



Stock Code 6173

Prosperity Dielectrics Co., Ltd.

2023 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.)

Printed on April 30, 2024

Taiwan Stock Exchange Market Observation Post System:<http://mops.twse.com.tw>
PDC annual report is available at <http://www.pdc.com.tw/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/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 international economic situation in 2023, affected by global inflation, interest rate increases, the expansion of the US-China chip ban, the Russia-Ukraine war, the Israel-Kazakhstan conflict, and increasing global geopolitical risks, the manufacturing activities of major economies have slowed down and the economy has significantly cooled down. , weak end market demand, slow inventory depletion, and sharp decline in demand for electronic components, affecting the momentum of stocking up.

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. Due to the continued sluggishness of the global economic outlook and declining demand for end products, the industry continues to adjust inventory. The company's consolidated revenue and gross profit in 2023 decreased compared to last year : the consolidated revenue in 2023 was 3.65 billion , a decrease of 11.8% over last year; in terms of operating net profit, the operating net profit in 2023 was 0.39 billion , a decrease of 36.7% over last year; in terms of net profit after tax, the net profit in 2023 was 0.451 billion , a decrease of 10.9% over last year.

The report on PDC's 2023 operating results is as follows:

I .Global layout and internal process transformation

- MLCC factory has setup and implemented the MES system.
- MLCC factory has integrated the development of the key material of MLCC.
- Chip Resistors factory has completed the mass production of 0805 metal plate chip resistor.
- Resistor factory completed mass production of Thick film Low TCR current sensing 1206/2010 resistor products.
- Resistor factory completes mass production of Metal 2512 3W Ultra low ohm low resistance value products.
- The porcelain powder factory completed the development and trial mass production of 5G communication LTCC powder for Wifi 6/Wifi 7 and high-efficiency antenna (DRA) products.
- The porcelain powder factory has completed the development of base metal X7T capacitor formula powder to meet the needs of customers for industrial/vehicle high-temperature applications.
- The porcelain powder factory has completed the development of high-end formula powder for capacitor NPO porcelain powder to provide customers with application in the wireless charging market.
- The porcelain powder factory completed the development of precious metal X7R high-temperature, high-capacity and voltage-resistant 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 better C/P of Mid-voltage & Hi-cap X7R capacitors.
- Development of Low loss DF and low dc-bias MLCC.
- Development of Hi-cap $\geq 10\mu\text{F}$ X7R, X7S MLCC.
- Development of Mid-voltage & Hi-cap NPO MLCC for vehicles.
- Development of 0508/2725 metal plate resistors.
- Development of 0612/1225 BME low resistance with long electrodes resistors.
- Development of EIA-977 anti-sulfur high power chip resistor.
- Development of EIA-977 anti-sulfur high voltage chip resistor.
- BME-X7R252H porcelain powder project research and development completed.
- The research and development of MW (microwave) LA008 porcelain powder project was completed.
- Base Metal BME-X7T871 porcelain powder project research and development completed.
- The research and development of 5G communication LTCC Low-K porcelain powder project has been completed.
- The research and development of 5G communication LTCC Mid-K porcelain powder project has been completed.
- The low Earth orbit (LEO) High-K porcelain powder project was developed.
- The research and development of the varistor porcelain powder project was completed.
- The research and development of the precious metal X7R high-temperature, high-capacity and voltage-resistant capacitor porcelain powder project has been completed.
- 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 vehicles.

III. Financial result and profitability :

Comparison table of income statement for 2023 and 2022 is as follows:

Unit: NT\$ thousand

Item	2023	2022	Growth rate
Net Revenue	3,653,839	4,142,386	-11.8%
Gross Profit	701,746	965,839	-27.3%
Operating Profit	390,382	616,600	-36.7%
Income Before Income Tax	564,814	629,475	-10.3%
Net Income(Attributable to the owner of the company)	451,374	506,518	-10.9%
Earnings Per Share	2.64	2.96	-10.8%

(1) Net Revenue and Gross Profit : Affected by factors such as the economic slowdown in major economies, the impact of global inflation, the intensified risk of global geopolitical wars, and the restart of Sino-US technology disputes, the depletion of global terminal electronic product inventories in 2023 was far slower than expected, as a result, the time for the bottom of the industrial cycle has been delayed again and again, and capacity utilization cannot be improved. In 2023, the consolidated revenue decreased by NT\$488,547 thousand, a decrease of 11.8% