating internal and external stakeholder communication data, laws and regulations promulgated at home and abroad, and assessment data from various departments, the company evaluates material ESG issues and formulates risk management policies and measures for effective identification, evaluation, supervision, and control specific action plans to reduce the impact of related risks.</p> <p>The major risk management strategies are as follows:</p> |   |

| Item | Implementation status |    |                     |                                     |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|------|-----------------------|----|---------------------|-------------------------------------|---|---|
|      | Yes                   | No | Summary description |                                     |   |   |
|      |                       |    | Major issues        | Risk Assessment Items               | Description   |   |
|      |                       |    | Environment         | Environmental impact and management | <p>①Through various pollution prevention equipment and institutionalized management cycles, the company effectively reduces pollution emissions and impacts on the environment.</p> <p>②The company passed the ISO 14001 certification in 2004, and has continued to maintain and optimize environmental management.</p> <p>③The company formulates environmental risk assessment, evaluates risk points, and includes risk points above 60 into significant environmental considerations, and establishes management plans for improvement (Please refer to the description of "5. Operational Highlights" - "5.4. Disbursements for Environmental Protection").</p> <p>④The company implements internal and external regulatory inspections on a quarterly basis. If there are new or stricter regulations, they will be adjusted in time to achieve the goal of sustainable environmental development.</p> <p>⑤According to ISO 14064-1, the company regularly checks the quantity of greenhouse gas emissions and examines the impacts faced by the company's operations. According to the greenhouse gas inventory results, continue to implement carbon</p> |   |

| Item | Implementation status |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|------|-----------------------|----|---|---|
|      | Yes                   | No | Summary description   |   |
|      |                       |    | <p>reduction measures to effectively reduce the risk of scope 1 emissions and the indirect emissions of scope 2 greenhouse gases caused by electricity use.</p> <p>⑥ In addition to the internal audit and management review of the ISO system, the internal audit department conducts audits on the company's compliance with relevant environmental laws and regulations in the annual audit plan.</p> <p>⑦ Actively reduce the amount of industrial waste and recycle waste.</p> <p>⑧ For other measures and strategies that have been adopted, please refer to the description of "5. Operational Highlights" - "5.4. Disbursements for Environmental Protection".</p>  |   |
|      |                       |    | <p>Society</p> <p>Occupational safety and health</p> <p>① The company obtained OHSAS 18001 certification in 2004 and updated to ISO 45001 occupational safety and health management system in 2020.</p> <p>② The company continues to maintain the operation of the system, continues to implement 7S activities, maintains the cleanliness of the workplace and the effective function of safety protection measures, regularly implements employee safety education, training and publicity, and regularly organizes employee health checks. Please refer to the description of "5. Operational Highlights" - "5.8. Work environment and employee personal safety protection measures".</p> <p>③ Check occupational safety laws and</p> |   |



| Item | Implementation status |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|------|-----------------------|----|---|---|
|      | Yes                   | No | Summary description   |   |
|      |                       |    | <p>regulations on a quarterly basis and update the company's management in a timely manner to provide employees with a safe and hygienic working environment.</p> <p>④The Occupational Safety and Health Committee consults and communicates with various departments and employee representatives on safety and health issues on a quarterly basis to effectively enhance the safety and health awareness of all employees and reduce safety and health risks in the factory.</p>                                |   |
|      |                       |    | <p>Corporate Governance</p> <p>Social , Economic and Legal Compliance</p> <p>①Through the establishment of a governance organization structure with clear powers and responsibilities, timely revision of various laws and regulations, and implementation of internal control mechanisms, we ensure that all personnel and operations of the company truly abide by relevant laws and regulations.</p> <p>②The products developed by the company are patented to protect the company's rights and interests.</p> |   |
|      |                       |    | <p>Strengthen the functions of directors</p> <p>①The company has planned relevant training courses and provides the latest regulations for directors every year. The training hours for all directors in 2022 have reached the statutory number of hours.</p> <p>②Since December 2012, the company has continued to insure directors' liability insurance for directors to protect them from lawsuits or claims.</p>  |   |

| Item   | Implementation status |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary description   |   |
|  |                       |    | <p>stakeholder communication</p> <p>①In order to prevent stakeholders from differing from the company's position, causing misunderstandings and causing business or litigation risks, the company analyzes important stakeholders and important issues they care about through external laws and regulations, official documents, letters and emails, interviews or meeting minutes, questionnaires, etc.</p> <p>②Establish various communication channels, communicate actively, and reduce confrontation and misunderstanding. Set up an investor mailbox, which will be handled and responded to by the spokesperson.</p>                              |   |
| <p>3. Environmental Issues</p> <p>(1) Has the Company set an environmental management system designed to industry characteristics?</p> | V                     |    | <p>The company established the ISO14001 environmental management system in 2004 and passed the SGS certification. It is committed to pollution prevention and regards it as one of the primary responsibilities and continues to this day.</p> <p>In addition to the ISO14001 environmental management system certification (effective until October 13, 2025), the company has also obtained ISO45001 occupational safety and health management system certification (effective until October 3, 2025), IECQ QC080000 hazardous substance process management system certification (Valid until June 7, 2023), IATF 16949 automotive industry quality</p> | No difference.  |

| Item   | Implementation status |    |  | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary description  |   |
|  |                       |    | <p>management system certification (valid until January 5, 2024). Product identification: UL/TUV product safety certification, SGS product testing for harmful substances.</p> <p>The company has conducted greenhouse gas inventory according to ISO14064-1 and disclosed the results of the inventory in the sustainability report and the company's website.</p>  |   |
| (2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact? | V                     |    | <p>The company actively promotes various energy reduction measures, selects equipment with high energy efficiency and energy-saving design, reduces energy consumption of enterprises and products, and expands the use of renewable energy to optimize energy use efficiency.</p> <p>Specific measures are as follows:</p> <p>① Gradually update the old lamps in some areas of the Taiwan factory area, replace T5&amp;T8 lamps with LED lamps, and the effect of replacement in 2022 is to reduce 13,200KW/month.</p> <p>② In addition, a filter press has been built in 2022 to separate the chamfering sludge and reuse it to reduce carbon emissions and impact on the environment. The sludge reuse rate in 2022 was 22.7%.</p> | No difference.  |
| (3) Has the Company evaluated the potential risks and  | V                     |    | The company has incorporated climate change and  | No difference.  |

| Item   | Implementation status |         |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |         |         |  |         |      |       |        |       |       |      |       |        |        |       |                |
|--|-----------------------|---------|---|---|---------|---------|--|---------|------|-------|--------|-------|-------|------|-------|--------|--------|-------|----------------|
|  | Yes                   | No      | Summary description   |   |         |         |  |         |      |       |        |       |       |      |       |        |        |       |                |
| opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?  |                       |         | environmental risks into management in accordance with the "Sustainable Development Practice Principles" and "Risk Management Policies and Procedures", according to the company's business and operating characteristics, and has formulated corresponding risk management units and control mechanisms, and disclose the assessment results and response measures in the company's sustainability report. The results of risk assessment and ESG implementation have been reported to the Board of Directors in November 2022 and February 2023 respectively.   |   |         |         |  |         |      |       |        |       |       |      |       |        |        |       |                |
| (4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes? | V                     |         | <p>① <u>Greenhouse gas emissions in the last two years.</u></p> <p>Since 2019, all factories in Taiwan (Taiwan YM factory and Luzhu factory) have successively completed the ISO 14064-1 Scope 1, 2 and 3 inspections and third-party verification, Greenhouse gas emissions in the last two years are as follows:</p> <p style="text-align: right;">Unit: metric tons CO2e</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>Emissions per unit of product (kgCO2e/KNTD) (Note)</th> <th>Scope 3</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>1,494</td> <td>38,852</td> <td>9.735</td> <td>7,735</td> </tr> <tr> <td>2022</td> <td>1,345</td> <td>31,697</td> <td>10.487</td> <td>6,016</td> </tr> </tbody> </table> <p>Note: The denominator for calculating unit emissions is calculated on the basis of output value.</p> <p>In 2022, the greenhouse gas emissions of Scope 1 and Scope 2 will total 33,042 tons of CO2e, and the total</p> | Year  | Scope 1 | Scope 2 | Emissions per unit of product (kgCO2e/KNTD) (Note) | Scope 3 | 2021 | 1,494 | 38,852 | 9.735 | 7,735 | 2022 | 1,345 | 31,697 | 10.487 | 6,016 | No difference. |
| Year   | Scope 1               | Scope 2 | Emissions per unit of product (kgCO2e/KNTD) (Note)  | Scope 3   |         |         |  |         |      |       |        |       |       |      |       |        |        |       |                |
| 2021   | 1,494                 | 38,852  | 9.735   | 7,735   |         |         |  |         |      |       |        |       |       |      |       |        |        |       |                |
| 2022   | 1,345                 | 31,697  | 10.487  | 6,016   |         |         |  |         |      |       |        |       |       |      |       |        |        |       |                |

| Item | Implementation status |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|------|-----------------------|----|---|---|
|      | Yes                   | No | Summary description   |   |
|      |                       |    | <p>carbon emissions will be 39,057 tons of CO<sub>2</sub>e. The main emission source comes from the outsourced electricity emissions of Scope 2, accounting for 95.9% of the total emissions; HFCs of LPG and refrigerant equipment in scope 1 accounted for 4%. The unit product emission is 10.487 kgCO<sub>2</sub>e/K NTD. The decrease in overall carbon emissions compared to the previous year was mainly due to the decrease in output.</p> <p>In 2022, although the company has actively carried out equipment and process improvement, continued to implement heat recovery management plans for air compressors, replaced old lamps in the factory with LED lamps, and implemented various energy-saving and carbon-reduction programs on a daily basis (please refer to the company's announced sustainable Report), etc., but due to product mix factors, the greenhouse gas emissions per unit product in 2022 increased slightly compared with the previous year. In response to climate change and promoting the company's sustainable operation in the future, the company will continue to develop and implement various carbon reduction plans in order to continuously reduce emissions.</p> <p>② <u>Water consumption of all factories in Taiwan in the last 2 years:</u></p> |   |

| Item | Implementation status                 |   |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |                                       |   |      |         |      |      |         |      |  |
|------|---------------------------------------|---|---|---|---------------------------------------|---|------|---------|------|------|---------|------|--|
|      | Yes                                   | No  | Summary description   |   |                                       |   |      |         |      |      |         |      |  |
|      |                                       |   | <table border="1"> <thead> <tr> <th>Year</th> <th>Total water consumption (metric tons)</th> <th>Unit water consumption (litres/KNTD) (Note)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>306,992</td> <td>74.1</td> </tr> <tr> <td>2022</td> <td>259,622</td> <td>82.4</td> </tr> </tbody> </table> <p>Note: The denominator of the calculation unit water consumption is calculated based on the output value.</p> <p>In 2022, due to the decrease in production, the overall water consumption decreased, while the unit water consumption increased slightly due to the product mix. In 2022, we continued to improve equipment and process, implement various energy-saving plans on a daily basis (please refer to the company's announced sustainability report) and RO concentrated water recovery and reuse management plan. Recycling and reusing RO concentrated water can save domestic water 10% of water consumption and other water-saving measures. In response to climate change and to promote the sustainable operation of the company in the future, the company will continue to develop and implement various conservation plans in order to continuously reduce water consumption.</p> <p>③ <u>Waste output in the last two years</u><br/>The company has established an ISO14001 environmental management system to properly handle environmental issues arising from activities,</p> | Year  | Total water consumption (metric tons) | Unit water consumption (litres/KNTD) (Note) | 2021 | 306,992 | 74.1 | 2022 | 259,622 | 82.4 |  |
| Year | Total water consumption (metric tons) | Unit water consumption (litres/KNTD) (Note) |   |   |                                       |   |      |         |      |      |         |      |  |
| 2021 | 306,992                               | 74.1  |   |   |                                       |   |      |         |      |      |         |      |  |
| 2022 | 259,622                               | 82.4  |   |   |                                       |   |      |         |      |      |         |      |  |

| Item | Implementation status |                     |  | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |                 |                     |                                |      |       |     |       |      |       |     |       |  |
|------|-----------------------|---------------------|--|---|-----------------|---------------------|--------------------------------|------|-------|-----|-------|------|-------|-----|-------|--|
|      | Yes                   | No                  | Summary description  |   |                 |                     |                                |      |       |     |       |      |       |     |       |  |
|      |                       |                     | <p>services and products ; In order to achieve sustainable resource reuse, the company's waste treatment principle is to prioritize reuse in the factory to reduce the use of raw materials; secondly, reuse and recycle, and finally adopt incineration or landfill.</p> <p>The quantity of waste produced by Taiwan's factories in the past two years is as follows :</p> <p style="text-align: right;">Unit: metric ton</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Hazardous waste</th> <th>Non-hazardous waste</th> <th>unit product output (kg/KKntd)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>1,391</td> <td>382</td> <td>0.428</td> </tr> <tr> <td>2022</td> <td>1,106</td> <td>494</td> <td>0.508</td> </tr> </tbody> </table> <p>Note: The denominator for calculating unit output is calculated on the basis of output value.</p> <p>The decrease in the overall waste output in 2022 is not only due to the decrease in production, but also the active implementation of waste recycling and reuse programs. The output of waste per unit product (kg/KKntd) was slightly higher than that of the previous year, mainly due to the product mix. The waste produced in 2022 was reduced by 173 metric tons compared to 2021, of which 83 metric tons was reduced by recycling. Waste reduction and emission reduction is the direction that the company is going to</p> | Year  | Hazardous waste | Non-hazardous waste | unit product output (kg/KKntd) | 2021 | 1,391 | 382 | 0.428 | 2022 | 1,106 | 494 | 0.508 |  |
| Year | Hazardous waste       | Non-hazardous waste | unit product output (kg/KKntd)   |   |                 |                     |                                |      |       |     |       |      |       |     |       |  |
| 2021 | 1,391                 | 382                 | 0.428  |   |                 |                     |                                |      |       |     |       |      |       |     |       |  |
| 2022 | 1,106                 | 494                 | 0.508  |   |                 |                     |                                |      |       |     |       |      |       |     |       |  |

| Item  | Implementation status |    |  | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Summary description  |   |
|   |                       |    | strengthen. In 2022, a sludge filter press was installed to separate and reuse the chamfered sludge. In 2022, the sludge waste reuse rate was 22.7%. In addition, waste plastics such as tapes and raw material packaging bags that were originally disposed of as general industrial waste were planned to be disposed of in a separate disposal area, and disposed of in a reused manner. In 2022, about 4 tons of waste have been reduced through the reuse of general industrial waste.  |   |
| 4. Social Issues<br>(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions? | V                     |    | ①The company complies with the Responsible Business Alliance Code of Conduct (RBA Code of Conduct), international human rights conventions, and labor and gender equality-related laws and regulations of the place where it operates, and formulate relevant human rights protection and labor policies to protect the legitimate rights and interests of employees and equal rights and interests at work without discrimination in employment policies. The company does abide by the labor laws and regulations, and sets strict operating standards for the appointment and removal of relevant employees, attendance, leave, salary and safety maintenance, etc., to protect | No difference.  |



| Item   | Implementation status |    |  | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summary description  |   |
|  |                       |    | <p>the rights and interests of employees and work safety.</p> <p>②The company reviews its own operations, value chain, business activities and other related activities to identify and evaluate the potential human rights risks it faces by focusing on major social issues, questionnaire surveys, "Friendly Workplace EAP Employee Assistance Program", labor-management meetings, employee suggestion boxes, etc. Formulate human rights issues control plans based on potential risks, and continuously monitor and improve the results of plan implementation.</p> <p>The company's implemented human rights management policies and specific plans have been disclosed in "5. Operational Highlights" - "5.5. Labor Relations" and the company's website.</p> <p>In addition, in 2022, human rights protection-related education and training had be implemented for new recruits, with a total of 768 hours and 256 person-times completing the training. In the future, we will continue to pay attention to issues of human rights protection and promote relevant education and training to increase awareness of human rights protection and reduce the possibility of related risks.</p> |   |
| (2)Has the Company established and implemented | V                     |    | ①Employee Compensation   | No difference.  |

| Item  | Implementation status |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Summary description   |   |
| reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation? |                       |    | <p>The company sets a reasonable and competitive salary level based on the talent market conditions in domestic and foreign bases. The bonus system is divided into business bonuses/production bonuses/standard bonuses/year-end bonuses, etc., which are calculated according to relevant methods and given after considering seniority and performance achievement assessments.</p> <p>② <u>Employee benefits</u><br/>Please refer to "5. Operational Highlights" - "5.5. Labor Relations", the company website and the explanation of the sustainability report.</p> <p>③ <u>Business performance is reflected in employee compensation</u><br/>According to the company's articles of incorporation, if the company makes a profit in the fiscal year, 2% to 10% should be appropriated as employee remuneration, and the operating results will be reflected in the salary of colleagues. The payment standard will consider the seniority and performance appraisal results.</p> <p>In addition, the company adjusts salary every year by considering the market salary level, economic trends and personal performance to maintain the overall salary competitiveness. In 2022, although the average salary of non-executive employees in Taiwan of the</p> |   |

| Item   | Implementation status |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary description   |   |
|  |                       |    | <p>company was slightly lower than the previous year due to the decrease in the company's profits, it was not lower than the median salary of peer companies in 2021 and 2022.</p> <p>④ <u>Workplace Diversity and Equality</u><br/>           In order to achieve gender equality and a friendly workplace, in 2022 Taiwan and its subsidiaries will account for 49% of men and 51% of women ; Among the executive positions, men accounted for 68% and women accounted for 32%, among which female supervisors increased by 3% compared with last year.</p>   |   |
| (3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees? | V                     |    | <p>①.The company has established ISO45001 occupational safety and health management system (effective until October 3, 2025) and QC080000 hazardous substance management system (effective until June 7, 2023), and continues to maintain system operation, continue to implement 7S activities, and maintain the cleanliness of the site and the effective function of safety protection measures, regular implementation of employee safety education, training and publicity, and regular employee health checks. For the specific implementation of occupational safety and health, please refer to the description of "5. Operational Highlights" - "5.8 Work environment and employee personal safety protection measures".</p> | No difference.  |

| Item   | Implementation status |         |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |        |       |      |     |       |      |     |         |  |
|--|-----------------------|---------|---|---|--------|-------|------|-----|-------|------|-----|---------|--|
|  | Yes                   | No      | Summary description   |   |        |       |      |     |       |      |     |         |  |
|  |                       |         | <p>②.In 2022, the frequency of disability injuries was 2.11, and there was 2 occupational accidents in the year, with 2 persons (accounting for 0.28% of the total number of employees at the end of 2022), and the goal of 0 cases had not been reached. After a thorough review of the improvement measures, The company immediately made relevant improvements and re-examined the assessment of hazard identification to ensure the safety of colleagues during work.</p> <p>③.The industrial safety training and publicity implemented by the company in the Taiwan factory area in the past two years are as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Person</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>458</td> <td>458.0</td> </tr> <tr> <td>2022</td> <td>384</td> <td>1,123.5</td> </tr> </tbody> </table> | Year  | Person | Hours | 2021 | 458 | 458.0 | 2022 | 384 | 1,123.5 |  |
| Year   | Person                | Hours   |   |   |        |       |      |     |       |      |     |         |  |
| 2021   | 458                   | 458.0   |   |   |        |       |      |     |       |      |     |         |  |
| 2022   | 384                   | 1,123.5 |   |   |        |       |      |     |       |      |     |         |  |
| (4)Has the Company established effective career development training programs for employees? | V                     |         | The company plans complete functional training for managers and colleagues at all levels, including newcomer training, professional advanced training, supervisor training, etc., to help colleagues continue to learn and grow through multiple learning methods.The courses include training courses related to business philosophy and laws and regulations (such as ESG) to cultivate the key capabilities of colleagues. The company formulates and implements annual training plans based on the development of employees' career   | No difference.  |        |       |      |     |       |      |     |         |  |

| Item   | Implementation status |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summary description   |   |
|  |                       |    | capabilities. Please refer to "5. Operational Highlights" - "5.5. Labor Relations" for explanations.  |   |
| (5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?      | V                     |    | The company has established and obtained ISO14001, ISO45001, QC080000 and other system certifications, and formulated and implemented information security policies. The company's operations follow the above-mentioned international norms, and the company's products and services can comply with relevant regulations and international standards.<br>In addition, the company has established "Personal Data Protection Management Measures", and has a personal data protection team to manage and protect customer privacy. Through the internal audit of personal information, external verification, crisis prevention and education and training, we will guard the customer's data. | No difference.  |
| (6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation? | V                     |    | For new suppliers, in addition to the basic evaluation items, 100% of the "Responsible Business Alliance Code of Conduct" must be communicated, the company will fill in the "Supplier Environmental Survey Form" and "Raw Material Environmental Guarantee" based on the supplier's production environment and raw material usage status. In addition, the company's "Supplier Selection Management Measures" and safety and health management method clearly stipulate that suppliers and contractors must abide by the relevant  | No difference.  |

| Item  | Implementation status |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons             |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Summary description   |   |
|   |                       |    | human rights regulations of the Labor Standards Act, including the prohibition of child labor and forced labor.If you do not meet the minimum requirements of the company, you cannot become a qualified supplier. The company conducts audits, assessments and requirements for the social responsibilities of relevant suppliers, and stipulates in the relevant supplier contracts that when there is a significant impact on the environment and society, the contract may be terminated at any time. |   |
| 5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above? ?   |                       | V  | The company has completed the 2021 sustainability report and published it on the company website and public information observation station.  | In the future, the company will gradually improve matters related to the third-party verification of the sustainability report. |
| 6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations:<br>The company regularly reviews the implementation situation in accordance with the " Sustainable Development Practice Principles" and improves accordingly. So far, there has been no deviation from the principles in the Company's operations .   |                       |    |   |   |
| 7. Other important information to facilitate better understanding of the company's promotion of sustainable development :<br>(1) Please refer to the "Sustainability Report" uploaded on the company's website or public information observatory.<br>(2) Please refer to "5. Operational Highlights - 5.4 Disbursements for Environmental Protection /5.5. Labor Relations/5.8 Work environment and employee personal safety protection measures" in this annual report.<br>(3) Information about community service, promotion of public welfare and good neighborliness<br>In order to care for the society and promote public welfare, the company carries out related activities in three aspects: |                       |    |   |   |

| Item | Implementation status |    |   | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|------|-----------------------|----|---|---|
|      | Yes                   | No | Summary description   |   |
|      |                       |    | <p>①.The company established the Cihui Club in 2005, and colleagues spontaneously donated money and participated in public welfare activities. The purpose of the club is to care for the company's colleagues, promote harmony, and then carry forward the spirit of great love, and expand to the local community and society. The mission of the Club is divided into two parts: emergency relief and social services.</p> <p>②.The company donates to the " PSA Charitable Foundation " every year. Through the human resources and resources of the group, it carries out public welfare activities such as "Friendly Workplace EAP Employee Assistance Program" and hearing care, so as to make the Company's public welfare tentacles deeper and wider, and the concept of giving back to the society will be more implemented.</p> <p>③.The company donates to the " PSA VVG Foundation for Culture and Arts" every year. Through the group's manpower and resources, it promotes the green life aesthetics of "local", "humanistic conservation" and "ecological sustainability" as the core, to enhance people's connection and appreciation of the growing land, to achieve the corporate social responsibility of cultural heritage, biodiversity protection and ecological sustainability.</p> <p>④.The public welfare activities conducted by the company</p> <p>(a) One Acre of Field - Since 2009, PDC's Cihui Club has cooperated with Yilan rice farmers to increase the income of local professional rice farmers through rice field adoption, and to achieve sustainable development of Taiwan's rice fields, ecological environment, and soil and water conservation.</p> <p>(b) In January 2022, in order to assist the government's epidemic prevention needs, the company donated 1,053 disposable protective clothing to the Taoyuan City Government.</p> <p>(c) In May 2022, the company cooperated with Taiwan Foundation for the Blind to purchase a handmade soap set as a souvenir of the shareholders meeting. In addition to helping public welfare organizations overcome the predicament of the epidemic, it also connected the consensus on environmental protection and maximized the use of resources and shows the cherishment and protection of the earth.</p> <p>(d) In 2022, the company's Welfare Committee cooperated with Down Syndrome Foundation to purchase Mid-Autumn Festival gift boxes to help Down syndrome baby. live independently and support the foundation's activities.</p> |   |

### 3.4.7 Fulfillment of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/ TPEX Listed Companies

| Evaluation item  | Implementation status |    |  | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Summary description  |  |
| 1. Establishment of ethical corporate management policies and programs<br>(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?  | V                     |    | The company's board of directors approved the formulation of the "Procedures for Ethical Management and Guidelines for Conduct " and the " Codes of Ethical Conduct for Directors and Managers", which were disclosed on the company website and public information observation stations, and actively implemented corporate governance and the implementation of the integrity management policy.   | No difference.   |
| (2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies? | V                     |    | For business activities with a high risk of dishonesty, the company has established "Layered Responsibility Approach", "Procedures for Acquisition and Disposal of Assets", "Procedures for Endorsement and Guarantee ", "Procedures for Lending Funds to Other Parties", " Risk Management Policies and Operating Procedures", "Procedures for Ethical Management and Guidelines for Conduct"... etc. and regularly assess risks to prevent dishonesty. | No difference.   |
| (3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program,   | V                     |    | In order to implement the integrity management policy and actively prevent dishonesty behaviors, in addition to formulating the "Procedures for Ethical  | No difference.   |



| Evaluation item   | Implementation status |    |   | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|---|-----------------------|----|---|--|
|   | Yes                   | No | Summary description   |  |
| implement it, and regularly review and revise the plan? |                       |    | <p>Management and Guidelines for Conduct", the company specifically regulates the operations that the company's personnel should pay attention to when performing business in the rules and regulations of the preceding paragraph. Procedures, behavior guidelines, disciplinary and appeal systems for violations, and implement them, and regularly review and amend them to make the procedures effective and in line with the current situation.</p> <p>All employees sign an employee service agreement and suppliers must sign a letter of integrity commitment. Employees are strictly prohibited from accepting/giving bribes, and the qualifications and conditions of cooperative suppliers and customers are strictly reviewed by Materials management department(MMD) and Enterprise Risk management department(ERM); for political donations , the company handles it in full accordance with the laws and regulations.</p> <p>In 2022, all new suppliers have signed a letter of integrity commitment, and all new employees have signed an employee service agreement that includes terms related to honest management.</p> |  |

| Evaluation item  | Implementation status |    |  | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|--|--|
|  | Yes                   | No | Summary description  |  |
| <p>2. Ethical Management Practice</p> <p>(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?</p>   | V                     |    | The contract signed between the company and the counterparty of the transaction clearly stipulates the terms of good faith behavior. MMD and ERM strictly examine the qualifications and conditions of cooperative suppliers and customers, and require suppliers to sign integrity clauses; only those who meet the requirements can be added to the supplier list or given a credit line. Evaluate the rationality of customer credit limit every year.  | No difference.   |
| <p>(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?</p> | V                     |    | The Human Resources and General Affairs Department is the company's dedicated unit for the promotion of the integrity management policy, and is coordinated by various departments. The full-time unit should also check and evaluate whether the preventive measures established by the management level are effective in implementing the integrity management, and conduct relevant business processes to assess the compliance situation. The unit reported the annual implementation situation to the board of directors on 2022.01.13/2023.01.17 respectively. | No difference.   |
| <p>(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?</p>   | V                     |    | In accordance with the company's "Corporate Governance Best-Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Internal Material Information and Insider Trading   | No difference.   |

| Evaluation item   | Implementation status |    |   | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|---|-----------------------|----|---|--|
|   | Yes                   | No | Summary description   |  |
|   |                       |    | Prevention Management Procedures", strictly prohibit the transfer of interests between the company and related parties and shareholders, and formulate prevent conflicts of interest policies, provide appropriate channels for presentation and implement them.  |  |
| (4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits? | V                     |    | The company formulates accounting systems and internal control systems in accordance with relevant laws and regulations. Accountants review the final accounts on a quarterly basis to ensure the fairness of each statement. There is also an independent dedicated audit unit, and the auditors regularly conduct various internal audits according to the annual plan and report the audit results to the board of directors.  | No difference.   |
| (5) Does the company provide internal and external ethical corporate management training programs on a regular basis?   | V                     |    | ①The company's website and public information observation station have placed the " Procedures for Ethical Management and Guidelines for Conduct " to strengthen information disclosure.<br>②In November 2020, the policy of integrity and integrity management was promoted by filming.<br>③During 2021-2022, announcements were made to all employees successively to reiterate the company's clean and honest management policy and strictly prohibit insider trading. | No difference.   |

| Evaluation item  | Implementation status |    |   | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|---|--|
|  | Yes                   | No | Summary description   |  |
|  |                       |    | <p>④In 2022, the total hours of education and training for new recruits (including issues related to integrity) were 128 hours (256 people*0.5 hours).</p> <p>⑤In 2022, 6 directors and corporate governance executives of the company participated in the "Practice Integrity and Ethics" publicity course (including the prevention and precautions of short-term trading/insider trading), and the total participation time was 1.5 hours.</p> <p>⑥In February 2022, the company's employees watched the relevant videos of the corporate governance evaluation and publicity of the securities regulatory authority (the course content includes the relevant regulations on preventing insider trading (Article 10 Item 4)), the number of participants was 10 people, and the course time was 2.5 Hour.</p> |  |
| <p>3. Implementation of Complaint Procedures</p> <p>(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?</p> | V                     |    | In order to ensure the sustainable and stable development of the enterprise, each company has an independent auditing unit, and the group headquarters has also set up a general auditing office to receive corrections and fraud incidents from employees of each company in the group, and provide high whistle-blowing bonuses to encourage colleagues   | No difference.   |

| Evaluation item  | Implementation status |    |   | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|---|--|
|  | Yes                   | No | Summary description   |  |
|  |                       |    | to expose in case of malpractice, report the reported matter to the audit unit with the content, evidence clues and contact information to appeal or report, and the group audit supervisor will investigate and deal with it impartially, and assume the responsibility of absolute confidentiality. After the verification is true, a high bonus will be issued in secret.  |  |
| (2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner? | V                     |    | The company's "Procedures for Ethical Management and Guidelines for Conduct" has established investigation standard operating procedures and confidentiality mechanisms. Whistleblowers can make complaints and reports through the company's complaint channels (email, general manager mailbox, etc.) anonymously or with real names. The company receives complaints or conduct a registration investigation after reporting, and inform the results or investigation status at the same time. | No difference.   |
| (3) Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?   | V                     |    | The company's relevant personnel handling the report should keep the whistleblower's identity and report content confidential, and the company promises to protect the whistleblower from being improperly dealt with due to the report, and it will be handled by the company's dedicated unit.  | No difference.   |
| 4. Strengthening Information Disclosure<br>Does the company disclose its ethical corporate   | V                     |    | The company has placed the content and  | No difference.   |

| Evaluation item   | Implementation status |    |   | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|---|-----------------------|----|---|--|
|   | Yes                   | No | Summary description   |  |
| management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?   |                       |    | implementation of the "Procedures for Ethical Management and Guidelines for Conduct" on the public information observation station ( <a href="http://mops.twse.com.tw">http://mops.twse.com.tw</a> ) and the company's website ( <a href="http://www.pdc.com.tw">http://www.pdc.com.tw</a> ). |  |
| 5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation:<br>The company has formulated relevant codes, and its operation is no different from the codes stipulated.   |                       |    |   |  |
| 6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles):<br>In 2020, the company's board of directors approved the revision of the " Procedures for Ethical Management and Guidelines for Conduct" and submitted a report to the shareholders' meeting. |                       |    |   |  |

### 3.4.8 Company's Corporate Governance Principles and Related Regulations:

Please refer to Company's website. <http://www.pdc.com.tw>. and M.O.P.S <http://www.mops.twse.com.tw>.

### 3.4.9 Other important information: Procedures for Lending Funds to Other Parties and the Procedures for Endorsement and Guarantee of the Company

(1). In order to manage the company's internal material information, the company revised the " Internal Material Information and Insider Trading Prevention Management Procedures" in November 2022 and announced it on the company's website. The revised provisions include that the company's directors and employees who have been informed of the financial report are not allowed to trade the company's stocks during the closed period of 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report.

- (2). The company's newly appointed directors, managers and other insiders will be distributed the latest version of the "Related Laws and Precautions for Insider equity in OTC companies" compiled by the Securities over-the-counter trading center when they take office, for the insiders to follow it.
- (3). The company has always attached great importance to compliance with laws and regulations, and upholds the principles of integrity and fairness to participate in industrial competition. In order to comply with the requirements of competition laws and regulations in various countries, and to maintain the company's trustworthy and respectable reputation, the "Antitrust compliance code of conduct" is specially formulated. All employees should strictly abide by this code. Once violated, they will be punished immediately according to the code to show the company's determination to abide by the competition laws and regulations of various countries.

### 3.4.10 Implementation Status of Internal Control System:

#### 3.4.10.1 Statement of Internal Control System

Prosperity Dielectrics Co., Ltd.  
Statement on Internal Control System

Date: Feb. 23, 2023

Based on the findings of a self assessment, the Company states the following with regard to the internal control system during the year 2022.

1.The Company is aware that it is the Board of Directors' and managers' responsibility to establish, implement and maintain an internal control system, and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance and safeguarding of assets) of the Company's operations, compliance with relevant laws and regulations and that its financial statements are reliable, timely and transparent.

2. Internal control systems have their inherent limitations. No matter how perfectly they are designed, an effective internal control system can only reasonably ensure achievement of the three above objectives. In addition, the effectiveness of an internal control system may change as the environment and circumstances change. The internal control system of the Company features a self monitoring mechanism. The Company will take actions to rectify any deficiency once identified.

3. The Company evaluates whether the design and implementation of its internal control system is effective by referring to the criteria stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter the "Regulations"). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system, as specified in the Regulations, which are broken down based on the management control process, namely: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication and (5) monitoring activities. Each of the components in turn contains certain audit items. Refer to the Regulations for details.

4.The Company uses the above criteria to evaluate whether the design and implementation of its internal control system is effective.

5.After an evaluation of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2022, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, compliance with the law and that its financial reporting is reliable, timely and transparent.

6. This statement shall become a principal part of the Company's annual report and prospectus and be made available to the public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

7. This statement has been approved by the Board of Directors in their meeting held on Feb. 23,2023, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Prosperity Dielectrics Co., Ltd.  
Chairman : Yu-Heng Chiao  
President : Chih-Mou Hung



**3.4.10.2 If CPAs are engaged to review the internal control system, their report shall be disclosed:**

None.

**3.4.11 Where the Company and its personnel have been penalized according to the law, or the Company has penalized its personnel for having violated its internal control system (and if the result of the penalty is likely to have a material impact on shareholders' interests or the price of securities) as of the day when the annual report was prepared in the most recent year, the contents of such penalty, major deficiencies and corrective actions shall be specified:**

None.

**3.4.12 Material resolutions of the shareholders' meeting or the Board of Directors meeting in the most recent year and up to the date of publication of the annual report:**

(1) Resolutions of the Board of Directors meeting :

| Meeting Number            | Meeting Date  | Proposal   | Resolution  |
|---------------------------|---------------|--|---|
| 11th Term<br>11th Meeting | Jan. 13, 2022 | (1) Proposal for the distribution ratio of compensation of employees and directors for the year 2021.  | Proposal passed.  |
|                           |               | (2) Discussion of the amendments to the Corporate Social Responsibility Practice Principles of the Company.  | Proposal passed.  |
|                           |               | (3) Proposal for the resolutions of the first meeting of the Remuneration Committee in 2022.   | Except that the relevant directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously. |
| 11th Term<br>12th Meeting | Feb. 22, 2022 | (1) Proposal for the distribution of compensation of employees and directors for the year 2021.  | Proposal passed.  |
|                           |               | (2) Proposal for the Company's 2021 business report , balance sheets , statements of comprehensive income, changes in equity and cash flows.   | Proposal passed.  |
|                           |               | (3) Proposal for the Company's 2021 consolidated financial statements.   | Proposal passed.  |
|                           |               | (4) Proposal for the affiliates' 2021 consolidated business report and consolidated financial statements.  | Proposal passed.  |
|                           |               | (5) Proposal for the Company's 2022 annual business plan and budget.   | Proposal passed.  |
|                           |               | (6) Proposal for the evaluation of independence of the CPAs , the appointment and compensation of the CPAs for the year 2022.  | Proposal passed.  |
|                           |               | (7) Proposal for the 2021 statement on internal control system.  | Proposal passed.  |
|                           |               | (8) Proposal for convening the Company's regular shareholders' meeting in 2022 .   | Proposal passed.  |
|                           |               | (9) Proposal for the resolutions of the second meeting of the Remuneration Committee in 2022.  | Proposal passed.  |
|                           |               | (10) Proposal to release the non-competition responsibilities of chairman and managerial officer known to the Company for self operating or operating similar businesses for others. | Except that the relevant directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously. |
|                           |               | (11) Proposal for the Company's charitable donations.  | Except that the relevant directors recused pursuant to Article 15 of the Board of   |

|                           |               |     |   |   |
|---------------------------|---------------|-----|---|---|
|                           |               |     |   | Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously.   |
| 11th Term<br>13th Meeting | Mar. 23, 2022 | (1) | Discussion of the amendments to the Articles of Incorporation of the Company.   | Proposal passed.  |
|                           |               | (2) | Discussion of the amendments to the Rules and Procedures of Shareholders' Meeting of the Company.                                     | Proposal passed.  |
|                           |               | (3) | Discussion of the amendments to the Procedures for the Acquisition and Disposal of Assets of the Company.                             | Proposal passed.  |
|                           |               | (4) | Discussion of the amendments to the 9th Plan of Transferring the Repurchased Shares to the Employees of the Company.                  | Proposal passed.  |
|                           |               | (5) | Discussion of the earnings distribution proposal of PDC Electronics (Suzhou) Co., Ltd., the Company's 100% owned subsidiary.          | Proposal passed.  |
|                           |               | (6) | Discussion of the earnings distribution proposal of Dongguan Frontier Electronics Co., Ltd., the Company's 100% owned subsidiary.     | Proposal passed.  |
|                           |               | (7) | Proposal for the resolutions of the third meeting of the Remuneration Committee in 2022.  | Except that the relevant directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously. |
| 11th Term<br>14th Meeting | May 3, 2022   | (1) | Ratification of the Company's 2021 Earnings Distribution Proposal.  | Proposal passed.  |
|                           |               | (2) | Proposal for the Company's consolidated financial statements for the first quarter of 2022.   | Proposal passed.  |
|                           |               | (3) | Proposal for adding matters to be discussed for the Company's regular shareholders' meeting in 2022.                                  | Proposal passed.  |
|                           |               | (4) | Proposal for the resolutions of the fourth meeting of the Remuneration Committee in 2022.   | Except that the relevant directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously. |
|                           |               | (5) | Proposal for the Company lease real estate from the related party (Walsin Technology Corporation) to acquire the right of use assets. | Except that the relevant directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously. |
| 11th Term<br>15th Meeting | Jun. 17, 2022 | (1) | Proposal to acquisition of the shares of Joyin Co. Ltd. from an affiliated enterprise.  | Except that the relevant directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously. |
| 11th Term<br>16th Meeting | Aug. 04, 2022 | (1) | Proposal for the Company's consolidated financial statements for the first two quarters of 2022.                                      | Proposal passed.  |
|                           |               | (2) | Discussion of the amendments to "Internal control system".  | Proposal passed.  |
|                           |               | (3) | Proposal for the resolutions of the fifth meeting of the Company's Remuneration Committee in 2022.                                    | Except that the relevant directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously. |
| 11th Term<br>17th Meeting | Aug. 30, 2022 | (1) | Discussion of the amendments to the company's " Rules for Performance Evaluation of Board of Directors ".                             | Proposal passed.  |
|                           |               | (2) | Proposal for Resolutions of the sixth meeting of the Company's  | Except that the relevant  |

|                           |               |      |   |   |
|---------------------------|---------------|------|---|---|
|                           |               |      | Remuneration Committee in 2022.   | directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously.                          |
| 11th Term<br>18th Meeting | Nov. 01, 2022 | (1)  | Proposal for the Company's consolidated financial statements for the first three quarters of 2022.  | Proposal passed.  |
|                           |               | (2)  | Discussion of the amendments to "Procedures for lending funds to other parties".  | Proposal passed.  |
|                           |               | (3)  | Discussion of the amendments to "Procedures for Endorsements and Guarantees".   | Proposal passed.  |
|                           |               | (4)  | Discussion of the amendments to the company's "Regulations Governing Procedure for Board of Directors Meetings".  | Proposal passed.  |
|                           |               | (5)  | Discussion of the amendments to the company's "Internal Material Information and Insider Trading Prevention Management Procedures".   | Proposal passed.  |
|                           |               | (6)  | Discussion of the amendments to "Internal control system" and "Internal Audit Operation Implementation Rules".  | Proposal passed.  |
|                           |               | (7)  | Proposal for the 2023 annual audit plan.  | Proposal passed.  |
|                           |               | (8)  | Proposal to release the non-competition responsibilities of director and managerial officer known to the Company for self operating or operating similar businesses for others. | Except that the relevant directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously. |
| 11th Term<br>19th Meeting | Dec. 14, 2022 | (1)  | Proposal for the disposal of inductor production equipment to affiliated companies and other adjustment-related matters.  | Except that the relevant directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously. |
|                           |               | (2)  | Proposal for the resolutions of the seventh meeting of the Remuneration Committee in 2022.  | Except that the relevant directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously. |
| 11th Term<br>20th Meeting | Jan. 17, 2023 | (1)  | Proposal for the distribution ratio of compensation of employees and directors for the year 2022.   | Proposal passed.  |
|                           |               | (2)  | Proposal for the resolutions of the first meeting of the Remuneration Committee in 2023.  | Proposal passed.  |
| 11th Term<br>21th Meeting | Feb. 23, 2023 | (1)  | Proposal for the distribution of compensation of employees and directors for the year 2022.   | Proposal passed.  |
|                           |               | (2)  | Proposal for the Company's 2022 business report , balance sheets , statements of comprehensive income, changes in equity and cash flows,etc.                                    | Proposal passed.  |
|                           |               | (3)  | Proposal for the Company's 2022 consolidated financial statements..   | Proposal passed.  |
|                           |               | (4)  | Proposal for the affiliates' 2022 consolidated business report and consolidated financial statements.   | Proposal passed.  |
|                           |               | (5)  | Proposal for the Company's 2023 annual business plan and budget.  | Proposal passed.  |
|                           |               | (6)  | Proposal for the 2022 statement on internal control system.   | Proposal passed.  |
|                           |               | (7)  | Proposal for the amendments to the Company's internal control system  | Proposal passed.  |
|                           |               | (8)  | The election of the twelfth session of directors in accordance with Article 15 of the Company's Articles of Incorporation.  | Proposal passed.  |
|                           |               | (9)  | Proposal for convening the Company's regular shareholders' meeting in 2023.   | Proposal passed.  |
|                           |               | (10) | Proposal for the resolutions of the second meeting of the Remuneration Committee in 2023.   | Proposal passed.  |

|  |  |      |  |   |
|--|--|------|--|---|
|  |  | (11) | Proposal for the Company's charitable donations. | Except that the relevant directors recused pursuant to Article 15 of the Board of Directors' Rules of Procedure, other independent directors and directors present approved the proposal unanimously. |
|--|--|------|--|---|

(2). Resolutions of the shareholders' meeting :

| Meeting Date  | Summary of significant proposals  | Resolution       | Execution  |
|---------------|---|------------------|--|
| Jun. 14, 2022 | 1.Ratification of the 2021 business report and final account statements.                  | Proposal passed. | Completed.   |
|               | 2.Ratification of the Company's 2021 earnings distribution proposal.                      | Proposal passed. | The proposal was approved by the shareholders' meeting, and cash dividends were distributed NT\$2 per share. Jul. 18, 2022 was the ex-dividend base date and the dividends were paid out on Aug. 5,2022. |
|               | 3.The amendments to the company's "Articles of incorporation "                            | Proposal passed. | The Company has been operated in accordance with the amended company operating procedures.   |
|               | 4.The amendments to the Rules and Procedures of Shareholders' Meeting of the Company.     | Proposal passed. | The Company has been operated in accordance with the amended company operating procedures.   |
|               | 5.The amendments to the Procedures for Acquisition and Disposal of Assets of the Company. | Proposal passed. | The Company has been operated in accordance with the amended company operating procedures.   |
|               | 6.Discussion of the proposal for the release of directors' non-competition obligations.   | Proposal passed. | Completed.   |

**3.4.13 In the most recent year and up to the date of publication of the annual report, directors held different opinions (on record or with written statement) about important resolutions passed at Board meetings and the major contents are:**  
None.

**3.4.14 In the most recent year and up to the date of publication of the annual report, any of chairman, president, chief accounting officer, chief finance officer, chief Internal auditor, corporate governance officer and R&D head resigned or was discharged:**  
None.

### 3.5 Information on CPAs' Fees

#### 3.5.1 The amount of audit fees and non-audit fees and the content of non-audit services:

Unit: NT\$ thousands

| Name of CPA firm                 | CPA name                        | CPA audit period          | Audit fees        | Non-audit fees    | Total | Remarks |
|----------------------------------|---------------------------------|---------------------------|-------------------|-------------------|-------|---------|
| Deloitte Touche Tohmatsu Limited | Yi-Min Huang<br>Chin-Chuan Shih | 2022.01.01~<br>2022.12.31 | 3,190<br>(Note 1) | 1,145<br>(Note 2) | 4,335 |         |

Note 1: The audit fees for 2022 decreased by NT\$40 thousand compared with the previous year, mainly due to the decrease of the number of subsidiaries.

Note 2: "Non-auditing fees-Others" items include tax visa fees, public fees for issuing transfer pricing reports, and accounting group master file report public fees.

#### 3.5.2 Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year:

None.

#### 3.5.3 Audit fees paid in the current year are at least 10% less than those paid in the previous year:

None.

### 3.6 Information on Replacement of CPAs:

None.

### 3.7 Where the Company's Chairman, President, Financial or Accounting Head Has Worked for Its Certified Public Accountant Firm or Its Affiliate Business in the Past Year:

None.

### 3.8 Any transfer and pledge of shares of the directors, managers and shareholders holding more than 10% of the company's shares.

#### 3.8.1 Shareholding changes of directors, managers and major shareholders

Unit: shares

| Title                      | Name                                | 2022   |  | As of Closure Date<br>April 22, 2023     |   |
|----------------------------|-------------------------------------|--|--|--|---|
|                            |                                     | Increase<br>(decrease)<br>of<br>shares<br>held | Increase<br>(decrease)<br>of shares<br>pledged | Increase<br>(decrease) of<br>shares held | Increase<br>(decrease) of<br>shares pledged |
| Chairman                   | Yu-Heng Chiao                       | 0  | 0  | 0  | 0   |
| Director                   | Li-Chin Ku                          | 0  | 0  | 0  | 0   |
| Director                   | Chih-Mou Hung                       |  |  |  |   |
|                            | Walsin<br>Technology<br>Corporation |  |  |  |   |
| Director                   | Por-Yuan Wang                       | 0  | 0  | 0  | 0   |
| Independent director       | Po-Kang Fan                         | 0  | 0  | 0  | 0   |
| Independent director       | Eric Chen                           | 0  | 0  | 0  | 0   |
| Independent director       | Yong-Chian Tan                      | 0  | 0  | 0  | 0   |
| Major shareholder over 10% | Walsin Technology Corporation       | 0  | 0  | 0  | 0   |
| President                  | Chih-Mou Hung                       | 40,730   | 0  | 0  | 0   |
| Vice President             | Wen-Ko Lin                          | 30,928   | 0  | 0  | 0   |
| AVP                        | Chung-Ya Tsao                       | 16,037   | 0  | 0  | 0   |
| AVP                        | Hung-Chun Wu                        | 26,137   | 0  | 0  | 0   |
| AVP                        | Chun- Hsueh Chen(Note 1)            | 22,717   | 0  | Not applicable                           | Not applicable                              |
| AVP                        | Liang-Wei Chen                      | 29,301   | 0  | 0  | 0   |
| AVP                        | Chien-Wen Chiang                    | 13,219   | 0  | 0  | 0   |
| Head of Financial Director | Hsia-Ying Lo                        | 17,018   | 0  | 0  | 0   |

Note 1 : This person was terminated on May 31, 2022, so the settlement of equity changes in 2022 ended on that date.

#### 3.8.2 Equity transfer information:

Not applicable.

#### 3.8.3 Equity pledge Information:

Not applicable.

### 3.9 Information on Relationships amongst the Top Ten Shareholders and Their Relationships with Spouses or Relatives within the Second Degree of Kinship

Unit: shares

| Name   | Shareholding by Self |                            | Shareholding by Spouse and Underage Children |                            | Shareholding under the Title of a Third Party |                            | Name and Relationships of Related Parties to Top ten Shareholders (Spouse and Relatives within the Second Degree) |                             | Remarks |
|--|----------------------|----------------------------|--|----------------------------|---|----------------------------|---|-----------------------------|---------|
|  | Quantity of Shares   | Proportion of Shareholding | Quantity of Shares                           | Proportion of Shareholding | Quantity of Shares                            | Proportion of Shareholding | Title or name   | Relation                    |         |
| Walsin Technology Corporation ( WTC)   | 74,186,468           | 43.13%                     | 0  | 0%                         | 0   | 0%                         | Walton advanced engineering, Inc.   | The same chairman as Walton |         |
| Representative: Yu-Hen Chiao   | 1,065,861            | 0.62%                      | 0  | 0%                         | 0   | 0%                         | Walton advanced engineering, Inc.   | Chairman of Walton          |         |
| Walton advanced engineering, inc.(Walton)  | 1,295,673            | 0.75%                      | 0  | 0%                         | 0   | 0%                         | Walsin Technology Corporation   | The same chairman as Walsin |         |
| Representative: Yu-Hen Chiao   | 1,065,861            | 0.62%                      | 0  | 0%                         | 0   | 0%                         | Walsin Technology Corporation   | Chairman of WTC             |         |
| Yu-Hen Chiao   | 1,065,861            | 0.62%                      | 0  | 0%                         | 0   | 0%                         | WTC & Walton  | Chairman of WTC&Walton      |         |
| Ta-Ho Maritime Corporation   | 951,200              | 0.55%                      | 0  | 0%                         | 0   | 0%                         | N/A   | N/A                         |         |
| Representative: Li-Wen Tsai  | 0                    | 0%                         | 0  | 0%                         | 0   | 0%                         | N/A   | N/A                         |         |
| ABC Taiwan Electronics Corp  | 803,880              | 0.47%                      | 0  | 0%                         | 0   | 0%                         | N/A   | N/A                         |         |
| Representative: Ming-En Hsu  | 0                    | 0%                         | 0  | 0%                         | 0   | 0%                         | N/A   | N/A                         |         |
| Wen-Che Shen   | 762,000              | 0.44%                      | 0  | 0%                         | 0   | 0%                         | N/A   | N/A                         |         |
| Sheng-Chi Liao   | 636,000              | 0.37%                      | 0  | 0%                         | 0   | 0%                         | N/A   | N/A                         |         |
| DFA Emerging Markets Core Securities Investment Fund under the custody of Citibank | 542,687              | 0.32%                      | 0  | 0%                         | 0   | 0%                         | N/A   | N/A                         |         |
| Tsung-Yuan Huang   | 516,000              | 0.30%                      | 0  | 0%                         | 0   | 0%                         | N/A   | N/A                         |         |
| UBS European SE Investment Fund under the custody of Citibank Taiwan               | 496,000              | 0.29%                      | 0  | 0%                         | 0   | 0%                         | N/A   | N/A                         |         |

**3.10 The Total Number of Shares of the Same Investee Held by the Company, its Directors, Managers and Which the Company Controls Directly or Indirectly, with the Aggregate Shareholding Percentages**

As of March 31, 2023

Units: Shares

| Re-Investment Companies ( Note )  | Investment by the Company |                            | Investment of Directors, Managers or Enterprises under Their Direct or Indirect Control |                            | Combined Investment |                            |
|-----------------------------------|---------------------------|----------------------------|---|----------------------------|---------------------|----------------------------|
|                                   | Quantity of Shares        | Proportion of Shareholding | Quantity of Shares  | Proportion of Shareholding | Quantity of Shares  | Proportion of Shareholding |
| PDC Prime Holdings Limited        | 23,464,538                | 100%                       | 0   | 0%                         | 23,464,538          | 100%                       |
| Frontec International Corporation | 8,221,615                 | 100%                       | 0   | 0%                         | 8,221,615           | 100%                       |
| Tsai Yi Corporation               | 4,934,995                 | 3.36%                      | 39,052,464  | 26.62%                     | 43,987,459          | 29.98%                     |
| Joyin Co. Ltd                     | 23,715,360                | 30.40%                     | 246,000   | 0.31%                      | 23,961,360          | 30.71%                     |

Note: Long-term Investments accounted for using the equity method.



# Fundraising Overview

## 4.1 Capital and Shares

### 4.1.1 Sources of Share Capital

#### Sources of Share Capital

Unit: NT\$ thousand/thousand shares

| Year/<br>Month | Issue<br>price | Authorized capital |           | Paid-in Capital |           | Remarks  |   |   |
|----------------|----------------|--------------------|-----------|-----------------|-----------|--|---|---|
|                |                | Shares             | Amount    | Shares          | Amount    | Sources of<br>capital  | Paid with<br>property<br>other than<br>cash | Other   |
| 1990/05        | 10             | 15,000             | 150,000   | 15,000          | 150,000   | Registered capital   | None  | Jing (1990) Shang<br>No. 109759, dated<br>1990.05.21            |
| 1990/10        | 10             | 19,000             | 190,000   | 19,000          | 190,000   | Capital increase by cash<br>NT\$40,000 thousand  | None  | Jing (1990) Shang<br>No. 121139, dated<br>1990.10.23            |
| 1995/09        | 10             | 150,000            | 1,500,000 | 67,000          | 670,000   | Capital increase by cash<br>NT\$480,000 thousand   | None  | (1995) Tai-Cai-Zheng (1)<br>No. 39130, dated<br>1995.07.06      |
| 2000/07        | 10             | 150,000            | 1,500,000 | 82,000          | 820,000   | Capital increase by cash<br>NT\$150,000 thousand   | None  | (2000) Tai-Cai-Zheng (1)<br>No. 50794, dated<br>2000.06.14      |
| 2001/07        | 10             | 150,000            | 1,500,000 | 91,093          | 910,928   | Capitalization of retained<br>earnings by NT\$90,928<br>thousand   | None  | (2001) Tai-Cai-Zheng (1)<br>No. 144065, dated<br>2001.07.10     |
| 2002/07        | 10             | 150,000            | 1,500,000 | 95,340          | 953,395   | Capitalization of retained<br>earnings, employees bonus<br>and capital surplus by<br>NT\$42,467 thousand | None  | (2002) Tai-Cai-Zheng (1)<br>No. 0910140867, dated<br>2002.07.22 |
| 2003/07        | 10             | 150,000            | 1,500,000 | 100,648         | 1,006,482 | Capitalization of retained<br>earnings, employees bonus<br>and capital surplus by NT<br>53,087 thousand  | None  | (2003) Tai-Cai-Zheng (1)<br>No. 0920132046, dated<br>2003.07.16 |
| 2003/10        | 10             | 150,000            | 1,500,000 | 101,584         | 1,015,839 | Convertible bonds<br>converted NT\$9,357<br>thousand   | None  | Jing-Shou-Shang No.<br>09201297470, dated<br>2003.10.27         |
| 2004/01        | 10             | 150,000            | 1,500,000 | 103,920         | 1,039,196 | Convertible bonds<br>converted NT\$23,357<br>thousand  | None  | Jing-Shou-Shang No.<br>09301008600, dated<br>2004.01.16         |
| 2004/04        | 10             | 150,000            | 1,500,000 | 103,927         | 1,039,268 | Convertible bonds<br>converted NT\$72 thousand   | None  | Jing-Shou-Shang No.<br>09301066380, dated<br>2004.04.23         |
| 2004/07        | 10             | 150,000            | 1,500,000 | 103,948         | 1,039,482 | Convertible bonds<br>converted NT\$214<br>thousand   | None  | Jing-Shou-Shang No.<br>09301132700, dated<br>2004.07.29         |
| 2005/10        | 10             | 150,000            | 1,500,000 | 119,609         | 1,196,088 | Convertible bonds<br>converted NT\$156,606<br>thousand   | None  | Jing-Shou-Shang No.<br>09401208220, dated<br>2005.10.21         |
| 2006/02        | 10             | 150,000            | 1,500,000 | 120,680         | 1,206,802 | Convertible bonds<br>converted NT\$10,714<br>thousand  | None  | Jing-Shou-Shang No.<br>09501019630, dated<br>2006.02.03         |

|         |    |         |           |         |           |   |      |   |
|---------|----|---------|-----------|---------|-----------|---|------|---|
| 2006/05 | 10 | 150,000 | 1,500,000 | 123,216 | 1,232,159 | Convertible bonds converted NT\$25,357 thousand   | None | Jing-Shou-Shang No. 09501083670, dated 2006.05.08 |
| 2007/01 | 10 | 150,000 | 1,500,000 | 123,243 | 1,232,427 | Convertible bonds converted NT\$268 thousand  | None | Jing-Shou-Shang No. 09601013930, dated 2007.01.19 |
| 2007/04 | 10 | 150,000 | 1,500,000 | 125,769 | 1,257,694 | Convertible bonds converted NT\$25,268 thousand   | None | Jing-Shou-Shang No. 09601080180, dated 2007.04.19 |
| 2007/08 | 10 | 150,000 | 1,500,000 | 126,091 | 1,260,909 | Convertible bonds converted NT\$3,214 thousand  | None | Jing-Shou-Shang No. 09601190330, dated 2007.08.08 |
| 2007/09 | 10 | 150,000 | 1,500,000 | 127,761 | 1,277,605 | Convertible bonds converted NT\$16,696 thousand   | None | Jing-Shou-Shang No. 09601227430, dated 2007.09.14 |
| 2008/05 | 10 | 220,000 | 2,200,000 | 158,563 | 1,585,629 | Merge lead to an increase in equity by NT\$308,024 thousand   | None | Jing-Shou-Shang No. 09701111690, dated 2008.05.13 |
| 2008/08 | 10 | 220,000 | 2,200,000 | 162,210 | 1,622,098 | Capitalization of retained earnings by NT\$36,469 thousand  | None | Jing-Shou-Shang No. 09701217080, dated 2008.08.28 |
| 2009/09 | 10 | 220,000 | 2,200,000 | 163,412 | 1,634,127 | 1. Capitalization of retained earnings by NT\$32,028 thousand<br>2. De-capitalization due to cancellation of treasury stocks by NT\$20,000 thousand | None | Jing-Shou-Shang No. 09801215090, dated 2009.09.22 |
| 2010/04 | 10 | 220,000 | 2,200,000 | 163,891 | 1,638,917 | The conversion of stock options certificate converted NT\$4,790 thousand  | None | Jing-Shou-Shang No. 09901078510, dated 2010.04.20 |
| 2010/09 | 10 | 220,000 | 2,200,000 | 167,218 | 1,672,180 | 1. Capitalization of retained earnings by NT\$32,778 thousand<br>2The conversion of stock options certificate converted NT\$485 thousand            | None | Jing-Shou-Shang No. 09901210520, dated 2010.09.15 |
| 2011/01 | 10 | 220,000 | 2,200,000 | 167,349 | 1,673,490 | The conversion of stock options certificate converted NT\$1,310 thousand  | None | Jing-Shou-Shang No. 10001009370, dated 2011.01.17 |
| 2011/04 | 10 | 220,000 | 2,200,000 | 167,754 | 1,677,545 | The conversion of stock options certificate converted NT\$4,055 thousand  | None | Jing-Shou-Shang No. 10001073130, dated 2011.04.14 |
| 2011/07 | 10 | 220,000 | 2,200,000 | 167,773 | 1,677,733 | The conversion of stock options certificate converted NT\$188 thousand  | None | Jing-Shou-Shang No. 10001156780, dated 2011.07.22 |
| 2011/09 | 10 | 220,000 | 2,200,000 | 186,116 | 1,861,163 | Capitalization of retained earnings by NT\$183,430 thousand   | No   | Jing-Shou-Shang No. 10001215880, dated 2011.09.15 |
| 2013/06 | 10 | 220,000 | 2,200,000 | 185,116 | 1,851,163 | Treasury stock capital decreased by NT\$10,000  | None | Jing-Shou-Shang No. 10201112260, dated            |

|         |    |         |           |         |           |   |      |   |
|---------|----|---------|-----------|---------|-----------|---|------|---|
|         |    |         |           |         |           | thousand  |      | 2013.06.18  |
| 2017/08 | 10 | 220,000 | 2,200,000 | 172,000 | 1,720,000 | Capital reduction by cash<br>NT\$131,163 thousand | None | Jing-Shou-Shang No.<br>10601111170, dated<br>2017.08.07 |

2023.4.22 Unit: share

| Types of Shares | Authorized Capital  |                 |             | Remarks |
|-----------------|---|-----------------|-------------|---------|
|                 | Circulating shares Issued and Outstanding<br>(Publicly-traded Shares) | Unissued Shares | Total       |         |
| Common Stock    | 172,000,000   | 48,000,000      | 220,000,000 | —       |

#### 4.1.2 Shareholder Structure

##### Shareholder Structure

2023.4.22 Unit: person/share

| Shareholder Structure<br>Quantity | Government Institutions | Financial Institutions | Other juristic (corporate) persons | Individuals | Foreign Institutions and Individuals | Total       |
|-----------------------------------|-------------------------|------------------------|------------------------------------|-------------|--------------------------------------|-------------|
| Number                            | 4                       | 7                      | 149                                | 32,431      | 56                                   | 32,647      |
| No. of Shares Held                | 395,411                 | 185,172                | 78,717,018                         | 89,908,064  | 2,794,335                            | 172,000,000 |
| Ratio of shareholding (%)         | 0.23%                   | 0.11%                  | 45.77%                             | 52.27%      | 1.62%                                | 100%        |

### 4.1.3 Distribution of Shareholders

#### Distribution of Common Shares

2023.4.22 Unit: person/share

| Shareholding         | Number of Shareholders | Number of shares held | Ratio of shareholding (%) |
|----------------------|------------------------|-----------------------|---------------------------|
| 1 to 999             | 12,055                 | 694,469               | 0.40%                     |
| 1,000 to 5,000       | 17,282                 | 34,044,814            | 19.79%                    |
| 5,001 to 10,000      | 1,902                  | 15,093,788            | 8.78%                     |
| 10,001 to 15,000     | 507                    | 6,568,646             | 3.82%                     |
| 15,001 to 20,000     | 352                    | 6,536,983             | 3.80%                     |
| 20,001 to 30,000     | 228                    | 5,904,802             | 3.43%                     |
| 30,001 to 40,000     | 111                    | 3,966,643             | 2.31%                     |
| 40,001 to 50,000     | 61                     | 2,823,733             | 1.64%                     |
| 50,001 to 100,000    | 94                     | 6,616,881             | 3.85%                     |
| 100,001 to 200,000   | 33                     | 4,888,607             | 2.84%                     |
| 200,001 to 400,000   | 11                     | 2,804,865             | 1.63%                     |
| 400,001 to 600,000   | 3                      | 1,554,687             | 0.90%                     |
| 600,001 to 800,000   | 3                      | 2,198,000             | 1.28%                     |
| 800,001 to 1,000,000 | 2                      | 1,755,080             | 1.02%                     |
| 1,000,001 and more   | 3                      | 76,548,002            | 44.51%                    |
| Total                | 32,647                 | 172,000,000           | 100.00%                   |

Note : Distribution of Preferred Shares: None.

### 4.1.4 List of Major Shareholders :

Unit: share

| Major Shareholders   | Shares | Number of Shares Held | Ratio of shareholding (%) |
|--|--------|-----------------------|---------------------------|
| Walsin Technology Corporation  |        | 74,186,468            | 43.13%                    |
| Walton Advanced Engineering, Inc.  |        | 1,295,673             | 0.75%                     |
| Yu-Heng Chiao  |        | 1,065,861             | 0.62%                     |
| TA-HO Maritime Corporation   |        | 951,200               | 0.55%                     |
| ABC Taiwan Electronics Corp.   |        | 803,880               | 0.47%                     |
| Wen-Che Shen   |        | 762,000               | 0.44%                     |
| Sheng-Chi Liao   |        | 636,000               | 0.37%                     |
| DFA Emerging Markets Core Securities Investment Fund under the custody of Citibank |        | 542,687               | 0.32%                     |
| Tsung-Yuan Huang   |        | 516,000               | 0.30%                     |
| UBS European SE Investment Fund under the custody of Citibank Taiwan               |        | 496,000               | 0.29%                     |

#### 4.1.5 Stock Price, Net Value, Earnings, Dividends and Related Information for the Past Two Years :

Unit: dollar/share

| Item                         |                               | Year              | 2021        | 2022          | Current Year up to March 31, 2023 (Note 6) |
|------------------------------|-------------------------------|-------------------|-------------|---------------|--|
| Share Price                  | High                          |                   | 80.40       | 65.20         | 43.70                                      |
|                              | Low                           |                   | 49.75       | 30.50         | 33.70                                      |
|                              | Average                       |                   | 63.01       | 44.27         | 40.14                                      |
| Net Value per Share (Note 1) | Basic                         |                   | 37.06       | 37.08         | 38.86                                      |
|                              | Diluted                       |                   | 35.06       | 37.08(Note 7) | 38.86(Note 7)                              |
| Earnings per Share           | Weighted average shares       |                   | 172,059,423 | 171,779,772   | 171,571,236                                |
|                              | Earnings per share (Note 2)   | Before adjustment | 6.65        | 2.95          | 0.87                                       |
|                              |                               | After adjustment  | 6.65        | 2.95          | 0.87                                       |
| Dividend per Share           | Cash dividend                 |                   | 2.00        | (Note 7)      | —  |
|                              | Stock Dividend                | Before adjustment | —           | —             | —  |
|                              |                               | After adjustment  | —           | —             | —  |
|                              | Accumulated unpaid dividend   |                   | —           | —             | —  |
| Return Analysis              | Price-earnings ratio (Note 3) |                   | 9.48        | 15.01         | 11.53                                      |
|                              | Price-dividend ratio (Note 4) |                   | 31.51       | (Note 7)      | —  |
|                              | Cash dividend yield (Note 5)  |                   | 3.17%       | (Note 7)      | —  |

Note 1 : Use the number of the outstanding issued shares at year's end and the distribution passed at the following year's shareholders' meeting to fill in.

Note 2 : If it is necessary to make adjustments retroactively due to situations such as issuance of bonus shares, the earnings per share before and after the adjustments should be listed.

Note 3 : Price-earnings ratio = Average per share closing price for the year / earnings per share.

Note 4 : Price-dividend ratio = Average per share closing price for the year / cash dividend per share.

Note 5 : Cash dividend yield = Cash dividend per share / average per share closing price for the year.

Note 6 : The net value per share and earnings per share should be filled in with the information of the Independent Auditors' (Review) Report in the most recent quarter of the annual report. The remaining fields should be filled in the year of the date of publication of the annual report.

Note 7 : The earnings distribution proposal for 2022 is yet to be resolved by the company's board of directors .

#### 4.1.6 Dividend Policy and Implementation Status

##### 4.1.6.1 Dividend Policy :

If the Company has pre tax profits at the end of the fiscal year, in addition to making up previous years' losses, shall first set aside ten percent of said profits as legal reserve. Where such legal reserve amounts to the total paid in capital, this provision shall not apply. After setting aside or reversing special reserve pursuant to applicable laws and regulations the special surplus reserve may be set aside according to the business needs of the Company. If

there is a balance and the accumulated unappropriated earnings, the Board of Directors shall draft a earnings distribution proposal. The shareholders' meeting shall be submitted to a resolution to distribute shareholder dividends.

In addition to the distribution of the Company's earnings in accordance with the provisions of the Company's articles, the principle that the proportion of cash dividends shall not exceed 50% of the shareholders' dividends distributed in the current year, and the rest shall be paid in stock dividends ; However, when the Company obtains sufficient funds to meet the annual funding needs, the above-mentioned cash distribution ratio may be increased to 100% at discretion. As listed in the preceding paragraph, the Company may decide the most appropriate dividend policy and payment method based on the actual operating conditions of the current year and the capital budget plan for the next year.

#### **4.1.6.2 Proposed dividend allocation for approval at annual shareholders' meeting :**

As of the publication date of the annual report, the Board of Directors of the Company has not yet approved the 2022 earnings distribution proposal. The Board of Directors' meeting is scheduled to be held 40 days prior to the regular shareholders' meeting and the relevant information will be announced on the Company's corporate website and the Market Observation Post System.

#### **4.1.7 Impact of issuance of stock dividends proposed in this shareholders' meeting upon the Company's business performance and earning per share (EPS) :**

Not applicable.

#### **4.1.8 Compensation for Employees and Directors :**

##### **4.1.8.1 The percentages or ranges with respect to employees and directors compensation, as set forth in the Articles of Incorporation of the Company:**

The Company carried out the distribution of employees and directors compensation in accordance with the Article 28 of the Articles of Incorporation of the Company, "If the Company makes a profit during the fiscal year, it shall distribute 2% to 10% as employee compensation. Employees include employees of affiliated companies who meet certain conditions. The Board of Directors resolves to distribute no more than 2% of the aforementioned profit amount as directors' remuneration.

However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses."

##### **4.1.8.2 The basis for estimating the amount of employees and directors compensation, for calculating the number of shares to be distributed as employees compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.**

- (a) According with the Articles of Incorporation of the Company, the Company shall allocate 2% to 10% of the said profit as employees compensation and no more than 2% of the said profit as directors remuneration of the pre-tax income before deducted employees compensation and directors remuneration of the year. In 2022, the estimated employee remuneration was NT\$16,231 thousand and the director's remuneration was NT\$6,492 thousand, which were estimated at 2.5% and 1.0% of the aforementioned pre-tax benefits respectively.
- (b) After the end of the fiscal year, if there is any discrepancy between the actual distributed amount and the estimated figure according to the adoption by the meeting of board of the directors, the company should enter adjusted entries based on the treatment of the change in accounting estimates. If the shareholders' meeting passes a resolution to distribute employees compensation in stocks, the number of shares for stock dividends is determined by dividing the amount of the resolution dividend by the fair value of the stock, the fair value of the stock is based on the closing price on the day before the resolution of the shareholders' meeting and considering the impact of ex-rights and ex-dividends as the basis for calculation.

#### 4.1.8.3 Information on any approval by the board of directors of distribution of compensation

- (a) The amount of any employees compensation distributed in cash or stocks and compensation for directors.

Unit: NT\$ thousand

| Item                                       | Estimated figure in 2022 | Adoption of the resolution by the board of directors | Discrepancy | Accounting treatment |
|--|--------------------------|--|-------------|----------------------|
| Directors compensation                     | 6,492                    | 6,492  | 0           | None                 |
| Employees compensation distributed in cash | 16,231                   | 16,231   | 0           | None                 |

- (b) The amount of employees compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income for the current period and total employees compensation: 0%.

#### 4.1.8.4 The actual distribution of employees and directors compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employees or directors compensation, additionally the discrepancy, cause, and how it is treated.

Unit: NT\$ thousand

| Item                                | Actual distribution | Adoption of the resolution by the board of directors | Estimated figure | Discrepancy | Accounting treatment   |
|-------------------------------------|---------------------|--|------------------|-------------|------------------------|
| Directors compensation              | 14,523              | 14,523   | 14,523           | 0           | None                   |
| Employees bonus distributed in cash | 36,303              | 36,309   | 36,309           | 6           | Adjusted for 2022 P&L. |

#### 4.1.9 The Execution Status of Shares Buyback :

##### The Execution Status of Shares Buyback

As of 2023.04.22

|   |                                |
|---|--------------------------------|
| Treasury stocks: Batch Order                | 9th Batch                      |
| Purpose of buy-back                         | Transfer shares to employees   |
| Timeframe of buy-back                       | 2021.03.26~2021.03.31          |
| Price range                                 | NT\$ 65.7~68.7                 |
| Class, quantity of shares repurchased       | Common stock<br>800,000 shares |
| Value of shares repurchased                 | NT\$ 54,370,321                |
| Shares sold/transferred                     | 0                              |
| Accumulated number of company shares held   | 800,000 shares                 |
| Percentage of total company shares held (%) | 0.47%                          |

#### 4.2 Issuance of Corporate Bonds :

None.

#### 4.3 Issuance of Preferred Shares :

None.

#### 4.4 Issuance of Global Depositary Receipts :

None.

#### 4.5 Status of Employee Stock Option :

None.

#### 4.6 Status of Employee Restricted Stock :

None.

#### 4.7 Status of New Share Issuance in Connection with Mergers and Acquisitions :

None.

#### 4.8 Financing Plans and Implementation :

None.



# Operational Highlights

## 5.1 Business Activities

### 5.1.1 Scope of Business

#### (1) Core Business

The company is engaged in the manufacturing, processing and sales of Multi-Layer Ceramic Capacitors (MLCC), Chip-Resistors (Chip-R), Ceramic Dielectric Powders(Powder), and Magnetic Components-Power Inductor (Inductor).

#### (2) Revenue Ratio

| Product  | Revenue Ratio (%) |
|----------|-------------------|
| MLCC     | 60                |
| Powder   | 17                |
| Chip-R   | 16                |
| Inductor | 6                 |
| Others   | 1                 |
| Total    | 100               |

#### (3) Manly product and service

- a. Multi-layer ceramic capacitors (MLCC)
- b. Chip-resistors (Chip-R)
- c. Ceramic dielectric powders (Powder)
- d. Power inductor (Inductor)

#### (4) R&D plan of new product and service

- High-frequency chip capacitors for industrial-grade special applications
- Low-loss industrial capacitors for vehicles
- High-reliability, high-capacity and medium-voltage capacitors for 5G industry
- Stacked-Cap High Reliability Automotive Capacitor
- Industrial high-power current detection metal plate resistors
- Miniaturized Wide Electrode Current Sensing Metal Plate Resistor
- Special thick-film high-voltage safety anti-oil and sulfur resistors
- Long Side Electrode Type Thick Film High Power Current Sense Resistor
- BME/PME MLCC advanced and special application powders
- Various series of microwave and RF component application powders

Estimated investment in research and development: estimated NT\$88,779 thousand.

## 5.1.2 Industry Overview

### (1). Industry status and development

Passive component industry mainly includes capacitor, resistor, inductor, Varistor and Thermistor, etc., which are one of the basic components of electronic circuits and key component of electronic related products. In response to the miniaturization and high-speed computing requirements of electronic products, chip-type passive components have the advantages of small size, good frequency characteristics, and low cost for automated mass production; so that are widely used in the 3C industry of information, communication and consumer electronics.

Chip-type resistors, capacitors and inductive components are still dominated by Japanese manufacturers. Among them, MLCC is the most representative one that Japanese manufacturers having advanced technology in materials and processes; and they also have the key technologies such as ceramic powder, and the design of paste and conductive colloid with other materials, besides, having a large number of R&D personnel and development costs invested, focusing on high-value-added products with high capacity and miniaturization of chip size. On the other hand, domestic manufacturers are gradually expanding its economy scale, which cooperated with the supply chain of the domestic electronic assembly industry, gaining a place in the information electronic application market via standard products released from Japanese companies.

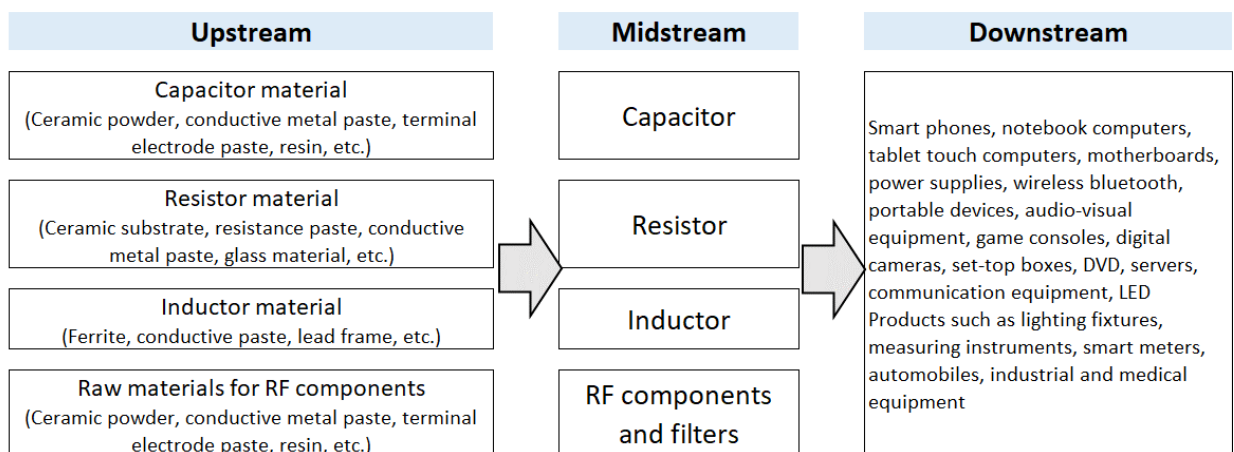
After years of hard work and development, domestic manufacturers have gradually increased their autonomy in ceramic materials and process technologies required for ceramic capacitors, resistors and inductors. Strengthened the product sales advantages through technological upgrades and horizontal integration and strategic alliances in the industry. In the global passive component market, the gap with the leading group is gradually narrowed, and domestic manufacturers are actively entering the high-margin application markets such as network communications, automotive electronics, New Energy and Aerospace Industry, and medical applications, which are continuously growing in market size.

### (2). Industry relevance (upstream, middle, downstream)

The upstream of the passive component industry is the material supplier of dielectric ceramic powder, ceramic substrate, alumina substrate, quartz substrate, conductive adhesive, cathode foil, etc. The raw materials required for the upstream of the company's main product MLCC are mainly ceramic powder and internal and external electrode materials, which relied on foreign imports in the early stage. However, after years of research and development efforts, the proportion of self-made products has gradually increased. In addition to controlling the purchase risk, it can also reduce production costs.

The midstream of the passive component industry is the manufacturer of resistors, capacitors, inductors, Varistors and Thermistors. Passive components are indispensable components of electronic products. They are divided into three categories according to their functions: capacitors, resistors and inductors. Capacitors regulate and filter radio

waves, resistors regulate current and voltage, and inductors filter noise and prevent electromagnetic interference. Via the mutual cooperation of the three, achieving the purpose of controlling the electronic circuit and protecting the active components that perform operations. Since passive components are widely used in various electronic products, downstream applications include; smart phones, notebook computers, tablet touch computers, motherboards, power supplies, wireless Bluetooth, portable equipment, audio-visual equipment, game consoles, digital cameras, set-top boxes, DVDs, servers, communication equipment, LED lighting, measuring instruments, smart meters, automotive, industrial and medical equipment and other products.



### (3). Development trend of passive components industry

With the rapid and vigorous development of electric vehicles, new energy, 5G and mobile apps, wireless communication devices and digital multimedia products continue to be miniaturized and highly mobile. The usage of passive components such as capacitors, resistors, and high-frequency components also increase in response to high-end products. Because of this, communication application equipment such as mobile phones, switches, servers, routers and 5G base stations have gradually become the main application of passive components, followed by PCs and peripheral equipment and consumer electronic products. And then the trend of environmental protection and green energy has become mainstream, the development of energy storage and electric vehicles, coupled with the increase of active and passive safety equipment in automobiles, the use of high-end passive components has increased significantly.

### (4). Product development trends and competition

#### a. Miniaturization and thinning:

As the demand for smart phones, touch panel PCs, Ultrabook PCs and Phablets continues to grow, passive components will maintain the trend of miniaturization. Chip resistors of 01005 size are widely used, chip capacitors with a size of 01005 are quickly introduced into PA modules, and series products such as low-height and high-current resistance of pressure mode inductors are developed one by one.

#### b. High frequency:

The development from 3G communication to 3.5G, LTE 4G, 5G, and usage frequency even up to 60GHz applications is becoming more and more mature. In addition to

Wi-Fi6, the demand for bluetooth has become universal, and the demand of passive components used in the high frequency applications is also increasing day by day, and the requirements for the performance of passive components are also getting higher and higher. Most of the high-frequency MLCCs are 0402 and 0201. The role of ceramic antennas and filters is gradually increasing.

c. High reliability design:

For example, automotive electronics must meet the quality requirements of AEC-Q200, life cycle is more than ten years, Chip-R anti-sulfur, improving MLCC bending strength, high temperature resistance requirements for lighting applications, etc. At present, Japanese and American passive parts manufacturers are the main suppliers, but recently Japanese manufacturers have gradually introduced Taiwanese products to seek cost improvement.

(5). Strategies for responding to the development trend of passive components industry

PDC is the domestic enterprise that invests the most in the research and development of dielectric ceramic powder materials. PDC has accumulated about 30 years of research and development and production experience as a powder manufacturer and manufactures and sell special chip capacitors and resistors. In response to the future development trends and business opportunities of 5G base stations /vehicles /third-generation semiconductors (GaN, SiC), PDC will continue to focus on special passive components (capacitors/resistors) with safety /high-power /high-temperature-resistant, and intermediary products of electric ceramic powder. These products are the main and core products of the company.

### 5.1.3 Technology and R&D Overview

(1). The technical level and R&D status of PDC

In terms of the production technology level of chip capacitors and chip resistors, PDC has developed customized requirements X5R/X7R/X7E/X8R/X7T high reliability 3035, 3940, 4252, 6560, 13060 and other sizes of medium and high voltage Chip capacitors and military-spec special capacitors.

In terms of new product development, metal plate type ultra-low-resistance products and related process technologies have matured and entered the market, and have been recognized and praised by several major listed companies. We continue to develop 0805/1206 low-resistance products in various sizes according to market demand to meet the needs of the market, which for customer miniaturization and high current application. In terms of product functions, the safety-certified chip capacitors manufactured by our company include a full range of 1808~2220 / X1Y2 & X2 safety-certified and automotive safety products, and we can begin to supply safety-regulated MLCCs required by the new telecom laws in Europe and China. In addition, we have successively developed a series of high-reliability products for automotive specifications, providing automotive-related products in various sizes ranging from 0603 to 2225. In line with the global vision of environmental protection and greening vision, the company's full series of chip capacitors

and resistors are in compliance with RoHS regulations. Among them, the chip capacitors are all lead-free and cadmium-free, and lead the industry. The whole factory has introduced green management certification QC080000.

In terms of key technologies, the key material used in the base metal process, the dielectric ceramic powder for multilayer capacitors, has also been developed and mass-produced in a full series. Furthermore, with the product capabilities of mid-to-high-level BT and formula powders with different characteristics, the construction of BME process technology and year-by-year optimization can further reduce production costs and improve product electrical performance and reliability. For example, medium and high voltage capacitors for base metal electrodes replaced the existing X7R materials of Ag-Pd series. Since the products are deeply trusted by customers, they have gradually entered the Japanese market since 2009, and also successfully entered the special application market in the United States in 2010.

The widespread use of GPS in recent years has led to a multiplicative growth in bike-sharing, motorcycles and electric vehicles. The dielectric material specifications for miniaturized design of key components of microwave ceramic antennas will develop in the direction of high dielectric constant, and products with low K and high QF characteristics required for high-precision positioning are simultaneously developed. We have also started the development of ceramic materials for 5G milli-micron band and higher frequency applications. As powder products have entered the international market, in addition to the Greater China and Asian markets, we also continue to design and manufacture special specifications of dielectric powders that meet the needs of customers in Europe and the United States.

(2). R&D expenses and the technologies or products successfully developed

a. R&D expenses in the current year and up to the publication date of the annual report

Unit: NT\$ thousand

| Item                                    | 2022      | As of March 31, 2023 |
|---|-----------|----------------------|
| R&D expenses                            | 88,239    | 17,557               |
| Revenues                                | 4,142,386 | 879,673              |
| R&D expenses as a percentage of revenue | 2.13%     | 2.00%                |

b. The technologies or products successfully developed in the current year and up to the date of publication of the annual report

| Product   | R&D content  |
|-----------|--|
| Powder    | <ul style="list-style-type: none"> <li>■ Microwave ceramic powder NPO</li> <li>■ Capacitor ceramic powder X7R high-end formula powder</li> <li>■ Capacitor ceramic powder NPO high-end formula powder</li> </ul>                         |
| Capacitor | <ul style="list-style-type: none"> <li>■ Special AC safety regulations capacitors</li> <li>■ 5G applications capacitors</li> <li>■ Automotive application capacitor</li> </ul>   |
| Resistor  | <ul style="list-style-type: none"> <li>■ Anti-sulfur EIA-977 high voltage resistor</li> <li>■ Miniaturized Low Temperature Coefficient 0805 Current Sense Resistor</li> <li>■ Base Metal 2512 Thick Film High Power Resistors</li> </ul> |

#### 5.1.4 Long-term and short-term business development plans

Looking forward to the new year, the ongoing impact of COVID-19, the outbreak of the Russia-Ukraine war, the soaring price of raw materials, rising inflation concerns, dual control policies for energy consumption in China, chip shortages, labor shortages, concerns about slowing economic growth in major economies, geopolitical risk, etc. Such variables have caused market concerns. The International Monetary Fund (IMF) released the World Economic Outlook on January 31, 2023, predicting that the global inflation rate will drop from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024. In terms of global economic growth rate, the report predicts that the global economy will grow at a rate of 2.9% in 2023. Regarding the overall economy in 2023, the Taiwan Institute of Economics Research predicts that the domestic economic growth rate will be 2.58% in 2023, and the global economic and trade growth rate in 2023 is estimated to be slower than that in 2022.

But with the application of future technologies such as 5G, New Energy, AI IOT, automotive electronics, and high-speed transmission, etc., it is still expected to drive the growth of passive component demand. The International Monetary Fund (IMF) revised down the global economic growth rate in 2022, from 4.9% estimated last year to 4.4%. The Taiwan Economic Research Institute released the latest economic forecast in January, estimating that the domestic economic growth rate in 2022 will be 4.10%.

In the face of rapid changes in global economic market and industry, in response to the volatile market situation, the company actively adopts the following countermeasures and plans, improve operational performance, and actively implement corporate governance, sustainable operation and increase shareholder remuneration:

##### **Short-term**

- Continue to focus on the company's core products, invest in R&D, manufacturing and sales to enhance the company's competitiveness in order to get greater profits.
- Continue to promote smart factories to improve production efficiency.
- In response to the new demands derived from 5G, automotive electronics, New Energy, and third-generation semiconductor-related applications, and in response to the government's investment policy in Taiwan, the company will continue to expand its factories to enhance the company's competitiveness.
- Continue to strengthen the production and sales integration and cooperation model among group companies.

##### **Medium and long term**

- Continuously improve product quality, provide zero-defect products to customers, and serve customers with an innovative global distribution pattern to achieve perfection.
- Continue to provide customers with innovative technology to become the best partner to create added value.
- Provide green products, continue to implement environmental protection work (Continue to promote energy conservation and carbon reduction work to reduce electricity costs and carbon emissions) and to promote CSR (Corporate Social Responsibility).

- Actively expand and develop overseas markets.

## 5.2 Market , production and sales overview

### 5.2.1 Market analysis

#### (1). Sales region(s) of main products for Year 2022

Unit: NT\$ thousand

| Year           |         | 2020      |     | 2021      |     | 2022      |     |
|----------------|---------|-----------|-----|-----------|-----|-----------|-----|
| Region         |         | Amount    | %   | Amount    | %   | Amount    | %   |
| Export Sales   | Asia    | 2,883,512 | 55  | 2,938,879 | 49  | 1,480,500 | 36  |
|                | America | 267,882   | 5   | 397,810   | 7   | 445,528   | 11  |
|                | EU      | 217,590   | 5   | 254,933   | 4   | 220,938   | 5   |
|                | Others  | —         | —   | 3,188     | —   | 370       | —   |
| Subtotal       |         | 3,368,984 | 65  | 3,594,810 | 60  | 2,147,336 | 52  |
| Domestic sales |         | 1,838,877 | 35  | 2,415,300 | 40  | 1,995,050 | 48  |
| Total          |         | 5,207,861 | 100 | 6,010,110 | 100 | 4,142,386 | 100 |

#### (2). Market Share

In terms of chip capacitors, which account for more than 50% of PDC's business, the output value in 2022 was NT\$1.58 billion, accounting for less than 1% of the global output value of capacitors. However, PDC is the only domestic chip capacitor manufacturer with self-made dielectric ceramic powder. As providing customer sized and environmental protection and greening products - especially high-voltage chip capacitors, PDC is considered as one of the leading manufacturers in the world.

#### (3). The future supply and demand situation and growth of the market

Based on the future supply and demand situation and growth of the terminal application product market, the analysis is as follows:

##### A. Market demand analysis

PDC mainly produces high-power and high-reliability chip capacitors and resistors. It is predicted that high-power products will grow on a considerable scale in the future with the rapid development of 5G, New Energy, automotive, IOT, fast charging power sources and other related industries. Others, such as High-end laptops (Ultramobile), digital set-top boxes, and handheld game consoles are all growing as well. To be said, the above applications will bring great business opportunities for PDC's big-size and high-power products.

##### B. Market supply analysis

For chip passive components and inductors, the biggest competitors are still Japanese manufacturers. Japanese manufacturers are limited by heavy personnel costs and are relatively conservative and cautious in capacity expansion.

Therefore, if the domestic electronic material industry can grasp the technological development trend and improve process capabilities, and also reduce production costs, and through the complete system of the domestic information and

communication industry, it should be able to gradually replace Japanese products. Moreover, due to the high-level impact of information and consumer electronic products, such as personal computers, game consoles, and digital set-top boxes, etc. the demand for components with special specifications such as high-capacity and high-voltage are growing. So, the domestic manufacturers hope to reduce costs to increase economy scale and improve their competitiveness to against Japanese products.

(4). Competitive niche

a. Key technologies

The key technologies of ceramic capacitors including two projects: electrode materials and dielectric ceramic powder. PDC has invested the most in the research and development of dielectric ceramic powder materials in Taiwan. PDC has accumulated about 30 years of R&D and production experience since its establishment, and this is the company's most important core competencies. Starting from this core capability, we will continue to develop higher-level multilayer capacitor ceramic powder and develop other products in multiple directions. Among them, the dielectric ceramic powder used in chip capacitors (multilayer ceramic capacitors); beside PDC, most of other peers in the domestic industry currently rely on the dielectric ceramic powder imported from abroad. However, PDC actively increases the ratio of domestic raw material independent supply, and supplies medium and high-grade dielectric ceramic powder and microwave application ceramic powder for chip capacitor production to other peers. In result, PDC has been successfully sold to domestic and foreign manufacturers, and it is expected to continue to promote to the domestic market in the future to improve PDC's profit. In addition, the company will continue to develop higher-order special application laminated capacitor ceramic powder, LTCC materials, high-frequency microwave materials for 5G applications and high frequency inductive materials to meet future market demand at home and abroad.

b. Good vertical integration

PDC's dielectric ceramic powder is of high quality and excellent stability. In addition to being used by PDC to produce MLCC itself, after joining Walsin Technology (PSA Group) in 2005, whether it is used in single-layer or multi-layer ceramic capacitors, the dielectric ceramic powder for the research and development of LTCC materials and 5G application high-frequency microwave materials, the trial time is significantly shortened.

c. Product diversification and overall good performance

The company's products range from raw materials (dielectric ceramic powder, LTCC materials, high-frequency microwave materials for 5G applications), semi-finished products (semiconductor ceramic capacitor tiles) to finished products (chip capacitors, chip resistors, magnetic components), and its products are diversified. The breadth and depth can not only meet the needs of different customers, but also avoid the



impact of a single product on operational performance due to supply-demand imbalance and price competition.

(5). Advantages, Disadvantages and Countermeasures of the Development Prospect

a. Advantages

① Experienced management team

The company's managers have more than 10 years of working experience and are all professional people with high stability and maturity. They are sensitive to the market and have a quick decision-making process ability, which is an important cornerstone for PDC's subsequent development.

② Leading material and process technology integration

Since pdc has the core competence of ceramic materials, it is the highest degree of upstream and downstream integration of similar domestic companies of the same type. Among them, PDC's R&D and mass production capabilities of dielectric ceramic powder have the most competitive advantages. The company has accumulated many years of R&D and production experience. Therefore, other products can be developed in many ways.

③ Design, manufacture and marketing integration services of customized products

In addition to having a technical team integrating upstream material technology and product process technology, PDC can also provide customers with the integration of product design, manufacturing and marketing on the application side, and provide the best technical services for market and customer needs.

④ Strong marketing capabilities

In terms of marketing business, PDC has the ability and experience to cooperate with major customers and enter the international market due to PDC's strong lineup of domestic and foreign sales.

⑤ Complete product portfolio

PSA Group's products include capacitors, resistors, inductors, RF equipment, antennas and protection components, with complete product specifications and options, and can provide customers with one-stop convenient services. In addition, complete sales and distribution channels have been established around the world to ensure timely and localized customer service.

b. Unfavorable factors and countermeasures

① Rising labor costs and manpower shortages increase production and operating costs.

Countermeasures: In addition to the legal introduction of foreign workers, PDC also strengthens on-the-job training for employees to improve the quality and productivity of personnel, and introduces automated production equipment to upgrade process technology to enhance PDC's competitiveness. PDC also pays attention to employee welfare, such as the adoption of the employee trust shareholding system, which can unite the centripetal force of employees and attract more talents.

② Main raw materials rely on imports and prices continue to rise.

Countermeasures: Actively look for overseas material technical cooperation, and continue to establish long-term cooperative relations with suppliers, so that the source of raw materials is not easy to be in short supply.

③ Affected by US-China trade frictions, Asian currencies fluctuate sharply against the US dollar.

Countermeasures: Revise the transaction contract, and reflect the cost in a timely manner, and reduce the impact caused by the exchange rate trend. In addition, the transaction conditions are changed to a currency with a relatively stable exchange rate. Moreover, conduct hedging transactions in a timely manner to reduce the risk of exchange rate fluctuations.

④ Affected by the US-China trade friction/COVID-19 epidemic/Russia-Ukraine war, the global economic is in an uncertain state.

Countermeasures: Adjust the company's factory layout and supply chain in a timely manner in line with customer and market needs, continue to develop niche products and enhance the company's R&D capabilities, and differentiate its business model from other peers.

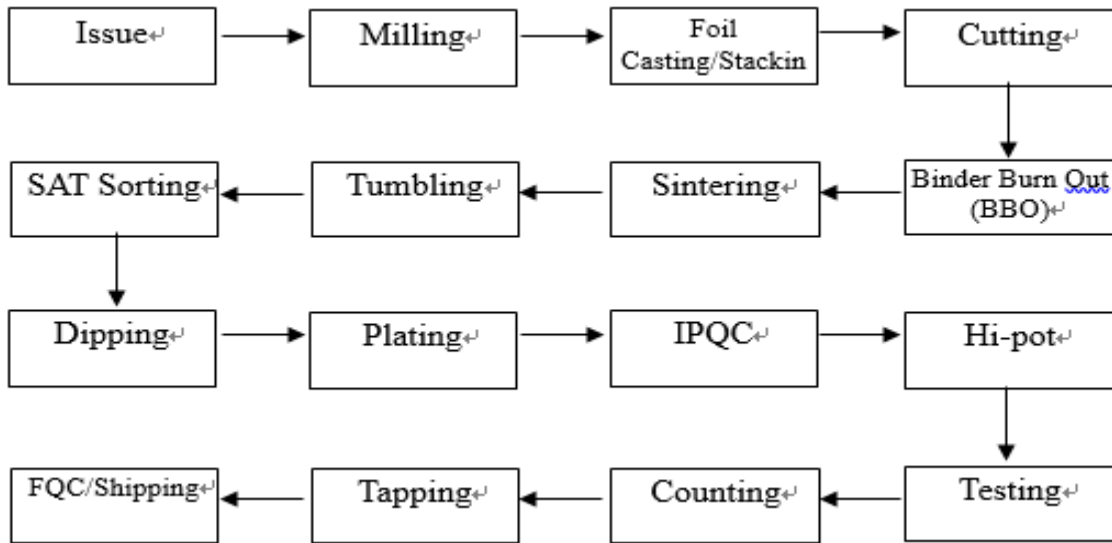
## 5.2.2 Usage and Manufacturing Processes for the Main Products

### (1). Usage of Main Products

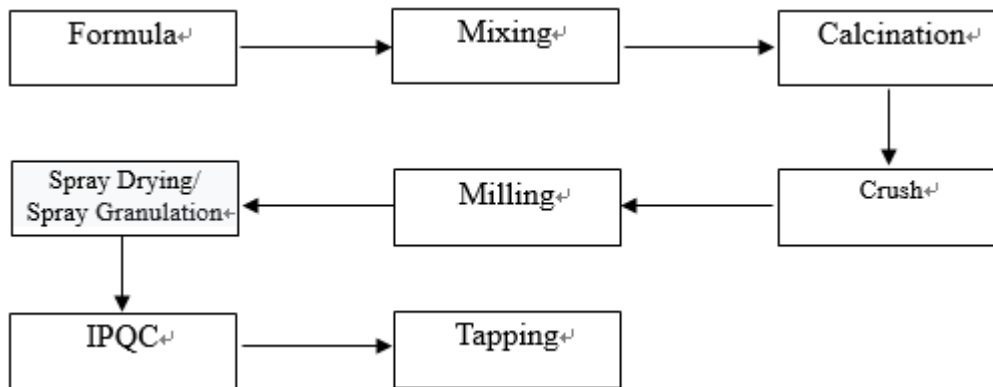
| Main Products | Usage  |
|---------------|--|
| MLCC          | Used for the energy storage, bypass, smoothing, coupling, filtering, resonance, impedance-matching circuits, and applied to computer peripherals, communications products and consumer electronics, industrial/automotive electronics, New Energy, household/Medical electronics, etc. |
| Chip-R        | Used for DC step-down converter, DC voltage divider, and applied to consumer electronic products such as computer peripherals and information appliances.  |
| Powders       | Supply of raw materials to manufacture disc-type capacitor elements, multilayer ceramic capacitor, microwave components, ceramic antennas, etc.  |

## (2). Manufacturing Process

### a. Multi-layer ceramic capacitors



### b. Ceramic dielectric powders



## 5.2.3 Main raw materials supply

| Material                   | Sources of supply       | States of supply |
|----------------------------|-------------------------|------------------|
| Electrode                  | Japan and Affiliates    | Stable           |
| Ceramic dielectric powders | Made by the Company     | Stable           |
| Substrate                  | Taiwan and China        | Stable           |
| Barium Carbonate(BaCo3)    | Europe and China        | Stable           |
| Titanium dioxide(TiO2)     | Europe, Japan and China | Stable           |
| Zirconium dioxide(ZrO2)    | China                   | Stable           |
| rare earth metal           | China                   | Stable           |

## 5.2.4 List of Main Suppliers and Customers

(1).List of customers who accounted for more than 10% of the net sales in any of the last two years

Unit: NT\$ thousand

| Year | 2021                          |           |                    |                       | 2022                          |           |                    |                       | Up to March 31,2023           |         |                    |                       |
|------|-------------------------------|-----------|--------------------|-----------------------|-------------------------------|-----------|--------------------|-----------------------|-------------------------------|---------|--------------------|-----------------------|
| Item | Name                          | Amount    | Ratio of Net Sales | Relationship with PDC | Name                          | Amount    | Ratio of Net Sales | Relationship with PDC | Name                          | Amount  | Ratio of Net Sales | Relationship with PDC |
| 1    | Walsin Technology Corporation | 1,020,648 | 17                 | Affiliates            | Walsin Technology Corporation | 880,949   | 21                 | Affiliates            | Walsin Technology Corporation | 220,753 | 25                 | Affiliates            |
| 2    | -                             | -         | -                  | -                     | A company                     | 528,292   | 13                 | Non-affiliates        | -                             | -       | -                  | -                     |
| 3    | Others                        | 4,989,462 | 83                 | -                     | Others                        | 2,733,145 | 66                 | -                     | Others                        | 658,920 | 75                 | -                     |
|      | Net Sales                     | 6,010,110 | 100                | -                     | Net Sales                     | 4,142,386 | 100                | -                     | Net Sales                     | 879,673 | 100                | -                     |

Note: The proportion of sales from other customers did not reach 10% of the annual net sales.

(2).List of purchasers who have accounted for more than 10% of the net purchases in any of the most recent two years:

Unit: NT\$ thousand

| Year | 2021   |           |                       |                       | 2022   |           |                       |                       | Up to March 31,2023                              |         |                       |                       |
|------|--|-----------|-----------------------|-----------------------|--|-----------|-----------------------|-----------------------|--|---------|-----------------------|-----------------------|
| Item | Name   | Amount    | Ratio of Net Purchase | Relationship with PDC | Name   | Amount    | Ratio of Net Purchase | Relationship with PDC | Name   | Amount  | Ratio of Net Purchase | Relationship with PDC |
| 1    | Dongguan Walsin Technology Electronics Co., Ltd. | 719,377   | 23                    | Affiliates            | Walsin Technology Corporation                    | 413,499   | 24                    | Affiliates            | Walsin Technology Corporation                    | 63,934  | 17                    | Affiliates            |
| 2    | Walsin Technology Corporation                    | 631,675   | 20                    | Affiliates            | Dongguan Walsin Technology Electronics Co., Ltd. | 300,187   | 18                    | Affiliates            | A company  | 58,934  | 15                    | Non-affiliates        |
| 3    | A company  | 241,032   | 8                     | Non-affiliates        | A company  | 122,773   | 7                     | Non-affiliates        | Dongguan Walsin Technology Electronics Co., Ltd. | 58,672  | 15                    | Affiliates            |
| 4    | Others   | 1,528,492 | 49                    | -                     | Others   | 868,636   | 51                    | -                     | Others   | 202,087 | 53                    | Non-affiliates        |
|      | Net Purchases                                    | 3,120,576 | 100                   | -                     | Net Purchases                                    | 1,705,095 | 100                   | -                     | Net Purchases                                    | 383,627 | 100                   | -                     |

### (3). Reason for Changes

The Company established a long-term strategic alliance with Walsin Technology Co., Ltd. in September 2005. Due to the vertical integration and complementarity effect of the Company's product lines with Walsin Technology Co., Ltd., through strategic alliance, the two parties began to specialize in production lines in the middle of 2005, so the situation of cross-selling increased.

Walsin Technology Co., Ltd. and its subsidiaries mainly supply capacitors, resistors and other products, while other manufacturers mainly supply raw materials for electrodes and dielectric ceramic powder, and the proportion of purchases are less than 20%.

Overall, the Company's procurement of various major raw materials is not relatively concentrated in specific manufacturers, and the transaction objects are mainly determined based on the principles of the supplier's delivery date, material quality and unit price.. There is no major abnormality in the change of suppliers.

### 5.2.5 Output volume and value for the last two years

Unit : Kpcs ; Kg ; NT\$ thousands

| Product \ Year | Unit | 2021      |           | 2022      |           |
|----------------|------|-----------|-----------|-----------|-----------|
|                |      | Capacity  | Value     | Capacity  | Value     |
| MLCC           | Kpc  | 3,144,518 | 1,785,130 | 1,446,212 | 1,582,259 |
| Chip-R         | Kpc  | 3,719,856 | 678,289   | 3,552,221 | 560,752   |
| Powder         | Kg   | 4,716,427 | 1,466,448 | 2,323,760 | 743,827   |
| Coil           | Kpc  | 251,716   | 281,754   | 169,640   | 145,446   |
| Total          | Kpc  | 7,116,090 | 4,211,621 | 5,168,073 | 3,032,284 |
|                | Kg   | 4,716,427 |           | 2,323,760 |           |

### 5.2.6 Sales volume and value for the last two years

Unit : Kpcs ; Kg ; NT\$ thousands

| Product \ Year | Unit | 2021           |           |            |           | 2022           |           |            |           |
|----------------|------|----------------|-----------|------------|-----------|----------------|-----------|------------|-----------|
|                |      | Domestic Sales |           | Exports    |           | Domestic Sales |           | Exports    |           |
|                |      | Volume         | Value     | Volume     | Value     | Volume         | Value     | Volume     | Value     |
| MLCC           | Kpcs | 6,547,387      | 1,340,888 | 23,579,725 | 2,156,159 | 4,778,955      | 1,206,686 | 11,084,532 | 1,303,902 |
| Chip-R         | Kpcs | 5,169,355      | 441,910   | 7,653,682  | 368,028   | 4,326,848      | 369,039   | 5,164,248  | 295,569   |
| Powder         | Kg   | 1,370,421      | 479,762   | 2,522,874  | 707,710   | 1,060,904      | 365,333   | 1,024,150  | 319,436   |
| Coil           | Kpcs | 169,122        | 141,441   | 373,879    | 327,609   | 38,266         | 39,511    | 260,433    | 207,370   |
| Others         | Kpcs | 16,388         | 11,299    | 50,823     | 35,304    | 17,645         | 14,481    | 25,668     | 21,059    |
| Total          | Kpcs | 11,902,252     | 2,415,300 | 31,658,109 | 3,594,810 | 9,161,714      | 1,995,050 | 16,534,881 | 2,147,336 |
|                | Kg   | 1,370,421      |           | 2,522,874  |           | 1,060,904      |           | 1,024,150  |           |

### 5.3 Workforce Structure

Workforce Structure from the Last two years and up to the date of publication of the annual report:

| Fiscal Year              |                          | 2021  | 2022  | 2023 up to March 31 |
|--------------------------|--------------------------|-------|-------|---------------------|
| Number of employees      | indirect Employee        | 309   | 295   | 302                 |
|                          | Direct Employee          | 632   | 489   | 546                 |
|                          | Total                    | 941   | 784   | 848                 |
| Average age              |                          | 34.75 | 35.70 | 35.65               |
| Average years of service |                          | 4.97  | 5.48  | 5.86                |
| Education background (%) | Ph.D.                    | 0.32  | 0.38  | 0.35                |
|                          | Master's                 | 3.72  | 4.46  | 4.83                |
|                          | University/College       | 33.37 | 33.80 | 34.43               |
|                          | Senior High School       | 26.89 | 22.79 | 23.11               |
|                          | Below senior high School | 35.71 | 38.65 | 37.26               |

### 5.4 Disbursements for Environmental Protection

#### 5.4.1 The total amount of losses (including compensation and environmental protection audit results) and punishment due to environmental pollution in the most recent year and up to the date of publication of the annual report:

Unit : NT\$

| Pollution Types                            | 2022    | Up to April 30,2023 |
|--|---------|---------------------|
| Fail to follow Air Pollution Control Act   | -       | -                   |
| Fail to follow Water Pollution Control Act | 147,000 | -                   |
| Fail to follow Waste Disposal Act          | -       | -                   |
| Others                                     | 100,000 | -                   |

#### 5.4.2 Preventive measures for improvement of penalties

##### 5.4.2.1 Failure to Compliance with Water Pollution Control Regulation

In March 2022, the Company received a letter (Fu-Huan-Ji-Zi No. 1110071689) from the Taoyuan City Government, due to the results of the sampling and inspection by the Department of Environmental Protection at the outlet, the suspended solids exceeded the effluent standard, which is a violation of Article 7, Paragraph 1 of the Water Pollution Control Act, and was fined NT\$147,000 and an environmental lecture. The Company has paid the fine and sent staff to attend the training, and after improvement, it has met the effluent standard, and the improvement results have been sent to Department of Environmental Protection for future reference.

##### 5.4.2.2 Failure to Compliance with Toxic Chemical Substances Regulation

The Company received a letter (Fu-Huan-Kong-Zi No. 1110148745) from the Taoyuan City Government on June 2, 2022, due to late application and acquisition of extension

registration documents for the operation (storage) of toxic chemical Substances, which is a violation of Article 13, Paragraph 2 of the Toxic and Concerned Chemical Substances Control Act, and was fined NT\$100,000 and an environmental lecture. The Company has paid the fine and sent staff to attend the training, and The Company will establish a control list of validity period for the license and documents reported to the government in the future.

#### **5.4.3 The following plans for pollution prevention measures :**

(1) The company's environmental policy

##### **Environmental Policy**

Prosperity Dielectrics Co., was established on May 21, 1990, as a manufacturer of high-end electronic ceramic products. Based on the principle of ensuring quality, try to select low-pollution process equipment and raw materials to pursue pollution prevention in the process of design, manufacture, sales and disposal of products, and the goal is to prevent or reduce the risks caused by processes, facilities and activities to employees, suppliers, contractors, surrounding people and stakeholders. We promise to abide by the following principles to implement the operation of the environmental and safety and health management system:

- ①.Compliance with laws and regulations: Comply with relevant environmental protection, safety and health regulations, international environmental safety conventions, requirements of customers and other relevant groups.
- ②.Continuous improvement: Establish and implement improvement plans to reduce environmental impact, reduce safety and health risks, and continuously improve environmental safety performance.
- ③.Risk reduction: Through appropriate management measures to prevent pollution and recycle, grasp and control various sources of hazards, and to prevent all personnel from injury, disease or other disasters.
- ④.Implement education: educate and publicize the concept of environmental protection, safety and hygiene for all employees, so that they can recognize their personal responsibilities and implement it in daily business operations.
- ⑤.Good communication: Establish a good communication and consultation channel, strengthen the interaction with employees, suppliers, contractors, surrounding people and stakeholders, so as to convey the company's environmental safety policy and related requirements.

(2) Set up various management systems

The company established the ISO14001 environmental management system in 2004 and passed the SGS certification. It is committed to pollution prevention and regards it as one of the primary responsibilities and continues to this day.

In addition to the ISO14001 environmental management system certification (effective until October 13, 2025), the company has also obtained ISO45001 occupational safety and health management system certification (effective until October 3, 2025), IECQ

QC080000 hazardous substance process management system certification (effective until June 7,2023), IATF 16949 automotive industry quality management system certification (valid until January 5, 2024). Product identification: UL/TUV product safety certification, SGS product testing for harmful substances. In order to achieve greenhouse gas reduction, the company has conducted greenhouse gas inventory according to ISO14064-1 and entrusted a third party to conduct verification.

(3) Major Hazard Identification/Risk Assessment and Management Plan

In addition to actively identifying abnormal risks in hazard identification and risk assessment in ISO14001 & ISO45001, the company promotes various environmental and safety management systems and implements an abnormal notification system. In order to comply with environmental laws and regulations, pollution prevention and continuous improvement requirements, the company strictly implements various monitoring systems to accurately reduce the total amount of pollution discharge and the occurrence of pollution, the company has continued to make the following major goals and management plans in 2022:

| No | Goal/Target  | Program   | Status statement  | Execution  |
|----|--|---|---|--|
| 1  | Cherish resources/<br>Energy saving and carbon reduction | Waste Pet film is recycled and reuse by the supplier              | In order to reduce the amount of waste Pet film, it is planned to be recycled by the supplier.  | It had started to be implemented in February 2022, but due to the high cost of recycling and processing by suppliers, the implementation was postponed.      |
| 2  | Compliance with regulations                              | Set up a public dangerous goods storage area.                     | Flammable liquid raw materials must be stored separately to comply with regulations.  | The storage area of flammable liquid raw materials was set up in May 2022.   |
| 3  | Cherish resources/<br>Energy saving and carbon reduction | Outsourced recycling and reuse of waste plastic (R-0201)          | Waste plastic (including reel, tape and raw material packing bags, etc.) generated during the manufacturing process has an impact on the environment. | In April 2022, the waste plastic (R-0201) outsourced recycling program was implemented, which reduced nearly 4 tons of garbage in 2022 and is still ongoing. |
| 4  | Cherish resources/<br>Energy saving and carbon reduction | Recycling and reuse of sludge (R-0403) from the tumbling station  | Sludge generated during the manufacturing process has an impact on the environment and increases carbon emission.                                     | A filter press was set up in March 2022, the amount of sludge was reduced by about 22% through separation, disposal and recycling, and is still ongoing.     |
| 5  | Compliance with regulations                              | Improvement of anti-overflow tank of emergency generator oil tank | Emergency generator oil tank has an overflow situation.   | Implementation started to strengthen the height and capacity of emergency generator oil tank in July 2022.   |
| 6  | Reduce security risks                                    | Improvement of LPG gas storage tank safety valve and pipeline     | Replace safety valve for proper functionality.  | Implementation started in February 2022, and is still ongoing.   |
| 7  | Reduce security risks                                    | Add safety sensor device to sandblasting machine                  | Prevent personnel accident.   | Implementation started in February 2022, and is still ongoing.   |
| 8  | Compliance   | Improvement of fence  | Reduce waste scattering and   | Implementation started in  |



|    |  |   |  |   |
|----|--|---|--|---|
|    | with regulations   | in waste paper and waste iron temporary storage area.               | facilitate management and rectification.   | March 2022, and is still ongoing.                             |
| 9  | Compliance with regulations                              | Replacement project of pulse jet bag filter in Powder No. 1 Factory | Improve working environment on-site and reduce dust escaping and pollution emission. | Implementation started in January 2022, and is still ongoing. |
| 10 | Cherish resources/<br>Energy saving and carbon reduction | Continue to replace old lighting fixtures                           | Replacement of old T5 and T8 lights to LED lights in some area of Taiwan plant.      | Is still ongoing in 2022.                                     |

**5.4.4 The summary of environmental protection related expenditures in Taiwan's factories in 2022 is as follow:**

Unit: NT\$ thousand

| Classification  | Description  | Expenses | Capital Expenditures |
|---|--|----------|----------------------|
| 1. Direct Cost of reducing environment load   |  |          |                      |
| (1) Pollution Prevention  | Including air pollution prevention, water pollution control, and other pollution prevention  | 14,563   | 140                  |
| (2) Save resource Consumption   | The cost of saving resources (e.g. water resource)   | 1,758    | -                    |
| (3) Business Waste Disposal and Recycling   | The Cost of disposal of business waste (including reuse, incineration, burial, etc.)   | 17,805   | 1,523                |
| 2. Indirect Cost of reducing environment load (Environmental protection related management costs) | Including (1) Employee environmental protection education expenses; (2) Environmental management system structure and certification acquisition costs; (3) Monitoring environmental load costs | 3,656    | -                    |
| 3. Other Environmental Protection related costs   | Fine of environmental issue  | 100      | -                    |
| Total   |  | 37,882   | 1,663                |

## 5.5 Labor Relations

### 5.5.1 List of employee benefits, in service training, internal training, retirements system, and implementation status. As well as employer employee agreements and protection measures for employee entitlements:

As a high-tech industrial company, the company take creating the highest profit as the norm for all employees, implements employee shareholding trusts, and pays attention to the training and cultivation of employees. The company's relevant welfare measures and retirement system are as follows:

#### (1) Employee welfare measures :

The company has established a welfare committee to plan various employee welfare measures. The company also provides rental allowances, transportation vehicles, wedding and funeral subsidies, employee meal improvements, special medical institutions discounts, regular health checks, employee emergency assistance , employee group insurance...etc.

Regarding the welfare measures that provided, the company sets up employee suggestion boxes and feedback employees' opinions timely, the company also hold labor-management meetings regularly, in order to revise the welfare planning direction to enhance employee solidarity, and promote harmonious labor-management relations.

#### (2) Employee training and education

a. Employees are the most important assets of the company. The cultivation and training of employees' work skills and functions has always been the direction of the company's active investment and efforts. In order to respond to the overall development of the company, cultivate the morality of employees, improve the quality and work efficiency of employees, we not only formulates " Employee Education and Training Measures " as the operation guidelines for employee education and training, but also the HR department is responsible for the planning and implementation of all employees' training and human resources development.

b. In addition to the internal training courses planed by the HR department, employees are also encouraged to participate in training courses arranged by external professional organizations for courses that cannot meet the special professional needs of them. And the training information will be announced to all employees timely. The trainings that each employee has participated in are recorded, and provided to the relevant supervisors for reference. Stimulate the growth of employees through training and integrate their knowledge into the company's daily management and work, so as to improve the performance and work quality of each department.

c. In 2022, the company's training expenses totaled NT\$543 thousand, with a total training hours of 4,959 hours and 2,157 persons. The course content is as follows:

| Course category        | Course Title   |
|------------------------|--|
| Management             | NPS production technology/productivity improvement series-Unit3 production management structure/productivity improvement series-Unit4 cost/supplier credit risk assessment method/valuable waste bidding operation process description   |
| Quality control        | Core tools for the automotive industry-training for process and system auditors/quality awareness/PFMEA practice drills-basic concepts/PFMEA revision guidance/VDA6.3 article courses/SPC training/DFMEA application and implementation guidance/PFMEA application and implementation guidance   |
| Information technology | 2022 Information Security Publicity/PSA Information Security Guidelines Training/Information Security Management and Control for Listed Cabinets seminar / Information Security Management System Articles Training /Internal Audit Training of Information Security Management System/Operation Continuous Drill Description/ISMS Risk Management Method/ MES-Product Design/Safe Code Writing Training/PSA Social Engineering Drill Promotion  |
| Marketing and Sales    | Product training_MLCC/Product training_RF/Product training_Chip R/MLCC Sales Training/Business Management and Credit Limit Control/Product Training-5G Automotive Capacitor & Special Resistor Application   |
| Health and Safety      | Illegal infringement series courses/occupational safety and health training/manufacturing carbon inventory seminar/CPR+AED course/supply chain security threat awareness and explosion-proof anti-terrorism/fire safety lecture/manufacturing carbon inventory seminar/RoHS environment-related banned substances/ISO14001 & ISO45001 Internal Auditor/SDS Hazardous Substances/Traffic Safety Publicity/Emergency Response Evacuation Drill   |
| ESG related            | Corporate governance supervisors training/compilers of financial reports/continuing training for agents in charge of accounting/ESG information disclosure and introduction of recent promotion measures/third-party verification of sustainability reports: financial industry, electronics industry/manufacturing carbon inventory and carbon footprint workshop -Carbon footprint course/Greenhouse gas inventory and verification publicity meeting/Sustainable development road map industry theme publicity meeting/2022 year Shanghai cabinet companies should do things publicity briefing |
| Professional knowledge | Tax-related Seminar/Commercial Law and Regulations Seminar/IFRS Promotion Seminar/ Corporate Governance Rules Amendment Promotion Seminar/Intellectual Machinery Investment Deduction Promotion Seminar/CFC Tax Lecture/Introduction to International Sustainability Disclosure Standards S1 and S2  |

### (3) Retirement system

In accordance with the relevant provisions of the Labor Standards Act, the company has formulated retirement measures, and established the "Labor Retirement Reserve Fund Supervision Committee" to regularly supervise the status of the withdrawal of retirement reserves and be responsible for the review of retirement applications.

### (4) Labor-management agreements

The company appoints representatives of labor and management in accordance with the law, and regularly holds "labor-management meetings" to enhance the exchange of opinions between employees and management. The resolutions of the meetings are resolved within a certain period of time. Hold regular quarterly meetings with foreign workers to help them solve their daily life problems, and regularly organize activities such as employee travel, wedding and funeral subsidies, and year-end party. Therefore,

since the establishment of the company, both labor and management have always reached a consensus, and no major labor disputes have occurred.

(5) Measures to protect employees' rights and interests

In addition to the establishment of the Employee Welfare Committee and the Labor Retirement Reserve Fund Supervision Committee to coordinate the planning, allocation, storage, utilization of employee welfare funds and retirement reserves, and the matters regulated by other laws and regulations, we also hold regular meetings as a bridge of communication between labor and the company. The protection of the rights and interests of employees and the implementation of the welfare system are based on laws and regulations.

**5.5.2 Losses suffered from labor disputes in the recent year and up to the date of publication of the annual report, and disclose the estimated amount that may occur at present and in the future, and the measures to properly address them.**

The company has always maintained a harmonious labor-management relationship, and was rewarded and encouraged by the labor council in 1993 and 1998 respectively. The company continuously improves employee welfare measures and strives to improve the communication between labor and management. However, by the company's growth and expansion, there are still omissions: In January 2022 and June 2022, the company received Taoyuan City Government Labor Inspection Letter No. 11100207251, Letter No. 1110164720, and Letter No. 11101647201, respectively, regarding employees working overtime and overtime in violation of Article 36, Item 1 of the Labor Standards Law. According to the regulations, the total penalty is NT\$300,000. The company has completed payment of fines and deferrals and arranged and coordinated overtime work and attendance of employees in accordance with laws and regulations.

**5.6 Cybersecurity management**

(1) With the advancement of technology , the already frequent network attacks are changing with each passing day . In addition, the protection of intellectual property rights and company trade secrets is becoming more and more important. In order to continuously promote and improve information security , the company has formulated relevant information security risk management measures :

a. To enhance information security management, the company have established the "Information Security Committee", which is responsible for reviewing the company's information security governance policies, overseeing the operation of information security management, and holding regular meetings to review information security governance-related issues and make continuous improvements to ensure the formulation and applicability of information security policies. The convenor of the "Information Security Committee" is responsible for information security governance,

planning, supervision and implementation to build a comprehensive information security capability and good information security awareness among employees. The Company's Business Director is an ex-officio member of the Committee. The company's information security management organization mainly takes the information department as the core unit, sets up an information security supervisor /allocates adequate information security personnel , and joins relevant department personnel to work together to jointly promote and handle information security-related matters.

- b. The main axis of the company 's information security strategy focuses on three aspects: information security governance, compliance with laws and regulations, and technology application. From system to technology, from personnel to organization, comprehensively improve information security protection capabilities. The goal is then :
- ①Conduct information security education and training to promote employees' awareness of information security and strengthen their awareness of related responsibilities.
  - ②Protect the information of the Group's business activities, avoid unauthorized access and modification, and ensure its accuracy and completeness.
  - ③Regularly conduct internal and external audits to ensure that relevant operations can be truly implemented.
  - ④Ensure that the Group's key core systems maintain a certain level of system availability
- c. In order to avoid or reduce the risk of being invaded by network attacks and cause data damage and loss, and then interfere and interrupt the company's operations, the relevant control and response measures are as follows :
- ①Become a member of the Taiwan Computer Emergency Response Team / Coordination Center (TWCERT/CC) to effectively receive and transmit information security information .
  - ②Continue to strengthen the backup and backup mechanism for important hosts and network equipment , and use firewall protection and regular computer virus scanning.
  - ③The company announces from time to time to promote the company's information security management related policies and regulations.
  - ④Regularly hold the information security committee to continuously review and improve.
  - ⑤3 person -times 24 hours of education and training have been conducted for the company's information security personnel; for all employees, in addition to daily announcements, an additional 2 hours of "Information Security Education and Training" course, 183 people participated in the course, with a total of 366 hours.
  - ⑥In view of the current emerging trends in information security, such as DDoS (Distributed Denial of Service) attacks, ransomware, social engineering attacks,

counterfeit websites, etc., the group regularly pays attention to information security issues and plans response plans. Situational drills to strengthen the resilience of processing personnel in order to reduce information security threats and hazards .

⑦In 2022, the total invested information security resources was NT\$4,359 thousand , including personnel costs of NT\$3,484 thousand and capital expenditures of NT\$875 thousand for building firewalls .

d. In the future, the company will continue to follow international standards, adopt a systematic framework, comprehensively review the information system, ensure the suitability and effectiveness of the procedures, and implement daily management. For projects with higher risks and greater impacts, the needs are reviewed every year, and corresponding budgets are prepared for processing. In order to truly protect the company's assets, the continuity of operations, the interests of customers and the interests of shareholders.

(2) As of the publication date of the annual report, there has been no loss due to major information security incidents.

## 5.7 Material Contracts (Contracts that are still valid and expired in the latest year)

| Nature of Contract     | Contracting Parties        | Contract Term Dates       | Main Content  | Restrictive Clauses   |
|------------------------|----------------------------|---------------------------|---|---|
| Land lease Contract    | Taiwan Cement Corporation  | 2012.07.01~<br>2029.06.30 | Land lease for factory and dormitory at Taoyuan plant               | Must not be sublet, lent or otherwise made available to others  |
| Mid-term loan contract | Taishin International Bank | 2019.12.10~<br>2024.12.10 | Total Credit line of NT\$ 600 million and promissory note guarantee | Five-year period, three-year grace period for principal repayment, principal amortized in 24 installments |
| Mid-term loan contract | E.Sun Commercial Bank      | 2019.12.26~<br>2024.12.15 | Total Credit line of NT\$ 600 million and promissory note guarantee | Five-year period, three-year grace period for principal repayment, principal amortized in 24 installments |
| Mid-term loan contract | First Commercial Bank      | 2020.03.02~<br>2025.03.02 | Total Credit line of NT\$ 900 million                               | Five-year period, three-year grace period for principal repayment, principal amortized in 24 installments |

## 5.8 Work environment and employee personal safety protection measures

In view of the importance of the working environment and the personal safety and health protection measures of employees, the company has implemented the following protective measures :

- (1) Formulate a safety and health manual to stipulate safety management matters for employees to follow.
- (2) Occupational safety and health management units and personnel
  - a. Set up an occupational safety and health management unit in accordance with the provisions of the Occupational Safety and Health Law, with the first-level full-time unit supervisor as the safety and health business supervisor, and the establishment of safety and health professionals and full-time nurses.
  - b. Representatives of environment, safety and health management presented work reports related to safety, health and environmental protection in the monthly meeting held by the general manager.
  - c. The Occupational Safety and Health Committee is held quarterly to report safety and health goals and implementation to the committee members and labor representatives.
- (3) Facility safety
  - a. The production equipment is equipped with safety protection facilities; for example: ball mill / shield; coating machine , laminating machine / safety door; cutting machine / safety shield.
  - b. Install detectors in places where hydrogen is used to prevent its leakage.
  - c. For dangerous machinery ( elevators ) , the original contractor is regularly entrusted with maintenance.
  - d. Periodic / irregular inspections of dangerous machinery ( elevators ) are carried out by the competent authority or its appointed organization every year .
  - e. When signing the project contract with the contractor, the safety and environmental protection should be paid attention to in writing.
  - f. Installation concentration detectors in places where flammable liquids are used.
  - g. Establish an automatic inspection plan and re-examine the content of the plan every year to ensure the safe use of various mechanical facilities.
- (4) Hygienic working environment
  - a. Local exhaust facilities are installed in workplaces that generate organic vapors, dust , etc., to exclude hazardous factors from the workplace.
  - b. Implement monthly industrial safety inspections and operational safety observations to ensure that there are no potential dangers in the factory area, and supervise the correctness of employees' operating methods.
  - c. Implement operating environment monitoring every six months, monitor each workplace and personnel in different operations, ensure that each workplace and operation comply with laws and regulations, and post the results of each operating

environment monitoring report on the bulletin board, so that employees know your workplace and the exposure status of your work.

d. Each unit implements safety and health hazard identification and risk assessment every year. If the risk score reaches 85 points or more, it will immediately take improvement control.

e. Each station on the site is equipped with a medical box for emergency treatment on site.

(5) Fire safety

a. Set up a complete fire protection system in accordance with the provisions of the fire protection law; including alarm system, fire water system, escape system, fire extinguisher, etc.

b. Implement emergency escape drills and fire education and training every year to enhance employees' fire awareness and familiarity with escape routes .

c. Check the laws and regulations on a quarterly basis. If there are new or stricter regulations, they will be adjusted in time to protect the rights and interests of employees.

d. Carry out fire-fighting equipment inspection and maintenance every year to ensure that all alarms, smoke exhaust and fire-fighting facilities are in normal operation.

(6) Cognition

a. Implement safety and health education and training for new recruits and chemical general education and training for chemical operators, and implement it every three years.

b. SDS is placed in the place where chemicals are used and stored, and employees are taught to recognize the contents of SDS records.

(7) Health check

a. All new employees are required to submit a physical examination form to confirm that their health status is in line with their work status.

b. Carry out health checks for special operations employees every year .

c. Implement health checks for all employees every two years . ( Under special circumstances, it may be postponed for one year )

(8) Traffic Safety

Strictly require employees to wear helmets when riding motorcycles, so as to minimize injuries caused by traffic accidents.

(9) Relapse prevention

a. Investigate every public injury accident and implement preventive measures ; the safety department, equipment department, and production department will propose improvement measures within 24 hours for workplace accidents .

b. Carry out statistics on occupational accidents every month and report to the Ministry of Labor.

(10) Group insurance



The company purchases group insurance for each employee. When they suffer from occupational injuries, they can get reasonable claims from labor insurance and group insurance, so that employees have no worries.

(11) Occupational Safety and Health Management System

The company obtained OHSAS 18001 certification in 2004 and updated to ISO 45001 in 2020. The occupational safety and health management system has been effectively maintained so far.

(12) Covid-19 Response Measures

Since the outbreak of Covid - 19 at the beginning of 2020 , the company has paid close attention to the development of the epidemic and prepared relevant response measures. The environmental safety department coordinated all epidemic prevention work and resource allocation, and all responsible units regularly reported the status and disposal of each factory area. At the same time ,make preparations for the possible interruption of business when the epidemic is severe, protect the health and control of employees, and reduce the impact of the epidemic on the company's operations.

# Financial Highlights and Analysis

## 6.1 Financial Highlights

### 6.1.1 Condensed Balance Sheet & Statement of Comprehensive Income

(1) Condensed Balance Sheet –Consolidated ( Based on IFRSs )

Unit: NT\$ thousand

| Item   |                     | Year      |           |           |           |           |
|--|---------------------|-----------|-----------|-----------|-----------|-----------|
|  |                     | 2018      | 2019      | 2020      | 2021      | 2022      |
| Current Assets   |                     | 3,939,191 | 2,778,886 | 3,675,244 | 4,157,808 | 3,603,339 |
| Property, Plant and Equipment  |                     | 1,347,328 | 1,775,007 | 2,000,351 | 2,218,674 | 2,161,442 |
| Intangible Assets  |                     | 3,629     | 2,034     | 1,804     | 7,221     | 8,214     |
| Other Asset  |                     | 1,197,429 | 1,737,338 | 2,296,390 | 3,026,444 | 2,959,759 |
| Total Assets   |                     | 6,487,577 | 6,293,265 | 7,973,789 | 9,410,147 | 8,732,754 |
| Current Liabilities  | Before Distribution | 2,056,074 | 1,219,460 | 1,609,831 | 1,475,389 | 1,520,728 |
|  | After Distribution  | 2,795,674 | 1,529,060 | 1,953,831 | 1,819,389 | (Note 2)  |
| Noncurrent Liabilities   |                     | 68,664    | 560,337   | 1,111,779 | 1,235,941 | 834,126   |
| Total Liabilities  | Before Distribution | 2,124,738 | 1,779,797 | 2,721,610 | 2,711,330 | 2,354,854 |
|  | After Distribution  | 2,864,338 | 2,089,397 | 3,065,610 | 3,055,330 | (Note 2)  |
| Equity Attributable to Shareholders of the Parent                                |                     | 4,346,263 | 4,469,375 | 5,211,604 | 6,374,786 | 6,377,900 |
| Capital Stock  |                     | 1,720,000 | 1,720,000 | 1,720,000 | 1,720,000 | 1,720,000 |
| Capital Surplus  |                     | 489,736   | 497,066   | 497,066   | 498,548   | 498,708   |
| Retained Earnings  | Before Distribution | 2,086,473 | 2,121,325 | 2,602,586 | 3,407,490 | 3,685,117 |
|  | After Distribution  | 1,346,873 | 1,811,725 | 2,258,586 | 3,063,490 | (Note 2)  |
| Other Equity   |                     | 50,054    | 130,984   | 391,952   | 803,119   | 528,446   |
| Treasury Shares  |                     | 0         | 0         | 0         | (54,371)  | (54,371)  |
| Equity attributable to former owner of business combination under common control |                     | 0         | 0         | 0         | 324,031   | 0         |
| Non-controlling Interests  |                     | 16,576    | 44,093    | 40,575    | 0         | 0         |
| Total Equity   | Before Distribution | 4,362,839 | 4,513,468 | 5,252,179 | 6,374,786 | 6,377,900 |
|  | After Distribution  | 3,623,239 | 4,203,868 | 4,908,179 | 6,030,786 | (Note 2)  |

Note 1: The financial data of the years from 2018 to 2022 have been audited by CPAs.

Note 2: The earnings distribution proposal for 2022 is yet to be resolved by the company's board of directors and the 2023 annual shareholders' meeting.

## (2) Condensed Balance Sheet - Unconsolidated (Based on IFRSs)

Unit: NT\$ thousand

| Year   |                     | 2018      | 2019      | 2020      | 2021      | 2022      |
|--|---------------------|-----------|-----------|-----------|-----------|-----------|
| Item   |                     |           |           |           |           |           |
| Current Assets   |                     | 2,466,413 | 1,564,475 | 2,540,759 | 3,110,364 | 2,797,544 |
| Property, Plant and Equipment  |                     | 1,042,247 | 1,442,114 | 1,698,011 | 2,093,893 | 2,062,457 |
| Intangible Assets  |                     | 3,629     | 2,034     | 1,766     | 7,192     | 8,194     |
| Other Assets   |                     | 2,742,843 | 3,043,815 | 3,340,070 | 4,019,699 | 3,739,885 |
| Total Assets   |                     | 6,255,132 | 6,052,438 | 7,580,606 | 9,231,148 | 8,608,080 |
| Current Liabilities  | Before Distribution | 1,842,953 | 1,031,042 | 1,261,660 | 1,309,189 | 1,402,793 |
|  | After Distribution  | 2,582,553 | 1,340,642 | 1,605,660 | 1,653,189 | (Note 2)  |
| Non-current Liabilities  |                     | 65,916    | 552,021   | 1,107,342 | 1,223,142 | 827,387   |
| Total Liabilities  | Before Distribution | 1,908,869 | 1,583,063 | 2,369,002 | 2,532,331 | 2,230,180 |
|  | After Distribution  | 2,648,469 | 1,892,663 | 2,713,002 | 2,876,331 | (Note 2)  |
| Equity Attributable to Shareholders of the Parent                                |                     | 4,346,263 | 4,469,375 | 5,211,604 | 6,698,817 | 6,377,900 |
| Capital Stock  |                     | 1,720,000 | 1,720,000 | 1,720,000 | 1,720,000 | 1,720,000 |
| Capital Surplus  |                     | 489,736   | 497,066   | 497,066   | 498,548   | 498,708   |
| Retained Earnings  | Before Distribution | 2,086,473 | 2,121,325 | 2,602,586 | 3,407,490 | 3,685,117 |
|  | After Distribution  | 1,346,873 | 1,811,725 | 2,258,586 | 3,063,490 | (Note 2)  |
| Other Equity   |                     | 50,054    | 130,984   | 391,952   | 803,119   | 528,446   |
| Treasury Stock   |                     | 0         | 0         | 0         | (54,371)  | (54,371)  |
| Equity attributable to former owner of business combination under common control |                     | 0         | 0         | 0         | 324,031   | 0         |
| Non-controlling Interests  |                     | 0         | 0         | 0         | 0         | 0         |
| Total Equity   | Before Distribution | 4,346,263 | 4,469,375 | 5,211,604 | 6,698,817 | 6,377,900 |
|  | After Distribution  | 3,606,663 | 4,159,775 | 4,867,604 | 6,354,817 | (Note 2)  |

Note 1 : The financial data of the years from 2018 to 2022 have been audited by CPAs.

Note 2: The earnings distribution proposal for 2022 is yet to be resolved by the company's board of directors and the 2023 annual shareholders' meeting.

## 6.1.2 Condensed Comprehensive Income Statement

(1) Condensed Comprehensive Income Statement - Consolidated (Based on IFRSs)

Unit: NT\$ thousand (Except EPS: NT\$)

| Item \ Year   | 2018      | 2019      | 2020      | 2021      | 2022      |
|---|-----------|-----------|-----------|-----------|-----------|
| Operating Revenue   | 5,750,648 | 4,356,398 | 5,207,861 | 6,010,110 | 4,142,386 |
| Gross Profit (Loss)   | 2,380,698 | 1,257,188 | 1,306,665 | 1,586,510 | 965,839   |
| Income (Loss) from Operations   | 1,936,243 | 893,789   | 907,953   | 1,177,762 | 616,600   |
| Non-operating Income and Expenses   | (58,032)  | 87,223    | 83,971    | 264,570   | 12,875    |
| Profit (Loss) before Income Tax   | 1,878,211 | 981,012   | 991,924   | 1,442,332 | 629,475   |
| Profit (Loss) from continuing operations  | 1,479,837 | 764,859   | 787,731   | 1,148,630 | 489,645   |
| Profit (Loss) from Discontinuing Operations   | 0         | 0         | 0         | 0         | 0         |
| Net Income (Loss)   | 1,479,837 | 764,859   | 787,731   | 1,148,630 | 489,645   |
| Other Comprehensive Income (Loss) for the Year, Net of Income Tax   | (233,835) | 81,103    | 260,580   | 367,697   | (141,157) |
| Total Comprehensive Income (Loss) for the Year  | 1,246,002 | 845,962   | 1,048,311 | 1,516,327 | 348,488   |
| Net Income (Loss) Attributable to: Owners of the Parent Company   | 1,482,038 | 771,591   | 791,318   | 1,143,641 | 506,518   |
| Net Income (Loss) Attributable to: Equity attributable to former owner of business combination under common control                 | 0         | 0         | 0         | 4,126     | (16,873)  |
| Net Income (Loss) Attributable to: Non-controlling Interests  | (2,201)   | (6,732)   | (3,587)   | 863       | 0         |
| Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company   | 1,247,997 | 855,382   | 1,051,829 | 1,508,951 | 361,810   |
| Total Comprehensive Income (Loss) Attributable to: Equity attributable to former owner of business combination under common control | 0         | 0         | 0         | 6,198     | (13,322)  |
| Total Comprehensive Income (Loss) Attributable to: Non-controlling Interests  | (1,995)   | (9,420)   | (3,518)   | 1,178     | 0         |
| Earnings (Loss) Per Share   | 8.62      | 4.49      | 4.60      | 6.67      | 2.96      |

Note 1: The financial data of the years from 2018 to 2022 have been audited by CPAs.

## (2) Condensed Comprehensive Income Statement - Unconsolidated (Based on IFRSs)

Unit: NT\$ thousand (Except EPS: NT\$)

| Item \ Year   | 2018      | 2019      | 2020      | 2021      | 2022      |
|---|-----------|-----------|-----------|-----------|-----------|
| Operating Revenue   | 4,728,117 | 3,693,112 | 4,243,551 | 5,103,801 | 3,728,375 |
| Gross Profit (Loss)   | 1,907,235 | 1,023,744 | 1,057,178 | 1,383,923 | 896,137   |
| Income (Loss) from Operations   | 1,508,725 | 715,411   | 708,383   | 1,018,081 | 592,257   |
| Non-operating Income and Expenses   | 292,725   | 226,292   | 247,823   | 387,560   | 17,374    |
| Profit (Loss) before Income Tax   | 1,801,450 | 941,703   | 956,206   | 1,405,641 | 609,631   |
| Profit (Loss) from continuing operations  | 1,482,038 | 771,591   | 791,318   | 1,147,767 | 489,645   |
| Profit (Loss) from Discontinuing Operations   | 0         | 0         | 0         | 0         | 0         |
| Net Income (Loss)   | 1,482,038 | 771,591   | 791,318   | 1,147,767 | 489,645   |
| Other Comprehensive Income (Loss) for the Year, Net of Income Tax   | (234,041) | 83,791    | 260,511   | 367,382   | (141,157) |
| Total Comprehensive Income (Loss) for the Year  | 1,247,997 | 855,382   | 1,051,829 | 1,515,149 | 348,488   |
| Net Income (Loss) Attributable to: Owners of the Parent Company   | 1,482,038 | 771,591   | 791,318   | 1,143,641 | 506,518   |
| Net Income (Loss) Attributable to: Equity attributable to former owner of business combination under common control                 | 0         | 0         | 0         | 4,126     | (16,873)  |
| Net Income (Loss) Attributable to: Non-controlling Interests  | 0         | 0         | 0         | 0         | 0         |
| Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company   | 1,247,997 | 855,382   | 1,051,829 | 1,508,951 | 361,810   |
| Total Comprehensive Income (Loss) Attributable to: Equity attributable to former owner of business combination under common control | 0         | 0         | 0         | 6,198     | (13,322)  |
| Total Comprehensive Income (Loss) Attributable to: Non-controlling Interests  | 0         | 0         | 0         | 0         | 0         |
| Earnings (Loss) Per Share   | 8.62      | 4.49      | 4.60      | 6.67      | 2.96      |

Note 1 : The financial data of the years from 2018 to 2022 have been audited by CPAs.

**6.1.3 Auditors' Opinions for past 5 years**

| Year          | 2018                        | 2019                             | 2020                            | 2021  | 2022  |
|---------------|-----------------------------|----------------------------------|---------------------------------|---|---|
| CPA           | Hung-Bin Yu<br>Ming-Yu Chiu | Chin-Chuan Shih<br>Ker Chang, Wu | Yi-Min Huang<br>Chin-Chuan Shih | Yi-Min Huang<br>Chin-Chuan Shih               | Yi-Min Huang<br>Chin-Chuan Shih                                     |
| Audit Opinion | unqualified opinion         | unqualified opinion              | unqualified opinion             | unqualified opinion with other matter section | unqualified opinion with Emphasis of matter or other matter section |

## 6.2 Financial Analysis

### 6.2.1 Financial Analysis – Consolidated (Based on IFRSs)

| Year                           |   | 2018     | 2019   | 2020   | 2021   | 2022   |
|--------------------------------|---|----------|--------|--------|--------|--------|
| Item                           |   |          |        |        |        |        |
| Capital Structure Analysis(%)  | Debts Ratio                                     | 32.75    | 28.28  | 34.13  | 29.84  | 26.97  |
|                                | Long-term Fund to Property, Plant and Equipment | 328.91   | 285.85 | 318.14 | 343.03 | 333.67 |
| Liquidity Analysis(%)          | Current Ratio                                   | 191.59   | 227.88 | 228.30 | 281.81 | 236.95 |
|                                | Quick Ratio                                     | 156.84   | 187.48 | 187.74 | 225.24 | 191.86 |
|                                | Times Interest Earned (Times)                   | 1,229.39 | 267.87 | 124.84 | 150.89 | 46.91  |
| Operating Performance Analysis | Average Collection Turnover (Times)             | 5.98     | 4.36   | 5.56   | 5.52   | 4.23   |
|                                | Days Sales Outstanding                          | 61.03    | 83.71  | 65.64  | 66.12  | 86.28  |
|                                | Average Inventory Turnover (Times)              | 5.99     | 5.50   | 7.11   | 6.06   | 4.26   |
|                                | Average Payment Turnover (Times)                | 5.59     | 5.05   | 6.56   | 6.75   | 7.33   |
|                                | Average Inventory Turnover Days                 | 60.93    | 66.36  | 51.33  | 60.23  | 85.68  |
|                                | Property, Plant and Equipment Turnover (Times)  | 5.43     | 2.79   | 2.76   | 2.85   | 1.89   |
|                                | Total Assets Turnover (Times)                   | 1.05     | 0.68   | 0.73   | 0.70   | 0.46   |
| Profitability Analysis         | Return on Total Assets (%)                      | 27.13    | 12.01  | 11.13  | 13.51  | 5.52   |
|                                | Return on Equity (%)                            | 38.72    | 17.51  | 16.35  | 19.74  | 7.94   |
|                                | Pre-tax Income to Paid-in Capital Ratio (%)     | 109.33   | 57.43  | 57.88  | 83.57  | 37.58  |
|                                | Net Margin (%)                                  | 25.73    | 17.56  | 15.13  | 19.04  | 11.82  |
|                                | Earnings (Loss) Per Share (NT\$)                | 8.62     | 4.49   | 4.60   | 6.67   | 2.96   |
| Cash Flow                      | Cash Flow Ratio (%)                             | 71.51    | 78.96  | 88.99  | 53.49  | 84.10  |
|                                | Cash Flow Adequacy Ratio (%)                    | 165.60   | 119.01 | 120.58 | 102.38 | 103.32 |
|                                | Cash Flow Reinvestment Ratio (%)                | 19.53    | 3.27   | 13.33  | 4.58   | 9.62   |
| Leverage                       | Operating Leverage                              | 2.07     | 3.12   | 3.52   | 3.26   | 3.99   |
|                                | Financial Leverage                              | 1.00     | 1.00   | 1.01   | 1.01   | 1.02   |

Explanation of changes in financial ratios in the last two years:

1. In 2022, the decline in Liquidity Analysis ratios was mainly due to the decrease in operating revenue and the decrease in current assets.
2. In 2022, the decline in Profitability Analysis ratios was mainly due to the decrease in profits.

Note 1: The financial data of the years from 2018 to 2022 have been audited by CPAs.

## 6.2.2 Financial Analysis - Unconsolidated (Based on IFRSs)

| Item  |   | Year   |        |        |        |        |
|---|---|--------|--------|--------|--------|--------|
|   |   | 2018   | 2019   | 2020   | 2021   | 2022   |
| Capital Structure Analysis(%)   | Debts Ratio                                     | 30.52  | 26.16  | 31.25  | 28.43  | 25.91  |
|   | Long-term Fund to Property, Plant and Equipment | 423.33 | 348.20 | 372.14 | 362.86 | 349.35 |
| Liquidity Analysis(%)   | Current Ratio                                   | 133.83 | 151.74 | 201.38 | 237.58 | 199.43 |
|   | Quick Ratio                                     | 104.85 | 117.35 | 157.40 | 178.27 | 153.55 |
|   | Times Interest Earned (Times)                   | 643.69 | 245.98 | 121.35 | 147.89 | 45.91  |
| Operating Performance Analysis  | Average Collection Turnover (Times)             | 5.79   | 4.21   | 6.06   | 6.07   | 4.18   |
|   | Days Sales Outstanding                          | 63.03  | 86.69  | 60.23  | 60.13  | 87.32  |
|   | Average Inventory Turnover (Times)              | 7.19   | 6.40   | 7.21   | 5.65   | 4.04   |
|   | Average Payment Turnover (Times)                | 5.89   | 5.37   | 7.36   | 7.88   | 8.60   |
|   | Average Inventory Turnover Days                 | 50.76  | 57.03  | 50.62  | 64.60  | 90.34  |
|   | Property, Plant and Equipment Turnover (Times)  | 6.46   | 2.97   | 2.70   | 2.69   | 1.79   |
|   | Total Assets Turnover (Times)                   | 0.90   | 0.60   | 0.62   | 0.62   | 0.42   |
| Profitability Analysis  | Return on Total Assets (%)                      | 28.20  | 12.59  | 11.70  | 13.97  | 5.61   |
|   | Return on Equity (%)                            | 38.72  | 17.51  | 16.35  | 19.74  | 7.49   |
|   | Pre-tax Income to Paid-in Capital Ratio (%)     | 104.74 | 54.75  | 55.59  | 81.48  | 35.44  |
|   | Net Margin (%)                                  | 31.35  | 20.89  | 18.65  | 22.41  | 13.13  |
|   | Earnings (Loss) Per Share (NT\$)                | 8.62   | 4.49   | 4.60   | 6.67   | 2.96   |
| Cash Flow   | Cash Flow Ratio (%)                             | 63.89  | 70.36  | 96.55  | 51.50  | 92.45  |
|   | Cash Flow Adequacy Ratio (%)                    | 153.22 | 101.33 | 99.87  | 84.28  | 90.50  |
|   | Cash Flow Reinvestment Ratio (%)                | 16.25  | (0.23) | 11.67  | 3.54   | 10.24  |
| Leverage  | Operating Leverage                              | 2.29   | 3.66   | 3.66   | 3.04   | 3.68   |
|   | Financial Leverage                              | 1.00   | 1.01   | 1.01   | 1.01   | 1.02   |
| <p>Explanation of changes in financial ratios in the last two years:</p> <p>1. In 2022, the decline in Liquidity Analysis ratios was mainly due to the decrease in operating revenue and the decrease in current assets.</p> <p>2. In 2022, the decline in Profitability Analysis ratios was mainly due to the decrease in profits.</p> |   |        |        |        |        |        |

Note 1: The financial data of the years from 2018 to 2022 have been audited by CPAs.

Note2 :The calculation formula of financial analysis is as follows:

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover = Operating Revenue / Average Trade Receivables

(2) Days Sales Outstanding = 365 / Average Collection Turnover

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Average Inventory Turnover Days = 365 / Average Inventory Turnover

(5) Average Payment Turnover = Cost of Sales / Average Trade Payables

(6) Property, Plant and Equipment Turnover = Operating Revenue / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Operating Revenue / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses \* (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Equity = Net Income / Average Equity

(3) Net Margin = Net Income / Operating Revenue

(4) Earnings Per Share = (Net Income Attributable to Owners of the Parent Company - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Operating Revenue - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)



## **6.3 Audit Committee's Review Report**

### **Review Report from the Audit Committee**

The Board of Directors has prepared and submitted the Company's 2022 business report, financial statements (including consolidated financial statements) and the profit distribution proposal, among which the financial statements (including consolidated financial statements) had been audited by Yi-Min Huang and Chin-Chuan Shih, CPAs of Deloitte & Touche, who also provided an auditor's report. The above business report, financial statements (including consolidated financial statements) and the profit distribution proposal have been reviewed by the Audit Committee to be without any discrepancies. This report is prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review and approve the same.

Prosperity Dielectrics Corporation  
The convener of the Audit Committee : Po-Kang Fan

May 04, 2023

#### **6.4 Financial Statement for the Most Recent Fiscal Year**

(Please refer to pages 156 to 230 of the Annual Report)

#### **6.5 A Parent Company Only Financial Statement for the Most Recent Fiscal Year**

(Please refer to pages 231 to 312 of the Annual Report)

#### **6.6 Financial Difficulties and Impacts**

In the most recent year and the date of publication of the annual report of the company and its affiliated companies, if there is a financial turnover difficulty, the impact on the company's financial position shall be stated: None.

# Financial Status, Operating Results and Risk Management

## 7.1 Financial Status

Unit: NT\$ Thousand

| Items \ Year  | 2022      | 2021      | Difference |       |
|---|-----------|-----------|------------|-------|
|   |           |           | Amount     | %     |
| Current Assets  | 3,603,339 | 4,157,808 | (554,469)  | (13%) |
| Investments   | 2,723,218 | 2,808,804 | (85,586)   | (3%)  |
| Property, Plant and Equipment   | 2,161,442 | 2,218,674 | (57,232)   | (3%)  |
| Other Assets  | 244,755   | 224,861   | 19,894     | 9%    |
| Total Assets  | 8,732,754 | 9,410,147 | (677,393)  | (7%)  |
| Current Liabilities   | 1,520,728 | 1,475,389 | 45,339     | 3%    |
| Total Liabilities   | 2,354,854 | 2,711,330 | (356,476)  | (13%) |
| Capital Stock   | 1,720,000 | 1,720,000 | -          | -     |
| Capital Surplus   | 498,708   | 498,548   | 160        | -     |
| Retained Earnings   | 3,685,117 | 3,407,490 | 277,627    | 8%    |
| Total Equity  | 6,377,900 | 6,374,786 | 3,114      | -     |
| <p>The reasons, effects and future plans about significant changes :</p> <ol style="list-style-type: none"> <li>1. Decrease in current assets: Mainly due to decrease in operating revenue, resulting in decrease in accounts receivable and inventory.</li> <li>2. Decrease in liabilities: Mainly due to the decrease in operating revenue, resulting in a decrease in accounts payable.</li> </ol> |           |           |            |       |

## 7.2 Financial Performance

Unit: NT\$ Thousand

| Items                             | 2022      | 2021      | Difference  |       |
|-----------------------------------|-----------|-----------|-------------|-------|
|                                   |           |           | Amount      | %     |
| Net Sales                         | 4,142,386 | 6,010,110 | (1,867,724) | (31%) |
| Cost of Goods Sold                | 3,176,547 | 4,423,600 | (1,247,053) | (28%) |
| Gross Profit                      | 965,839   | 1,586,510 | (620,671)   | (39%) |
| Operating Expenses                | 349,239   | 408,748   | (59,509)    | (15%) |
| Profit From Operations            | 616,600   | 1,177,762 | (561,162)   | (48%) |
| Non-operating Income and Expenses | 12,875    | 264,570   | (251,695)   | (95%) |
| Profit before Income Tax          | 629,475   | 1,442,332 | (812,857)   | (56%) |
| Income Tax Expense                | 139,830   | 293,702   | (153,872)   | (52%) |
| Net Income                        | 489,645   | 1,148,630 | (658,985)   | (57%) |

The reasons about significant changes and the expected sales volume and its main reason, possible future impact on the Company's financial operations and response plans :

For the decrease in net sales, gross profit and net income in 2022 compared with the previous year, please refer to "Chapter 1. Letter to Shareholders" for details.

## 7.3 Cash Flow

Unit: NT\$ Thousand

| Cash Balance<br>2022/1/1 | Net Cash from<br>Operating<br>Activities in<br>2022 | Net Cash Flow<br>from Investing<br>and Financing<br>Activities in<br>2022 | Cash<br>Balance<br>2022/12/31 | Remedy for Liquidity<br>Shortfall |                   |
|--------------------------|---|---|-------------------------------|-----------------------------------|-------------------|
|                          |   |   |                               | Investment<br>Plan                | Financing<br>Plan |
| 1,312,198                | 1,278,987   | (985,608)   | 1,605,577                     | —                                 | —                 |

- Analysis of Cash Flow:
  - Operating activities : Continued profitability resulting in net cash inflow from operating activities.
  - Investing activities : Net cash outflow from investing activities due to purchase of plant and equipment.
  - Financing activities : Net cash outflow from financing activities due to distribution of cash dividends.
- Improvement plan for insufficient liquidity:
  - Not applicable.
- Cash flow Analysis for the coming year:
  - Operating activities : Net cash inflow will continue to be generated after projecting cash inflow from sales revenue and paying operating related expenses.
  - Investing activities : It is expected to increase the purchase of fixed assets and related investment expenditures.
  - Financing activities : Cash dividends are expected to generate cash outflows.

## 7.4 Recent Years Major Capital Expenditures and Impact on Financial and Business

### 7.4.1 Major capital expenditures and source of funds

The company and its subsidiaries purchased plant and equipment in 2022 with an amount of NT\$561,943 thousand. The source of funds was self-owned funds and bank loans.

### 7.4.2 Expected Benefits and Impact on Financial and Business

The above-mentioned capital expenditures are mainly aimed at developing new products and expanding production capacity in response to the current market and customer needs, improving process bottlenecks, and continuing to invest in the purchase of equipment to enhance the company's competitive niche and is expected to increase future revenue and profitability.

## 7.5 Reinvestment policy in the most recent year, the main reason for its profit or loss, improvement plan and investment plan for recent year

### 7.5.1 Investment Policy :

In recent years, in addition to actively increasing investment in equipment in Taiwan to expand production capacity, it has also continued to invest in China. The main reason for investing in China is to be close to the market and customers, to meet the needs of short delivery time, and to expand market share in China, thereby reducing costs and increasing profits. It also uses its own funds to make other long-term and short-term investments to increase profits.

### 7.5.2 The main holding companies are as follows :

Unit: NT\$ Thousand

| Items                             | Investment amount<br>(2022.12.31) | Policy                   | Main reason for profit or loss   | Improvement Plan | future investment plans                    |
|-----------------------------------|-----------------------------------|--------------------------|--|------------------|--|
| PDC Prime Holdings Limited        | 728,456                           | Overseas holding company | The loss in 2022 was NT\$34,674 thousand, mainly due to the impact of the COVID-19 pandemic and the poor overall economic situation, and the subsidiary's investment loss.                               | Not applicable.  | The plans depend on the demands of market. |
| Frontec International Corporation | 327,140                           | Overseas holding company | The profit in 2022 was NT\$40 thousand, which was mainly due to the fact that after years of hard work, the sales orders of the Shenzhen factory increased day by day, which turned losses into profits. | Not applicable.  | The plans depend on the demands of market. |

## 7.6 Risk Management and Evaluation

### 7.6.1 The impact of interest rates, exchange rate changes, and inflation on the company's profit and loss and future measures :

- (1).The company adopts a sound financial structure to reduce the impact of interest rate changes on the company's profit and loss. The company's consolidated net interest income in 2022 was NT\$15,848 thousand, accounting for only 0.38% of the net sales. It can be seen that the interest rate factor has little impact on the company's profit and loss.
- (2).The impact of exchange rate changes on the company's consolidated revenue and profit :

Unit: NT\$ Thousand/%

| Year / Items                           | 2022      | 2021      |
|--|-----------|-----------|
| Exchange gain (loss)                   | 79,199    | (4,661)   |
| Net Sales                              | 4,142,386 | 6,010,110 |
| Percentage of Net Sales                | 1.91%     | -0.08%    |
| Profit before Income Tax               | 629,475   | 1,438,206 |
| Percentage of Profit before Income Tax | 12.58%    | -0.32%    |

- (3).In the past two years, due to the large fluctuations of the New Taiwan dollar against the US dollar, and the holding of net assets in US dollars, the company has suffered foreign exchange gain. The Company's specific measures in response to exchange rate changes are as follows :
- a.When the Finance Department receives foreign currency payment from abroad, it will be deposited in a foreign exchange deposit account to pay for foreign purchases, and will be converted into Taiwan dollars at an appropriate and favorable time to avoid exchange risks.
  - b.When the business department makes quotations for export products, or when the purchasing department negotiates the price of equipment and raw materials, it will take into account the factors of exchange rate fluctuations, adjust the currency or finalize the contract exchange rate flexibly to protect the company's profits.
  - c.Establish a bank forward foreign exchange line, and make good use of this hedging line when the exchange rate fluctuates greatly to avoid exchange losses.
  - d.Increase US dollar liabilities to reduce net assets of US dollars and reduce exchange risks.
- (4).Affected by the doubts about the expected price increase, some expenses will increase. The company will continue to improve production efficiency/adjust product mix/develop high value-added products to maintain profitability.

### **7.6.2 The main reasons for the policy, profit or loss of high-risk, high-leverage investment, loan to others, endorsement/guarantee and derivatives transactions in the recent year and future measures :**

- (1).The company does not engage in high-risk, high-leverage investments.
- (2).As of March 31, 2023, the Company and its subsidiaries had no capital loans.
- (3).During the year of 2022 and the first quarter of 2023, the company has not endorsed the guarantee for others.
- (4).In order to avoid the risks arising from exchange rate fluctuations, the company only engages in pre-sale foreign currency transactions in the derivatives contracts signed with banks. In addition, since the company's transaction partners are banks with good credit, it is expected that the banks will not default, so the possibility of credit risk is extremely small. The Company and its subsidiaries choose wealth management products based on the principles of guaranteed capital, low risk, short investment holding period, no impact on normal capital demand scheduling, and compliance with internal control and internal audit. During the year of 2022 and the first quarter of 2023, the Company and its subsidiaries did not engage in derivatives transactions.

### **7.6.3 Future R&D Plans and Projected R&D Investments :**

Please refer to the description of the business content in " Chapter 5.Operational Highlights" for the company's R&D plan and estimated R&D expenses in the recent year.

### **7.6.4 The impact of important domestic and foreign policies and legal changes on the company's financial and business and countermeasures :**

At this stage, the important domestic policies and legal changes announced by the government have not yet had an immediate or significant impact on the company's financial and business. Internationally, the adjustment of tariffs in the US-China trade war has caused changes in the overall international economic and trade environment. The company has built a factory of a certain scale in Taiwan to reduce the risk of trade wars by increasing investment in Taiwan. For a long time, the company has been collecting relevant information from all parties at any time regarding the internal and external business environment in which it is located, and actively plan for possible changes, hoping to make these impacts develop in a favorable and positive direction.

### **7.6.5 Impact of technological changes(Including information security risks) and industry changes on the company's financial and business and countermeasures :**

- (1).Since its establishment, the company has been actively engaged in market and industry analysis, grasping the latest market trends and economic pulsation, and devoting itself to the development and introduction of new products. At the same time, maintain good cooperation with mid-stream and downstream manufacturers,

and actively integrate marketing channels to increase customer breadth and collect the latest market information to strengthen competitive advantages:

- In recent years, the popularity of electric vehicles has continued, and the demand for passive components in automotive electronics has continued to increase. At the same time, with the increase in the proportion of automobile electrification, in applications such as control systems, power systems, and audio-visual systems, the product quality and high reliability of passive components are more demanding, and the demand for passive components used has also increased significantly.
- The third generation of GaN/SiC semiconductors will be used in fast charging sources, 5G base stations, new energy vehicles, power systems, wind power solar energy, industrial motors, computers, home appliances, aerospace.... Applications will grow in large numbers, and will also drive high-power passive components.
- 5G business opportunities are expected to grow rapidly at a compound annual growth rate of 43.9%, and the power of its power modules will increase. With the rapid growth of 5G applications, the number of passive components required for power conversion modules has increased significantly, especially because the application power of 5G has increased by 68% compared with 4G, which relatively drives the demand for high-power passive components.

(2).Information security risk management: Please refer to " Chapter 5. Operational Highlights " - "5.6 Information Security Management" for details.

#### **7.6.6 The impact of corporate image changes in recent years on corporate crisis management and countermeasures :**

The company holds investment forums and technical forums from time to time to increase the understanding of the investing public and customers about the company, in order to shape a better image of the company.

#### **7.6.7 Expected benefits and possible risks associated with any mergers and acquisitions and mitigation measures being or to be taken : None.**

#### **7.6.8 Expected benefits, possible risks and countermeasures of the expansion of the plant :**

The company's capital expenditure at this stage is moderately expanded depending on the needs of the production line. The expansion and construction of factories are subject to feasibility assessment and financial analysis to grasp the possible risks. In addition to promoting the optimization of production line efficiency, it is mainly to respond Long-term demand and introduction of research and development results, in order to gradually expand the market share of customers and products, and diversify operational risks; the company will also continue to observe changes in the market boom and adjust relevant plans in a timely manner to reduce the negative impact of possible risks.



#### **7.6.9 Risks faced by purchase or sales concentration and countermeasures :**

In terms of raw materials, the company actively seeks cooperation with domestic and foreign material manufacturers, invests in material research and development, enhances the ability to develop materials by itself, and strategically cooperates with suppliers to reduce purchase costs. By increasing the proportion of self-made and material autonomy, the risk of purchasing concentration is reduced.

In terms of purchase of semi-finished products and finished products, in Year 2022, the Company's purchases from its parent company- Walsin Technology Corporation and its affiliated company- Dongguan Walsin Technology Electronics Co., Ltd., accounted for 24% and 18% of the Company's total purchases, respectively. The sales to Walsin Technology Corporation accounted for 21% of the Company's total sales. Mainly because the company entered into a strategic alliance with Walsin Technology Corporation in September 2005. In order to expand the company's business and reduce production costs, the production line has been professionally divided since 2006, so the situation of cross-selling increased. As the financial structures of Walsin Technology Corporation and Dongguan Walsin Technology Electronics Co., Ltd. are still sound and they have a strategic alliance with the Company, Walsin Technology Corporation is also a major shareholder of the company, so there is no risk arising from the concentration of purchases and sales.

#### **7.6.10 Directors or major shareholders holding more than 10% of the shares, the impact and risks of large-scale transfer or replacement of shares on the company and countermeasures :**

None.

#### **7.6.11 Impact and risk of the change in management rights on the company and countermeasures :**

None.

#### **7.6.12 Litigation or non-litigation**

Should the Company, its directors, general managers, substance representatives, major shareholders holding more than 10% of the shares and subordinate companies in the last two years have the litigation, non-litigation or administrative disputes up to the date of this annual report: None.

#### **7.6.13 Risk management policies and measures :**

(1).In order to ensure the stable operation and sustainable development of the company, the Board of Directors approved the revision of the company's "Risk Management Policies and Procedures" on January 27, 2021 in accordance with the " Regulations Governing Establishment of Internal Control Systems by Public Companies " issued by the Financial Supervisory Commission. (the Procedures have been disclosed on the

company's website ([www.pdc.com.tw](http://www.pdc.com.tw)) for compliance). The Procedures expressly involve the Company's Board of Directors, Enterprise Risk Management, Audit Office, President and various risk management units, each units and subsidiaries to jointly promote the implementation of relevant risk management measures.

(2). Each risk management unit distinguishes and manages its risk categories (including strategic risk/operational risk (including information security risk)/financial reporting risk/legal compliance risk (including climate change and non-compliance with environmental protection and other related regulatory risks) and for major operational strategies and risk management strategy, according to the purpose of the risk management policy, formulate the annual target plan, propose the medium and long-term policy target, the president's annual policy. Each risk management unit evaluates the possible risks of the target and the operation every year, and propose the corresponding strategy, and report to the board of directors once a year. The 2022 risk management operation report (including risk management process/risk assessment/response countermeasures, etc.) has been submitted to the board of directors on 2022.11.01 (Annual risk management operation report has been disclosed on the company's website ([www.pdc.com.tw](http://www.pdc.com.tw))).

(3). The risk management organizational structure of the Company is as follows :

| Risk Item                              | Departments Responsible for Each Risk   | Risk Business Matters  |
|--|---|--|
| Strategic Risk                         | President Office  | The strategic planning and coordination to achieve the company's goals, the grasp and feedback of business information, and the promotion of the improvement of business management physique, and related enterprise operation management.   |
| Operational Management and Market Risk | Powder Unit<br>MLCC Unit<br>Chip-resistor Unit<br>Chip-inductor Unit<br>Sales and Marketing | Adhering to the strategic goals, strategies and related high-level goals formulated by the president and the heads of each business divisions, implement product R&D, manufacturing, sales, production technology improvement, quality improvement, cost reduction, production system improvement and related enterprise operation management. |
| Purchasing Costs and Inventory Risk    | MMD   | Procurement of raw materials, processing of semi-finished products, outsourcing of finished products, inventory control, cost control and supply chain management.   |
| Customs and Transport Management Risk  | Distribution  | Customs abnormal event management and control, customs declaration cost management, customs information update and personnel training, bonded product management and control, cargo transportation management and cost control operations.   |
| Quality Management Risk                | Quality   | Improve and maintain the quality system, product quality control system, product inspection standards, quality assurance of mass-produced products and materials, and handling of customer complaints.   |

|   |  |   |
|---|--|---|
| Customer Credit Risk                            | Enterprise Risk Management                                 | Establishment and review of customer credit limit, collection management of accounts receivable.  |
| Operation of Risk Management                    | Enterprise Risk Management                                 | Assist each operating unit in regular risk identification, analysis, planning and implementation of risk appetite and response, valuable waste management and auction.  |
| Environmental and Factory Safety Risk           | Administration   | Factory safety, control of hazardous materials and environmental safety, update of environmental regulations and personnel training.  |
| Manage Information Risk                         | Financial  | The company's accounts are properly recorded and analyzed.  |
| Financial and Liquidity Risk                    | Financial  | Hedging of interest rates and exchange rates, bank quota management and relationship maintenance, and monitoring of overseas funds.   |
| Subsidiary Supervision                          | Financial  | Supervision of financial information and accounting systems of overseas subsidiaries.   |
| Legal Risk                                      | Legal Office   | Review contracts and company authorizations to reduce corporate legal risks and protect company assets and goodwill.  |
| Personnel Risk                                  | Human Resources  | Human capital development planning and implementation, sensitive work personnel, follow company norms to reduce the risk of fraud.  |
| Information Management Risk                     | Information Technology                                     | Formulate information security management-related specifications, promote information security-related activities, and ensure information data accuracy, timeliness, integrity, access control, security, and system recovery mechanisms.   |
| Corporate Social Responsibility Code of Conduct | Corporate Social Responsibility Committee                  | Responsible for formulating social responsibility vision and policies, holding regular management review meetings, in addition to re-examining the code of conduct, and adjusting the direction of implementation in response to changes in the internal and external environment.  |
| Personal Data Management Risk                   | Data Security and Personal Data Protection Executive Group | Assessment and management of personal information privacy risks, review, review and assessment of the legality and suitability of personal information management systems, response, handling and notification of personal information security incidents, planning and implementation of personal information protection and management. |

#### 7.6.14 Other important risks and countermeasures :

None.

#### 7.7 Other Important Matters :

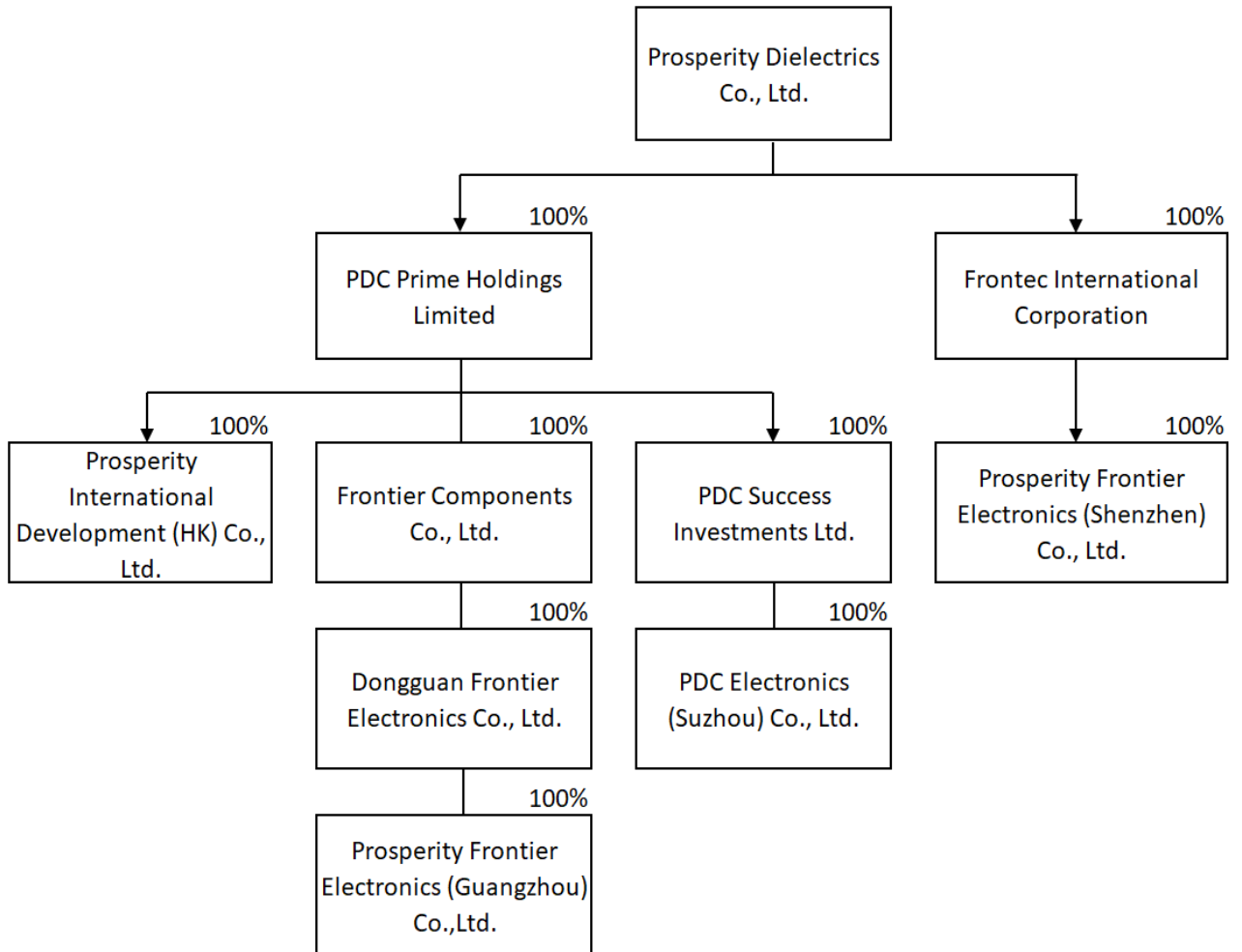
None.

# Special Notes

## 8.1 Affiliates Information

### 8.1.1 Consolidated Business Report of Affiliates

#### a. Affiliated Organization Chart



**b. Background Information of the Affiliates**

| Corporate name  | Date of Establishment | Address  | Paid-in capital   | Scope of business/production  |
|---|-----------------------|--|-------------------|---|
| Frontier Components Co., Ltd.                         | 2006.01.23            | Room D, 8/F., Wing Cheong Commercial Building, 19-25 Jervois Street, Sheung Wan, Hong Kong               | USD 9,001,000.00  | International trade   |
| PDC Prime Holdings Limited                            | 2003.10.15            | Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa                     | USD 23,464,538.00 | Investment holding  |
| PDC Success Investments Ltd.                          | 2003.10.29            | 3rd Floor, Standard Chartered Tower, 19 Cybercity Ebene, Republic of Mauritius                           | USD 12,009,000.00 | Investment holding  |
| PDC Electronics (Suzhou) Co., Ltd.                    | 2004.04.13            | No.2588, Pangjin Rd., Yundong Economic Development Zone, Wujiang District, Suzhou City, Jiangsu Province | USD 12,000,000.00 | Manufacturing of ceramic components   |
| Frontec International Corporation                     | 1997.07.09            | OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands                                 | USD 8,221,614.62  | Investment holding  |
| Dongguan Frontier Electronics Co., Ltd.               | 1998.06.26            | No.658, Meijing West Road, Dalang Town, Dongguan City, Guangdong Province                                | USD 6,100,000.00  | Selling of electronic components  |
| Prosperity International Development (HK) Co., Ltd.   | 2011.12.01            | Rooms 2006-8, 20/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong               | USD 2,401,000.00  | Investment holding  |
| Prosperity Frontier Electronics (Shenzhen) Co., Ltd.  | 2018.09.06            | 2nd Floor, No.16, Daxing 1st Road, Bu Chung Community, Shajing Street, Bao'an District, Shenzhen         | USD 6,000,000.00  | Manufacturing and selling chip components, power electronic devices and new electronic components |
| Prosperity Frontier Electronics (Guangzhou) Co., Ltd. | 2021.05.10            | No.277, Hongming RD., Eastern Section Econ. & Tech. Development Zone, Huangpu District, Guangzhou City   | CNY 1,000,000.00  | Manufacturing and selling chip components, power electronic devices and new electronic components |

**c. Shareholders in Common of PDC and its affiliates with presumed to have a relationship of control and subordination:** Not applicable.

**d. The industries covered by the business operation of the overall affiliates:** Electronics industry.

**e. Directors ,Supervisors,and Presidents of the Affiliates**

Unit: shares; %

| Corporate name  | Title      | Name of individual or representative(s) |                            | Number of shares held |                       |
|---|------------|---|----------------------------|-----------------------|-----------------------|
|   |            |   |                            | Number of shares      | Ratio of shareholding |
| Frontier Components Co., Ltd. (FCC)                         | Director   | Chih-Mou Hung                           | (Rep of PDC Holdings)      | USD 9,001,000.00      | 100%                  |
|   | Director   | Yu-Heng Chiao                           |                            |                       |                       |
|   | Director   | Wen-Ko Lin                              |                            |                       |                       |
| PDC Prime Holdings Limited (PDC Holdings)                   | Director   | Chih-Mou Hung                           | (Rep of PDC)               | USD 23,464,538.00     | 100%                  |
|   | Director   | Wen-Ko Lin                              |                            |                       |                       |
| PDC Success Investments Ltd. (PDC Success)                  | Director   | Chih-Mou Hung                           | (Rep of PDC Holdings)      | USD 12,009,000.00     | 100%                  |
|   | Director   | Wen-Ko Lin                              |                            |                       |                       |
| PDC Electronics (Suzhou) Co., Ltd.                          | Director   | Chih-Mou Hung                           | (Rep of PDC Success)       | USD 12,000,000.00     | 100%                  |
|   | Director   | Chi-Lin Kuang                           |                            |                       |                       |
|   | Director   | Hung-Chun Wu                            |                            |                       |                       |
|   | Supervisor | Hsia-Ying Lo                            |                            |                       |                       |
|   | President  | Kuo-Chou Chen                           |                            |                       |                       |
| Frontec International Corporation (FIC)                     | Director   | Chih-Mou Hung                           | (Rep of PDC)               | USD 8,221,614.62      | 100%                  |
|   | Director   | Wen-Ko Lin                              |                            |                       |                       |
| Dongguan Frontier Electronics Co., Ltd. (Dongguan Frontier) | Director   | Chih-Mou Hung                           | (Rep of FCC)               | USD 6,100,000.00      | 100%                  |
|   | Director   | Chien-Wen Chiang                        |                            |                       |                       |
|   | Director   | Wen-Ko Lin                              |                            |                       |                       |
|   | Supervisor | Hsia-Ying Lo                            |                            |                       |                       |
|   | President  | Wen-Ko Lin                              |                            |                       |                       |
| Prosperity International Development (HK) Co., Ltd.         | Director   | Chih-Mou Hung                           | (Rep of PDC Holdings)      | USD 2,401,000.00      | 100%                  |
|   | Director   | Wen-Ko Lin                              |                            |                       |                       |
| Prosperity Frontier Electronics (Shenzhen) Co., Ltd.        | Director   | Kuei-Chen Chen                          | (Rep of FIC)               | USD 6,000,000.00      | 100%                  |
|   | Director   | Chun-Hsueh Chen                         |                            |                       |                       |
|   | Director   | Chien-Wen Chiang                        |                            |                       |                       |
|   | Supervisor | Hsia-Ying Lo                            |                            |                       |                       |
|   | President  | Kuei-Chen Chen                          |                            |                       |                       |
| Prosperity Frontier Electronics (Guangzhou) Co.,Ltd.        | Director   | Kuei-Chen Chen                          | (Rep of Dongguan Frontier) | CNY 1,000,000.00      | 100%                  |
|   | Director   | Chih-Mou Hung                           |                            |                       |                       |
|   | Director   | Chun-Hsueh Chen                         |                            |                       |                       |
|   | Supervisor | Hsia-Ying Lo                            |                            |                       |                       |
|   | President  | Kuei-Chen Chen                          |                            |                       |                       |

Note 1: It is the capital contribution, and the representatives of each legal person did not contribute any capital.

**f. The overview of the operations of the affiliates**

The financial condition and operational results of the affiliates

Unit: NT\$ thousand

| Corporate name  | Capital | Total Assets | Total Liabilities | Net Worth | Revenues | Operating Income | Net Income (after tax) | Earnings Per Share (NT\$) |
|---|---------|--------------|-------------------|-----------|----------|------------------|------------------------|---------------------------|
| Frontier Components Co., Ltd.                         | 276,421 | 899,658      | 131,847           | 767,811   | 529,709  | (1,160)          | (10,819)               | Note 1                    |
| PDC Prime Holdings Limited                            | 728,456 | 1,575,424    | 0                 | 1,575,424 | 0        | 0                | (34,674)               | Note 1                    |
| PDC Success Investments Ltd.                          | 387,932 | 738,070      | 0                 | 738,070   | 0        | (1)              | (23,571)               | Note 1                    |
| PDC Electronics (Suzhou) Co., Ltd.                    | 368,520 | 747,379      | 9,593             | 737,786   | 68,560   | 11,338           | (23,603)               | Note 1                    |
| Frontec International Corporation                     | 327,140 | 131,603      | 0                 | 131,603   | 0        | 0                | 40                     | Note 1                    |
| Dongguan Frontier Electronics Co., Ltd.               | 187,331 | 408,196      | 166,246           | 241,950   | 644,078  | 12,937           | (276)                  | Note 1                    |
| Prosperity International Development (HK) Co., Ltd.   | 73,735  | 63,075       | 0                 | 63,075    | 0        | 0                | (358)                  | Note 1                    |
| Prosperity Frontier Electronics (Shenzhen) Co., Ltd.  | 184,260 | 171,105      | 39,674            | 131,431   | 155,572  | 2,440            | 23                     | Note 1                    |
| Prosperity Frontier Electronics (Guangzhou) Co., Ltd. | 4,411   | 1,988        | 0                 | 1,988     | 0        | (1,351)          | (1,652)                | Note 1                    |

Note 1 : The company is a limited company, so there is no need to calculate EPS.

## **8.1.2 The consolidated financial statements of the affiliated enterprise**

### **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Company Name: Prosperity Dielectrics Co., Ltd.

Chairman: CHIAO,YU-HENG

February 23, 2023



### **8.1.3 Affiliation Report**

## **Declaration**

The 2022 (from January 1 to December 31, 2022) Affiliation Report of the Company has been prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” and there is no material nonconformity between the information disclosed and relevant information disclosed in the notes of the financial statements for the aforementioned period.

Hereby declared as above.

Company Name: Prosperity Dielectrics Co., Ltd.

Chairman: Yu-Heng Chiao

February 23, 2023

## **Affiliation Report**

To Prosperity Dielectrics Co., Ltd.

We have audited the 2022 financial statements of Prosperity Dielectrics Co., Ltd. in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards, and issued our unqualified opinion with other matter section on February 23, 2023. The attached 2022 affiliation report of Prosperity Dielectrics Co., Ltd. was prepared separately based on “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises,” for which we have obtained the customer’s statement, verified relevant financial information, and undertaken necessary procedures to complete our audit. In our opinion, the 2022 affiliation report of Prosperity Dielectrics Co., Ltd. has been prepared in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises”; the financial information presented in this report was consistent with the financial statements, and no material amendment was required.

Deloitte & Touche

Certified Public Accountant :Yi-Min Huang

Certified Public Accountant :Chin-Chuan Shih

February 23, 2023

**Relationship between Subordinate Company and Controlling Company**

Unit: shares; %( As of 2022.12.31)

| Name of the controlling company | Reason of control   | Share ownership and pledges of the controlling company |                       |                          | Appointment of members of the controlling company as the directors or managers |   |
|---------------------------------|---|--|-----------------------|--------------------------|--|---|
|                                 |   | Number of shares held                                  | Ratio of shareholding | Number of shares pledged | Title  | Name  |
| Walsin Technology Corporation   | Holding more than 20% of the company's shares and having the ability to control | 74,186,468   | 43.13%                | -                        | Director   | Walsin Technology Corporation:<br>(Li-Chin Ku)    |
|                                 |   |  |                       |                          | Director   | Walsin Technology Corporation:<br>(Chih-Mou Hung) |

## Transactions

### a. Purchase, Sale Transactions

Unit: NT\$ thousand; %

| Transactions with the controlling company |         |                                      |                         | Terms of transactions with the controlling company |                    | Arm's length terms of transaction |                           | Reason of the difference | Accounts and notes receivable (payable) |   | Overdue accounts receivable. |                      |                                  | Remarks |
|---|---------|--------------------------------------|-------------------------|--|--------------------|-----------------------------------|---------------------------|--------------------------|---|---|------------------------------|----------------------|----------------------------------|---------|
| Purchase (sales)                          | Amount  | Percentage of total purchase (sales) | Gross profit from sales | Unit Price (NT\$)                                  | Duration of credit | Unit Price (NT\$)                 | Duration of credit        |                          | Balance                                 | Percentage of total accounts and notes receivable (payable) | Amount                       | Method of processing | Amount of allowance for bad debt |         |
| Sales                                     | 880,949 | 24                                   | Note1                   | Note1  | Note3              | Note1                             | Monthly<br>0 day~120 days | None                     | 156,226                                 | 21  | None                         | None                 | None                             |         |
| Purchase                                  | 413,499 | 28                                   | Note2                   | Note2  | Note3              | Note2                             | Monthly<br>0 day~120 days | None                     | -                                       | -   | None                         | None                 | None                             |         |

Note 1 : The price of goods sold to Walsin Technology Corporation is calculated based on the general market price.

Note 2 : The price of goods purchase from Walsin Technology Corporation is calculated based on the general market price

Note 3 : Accounts receivable are directly offset against the company's accounts payable and paid on a monthly basis for 120 days.

## b. Property Transactions

Unit: NT\$ thousand

| Transaction type (acquisition or disposal) | Name of property   | Transaction date or the date when the event occurred | Transaction amount | Delivery or payment terms | Payment and receipt of consideration | Disposal gains (Note 1) | The reasons why transaction counterparties are controlling companies | Previous data transfer (Note 2)  |  |               |                                    | The methods for determining the transactions (Note 3) | The basis for determining the prices   | The purpose of acquisition or disposal and the condition of use | Other stipulations |
|--|--------------------|--|--------------------|---------------------------|--------------------------------------|-------------------------|--|----------------------------------|--|---------------|------------------------------------|---|--|---|--------------------|
|  |                    |  |                    |                           |                                      |                         |  | Holder                           | Relationship with the company                          | Transfer date | Amount                             |   |  |   |                    |
| acquisition                                | land and buildings | 2021.11  | 220,000            | Pay according to contract | Fully paid                           | -                       | Required for capacity planning                                       | PanOverseas Electronic Co., Ltd. | Parent company Indirectly owned second-tier subsidiary | 2005.12.26    | 232,014 (Acquired through merger.) | Transaction decision hierarchy : Board of Directors   | The two parties negotiate the price after referring to the appraisal report issued by the professional real estate appraiser firm. | Normal  | None.              |

Note 1: Acquisition of property is exempted being stated in the table.

Note 2: (1) For acquisition of property, the original data obtained by the controlling company shall be stated. For disposal of property, the original data obtained by the subordinate company shall be stated.

(2) The field of "Relationship with the Company" shall explain the relationship of the owner with the subordinate company and the controlling company.

(3) If the counterparty of the last preceding transfer transaction is a related party, then the information on the last preceding transfer of such related party shall be further indicated in the same field.

Note 3: The determining hierarchy of the transaction shall be explained.

### c. Financing

Unit: NT\$ thousand; %

| Transaction type<br>(Borrowing or lending) | Highest balance | Balance at the end of the period | Interest rate range | Total interest in this period | Duration of financing | Reason of financing | Acquiring (providing) collaterals |        | The methods for determining the transactions (Note 1) | Provision of the allowance for bad debt (Note 2) |
|--|-----------------|----------------------------------|---------------------|-------------------------------|-----------------------|---------------------|-----------------------------------|--------|---|--|
|  |                 |                                  |                     |                               |                       |                     | Name                              | Amount |   |  |
| None                                       |                 |                                  |                     |                               |                       |                     |                                   |        |   |  |

Note 1: The determining hierarchy of the transaction shall be explained.

Note 2: For fund borrowing, it is exempted from being stated in the table.

### d. Asset Leasing

Unit: NT\$ thousand

| Transaction type (rent or lease) | Property             |  | Lease duration  | Nature of the lease (Note 1) | Basis of determining the rent | Method of collection (payment) | Comparison with regular rent levels | Total rent in this period | Payment and receipt in this period                                       | Other stipulations (Note 2) |
|----------------------------------|----------------------|--|-----------------|------------------------------|-------------------------------|--------------------------------|-------------------------------------|---------------------------|--|-----------------------------|
|                                  | Name                 | Location                                   |                 |                              |                               |                                |                                     |                           |  |                             |
| Rent                             | Buildings and office | No.566-1,2,3, Kaoshi Rd., Yangmei, Taoyuan | 2022.01~2022.12 | capital lease                | Reference market price        | Pay monthly                    | quite                               | 6,399                     | As of 2022.12.31, the balance of rent payable was NT\$ 1,644(before tax) | None                        |
| Lease                            | Buildings and office | No.566-1, Kaoshi Rd., Yangmei, Taoyuan     | 2022.01~2022.12 | operational lease            | Reference market price        | Pay monthly                    | quite                               | 3,002                     | As of 2022.12.31, the rent receivable balance was 0 (before tax)         | None                        |

Note 1: It is necessary to explain whether the nature of leasing is capital leasing or operational leasing.

Note 2: If there is other setting of rights, such as superficies, lien right and easement, such setting of rights shall be indicated.

**e. Endorsements and Guarantees**

Unit: NT\$ thousand; %

| Highest balance | Balance at the end of the period |   | Cause of endorsement/ guarantee | Providing collateral as guarantee |          |       | Conditions or dates for releasing the guarantee or recovering the collateral | The amount of contingent loss already recognized in financial statements | Violations of operation regulations codified by the company |
|-----------------|----------------------------------|---|---------------------------------|-----------------------------------|----------|-------|--|--|---|
|                 | Amount                           | Percentage of net assets in the financial statement |                                 | Name                              | Quantity | Value |  |  |   |
| None            |                                  |   |                                 |                                   |          |       |  |  |   |

**8.2 Status of Private Placement Securities**

Private Placement Securities in the Most Recent Year and up to the Publication Date of this Annual Report:None.

**8.3 The Company’s Common Shares Acquired, Disposed of and Held by Subsidiaries:**

None.

**8.4 Other Necessary Supplementary Explanations:**

None.

**8.5 Any Events Had Significant Impacts on Shareholders’ Right or Security Prices as Stated in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act:**

None.

## **6.4 Financial Statement for the Most Recent Fiscal Year**

### **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

PROSPERITY DIELECTRICS CO., LTD.

By

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YU-HENG CHIAO  
Chairman

February 23, 2023



## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Prosperity Dielectrics Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021 as restated, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended as restated, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, based on our audits and the report of other auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021 as restated, and its consolidated financial performance and its consolidated cash flows for the years then ended as restated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits of the consolidated financial statements for the years ended December 31, 2022 and 2021 as restated in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the report of other auditors.

### **Key Audit Matters**

Key audit matters are those matter that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is described as follows:

#### Validity of Sales Revenue

As a result of affected by the Covid-19 pandemic, there was a significant decrease in sales revenue in 2022 compared to the previous year. Therefore, the validity of sales revenue from some of the Group's main customers whose sales revenue growth was against the trend in 2022 compared to the previous year is regarded as the key audit matters of the Group's consolidated financial statements for the year ended December 31, 2022. For the accounting policies related to sales revenue, please refer to Note 4 of the consolidated financial statements.

Our audit procedures performed in response to the aforementioned key audit matter include the following: we understood the Group's internal controls on the recognition of sales revenue from the aforementioned customers, evaluated the design of the key controls, tested the operating effectiveness of these controls, inspected the sales transactions from these customers on a sample basis to ensure the validity of occurrence of the sales transactions.

### **Other Matter**

We did not audit the financial statements of certain investments accounted for using the equity method, but such financial statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of the other auditors. The investments accounted for using the equity method amounted to NT\$410,924 thousand and NT\$471,188 thousand as of December 31, 2022 and 2021 as restated, and the share of loss of associates accounted for using the equity method for the years ended December 31, 2022 and 2021 as restated amounted to NT\$13,552 thousand and NT\$1,215 thousand, respectively .

We have also audited the parent company only financial statements of Prosperity Dielectrics Co., Ltd. as of and for the years ended December 31, 2022 and 2021 as restated on which we have issued an unmodified opinion with emphasis of matter paragraph or other matter paragraph.

### **Emphasis of Matter**

As described in Notes 13 and 31 to the consolidated financial statements, in July 2022, Prosperity Dielectrics Co., Ltd. and its subsidiaries acquired 17,519 thousand shares and 3,058 thousand shares of Joyin Co., Ltd. from the related parties, INPAQ Technology Co., Ltd. and Walsin Technology Corporation, respectively; after the acquisition, the shareholding ratio of Joyin Co., Ltd. increased from 4.02% to 30.4%. The aforesaid transaction is an organizational restructuring under common control and the consolidated financial statements should be regarded as if the transaction had occurred from the beginning and retrospectively restated for the comparative period. This restatement increased the previously held interests by NT\$324,031 thousand on December 31, 2021. For the year ended December 31, 2021, the comprehensive income of previously held interests increased by NT\$6,198 thousand. The accountants did not revise the audit conclusion of the consolidated financial statements for the year of 2021 due to the aforementioned matter.

## **Responsibilities of Management and Those Charged with Governance for 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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 23, 2023

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 audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.*

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

**CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

| ASSETS   | December 31, 2022   |            | December 31, 2021<br>(Restated) |            |
|--|---------------------|------------|---------------------------------|------------|
|  | Amount              | %          | Amount                          | %          |
| <b>CURRENT ASSETS</b>  |                     |            |                                 |            |
| Cash and cash equivalents (Notes 4 and 6)  | \$ 1,605,577        | 18         | \$ 1,312,198                    | 14         |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)                  | 348,414             | 4          | 532,066                         | 6          |
| Financial assets at amortized cost - current (Notes 4 and 8)                                     | 79,496              | 1          | 262,697                         | 3          |
| Notes receivable from unrelated parties (Notes 4 and 9)  | 31,317              | -          | 50,882                          | -          |
| Trade receivables from unrelated parties (Notes 4 and 9)   | 583,613             | 7          | 743,018                         | 8          |
| Trade receivables from related parties (Notes 4 and 29)  | 212,608             | 2          | 335,976                         | 4          |
| Other receivables from unrelated parties   | 29,602              | -          | 34,979                          | -          |
| Other receivables from related parties (Note 29)   | 1,273               | -          | 12,019                          | -          |
| Inventories (Notes 4 and 10)   | 671,972             | 8          | 820,570                         | 9          |
| Other current assets   | 39,467              | 1          | 53,403                          | -          |
| Total current assets   | <u>3,603,339</u>    | <u>41</u>  | <u>4,157,808</u>                | <u>44</u>  |
| <b>NON-CURRENT ASSETS</b>  |                     |            |                                 |            |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 12) | 1,359,851           | 16         | 1,607,074                       | 17         |
| Financial assets at amortized cost - non-current (Notes 4 and 8)                                 | 212,610             | 2          | 43,476                          | 1          |
| Investments accounted for using the equity method (Notes 4 and 13)                               | 1,150,757           | 13         | 1,158,254                       | 12         |
| Property, plant and equipment (Notes 4 and 14)   | 2,161,442           | 25         | 2,218,674                       | 24         |
| Right-of-use assets (Notes 4 and 15)   | 183,048             | 2          | 176,410                         | 2          |
| Computer software (Note 4)   | 8,214               | -          | 7,221                           | -          |
| Deferred tax assets (Notes 4 and 23)   | 39,395              | 1          | 34,151                          | -          |
| Other non-current assets   | 14,098              | -          | 7,079                           | -          |
| Total non-current assets   | <u>5,129,415</u>    | <u>59</u>  | <u>5,252,339</u>                | <u>56</u>  |
| <b>TOTAL</b>   | <u>\$ 8,732,754</u> | <u>100</u> | <u>\$ 9,410,147</u>             | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>  |                     |            |                                 |            |
| <b>CURRENT LIABILITIES</b>   |                     |            |                                 |            |
| Short-term borrowings (Note 16)  | \$ 230,000          | 3          | \$ -                            | -          |
| Trade payables to unrelated parties  | 210,919             | 2          | 389,564                         | 4          |
| Trade payables to related parties (Note 29)  | 102,475             | 1          | 163,591                         | 2          |
| Other payables to unrelated parties (Note 17)  | 406,176             | 5          | 712,642                         | 8          |
| Other payables to related parties (Note 29)  | 16,506              | -          | 22,259                          | -          |
| Current tax liabilities (Notes 4 and 23)   | 151,907             | 2          | 137,270                         | 2          |
| Lease liabilities - current (Notes 4 and 15)   | 34,708              | -          | 25,573                          | -          |
| Current portion of long-term borrowings (Note 16)  | 349,591             | 4          | 8,333                           | -          |
| Other current liabilities  | 18,446              | -          | 16,157                          | -          |
| Total current liabilities  | <u>1,520,728</u>    | <u>17</u>  | <u>1,475,389</u>                | <u>16</u>  |
| <b>NON-CURRENT LIABILITIES</b>   |                     |            |                                 |            |
| Long-term borrowings (Note 16)   | 472,193             | 6          | 817,656                         | 9          |
| Deferred tax liabilities (Notes 4 and 23)  | 158,439             | 2          | 178,518                         | 2          |
| Lease liabilities - non-current (Notes 4 and 15)   | 151,490             | 2          | 154,131                         | 2          |
| Deferred revenue - non-current (Notes 4 and 17)  | 4,882               | -          | 9,011                           | -          |
| Net defined benefit liabilities - non-current (Notes 4 and 19)                                   | 24,347              | -          | 51,391                          | -          |
| Guarantee deposits received  | 22,775              | -          | 25,234                          | -          |
| Total non-current liabilities  | <u>834,126</u>      | <u>10</u>  | <u>1,235,941</u>                | <u>13</u>  |
| Total liabilities  | <u>2,354,854</u>    | <u>27</u>  | <u>2,711,330</u>                | <u>29</u>  |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>                                    |                     |            |                                 |            |
| Share capital  |                     |            |                                 |            |
| Ordinary shares  | <u>1,720,000</u>    | <u>20</u>  | <u>1,720,000</u>                | <u>18</u>  |
| Capital surplus  | <u>498,708</u>      | <u>6</u>   | <u>498,548</u>                  | <u>5</u>   |
| Retained earnings  |                     |            |                                 |            |
| Legal reserve  | 624,924             | 7          | 509,861                         | 5          |
| Special reserve  | 67,764              | 1          | 67,764                          | 1          |
| Unappropriated earnings  | 2,992,429           | 34         | 2,829,865                       | 30         |
| Total retained earnings  | <u>3,685,117</u>    | <u>42</u>  | <u>3,407,490</u>                | <u>36</u>  |
| Other equity   |                     |            |                                 |            |
| Exchange differences on the translation of the financial statements of foreign operations        | (50,917)            | (1)        | (116,523)                       | (1)        |
| Unrealized gain on financial assets at fair value through other comprehensive income             | 579,363             | 7          | 919,642                         | 10         |
| Total other equity   | <u>528,446</u>      | <u>6</u>   | <u>803,119</u>                  | <u>9</u>   |
| Treasury shares  | (54,371)            | (1)        | (54,371)                        | -          |
| Total equity attributable to owners of the Company   | 6,377,900           | 73         | 6,374,786                       | 68         |
| Equity attributable to former owner of business combination under common control                 | -                   | -          | 324,031                         | 3          |
| Total equity   | <u>6,377,900</u>    | <u>73</u>  | <u>6,698,817</u>                | <u>71</u>  |
| <b>TOTAL</b>   | <u>\$ 8,732,754</u> | <u>100</u> | <u>\$ 9,410,147</u>             | <u>100</u> |

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

(With Deloitte & Touche auditors' report dated February 23, 2023)

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2022             |            | 2021 (Restated)  |            |
|--|------------------|------------|------------------|------------|
|  | Amount           | %          | Amount           | %          |
| NET SALES (Notes 4 and 21)   | \$ 4,142,386     | 100        | \$ 6,010,110     | 100        |
| COST OF SALES (Note 10)  | <u>3,176,547</u> | <u>77</u>  | <u>4,423,600</u> | <u>73</u>  |
| GROSS PROFIT   | <u>965,839</u>   | <u>23</u>  | <u>1,586,510</u> | <u>27</u>  |
| OPERATING EXPENSES   |                  |            |                  |            |
| Selling and marketing expenses   | 129,830          | 3          | 163,736          | 3          |
| General and administrative expenses  | 131,170          | 3          | 159,920          | 3          |
| Research and development expenses  | <u>88,239</u>    | <u>2</u>   | <u>85,092</u>    | <u>1</u>   |
| Total operating expenses   | <u>349,239</u>   | <u>8</u>   | <u>408,748</u>   | <u>7</u>   |
| PROFIT FROM OPERATIONS   | <u>616,600</u>   | <u>15</u>  | <u>1,177,762</u> | <u>20</u>  |
| NON-OPERATING INCOME AND EXPENSES  |                  |            |                  |            |
| Interest income  | 29,558           | 1          | 14,021           | -          |
| Dividend income  | 42,700           | 1          | 54,883           | 1          |
| Other income   | 21,436           | -          | 19,978           | -          |
| Gain on disposal of property, plant and equipment                                    | 340              | -          | 3,308            | -          |
| Gain on disposal of investments  | 17,808           | -          | 9                | -          |
| Gain on lease modifications  | 758              | -          | -                | -          |
| Foreign exchange gain  | 79,199           | 2          | -                | -          |
| Gain on valuation of financial assets at FVTPL                                       | -                | -          | 33,266           | -          |
| Gain on reversal of impairment loss  | 5,379            | -          | 6,219            | -          |
| Share of profit of associates accounted for using the equity method (Notes 4 and 13) | -                | -          | 156,128          | 3          |
| Interest expense   | (13,710)         | -          | (9,595)          | -          |
| Miscellaneous expenses   | (13,978)         | -          | (8,653)          | -          |
| Loss on lease modifications  | -                | -          | (333)            | -          |
| Foreign exchange loss  | -                | -          | (4,661)          | -          |
| Loss on valuation of financial assets at FVTPL                                       | (106,503)        | (3)        | -                | -          |
| Share of loss of associates accounted for using the equity method (Notes 4 and 13)   | <u>(50,112)</u>  | <u>(1)</u> | <u>-</u>         | <u>-</u>   |
| Total non-operating income and expenses  | <u>12,875</u>    | <u>-</u>   | <u>264,570</u>   | <u>4</u>   |
| PROFIT BEFORE INCOME TAX   | 629,475          | 15         | 1,442,332        | 24         |
| INCOME TAX EXPENSE (Notes 4 and 23)  | <u>(139,830)</u> | <u>(3)</u> | <u>(293,702)</u> | <u>(5)</u> |
| NET PROFIT FOR THE YEAR  | <u>489,645</u>   | <u>12</u>  | <u>1,148,630</u> | <u>19</u>  |

(Continued)

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

|  | 2022                     |                  | 2021 (Restated)            |                  |
|--|--------------------------|------------------|----------------------------|------------------|
|  | Amount                   | %                | Amount                     | %                |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>   |                          |                  |                            |                  |
| (Note 20)  |                          |                  |                            |                  |
| Items that will not be reclassified subsequently to profit or loss:  |                          |                  |                            |                  |
| Remeasurement of defined benefit plans   | \$ 10,021                | -                | \$ (5,102)                 | -                |
| Unrealized valuation (loss) gain on investments in equity instruments at fair value through other comprehensive income | (188,465)                | (4)              | 372,570                    | 6                |
| Share of the other comprehensive loss of associates accounted for using the equity method                              | (26,227)                 | (1)              | (6,365)                    | -                |
| Items that may be reclassified subsequently to profit or loss:   |                          |                  |                            |                  |
| Exchange differences on the translation of the financial statements of foreign operations                              | 64,137                   | 1                | 4,189                      | -                |
| Share of the other comprehensive (loss) income of associates accounted for using the equity method                     | <u>(623)</u>             | <u>-</u>         | <u>2,405</u>               | <u>-</u>         |
| Other comprehensive (loss) income for the year   | <u>(141,157)</u>         | <u>(4)</u>       | <u>367,697</u>             | <u>6</u>         |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>   | <b><u>\$ 348,488</u></b> | <b><u>8</u></b>  | <b><u>\$ 1,516,327</u></b> | <b><u>25</u></b> |
| <b>NET PROFIT ATTRIBUTABLE TO:</b>   |                          |                  |                            |                  |
| Owners of the Company  | \$ 506,518               | 12               | \$ 1,143,641               | 19               |
| Equity attributable to former owner of business combination under common control                                       | (16,873)                 | -                | 4,126                      | -                |
| Non-controlling interests  | <u>-</u>                 | <u>-</u>         | <u>863</u>                 | <u>-</u>         |
|  | <b><u>\$ 489,645</u></b> | <b><u>12</u></b> | <b><u>\$ 1,148,630</u></b> | <b><u>19</u></b> |
| <b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>   |                          |                  |                            |                  |
| Owners of the Company  | \$ 361,810               | 9                | \$ 1,508,951               | 25               |
| Equity attributable to former owner of business combination under common control                                       | (13,322)                 | (1)              | 6,198                      | -                |
| Non-controlling interests  | <u>-</u>                 | <u>-</u>         | <u>1,178</u>               | <u>-</u>         |
|  | <b><u>\$ 348,488</u></b> | <b><u>8</u></b>  | <b><u>\$ 1,516,327</u></b> | <b><u>25</u></b> |

(Continued)



# PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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|                              | 2022           |   | 2021 (Restated) |   |
|------------------------------|----------------|---|-----------------|---|
|                              | Amount         | % | Amount          | % |
| EARNINGS PER SHARE (Note 24) |                |   |                 |   |
| Basic                        | <u>\$ 2.96</u> |   | <u>\$ 6.67</u>  |   |
| Diluted                      | <u>\$ 2.95</u> |   | <u>\$ 6.65</u>  |   |

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

(With Deloitte & Touche auditors' report dated February 23, 2023)

(Concluded)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

|  | Equity Attributable to Owners of the Company |               |                 |                   |                 |                         |   |   |                 |              |           | Equity Attributable to Former Owner of Business Combination Under Common Control | Non-controlling Interests | Total Equity |
|--|--|---------------|-----------------|-------------------|-----------------|-------------------------|---|---|-----------------|--------------|-----------|--|---------------------------|--------------|
|  | Share Capital                                |               |                 | Retained Earnings |                 |                         | Other Equity (Note 20)  |   | Treasury Shares | Total        |           |  |                           |              |
|  | Number of Shares (In Thousands)              | Share Capital | Capital Surplus | 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              |              |
| Appropriation of 2020 earnings (Note 20)   |  |               |                 |                   |                 |                         |   |   |                 |              |           |  |                           |              |
| Legal reserve  | -  | -             | -               | 79,086            | -               | (79,086)                | -   | -   | -               | -            | -         | -  | -                         |              |
| Cash dividends distributed by the Company  | -  | -             | -               | -                 | -               | (344,000)               | -   | -   | -               | (344,000)    | -         | -  | (344,000)                 |              |
| Reversal of special reserve appropriated upon at the first-time adoption of IFRS                                       | -  | -             | -               | -                 | (1,725)         | 1,725                   | -   | -   | -               | -            | -         | -  | -                         |              |
| Change in capital surplus from investments in associates accounted for using the equity method                         | -  | -             | 26              | -                 | -               | -                       | -   | -   | -               | 26           | -         | -  | 26                        |              |
| Net profit for the year ended December 31, 2021  | -  | -             | -               | -                 | -               | 1,143,641               | -   | -   | -               | 1,143,641    | 4,126     | 863  | 1,148,630                 |              |
| Other comprehensive income for the year ended December 31, 2021  | -  | -             | -               | -                 | -               | (5,081)                 | 4,188   | 366,203   | -               | 365,310      | 2,072     | 315  | 367,697                   |              |
| Total comprehensive income for the year ended December 31, 2021  | -  | -             | -               | -                 | -               | 1,138,560               | 4,188   | 366,203   | -               | 1,508,951    | 6,198     | 1,178  | 1,516,327                 |              |
| Disposal of subsidiary (Note 25)   | -  | -             | -               | -                 | -               | (13,256)                | 64,376  | -   | -               | 51,120       | -         | -  | 51,120                    |              |
| Difference between consideration and carrying amount of subsidiaries acquired (Note 26)                                | -  | -             | 1,456           | -                 | -               | -                       | -   | -   | -               | 1,456        | -         | (41,753)   | (40,297)                  |              |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 20) | -  | -             | -               | -                 | -               | 23,600                  | -   | (23,600)  | -               | -            | -         | -  | -                         |              |
| Retrospective adjustment by equity attributable to former owner of business combination under common control           | -  | -             | -               | -                 | -               | -                       | -   | -   | -               | -            | 317,833   | -  | 317,833                   |              |
| Buy-back of ordinary shares (Note 20)  | -  | -             | -               | -                 | -               | -                       | -   | -   | (54,371)        | (54,371)     | -         | -  | (54,371)                  |              |
| BALANCE AT DECEMBER 31, 2021   | 172,000                                      | 1,720,000     | 498,548         | 509,861           | 67,764          | 2,829,865               | (116,523)   | 919,642   | (54,371)        | 6,374,786    | 324,031   | -  | 6,698,817                 |              |
| Appropriation of 2021 earnings (Note 20)   |  |               |                 |                   |                 |                         |   |   |                 |              |           |  |                           |              |
| Legal reserve  | -  | -             | -               | 115,063           | -               | (115,063)               | -   | -   | -               | -            | -         | -  | -                         |              |
| Cash dividends distributed by the Company  | -  | -             | -               | -                 | -               | (344,000)               | -   | -   | -               | (344,000)    | -         | -  | (344,000)                 |              |
| Change in capital surplus from investments in associates accounted for using the equity method                         | -  | -             | (170)           | -                 | -               | (15)                    | -   | -   | -               | (185)        | -         | -  | (185)                     |              |
| Net profit (loss) for the year ended December 31, 2022   | -  | -             | -               | -                 | -               | 506,518                 | -   | -   | -               | 506,518      | (16,873)  | -  | 489,645                   |              |
| Other comprehensive income for the year ended December 31, 2022  | -  | -             | -               | -                 | -               | 9,291                   | 59,566  | (213,565)   | -               | (144,708)    | 3,551     | -  | (141,157)                 |              |
| Total comprehensive income for the year ended December 31, 2022  | -  | -             | -               | -                 | -               | 515,809                 | 59,566  | (213,565)   | -               | 361,810      | (13,322)  | -  | 348,488                   |              |
| Re-organization  | -  | -             | 330             | -                 | -               | (20,180)                | 6,040   | (701)   | -               | (14,511)     | (357,937) | -  | (372,448)                 |              |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 20) | -  | -             | -               | -                 | -               | 126,013                 | -   | (126,013)   | -               | -            | -         | -  | -                         |              |
| Retrospective adjustment by equity attributable to former owner of business combination under common control           | -  | -             | -               | -                 | -               | -                       | -   | -   | -               | -            | 47,228    | -  | 47,228                    |              |
| BALANCE AT DECEMBER 31, 2022   | 172,000                                      | \$ 1,720,000  | \$ 498,708      | \$ 624,924        | \$ 67,764       | \$ 2,992,429            | \$ (50,917)   | \$ 579,363  | \$ (54,371)     | \$ 6,377,900 | \$ -      | \$ -   | \$ 6,377,900              |              |

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

(With Deloitte & Touche auditors' report dated February 23, 2023)

# PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

|  | 2022             | 2021 (Restated) |
|--|------------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                  |                 |
| Income before income tax   | \$ 629,475       | \$ 1,442,332    |
| Adjustments for:   |                  |                 |
| Depreciation expense   | 458,851          | 411,480         |
| Amortization expense   | 5,325            | 4,386           |
| Net loss (gain) on valuation of financial assets at FVTPL  | 106,503          | (33,266)        |
| Interest expense   | 13,710           | 9,595           |
| Interest income  | (29,558)         | (14,021)        |
| Dividend income  | (42,700)         | (54,883)        |
| Share of loss (profit) of associates accounted for using the equity method                             | 50,112           | (156,128)       |
| Gain on disposal of property, plant and equipment  | (340)            | (3,308)         |
| Gain on disposal of investments  | (17,808)         | (9)             |
| Reversal of impairment loss of non-financial assets  | (13,656)         | (31,018)        |
| (Gain) loss on lease modifications   | (758)            | 333             |
| Changes in operating assets and liabilities  |                  |                 |
| Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss | 94,957           | (183,562)       |
| Decrease in notes receivable from unrelated parties  | 19,565           | 9,343           |
| Decrease (increase) in trade receivables from unrelated parties  | 159,405          | (15,507)        |
| Decrease (increase) in trade receivables from related parties  | 123,368          | (178,019)       |
| Decrease in other receivables from unrelated parties   | 4,857            | 10,765          |
| Decrease (increase) in other receivables from related parties  | 13,120           | (8,609)         |
| Decrease (increase) in inventories   | 156,875          | (209,143)       |
| Decrease (increase) in other current assets  | 13,936           | (4,000)         |
| Increase in other non-current assets   | (9,746)          | (1,917)         |
| (Decrease) increase in trade payables to unrelated parties   | (178,645)        | 15,772          |
| Decrease in trade payables to related parties  | (61,116)         | (174,413)       |
| (Decrease) increase in other payables to unrelated parties   | (117,419)        | 67,182          |
| Increase (decrease) in other payables to related parties   | 5,262            | (16,279)        |
| Increase (decrease) in other current liabilities   | 2,693            | (12,677)        |
| Decrease in net defined benefit liabilities  | (17,023)         | (1,821)         |
| Cash generated from operations   | 1,369,245        | 872,608         |
| Interest received  | 30,078           | 11,542          |
| Dividends received   | 43,440           | 55,623          |
| Interest paid  | (13,260)         | (9,578)         |
| Income tax paid  | (150,516)        | (140,954)       |
| Net cash generated from operating activities   | <u>1,278,987</u> | <u>789,241</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                  |                 |
| Purchase of financial assets at fair value through other comprehensive income                          | (199,688)        | (30,000)        |
| Disposal of financial assets at fair value through other comprehensive income                          | 252,777          | 42,758          |

(Continued)

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

|   | <b>2022</b>         | <b>2021 (Restated)</b> |
|---|---------------------|------------------------|
| Purchase of financial assets at amortized cost  | \$ (169,134)        | \$ -                   |
| Disposal of financial assets at amortized cost  | 183,201             | 136,420                |
| Purchase of investments accounted for using the equity methods<br>(Note 13)                   | (379,629)           | (47,073)               |
| Net cash inflow on disposal of subsidiaries (Note 25)   | -                   | 356,845                |
| Payments for property, plant and equipment  | (561,943)           | (740,531)              |
| Proceeds from disposal of property, plant and equipment                                       | 406                 | 8,076                  |
| Increase in refundable deposits   | (711)               | -                      |
| Decrease in refundable deposits   | -                   | 4,702                  |
| Acquisition of intangible assets  | <u>(3,000)</u>      | <u>(6,470)</u>         |
| Net cash used in investing activities   | <u>(877,721)</u>    | <u>(275,273)</u>       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                        |
| Proceeds from short-term borrowings   | 230,000             | -                      |
| Repayments of short-term borrowings   | -                   | (20,000)               |
| Proceeds from long-term borrowings  | -                   | 63,020                 |
| Repayments of long-term borrowings  | (8,334)             | -                      |
| Refund of guaranteed deposits received  | (2,459)             | -                      |
| Proceeds from guaranteed deposits received  | -                   | 4,342                  |
| Repayment of the principal portion of lease liabilities                                       | (34,976)            | (29,417)               |
| Decrease in other non-current liabilities   | -                   | (3,020)                |
| Cash dividends paid to owners of the Company  | (344,000)           | (344,000)              |
| Payments for buy-back of ordinary shares  | -                   | (54,371)               |
| Decrease in non-controlling interests   | <u>-</u>            | <u>(40,297)</u>        |
| Net cash used in financing activities   | <u>(159,769)</u>    | <u>(423,743)</u>       |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF<br/>CASH HELD IN FOREIGN CURRENCIES</b> | <u>51,882</u>       | <u>(1,255)</u>         |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | 293,379             | 88,970                 |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br/>YEAR</b>                             | <u>1,312,198</u>    | <u>1,223,228</u>       |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                       | <u>\$ 1,605,577</u> | <u>\$ 1,312,198</u>    |

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

(With Deloitte & Touche auditors' report dated February 23, 2023)

(Concluded)

# PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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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 December 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 February 23, 2023.

### 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. The IFRSs endorsed by the FSC for application starting from 2023

| <b>New, Amended and Revised Standards and Interpretations</b>   | <b>Effective Date Announced by IASB</b> |
|---|---|
| Amendments to IAS 1 “Disclosure of Accounting Policies”   | January 1, 2023 (Note 1)                |
| Amendments to IAS 8 “Definition of Accounting Estimates”  | January 1, 2023 (Note 2)                |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 3)                |

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were 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 assessed that the application of other standards and interpretations will not impact on the Group's financial position and financial performance.

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

| <b>New, Amended and Revised Standards and Interpretations</b>  | <b>Effective Date Announced by IASB (Note 1)</b> |
|--|--|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB                         |
| Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"   | January 1, 2024 (Note 2)                         |
| IFRS 17 "Insurance Contracts"  | January 1, 2023                                  |
| Amendments to IFRS 17  | January 1, 2023                                  |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"                              | January 1, 2023                                  |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"  | January 1, 2024                                  |
| Amendments to IAS 1 "Non-current Liabilities with Covenants"   | January 1, 2024                                  |

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

The consolidated financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

- 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 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. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of PDC and the entities controlled by PDC (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 PDC. 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 PDC 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 PDC.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 11, Tables 6 and 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Acquisition of investments of associates under common control

For transactions relating to the acquisition of investments of associates under common control, and the disposal of associates that result in the loss of significant influence, the Group shall choose to apply analogously the accounting treatment for business combinations under common control. Therefore, the transaction is accounted for applying the book-value method at the date of the acquisition and comparative information of the prior period in the consolidated financial statements is restated as if the acquisition had already occurred. For a disposal, any gain or loss on disposal shall not be recognized at the date of the disposal, and the Group shall elect to restate the comparative information of the prior period in the consolidated financial statements or discontinue the use of the equity method from the date that it loses significant influence over the associate.

f. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

Non-monetary items denominated in a foreign currency and measured at historical cost are stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the financial statements of the Company's foreign operations that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of PDC and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of PDC are reclassified to profit or loss.



In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

h. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

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

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. Depreciation is recognized over the shorter of the useful life of the asset and the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Intangible assets

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

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

k. Impairment of property, plant and equipment, right-of-use assets, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## 1. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

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

### 1) Financial assets

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

#### a) Measurement categories

Financial assets are classified into the following categories: financial assets at amortized cost and investments in equity instruments at FVTOCI.

##### i. Financial assets at amortized cost

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

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

## ii. Investments in equity instruments at FVTOCI

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

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

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

## b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

For internal credit risk management purposes, the Group considers the following situations as indicators that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. The financial asset is more than 120 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Revenue recognition

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

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electronic components. Sales of electronic components are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

- Revenue from the rendering of services

Revenue is recognized when services are rendered.

Revenue from the rendering of services is recognized based on the degree of completion of contracts.

o. Leasing

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

1) The Group as lessor

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

The difference between the proceeds received from a government loan with a below-market rate of interest and the fair value of the loan based on prevailing market interest rates is recognized as a government grant.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that rereasurement is recognized in profit or loss.

r. Taxation

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

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION 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 management of the Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in 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

|   | <u>December 31</u>  |                     |
|---|---------------------|---------------------|
|   | <u>2022</u>         | <u>2021</u>         |
| Cash on hand  | \$ 539              | \$ 494              |
| Checking accounts and demand deposits                                       | 398,256             | 536,711             |
| Cash equivalents (investments with original maturities of 3 months or less) |                     |                     |
| Time deposits   | 1,053,692           | 255,866             |
| Repurchase agreements collateralized by bonds                               | <u>153,090</u>      | <u>519,127</u>      |
|   | <u>\$ 1,605,577</u> | <u>\$ 1,312,198</u> |

The market rate intervals of cash equivalents were as follows:

|  | <u>December 31</u> |             |
|--|--------------------|-------------|
|  | <u>2022</u>        | <u>2021</u> |
| Time deposits with original maturities of 3 months or less | 1.1%-4.9%          | 1.1%-2.4%   |
| Repurchase agreements collateralized by bonds              | 0.8%-4.1%          | 0.23%-0.24% |

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

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2022</u>        | <u>2021</u>       |
| <u>Financial assets mandatorily classified as at FVTPL - current</u> |                    |                   |
| Non-derivative financial assets                                      |                    |                   |
| Domestic listed shares   | \$ 250,030         | \$ 389,047        |
| Mutual funds   | 53,835             | 56,934            |
| Government bonds   | <u>44,549</u>      | <u>86,085</u>     |
|  | <u>\$ 348,414</u>  | <u>\$ 532,066</u> |

## 8. FINANCIAL ASSETS AT AMORTIZED COST

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2022</u>        | <u>2021</u>       |
| <u>Current</u>   |                    |                   |
| Time deposits with original maturities of more than 3 months (a) | \$ 74,605          | \$ 247,885        |
| Restricted deposits (b)  | <u>4,891</u>       | <u>14,812</u>     |
|  | <u>\$ 79,496</u>   | <u>\$ 262,697</u> |

(Continued)

|  | <u>December 31</u> |                  |
|--|--------------------|------------------|
|  | <b>2022</b>        | <b>2021</b>      |
| <u>Non-current</u>   |                    |                  |
| Time deposits with original maturities of more than 1 year (a) | \$ -               | \$ 43,476        |
| Corporate bonds - TSMC Arizona Corp. (c)                       | 92,039             | -                |
| Corporate bonds - Amazon.com, Inc. (c)                         | 60,327             | -                |
| U.S. Treasuries (d)  | <u>60,244</u>      | <u>-</u>         |
|  | <u>\$ 212,610</u>  | <u>\$ 43,476</u> |

(Concluded)

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

|  | <u>December 31</u> |             |
|--|--------------------|-------------|
|  | <b>2022</b>        | <b>2021</b> |
| Time deposits with original maturities of more than 3 months | 1.425%-4.125%      | 0.8%-3.15%  |
| Time deposits with original maturities of more than 1 year   | -                  | 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”

- c. The corporate bonds held by the Group at the balance sheet date were as follows:

| <b>Period</b> | <b>Face Value</b> | <b>Range of Coupon Rate</b> | <b>Range of Effective Interest Rate</b> |
|---------------|-------------------|-----------------------------|---|
| June 2022     | USD5,000,000      | 3.3%-3.875%                 | 3.7563%-3.8992%                         |

- d. The government bonds held by the Group at the balance sheet date were as follows:

| <b>Period</b> | <b>Face Value</b> | <b>Range of Coupon Rate</b> | <b>Range of Effective Interest Rate</b> |
|---------------|-------------------|-----------------------------|---|
| December 2022 | USD2,000,000      | 3%                          | 4.3224%                                 |

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

|  | <u>December 31</u> |                  |
|--|--------------------|------------------|
|  | <b>2022</b>        | <b>2021</b>      |
| <u>Notes receivable from unrelated parties</u> |                    |                  |
| At amortized cost                              |                    |                  |
| Gross carrying amount                          | \$ 31,317          | \$ 50,882        |
| Less: Allowance for impairment loss            | <u>-</u>           | <u>-</u>         |
|  | <u>\$ 31,317</u>   | <u>\$ 50,882</u> |

(Continued)

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2022</b>        | <b>2021</b>       |
| <u>Trade receivables from unrelated parties</u> |                    |                   |
| At amortized cost                               |                    |                   |
| Gross carrying amount                           | \$ 606,441         | \$ 767,367        |
| Less: Allowance for impairment loss             | <u>(22,828)</u>    | <u>(24,349)</u>   |
|   | <u>\$ 583,613</u>  | <u>\$ 743,018</u> |
|   |                    | (Concluded)       |

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 customers' past default records and 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 past default experience with the customers and the customers' current financial positions:

December 31, 2022

|                                   | <b>Not Past Due</b> | <b>1 to 30 Days<br/>Past Due</b> | <b>31 to 60 Days<br/>Past Due</b> | <b>61 to 90 Days<br/>Past Due</b> | <b>91 to 180<br/>Days Past<br/>Due</b> | <b>Over 180<br/>Days Past<br/>Due</b> | <b>Total</b>      |
|-----------------------------------|---------------------|----------------------------------|-----------------------------------|-----------------------------------|--|---------------------------------------|-------------------|
| Expected credit loss rate         | 1%-4%               | 5%                               | 10%                               | 20%                               | 50%                                    | 100%                                  |                   |
| Gross carrying amount             | \$ 628,389          | \$ 256                           | \$ 9,113                          | \$ -                              | \$ -                                   | \$ -                                  | \$ 637,758        |
| Loss allowance<br>(Lifetime ECLs) | <u>(21,904)</u>     | <u>(13)</u>                      | <u>(911)</u>                      | <u>-</u>                          | <u>-</u>                               | <u>-</u>                              | <u>(22,828)</u>   |
| Amortized cost                    | <u>\$ 606,485</u>   | <u>\$ 243</u>                    | <u>\$ 8,202</u>                   | <u>\$ -</u>                       | <u>\$ -</u>                            | <u>\$ -</u>                           | <u>\$ 614,930</u> |

December 31, 2021

|                                   | Not Past Due      | 1 to 30 Days Past Due | 31 to 60 Days Past Due | 61 to 90 Days Past Due | 91 to 180 Days Past Due | Over 180 Days Past Due | Total             |
|-----------------------------------|-------------------|-----------------------|------------------------|------------------------|-------------------------|------------------------|-------------------|
| 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> |

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

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2022</b>                           | <b>2021</b>      |
| Balance at January 1                      | \$ 24,349                             | \$ 24,410        |
| Less: Transfers to delinquent receivables | (1,239)                               | -                |
| Less: Net remeasurement of loss allowance | (349)                                 | -                |
| Less: Valuation differences               | -                                     | (65)             |
| Add: Foreign exchange differences         | <u>67</u>                             | <u>4</u>         |
| Balance at December 31                    | <u>\$ 22,828</u>                      | <u>\$ 24,349</u> |

**10. INVENTORIES**

|                      | <b>December 31</b> |                   |
|----------------------|--------------------|-------------------|
|                      | <b>2022</b>        | <b>2021</b>       |
| Finished goods       | \$ 178,908         | \$ 246,345        |
| Semi-finished goods  | 85,484             | 74,745            |
| Work in progress     | 157,005            | 128,389           |
| Raw materials        | 232,278            | 362,538           |
| Inventory in transit | <u>18,297</u>      | <u>8,553</u>      |
|                      | <u>\$ 671,972</u>  | <u>\$ 820,570</u> |

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

|                          | <b>For the Year Ended December 31</b> |                     |
|--------------------------|---------------------------------------|---------------------|
|                          | <b>2022</b>                           | <b>2021</b>         |
| Cost of inventories sold | \$ 3,184,824                          | \$ 4,448,399        |
| Inventory reversed       | <u>(8,277)</u>                        | <u>(24,799)</u>     |
|                          | <u>\$ 3,176,547</u>                   | <u>\$ 4,423,600</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 (%) |              |
|---|--|---|-----------------------------|--------------|
|   |  |   | December 31                 |              |
|   |  |   | 2022                        | 2021         |
| Prosperity Dielectrics Co., Ltd.        | PDC Prime Holdings Limited                             | Investment holding  | 100                         | 100          |
| Prosperity Dielectrics Co., Ltd.        | Frontec International Corporation                      | Investment holding  | 100                         | 100          |
| PDC Prime Holdings Limited              | PDC Success Investments Ltd.                           | Investment holding  | 100                         | 100          |
| PDC Prime Holdings Limited              | Frontier Components Co., Limited                       | International trade   | 100                         | 100          |
| PDC Prime Holdings Limited              | Prosperity International Development (HK) Co., Limited | Investment holding  | 100                         | 100          |
| PDC Success Investments Ltd.            | PDC Electronics (Suzhou) Co., Ltd.                     | Manufacturing of ceramic materials  | 100                         | 100          |
| Frontec International Corporation       | Prosperity Frontier Electronics (Shenzhen) Co., Ltd.   | Manufacturing and selling chip components, power electronic devices and new electronic components | 100                         | 100 (Note 1) |
| Frontier Components Co., Limited        | Dongguan Frontier Electronics Co., Ltd.                | Selling of electronic components  | 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 (Note 2) |

Note 1: In May 2021, Frontec International Corporation acquired 30% of the shares of Prosperity Frontier Electronics (Shenzhen) Co., Ltd. from the third party.

Note 2: Prosperity Frontier Electronics (Guangzhou) Co., Ltd. was established in May 2021.

The above-mentioned subsidiaries included in the consolidated financial statements have been audited for the years ended December 31, 2022 and 2021.

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

### Investments in Equity Instruments

|  | December 31         |                     |
|--|---------------------|---------------------|
|  | 2022                | 2021                |
| <u>Non-current</u>                     |                     |                     |
| Domestic investments - listed shares   | \$ 1,118,683        | \$ 1,448,999        |
| Domestic investments - unlisted shares | <u>241,168</u>      | <u>158,075</u>      |
|  | <u>\$ 1,359,851</u> | <u>\$ 1,607,074</u> |

## Investments in Equity Instruments at FVTOCI

|  | <b>December 31</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2022</b>         | <b>2021</b>         |
| <u>Non-current</u>                                     |                     |                     |
| Domestic investments - listed shares                   |                     |                     |
| Walton Advanced Engineering Inc.                       | \$ 362,241          | \$ 601,608          |
| Walsin Lihwa Corporation                               | 518,710             | 185,500             |
| HannStar Board Corporation                             | 179,403             | 257,342             |
| Singatron Enterprise Co., Ltd.                         | -                   | 329,642             |
| APAQ Technology Co., Ltd.                              | 30,779              | 44,857              |
| Fubon Financial Holding Co., Ltd. - preferred shares C | 27,550              | 30,050              |
| Domestic investments - unlisted shares                 |                     |                     |
| Chin-Xin Investment Co., Ltd.                          | 153,067             | 158,075             |
| Hwa Bao Botanic Conservation Corp.                     | <u>88,101</u>       | <u>-</u>            |
|  | <u>\$ 1,359,851</u> | <u>\$ 1,607,074</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.

In June 2022, PDC paid \$80,000 thousand to subscribed new shares for cash issued by Hwa Bao Botanic Conservation Corp., and its interest in Hwa Bao Botanic Conservation Corp. is 10%.

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

#### Investment in Associates

|  | <b>December 31</b>  |                        |
|--|---------------------|------------------------|
|  | <b>2022</b>         | <b>2021 (Restated)</b> |
| Chongqing Shuohong Investment Co., Ltd.  | \$ 556,975          | \$ 580,006             |
| Chongqing Xincheng Electronics Co., Ltd. | 40,618              | 44,730                 |
| GHPW Enterprise Corporation (HK) Limited | 63,051              | 62,330                 |
| Tsai Yi Corporation                      | 79,189              | 104,364                |
| Joyin Co., Ltd.                          | <u>410,924</u>      | <u>366,824</u>         |
|  | <u>\$ 1,150,757</u> | <u>\$ 1,158,254</u>    |

Share of profit or loss of associates for the years ended December 31, 2022 and 2021 after restated was summarized as follows:

|  | <b>2022</b>        | <b>2021 (Restated)</b> |
|--|--------------------|------------------------|
| Chongqing Shuohong Investment Co., Ltd.  | \$ (31,594)        | \$ 134,163             |
| Chongqing Xincheng Electronics Co., Ltd. | (4,783)            | 18,856                 |
| GHPW Enterprise Corporation (HK) Limited | (358)              | 4,324                  |
| Tsai Yi Corporation                      | 175                | (588)                  |
| Joyin Co., Ltd.                          | <u>(13,552)</u>    | <u>(627)</u>           |
|  | <u>\$ (50,112)</u> | <u>\$ 156,128</u>      |

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

|  | <b>December 31</b> |                        |
|--|--------------------|------------------------|
|  | <b>2022</b>        | <b>2021 (Restated)</b> |
| Chongqing Shuohong Investment Co., Ltd.  | 20.43%             | 20.43%                 |
| Chongqing Xincheng Electronics Co., Ltd. | 13.04%             | 13.04%                 |
| GHPW Enterprise Corporation (HK) Limited | 10%                | 10%                    |
| Tsai Yi Corporation                      | 3.36%              | 3.36%                  |
| Joyin Co., Ltd.                          | 30.4%              | 30.4%                  |

Even though PDC holds less than 20% of the voting rights each in Chongqing Xincheng Electronics Co., Ltd., GHPW Enterprise Corporation (HK) Limited, Tsai Yi Corporation (before the name changed, it was 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, PDC subscribed new shares 479 thousand, in total of \$7,179 thousand for cash issued by Joyin Co., Ltd. at a percentage different from its existing ownership percentage, and reduced its continuing interest from 4.09% to 4.02%.

In June 2022, the board of directors of PDC. approved to acquire 17,519 thousand shares and 3,058 thousand shares of Joyin Co., Ltd. from the related parties, INPAQ Technology Co., Ltd. and Walsin Technology Corporation, respectively. After this acquisition of equity, the proportion of shares held by PDC rose from 4.02% to 30.4%. Such acquisition is a reorganization under common control and a business combination from the beginning as the consolidated financial statements for the comparative period are retrospectively restated, refer to Note 31.

Refer to Table 6 “Information on Investments” and Table 7 “Information on Investments in Mainland China” for the nature of activities, principal places of business and countries of incorporation of the associates.

The share of profit or loss and other comprehensive income of the investments in associates accounted for using the equity method for the year ended December 31, 2022 and 2021 was recognized based on the associates’ financial statements audited by independent accountants for the same periods. In addition, the financial statements for the year ended December 31, 2021 of Tsai Yi Corporation was audited by other independent accountant.

## 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  | -                 | 19                  | 6,267                   | -                | 33                | 763,819   | 770,138             |
| Disposals  | -                 | (4,966)             | (81,877)                | -                | (1,454)           | (3,270)   | (91,567)            |
| Disposals of subsidiary                          | -                 | (194,692)           | (274,304)               | (11,254)         | (16,187)          | (504)   | (496,941)           |
| Effect of foreign currency exchange differences  | -                 | 1,944               | 2,630                   | 33               | 331               | 13  | 4,951               |
| Reclassifications                                | -                 | 110,541             | 651,855                 | 8,879            | 31,053            | (727,645)   | 74,683              |
| Balance at December 31, 2021                     | <u>\$ 302,220</u> | <u>\$ 1,025,510</u> | <u>\$ 2,824,847</u>     | <u>\$ 46,650</u> | <u>\$ 234,853</u> | <u>\$ 114,906</u>   | <u>\$ 4,548,986</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                            | -                 | 84,293              | 272,783                 | 6,245            | 17,308            | -   | 380,629             |
| Disposals  | -                 | (4,966)             | (80,609)                | -                | (1,450)           | -   | (87,025)            |
| Disposal of subsidiary                           | -                 | (66,899)            | (238,162)               | (8,412)          | (11,803)          | -   | (325,276)           |
| Reversals of impairment losses                   | -                 | (5,703)             | (516)                   | -                | -                 | -   | (6,219)             |
| Effects of foreign currency exchange differences | -                 | 1,358               | 1,833                   | 24               | 318               | -   | 3,533               |
| Reclassifications                                | -                 | 5,703               | 69,692                  | -                | 1,904             | -   | 77,299              |
| Balance at December 31, 2021                     | <u>\$ -</u>       | <u>\$ 671,534</u>   | <u>\$ 1,457,043</u>     | <u>\$ 26,705</u> | <u>\$ 175,030</u> | <u>\$ -</u>   | <u>\$ 2,330,312</u> |
| Carrying amount at December 31, 2021             | <u>\$ 302,220</u> | <u>\$ 353,976</u>   | <u>\$ 1,367,804</u>     | <u>\$ 19,945</u> | <u>\$ 59,823</u>  | <u>\$ 114,906</u>   | <u>\$ 2,218,674</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                   | 2,434                   | -                | -                 | 358,996   | 361,431             |
| Disposals  | -                 | (15,731)            | (6,283)                 | (148)            | (4,715)           | -   | (26,877)            |
| Effect of foreign currency exchange differences  | -                 | 2,811               | 4,057                   | 23               | 568               | 8   | 7,467               |
| Reclassifications                                | 148,895           | 93,182              | 160,656                 | 3,566            | 7,962             | (408,346)   | 5,915               |
| Balance at December 31, 2022                     | <u>\$ 451,115</u> | <u>\$ 1,105,773</u> | <u>\$ 2,985,711</u>     | <u>\$ 50,091</u> | <u>\$ 238,668</u> | <u>\$ 65,564</u>  | <u>\$ 4,896,922</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                            | -                 | 87,173              | 310,946                 | 6,375            | 19,436            | -   | 423,930             |
| Disposals  | -                 | (15,731)            | (6,217)                 | (148)            | (4,715)           | -   | (26,811)            |
| Reversals of impairment (losses) gains           | -                 | (6,011)             | 632                     | -                | -                 | -   | (5,379)             |
| Effects of foreign currency exchange differences | -                 | 2,319               | 2,623                   | 20               | 549               | -   | 5,511               |
| Reclassifications                                | -                 | 6,011               | (97)                    | -                | 2,003             | -   | 7,917               |
| Balance at December 31, 2022                     | <u>\$ -</u>       | <u>\$ 745,295</u>   | <u>\$ 1,764,930</u>     | <u>\$ 32,952</u> | <u>\$ 192,303</u> | <u>\$ -</u>   | <u>\$ 2,735,480</u> |
| Carrying amount at December 31, 2022             | <u>\$ 451,115</u> | <u>\$ 360,478</u>   | <u>\$ 1,220,781</u>     | <u>\$ 17,139</u> | <u>\$ 46,365</u>  | <u>\$ 65,564</u>  | <u>\$ 2,161,442</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

|   | <b>December 31</b>                    |                   |
|---|---------------------------------------|-------------------|
|   | <b>2022</b>                           | <b>2021</b>       |
| <u>Carrying amount</u>                      |                                       |                   |
| Land  | \$ 143,351                            | \$ 163,960        |
| Buildings                                   | 38,436                                | 11,200            |
| Transportation equipment                    | <u>1,261</u>                          | <u>1,250</u>      |
|   | <u>\$ 183,048</u>                     | <u>\$ 176,410</u> |
|   | <b>For the Year Ended December 31</b> |                   |
|   | <b>2022</b>                           | <b>2021</b>       |
| Additions of right-of-use assets            | <u>\$ 46,029</u>                      | <u>\$ 19,701</u>  |
| Depreciation charge for right-of-use assets |                                       |                   |
| Land  | \$ 20,731                             | \$ 20,055         |
| Buildings                                   | 13,827                                | 10,236            |
| Transportation equipment                    | <u>363</u>                            | <u>560</u>        |
|   | <u>\$ 34,921</u>                      | <u>\$ 30,851</u>  |

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

### b. Lease liabilities

|                        | <b>December 31</b> |                   |
|------------------------|--------------------|-------------------|
|                        | <b>2022</b>        | <b>2021</b>       |
| <u>Carrying amount</u> |                    |                   |
| Current                | <u>\$ 34,708</u>   | <u>\$ 25,573</u>  |
| Non-current            | <u>\$ 151,490</u>  | <u>\$ 154,131</u> |

The discount rates of lease liabilities were as follows:

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

## 16. BORROWINGS

### a. Short-term borrowings

|                           | <b>December 31</b> |             |
|---------------------------|--------------------|-------------|
|                           | <b>2022</b>        | <b>2021</b> |
| Unsecured borrowings      |                    |             |
| Line of credit borrowings | <u>\$ 230,000</u>  | <u>\$ -</u> |
| Interest rate             | 1.74%-2%           | -           |

### b. Long-term borrowings

|  | <b>December 31</b> |             |
|--|--------------------|-------------|
|  | <b>2022</b>        | <b>2021</b> |
| <b>E.Sun Commercial Bank</b>   |                    |             |
| 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  | \$ 198,970         | \$ 197,980  |
| 2020.04.09-2024.12.15  | 99,485             | 98,990      |
| 2020.07.09-2025.06.15  | 79,392             | 78,996      |
| 2020.08.07-2025.06.15  | 99,240             | 98,746      |
| 2021.11.09-2025.06.15  | 59,544             | 59,247      |
| <b>Taishin International Bank</b>  |                    |             |
| 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  | 95,360             | 99,033      |
| 2020.04.29-2024.12.10  | 95,360             | 99,033      |
|  |                    | (Continued) |

|  | <u>December 31</u> |                           |
|--|--------------------|---------------------------|
|  | <u>2022</u>        | <u>2021</u>               |
| 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  | \$ 94,433          | \$ 93,964                 |
| Less: Current portion  | <u>(349,591)</u>   | <u>(8,333)</u>            |
| Long-term borrowings   | <u>\$ 472,193</u>  | <u>\$ 817,656</u>         |
| Interest rate  | 1.075%-1.225%      | 0.45%-0.6%<br>(Concluded) |

## 17. OTHER LIABILITIES

|   | <u>December 31</u> |                   |
|---|--------------------|-------------------|
|   | <u>2022</u>        | <u>2021</u>       |
| <u>Current</u>  |                    |                   |
| Payables expense  | \$ 330,300         | \$ 418,547        |
| Payables for purchases of equipment   | 45,904             | 235,401           |
| Payables for annual leave   | 6,749              | 7,362             |
| Payables for remuneration of directors and supervisors and employee bonuses | 22,723             | 50,832            |
| Payables for dividends  | <u>500</u>         | <u>500</u>        |
|   | <u>\$ 406,176</u>  | <u>\$ 712,642</u> |
| <u>Non-current</u>  |                    |                   |
| Deferred revenue  |                    |                   |
| Arising from government grants  | <u>\$ 4,882</u>    | <u>\$ 9,011</u>   |

## 18. PROVISIONS

|   | <u>December 31</u> |                 |
|---|--------------------|-----------------|
|   | <u>2022</u>        | <u>2021</u>     |
| <u>Current</u>                                  |                    |                 |
| Employee benefits (presented in other payables) | <u>\$ 6,749</u>    | <u>\$ 7,362</u> |

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

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

PDC adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, PDC makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The foreign subsidiaries allocate pension funds to the relevant pension management program in compliance with their local laws.

### b. Defined benefit plans

The defined benefit plans adopted by PDC in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. PDC contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2022</b>        | <b>2021</b>      |
| Present value of defined benefit obligation | \$ 37,582          | \$ 58,278        |
| Fair value of plan assets                   | <u>(13,235)</u>    | <u>(6,887)</u>   |
| Deficit                                     | <u>24,347</u>      | <u>51,391</u>    |
| Net defined benefit liabilities             | <u>\$ 24,347</u>   | <u>\$ 51,391</u> |

Movements in net defined benefit liabilities (assets) were as follows:

|   | <b>Present Value of<br/>the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities</b> |
|---|--|--|--|
| Balance at January 1, 2021                          | <u>\$ 106,216</u>  | <u>\$ (58,106)</u>                       | <u>\$ 48,110</u>                               |
| Service cost  |  |  |  |
| Current service cost                                | 64   | -  | 64   |
| Net interest expense (income)                       | <u>531</u>   | <u>(296)</u>                             | <u>235</u>                                     |
| Recognized in profit or loss                        | <u>595</u>   | <u>(296)</u>                             | <u>299</u>                                     |
| Remeasurement                                       |  |  |  |
| Actuarial loss - changes in demographic assumptions | 1,507  | -  | 1,507  |
| Actuarial gain - changes in financial assumptions   | (818)  | -  | (818)  |

(Continued)

|   | <b>Present Value of<br/>the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities</b> |
|---|--|--|--|
| Actuarial loss - experience adjustments           | \$ 4,980   | \$ -                                     | \$ 4,980                                       |
| Return on the plan assets                         | <u>-</u>   | <u>(567)</u>                             | <u>(567)</u>                                   |
| Recognized in other comprehensive income          | <u>5,669</u>   | <u>(567)</u>                             | <u>5,102</u>                                   |
| Contributions from the employer                   | <u>-</u>   | <u>(2,120)</u>                           | <u>(2,120)</u>                                 |
| Benefits paid from the plan assets                | <u>(54,202)</u>  | <u>54,202</u>                            | <u>-</u>                                       |
| Balance at December 31, 2021                      | <u>58,278</u>  | <u>(6,887)</u>                           | <u>51,391</u>                                  |
| Service cost                                      |  |  |  |
| Current service cost                              | 66   | -  | 66   |
| Net interest expense (income)                     | <u>364</u>   | <u>(49)</u>                              | <u>315</u>                                     |
| Recognized in profit or loss                      | <u>430</u>   | <u>(49)</u>                              | <u>381</u>                                     |
| Remeasurement                                     |  |  |  |
| Actuarial gain - changes in financial assumptions | (4,560)  | -  | (4,560)  |
| Actuarial gain - experience adjustments           | (3,840)  | -  | (3,840)  |
| Return on the plan assets                         | <u>-</u>   | <u>(1,621)</u>                           | <u>(1,621)</u>                                 |
| Recognized in other comprehensive income          | <u>(8,400)</u>   | <u>(1,621)</u>                           | <u>(10,021)</u>                                |
| Contributions from the employer                   | <u>-</u>   | <u>(17,780)</u>                          | <u>(17,780)</u>                                |
| Benefits paid from the plan assets                | <u>(4,832)</u>   | <u>4,832</u>                             | <u>-</u>                                       |
| Settlement of assigned assets                     | <u>(7,894)</u>   | <u>8,270</u>                             | <u>376</u>                                     |
| Balance at December 31, 2022                      | <u>\$ 37,582</u>   | <u>\$ (13,235)</u>                       | <u>\$ 24,347</u><br>(Concluded)                |

Through the defined benefit plans under the Labor Standards Act, PDC is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation of PDC were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

|                                  | <b>December 31</b> |             |
|----------------------------------|--------------------|-------------|
|                                  | <b>2022</b>        | <b>2021</b> |
| Discount rate                    | 1.5%               | 0.625%      |
| Expected rate of salary increase | 2%                 | 2%          |

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

|                                  | <b>December 31</b> |                   |
|----------------------------------|--------------------|-------------------|
|                                  | <b>2022</b>        | <b>2021</b>       |
| Discount rate                    |                    |                   |
| 0.25% increase                   | <u>\$ (971)</u>    | <u>\$ (1,623)</u> |
| 0.25% decrease                   | <u>\$ 1,007</u>    | <u>\$ 1,689</u>   |
| Expected rate of salary increase |                    |                   |
| 0.25% increase                   | <u>\$ 983</u>      | <u>\$ 1,635</u>   |
| 0.25% decrease                   | <u>\$ (952)</u>    | <u>\$ (1,579)</u> |

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

|  | <b>December 31</b> |                 |
|--|--------------------|-----------------|
|  | <b>2022</b>        | <b>2021</b>     |
| Expected contributions to the plan for the next year | <u>\$ 1,599</u>    | <u>\$ 2,091</u> |
| Average duration of the defined benefit obligation   | 10.5 years         | 11.2 years      |

## 20. EQUITY

### a. Share capital

#### Common shares

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2022</b>         | <b>2021</b>         |
| Authorized shares (in thousands of shares)      | <u>220,000</u>      | <u>220,000</u>      |
| Authorized capital                              | <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>      |
| Issued capital                                  | <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

|   | <u>December 31</u> |                   |
|---|--------------------|-------------------|
|   | <u>2022</u>        | <u>2021</u>       |
| <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        |
| Conversion of bonds   | 55,484             | 55,484            |
| Treasury share transactions   | 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>\$ 498,708</u>  | <u>\$ 498,548</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 22-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.

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings on June 14, 2022 and 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 2022 will be resolved by the shareholders in their meeting to be held in 2023.

d. Special reserve

The movements of the special reserve were as follows:

|                        | <b>For the Year Ended December 31</b> |                  |
|------------------------|---------------------------------------|------------------|
|                        | <b>2022</b>                           | <b>2021</b>      |
| Balance at January 1   | \$ 67,764                             | \$ 69,489        |
| Reversal               |                                       |                  |
| Disposal of subsidiary | _____ -                               | _____(1,725)     |
| Balance at December 31 | <u>\$ 67,764</u>                      | <u>\$ 67,764</u> |

On the first-time adoption of IFRSs, a proportionate share of special reserve relating to exchange differences on translation of the financial statements of foreign operations (including the subsidiaries of the Company) will be reversed on the Group's disposal of foreign operations; on the Group's loss of significant influence, however, the entire special reserve will be reversed. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses; the reversed amount may be distributed.

e. Other equity items

The movements of other equity items were as follows:

|   | <b>For the Year Ended December 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 | 64,137   | -   | 64,137       |
| Unrealized valuation loss on investments in equity instruments at FVTOCI        | -  | (188,465)   | (188,465)    |

(Continued)



**For the Year Ended December 31, 2022**

|   | <b>Exchange<br/>Differences on<br/>the Translation<br/>of the Financial<br/>Statements of<br/>Foreign<br/>Operations</b> | <b>Unrealized<br/>Valuation<br/>Gain/(Loss) on<br/>Financial Assets<br/>at FVTOCI</b> | <b>Total</b>                     |
|---|--|---|----------------------------------|
| Share from associates accounted for using the equity method                                       | \$ (4,571)   | \$ (25,100)   | \$ (29,671)                      |
| Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal | -  | (126,013)   | (126,013)                        |
| Re-organization   | <u>6,040</u>   | <u>(701)</u>  | <u>5,339</u>                     |
| Balance at December 31  | <u>\$ (50,917)</u>   | <u>\$ 579,363</u>   | <u>\$ 528,446</u><br>(Concluded) |

**For the Year Ended December 31, 2021**

|   | <b>Exchange<br/>Differences on<br/>the Translation<br/>of the Financial<br/>Statements of<br/>Foreign<br/>Operations</b> | <b>Unrealized<br/>Valuation<br/>Gain/(Loss) on<br/>Financial Assets<br/>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                   | 3,874  | -   | 3,874             |
| Unrealized valuation gain on investments in equity instruments at FVTOCI                          | -  | 372,570   | 372,570           |
| Share from associates accounted for using the equity method                                       | 314  | (6,367)   | (6,053)           |
| Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal | -  | (23,600)  | (23,600)          |
| Disposal of foreign operations  | <u>64,376</u>  | <u>-</u>  | <u>64,376</u>     |
| Balance at December 31  | <u>\$ (116,523)</u>  | <u>\$ 919,642</u>   | <u>\$ 803,119</u> |

f. Treasury shares

1) Movements of the treasury shares for the year ended December 31, 2022 and 2021 were as follows:

**Unit: In Thousands of Shares**

| <b>Purpose of Buy-back</b>      | <b>For the Year Ended December 31, 2022</b>            |   |   |  |
|---------------------------------|--|---|---|--|
|                                 | <b>Number of<br/>Shares at<br/>January 1,<br/>2022</b> | <b>Increase<br/>During the<br/>Period</b> | <b>Decrease<br/>During the<br/>Period</b> | <b>Number of<br/>Shares at<br/>December 31,<br/>2022</b> |
| Shares transferred to employees | 800  | -   | -   | 800  |
| <b>Purpose of Buy-back</b>      | <b>For the Year Ended December 31, 2021</b>            |   |   |  |
|                                 | <b>Number of<br/>Shares at<br/>January 1,<br/>2021</b> | <b>Increase<br/>During the<br/>Period</b> | <b>Decrease<br/>During the<br/>Period</b> | <b>Number of<br/>Shares at<br/>December 31,<br/>2021</b> |
| Shares transferred to employees | -  | 800                                       | -   | 800  |

2) As of the years ended December 31, 2022 and 2021, the amount of the Company's treasury shares were both \$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 PDC and employees of the Company's subsidiaries in which PDC 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 year ended December 31, 2022 and 2021, PDC 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.

## 21. OPERATING REVENUE

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

The location of operations is the basis for calculating disaggregation of revenue based on customer segments by geographical region. For information about the Group's revenue by geographical location and from major customers, refer to Notes 34-c and d.

## 22. 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 Year Ended December 31 |                    |            |                 |                    |            |
|------------------------------|--------------------------------|--------------------|------------|-----------------|--------------------|------------|
|                              | 2022                           |                    |            | 2021            |                    |            |
|                              | Operating Costs                | Operating Expenses | Total      | Operating Costs | Operating Expenses | Total      |
| Short-term employee benefits |                                |                    |            |                 |                    |            |
| Salaries and wages           | \$ 427,432                     | \$ 138,666         | \$ 566,098 | \$ 502,411      | \$ 190,098         | \$ 692,509 |
| Labor/health insurance       | 42,495                         | 11,158             | 53,653     | 45,037          | 12,055             | 57,092     |
| Pension                      | 15,643                         | 5,179              | 20,822     | 14,922          | 4,304              | 19,226     |
| Other employee benefits      | 26,272                         | 5,222              | 31,494     | 29,024          | 5,728              | 34,752     |
| Depreciation                 | 429,711                        | 29,140             | 458,851    | 382,100         | 29,380             | 411,480    |
| Amortization                 | 3,899                          | 1,426              | 5,325      | 3,207           | 1,179              | 4,386      |

The number of employees of the Group as of December 31, 2022 and 2021 was 808 and 963, respectively.

- b. Compensation of employees and remuneration of directors

According to the Company's Articles, PDC accrues compensation of employees and remuneration of directors at rates of 2%-10% and no higher than 2%-10%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on February 23, 2023 and February 22, 2022, respectively, are as follows:

|                           | For the Year Ended December 31 |      |
|---------------------------|--------------------------------|------|
|                           | 2022                           | 2021 |
| <u>Accrual rate</u>       |                                |      |
| Compensation of employees | 2.5%                           | 2.5% |
| Remuneration of directors | 1%                             | 1%   |

|  | For the Year Ended December 31 |        |      |        |
|--|--------------------------------|--------|------|--------|
|  | 2022                           |        | 2021 |        |
|  | Cash                           | Shares | Cash | Shares |

### Amount

|                           |           |      |           |      |
|---------------------------|-----------|------|-----------|------|
| Compensation of employees | \$ 16,231 | \$ - | \$ 36,309 | \$ - |
| Remuneration of directors | 6,492     | -    | 14,523    | -    |

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, respectively.

|   | <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 resolved by the PDC's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

### 23. INCOME TAXES

- a. The details of income tax expense for the years ended December 31, 2022 and 2021 are as follows:

|                                     | <b>For the Year Ended December 31</b> |                   |
|-------------------------------------|---------------------------------------|-------------------|
|                                     | <b>2022</b>                           | <b>2021</b>       |
| Current tax                         |                                       |                   |
| In respect of the current year      | \$ 148,085                            | \$ 309,693        |
| Undistributed earnings levy         | 21,163                                | -                 |
| Adjustments for deferred tax assets | 2,185                                 | (524)             |
| Adjustments for prior year          | <u>(31,603)</u>                       | <u>(15,467)</u>   |
|                                     | <u>\$ 139,830</u>                     | <u>\$ 293,702</u> |

The reconciliation of the Group's accounting profit to current income tax expense for the years ended December 31, 2022 and 2021 are as follows:

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2022</b>                           | <b>2021</b>       |
| Income tax expense calculated at the statutory rate (20%) |                                       |                   |
| according to profit before tax                            | \$ 120,266                            | \$ 350,258        |
| Permanent differences                                     | 16,863                                | (50,189)          |
| Other adjustments   | 13,141                                | 9,100             |
| Undistributed earnings levy                               | 21,163                                | -                 |
| Adjustments for prior years' tax                          | <u>(31,603)</u>                       | <u>(15,467)</u>   |
| Income tax expense recognized in profit or loss           | <u>\$ 139,830</u>                     | <u>\$ 293,702</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. Income tax liabilities at end of period

|                    | <b>For the Year Ended December 31</b> |                   |
|--------------------|---------------------------------------|-------------------|
|                    | <b>2022</b>                           | <b>2021</b>       |
| Income tax payable | <u>\$ 151,907</u>                     | <u>\$ 137,270</u> |

c. Deferred income tax assets and liabilities

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2022</b>        | <b>2021</b>       |
| Deferred tax assets                        |                    |                   |
| Impairment loss on assets                  | \$ 13,490          | \$ 14,692         |
| Unrealized loss from inventory devaluation | 10,237             | 12,187            |
| Unrealized loss from bad debt              | 2,978              | 2,515             |
| Others                                     | <u>12,690</u>      | <u>4,757</u>      |
|  | <u>\$ 39,395</u>   | <u>\$ 34,151</u>  |
| Deferred tax liabilities                   |                    |                   |
| Unappropriated earnings of subsidiaries    | \$ 135,890         | \$ 158,808        |
| Reserve for land value increment tax       | 13,734             | 13,734            |
| Others                                     | <u>8,815</u>       | <u>5,976</u>      |
|  | <u>\$ 158,439</u>  | <u>\$ 178,518</u> |

d. PDC’s income tax returns through 2020 have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

Earnings per share for the years ended December 31, 2022 and 2021 are as follows:

|  | <b>For the Year Ended December 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 of the Company  | \$ 506,518  | 171,200,000                 | <u>\$ 2.96</u>  |
| Effect of potentially dilutive common shares - employee share options  | <u>-</u>  | <u>579,772</u>              |   |
| Diluted earnings per share   |   |                             |   |
| Amount after income tax attributable to owners of the Company and effect of potentially dilutive common shares | <u>\$ 506,518</u>   | <u>171,779,772</u>          | <u>\$ 2.95</u>  |
|  |   |                             |   |
|  |   |                             |   |
|  | <b>For the Year Ended December 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 of the Company  | \$ 1,143,641  | 171,400,000                 | <u>\$ 6.67</u>  |
| Effect of potentially dilutive common shares - employee share options  | <u>-</u>  | <u>659,423</u>              |   |
| Diluted earnings per share   |   |                             |   |
| Amount after income tax attributable to owners of the Company and effect of potentially dilutive common shares | <u>\$ 1,143,641</u>                                       | <u>172,059,423</u>          | <u>\$ 6.65</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.

## 25. DISPOSAL OF SUBSIDIARIES

In order to focus on its core technologies and strengthen its competitiveness, the Company's board of directors approved to sell 100% of its share capital in Hunan Frontier Electronics Co., Ltd. to INPAQ Technology (Suzhou) Co., Ltd. at the price of RMB 94,800 thousand on January 27, 2021. The transaction price was based on the latest audited financial statements and appraisal report, and the independent expert has issued reasonableness opinion of the price. Registration transfer and payment of shares have been completed in April and May 2021. The transaction was an organizational restructuring and did not affect the profit or loss, and the Group chose not to recompile the consolidated financial statements for the prior period.

a. Consideration received from disposal

**Hunan Frontier  
Electronics Co.,  
Ltd.**

|                           |                   |
|---------------------------|-------------------|
| Cash and cash equivalents | <u>\$ 409,726</u> |
|---------------------------|-------------------|

b. Analysis of assets and liabilities on the date control was lost

**Hunan Frontier  
Electronics Co.,  
Ltd.**

|  |                   |
|--|-------------------|
| Current assets                               |                   |
| Cash and cash equivalents                    | \$ 52,881         |
| Financial assets at amortized cost - current | 64,830            |
| Trade receivables                            | 101,082           |
| Other receivables                            | 1,032             |
| Inventories                                  | 52,236            |
| Other current assets                         | 4,416             |
| Non-current assets                           |                   |
| Property, plant and equipment                | 171,665           |
| Right-of-use assets                          | 1,932             |
| Refundable deposits                          | 1                 |
| Current liabilities                          |                   |
| Trade payables                               | (46,424)          |
| Other payables                               | (40,253)          |
| Current tax liabilities                      | (1,866)           |
| Other current liabilities                    | (2,749)           |
| Non-current liabilities                      |                   |
| Guarantee deposits received                  | <u>(177)</u>      |
| Net assets disposed of                       | <u>\$ 358,606</u> |

c. Loss on disposal of subsidiary

|   | <b>Hunan Frontier<br/>Electronics Co.,<br/>Ltd.</b> |
|---|---|
| Consideration received  | \$ 409,726  |
| Net assets disposed of  | (358,606)   |
| Accumulated exchange differences from the reclassification of the subsidiaries' net assets from equity to profit or loss due to loss of control of subsidiaries | <u>(64,376)</u>                                     |
| Retained earnings   | <u>\$ (13,256)</u>                                  |

The loss of \$13,256 thousand from the disposal of Hunan Frontier Electronics Co., Ltd. was recognized in May 2021. The transaction was an organizational restructuring; therefore, it did not affect the profit or loss and was presented as deduction of the retained earnings.

d. Net cash inflow on disposal of subsidiary

|   | <b>Hunan Frontier<br/>Electronics Co.,<br/>Ltd.</b> |
|---|---|
| Consideration received in cash and cash equivalents | \$ 409,726  |
| Less: Cash and cash equivalent balance disposed of  | <u>(52,881)</u>                                     |
|   | <u>\$ 356,845</u>                                   |

## 26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On May 21, 2021, the Group subscribed for 30% of the equity of Prosperity Frontier Electronics (Shenzhen) Co., Ltd., and increased its continuing interest from 70% to 100%.

The above transaction was accounted for as equity transaction, since the Group did not cease to have control over this subsidiary.

|   | <b>Prosperity<br/>Frontier<br/>Electronics<br/>(Shenzhen) Co.,<br/>Ltd.</b> |
|---|---|
| Consideration paid  | \$ (40,297)   |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests               | <u>41,753</u>   |
| Difference recognized from equity transactions  | <u>\$ 1,456</u>   |
| <u>Line items adjusted for equity transactions</u>  |   |
| Capital surplus - difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition | <u>\$ 1,456</u>   |



## 27. 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.

## 28. 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 December 31, 2022 and 2021.

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

##### December 31, 2022

|                            | <b>Level 1</b>      | <b>Level 2</b>   | <b>Level 3</b>    | <b>Total</b>        |
|----------------------------|---------------------|------------------|-------------------|---------------------|
| Financial assets at FVTPL  |                     |                  |                   |                     |
| Domestic listed shares     | \$ 250,030          | \$ -             | \$ -              | \$ 250,030          |
| Mutual funds               | 53,835              | -                | -                 | 53,835              |
| Government bonds           | <u>-</u>            | <u>44,549</u>    | <u>-</u>          | <u>44,549</u>       |
|                            | <u>\$ 303,865</u>   | <u>\$ 44,549</u> | <u>\$ -</u>       | <u>\$ 348,414</u>   |
| Financial assets at FVTOCI |                     |                  |                   |                     |
| Domestic listed shares     | \$ 1,118,683        | \$ -             | \$ -              | \$ 1,118,683        |
| Domestic unlisted shares   | <u>-</u>            | <u>-</u>         | <u>241,168</u>    | <u>241,168</u>      |
|                            | <u>\$ 1,118,683</u> | <u>\$ -</u>      | <u>\$ 241,168</u> | <u>\$ 1,359,851</u> |

##### December 31, 2021

|                            | <b>Level 1</b>      | <b>Level 2</b>   | <b>Level 3</b>    | <b>Total</b>        |
|----------------------------|---------------------|------------------|-------------------|---------------------|
| Financial assets at FVTPL  |                     |                  |                   |                     |
| Domestic listed shares     | \$ 389,047          | \$ -             | \$ -              | \$ 389,047          |
| Mutual funds               | 56,934              | -                | -                 | 56,034              |
| 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> |

There were no transfers between Levels 1 and 2 for the years ended December 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 price-book ratio would result in an increase in the fair value. An increase in liquidity discount would result in a decrease in the fair value.

b. Categories of financial instruments

|   | <u>December 31</u> |             |
|---|--------------------|-------------|
|   | <u>2022</u>        | <u>2021</u> |
| <u>Financial assets</u>                     |                    |             |
| FVTPL                                       |                    |             |
| Mandatorily classified as at FVTPL          | \$ 348,414         | \$ 532,066  |
| Financial assets at amortized cost (Note 1) | 2,760,241          | 2,798,680   |
| Financial assets at FVTOCI                  |                    |             |
| Equity instruments                          | 1,359,851          | 1,607,074   |
| <u>Financial liabilities</u>                |                    |             |
| Amortized cost (Note 2)                     | 1,810,635          | 2,139,279   |

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 Company'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 year are set out in Note 32.

|                | <b>USD Impact</b>         |             | <b>RMB Impact</b>         |             |
|----------------|---------------------------|-------------|---------------------------|-------------|
|                | <b>For the Year Ended</b> |             | <b>For the Year Ended</b> |             |
|                | <b>December 31</b>        |             | <b>December 31</b>        |             |
|                | <b>2022</b>               | <b>2021</b> | <b>2022</b>               | <b>2021</b> |
| Profit or loss | \$ 56,008                 | \$ 23,281   | \$ 11,828                 | \$ 21,707   |
| Equity         | 1,892                     | 1,870       | 17,928                    | 18,742      |

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the year for a 3% change in foreign currency rates. A positive number indicates a decrease 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 positive 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 year were as follows:

|                              | <b>December 31</b> |              |
|------------------------------|--------------------|--------------|
|                              | <b>2022</b>        | <b>2021</b>  |
| Cash flow interest rate risk |                    |              |
| Financial assets             | \$ 1,281,387       | \$ 1,066,354 |
| Financial liabilities        | 1,051,784          | 825,989      |

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 years ended December 31, 2022 and 2021 would have resulted in cash outflows by \$2,296 thousand and \$2,404 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:

#### December 31, 2022

|   | <b>Less than<br/>1 Year</b> | <b>2-3 Years</b>  | <b>3+ Years</b>  | <b>Total</b>        |
|---|-----------------------------|-------------------|------------------|---------------------|
| <u>Non-derivative financing liabilities</u> |                             |                   |                  |                     |
| Non-interest bearing                        | \$ 758,851                  | \$ -              | \$ -             | \$ 758,851          |
| Variable interest rate liabilities          | 579,591                     | 472,193           | -                | 1,051,784           |
| Lease liabilities                           | <u>34,708</u>               | <u>58,988</u>     | <u>92,502</u>    | <u>186,198</u>      |
|   | <u>\$ 1,373,150</u>         | <u>\$ 531,181</u> | <u>\$ 92,502</u> | <u>\$ 1,996,833</u> |

#### December 31, 2021

|   | <b>Less than<br/>1 Year</b> | <b>2-3 Years</b>  | <b>3+ Years</b>   | <b>Total</b>        |
|---|-----------------------------|-------------------|-------------------|---------------------|
| <u>Non-derivative financing liabilities</u> |                             |                   |                   |                     |
| Non-interest bearing                        | \$ 1,313,290                | \$ -              | \$ -              | \$ 1,313,290        |
| Variable interest rate liabilities          | 8,333                       | 749,832           | 67,824            | 825,989             |
| Lease liabilities                           | <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> |

## 29. 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 5. Details of transactions between the Group and other related parties are disclosed as follows:

| <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                                |
| Eleceram Technology Co., Ltd.                    | Sister company                                |
| INPAQ Technology Co., Ltd.                       | Sister company                                |
| INPAQ Technology (Suzhou) Co., Ltd.              | Sister company                                |
| Taiwan INPAQ Electronics Co., Ltd.               | Sister company                                |
| INPAQ Technology (China) Co., Ltd.               | Sister company                                |
| Hunan Frontier Electronics Co., Ltd.             | Sister company (subsidiary before April 2021) |
| Tsai Yi 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                           |
| Hwa Bao Botanic Conservation Corp.               | Other related party                           |
| PSA Charitable Foundation                        | Other related party                           |
| PSA WG Culture and Arts Foundation               | Other related party                           |

### Transactions

Transactions between the Group and other related parties for the years ended December 31, 2022 and 2021 are disclosed as follows:

| <b>Related Party Category/Name</b>               | <b>Sales of Goods</b>                 |                     |
|--|---------------------------------------|---------------------|
|  | <b>For the Year Ended December 31</b> |                     |
|  | <b>2022</b>                           | <b>2021</b>         |
| Parent company                                   | \$ 880,949                            | \$ 1,020,648        |
| Sister companies                                 |                                       |                     |
| Dongguan Walsin Technology Electronics Co., Ltd. | 37,910                                | 359,633             |
| Others   | <u>132,661</u>                        | <u>216,180</u>      |
|  | <u>170,571</u>                        | <u>575,813</u>      |
| Associates                                       | <u>34</u>                             | <u>-</u>            |
| Other related parties                            | <u>445</u>                            | <u>437</u>          |
|  | <u>\$ 1,051,999</u>                   | <u>\$ 1,596,898</u> |

| Related Party Category/Name                      | Purchases of Goods             |                     |
|--|--------------------------------|---------------------|
|  | For the Year Ended December 31 |                     |
|  | 2022                           | 2021                |
| Parent company                                   | \$ 413,499                     | \$ 631,675          |
| Sister companies                                 |                                |                     |
| Dongguan Walsin Technology Electronics Co., Ltd. | 300,187                        | 719,377             |
| Others   | 42,174                         | 90,953              |
|  | <u>342,361</u>                 | <u>810,330</u>      |
| Associates                                       | 701                            | -                   |
|  | <u>\$ 756,561</u>              | <u>\$ 1,442,005</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.

| Related Party Category/Name             | Acquisition of Assets          |                   |
|---|--------------------------------|-------------------|
|   | For the Year Ended December 31 |                   |
|   | 2022                           | 2021              |
| Parent company                          | \$ 198,000                     | \$ 22,000         |
| Other related parties                   |                                |                   |
| Falcon Automation Equipment Corporation | 26,552                         | 87,733            |
|   | <u>\$ 224,552</u>              | <u>\$ 109,733</u> |

| Related Party Category | Disposal of Assets             |                         |          |                         |
|------------------------|--------------------------------|-------------------------|----------|-------------------------|
|                        | For the Year Ended December 31 |                         |          |                         |
|                        | 2022                           |                         | 2021     |                         |
|                        | Proceeds                       | Gain (Loss) on Disposal | Proceeds | Gain (Loss) on Disposal |
| Sister companies       | \$ -                           | \$ -                    | \$ 7,832 | \$ 3,262                |

Lease arrangements as lessee

| Item              | Related Party Category | December 31      |                  |
|-------------------|------------------------|------------------|------------------|
|                   |                        | 2022             | 2021             |
| Lease liabilities | Parent company         | \$ 29,194        | \$ 2,559         |
|                   | Sister companies       | -                | 5,796            |
|                   | Other related parties  | <u>10,815</u>    | <u>12,333</u>    |
|                   |                        | <u>\$ 40,009</u> | <u>\$ 20,688</u> |

| Item             | Related Party Category | For the Year Ended December 31 |               |
|------------------|------------------------|--------------------------------|---------------|
|                  |                        | 2022                           | 2021          |
| Interest expense | Parent company         | \$ 184                         | \$ 53         |
|                  | Sister companies       | 52                             | 34            |
|                  | Other related parties  | <u>115</u>                     | <u>20</u>     |
|                  |                        | <u>\$ 351</u>                  | <u>\$ 107</u> |
| Rental expense   | Parent company         | \$ 1,603                       | \$ 55         |
|                  | Sister companies       | <u>245</u>                     | <u>207</u>    |
|                  |                        | <u>\$ 1,848</u>                | <u>\$ 262</u> |

Lease arrangements as lessor

Lease income was summarized as follows:

| Related Party Category | For the Year Ended December 31 |                 |
|------------------------|--------------------------------|-----------------|
|                        | 2022                           | 2021            |
| Parent company         | \$ 3,002                       | \$ 2,743        |
| Sister companies       | 122                            | 170             |
| Associates             | 47                             | 47              |
| Other related parties  | <u>2,483</u>                   | <u>2,387</u>    |
|                        | <u>\$ 5,654</u>                | <u>\$ 5,347</u> |

For the years ended December 31, 2022 and 2021, the remaining balances were as follows:

| Related Party Category                           | Trade Receivables |                   | Trade Payables    |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | December 31       |                   | December 31       |                   |
|  | 2022              | 2021              | 2022              | 2021              |
| Parent company                                   | <u>\$ 156,226</u> | <u>\$ 194,407</u> | <u>\$ -</u>       | <u>\$ -</u>       |
| Sister companies                                 |                   |                   |                   |                   |
| Dongguan Walsin Technology Electronics Co., Ltd. | 17,582            | 63,415            | 88,535            | 143,765           |
| INPAQ Technology (Suzhou) Co., Ltd.              | 32,585            | 66,913            | -                 | -                 |
| Others   | <u>6,076</u>      | <u>11,241</u>     | <u>13,204</u>     | <u>19,826</u>     |
|  | <u>56,243</u>     | <u>141,569</u>    | <u>101,739</u>    | <u>163,591</u>    |
| Associates                                       | <u>36</u>         | <u>-</u>          | <u>736</u>        | <u>-</u>          |
| Other related parties                            | <u>103</u>        | <u>-</u>          | <u>-</u>          | <u>-</u>          |
|  | <u>\$ 212,608</u> | <u>\$ 335,976</u> | <u>\$ 102,475</u> | <u>\$ 163,591</u> |

| Related Party Category | Other Receivables |                  | Other Payables   |                  |
|------------------------|-------------------|------------------|------------------|------------------|
|                        | December 31       |                  | December 31      |                  |
|                        | 2022              | 2021             | 2022             | 2021             |
| Parent company         | \$ -              | \$ 9,871         | \$ 3,962         | \$ -             |
| Sister companies       | 104               | 1,517            | 719              | 677              |
| Associates             | 537               | 12               | -                | -                |
| Other related parties  | <u>632</u>        | <u>619</u>       | <u>11,825</u>    | <u>21,582</u>    |
|                        | <u>\$ 1,273</u>   | <u>\$ 12,019</u> | <u>\$ 16,506</u> | <u>\$ 22,559</u> |

Other receivables are the uncollected amounts from the Group's lease income, selling of raw materials, and spare parts, 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 December 31, 2022 and 2021.

#### Equity transactions

Refer to Notes 12, 13 and 25.

#### Remuneration of key management personnel

Remuneration of the board of directors and other key management personnel for the years ended December 31, 2022 and 2021 was as follows:

|                              | For the Year Ended December 31 |                  |
|------------------------------|--------------------------------|------------------|
|                              | 2022                           | 2021             |
| Short-term employee benefits | \$ 58,184                      | \$ 28,495        |
| Post-employment benefits     | <u>216</u>                     | <u>108</u>       |
|                              | <u>\$ 58,400</u>               | <u>\$ 28,603</u> |

### 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at the end of the reporting period were as follows:

#### a. Significant unrecognized commitments

Unrecognized commitments were as follows:

|  | December 31      |                   |
|--|------------------|-------------------|
|  | 2022             | 2021              |
| Acquisition of property, plant and equipment | <u>\$ 72,145</u> | <u>\$ 442,617</u> |



b. Contingencies

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

|                 |                        | <b>Unit: Dollars</b> |   |
|-----------------|------------------------|----------------------|---|
| <b>Currency</b> | <b>Carrying Amount</b> | <b>Deposits Paid</b> |   |
| JPY             | JPY 186,000,000        | JPY                  | - |

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

|                 |                        | <b>Unit: Dollars</b> |   |
|-----------------|------------------------|----------------------|---|
| <b>Currency</b> | <b>Carrying Amount</b> | <b>Deposits Paid</b> |   |
| USD             | US\$ 36,600            | US\$                 | - |
| JPY             | JPY 387,628,000        | JPY                  | - |

### 31. OTHER ITEMS

a. Reason of restatement

In June 2022, the board of directors of Prosperity Dielectrics Co., Ltd. approved to acquire 17,519 thousand shares and 3,058 thousand shares of Joyin Co., Ltd. from the related parties, INPAQ Technology Co., Ltd. and Walsin Technology Corporation, respectively. This acquisition of equity is a reorganization under common control, and pursuant to Q&A and interpretation letters of Accounting Research and Development Foundation, such acquisition shall be accounted for using the book value method, and deemed as a business combination from the beginning; consequently, the consolidated financial statements are restated for the comparative period. After restatement, the profit and loss, other comprehensive income, and related interests originally owned by INPAQ Technology Co., Ltd. and Walsin Technology Corporation were recorded as equity attributable to former owner of business combination under common control.

- b. The restated consolidated balance sheet as of December 31, 2021 and the consolidated statement of comprehensive income for the year ended December 31, have the following effects:

December 31, 2021

| Item   | Amount Before<br>Retrospective<br>Restatement | Effects           | Amount After<br>Retrospective<br>Restatement |
|--|---|-------------------|--|
| <b>Current assets</b>                                |   |                   |  |
| Cash and cash equivalents                            | \$ 1,312,198                                  | \$ -              | \$ 1,312,198                                 |
| Financial assets at FVTPL - current                  | 532,066                                       | -                 | 532,066                                      |
| Financial assets at amortized cost - current         | 262,697                                       | -                 | 262,697                                      |
| Notes receivable                                     | 50,882  | -                 | 50,882                                       |
| Trade receivables                                    | 743,018                                       | -                 | 743,018                                      |
| Trade receivables - related parties                  | 335,976                                       | -                 | 335,976                                      |
| Other receivables                                    | 34,979  | -                 | 34,979                                       |
| Other receivables - related parties                  | 12,019  | -                 | 12,019                                       |
| Inventories  | 820,570                                       | -                 | 820,570                                      |
| Other current assets                                 | <u>53,403</u>                                 | -                 | <u>53,403</u>                                |
| Total current assets                                 | <u>4,157,808</u>                              | -                 | <u>4,157,808</u>                             |
| <b>Non-current assets</b>                            |   |                   |  |
| Financial assets at FVTOCI - non-current             | 1,607,074                                     | -                 | 1,607,074                                    |
| Financial assets at amortized cost -<br>non-current  | 43,476  | -                 | 43,476                                       |
| Investments accounted for using the equity<br>method | 834,223                                       | 324,031           | 1,158,254                                    |
| Property, plant and equipment                        | 2,218,674                                     | -                 | 2,218,674                                    |
| Right-of-use assets                                  | 176,410                                       | -                 | 176,410                                      |
| Computer software                                    | 7,221   | -                 | 7,221  |
| Deferred tax assets                                  | 34,151  | -                 | 34,151                                       |
| Other non-current assets                             | <u>7,079</u>                                  | -                 | <u>7,079</u>                                 |
| Total non-current assets                             | <u>4,928,308</u>                              | <u>324,031</u>    | <u>5,252,339</u>                             |
| Total assets   | <u>\$ 9,086,116</u>                           | <u>\$ 324,031</u> | <u>\$ 9,410,147</u>                          |
| <b>Current liabilities</b>                           |   |                   |  |
| Trade payables to unrelated parties                  | \$ 389,564                                    | \$ -              | \$ 389,564                                   |
| Trade payables to related parties                    | 163,591                                       | -                 | 163,591                                      |
| Other payables to unrelated parties                  | 712,642                                       | -                 | 712,642                                      |
| Other payables to related parties                    | 22,259  | -                 | 22,259                                       |
| Current tax liabilities                              | 137,270                                       | -                 | 137,270                                      |
| Lease liabilities - current                          | 25,573  | -                 | 25,573                                       |
| Current portion of long-term borrowings              | 8,333   | -                 | 8,333  |
| Other current liabilities                            | <u>16,157</u>                                 | -                 | <u>16,157</u>                                |
| Total current liabilities                            | <u>1,475,389</u>                              | -                 | <u>1,475,389</u>                             |

(Continued)

| Item  | Amount Before<br>Retrospective<br>Restatement | Effects           | Amount After<br>Retrospective<br>Restatement |
|---|---|-------------------|--|
| Non-current liabilities   |   |                   |  |
| Long-term borrowings  | \$ 817,656                                    | \$ -              | \$ 817,656                                   |
| Deferred tax liabilities  | 178,518                                       | -                 | 178,518                                      |
| Lease liabilities - non-current   | 154,131                                       | -                 | 154,131                                      |
| Deferred revenue - non-current  | 9,011   | -                 | 9,011  |
| Net defined benefit liabilities - non-current   | 51,391  | -                 | 51,391                                       |
| Guarantee deposits received   | <u>25,234</u>                                 | <u>-</u>          | <u>25,234</u>                                |
| Total non-current liabilities   | <u>1,235,941</u>                              | <u>-</u>          | <u>1,235,941</u>                             |
| Total liabilities   | <u>2,711,330</u>                              | <u>-</u>          | <u>2,711,330</u>                             |
| Equity attributable to owners of the company  |   |                   |  |
| Ordinary shares   | <u>1,720,000</u>                              | <u>-</u>          | <u>1,720,000</u>                             |
| Capital surplus   | <u>498,548</u>                                | <u>-</u>          | <u>498,548</u>                               |
| Retained earnings   |   |                   |  |
| Legal reserve   | 509,861                                       | -                 | 509,861                                      |
| Special reserve   | 67,764  | -                 | 67,764                                       |
| Unappropriated earnings   | <u>2,829,865</u>                              | <u>-</u>          | <u>2,829,865</u>                             |
| Total retained earnings   | <u>3,407,490</u>                              | <u>-</u>          | <u>3,407,490</u>                             |
| Other equity  |   |                   |  |
| Exchange differences on the translation<br>of the financial statements of foreign<br>operations | (116,523)                                     | -                 | (116,523)                                    |
| Unrealized gain on FVTOCI   | <u>919,642</u>                                | <u>-</u>          | <u>919,642</u>                               |
| Total other equity  | <u>803,119</u>                                | <u>-</u>          | <u>803,119</u>                               |
| Treasury shares   | <u>(54,371)</u>                               | <u>-</u>          | <u>(54,371)</u>                              |
| Total equity attributable to owners of the<br>Company   | <u>6,374,786</u>                              | <u>-</u>          | <u>6,374,786</u>                             |
| Equity attributable to former owner of<br>business combination under common<br>control          | <u>-</u>                                      | <u>324,031</u>    | <u>324,031</u>                               |
| Total equity  | <u>6,374,786</u>                              | <u>324,031</u>    | <u>6,698,817</u>                             |
| Total liabilities and equity  | <u>\$ 9,086,116</u>                           | <u>\$ 324,031</u> | <u>\$ 9,410,147</u>                          |

(Concluded)

For the year ended December 31, 2021

| Item  | Amount Before<br>Retrospective<br>Restatement | Effects         | Amount After<br>Retrospective<br>Restatement |
|---|---|-----------------|--|
| Net sales   | \$ 6,010,110                                  | \$ -            | \$ 6,010,110                                 |
| Cost of sales   | <u>4,423,600</u>                              | <u>-</u>        | <u>4,423,600</u>                             |
| Gross profit  | <u>1,586,510</u>                              | <u>-</u>        | <u>1,586,510</u>                             |
| Operating expenses  |   |                 |  |
| Selling and marketing expenses  | 163,736                                       | -               | 163,736                                      |
| General and administrative expenses   | 159,920                                       | -               | 159,920                                      |
| Research and development expenses   | <u>85,092</u>                                 | <u>-</u>        | <u>85,092</u>                                |
| Total operating expenses  | <u>408,748</u>                                | <u>-</u>        | <u>408,748</u>                               |
| Profit from operations  | <u>1,177,762</u>                              | <u>-</u>        | <u>1,177,762</u>                             |
| Non-operating income and expenses   |   |                 |  |
| Interest income   | 14,021  | -               | 14,021                                       |
| Dividend income   | 54,883  | -               | 54,883                                       |
| Other income  | 19,978  | -               | 19,978                                       |
| Gain on disposal of property, plant and<br>equipment  | 3,308   | -               | 3,308  |
| Gain on disposal of investments   | 9   | -               | 9  |
| Gain on valuation of financial assets at<br>FVTPL   | 33,266  | -               | 33,266                                       |
| Gain on reversal of impairment loss   | 6,219   | -               | 6,219  |
| Share of profit of associates accounted for<br>using the equity method                            | 152,002                                       | 4,126           | 156,128                                      |
| Interest expense  | (9,595)                                       | -               | (9,595)                                      |
| Miscellaneous expenses  | (8,653)                                       | -               | (8,653)                                      |
| Loss on lease modifications   | (333)   | -               | (333)  |
| Foreign exchange loss   | <u>(4,661)</u>                                | <u>-</u>        | <u>(4,661)</u>                               |
| Total non-operating income and expenses   | <u>260,444</u>                                | <u>4,126</u>    | <u>264,570</u>                               |
| Profit before income tax  | 1,438,206                                     | 4,126           | 1,442,332                                    |
| Income tax expense  | <u>(293,702)</u>                              | <u>-</u>        | <u>(293,702)</u>                             |
| Net profit for the period   | <u>1,144,504</u>                              | <u>4,126</u>    | <u>1,148,630</u>                             |
| Other comprehensive (loss) income   |   |                 |  |
| Items that will not be reclassified<br>subsequently to profit or loss:                            |   |                 |  |
| Remeasurements of defined benefit plan  | (5,102)                                       | -               | (5,102)                                      |
| Unrealized valuation loss on investments<br>in equity instruments at FVTOCI                       | 372,570                                       | -               | 372,570                                      |
| Share of the other comprehensive loss of<br>associates accounted for using the<br>equity method   | (6,346)                                       | (19)            | (6,365)                                      |
| Items that may be reclassified subsequently<br>to profit or loss:                                 |   |                 |  |
| Exchange differences on the translation<br>of the financial statements of foreign<br>operations   | 4,189   | -               | 4,189  |
| Share of the other comprehensive<br>income of associates accounted for<br>using the equity method | <u>314</u>                                    | <u>2,091</u>    | <u>2,405</u>                                 |
| Other comprehensive income for the<br>period  | <u>365,625</u>                                | <u>2,072</u>    | <u>367,697</u>                               |
| Total comprehensive income for the period   | <u>\$ 1,510,129</u>                           | <u>\$ 6,198</u> | <u>\$ 1,516,327</u>                          |

### 32. 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:

|   | December 31                              |                   |                                      |  |                   |                                      |
|---|--|-------------------|--------------------------------------|--|-------------------|--------------------------------------|
|   | 2022                                     |                   |                                      | 2021                                     |                   |                                      |
|   | Foreign<br>Currency<br>(In<br>Thousands) | Exchan<br>ge Rate | Carrying<br>Amount (In<br>Thousands) | Foreign<br>Currency<br>(In<br>Thousands) | Exchan<br>ge Rate | Carrying<br>Amount (In<br>Thousands) |
| <u>Financial assets</u>                           |  |                   |                                      |  |                   |                                      |
| Monetary items                                    |  |                   |                                      |  |                   |                                      |
| USD   | \$ 63,256                                | 30.71             | \$1,942,592                          | \$ 33,764                                | 27.69             | \$ 934,925                           |
| RMB   | 111,615                                  | 4.4105            | 492,278                              | 191,361                                  | 4.3476            | 831,961                              |
| Non-monetary items                                |  |                   |                                      |  |                   |                                      |
| Investments accounted for using the equity method |  |                   |                                      |  |                   |                                      |
| USD   | 2,053                                    | 30.71             | 63,051                               | 2,251                                    | 27.69             | 62,330                               |
| RMB   | 135,493                                  | 4.4105            | 597,593                              | 143,697                                  | 4.3476            | 624,736                              |
| <u>Financial liabilities</u>                      |  |                   |                                      |  |                   |                                      |
| Monetary items                                    |  |                   |                                      |  |                   |                                      |
| USD   | 2,464                                    | 30.71             | 75,669                               | 5,738                                    | 27.69             | 158,885                              |
| RMB   | 22,225                                   | 4.4105            | 98,023                               | 24,929                                   | 4.3476            | 108,381                              |

For the years ended December 31, 2022 and 2021, foreign exchange gains (losses) were \$79,199 thousand and \$(4,661) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 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 (Table 2)
- 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 3)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
  - 9) Trading in derivative instruments (None)
  - 10) Intercompany relationships and significant intercompany transactions (Table 5)
- b. Investees and information about reinvestment
- Information on investees (Table 6)
- 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 7)
  - 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 7):
    - 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 8)

### 34. 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 years ended December 31, 2022 and 2021 as restated:

|  | <b>For the Year Ended December 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                                      | \$ 3,728,375                                | \$ 1,397,919             | \$ (983,908)                                | \$ 4,142,386      |
| Cost of sales                                  | (2,819,015)                                 | (1,344,356)              | 986,824                                     | (3,176,547)       |
| Unrealized gain on<br>inter-affiliate accounts | <u>(13,223)</u>                             | <u>-</u>                 | <u>13,223</u>                               | <u>-</u>          |
| Gross profit                                   | 896,137                                     | 53,563                   | 16,139                                      | 965,839           |
| Operating expenses                             | <u>(303,881)</u>                            | <u>(29,358)</u>          | <u>(16,000)</u>                             | <u>(349,239)</u>  |
| Profit from operations                         | 592,256                                     | 24,205                   | 139   | 616,600           |
| Non-operating income and<br>expenses           | <u>17,498</u>                               | <u>(39,118)</u>          | <u>34,495</u>                               | <u>12,875</u>     |
| Profit (loss) before income tax                | <u>\$ 609,754</u>                           | <u>\$ (14,913)</u>       | <u>\$ 34,634</u>                            | <u>\$ 629,475</u> |

|  | <b>For the Year Ended December 31, 2021 (Restated)</b> |                          |   |                     |
|--|--|--------------------------|---|---------------------|
|  | <b>Taiwan<br/>Segment</b>                              | <b>China<br/>Segment</b> | <b>Adjustments<br/>and<br/>Eliminations</b> | <b>Total</b>        |
| Net sales                                      | \$ 5,103,801   | \$ 3,261,960             | \$ (2,355,651)                              | \$ 6,010,110        |
| Cost of sales                                  | (3,712,062)  | (3,067,563)              | 2,356,025                                   | (4,423,600)         |
| Unrealized gain on<br>inter-affiliate accounts | <u>(7,816)</u>   | <u>-</u>                 | <u>7,816</u>                                | <u>-</u>            |
| Gross profit                                   | 1,383,923  | 194,397                  | 8,190                                       | 1,586,510           |
| Operating expenses                             | <u>(365,842)</u>                                       | <u>(34,906)</u>          | <u>(8,000)</u>                              | <u>(408,748)</u>    |
| Profit from operations                         | 1,018,081  | 159,491                  | 190   | 1,177,762           |
| Non-operating income and<br>expenses           | <u>387,475</u>   | <u>173,759</u>           | <u>(296,664)</u>                            | <u>264,570</u>      |
| Profit before income tax                       | <u>\$ 1,405,556</u>                                    | <u>\$ 333,250</u>        | <u>\$ (296,474)</u>                         | <u>\$ 1,442,332</u> |

b. Segment assets and liabilities

|  | <b>December 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                            | \$ 1,078,988                        | \$ 526,589               | \$ -  | \$ 1,605,577        |
| Notes and trade receivables                          | 755,135                             | 295,089                  | (222,686)                                   | 827,538             |
| Inventories  | 631,219                             | 74,292                   | (33,539)                                    | 671,972             |
| Other current assets                                 | <u>339,127</u>                      | <u>159,125</u>           | <u>-</u>                                    | <u>498,252</u>      |
| Total current assets                                 | <u>2,804,469</u>                    | <u>1,055,095</u>         | <u>(256,225)</u>                            | <u>3,603,339</u>    |
| Financial assets at FVTOCI -<br>non-current          | 1,359,851                           | -                        | -   | 1,359,851           |
| Investments accounted for<br>using the equity method | 2,163,602                           | 660,644                  | (1,673,489)                                 | 1,150,757           |
| Financial assets at amortized<br>cost                | -                                   | 212,610                  | -   | 212,610             |
| Property, plant and equipment                        | 2,062,457                           | 98,985                   | -   | 2,161,442           |
| Other non-current assets                             | <u>224,626</u>                      | <u>20,129</u>            | <u>-</u>                                    | <u>244,755</u>      |
| Total assets   | <u>\$ 8,615,005</u>                 | <u>\$ 2,047,463</u>      | <u>\$ (1,929,714)</u>                       | <u>\$ 8,732,754</u> |
|  | <b>December 31, 2021 (Restated)</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 | 2,215,299                           | 687,066                  | (1,744,111)                                 | 1,158,254           |
| 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>\$ 9,237,318</u>                 | <u>\$ 2,390,009</u>      | <u>\$ (2,217,180)</u>                       | <u>\$ 9,410,147</u> |
|  | <b>December 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                            | \$ 1,402,793                        | \$ 340,621               | \$ (222,686)                                | \$ 1,520,728        |
| Guarantee deposits received                          | 16,554                              | 6,221                    | -   | 22,775              |
| Deferred income tax liabilities                      | 158,439                             | -                        | -   | 158,439             |
| Other non-current liabilities                        | <u>652,394</u>                      | <u>518</u>               | <u>-</u>                                    | <u>652,912</u>      |
| Total liabilities                                    | <u>\$ 2,230,180</u>                 | <u>\$ 347,360</u>        | <u>\$ (222,686)</u>                         | <u>\$ 2,354,854</u> |



|                                 | <b>December 31, 2021 (Restated)</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> |

All intercompany transactions had been eliminated upon consolidation.

c. Geographical information

The Group operates in three principal geographical areas - Asia, America and Europe.

The Group's revenue from external customers by location of operations is detailed as below:

|         | <b>For the Year Ended December 31</b> |                     |
|---------|---------------------------------------|---------------------|
|         | <b>2022</b>                           | <b>2021</b>         |
| Asia    | \$ 3,475,550                          | \$ 5,354,179        |
| America | 445,528                               | 397,810             |
| Europe  | 220,938                               | 254,933             |
| Other   | <u>370</u>                            | <u>3,188</u>        |
|         | <u>\$ 4,142,386</u>                   | <u>\$ 6,010,110</u> |

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue for the years ended 2022 and 2021 were as follows:

|            | <b>For the Year Ended December 31</b> |                     |
|------------|---------------------------------------|---------------------|
|            | <b>2022</b>                           | <b>2021</b>         |
| Customer A | \$ 880,949                            | \$ 1,020,648        |
| Customer B | <u>528,292</u>                        | <u>529,471</u>      |
|            | <u>\$ 1,409,241</u>                   | <u>\$ 1,550,119</u> |

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

MARKETABLE SECURITIES HELD

DECEMBER 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   | December 31, 2022 |                 |                             |            | Note |
|---|---|--|---|-------------------|-----------------|-----------------------------|------------|------|
|   |   |  |   | Number of Shares  | Carrying Amount | Percentage of Ownership (%) | Fair Value |      |
| Prosperity Dielectrics Co., Ltd.        | <u>Listed shares</u><br>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        | \$ 362,241      | 6.16                        | \$ 362,241 |      |
|   | Walsin Lihwa Corporation                                  | The chairman of the securities issuer is the second degree relative of the Company | "   | 10,989,605        | 518,710         | 0.29                        | 518,710    |      |
|   | HannStar Board Corporation                                | The chairman of the securities issuer is the same as the Company's                 | "   | 5,668,332         | 179,403         | 1.07                        | 179,403    |      |
|   | APAQ Technology Co., Ltd.                                 | None   | "   | 739,000           | 30,779          | 0.83                        | 30,779     |      |
|   | Fubon Financial Holding Co., Ltd. Preferred Shares C      | "  | "   | 500,000           | 27,550          | -                           | 27,550     |      |
|   | APAQ Technology Co., Ltd.                                 | "  | Financial assets at fair value through profit or loss - current                 | 4,541,000         | 189,133         | 5.10                        | 189,133    |      |
|   | Chunghwa Telecom Co., Ltd.                                | "  | "   | 400,000           | 45,200          | 0.01                        | 45,200     |      |
|   | Taiwan Semiconductor Manufacturing Co., Ltd.              | "  | "   | 35,000            | 15,697          | -                           | 15,697     |      |
|   | <u>Shares</u><br>Chin-Xin Investment Co., Ltd.            | The chairman of the securities issuer is the second degree relative of the Company | Financial assets at fair value through other comprehensive income - non-current | 3,500,000         | 153,067         | 0.72                        | 153,067    |      |
|   | Hwa Bao Botanic Conservation Corp.                        | "  | "   | 8,000,000         | 88,101          | 10.00                       | 88,101     |      |
| Dongguan Frontier Electronics Co., Ltd. | <u>Bonds</u><br>2022 Book-entry 9th Treasury Coupon Bonds | None   | Financial assets at fair value through profit or loss - current                 | -                 | 44,549          | -                           | 44,549     |      |
| PDC Electronics (Suzhou) Co., Ltd.      | <u>Mutual funds</u><br>GF Money Market Fund B             | "  | "   | -                 | 22,732          | -                           | 22,732     |      |
|   | CCB Principal Profit Raise Money Market ETF Fund A        | "  | "   | -                 | 31,103          | -                           | 31,103     |      |
| Frontier Components Co., Limited        | <u>Bonds</u><br>TSMC Arizona Corp.                        | None   | Financial assets at amortized cost - non-current                                | -                 | 92,039          | -                           | 92,039     |      |
|   | Amazon.com, Inc.  | "  | "   | -                 | 60,327          | -                           | 60,327     |      |
|   | U.S. Treasuries   | "  | "   | -                 | 60,244          | -                           | 60,244     |      |

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

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

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

| Company Name                     | Type and Name of Marketable Securities | Financial Statement Account                       | Counterparty   | Relationship                      | Beginning Balance |           | Acquisition      |                   | Disposal         |               |                 |                         | Ending Balance   |            |
|----------------------------------|--|---|--|-----------------------------------|-------------------|-----------|------------------|-------------------|------------------|---------------|-----------------|-------------------------|------------------|------------|
|                                  |  |   |  |                                   | Number of Shares  | Amount    | Number of Shares | Amount            | Number of Shares | Selling Price | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount     |
| Prosperity Dielectrics Co., Ltd. | Joyin Co., Ltd.                        | Investments accounted for using the equity method | Walsin Technology Corporation, INPAQ Technology Co., Ltd. and issuance of ordinary shares for cash | Parent company and sister company | 2,659,517         | \$ 42,793 | 21,055,843       | \$ 368,131 (Note) | -                | \$ -          | \$ -            | \$ -                    | 23,715,360       | \$ 410,924 |

Note: The purchase transactions include investments accounted for using the equity method transferred from re-organization, share of loss of associates in the current period, exchange differences on the translation of the financial statements of foreign operations, unrealized valuation gain/(loss) on financial assets at FVTOCI, and capital surplus, etc.

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Buyer                                   | Related Party                                    | Relationship                            | Transaction Details |             |            |  | Abnormal Transaction |               | Notes/Accounts Receivable (Payable) |            | Note |
|---|--|---|---------------------|-------------|------------|--|----------------------|---------------|-------------------------------------|------------|------|
|   |  |   | Purchases/Sales     | Amount      | % of Total | Payment Terms                                | Unit Price           | Payment Terms | Ending Balance                      | % of Total |      |
| Prosperity Dielectrics Co., Ltd.        | Frontier Components Co., Limited                 | Indirectly owned second-tier subsidiary | Sales               | \$(459,711) | (12)       | No significant difference with third parties | -                    | -             | Trade receivables \$ 111,544        | 15         |      |
|   | Walsin Technology Corporation                    | Parent company                          | Sales               | (880,949)   | (24)       | "  | -                    | -             | Trade receivables 156,226           | 21         |      |
|   | Walsin Technology Corporation                    | Parent company                          | Purchases           | 413,499     | 28         | "  | -                    | -             | Trade payables -                    | -          |      |
| Frontier Components Co., Limited        | Prosperity Dielectrics Co., Ltd.                 | Parent company                          | Purchases           | 459,711     | 85         | "  | -                    | -             | Trade payables (111,544)            | (85)       |      |
|   | Dongguan Frontier Electronics Co., Ltd.          | 100% owned subsidiary                   | Sales               | (374,330)   | (71)       | "  | -                    | -             | Trade receivables 73,016            | 64         |      |
| Dongguan Frontier Electronics Co., Ltd. | Frontier Components Co., Limited                 | Parent company                          | Purchases           | 374,330     | 59         | "  | -                    | -             | Trade payables (73,016)             | (47)       |      |
|   | Dongguan Walsin Technology Electronics Co., Ltd. | Sister company                          | Purchases           | 238,368     | 37         | "  | -                    | -             | Trade payables (74,568)             | (48)       |      |

**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 YEAR ENDED DECEMBER 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 | \$ 111,544    | 2.74    | \$ -          | -                                    | \$ -                          | \$ - |
|                                  |   |   | Trade receivables | 156,226       | 5.02    | -             | -                                    | -                             | -    |

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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(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                       | \$ 459,711 | No significant difference with third parties | 11                         |   |
|     |  | Prosperity Frontier Electronics (Shenzhen) Co., Ltd. | Parent company to subsidiary | Trade receivables           | 111,544    |  | "                          | 1 |
|     |  |  |                              | Purchases                   | 99,959     |  | "                          | 2 |
| 1   | Frontier Components Co., Limited                     | Dongguan Frontier Electronics Co., Ltd.              | Subsidiary to subsidiary     | Sales                       | 374,330    | "  | 9                          |   |
|     |  |  |                              | Trade receivables           | 73,016     | "  | 1                          |   |
| 2   | Prosperity Frontier Electronics (Shenzhen) Co., Ltd. | Frontier Components Co., Limited                     | Subsidiary to subsidiary     | Sales                       | 35,087     | "  | 1                          |   |

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 December 31, 2022. For profit or loss items, cumulative amounts are shown as a percentage of consolidated total operating revenue for the year ended December 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 YEAR ENDED DECEMBER 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 December 31, 2022 |      |                 | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|------------------------|--|----------------------------|---------------------|-------------------------|------|-----------------|-----------------------------------|------------------------|------|
|   |   |                        |  | December 31, 2022          | December 31, 2021   | Number of Shares        | %    | Carrying Amount |                                   |                        |      |
| Prosperity Dielectrics Co., Ltd.                    | PDC Prime Holdings Limited                          | Samoa                  | Investment holding                     | \$ 728,456                 | \$ 728,456          | 23,464,538              | 100  | \$ 1,543,925    | \$ (34,674)                       | \$ (34,674)            |      |
|   | Frontec International Corporation                   | British Virgin Islands | Investment holding                     | 327,140                    | 327,140             | 8,221,615               | 100  | 129,564         | 40                                | 40                     |      |
|   | Tsai Yi Corporation                                 | Taiwan                 | Investment holding                     | 51,928                     | 51,928              | 4,934,995               | 3.36 | 79,189          | 5,275                             | 175                    |      |
|   | Joyin Co., Ltd.                                     | Taiwan                 | Manufacturing of electronic components | 426,701                    | 47,073              | 23,715,360              | 30.4 | 410,924         | (32,612)                          | (13,552)               |      |
| PDC Prime Holdings Limited                          | PDC Success Investments Ltd.                        | Republic of Mauritius  | Investment holding                     | 387,932                    | 387,932             | 12,009,000              | 100  | 738,070         | (23,571)                          | (23,571)               |      |
|   | Frontier Components Co., Limited                    | Hong Kong              | International trade                    | 276,421<br>(Note 2)        | 276,421<br>(Note 2) | 70,036,752              | 100  | 767,811         | (10,819)                          | (10,819)               |      |
|   | Prosperity International Development (HK) Co., Ltd. | Hong Kong              | Investment holding                     | 73,735<br>(Note 2)         | 73,735<br>(Note 2)  | 2,401,000               | 100  | 63,075          | (358)                             | (358)                  |      |
| Prosperity International Development (HK) Co., Ltd. | GHPW Enterprise Corporation (HK) Limited            | Hong Kong              | Investment holding                     | 73,704<br>(Note 2)         | 73,704<br>(Note 2)  | 2,400,000               | 10   | 63,051          | (3,580)                           | (358)                  |      |

Note 1: For the information on investees in mainland China, refer to Table 7.

Note 2: The closing exchange rate as of December 31, 2022 was used to convert the foreign currencies into New Taiwan dollars. The closing exchange rate as of December 31, 2022 was US\$ to NT\$ = 1:30.71

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

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA OF PROSPERITY DIELECTRICS CO., LTD.  
FOR THE YEAR ENDED DECEMBER 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 investment, 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 December 31, 2022 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2022 (Note 3) | Accumulated Repatriation of Investment Income as of December 31, 2022 |
|---|--|--|----------------------|---|---------------------|--------|---|-----------------------------------|--|---------------------------------|--|---|
|   |  |  |                      |   | Outward             | Inward |   |                                   |  |                                 |  |   |
| PDC Electronics (Suzhou) Co., Ltd.                    | Manufacturing of ceramic components  | \$ 368,520<br>(US\$ 12,000,000)            | Note 1               | \$ 368,520<br>(US\$ 12,000,000)   | \$ -                | \$ -   | \$ 368,520<br>(US\$ 12,000,000)   | \$ (23,603)                       | 100  | \$ (23,603)                     | \$ 737,786                                       | \$ 159,087<br>(US\$ 5,180,313)  |
| Dongguan Frontier Electronics Co., Ltd.               | Selling of electronic components   | 187,331<br>(US\$ 6,100,000)                | Note 1               | 187,331<br>(US\$ 6,100,000)   | -                   | -      | 187,331<br>(US\$ 6,100,000)   | (276)                             | 100  | (276)                           | 241,950  | 100,704<br>(US\$ 3,279,186)   |
| Chongqing Shuohong Investment Co., Ltd.               | Investment management, investment consultation services  | 2,337,565<br>(RMB 530,000,000)<br>(Note 4) | Note 1               | -   | -                   | -      | -   | (154,631)                         | 20.43  | (31,594)                        | 556,975  | -   |
| Chongqing Xincheng Electronic Co., Ltd.               | Selling of electronic components, real estate investment and leasing                                 | 238,705<br>(RMB 54,122,000)<br>(Note 5)    | Note 1               | -   | -                   | -      | -   | (36,691)                          | 13.04  | (4,783)                         | 40,618   | -   |
| GHPW Enterprise Corporation (Chongqing) Limited       | Business consultations, business management, consultation services and property management           | 737,040<br>(US\$ 24,000,000)               | Note 1               | 73,704<br>(US\$ 2,400,000)  | -                   | -      | 73,704<br>(US\$ 2,400,000)  | (3,445)                           | 10   | (345)                           | 62,977   | -   |
| Prosperity Frontier Electronics (Shenzhen) Co., Ltd.  | Manufacturing and selling of chip components, power electronic devices and new electronic components | 184,260<br>(US\$ 6,000,000)                | Note 1               | 173,259<br>(US\$ 5,641,768)   | -                   | -      | 173,259<br>(US\$ 5,641,768)   | 23                                | 100  | 23                              | 131,431  | -   |
| Prosperity Frontier Electronics (Guangzhou) Co., Ltd. | Manufacturing and selling of chip components, power electronic devices and new electronic components | 4,411<br>(RMB 1,000,000)<br>(Note 6)       | Note 1               | -   | -                   | -      | -   | (1,652)                           | 100  | (1,652)                         | 1,988  | -   |

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 December 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 year ended December 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 December 31, 2022 | Investment Amount Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA |
|--|---|--|
| \$ 902,155<br>(US\$ 29,376,590)  | \$ 1,044,747<br>(US\$ 34,019,762)                               | (Note 2)   |

(Continued)



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

US\$ to NT\$ = 1:30.71  
RMB to NT\$ = 1:4.4105

The average exchange rates for the year ended December 31, 2022 are as follows:

US\$ to NT\$ = 1:29.805  
RMB to NT\$ = 1:4.4347

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: Tables 3 and 5.
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 8**

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

**INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

---

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

## **6.5 A Parent Company Only Financial Statement for the Most Recent Fiscal Year**

### **INDEPENDENT AUDITORS' REPORT**

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

#### **Opinion**

We have audited the accompanying financial statements of Prosperity Dielectrics Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021 as restated, and the statements of comprehensive income, changes in equity and cash flows for the years then ended as restated, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

#### **Basis for Opinion**

We conducted our audits of the financial statements for the years ended December 31, 2022 and 2021 as restated in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the report of other auditors.

#### **Key Audit Matters**

Key audit matters are those matter that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter of the Company's financial statements for the year ended December 31, 2022 is described as follows:

#### Validity of Sales Revenue

As a result of the Covid-19 pandemic, there was a significant decrease in sales revenue in 2022 compared to the previous year. Therefore, the validity of sales revenue from some of the Company's main customers whose sales revenue growth was against the trend in 2022 compared to the previous year is regarded as key audit matter of the Company's financial statements for the year ended December 31, 2022. For the accounting policies related to sales revenue, please refer to Note 4 of the financial statements.

Our audit procedures performed in response to the aforementioned key audit matter include the following: We understood the Company's internal controls on the recognition of sales revenue from the aforementioned customers, evaluated the design of the key controls, tested the operating effectiveness of these controls, inspected the sales transactions from these customers on a sample basis to ensure the validity of occurrence of the sales transactions.

#### **Other Matter**

We did not audit the financial statements of certain investments accounted for using the equity method, but such financial statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of the other auditors. The investments accounted for using the equity method amounted to NT\$410,924 thousand and NT\$471,188 thousand as of December 31, 2022 and 2021 as restated, and the share of loss of associates accounted for using the equity method for the years ended December 31, 2022 and 2021 as restated amounted to NT\$13,552 thousand and NT\$1,215 thousand, respectively.

#### **Emphasis of Matter**

As described in Notes 12 and 29 to the financial statements, in July 2022, Prosperity Dielectrics Co., Ltd. acquired 17,519 thousand shares and 3,058 thousand shares of Joyin Co., Ltd. from the related parties, INPAQ Technology Co., Ltd. and Walsin Technology Corporation, respectively; after the acquisition, the shareholding ratio of Joyin Co., Ltd. increased from 4.02% to 30.4%. The aforesaid transaction is an organizational restructuring under common control and the financial statements should be regarded as if the transaction had occurred from the beginning and retrospectively restated for the comparative period. This restatement increased the previously held interests by NT\$324,031 thousand on December 31, 2021. For the year ended December 31, 2021, the comprehensive income of previously held interests increased by NT\$6,198 thousand. The accountants did not revise the audit opinion of the financial statements for the year ended December 31 2021, due to the aforementioned matter.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 23, 2023

#### Notice to Readers

*The accompanying financial statements are intended only to present the 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 audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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' report and financial statements shall prevail.*

# PROSPERITY DIELECTRICS CO., LTD.

## BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| ASSETS   | December 31, 2022   |            | December 31, 2021<br>(Restated) |            |
|--|---------------------|------------|---------------------------------|------------|
|  | Amount              | %          | Amount                          | %          |
| <b>CURRENT ASSETS</b>  |                     |            |                                 |            |
| Cash and cash equivalents (Notes 4 and 6)  | \$ 1,072,063        | 13         | \$ 801,350                      | 9          |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)                  | 250,030             | 3          | 389,047                         | 4          |
| Financial assets at amortized cost - current (Notes 4 and 8)                                     | 35,391              | -          | 45,312                          | -          |
| Notes receivable from unrelated parties (Notes 4 and 9)  | 31,317              | -          | 50,882                          | 1          |
| Trade receivables from unrelated parties (Notes 4 and 9)   | 439,609             | 5          | 530,518                         | 6          |
| Trade receivables from related parties (Notes 4 and 27)  | 284,209             | 3          | 446,780                         | 5          |
| Other receivables from unrelated parties   | 16,240              | -          | 19,206                          | -          |
| Other receivables from related parties (Note 27)   | 1,247               | -          | 12,486                          | -          |
| Inventories (Notes 4 and 10)   | 631,219             | 7          | 765,326                         | 8          |
| Other current assets   | 36,219              | 1          | 49,457                          | 1          |
| Total current assets   | <u>2,797,544</u>    | <u>32</u>  | <u>3,110,364</u>                | <u>34</u>  |
| <b>NON-CURRENT ASSETS</b>  |                     |            |                                 |            |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11) | 1,359,851           | 16         | 1,607,074                       | 17         |
| Investments accounted for using the equity method (Notes 4 and 12)                               | 2,163,602           | 25         | 2,215,299                       | 24         |
| Property, plant and equipment (Notes 4 and 13)   | 2,062,457           | 24         | 2,093,893                       | 23         |
| Right-of-use assets (Notes 4 and 14)   | 168,152             | 2          | 162,708                         | 2          |
| Computer software (Note 4)   | 8,194               | -          | 7,192                           | -          |
| Deferred tax assets (Notes 4 and 22)   | 36,692              | 1          | 29,344                          | -          |
| Other non-current assets   | 11,588              | -          | 5,274                           | -          |
| Total non-current assets   | <u>5,810,536</u>    | <u>68</u>  | <u>6,120,784</u>                | <u>66</u>  |
| <b>TOTAL</b>   | <u>\$ 8,608,080</u> | <u>100</u> | <u>\$ 9,231,148</u>             | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>  |                     |            |                                 |            |
| <b>CURRENT LIABILITIES</b>   |                     |            |                                 |            |
| Short-term borrowings (Note 15)  | \$ 230,000          | 3          | \$ -                            | -          |
| Trade payables to unrelated parties  | 187,900             | 2          | 352,993                         | 4          |
| Trade payables to related parties (Note 27)  | 40,602              | -          | 74,334                          | 1          |
| Other payables to unrelated parties (Note 16)  | 387,236             | 5          | 689,847                         | 8          |
| Other payables to related parties (Note 27)  | 16,107              | -          | 21,930                          | -          |
| Current tax liabilities (Notes 4 and 22)   | 148,372             | 2          | 126,728                         | 1          |
| Lease liabilities - current (Notes 4 and 14)   | 28,519              | -          | 23,972                          | -          |
| Current portion of long-term borrowings (Note 15)  | 349,591             | 4          | 8,333                           | -          |
| Other current liabilities  | 14,466              | -          | 11,052                          | -          |
| Total current liabilities  | <u>1,402,793</u>    | <u>16</u>  | <u>1,309,189</u>                | <u>14</u>  |
| <b>NON-CURRENT LIABILITIES</b>   |                     |            |                                 |            |
| Long-term borrowings (Note 15)   | 472,193             | 6          | 817,656                         | 9          |
| Deferred tax liabilities (Notes 4 and 22)  | 158,439             | 2          | 178,518                         | 2          |
| Lease liabilities - non-current (Notes 4 and 14)   | 150,972             | 2          | 149,620                         | 2          |
| Deferred revenue - non-current (Notes 4 and 16)  | 4,882               | -          | 9,011                           | -          |
| Net defined benefit liabilities - non-current (Notes 4 and 18)                                   | 24,347              | -          | 51,391                          | -          |
| Guarantee deposits received  | 16,554              | -          | 16,946                          | -          |
| Total non-current liabilities  | <u>827,387</u>      | <u>10</u>  | <u>1,223,142</u>                | <u>13</u>  |
| Total liabilities  | <u>2,230,180</u>    | <u>26</u>  | <u>2,532,331</u>                | <u>27</u>  |
| <b>EQUITY (Note 19)</b>  |                     |            |                                 |            |
| Share capital  |                     |            |                                 |            |
| Ordinary shares  | 1,720,000           | 20         | 1,720,000                       | 19         |
| Capital surplus  | 498,708             | 6          | 498,548                         | 5          |
| Retained earnings  |                     |            |                                 |            |
| Legal reserve  | 624,924             | 7          | 509,861                         | 5          |
| Special reserve  | 67,764              | 1          | 67,764                          | 1          |
| Unappropriated earnings  | 2,992,429           | 35         | 2,829,865                       | 31         |
| Total retained earnings  | <u>3,685,117</u>    | <u>43</u>  | <u>3,407,490</u>                | <u>37</u>  |
| Other equity   |                     |            |                                 |            |
| Exchange differences on the translation of the financial statements of foreign operations        | (50,917)            | (1)        | (116,523)                       | (1)        |
| Unrealized gain on financial assets at fair value through other comprehensive income             | 579,363             | 7          | 919,642                         | 10         |
| Total other equity   | <u>528,446</u>      | <u>6</u>   | <u>803,119</u>                  | <u>9</u>   |
| Treasury shares  | (54,371)            | (1)        | (54,371)                        | (1)        |
| Equity attributable to former owner of business combination under common control                 | -                   | -          | 324,031                         | 4          |
| Total equity   | <u>6,377,900</u>    | <u>74</u>  | <u>6,698,817</u>                | <u>73</u>  |
| <b>TOTAL</b>   | <u>\$ 8,608,080</u> | <u>100</u> | <u>\$ 9,231,148</u>             | <u>100</u> |

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

(With Deloitte & Touche auditors' report dated February 23, 2023)

## PROSPERITY DIELECTRICS CO., LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | 2022             |            | 2021 (Restated)  |           |
|---|------------------|------------|------------------|-----------|
|   | Amount           | %          | Amount           | %         |
| NET SALES (Notes 4 and 20)  | \$ 3,728,375     | 100        | \$ 5,103,801     | 100       |
| COST OF SALES (Note 10)   | <u>2,819,015</u> | <u>76</u>  | <u>3,712,062</u> | <u>73</u> |
| GROSS PROFIT  | 909,360          | 24         | 1,391,739        | 27        |
| UNREALIZED GAIN ON TRANSACTIONS WITH<br>SUBSIDIARIES  | <u>(13,223)</u>  | <u>-</u>   | <u>(7,816)</u>   | <u>-</u>  |
| REALIZED GROSS PROFIT   | <u>896,137</u>   | <u>24</u>  | <u>1,383,923</u> | <u>27</u> |
| OPERATING EXPENSES  |                  |            |                  |           |
| Selling and marketing expenses  | 109,784          | 3          | 141,197          | 3         |
| General and administrative expenses   | 105,857          | 3          | 140,765          | 3         |
| Research and development expenses   | <u>88,239</u>    | <u>2</u>   | <u>83,880</u>    | <u>1</u>  |
| Total operating expenses  | <u>303,880</u>   | <u>8</u>   | <u>365,842</u>   | <u>7</u>  |
| PROFIT FROM OPERATIONS  | <u>592,257</u>   | <u>16</u>  | <u>1,018,081</u> | <u>20</u> |
| NON-OPERATING INCOME AND EXPENSES   |                  |            |                  |           |
| Share of profit or loss of subsidiaries and associates<br>accounted for using the equity method (Notes 4<br>and 12) | (48,011)         | (1)        | 295,258          | 6         |
| Interest income   | 11,879           | -          | 2,168            | -         |
| Dividend income   | 42,700           | 1          | 54,883           | 1         |
| Other income  | 21,181           | 1          | 19,346           | -         |
| Gain on disposal of property, plant and equipment   | 340              | -          | 3,282            | -         |
| Gain on disposal of investments   | 17,286           | -          | -                | -         |
| Gain on lease modifications   | 4                | -          | -                | -         |
| Foreign exchange gain   | 95,339           | 2          | -                | -         |
| Gain on valuation of financial assets at FVTPL  | -                | -          | 33,695           | 1         |
| Gain on reversal of impairment loss   | 6,011            | -          | 6,219            | -         |
| Interest expense  | (13,573)         | -          | (9,541)          | -         |
| Miscellaneous expenses  | (7,481)          | -          | (8,285)          | -         |
| Loss on lease modifications   | -                | -          | (333)            | -         |
| Foreign exchange loss   | -                | -          | (9,132)          | -         |
| Loss on valuation of financial assets at FVTPL  | <u>(108,301)</u> | <u>(3)</u> | <u>-</u>         | <u>-</u>  |
| Total non-operating income and expenses   | <u>17,374</u>    | <u>-</u>   | <u>387,560</u>   | <u>8</u>  |

(Continued)



## PROSPERITY DIELECTRICS CO., LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2022              |            | 2021 (Restated)     |            |
|--|-------------------|------------|---------------------|------------|
|  | Amount            | %          | Amount              | %          |
| PROFIT BEFORE INCOME TAX   | \$ 609,631        | 16         | \$ 1,405,641        | 28         |
| INCOME TAX EXPENSE (Notes 4 and 22)  | <u>(119,986)</u>  | <u>(3)</u> | <u>(257,874)</u>    | <u>(5)</u> |
| NET PROFIT FOR THE YEAR  | <u>489,645</u>    | <u>13</u>  | <u>1,147,767</u>    | <u>23</u>  |
| OTHER COMPREHENSIVE INCOME (LOSS)  |                   |            |                     |            |
| Items that will not be reclassified subsequently to profit or loss:  |                   |            |                     |            |
| Remeasurement of defined benefit plans   | 10,021            | -          | (5,102)             | -          |
| Unrealized valuation (loss) gain on investments in equity instruments at fair value through other comprehensive income | (188,465)         | (5)        | 372,570             | 7          |
| Share of the other comprehensive loss of associates accounted for using the equity method                              | (26,227)          | (1)        | (6,365)             | -          |
| Items that may be reclassified subsequently to profit or loss:   |                   |            |                     |            |
| Share of the other comprehensive income of associates accounted for using the equity method                            | <u>63,514</u>     | <u>2</u>   | <u>6,279</u>        | <u>-</u>   |
| Other comprehensive (loss) income for the year   | <u>(141,157)</u>  | <u>(4)</u> | <u>367,382</u>      | <u>7</u>   |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR  | <u>\$ 348,488</u> | <u>9</u>   | <u>\$ 1,515,149</u> | <u>30</u>  |
| NET PROFIT ATTRIBUTABLE TO:  |                   |            |                     |            |
| Owners of the Company  | \$ 506,518        | 14         | \$ 1,143,641        | 22         |
| Equity attributable to former owner of business combination under common control                                       | <u>(16,873)</u>   | <u>(1)</u> | <u>4,126</u>        | <u>-</u>   |
|  | <u>\$ 489,645</u> | <u>13</u>  | <u>\$ 1,147,767</u> | <u>22</u>  |

(Continued)

## PROSPERITY DIELECTRICS CO., LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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|   | <u>2022</u>       |            | <u>2021 (Restated)</u> |           |
|---|-------------------|------------|------------------------|-----------|
|   | <u>Amount</u>     | <u>%</u>   | <u>Amount</u>          | <u>%</u>  |
| TOTAL COMPREHENSIVE INCOME  |                   |            |                        |           |
| ATTRIBUTABLE TO:  |                   |            |                        |           |
| Owners of the Company   | \$ 361,810        | 10         | \$ 1,508,951           | 30        |
| Equity attributable to former owner of business<br>combination under common control | <u>(13,322)</u>   | <u>(1)</u> | <u>6,198</u>           | <u>-</u>  |
|   | <u>\$ 348,488</u> | <u>9</u>   | <u>\$ 1,515,149</u>    | <u>30</u> |
| EARNINGS PER SHARE (Note 23)  |                   |            |                        |           |
| Basic   | <u>\$ 2.96</u>    |            | <u>\$ 6.67</u>         |           |
| Diluted   | <u>\$ 2.95</u>    |            | <u>\$ 6.65</u>         |           |

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

(With Deloitte & Touche auditors' report dated February 23, 2023)

(Concluded)

**PROSPERITY DIELECTRICS CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)**

|  | Share Capital                   |               | Capital Surplus | Retained Earnings |                 |                         | Other Equity (Note 19)  |   | Treasury Shares | Equity Attributable to Former Owner of Business Combination Under Common Control | 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, JANUARY 1, 2021   | 172,000                         | \$ 1,720,000  | \$ 497,066      | \$ 430,775        | \$ 69,489       | \$ 2,102,322            | \$ (185,087)  | \$ 577,039  | \$ -            | \$ -   | \$ 5,211,604 |
| Appropriation of the 2020 earnings (Note 19)   |                                 |               |                 |                   |                 |                         |   |   |                 |  |              |
| Legal reserve  | -                               | -             | -               | 79,086            | -               | (79,086)                | -   | -   | -               | -  | -            |
| Cash dividends distributed by the Company  | -                               | -             | -               | -                 | -               | (344,000)               | -   | -   | -               | -  | (344,000)    |
| Reversal of special reserve appropriated upon the first-time adoption of IFRSs   | -                               | -             | -               | -                 | (1,725)         | 1,725                   | -   | -   | -               | -  | -            |
| Change in capital surplus from investment in associates accounted for using the equity method                          | -                               | -             | 26              | -                 | -               | -                       | -   | -   | -               | -  | 26           |
| Net profit for the year ended December 31, 2021 (restated)   | -                               | -             | -               | -                 | -               | 1,143,641               | -   | -   | -               | 4,126  | 1,147,767    |
| Other comprehensive income for the year ended December 31, 2021 (restated)   | -                               | -             | -               | -                 | -               | (5,081)                 | 4,188   | 366,203   | -               | 2,072  | 367,382      |
| Total comprehensive income for the year ended December 31, 2021 (restated)   | -                               | -             | -               | -                 | -               | 1,138,560               | 4,188   | 366,203   | -               | 6,198  | 1,515,149    |
| Disposal of subsidiaries (Note 24)   | -                               | -             | -               | -                 | -               | (13,256)                | 64,376  | -   | -               | -  | 51,120       |
| Difference between consideration and carrying amount of subsidiaries acquired  | -                               | -             | 1,456           | -                 | -               | -                       | -   | -   | -               | -  | 1,456        |
| Retrospective adjustment by equity attributable to former owner of business combination under common control           | -                               | -             | -               | -                 | -               | -                       | -   | -   | -               | 317,833  | 317,833      |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 19) | -                               | -             | -               | -                 | -               | 23,600                  | -   | (23,600)  | -               | -  | -            |
| Buy-back of ordinary shares (Note 19)  | -                               | -             | -               | -                 | -               | -                       | -   | -   | (54,371)        | -  | (54,371)     |
| BALANCE, DECEMBER 31, 2021 AS RESTATED   | 172,000                         | 1,720,000     | 498,548         | 509,861           | 67,764          | 2,829,865               | (116,523)   | 919,642   | (54,371)        | 324,031  | 6,698,817    |
| Appropriation of the 2021 earnings (Note 19)   |                                 |               |                 |                   |                 |                         |   |   |                 |  |              |
| Legal reserve  | -                               | -             | -               | 115,063           | -               | (115,063)               | -   | -   | -               | -  | -            |
| Cash dividends distributed by the Company  | -                               | -             | -               | -                 | -               | (344,000)               | -   | -   | -               | -  | (344,000)    |
| Change in capital surplus from investment in associates accounted for using the equity method                          | -                               | -             | (170)           | -                 | -               | (15)                    | -   | -   | -               | -  | (185)        |
| Net profit (loss) for the year ended December 31, 2022   | -                               | -             | -               | -                 | -               | 506,518                 | -   | -   | -               | (16,873)   | 489,645      |
| Other comprehensive income for the year ended December 31, 2022  | -                               | -             | -               | -                 | -               | 9,291                   | 59,566  | (213,565)   | -               | 3,551  | (141,157)    |
| Total comprehensive income for the year ended December 31, 2022  | -                               | -             | -               | -                 | -               | 515,809                 | 59,566  | (213,565)   | -               | (13,322)   | 348,488      |
| Re-organization  | -                               | -             | 330             | -                 | -               | (20,180)                | 6,040   | (701)   | -               | (357,937)  | (372,448)    |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 19) | -                               | -             | -               | -                 | -               | 126,013                 | -   | (126,013)   | -               | -  | -            |
| Retrospective adjustment by equity attributable to former owner of business combination under common control           | -                               | -             | -               | -                 | -               | -                       | -   | -   | -               | 47,228   | 47,228       |
| BALANCE, DECEMBER 31, 2022   | 172,000                         | \$ 1,720,000  | \$ 498,708      | \$ 624,924        | \$ 67,764       | \$ 2,992,429            | \$ (50,917)   | \$ 579,363  | \$ (54,371)     | \$ -   | \$ 6,377,900 |

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

(With Deloitte & Touche auditors' report dated February 23, 2023)

# PROSPERITY DIELECTRICS CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

|  | 2022             | 2021 (Restated) |
|--|------------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                  |                 |
| Income before income tax   | \$ 609,631       | \$ 1,405,641    |
| Adjustments for:   |                  |                 |
| Depreciation expense   | 423,848          | 373,527         |
| Amortization expense   | 4,923            | 3,225           |
| Net loss (gain) on valuation of financial assets at FVTPL  | 108,301          | (33,695)        |
| Interest expense   | 13,573           | 9,541           |
| Interest income  | (11,879)         | (2,168)         |
| Dividend income  | (42,700)         | (54,883)        |
| Share of loss (profit) of subsidiaries and associates accounted for using the equity method            | 48,011           | (295,258)       |
| Gain on disposal of property, plant and equipment  | (340)            | (3,282)         |
| Gain on disposal of investments  | (17,286)         | -               |
| Gain on reversal of impairment loss of non-financial assets  | (5,555)          | (13,604)        |
| Unrealized gain on the transactions with subsidiaries and associates                                   | 13,223           | 7,816           |
| (Gain) loss on lease modifications   | (4)              | 333             |
| Changes in operating assets and liabilities  |                  |                 |
| Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss | 48,002           | (40,123)        |
| Decrease (increase) in notes receivable from unrelated parties   | 19,565           | (24,424)        |
| Decrease (increase) in trade receivables from unrelated parties  | 90,909           | (5,519)         |
| Decrease (increase) in trade receivables from related parties  | 162,571          | (345,154)       |
| Decrease in other receivables from unrelated parties   | 175              | 6,177           |
| Decrease (increase) in other receivables from related parties  | 13,517           | (7,683)         |
| Decrease (increase) in inventories   | 133,651          | (209,140)       |
| Decrease (increase) in other current assets  | 13,238           | (8,992)         |
| Increase in other non-current assets   | (8,993)          | (1,918)         |
| (Decrease) increase in trade payables to unrelated parties   | (165,093)        | 19,690          |
| Decrease in trade payables to related parties  | (33,732)         | (106,916)       |
| (Decrease) increase in other payables to unrelated parties   | (118,724)        | 79,404          |
| Increase (decrease) in other payables to related parties   | 5,192            | (16,332)        |
| Increase (decrease) in other current liabilities   | 3,818            | (10,606)        |
| Decrease in net defined benefit liabilities  | (17,022)         | (1,821)         |
| Cash generated from operations   | 1,290,820        | 723,836         |
| Interest received  | 9,807            | 2,157           |
| Dividends received   | 130,342          | 55,623          |
| Interest paid  | (13,123)         | (9,524)         |
| Income tax paid  | (120,906)        | (97,821)        |
| Net cash generated from operating activities   | <u>1,296,940</u> | <u>674,271</u>  |

(Continued)

# PROSPERITY DIELECTRICS CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

|   | 2022                | 2021 (Restated)   |
|---|---------------------|-------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |                   |
| Purchase of financial assets at fair value through other comprehensive income                                     | \$ (199,688)        | \$ (30,000)       |
| Disposal of financial assets at fair value through other comprehensive income                                     | 252,777             | 42,758            |
| Disposal of financial assets at amortized cost  | 9,921               | 138,631           |
| Purchase of investments accounted for using the equity method   | (379,629)           | (87,370)          |
| Proceeds from the return of capital upon investees' capital reduction of financial assets using the equity method | -                   | 409,726           |
| Payments for property, plant and equipment  | (556,348)           | (717,805)         |
| Proceeds from disposal of property, plant and equipment   | 406                 | 8,046             |
| Increase in refundable deposits   | (247)               | (46)              |
| Acquisition of intangible assets  | <u>(3,000)</u>      | <u>(6,470)</u>    |
| Net cash used in investing activities   | <u>(875,808)</u>    | <u>(242,530)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                   |
| Proceeds from (repayment of) short-term borrowings  | 230,000             | (20,000)          |
| Proceeds from long-term borrowings  | -                   | 63,020            |
| Repayment of long-term loans  | (8,334)             | -                 |
| Refund of guarantee deposits received   | (392)               | -                 |
| Repayment of the principal portion of lease liabilities   | (27,693)            | (25,681)          |
| Decrease in other non-current liabilities   | -                   | (3,020)           |
| Cash dividends paid to owners of the Company  | (344,000)           | (344,000)         |
| Payment for buy-back of ordinary shares   | <u>-</u>            | <u>(54,371)</u>   |
| Net cash used in financing activities   | <u>(150,419)</u>    | <u>(384,052)</u>  |
| NET INCREASE IN CASH AND CASH EQUIVALENTS   | 270,713             | 47,689            |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR  | <u>801,350</u>      | <u>753,661</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR  | <u>\$ 1,072,063</u> | <u>\$ 801,350</u> |

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

(With Deloitte & Touche auditors' report dated February 23, 2023)

(Concluded)

# PROSPERITY DIELECTRICS CO., LTD.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Prosperity Dielectrics Co., Ltd. (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 December 31, 2022 and 2021.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on February 23, 2023.

### 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 a material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

| New IFRSs   | Effective Date<br>Announced by IASB |
|---|-------------------------------------|
| Amendments to IFRS 1 “Disclosure of Accounting Policies”  | January 1, 2023 (Note 1)            |
| Amendments to IAS 8 “Definition of Accounting Estimates”  | January 1, 2023 (Note 2)            |
| Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 3)            |

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company assessed that the application of other standards and interpretations will not have an impact on the Company's financial position and financial performance.

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

| <u>New IFRSs</u>   | <u>Effective Date<br/>Announced by IASB (Note 1)</u> |
|--|--|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB                             |
| Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback"   | January 1, 2024 (Note 2)                             |
| IFRS 17 "Insurance Contracts"  | January 1, 2023                                      |
| Amendments to IFRS 17  | January 1, 2023                                      |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"                              | January 1, 2023                                      |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"  | January 1, 2024                                      |
| Amendments to IAS 1 "Non-current Liabilities with Covenants"   | January 1, 2024                                      |

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: A seller-lessee shall apply the amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The 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 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Acquisition of investments of associates under common control

For transactions relating to the acquisition of investments of associates under common control, and the disposal of associates that result in the loss of significant influence, the Company shall choose to apply analogously the accounting treatment for business combinations under common control. Therefore, the transaction is accounted for applying the book-value method at the date of the acquisition and comparative information of the prior period in the financial statements is restated as if the acquisition had already occurred. For a disposal, any gain or loss on disposal shall not be recognized at the date of the disposal, and the Company shall elect to restate the comparative information of the prior period in the financial statements or discontinue the use of the equity method from the date that it loses significant influence over the associate.

e. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.



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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the parent company only financial statements, the financial statements of the Company's foreign operations that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date. Inventories are usually priced at standard cost, and are adjusted on the closing date to make it close to the weighted-average cost. At the end of the period, an appropriate allowance for loss on inventory is recognized based on an analysis of inventory aging and turnover.

g. Investments accounted for using the equity method

The Company uses the equity method for its investments in subsidiaries and associates.

1) Investments in subsidiaries

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

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

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

## 2) Investments in associates

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

The Company uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

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

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from

the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

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

#### h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

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

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

j. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

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

## 1) Financial assets

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

### a) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

#### i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 26.

#### ii. Financial assets at amortized cost

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

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

For internal credit risk management purposes, the Company considers the following situations as indicators that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. The financial asset is more than 120 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

m. Revenue recognition

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

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electronic components. Sales of electronic components are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

n. Leasing

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

1) The Company as lessor

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

The difference between the proceeds received from a government loan with a below-market rate of interest and the fair value of the loan based on prevailing market interest rates is recognized as a government grant.



p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

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

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

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

q. Taxation

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

1) Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

The management of the Company considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in 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

|   | <b>December 31</b>  |                   |
|---|---------------------|-------------------|
|   | <b>2022</b>         | <b>2021</b>       |
| Cash on hand  | \$ 227              | \$ 167            |
| Checking accounts and demand deposits                                       | 304,546             | 315,130           |
| Cash equivalents (investments with original maturities of 3 months or less) |                     |                   |
| Time deposits   | 614,200             | 49,997            |
| Repurchase agreements collateralized by bonds                               | <u>153,090</u>      | <u>436,056</u>    |
|   | <u>\$ 1,072,063</u> | <u>\$ 801,350</u> |

The market rate intervals of cash equivalents were as follows:

|  | <u>December 31</u> |             |
|--|--------------------|-------------|
|  | <b>2022</b>        | <b>2021</b> |
| Time deposits with original maturities of 3 months or less | 4.3%-4.9%          | 2.35%-2.4%  |
| Repurchase agreements collateralized by bonds              | 0.8%-4.1%          | 0.23%-0.24% |

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

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <b>2022</b>        | <b>2021</b>       |
| <u>Financial assets mandatorily classified as at FVTPL - current</u> |                    |                   |
| Non-derivative financial assets                                      |                    |                   |
| Domestic listed shares   | <u>\$ 250,030</u>  | <u>\$ 389,047</u> |

#### 8. FINANCIAL ASSETS AT AMORTIZED COST

|  | <u>December 31</u> |                  |
|--|--------------------|------------------|
|  | <b>2022</b>        | <b>2021</b>      |
| <u>Current</u>   |                    |                  |
| Time deposits with original maturities of more than 3 months (a) | \$ 30,500          | \$ 30,500        |
| Restricted deposits (b)  | <u>4,891</u>       | <u>14,812</u>    |
|  | <u>\$ 35,391</u>   | <u>\$ 45,312</u> |

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

|  | <u>December 31</u> |             |
|--|--------------------|-------------|
|  | <b>2022</b>        | <b>2021</b> |
| Time deposits with original maturities of more than 3 months | 1.425%             | 0.8%        |

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

|   | <u>December 31</u> |                    |
|---|--------------------|--------------------|
|   | <u>2022</u>        | <u>2021</u>        |
| <u>Notes receivable from unrelated parties</u>  |                    |                    |
| At amortized cost                               |                    |                    |
| Gross carrying amount                           | \$ 31,317          | \$ 50,882          |
| Less: Allowance for impairment loss             | <u>          -</u> | <u>          -</u> |
|   | <u>\$ 31,317</u>   | <u>\$ 50,882</u>   |
| <u>Trade receivables from unrelated parties</u> |                    |                    |
| At amortized cost                               |                    |                    |
| Gross carrying amount                           | \$ 460,804         | \$ 552,952         |
| Less: Allowance for impairment loss             | <u>(21,195)</u>    | <u>(22,434)</u>    |
|   | <u>\$ 439,609</u>  | <u>\$ 530,518</u>  |

The average credit period of sales of goods is 0 to 120 days. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company'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 Company 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 Company 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 Company's credit risk was significantly reduced.

The Company 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 customers' past default records and current financial positions. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the Company determines the expected credit loss rate only by reference to the past due days of notes receivable and accounts receivable.

The Company 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 Company 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 past default experience with the customers and the customers' current financial positions:

December 31, 2022

|                                   | Not Past Due      | 1 to 30 Days Past Due | 31 to 60 Days Past Due | 61 to 90 Days Past Due | 91 to 180 Days Past Due | Over 180 Days Past Due | Total             |
|-----------------------------------|-------------------|-----------------------|------------------------|------------------------|-------------------------|------------------------|-------------------|
| Expected credit loss rate         | 1%-4%             | 5%                    | 10%                    | 20%                    | 50%                     | 100%                   |                   |
| Gross carrying amount             | \$ 485,253        | \$ 256                | \$ 6,612               | \$ -                   | \$ -                    | \$ -                   | \$ 492,121        |
| Loss allowance<br>(Lifetime ECLs) | <u>(20,521)</u>   | <u>(13)</u>           | <u>(661)</u>           | <u>-</u>               | <u>-</u>                | <u>-</u>               | <u>(21,195)</u>   |
| Amortized cost                    | <u>\$ 464,732</u> | <u>\$ 243</u>         | <u>\$ 5,951</u>        | <u>\$ -</u>            | <u>\$ -</u>             | <u>\$ -</u>            | <u>\$ 470,926</u> |

December 31, 2021

|                                   | Not Past Due      | 1 to 30 Days Past Due | 31 to 60 Days Past Due | 61 to 90 Days Past Due | 91 to 180 Days Past Due | Over 180 Days Past Due | Total             |
|-----------------------------------|-------------------|-----------------------|------------------------|------------------------|-------------------------|------------------------|-------------------|
| Expected credit loss rate         | 1%-4%             | 5%                    | 10%                    | 20%                    | 50%                     | 100%                   |                   |
| Gross carrying amount             | \$ 585,783        | \$ 11,350             | \$ 5,449               | \$ -                   | \$ 1,252                | \$ -                   | \$ 603,834        |
| Loss allowance<br>(Lifetime ECLs) | <u>(20,696)</u>   | <u>(567)</u>          | <u>(545)</u>           | <u>-</u>               | <u>(626)</u>            | <u>-</u>               | <u>(22,434)</u>   |
| Amortized cost                    | <u>\$ 565,087</u> | <u>\$ 10,783</u>      | <u>\$ 4,904</u>        | <u>\$ -</u>            | <u>\$ 626</u>           | <u>\$ -</u>            | <u>\$ 581,400</u> |

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

|  | <u>For the Year Ended December 31</u> |                  |
|--|---------------------------------------|------------------|
|  | <u>2022</u>                           | <u>2021</u>      |
| Balance at January 1                     | \$ 22,434                             | \$ 22,499        |
| Less: Valuation differences              | -                                     | (65)             |
| Less: Transfer to delinquent receivables | <u>(1,239)</u>                        | <u>-</u>         |
| Balance at December 31                   | <u>\$ 21,195</u>                      | <u>\$ 22,434</u> |

**10. INVENTORIES**

|                      | <u>December 31</u> |                   |
|----------------------|--------------------|-------------------|
|                      | <u>2022</u>        | <u>2021</u>       |
| Finished goods       | \$ 167,690         | \$ 217,754        |
| Semi-finished goods  | 82,062             | 68,796            |
| Work in progress     | 157,542            | 121,327           |
| Raw materials        | 222,319            | 355,841           |
| Inventory in transit | <u>1,606</u>       | <u>1,608</u>      |
|                      | <u>\$ 631,219</u>  | <u>\$ 765,326</u> |

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

|                                  | <b>For the Year Ended December 31</b> |                     |
|----------------------------------|---------------------------------------|---------------------|
|                                  | <b>2022</b>                           | <b>2021</b>         |
| Cost of inventories sold         | \$ 2,818,559                          | \$ 3,719,447        |
| Inventory write-downs (reversed) | <u>456</u>                            | <u>(7,385)</u>      |
|                                  | <u>\$ 2,819,015</u>                   | <u>\$ 3,712,062</u> |

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

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

### Investments in Equity Instruments

|  | <b>December 31</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2022</b>         | <b>2021</b>         |
| <u>Non-current</u>                     |                     |                     |
| Domestic investments - listed shares   | \$ 1,118,683        | \$ 1,448,999        |
| Domestic investments - unlisted shares | <u>241,168</u>      | <u>158,075</u>      |
|  | <u>\$ 1,359,851</u> | <u>\$ 1,607,074</u> |

### Investments in Equity Instruments at FVTOCI

|  | <b>December 31</b>  |                     |
|--|---------------------|---------------------|
|  | <b>2022</b>         | <b>2021</b>         |
| <u>Non-current</u>                                     |                     |                     |
| Domestic investments - listed shares                   |                     |                     |
| Walton Advanced Engineering Inc.                       | \$ 362,241          | \$ 601,608          |
| Walsin Lihwa Corporation                               | 518,710             | 185,500             |
| HannStar Board Corporation                             | 179,403             | 257,342             |
| Singatron Enterprise Co., Ltd.                         | -                   | 329,642             |
| APAQ Technology Co., Ltd.                              | 30,779              | 44,857              |
| Fubon Financial Holding Co., Ltd. - preferred shares C | 27,550              | 30,050              |
| Domestic investments - unlisted shares                 |                     |                     |
| Chin-Xin Investment Co., Ltd.                          | 153,067             | 158,075             |
| Hwa Bao Botanic Conservation Corp.                     | <u>88,101</u>       | <u>-</u>            |
|  | <u>\$ 1,359,851</u> | <u>\$ 1,607,074</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 Company's strategy of holding these investments for long-term purposes.

In June 2022, the Company paid \$80,000 thousand to subscribed new shares for cash issued by Hwa Bao Botanic Conservation Corp., and its interest in Hwa Bao Botanic Conservation Corp. is 10%.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|                             | <b>December 31</b>  |                        |
|-----------------------------|---------------------|------------------------|
|                             | <b>2022</b>         | <b>2021 (Restated)</b> |
| Investments in subsidiaries | \$ 1,673,489        | \$ 1,744,111           |
| Investments in associates   | <u>490,113</u>      | <u>471,188</u>         |
|                             | <u>\$ 2,163,602</u> | <u>\$ 2,215,299</u>    |

### a. Investment in subsidiaries

|                                   | <b>December 31</b>  |                     |
|-----------------------------------|---------------------|---------------------|
|                                   | <b>2022</b>         | <b>2021</b>         |
| Unlisted shares                   |                     |                     |
| PDC Prime Holdings Limited        | \$ 1,543,925        | \$ 1,616,933        |
| Frontec International Corporation | <u>129,564</u>      | <u>127,178</u>      |
|                                   | <u>\$ 1,673,489</u> | <u>\$ 1,744,111</u> |

Share of profit (loss) of investments accounted for using the equity method for the years ended December 31, 2022 and 2021 was summarized as follows:

|                                   | <b>For the Year Ended December 31</b> |                   |
|-----------------------------------|---------------------------------------|-------------------|
|                                   | <b>2022</b>                           | <b>2021</b>       |
| PDC Prime Holdings Limited        | \$ (34,674)                           | \$ 311,007        |
| Frontec International Corporation | <u>40</u>                             | <u>(14,534)</u>   |
|                                   | <u>\$ (34,634)</u>                    | <u>\$ 296,473</u> |

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

|                                   | <b>December 31</b> |             |
|-----------------------------------|--------------------|-------------|
|                                   | <b>2022</b>        | <b>2021</b> |
| PDC Prime Holdings Limited        | 100%               | 100%        |
| Frontec International Corporation | 100%               | 100%        |

### b. Investment in associates

|                     | <b>December 31</b> |                        |
|---------------------|--------------------|------------------------|
|                     | <b>2022</b>        | <b>2021 (Restated)</b> |
| Unlisted shares     |                    |                        |
| Tsai Yi Corporation | \$ 79,189          | \$ 104,364             |
| Joyin Co., Ltd.     | <u>410,924</u>     | <u>366,824</u>         |
|                     | <u>\$ 490,113</u>  | <u>\$ 471,188</u>      |

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

|                     | <b>For the Year Ended December 31</b> |                        |
|---------------------|---------------------------------------|------------------------|
|                     | <b>2022</b>                           | <b>2021 (Restated)</b> |
| Tsai Yi Corporation | \$ 175                                | \$ (588)               |
| Joyin Co., Ltd.     | <u>(13,552)</u>                       | <u>(627)</u>           |
|                     | <u>\$ (13,377)</u>                    | <u>\$ (1,215)</u>      |

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

|                     | <b>December 31</b> |                        |
|---------------------|--------------------|------------------------|
|                     | <b>2022</b>        | <b>2021 (Restated)</b> |
| Tsai Yi Corporation | 3.36%              | 3.36%                  |
| Joyin Co., Ltd.     | 30.4%              | 30.4%                  |

Even though the Company holds less than 20% of the voting rights each in Tsai Yi Corporation (before the name changed, it was 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 Company subscribed new shares 479 thousand, in total of \$7,179 thousand for cash issued by Joyin Co., Ltd. at a percentage different from its existing ownership percentage, and reduced its continuing interest from 4.09% to 4.02%.

In June 2022, the board of directors of the Company approved to acquire 17,519 thousand shares and 3,058 thousand shares of Joyin Co., Ltd. from the related parties, INPAQ Technology Co., Ltd. and Walsin Technology Corporation, respectively. After this acquisition of equity, the proportion of shares held by the company rose from 4.02% to 30.4%. Such acquisition is a reorganization under common control and a business combination from the beginning as the individual financial statements for the comparative period are retrospectively restated, refer to Note 29.

- c. The share of profit or loss and other comprehensive income of the investments in associates accounted for using the equity method for the years ended December 31, 2022 and 2021 was recognized based on the associates' audited financial statements for the same years. In addition, the financial statements for the years ended December 31, 2022 and 2021 of Joyin Co., Ltd. and the financial statements for the year ended December 31, 2021 of Tsai Yi Corporation were audited by other independent auditors.



### 13. 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        | \$ 725,525        | \$ 2,061,746            | \$ 36,404        | \$ 167,341        | \$ 79,925   | \$ 3,373,161        |
| Additions                                      | -                 | 19                | 4,931                   | -                | -                 | 738,596   | 743,546             |
| Disposals                                      | -                 | (4,966)           | (81,045)                | -                | (625)             | (3,270)   | (89,906)            |
| Reclassifications                              | -                 | 110,542           | 558,629                 | 8,699            | 28,826            | (700,717)   | 5,979               |
| Balance at December 31, 2021                   | <u>\$ 302,220</u> | <u>\$ 831,120</u> | <u>\$ 2,544,261</u>     | <u>\$ 45,103</u> | <u>\$ 195,542</u> | <u>\$ 114,534</u>   | <u>\$ 4,032,780</u> |
| <b>Accumulated depreciation and impairment</b> |                   |                   |                         |                  |                   |   |                     |
| Balance at January 1, 2021                     | \$ -              | \$ 438,524        | \$ 1,096,922            | \$ 19,581        | \$ 120,123        | \$ -  | \$ 1,675,150        |
| Depreciation expenses                          | -                 | 75,047            | 251,037                 | 5,743            | 15,583            | -   | 347,410             |
| Disposals                                      | -                 | (4,965)           | (79,778)                | -                | (626)             | -   | (85,369)            |
| Reversals of impairment losses                 | -                 | (5,703)           | (516)                   | -                | -                 | -   | (6,219)             |
| Reclassifications                              | -                 | 5,703             | 308                     | -                | 1,904             | -   | 7,915               |
| Balance at December 31, 2021                   | <u>\$ -</u>       | <u>\$ 508,606</u> | <u>\$ 1,267,973</u>     | <u>\$ 25,324</u> | <u>\$ 136,984</u> | <u>\$ -</u>   | <u>\$ 1,938,887</u> |
| Carrying amount at December 31, 2021           | <u>\$ 302,220</u> | <u>\$ 322,514</u> | <u>\$ 1,276,288</u>     | <u>\$ 19,779</u> | <u>\$ 58,558</u>  | <u>\$ 114,534</u>   | <u>\$ 2,093,893</u> |
| <b>Cost</b>                                    |                   |                   |                         |                  |                   |   |                     |
| Balance at January 1, 2022                     | \$ 302,220        | \$ 831,120        | \$ 2,544,261            | \$ 45,103        | \$ 195,542        | \$ 114,534  | \$ 4,032,780        |
| Additions                                      | -                 | 1                 | 2,434                   | -                | -                 | 358,562   | 360,997             |
| Disposals                                      | -                 | (15,731)          | (6,283)                 | (82)             | (4,637)           | -   | (26,733)            |
| Reclassifications                              | 148,895           | 93,182            | 160,227                 | 3,566            | 7,673             | (407,532)   | 6,011               |
| Balance at December 31, 2022                   | <u>\$ 451,115</u> | <u>\$ 908,572</u> | <u>\$ 2,700,639</u>     | <u>\$ 48,587</u> | <u>\$ 198,578</u> | <u>\$ 65,564</u>  | <u>\$ 4,373,055</u> |
| <b>Accumulated depreciation and impairment</b> |                   |                   |                         |                  |                   |   |                     |
| Balance at January 1, 2022                     | \$ -              | \$ 508,606        | \$ 1,267,973            | \$ 25,324        | \$ 136,984        | \$ -  | \$ 1,938,887        |
| Depreciation expenses                          | -                 | 80,296            | 291,061                 | 6,221            | 18,894            | -   | 396,472             |
| Disposals                                      | -                 | (15,731)          | (6,217)                 | (82)             | (4,637)           | -   | (26,667)            |
| Reversals of impairment losses                 | -                 | (6,011)           | -                       | -                | -                 | -   | (6,011)             |
| Reclassifications                              | -                 | 6,011             | (97)                    | -                | 2,003             | -   | 7,917               |
| Balance at December 31, 2022                   | <u>\$ -</u>       | <u>\$ 573,171</u> | <u>\$ 1,552,720</u>     | <u>\$ 31,463</u> | <u>\$ 153,244</u> | <u>\$ -</u>   | <u>\$ 2,310,598</u> |
| Carrying amount at December 31, 2022           | <u>\$ 451,115</u> | <u>\$ 335,401</u> | <u>\$ 1,147,919</u>     | <u>\$ 17,124</u> | <u>\$ 45,334</u>  | <u>\$ 65,564</u>  | <u>\$ 2,062,457</u> |

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

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

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

|   | <b>December 31</b>                    |                   |
|---|---------------------------------------|-------------------|
|   | <b>2022</b>                           | <b>2021</b>       |
| <u>Carrying amount</u>                      |                                       |                   |
| Land  | \$ 135,132                            | \$ 155,598        |
| Buildings                                   | 31,759                                | 5,860             |
| Transportation equipment                    | <u>1,261</u>                          | <u>1,250</u>      |
|   | <u>\$ 168,152</u>                     | <u>\$ 162,708</u> |
|   | <b>For the Year Ended December 31</b> |                   |
|   | <b>2022</b>                           | <b>2021</b>       |
| Additions to right-of-use assets            | <u>\$ 33,635</u>                      | <u>\$ 13,946</u>  |
| Depreciation charge for right-of-use assets |                                       |                   |
| Land  | \$ 20,466                             | \$ 19,778         |
| Buildings                                   | 6,547                                 | 5,779             |
| Transportation equipment                    | <u>363</u>                            | <u>560</u>        |
|   | <u>\$ 27,376</u>                      | <u>\$ 26,117</u>  |

Except for the recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2022 and 2021.

### b. Lease liabilities

|                        | <b>December 31</b> |                   |
|------------------------|--------------------|-------------------|
|                        | <b>2022</b>        | <b>2021</b>       |
| <u>Carrying amount</u> |                    |                   |
| Current                | <u>\$ 28,519</u>   | <u>\$ 23,972</u>  |
| Non-current            | <u>\$ 150,972</u>  | <u>\$ 149,620</u> |

The discount rates for lease liabilities were as follows:

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

## 15. BORROWINGS

### a. Short-term borrowings

|                           | <u>December 31</u> |             |
|---------------------------|--------------------|-------------|
|                           | <b>2022</b>        | <b>2021</b> |
| Unsecured borrowings      |                    |             |
| Line of credit borrowings | <u>\$ 230,000</u>  | <u>\$ -</u> |
| Interest rate             | 1.74%-2%           | -           |

### b. Long-term borrowings

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <b>2022</b>        | <b>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  | \$ 198,970         | \$ 197,980        |
| 2020.04.09-2024.12.15  | 99,485             | 98,990            |
| 2020.07.09-2025.06.15  | 79,392             | 78,996            |
| 2020.08.07-2025.06.15  | 99,240             | 98,746            |
| 2021.11.09-2025.06.15  | 59,544             | 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  | 95,360             | 99,033            |
| 2020.04.29-2024.12.10  | 95,360             | 99,033            |
| 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  | 94,433             | 93,964            |
| Less: Current portion  | <u>(349,591)</u>   | <u>(8,333)</u>    |
| Long-term borrowings   | <u>\$ 472,193</u>  | <u>\$ 817,656</u> |
| Interest rate  | 1.075%-1.225%      | 0.45%-0.6%        |

## 16. OTHER LIABILITIES

|   | <u>December 31</u> |                   |
|---|--------------------|-------------------|
|   | <b>2022</b>        | <b>2021</b>       |
| <u>Current</u>  |                    |                   |
| Payables expense  | \$ 311,419         | \$ 400,971        |
| Payables for purchases of equipment   | 45,904             | 230,240           |
| Payables for annual leave   | 6,690              | 7,304             |
| Payables for remuneration of directors and supervisors and employee bonuses | 22,723             | 50,832            |
| Payables for dividends  | <u>500</u>         | <u>500</u>        |
|   | <u>\$ 387,236</u>  | <u>\$ 689,847</u> |
| <u>Non-current</u>  |                    |                   |
| Deferred revenue  |                    |                   |
| Arising from government grants  | <u>\$ 4,882</u>    | <u>\$ 9,011</u>   |

## 17. PROVISIONS

|   | <u>December 31</u> |                 |
|---|--------------------|-----------------|
|   | <b>2022</b>        | <b>2021</b>     |
| Employee benefits (presented in other payables) | <u>\$ 6,690</u>    | <u>\$ 7,304</u> |

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

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2022</b>        | <b>2021</b>      |
| Present value of defined benefit obligation | \$ 37,582          | \$ 58,278        |
| Fair value of plan assets                   | <u>(13,235)</u>    | <u>(6,887)</u>   |
| Deficit                                     | <u>24,347</u>      | <u>51,391</u>    |
| Net defined benefit liabilities             | <u>\$ 24,347</u>   | <u>\$ 51,391</u> |

Movements in net defined benefit liabilities (assets) were as follows:

|   | <b>Present Value of<br/>the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities</b> |
|---|--|--|--|
| Balance at January 1, 2021                          | \$ 106,216   | \$ (58,106)                              | \$ 48,110                                      |
| Service cost  |  |  |  |
| Current service cost                                | 64   | -  | 64   |
| Net interest expense (income)                       | <u>531</u>   | <u>(296)</u>                             | <u>235</u>                                     |
| Recognized in profit or loss                        | <u>595</u>   | <u>(296)</u>                             | <u>299</u>                                     |
| Remeasurement                                       |  |  |  |
| Actuarial loss - changes in demographic assumptions | 1,507  | -  | 1,507  |
| Actuarial gain - changes in financial assumptions   | (818)  | -  | (818)  |
| Actuarial loss - experience adjustments             | 4,980  | -  | 4,980  |
| Return on the plan assets                           | <u>-</u>   | <u>(567)</u>                             | <u>(567)</u>                                   |
| Recognized in other comprehensive income            | <u>5,669</u>   | <u>(567)</u>                             | <u>5,102</u>                                   |
| Contributions from the employer                     | <u>-</u>   | <u>(2,120)</u>                           | <u>(2,120)</u>                                 |
| Benefits paid from the plan assets                  | <u>(54,202)</u>  | <u>54,202</u>                            | <u>-</u>                                       |
| Balance at December 31, 2021                        | <u>58,278</u>  | <u>(6,887)</u>                           | <u>51,391</u>                                  |
| Service cost  |  |  |  |
| Current service cost                                | 66   | -  | 66   |
| Net interest expense (income)                       | <u>364</u>   | <u>(49)</u>                              | <u>315</u>                                     |
| Recognized in profit or loss                        | <u>430</u>   | <u>(49)</u>                              | <u>381</u>                                     |
| Remeasurement                                       |  |  |  |
| Actuarial gain - changes in financial assumptions   | (4,560)  | -  | (4,560)  |
| Actuarial gain - experience adjustments             | (3,840)  | -  | (3,840)  |
| Return on the plan assets                           | <u>-</u>   | <u>(1,621)</u>                           | <u>(1,621)</u>                                 |
| Recognized in other comprehensive income            | <u>(8,400)</u>   | <u>(1,621)</u>                           | <u>(10,021)</u>                                |
| Contributions from the employer                     | <u>-</u>   | <u>(17,780)</u>                          | <u>(17,780)</u>                                |
| Benefits paid from the plan assets                  | <u>(4,832)</u>   | <u>4,832</u>                             | <u>-</u>                                       |
| Settlement of signed assets                         | <u>(7,894)</u>   | <u>8,270</u>                             | <u>376</u>                                     |
| Balance at December 31, 2022                        | <u>\$ 37,582</u>   | <u>\$ (13,235)</u>                       | <u>\$ 24,347</u>                               |

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

1) Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation of the Company were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

|                                  | <b>December 31</b> |             |
|----------------------------------|--------------------|-------------|
|                                  | <b>2022</b>        | <b>2021</b> |
| Discount rate                    | 1.5%               | 0.625%      |
| Expected rate of salary increase | 2%                 | 2%          |

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

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2022</b>        | <b>2021</b>       |
| Discount rate                             |                    |                   |
| 0.25% increase                            | <u>\$ (971)</u>    | <u>\$ (1,623)</u> |
| 0.25% decrease                            | <u>\$ 1,007</u>    | <u>\$ 1,689</u>   |
| Expected rate of salary increase/decrease |                    |                   |
| 0.25% increase                            | <u>\$ 983</u>      | <u>\$ 1,635</u>   |
| 0.25% decrease                            | <u>\$ (952)</u>    | <u>\$ (1,579)</u> |

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

|  | <b>December 31</b> |                 |
|--|--------------------|-----------------|
|  | <b>2022</b>        | <b>2021</b>     |
| Expected contributions to the plan for the next year | <u>\$ 1,599</u>    | <u>\$ 2,091</u> |
| Average duration of the defined benefit obligation   | 10.5 years         | 11.2 years      |

## 19. EQUITY

### a. Share capital

#### Common shares

|   | <u>December 31</u>  |                     |
|---|---------------------|---------------------|
|   | <u>2022</u>         | <u>2021</u>         |
| Authorized shares (in thousands of shares)      | <u>220,000</u>      | <u>220,000</u>      |
| Authorized capital                              | <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>      |
| Issued capital                                  | <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

|   | <u>December 31</u> |                   |
|---|--------------------|-------------------|
|   | <u>2022</u>        | <u>2021</u>       |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)</u> |                    |                   |
| Issuance of common shares   | \$ 402,192         | \$ 402,192        |
| Conversion of bonds   | 55,484             | 55,484            |
| Treasury share transactions   | 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>\$ 498,708</u>  | <u>\$ 498,548</u> |

Note 1: 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 the Company's articles of incorporation (the "Articles"), where the Company 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 the Company'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 the Company'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 21-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 Company 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.

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings on June 14, 2022 and 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 2022 will be resolved by the shareholders in their meeting to be held in 2023.

d. Special reserve

The movements of special reserve were as follows:

|                        | <b>For the Year Ended December 31</b> |                  |
|------------------------|---------------------------------------|------------------|
|                        | <b>2022</b>                           | <b>2021</b>      |
| Balance at January 1   | \$ 67,764                             | \$ 69,489        |
| Reversal               |                                       |                  |
| Disposal of subsidiary | _____ -                               | _____ (1,725)    |
| Balance at December 31 | <u>\$ 67,764</u>                      | <u>\$ 67,764</u> |

On the first-time adoption of IFRSs, a proportionate share of special reserve relating to exchange differences on translation of the financial statements of foreign operations (including the subsidiaries of the Company) will be reversed on the Company's disposal of foreign operations; on the Company's loss of significant influence, however, the entire special reserve will be reversed. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses; the reversed amount may be distributed.



e. Other equity items

The movements of other equity items were as follows:

|   | <b>For the Year Ended December 31, 2022</b>  |   |                   |
|---|--|---|-------------------|
|   | <b>Exchange<br/>Differences on<br/>the Translation<br/>of the Financial<br/>Statements of<br/>Foreign<br/>Operations</b> | <b>Unrealized<br/>Valuation<br/>Gain/(Loss) on<br/>Financial Assets<br/>at FVTOCI</b> | <b>Total</b>      |
| Balance at January 1  | \$ (116,523)   | \$ 919,642  | \$ 803,119        |
| Unrealized valuation loss on investments in equity instruments at FVTOCI                          | -  | (188,465)   | (188,465)         |
| Share from associates accounted for using the equity method                                       | 59,566   | (25,100)  | 34,466            |
| Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal | -  | (126,013)   | (126,013)         |
| Re-organization   | <u>6,040</u>   | <u>(701)</u>  | <u>5,339</u>      |
| Balance at December 31  | <u>\$ (50,917)</u>   | <u>\$ 579,363</u>   | <u>\$ 528,446</u> |
|   | <b>For the Year Ended December 31, 2021</b>  |   |                   |
|   | <b>Exchange<br/>Differences on<br/>the Translation<br/>of the Financial<br/>Statements of<br/>Foreign<br/>Operations</b> | <b>Unrealized<br/>Valuation<br/>Gain/(Loss) on<br/>Financial Assets<br/>at FVTOCI</b> | <b>Total</b>      |
| Balance at January 1  | \$ (185,087)   | \$ 577,039  | \$ 391,952        |
| Unrealized valuation gain on investments in equity instruments at FVTOCI                          | -  | 372,570   | 372,570           |
| Share from associates accounted for using the equity method                                       | 4,188  | (6,367)   | (2,179)           |
| Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal | -  | (23,600)  | (23,600)          |
| Disposal of foreign operations  | <u>64,376</u>  | <u>-</u>  | <u>64,376</u>     |
| Balance at December 31  | <u>\$ (116,523)</u>  | <u>\$ 919,642</u>   | <u>\$ 803,119</u> |

f. Treasury shares

1) Movements of the treasury shares for the year ended December 31, 2021 were as follows:

**Unit: In Thousands of Shares**

| <b>For the Year Ended December 31, 2022</b> |  |   |   |  |
|---|--|---|---|--|
| <b>Purpose of Buy-back</b>                  | <b>Number of<br/>Shares at<br/>January 1,<br/>2022</b> | <b>Increase<br/>During the<br/>Period</b> | <b>Decrease<br/>During the<br/>Period</b> | <b>Number of<br/>Shares at<br/>December 31,<br/>2022</b> |
| Shares transferred to employees             | 800  | -   | -   | 800  |
| <b>For the Year Ended December 31, 2021</b> |  |   |   |  |
| <b>Purpose of Buy-back</b>                  | <b>Number of<br/>Shares at<br/>January 1,<br/>2021</b> | <b>Increase<br/>During the<br/>Period</b> | <b>Decrease<br/>During the<br/>Period</b> | <b>Number of<br/>Shares at<br/>December 31,<br/>2021</b> |
| Shares transferred to employees             | -  | 800                                       | -   | 800  |

- 2) As of the years ended December 31, 2022 and 2021, the amount of the Company's treasury shares were both \$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 year ended December 31, 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 the company shall not be pledged in accordance with the provisions of the Securities and Exchange Act, and shall not enjoy shareholder rights.

## 20. OPERATING REVENUE

Disaggregation of revenue based on customer segments by geographical region

| <b>Region</b> | <b>For the Year Ended December 31</b> |                     |
|---------------|---------------------------------------|---------------------|
|               | <b>2022</b>                           | <b>2021</b>         |
| Asia          | \$ 3,061,899                          | \$ 4,451,058        |
| America       | 445,528                               | 397,810             |
| Europe        | 220,938                               | 254,933             |
| Other         | 10                                    | -                   |
|               | <u>\$ 3,728,375</u>                   | <u>\$ 5,103,801</u> |

The customer's location of operations is the basis for calculating the disaggregation of revenue based on

customer segments by geographical region.

## 21. 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 Year Ended December 31 |                    |            |                 |                    |            |
|------------------------------|--------------------------------|--------------------|------------|-----------------|--------------------|------------|
|                              | 2022                           |                    |            | 2021            |                    |            |
|                              | Operating Costs                | Operating Expenses | Total      | Operating Costs | Operating Expenses | Total      |
| Short-term employee benefits |                                |                    |            |                 |                    |            |
| Salaries and wages           | \$ 399,672                     | \$ 120,742         | \$ 520,414 | \$ 448,672      | \$ 162,192         | \$ 610,864 |
| Labor/health insurance       | 39,210                         | 9,383              | 48,593     | 37,973          | 10,323             | 48,296     |
| Pension                      | 15,643                         | 5,179              | 20,822     | 14,922          | 4,304              | 19,226     |
| Directors' remuneration      | -                              | 7,077              | 7,077      | -               | 15,093             | 15,093     |
| Other employee benefits      | 24,597                         | 4,686              | 29,283     | 25,346          | 4,904              | 30,250     |
| Depreciation                 | 396,125                        | 27,723             | 423,848    | 345,924         | 27,603             | 373,527    |
| Amortization                 | 3,497                          | 1,426              | 4,923      | 2,046           | 1,179              | 3,225      |

The number of employees of the Company for the years ended December 31, 2022 and 2021 was 793 and 790, respectively. Among them, the number of directors who did not serve as employees were 5 for both years. The basis of calculation is consistent with that of employee benefits.

The average employee benefits for the years ended December 31, 2022 and 2021 were \$786 thousand and \$903 thousand, respectively.

The average salaries and wages for the years ended December 31, 2022 and 2021 were \$660 thousand and \$778 thousand, respectively. The difference between the two years is 15%.

The Company did not have any the supervisors in 2022 and 2021, therefore, there was no supervisors' related remuneration.

The Company's salary policies of directors, independent directors, managers and employees are as follows:

1) Directors and independent directors

a) Fixed remuneration:

The fixed remuneration is based on the transportation allowances resolved monthly by the board of directors.

b) Floating remuneration:

Based on the Articles of the Company, no more than 2% of net income is distributed as remuneration of directors.

2) Remuneration of managers is based on KPIs such as corporate performance, department performance and individual performance.

3) Compensation of employees is based on the Company's salary policies. Based on the Articles of the Company, 2%-10% of the net income is distributed as compensation of employees.

4) Remuneration of directors and managers is assessed regularly and determined by the compensation

committee.

b. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates of 2%-10% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2022 and 2021 which were approved by the Company's board of directors on February 23, 2023 and February 22, 2022, respectively, are as follows:

|                           | <u>For the Year Ended December 31</u> |      |
|---------------------------|---------------------------------------|------|
|                           | 2022                                  | 2021 |
| <u>Accrual rate</u>       |                                       |      |
| Compensation of employees | 2.5%                                  | 2.5% |
| Remuneration of directors | 1%                                    | 1%   |

|                           | <u>For the Year Ended December 31</u> |        |           |        |
|---------------------------|---------------------------------------|--------|-----------|--------|
|                           | 2022                                  |        | 2021      |        |
|                           | Cash                                  | Shares | Cash      | Shares |
| <u>Amount</u>             |                                       |        |           |        |
| Compensation of employees | \$ 16,231                             | \$ -   | \$ 36,309 | \$ -   |
| Remuneration of directors | 6,492                                 | -      | 14,523    | -      |

If there is a change in the amounts after the annual 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 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, respectively.

|   | <u>For the Year Ended December 31</u> |        |           |        |
|---|---------------------------------------|--------|-----------|--------|
|   | 2021                                  |        | 2020      |        |
|   | Cash                                  | Shares | Cash      | Shares |
| 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 resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. INCOME TAXES

### a. Income tax expense recognized in profit or loss

Major components of income tax expense are as follows:

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2022</b>                           | <b>2021</b>       |
| Current tax                                     |                                       |                   |
| In respect of the current year                  | \$ 126,261                            | \$ 273,279        |
| Undistributed earnings levy                     | 21,163                                | -                 |
| Adjustments for prior year                      | <u>(27,438)</u>                       | <u>(15,405)</u>   |
| Income tax expense recognized in profit or loss | <u>\$ 119,986</u>                     | <u>\$ 257,874</u> |

The reconciliation of accounting profit and current income tax expense is as follows:

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2022</b>                           | <b>2021</b>       |
| Income tax expense calculated at the statutory rate (20%)<br>according to profit before tax | \$ 125,301                            | \$ 280,303        |
| Permanent difference  | 8,964                                 | (16,648)          |
| Other adjustment items  | (8,004)                               | 9,624             |
| Undistributed earnings levy   | 21,163                                | -                 |
| Adjustment of previous year's income tax  | <u>(27,438)</u>                       | <u>(15,405)</u>   |
| Income tax expense recognized in profit or loss   | <u>\$ 119,986</u>                     | <u>\$ 257,874</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. Income tax liabilities at end of period

|                     | <b>December 31</b> |                   |
|---------------------|--------------------|-------------------|
|                     | <b>2022</b>        | <b>2021</b>       |
| Income tax payables | <u>\$ 148,372</u>  | <u>\$ 126,728</u> |

c. Deferred income tax assets and liabilities

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2022</b>        | <b>2021</b>       |
| Deferred tax assets                        |                    |                   |
| Impairment loss on assets                  | \$ 13,490          | \$ 14,692         |
| Unrealized loss from inventory devaluation | 7,800              | 7,709             |
| Unrealized loss from bad debt              | 2,934              | 2,386             |
| Others                                     | <u>12,468</u>      | <u>4,557</u>      |
|  | <u>\$ 36,692</u>   | <u>\$ 29,344</u>  |
| Deferred tax liabilities                   |                    |                   |
| Unappropriated earnings of subsidiaries    | \$ 135,890         | \$ 158,808        |
| Reserve for land value increment tax       | 13,734             | 13,734            |
| Others                                     | <u>8,815</u>       | <u>5,976</u>      |
|  | <u>\$ 158,439</u>  | <u>\$ 178,518</u> |

d. Approved income tax situation

The Company's income tax returns through 2020 have been assessed by the tax authorities.

## 23. EARNINGS PER SHARE

Earnings per share for the years ended December 31, 2022 and 2021 are as follows:

|  | <b>For the Year Ended December 31, 2022</b> |                             |  |
|--|---|-----------------------------|--|
|  | <b>Amount<br/>(In Thousands)</b>            |                             | <b>Earnings Per<br/>Share<br/>(In Dollars)</b> |
|  | <b>After Income<br/>Tax</b>                 | <b>Number of<br/>Shares</b> | <b>After Income<br/>Tax</b>                    |
| Basic earnings per share   |   |                             |  |
| Amount after income tax attributable to owners<br>of the Company   | \$ 506,518                                  | 171,200,000                 | <u>\$ 2.96</u>                                 |
| Effect of potentially dilutive common shares -<br>employee share options   | <u>-</u>                                    | <u>579,772</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>\$ 506,518</u>                           | <u>171,779,772</u>          | <u>\$ 2.95</u>                                 |

|  | <b>For the Year Ended December 31, 2021</b> |                             |  |
|--|---|-----------------------------|--|
|  | <b>Amount<br/>(In Thousands)</b>            |                             | <b>Earnings Per<br/>Share<br/>(In Dollars)</b> |
|  | <b>After Income<br/>Tax</b>                 | <b>Number of<br/>Shares</b> | <b>After Income<br/>Tax</b>                    |
| Basic earnings per share   |   |                             |  |
| Amount after income tax attributable to owners<br>of the Company   | \$ 1,143,641                                | 171,400,000                 | <u>\$ 6.67</u>                                 |
| Effect of potentially dilutive common shares -<br>employee share options   | <u>-</u>                                    | <u>659,423</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>\$ 1,143,641</u>                         | <u>172,059,423</u>          | <u>\$ 6.65</u>                                 |

Since the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company 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.

## 24. DISPOSAL OF SUBSIDIARIES

In order to focus on its core technologies and strengthen its competitiveness, the Company's board of directors approved to sell 100% of its share capital in Hunan Frontier Electronics Co., Ltd. to INPAQ Technology (Suzhou) Co., Ltd. at the price of RMB94,800 thousand on January 27, 2021. The transaction price was based on the latest audited financial statements and appraisal report, and the independent expert has issued reasonableness opinion of the price. Registration transfer and payment of shares have been completed in April and May 2021. The transaction was an organizational restructuring and did not affect the profit or loss, and the Company chose not to recompile the consolidated financial statements for the prior period.

- a. Consideration received from disposal

|                           |   |
|---------------------------|---|
|                           | <b>Hunan Frontier<br/>Electronics Co.,<br/>Ltd.</b> |
| Cash and cash equivalents | <u>\$ 409,726</u>                                   |

b. Analysis of assets and liabilities on the date control was lost

|  | <b>Hunan Frontier<br/>Electronics Co.,<br/>Ltd.</b> |
|--|---|
| Current assets                               |   |
| Cash and cash equivalents                    | \$ 52,881   |
| Financial assets at amortized cost - current | 64,830  |
| Trade receivables                            | 101,082   |
| Other receivables                            | 1,032   |
| Inventories                                  | 52,236  |
| Other current assets                         | 4,416   |
| Non-current assets                           |   |
| Property, plant and equipment                | 171,665   |
| Right-of-use assets                          | 1,932   |
| Refundable deposits                          | 1   |
| Current liabilities                          |   |
| Trade payables                               | (46,424)  |
| Other payables                               | (40,253)  |
| Current tax liabilities                      | (1,866)   |
| Other current liabilities                    | (2,749)   |
| Non-current liabilities                      |   |
| Guarantee deposits received                  | <u>(177)</u>  |
| Net assets disposed of                       | <u>\$ 358,606</u>                                   |

c. Loss on disposal of subsidiary

|   | <b>Hunan Frontier<br/>Electronics Co.,<br/>Ltd.</b> |
|---|---|
| Consideration received  | \$ 409,726  |
| Net assets disposed of  | (358,606)   |
| Accumulated exchange differences from the reclassification of the subsidiaries' net assets from equity to profit or loss due to loss of control of subsidiaries | <u>(64,376)</u>                                     |
| Retained earnings   | <u>\$ (13,256)</u>                                  |

The loss of \$13,256 thousand from the disposal of Hunan Frontier Electronics Co., Ltd. was recognized in May 2021. The transaction was an organizational restructuring; therefore, it did not affect the profit or loss and was presented as deduction of the retained earnings.

d. Net cash inflow on disposals of subsidiary

|   | <b>Hunan Frontier<br/>Electronics Co.,<br/>Ltd.</b> |
|---|---|
| Consideration received in cash and cash equivalents | \$ 409,726  |
| Less: Cash and cash equivalent balance disposed of  | <u>(52,881)</u>                                     |
|   | <u>\$ 356,845</u>                                   |

## 25. CAPITAL MANAGEMENT



The Company manages its capital to ensure that the Company has 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.

## 26. 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 financial statements as approximate fair values. There were no major differences between the carrying amounts and fair values as of December 31, 2022 and 2021.

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

##### December 31, 2022

|                            | Level 1             | Level 2     | Level 3           | Total               |
|----------------------------|---------------------|-------------|-------------------|---------------------|
| Financial assets at FVTPL  |                     |             |                   |                     |
| Domestic listed shares     | \$ 250,030          | \$ -        | \$ -              | \$ 250,030          |
| Financial assets at FVTOCI |                     |             |                   |                     |
| Domestic listed shares     | \$ 1,118,683        | \$ -        | \$ -              | \$ 1,118,683        |
| Domestic unlisted shares   | -                   | -           | 241,168           | 241,168             |
|                            | <u>\$ 1,118,683</u> | <u>\$ -</u> | <u>\$ 241,168</u> | <u>\$ 1,359,851</u> |

##### December 31, 2021

|                            | Level 1             | Level 2     | Level 3           | Total               |
|----------------------------|---------------------|-------------|-------------------|---------------------|
| Financial assets at FVTPL  |                     |             |                   |                     |
| Domestic listed shares     | \$ 389,047          | \$ -        | \$ -              | \$ 389,047          |
| Financial assets at FVTOCI |                     |             |                   |                     |
| Domestic listed shares     | \$ 1,448,999        | \$ -        | \$ -              | \$ 1,448,999        |
| Domestic unlisted shares   | -                   | -           | 158,075           | 158,075             |
|                            | <u>\$ 1,448,999</u> | <u>\$ -</u> | <u>\$ 158,075</u> | <u>\$ 1,607,074</u> |

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

#### 3) 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 price-book ratio would result in an increase in the fair value. An increase in liquidity discount would result in a decrease in the fair value.

b. Categories of financial instruments

|   | <u>December 31</u> |             |
|---|--------------------|-------------|
|   | <b>2022</b>        | <b>2021</b> |
| <u>Financial assets</u>                     |                    |             |
| FVTPL                                       |                    |             |
| Mandatorily classified as at FVTPL          | \$ 250,030         | \$ 389,047  |
| Financial assets at amortized cost (Note 1) | 1,854,013          | 1,908,548   |
| Financial assets at FVTOCI                  |                    |             |
| Equity instruments                          | 1,359,851          | 1,607,074   |
| <u>Financial liabilities</u>                |                    |             |
| Amortized cost (Note 2)                     | 1,700,183          | 1,982,039   |

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 Company's major financial instruments include equity and debt investments, borrowings, trade receivables and trade payables. The Company'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 Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

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

The Company'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 Company 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 Company's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 30.

|                | <b>USD Impact</b>                     |             |
|----------------|---------------------------------------|-------------|
|                | <b>For the Year Ended December 31</b> |             |
|                | <b>2022</b>                           | <b>2021</b> |
| Profit or loss | \$ 38,981                             | \$ 16,391   |
| Equity         | 50,205                                | 52,323      |

|                | <b>RMB Impact</b>                     |             |
|----------------|---------------------------------------|-------------|
|                | <b>For the Year Ended December 31</b> |             |
|                | <b>2022</b>                           | <b>2021</b> |
| Profit or loss | \$ 34                                 | \$ 1,636    |

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the year for a 3% change in foreign currency rates. A positive number indicates a decrease 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 positive impact on post-tax profit and equity.

b) Interest rate risk

The Company 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 Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

|                              | <b>December 31</b> |             |
|------------------------------|--------------------|-------------|
|                              | <b>2022</b>        | <b>2021</b> |
| Cash flow interest rate risk |                    |             |
| Financial assets             | \$ 797,790         | \$ 516,553  |
| Financial liabilities        | 1,051,784          | 825,989     |

The Company's sensitivity analysis of interest rate risk mainly focuses on changes in 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 Company's variable-rate financial assets for the years ended December 31, 2022 and 2021 would have resulted in cash inflows by \$2,540 thousand and \$3,094 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 Company.

The management of the Company has delegated a team responsible for 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 Company 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 Company's credit risk was significantly reduced.

### 3) Liquidity risk

The Company'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 Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods:

December 31, 2022

| Non-derivative financing liabilities | <b>Less than<br/>1 Year</b> | <b>2-3 Years</b>  | <b>3+ Years</b>  | <b>Total</b>        |
|--------------------------------------|-----------------------------|-------------------|------------------|---------------------|
| Non-interest bearing                 | \$ 648,399                  | \$ -              | \$ -             | \$ 648,399          |
| Variable interest rate liabilities   | 579,591                     | 472,193           | -                | 1,051,784           |
| Lease liabilities                    | <u>28,519</u>               | <u>58,470</u>     | <u>92,502</u>    | <u>179,491</u>      |
|                                      | <u>\$ 1,256,509</u>         | <u>\$ 530,663</u> | <u>\$ 92,502</u> | <u>\$ 1,879,674</u> |

December 31, 2021

| Non-derivative financing liabilities | <b>Less than<br/>1 Year</b> | <b>2-3 Years</b>  | <b>3+ Years</b>   | <b>Total</b>        |
|--------------------------------------|-----------------------------|-------------------|-------------------|---------------------|
| Non-interest bearing                 | \$ 1,156,050                | \$ -              | \$ -              | \$ 1,156,050        |
| Variable interest rate liabilities   | 8,333                       | 749,832           | 67,824            | 825,989             |
| Lease liabilities                    | <u>23,972</u>               | <u>43,816</u>     | <u>105,804</u>    | <u>173,592</u>      |
|                                      | <u>\$ 1,188,355</u>         | <u>\$ 793,648</u> | <u>\$ 173,628</u> | <u>\$ 2,155,631</u> |

## 27. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows:

Related party name and category

| <b>Related Party Name</b>                            | <b>Related Party Category</b> |
|--|-------------------------------|
| Walsin Technology Corporation                        | Parent company                |
| Frontier Components Co., Limited                     | Subsidiary                    |
| Prosperity Frontier Electronics (Shenzhen) Co., Ltd. | Subsidiary                    |
| PDC Electronics (Suzhou) Co., Ltd.                   | Subsidiary                    |
| 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                |
| Eleceram Technology Co., Ltd.                        | Sister company                |

(Continued)

| <u>Related Party Name</u>               | <u>Related Party Category</u>                 |
|---|---|
| INPAQ Technology Co., Ltd.              | Sister company                                |
| INPAQ Technology (Suzhou) Co., Ltd.     | Sister company                                |
| Taiwan INPAQ Electronics Co., Ltd.      | Sister company                                |
| Hunan Frontier Electronics Co., Ltd.    | Sister company (subsidiary before April 2021) |
| Tsai Yi 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                           |
| Hwa Bao Botanic Conservation Corp.      | Other related party                           |
| PSA Charitable Foundation               | Other related party                           |
| PSA WG Culture and Arts Foundation      | Other related party                           |

(Concluded)

Transactions

| <u>Related Party Category/Name</u>                   | <u>Sales of Goods</u>     |                     | <u>Purchases of Goods</u> |                     |
|--|---------------------------|---------------------|---------------------------|---------------------|
|  | <u>For the Year Ended</u> |                     | <u>For the Year Ended</u> |                     |
|  | <u>December 31</u>        |                     | <u>December 31</u>        |                     |
|  | <u>2022</u>               | <u>2021</u>         | <u>2022</u>               | <u>2021</u>         |
| Parent company                                       | \$ 880,949                | \$ 1,020,648        | \$ 413,499                | \$ 631,675          |
| Subsidiaries   |                           |                     |                           |                     |
| Frontier Components Co., Limited                     | 459,711                   | 1,050,313           | -                         | 18,188              |
| Hunan Frontier Electronics Co., Ltd.                 | -                         | 52                  | -                         | 81,884              |
| Prosperity Frontier Electronics (Shenzhen) Co., Ltd. | 507                       | 2,214               | 99,959                    | 77,414              |
| Others   | <u>213</u>                | <u>243</u>          | <u>-</u>                  | <u>1,821</u>        |
|  | <u>460,431</u>            | <u>1,052,822</u>    | <u>99,959</u>             | <u>179,307</u>      |
| Sister companies                                     |                           |                     |                           |                     |
| Dongguan Walsin Technology Electronics Co., Ltd.     | -                         | -                   | 53,311                    | 188,949             |
| Others   | <u>43,996</u>             | <u>79,458</u>       | <u>39,737</u>             | <u>71,452</u>       |
|  | <u>43,996</u>             | <u>79,458</u>       | <u>93,048</u>             | <u>260,401</u>      |
| Associates   | 34                        | -                   | 701                       | -                   |
| Other related parties                                | <u>445</u>                | <u>437</u>          | <u>-</u>                  | <u>-</u>            |
|  | <u>\$ 1,385,855</u>       | <u>\$ 2,149,365</u> | <u>\$ 607,207</u>         | <u>\$ 1,071,383</u> |

The selling prices between the Company 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 Company 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.

| Related Party Category/Name             | Acquisition of Assets          |                   |
|---|--------------------------------|-------------------|
|   | For the Year Ended December 31 |                   |
|   | 2022                           | 2021              |
| Parent company                          | \$ 198,000                     | \$ 22,000         |
| Other related parties                   |                                |                   |
| Falcon Automation Equipment Corporation | <u>26,552</u>                  | <u>87,733</u>     |
|   | <u>\$ 224,552</u>              | <u>\$ 109,733</u> |

| Related Party Category | Disposal of Assets             |                         |                 |                         |
|------------------------|--------------------------------|-------------------------|-----------------|-------------------------|
|                        | For the Year Ended December 31 |                         |                 |                         |
|                        | 2022                           |                         | 2021            |                         |
|                        | Proceeds                       | Gain (Loss) on Disposal | Proceeds        | Gain (Loss) on Disposal |
| Sister companies       | <u>\$ -</u>                    | <u>\$ -</u>             | <u>\$ 7,832</u> | <u>\$ 3,262</u>         |

Lease arrangements as lessee

| Item              | Related Party Category | December 31      |                  |
|-------------------|------------------------|------------------|------------------|
|                   |                        | 2022             | 2021             |
| Lease liabilities | Parent company         | \$ 29,194        | \$ 2,559         |
|                   | Other related parties  | <u>10,815</u>    | <u>12,333</u>    |
|                   |                        | <u>\$ 40,009</u> | <u>\$ 14,892</u> |

| Item             | Related Party Category | For the Year Ended December 31 |              |
|------------------|------------------------|--------------------------------|--------------|
|                  |                        | 2022                           | 2021         |
| Interest expense | Parent company         | \$ 184                         | \$ 53        |
|                  | Other related parties  | <u>115</u>                     | <u>20</u>    |
|                  |                        | <u>\$ 299</u>                  | <u>\$ 73</u> |
| Rental expense   | Parent company         | <u>\$ 1,603</u>                | <u>\$ 55</u> |

Lease arrangements as lessor

Lease income was summarized as follows:

| Related Party Category | For the Year Ended December 31 |                 |
|------------------------|--------------------------------|-----------------|
|                        | 2022                           | 2021            |
| Parent company         | \$ 3,002                       | \$ 2,743        |
| Sister companies       | 122                            | 170             |
| Associates             | 47                             | 47              |
| Other related parties  | <u>2,483</u>                   | <u>2,387</u>    |
|                        | <u>\$ 5,654</u>                | <u>\$ 5,347</u> |

For the year ended December 31, the remaining balances were as follows:

| Related Party Category/Name             | Trade Receivables |                   | Trade Payables   |                  |
|---|-------------------|-------------------|------------------|------------------|
|   | December 31       |                   | December 31      |                  |
|   | 2022              | 2021              | 2022             | 2021             |
| Parent company                          | \$ 156,226        | \$ 194,407        | \$ -             | \$ -             |
| Subsidiaries                            |                   |                   |                  |                  |
| Frontier Components Co., Limited        | 111,544           | 224,408           | 3,317            | 36,236           |
| Others                                  | 233               | 2,038             | 23,616           | 21,967           |
|   | <u>111,777</u>    | <u>226,446</u>    | <u>26,933</u>    | <u>58,203</u>    |
| Sister companies                        | <u>16,067</u>     | <u>25,927</u>     | <u>12,933</u>    | <u>16,131</u>    |
| Associates                              | <u>36</u>         | -                 | <u>736</u>       | -                |
| Other related parties                   | <u>103</u>        | -                 | -                | -                |
|   | <u>\$ 284,209</u> | <u>\$ 446,780</u> | <u>\$ 40,602</u> | <u>\$ 74,334</u> |
| Related Party Category/Name             | Other Receivables |                   | Other Payables   |                  |
|   | December 31       |                   | December 31      |                  |
|   | 2022              | 2021              | 2022             | 2021             |
| Parent company                          | \$ -              | \$ 9,871          | \$ 3,962         | \$ -             |
| Subsidiaries                            |                   |                   |                  |                  |
| PDC Electronics (Suzhou) Co., Ltd.      | -                 | 837               | -                | -                |
| Others                                  | -                 | 28                | -                | -                |
|   | <u>-</u>          | <u>865</u>        | <u>-</u>         | <u>-</u>         |
| Sister companies                        | 78                | 1,119             | 320              | 348              |
| Associates                              | 537               | 12                | -                | -                |
| Other related parties                   |                   |                   |                  |                  |
| Falcon Automation Equipment Corporation | -                 | -                 | 2,833            | 12,882           |
| Walsin Lihwa Corporation                | -                 | -                 | 8,911            | 8,534            |
| Others                                  | 632               | 619               | 81               | 166              |
|   | <u>632</u>        | <u>619</u>        | <u>11,825</u>    | <u>21,582</u>    |
|   | <u>\$ 1,247</u>   | <u>\$ 12,486</u>  | <u>\$ 16,107</u> | <u>\$ 21,930</u> |

Other receivables are the uncollected amounts from the Company's lease income, selling of raw materials, spare parts, 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, and trade receivables - related parties were also not guaranteed. There was no bad debt expense for trade receivables - related parties as of December 31, 2022 and 2021.

#### Equity transactions

Refer to Notes 11, 12 and 24.

## Remuneration of key management personnel

Remuneration of the board of directors and other key management personnel for the years ended December 31, 2022 and 2021 was as follows:

|                              | <b>For the Year Ended December 31</b> |                  |
|------------------------------|---------------------------------------|------------------|
|                              | <b>2022</b>                           | <b>2021</b>      |
| Short-term employee benefits | \$ 42,184                             | \$ 20,495        |
| Post-employment benefits     | <u>216</u>                            | <u>108</u>       |
|                              | <u>\$ 42,400</u>                      | <u>\$ 20,603</u> |

## **28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at the end of the reporting period were as follows:

### a. Significant unrecognized commitments

Unrecognized commitments were as follows:

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2022</b>        | <b>2021</b>       |
| Acquisition of property, plant and equipment | <u>\$ 72,145</u>   | <u>\$ 442,600</u> |

### b. Contingencies

As of December 31, 2022, outstanding letters of credit of the Company were summarized as follows:

| <b>Currency</b> | <b>Carrying Amount</b> | <b>Unit: Dollars</b> |   |
|-----------------|------------------------|----------------------|---|
|                 |                        | <b>Deposits Paid</b> |   |
| JPY             | JPY 186,000,000        | JPY                  | - |

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

| <b>Currency</b> | <b>Carrying Amount</b> | <b>Unit: Dollars</b> |   |
|-----------------|------------------------|----------------------|---|
|                 |                        | <b>Deposits Paid</b> |   |
| USD             | US\$ 36,600            | US\$                 | - |
| JPY             | JPY 387,628,000        | JPY                  | - |



## 29. OTHER ITEMS

### a. Reason of restatement

In June 2022, the board of directors of the Company approved to acquire 17,519 thousand shares and 3,058 thousand shares of Joyin Co., Ltd. from the related parties, INPAQ Technology Co., Ltd. and Walsin Technology Corporation, respectively. This acquisition of equity is a reorganization under common control, and pursuant to Q&A and interpretation letters of Accounting Research and Development Foundation, such acquisition shall be accounted for using the book value method, and deemed as a business combination from the beginning; consequently, the individual financial statements are restated for the comparative period. After restatement, the profit and loss, other comprehensive income, and related interests originally owned by INPAQ Technology Co., Ltd. and Walsin Technology Corporation were recorded as equity attributable to former owner of business combination under common control.

### b. The restated individual balance sheet as of December 31, 2021 and the individual statement of comprehensive income for the year ended December 31, 2021 have the following effects:

December 31, 2021

| Item  | Amount Before<br>Retrospective<br>Restatement | Effects           | Amount After<br>Retrospective<br>Restatement |
|---|---|-------------------|--|
| Current assets                                    |   |                   |  |
| Cash and cash equivalents                         | \$ 801,350                                    | \$ -              | \$ 801,350                                   |
| Financial assets at FVTPL - current               | 389,047                                       | -                 | 389,047                                      |
| Financial assets at amortized cost - current      | 45,312  | -                 | 45,312                                       |
| Notes receivable                                  | 50,882  | -                 | 50,882                                       |
| Trade receivables                                 | 530,518                                       | -                 | 530,518                                      |
| Trade receivables - related parties               | 446,780                                       | -                 | 446,780                                      |
| Other receivables                                 | 19,206  | -                 | 19,206                                       |
| Other receivables - related parties               | 12,486  | -                 | 12,486                                       |
| Inventories                                       | 765,326                                       | -                 | 765,326                                      |
| Other current assets                              | <u>49,457</u>                                 | <u>-</u>          | <u>49,457</u>                                |
| Total current assets                              | <u>3,110,364</u>                              | <u>-</u>          | <u>3,110,364</u>                             |
| Non-current assets                                |   |                   |  |
| Financial assets at FVTOCI - non-current          | 1,607,074                                     | -                 | 1,607,074                                    |
| Investments accounted for using the equity method | 1,891,268                                     | 324,031           | 2,215,299                                    |
| Property, plant and equipment                     | 2,093,893                                     | -                 | 2,093,893                                    |
| Right-of-use assets                               | 162,708                                       | -                 | 162,708                                      |
| Computer software                                 | 7,192   | -                 | 7,192  |
| Deferred tax assets                               | 29,344  | -                 | 29,344                                       |
| Other non-current assets                          | <u>5,274</u>                                  | <u>-</u>          | <u>5,274</u>                                 |
| Total non-current assets                          | <u>5,796,753</u>                              | <u>324,031</u>    | <u>6,120,784</u>                             |
| Total assets                                      | <u>\$ 8,907,117</u>                           | <u>\$ 324,031</u> | <u>\$ 9,231,148</u>                          |

(Continued)

| Item  | Amount Before<br>Retrospective<br>Restatement | Effects           | Amount After<br>Retrospective<br>Restatement |
|---|---|-------------------|--|
| Current liabilities   |   |                   |  |
| Trade payables to unrelated parties   | \$ 352,993                                    | \$ -              | \$ 352,993                                   |
| Trade payables to related parties   | 74,334  | -                 | 74,334                                       |
| Other payables to unrelated parties   | 689,847                                       | -                 | 689,847                                      |
| Other payables to related parties   | 21,930  | -                 | 21,930                                       |
| Current tax liabilities   | 126,728                                       | -                 | 126,728                                      |
| Lease liabilities - current   | 23,972  | -                 | 23,972                                       |
| Current portion of long-term borrowings   | 8,333   | -                 | 8,333  |
| Other current liabilities   | <u>11,052</u>                                 | <u>-</u>          | <u>11,052</u>                                |
| Total current liabilities   | <u>1,309,189</u>                              | <u>-</u>          | <u>1,309,189</u>                             |
| Non-current liabilities   |   |                   |  |
| Long-term borrowings  | 817,656                                       | -                 | 817,656                                      |
| Deferred tax liabilities  | 178,518                                       | -                 | 178,518                                      |
| Lease liabilities - non-current   | 149,620                                       | -                 | 149,620                                      |
| Deferred revenue - non-current  | 9,011   | -                 | 9,011  |
| Net defined benefit liabilities - non-current   | 51,391  | -                 | 51,391                                       |
| Guarantee deposits received   | <u>16,946</u>                                 | <u>-</u>          | <u>16,946</u>                                |
| Total non-current liabilities   | <u>1,223,142</u>                              | <u>-</u>          | <u>1,223,142</u>                             |
| Total liabilities   | <u>\$ 2,532,331</u>                           | <u>\$ -</u>       | <u>\$ 2,532,331</u>                          |
| Equity attributable to owners of the company  |   |                   |  |
| Ordinary shares   | <u>\$ 1,720,000</u>                           | <u>\$ -</u>       | <u>\$ 1,720,000</u>                          |
| Capital surplus   | <u>498,548</u>                                | <u>-</u>          | <u>498,548</u>                               |
| Retained earnings   |   |                   |  |
| Legal reserve   | 509,861                                       | -                 | 509,861                                      |
| Special reserve   | 67,764  | -                 | 67,764                                       |
| Unappropriated earnings   | <u>2,829,865</u>                              | <u>-</u>          | <u>2,829,865</u>                             |
| Total retained earnings   | <u>3,407,490</u>                              | <u>-</u>          | <u>3,407,490</u>                             |
| Other equity  |   |                   |  |
| Exchange differences on the translation<br>of the financial statements of foreign<br>operations | (116,523)                                     | -                 | (116,523)                                    |
| Unrealized gain on FVTOCI   | <u>919,642</u>                                | <u>-</u>          | <u>919,642</u>                               |
| Total other equity  | <u>803,119</u>                                | <u>-</u>          | <u>803,119</u>                               |
| Treasury shares   | <u>(54,371)</u>                               | <u>-</u>          | <u>(54,371)</u>                              |
| Total equity attributable to owners of the<br>Company   | <u>6,374,786</u>                              | <u>-</u>          | <u>6,374,786</u>                             |
| Equity attributable to former owner of<br>business combination under common<br>control          | <u>-</u>                                      | <u>324,031</u>    | <u>324,031</u>                               |
| Total equity  | <u>6,374,786</u>                              | <u>324,031</u>    | <u>6,698,817</u>                             |
| Total liabilities and equity  | <u>\$ 8,907,117</u>                           | <u>\$ 324,031</u> | <u>\$ 9,231,148</u>                          |

(Concluded)

For the year ended December 31, 2021

| Item  | Amount Before<br>Retrospective<br>Restatement | Effects         | Amount After<br>Retrospective<br>Restatement |
|---|---|-----------------|--|
| Net sales   | \$ 5,103,801                                  | \$ -            | \$ 5,103,801                                 |
| Cost of sales   | <u>3,712,062</u>                              | -               | <u>3,712,062</u>                             |
| Gross profit  | <u>1,391,739</u>                              | -               | <u>1,391,739</u>                             |
| Unrealized gain on transactions with<br>subsidiaries  | <u>(7,816)</u>                                | -               | <u>(7,816)</u>                               |
| Realizes gross profit   | <u>1,383,923</u>                              | -               | <u>1,383,923</u>                             |
| Operating expenses  |   |                 |  |
| Selling and marketing expenses  | 141,197                                       | -               | 141,197                                      |
| General and administrative expenses   | 140,765                                       | -               | 140,765                                      |
| Research and development expenses   | <u>83,880</u>                                 | -               | <u>83,880</u>                                |
| Total operating expenses  | <u>365,842</u>                                | -               | <u>365,842</u>                               |
| Profit from operations  | <u>1,018,081</u>                              | -               | <u>1,018,081</u>                             |
| Non-operating income and expenses   |   |                 |  |
| Interest income   | 2,168   | -               | 2,168  |
| Dividend income   | 54,883  | -               | 54,883                                       |
| Other income  | 19,346  | -               | 19,346                                       |
| Gain on disposal of property, plant and<br>equipment  | 3,282   | -               | 3,282  |
| Gain on valuation of financial assets at<br>FVTPL   | 33,695  | -               | 33,695                                       |
| Gain on reversal of impairment loss   | 6,219   | -               | 6,219  |
| Share of profit of associates accounted for<br>using the equity method                            | 291,132                                       | 4,126           | 295,258                                      |
| Interest expense  | (9,541)                                       | -               | (9,541)                                      |
| Miscellaneous expenses  | (8,285)                                       | -               | (8,285)                                      |
| Loss on lease modifications   | (333)   | -               | (333)  |
| Foreign exchange loss   | <u>(9,132)</u>                                | -               | <u>(9,132)</u>                               |
| Total non-operating income and expenses   | <u>383,434</u>                                | <u>4,126</u>    | <u>387,560</u>                               |
| Profit before income tax  | 1,401,515                                     | 4,126           | 1,405,641                                    |
| Income tax expense  | <u>(257,874)</u>                              | -               | <u>(257,874)</u>                             |
| Net profit for the period   | <u>1,143,641</u>                              | <u>4,126</u>    | <u>1,147,767</u>                             |
| Other comprehensive (loss) income   |   |                 |  |
| Items that will not be reclassified<br>subsequently to profit or loss:                            |   |                 |  |
| Remeasurements of defined benefit plan  | (5,102)                                       | -               | (5,102)                                      |
| Unrealized gain on investments in equity<br>instruments at FVTOCI                                 | 372,570                                       | -               | 372,570                                      |
| Share of the other comprehensive loss of<br>associates accounted for using the<br>equity method   | (6,346)                                       | (19)            | (6,365)                                      |
| Items that may be reclassified subsequently<br>to profit or loss:                                 |   |                 |  |
| Share of the other comprehensive<br>income of associates accounted for<br>using the equity method | <u>4,188</u>                                  | <u>2,091</u>    | <u>6,279</u>                                 |
| Other comprehensive income for the<br>period  | <u>365,310</u>                                | <u>2,072</u>    | <u>367,382</u>                               |
| Total comprehensive income for the period   | <u>\$ 1,508,951</u>                           | <u>\$ 6,198</u> | <u>\$ 1,515,149</u>                          |

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

The following information was aggregated by the foreign currencies other than functional currencies of the Company 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:

|   | December 31                           |                  |                                      |                                       |                  |                                      |
|---|---------------------------------------|------------------|--------------------------------------|---------------------------------------|------------------|--------------------------------------|
|   | 2022                                  |                  |                                      | 2021                                  |                  |                                      |
|   | Foreign<br>Currency (In<br>Thousands) | Exchange<br>Rate | Carrying<br>Amount (In<br>Thousands) | Foreign<br>Currency (In<br>Thousands) | Exchange<br>Rate | Carrying<br>Amount (In<br>Thousands) |
| <u>Financial assets</u>                           |                                       |                  |                                      |                                       |                  |                                      |
| Monetary items                                    |                                       |                  |                                      |                                       |                  |                                      |
| USD   | \$ 44,316                             | 30.71            | \$ 1,360,944                         | \$ 22,972                             | 27.69            | \$ 636,095                           |
| RMB   | 259                                   | 4.4105           | 1,142                                | 12,546                                | 4.3476           | 54,545                               |
| Non-monetary items                                |                                       |                  |                                      |                                       |                  |                                      |
| Investments accounted for using the equity method |                                       |                  |                                      |                                       |                  |                                      |
| USD   | 54,493                                | 30.71            | 1,673,489                            | 62,987                                | 27.69            | 1,744,111                            |
| <u>Financial liabilities</u>                      |                                       |                  |                                      |                                       |                  |                                      |
| Monetary items                                    |                                       |                  |                                      |                                       |                  |                                      |
| USD   | 2,005                                 | 30.71            | 61,574                               | 3,241                                 | 27.69            | 89,743                               |

For the years ended December 31, 2022 and 2021, foreign exchange gains (losses) were \$95,339 thousand and \$(9,132) 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.

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees and information about reinvestment:

- 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 (Table 2)
- 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 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 9) Trading in derivative instruments (None)
- 10) 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)

### **32. SEGMENT INFORMATION**

The Company has disclosed segment information in the consolidated financial statements and thus does not disclose segment information in these parent company only financial statements.

**PROSPERITY DIELECTRICS CO., LTD.**

**MARKETABLE SECURITIES HELD**

**DECEMBER 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   | December 31, 2022 |                 |                             |            | Note |
|---|---|--|---|-------------------|-----------------|-----------------------------|------------|------|
|   |   |  |   | Number of Shares  | Carrying Amount | Percentage of Ownership (%) | Fair Value |      |
| Prosperity Dielectrics Co., Ltd.        | <u>Listed shares</u><br>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        | \$ 362,241      | 6.16                        | \$ 362,241 |      |
|   | Walsin Lihwa Corporation                                  | The chairman of the securities issuer is the second degree of kinship of the Company | "   | 10,989,605        | 518,710         | 0.29                        | 518,710    |      |
|   | HannStar Board Corporation                                | The chairman of the securities issuer is the same as the Company                     | "   | 5,668,332         | 179,403         | 1.07                        | 179,403    |      |
|   | APAQ Technology Co., Ltd.                                 | None   | "   | 739,000           | 30,779          | 0.83                        | 30,779     |      |
|   | Fubon Financial Holding Co., Ltd. Preferred Shares C      | "  | "   | 500,000           | 27,550          | -                           | 27,550     |      |
|   | APAQ Technology Co., Ltd.                                 | "  | Financial assets at fair value through profit or loss - current                 | 4,541,000         | 189,133         | 5.10                        | 189,133    |      |
|   | Chunghwa Telecom Co., Ltd.                                | "  | "   | 400,000           | 45,200          | 0.01                        | 45,200     |      |
|   | Taiwan Semiconductor Manufacturing Co., Ltd.              | "  | "   | 35,000            | 15,697          | -                           | 15,697     |      |
|   | <u>Shares</u><br>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         | 153,067         | 0.72                        | 153,067    |      |
|   | Hwa Bao Botanic Conservation Corp.                        | "  | "   | 8,000,000         | 88,101          | 10.00                       | 88,101     |      |
| Dongguan Frontier Electronics Co., Ltd. | <u>Bonds</u><br>2022 Book-entry 9th Treasury Coupon Bonds | None   | Financial assets at fair value through profit or loss - current                 | -                 | 44,549          | -                           | 44,549     |      |
| PDC Electronics (Suzhou) Co., Ltd.      | <u>Mutual funds</u><br>GF Money Market Fund B             | "  | "   | -                 | 22,732          | -                           | 22,732     |      |
|   | CCB Principal Profit Raise Money Market ETF Fund A        | "  | "   | -                 | 31,103          | -                           | 31,103     |      |
| Frontier Components Co., Limited        | <u>Bonds</u><br>TSMC Arizona Corp.                        | None   | Financial assets at amortized cost - non-current                                | -                 | 92,039          | -                           | 92,039     |      |
|   | Amazon.com, Inc.  | "  | "   | -                 | 60,327          | -                           | 60,327     |      |
|   | U.S. Treasuries   | "  | "   | -                 | 60,244          | -                           | 60,244     |      |

**PROSPERITY DIELECTRICS CO., LTD.**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name                     | Type and Name of Marketable Securities | Financial Statement Account                       | Counterparty   | Relationship                      | Beginning Balance |           | Acquisition      |                   | Disposal         |               |                 |                         | Ending Balance   |            |
|----------------------------------|--|---|--|-----------------------------------|-------------------|-----------|------------------|-------------------|------------------|---------------|-----------------|-------------------------|------------------|------------|
|                                  |  |   |  |                                   | Number of Shares  | Amount    | Number of Shares | Amount            | Number of Shares | Selling Price | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount     |
| Prosperity Dielectrics Co., Ltd. | Joyin Co., Ltd.                        | Investments accounted for using the equity method | Walsin Technology Corporation, INPAQ Technology Co., Ltd. and issuance of ordinary shares for cash | Parent company and sister company | 2,659,517         | \$ 42,793 | 21,055,843       | \$ 368,131 (Note) | -                | \$ -          | \$ -            | \$ -                    | 23,715,360       | \$ 410,924 |

Note: The purchase transactions include investments accounted for using the equity method transferred from re-organization, share of loss of associates in the current period, exchange differences on the translation of the financial statements of foreign operations, unrealized valuation gain/(loss) on financial assets at FVTOCI, and capital surplus, etc.

**PROSPERITY DIELECTRICS CO., LTD.**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(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               | \$ (459,711) | (12)          | No significant difference with third parties | -                    | -             | Trade receivables<br>\$ 111,544     | 15            |      |
|   | Walsin Technology Corporation                    | Parent company                          | Sales               | (880,949)    | (24)          | "  | -                    | -             | Trade receivables<br>156,226        | 21            |      |
|   | Walsin Technology Corporation                    | Parent company                          | Purchases           | 413,499      | 28            | "  | -                    | -             | Trade payables<br>-                 | -             |      |
| Frontier Components Co., Limited        | Prosperity Dielectrics Co., Ltd.                 | Parent company                          | Purchases           | 459,711      | 85            | "  | -                    | -             | Trade payables<br>(111,544)         | (85)          |      |
|   | Dongguan Frontier Electronics Co., Ltd.          | 100% owned subsidiary                   | Sales               | (374,330)    | (71)          | "  | -                    | -             | Trade receivables<br>73,016         | 64            |      |
| Dongguan Frontier Electronics Co., Ltd. | Frontier Components Co., Limited                 | Parent company                          | Purchases           | 374,330      | 59            | "  | -                    | -             | Trade payables<br>(73,016)          | (47)          |      |
|   | Dongguan Walsin Technology Electronics Co., Ltd. | Sister company                          | Purchases           | 238,368      | 37            | "  | -                    | -             | Trade payables<br>(74,568)          | (48)          |      |



**PROSPERITY DIELECTRICS CO., LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 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 | \$ 111,544    | 2.74    | \$ -          | -                                    | \$ -                          | \$ - |
|                                  |   |   | Trade receivables | 156,226       | 5.02    | -             | -                                    | -                             | -    |

## PROSPERITY DIELECTRICS CO., LTD.

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 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 December 31, 2022 |      |                 | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|------------------------|--|----------------------------|---------------------|-------------------------|------|-----------------|-----------------------------------|------------------------|------|
|   |   |                        |  | December 31, 2022          | December 31, 2021   | Number of Shares        | %    | Carrying Amount |                                   |                        |      |
| Prosperity Dielectrics Co., Ltd.                    | PDC Prime Holdings Limited                          | Samoa                  | Investment holding                     | \$ 728,456                 | \$ 728,456          | 23,464,538              | 100  | \$ 1,543,925    | \$ (34,674)                       | \$ (34,674)            |      |
|   | Frontec International Corporation                   | British Virgin Islands | Investment holding                     | 327,140                    | 327,140             | 8,221,615               | 100  | 129,564         | 40                                | 40                     |      |
|   | Tsai Yi Corporation                                 | Taiwan                 | Investment holding                     | 51,928                     | 51,928              | 4,934,995               | 3.36 | 79,189          | 5,275                             | 175                    |      |
|   | Joyin Co., Ltd.                                     | Taiwan                 | Manufacturing of electronic components | 426,701                    | 47,073              | 23,715,360              | 30.4 | 410,924         | (32,612)                          | (13,552)               |      |
| PDC Prime Holdings Limited                          | PDC Success Investments Ltd.                        | Republic of Mauritius  | Investment holding                     | 387,932                    | 387,932             | 12,009,000              | 100  | 738,070         | (23,571)                          | (23,571)               |      |
|   | Frontier Components Co., Limited                    | Hong Kong              | International trade                    | 276,421<br>(Note 2)        | 276,421<br>(Note 2) | 70,036,752              | 100  | 767,811         | (10,819)                          | (10,819)               |      |
|   | Prosperity International Development (HK) Co., Ltd. | Hong Kong              | Investment holding                     | 73,735<br>(Note 2)         | 73,735<br>(Note 2)  | 2,401,000               | 100  | 63,075          | (358)                             | (358)                  |      |
| Prosperity International Development (HK) Co., Ltd. | GHPW Enterprise Corporation (HK) Limited            | Hong Kong              | Investment holding                     | 73,704<br>(Note 2)         | 73,704<br>(Note 2)  | 2,400,000               | 10   | 63,051          | (3,580)                           | (358)                  |      |

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

Note 2: The closing exchange rate as of December 31, 2022 was used to convert the foreign currencies into New Taiwan dollars. The closing exchange rate as of December 31, 2022 was US\$ to NT\$ = 1:30.71.

**PROSPERITY DIELECTRICS CO., LTD.**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA OF PROSPERITY DIELECTRICS CO., LTD.  
FOR THE YEAR ENDED DECEMBER 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 investment, 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 December 31, 2022 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2022 (Note 3) | Accumulated Repatriation of Investment Income as of December 31, 2022 |
|---|--|--|----------------------|---|---------------------|--------|---|-----------------------------------|--|---------------------------------|--|---|
|   |  |  |                      |   | Outward             | Inward |   |                                   |  |                                 |  |   |
| PDC Electronics (Suzhou) Co., Ltd.                    | Manufacturing of ceramic components  | \$ 368,520<br>(US\$ 12,000,000)            | Note 1               | \$ 368,520<br>(US\$ 12,000,000)   | \$ -                | \$ -   | \$ 368,520<br>(US\$ 12,000,000)   | \$ (23,603)                       | 100  | \$ (23,603)                     | \$ 737,786                                       | \$ 159,087<br>(US\$ 5,180,313)  |
| Dongguan Frontier Electronics Co., Ltd.               | Selling of electronic components   | 187,331<br>(US\$ 6,100,000)                | Note 1               | 187,331<br>(US\$ 6,100,000)   | -                   | -      | 187,331<br>(US\$ 6,100,000)   | (276)                             | 100  | (276)                           | 241,950  | 100,704<br>(US\$ 3,279,186)   |
| Chongqing Shuohong Investment Co., Ltd.               | Investment management, investment consultation services  | 2,337,565<br>(RMB 530,000,000)<br>(Note 4) | Note 1               | -   | -                   | -      | -   | (154,631)                         | 20.43  | (31,594)                        | 556,975  | -   |
| Chongqing Xincheng Electronic Co., Ltd.               | Selling of electronic components, real estate investment and leasing                                 | 238,705<br>(RMB 54,122,000)<br>(Note 5)    | Note 1               | -   | -                   | -      | -   | (36,691)                          | 13.04  | (4,783)                         | 40,618   | -   |
| GHPW Enterprise Corporation (Chongqing) Limited       | Business consultations, business management, consultation services and property management           | 737,040<br>(US\$ 24,000,000)               | Note 1               | 73,704<br>(US\$ 2,400,000)  | -                   | -      | 73,704<br>(US\$ 2,400,000)  | (3,445)                           | 10   | (345)                           | 62,977   | -   |
| Prosperity Frontier Electronics (Shenzhen) Co., Ltd.  | Manufacturing and selling of chip components, power electronic devices and new electronic components | 184,260<br>(US\$ 6,000,000)                | Note 1               | 173,259<br>(US\$ 5,641,768)   | -                   | -      | 173,259<br>(US\$ 5,641,768)   | 23                                | 100  | 23                              | 131,431  | -   |
| Prosperity Frontier Electronics (Guangzhou) Co., Ltd. | Manufacturing and selling of chip components, power electronic devices and new electronic components | 4,411<br>(RMB 1,000,000)<br>(Note 6)       | Note 1               | -   | -                   | -      | -   | (1,652)                           | 100  | (1,652)                         | 1,988  | -   |

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 December 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 year ended December 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 amount of RMB1,000,000 was made using Dongguan Frontier Electronics Co., Ltd.'s own capital.

(Continued)

2. Investment quota for mainland China:

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022 | Investment Amount Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA |
|--|---|--|
| \$ 902,155<br>(US\$ 29,376,590)  | \$ 1,044,747<br>(US\$ 34,019,762)                               | (Note 2)   |

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

US\$ to NT\$ = 1:30.71  
RMB to NT\$ = 1:4.4105

The average exchange rates for the year ended December 31, 2022 are as follows:

US\$ to NT\$ = 1:29.805  
RMB to NT\$ = 1:4.4347

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 3.
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.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

---

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

# PROSPERITY DIELECTRICS CO., LTD.

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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| <u>Item</u>   | <u>Statement Index</u> |
|---|------------------------|
| Major Accounting Items in Assets, Liabilities and Equity  |                        |
| Statement of cash and cash equivalents  | 1                      |
| Statement of financial assets at amortized cost - current                                       | 2                      |
| Statement of trade receivables  | 3                      |
| Statement of trade receivables from related parties   | Note 27                |
| Statement of inventories  | 4                      |
| Statement of financial assets at fair value through other comprehensive income -<br>non-current | 5                      |
| Statement of changes in investments accounted for using the equity method                       | 5                      |
| Statement of changes in property, plant and equipment   | Note 13                |
| Statement of changes in accumulated depreciation of property, plant and equipment               | Note 13                |
| Statement of changes in accumulated impairment of property, plant and equipment                 | Note 13                |
| Statement of right-of-use assets  | 6                      |
| Statement of trade payables   | 7                      |
| Statement of trade payables to related parties  | Note 27                |
| Statement of other payables   | Note 16                |
| Statement of long-term borrowings   | 8                      |
| Statement of lease liabilities  | 9                      |
| Major Accounting Items in Profit or Loss  |                        |
| Statement of net sales  | 10                     |
| Statement of cost of sales  | 11                     |
| Statement of selling and marketing expenses   | 12                     |
| Statement of general and administrative expenses  | 13                     |
| Statement of research and development expenses  | 14                     |

**PROSPERITY DIELECTRICS CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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| <b>Item</b>                         | <b>Description</b>      | <b>Amount</b>       |
|-------------------------------------|-------------------------|---------------------|
| Cash on hand                        |                         | \$ 227              |
| Demand deposits                     |                         | 96,802              |
| Checking accounts                   |                         | 2,903               |
| Foreign currency deposits (Note)    | US\$6,510,268           | 204,841             |
|                                     | HK\$103,209             |                     |
|                                     | JPY12,797,703           |                     |
|                                     | EUR13,375               |                     |
|                                     | RMB247,642              |                     |
| Time deposits                       | Interest rate 4.3%-4.9% | 614,200             |
| Cash equivalents (short-term notes) | Interest rate 0.8%-4.1% | <u>153,090</u>      |
|                                     |                         | <u>\$ 1,072,063</u> |

Note: Exchange rate on December 31, 2022:

US\$:NT\$ = 1:30.71

HK\$:NT\$ = 1:3.9386

JPY:NT\$ = 1:0.2324

EUR:NT\$ = 1:32.7189

RMB:NT\$ = 1:4.4105

**PROSPERITY DIELECTRICS CO., LTD.****STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST - CURRENT****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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| <b>Item</b>                    | <b>Interest Rate</b> | <b>Amount</b>    |
|--------------------------------|----------------------|------------------|
| Far Eastern International Bank | 1.425%               | \$ 30,500        |
| Taishin International Bank     | 3.7%                 | <u>4,891</u>     |
|                                |                      | <u>\$ 35,391</u> |



**PROSPERITY DIELECTRICS CO., LTD.****STATEMENT OF TRADE RECEIVABLES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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| <b>Item</b>                         | <b>Description</b>    | <b>Amount</b>     |
|-------------------------------------|-----------------------|-------------------|
| Client A                            | Receivables for goods | \$ 93,222         |
| Client B                            | "                     | 45,012            |
| Client C                            | "                     | 43,169            |
| Client D                            | "                     | 32,307            |
| Client E                            | "                     | 25,747            |
| Client F                            | "                     | 22,694            |
| Others (Note)                       | "                     | <u>198,653</u>    |
|                                     |                       | 460,804           |
| Less: Allowance for impairment loss |                       | <u>(21,195)</u>   |
|                                     |                       | <u>\$ 439,609</u> |

Note: The amount receivable from each individual client included under "Others" does not exceed 5% of the account balance.

**PROSPERITY DIELECTRICS CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

| <b>Item</b>  | <b>Amount</b>     |                                |
|--|-------------------|--------------------------------|
|  | <b>Cost</b>       | <b>Market Value<br/>(Note)</b> |
| Finished goods   | \$ 177,860        | \$ 167,690                     |
| Semi-finished products   | 87,184            | 82,062                         |
| Work in process  | 167,375           | 157,542                        |
| Raw materials  | 236,194           | 222,319                        |
| Inventory in transit   | 1,606             | 1,606                          |
| Less: Allowance for inventory valuation and<br>obsolescence losses | <u>(39,000)</u>   | <u>-</u>                       |
|  | <u>\$ 631,219</u> | <u>\$ 631,219</u>              |

Note: Net realizable value is taken as the market value.

## PROSPERITY DIELECTRICS CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Other Than Unit Price, Which Is in New Taiwan Dollars)

| Name   | Balance, January 1, 2022 |                     | Increase (Note 1) |                   | Decrease (Note 2) |                     | Gain (Loss)        | Balance, December 31, 2022 |      |                     | Market Value (Note 3) |                     | Collateral |
|--|--------------------------|---------------------|-------------------|-------------------|-------------------|---------------------|--------------------|----------------------------|------|---------------------|-----------------------|---------------------|------------|
|  | Number of Shares         | Amount              | Number of Shares  | Amount            | Number of Shares  | Amount              |                    | Number of Shares           | %    | Amount              | Unit Price (NT\$)     | Total Amount        |            |
| PDC Prime Holdings Limited                               | 23,464,538               | \$ 1,616,933        | -                 | \$ -              | -                 | \$ (38,334)         | \$ (34,674)        | 23,464,538                 | 100  | \$ 1,543,925        | -                     | \$ 1,543,925        | Nil        |
| Frontec International Corporation                        | 8,221,615                | 127,178             | -                 | 2,346             | -                 | -                   | 40                 | 8,221,615                  | 100  | 129,564             | -                     | 129,564             | "          |
| Tsai Yi Corp.  | 4,934,995                | 104,364             | -                 | -                 | -                 | (25,350)            | 175                | 4,934,995                  | 3.36 | 79,189              | -                     | 79,189              | "          |
| Joyin Co., Ltd.  | 2,659,517                | 42,793              | 21,055,843        | 381,683           | -                 | -                   | (13,552)           | 23,715,360                 | 30.4 | 410,924             | -                     | 410,924             | "          |
| HannStar Board Corporation                               | 5,668,332                | 257,342             | -                 | -                 | -                 | (77,939)            | -                  | 5,668,332                  | 1.07 | 179,403             | 31.65                 | 179,403             | "          |
| Walton Advanced Engineering Inc.                         | 31,915,536               | 601,608             | -                 | -                 | -                 | (239,367)           | -                  | 31,915,536                 | 6.16 | 362,241             | 11.35                 | 362,241             | "          |
| Walsin Lihwa Corporation                                 | 7,000,000                | 185,500             | 3,989,605         | 333,210           | -                 | -                   | -                  | 10,989,605                 | 0.29 | 518,710             | 47.20                 | 518,710             | "          |
| Singatron Enterprise Co., Ltd.                           | 10,301,314               | 329,642             | -                 | -                 | (10,301,314)      | (329,642)           | -                  | -                          | -    | -                   | -                     | -                   | "          |
| APAQ Technology Co., Ltd.                                | 739,000                  | 44,857              | -                 | -                 | -                 | (14,078)            | -                  | 739,000                    | 0.83 | 30,779              | 41.65                 | 30,779              | "          |
| Fubon Financial Holding Co., Ltd.<br>Preferred Shares C. | 500,000                  | 30,050              | -                 | -                 | -                 | (2,500)             | -                  | 500,000                    | -    | 27,550              | 55.10                 | 27,550              | "          |
| Chin-Xin Investment Co., Ltd.                            | 3,500,000                | 158,075             | -                 | -                 | -                 | (5,008)             | -                  | 3,500,000                  | 0.72 | 153,067             | -                     | 153,067             | "          |
| Hua Bao Botanic Conservation Crop.                       | -                        | -                   | 8,000,000         | 88,101            | -                 | -                   | -                  | 8,000,000                  | 10   | 88,101              | -                     | 88,101              | "          |
|  |                          | <u>\$ 3,498,342</u> |                   | <u>\$ 805,340</u> |                   | <u>\$ (732,218)</u> | <u>\$ (48,011)</u> |                            |      | <u>\$ 3,523,453</u> |                       | <u>\$ 3,523,453</u> |            |

Note 1: The increase in the number of shares include the initial investments, unrealized gain or loss and cumulative translation adjustments.

Note 2: The decrease in the number of shares include the initial investments, unrealized gain or loss and cumulative translation adjustments.

Note 3: The market value is the closing price on December 30, 2022; the net value was based on the financial statements of the investee and the shareholding ratio of the Company.

Note 4: This statement includes investments accounted for using the equity method and financial assets at fair value through other comprehensive income.

**PROSPERITY DIELECTRICS CO., LTD.****STATEMENT OF RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

|  | Land              | Buildings        | Transportation<br>Equipment | Total             |
|--|-------------------|------------------|-----------------------------|-------------------|
| <u>Cost</u>  |                   |                  |                             |                   |
| Balance at January 1, 2022                         | \$ 214,980        | \$ 22,484        | \$ 1,934                    | \$ 239,398        |
| Additions  | -                 | 32,851           | 784                         | 33,635            |
| Disposals  | -                 | (18,908)         | (471)                       | (19,379)          |
| Balance at December 31, 2022                       | <u>\$ 214,980</u> | <u>\$ 36,427</u> | <u>\$ 2,247</u>             | <u>\$ 253,654</u> |
| <u>Accumulated depreciation and<br/>impairment</u> |                   |                  |                             |                   |
| Balance at January 1, 2022                         | \$ 59,382         | \$ 16,624        | \$ 684                      | \$ 76,690         |
| Depreciation expenses                              | 20,466            | 6,547            | 363                         | 27,376            |
| Disposals  | -                 | (18,908)         | (432)                       | (19,340)          |
| Reclassifications                                  | -                 | 405              | 371                         | 776               |
| Balance at December 31, 2022                       | <u>\$ 79,848</u>  | <u>\$ 4,668</u>  | <u>\$ 986</u>               | <u>\$ 85,502</u>  |
| Carrying amount at<br>December 31, 2022            | <u>\$ 135,132</u> | <u>\$ 31,759</u> | <u>\$ 1,261</u>             | <u>\$ 168,152</u> |

**PROSPERITY DIELECTRICS CO., LTD.****STATEMENT OF TRADE PAYABLES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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| <b>Item</b>   | <b>Description</b> | <b>Amount</b>     |
|---------------|--------------------|-------------------|
| Vendor A      | Payment for goods  | \$ 33,074         |
| Vendor B      | "                  | 11,471            |
| Others (Note) | "                  | <u>143,355</u>    |
|               |                    | <u>\$ 187,900</u> |

Note: The amount payable to each individual vendor included under "others" does not exceed 5% of the account balance.

## PROSPERITY DIELECTRICS CO., LTD.

## STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Creditor                   | Description   | Amount            | Loan Term             | Interest Rate (%) | Collateral |
|----------------------------|---|-------------------|-----------------------|-------------------|------------|
| 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.                          | \$ 198,970        | 2019.12.26-2024.12.15 | 1.075             | Nil        |
|                            |   | 99,485            | 2020.04.09-2024.12.15 |                   |            |
|                            |   | 79,392            | 2020.07.09-2025.06.15 |                   |            |
|                            |   | 99,240            | 2020.08.07-2025.06.15 |                   |            |
|                            |   | 59,544            | 2021.11.09-2025.06.15 |                   |            |
| 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.                          | 95,360            | 2020.12.10-2024.12.10 | 1.225             | Nil        |
|                            |   | 95,360            | 2020.04.29-2024.12.10 |                   |            |
| 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.<br>Less: Current portion | 94,433            | 2020.03.02-2025.03.02 | 1.125             | Nil        |
|                            |   | <u>(349,591)</u>  |                       |                   |            |
|                            |   | <u>\$ 472,193</u> |                       |                   |            |

**PROSPERITY DIELECTRICS CO., LTD.**

**STATEMENT OF LEASE LIABILITIES**  
**DECEMBER 31, 2022**  
**(In Thousands of New Taiwan Dollars)**

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| <b>Item</b>                      | <b>Description</b>  | <b>Contract Term</b>  | <b>Discount Rate (%)</b> | <b>Balance, End of Year</b> | <b>Note</b> |
|----------------------------------|---|-----------------------|--------------------------|-----------------------------|-------------|
| Land                             | No. 220-1, Nanshan Rd. Sec 2, Luzhu Dist., Taoyuan City etc.                    | 2012.07.01-2031.10.31 | 1                        | \$ 146,256                  | Nil         |
| Buildings                        | Part of the plant area in No. 566, Gaoshi Rd., Yangmei Dist., Taoyuan City etc. | 2021.11.01-2027.05.31 | 1                        | 31,967                      | Nil         |
| Transportation equipment         | Cars including Chunghwa Zinger  | 2020.08.28-2025.07.26 | 1                        | 1,268                       | Nil         |
| Less: Leases due within one year |   |                       |                          | <u>(28,519)</u>             |             |
|                                  |   |                       |                          | <u>\$ 150,972</u>           |             |

**PROSPERITY DIELECTRICS CO., LTD.****STATEMENT OF NET SALES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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| <b>Name</b>         | <b>Amount</b>       |
|---------------------|---------------------|
| Sales revenue       |                     |
| Passive components  | \$ 3,774,894        |
| Active components   | <u>21,644</u>       |
|                     | 3,796,538           |
| Less: Sales returns | (11,499)            |
| Sales discounts     | <u>(56,664)</u>     |
| Net sales revenue   | <u>\$ 3,728,375</u> |



**PROSPERITY DIELECTRICS CO., LTD.****STATEMENT OF COST OF SALES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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| Item   | Amount              |
|--|---------------------|
| Raw material used  |                     |
| Balance, beginning of year                                 | \$ 373,888          |
| Raw material purchased                                     | 793,105             |
| Raw material, end of year                                  | (236,194)           |
| Transferred to manufacturing or operating expenses         | (96,361)            |
| Sales of raw material                                      | <u>(33,185)</u>     |
|  | 801,253             |
| Direct labor   | 315,956             |
| Manufacturing expenses                                     | <u>1,043,216</u>    |
| Manufacturing cost   | 2,160,425           |
| Work in process and semi-finished goods, beginning of year | 199,765             |
| Semi-finished goods purchased                              | 74,783              |
| Others   | 954                 |
| Work in process and semi-finished goods, end of year       | (254,559)           |
| Transferred to manufacturing or operating expenses         | <u>(28,104)</u>     |
| Cost of finished goods                                     | 2,153,264           |
| Finished goods, beginning of year                          | 228,609             |
| Finished goods purchased                                   | 616,617             |
| Inventory valuation loss                                   | 456                 |
| Finished goods, end of year                                | (177,860)           |
| Others   | (1,602)             |
| Sales deductions   | <u>(469)</u>        |
|  | <u>\$ 2,819,015</u> |

**PROSPERITY DIELECTRICS CO., LTD.****STATEMENT OF SELLING AND MARKETING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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| <b>Item</b>                      | <b>Description</b>  | <b>Amount</b>     |
|----------------------------------|---|-------------------|
| Salaries                         |   | \$ 47,989         |
| Port surcharge and shipping fees |   | 27,792            |
| Service fees                     |   | 5,946             |
| Depreciation expenses            |   | 5,690             |
| Others                           | The amount of each individual account included under<br>“others” does not exceed 5% of the account balance. | <u>22,367</u>     |
|                                  |   | <u>\$ 109,784</u> |

**PROSPERITY DIELECTRICS CO., LTD.****STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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| <b>Item</b>  | <b>Description</b>  | <b>Amount</b>     |
|--------------|---|-------------------|
| Salaries     |   | \$ 42,610         |
| Service fees |   | 35,159            |
| Others       | The amount of each individual account included under<br>“others” does not exceed 5% of the account balance. | <u>28,088</u>     |
|              |   | <u>\$ 105,857</u> |

**PROSPERITY DIELECTRICS CO., LTD.****STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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| <b>Item</b>              | <b>Description</b>  | <b>Amount</b>    |
|--------------------------|---|------------------|
| Salaries                 |   | \$ 30,143        |
| Materials for operations |   | 19,651           |
| Depreciation expenses    |   | 15,735           |
| Research fees            |   | 9,362            |
| Others                   | The amount of each individual account included under<br>“others” does not exceed 5% of the account balance. | <u>13,348</u>    |
|                          |   | <u>\$ 88,239</u> |

# **Prosperity Dielectrics Co., Ltd.**

Chairman : Yu-Heng Chiao

# Group Business Philosophy

- ⦿ Integrity first
- ⦿ Treat Customers as Partners
- ⦿ Focus and Quality as top priority
- ⦿ Globalization
- ⦿ Stabilization and Talent development
- ⦿ Value key Stakeholders
- ⦿ Collaboration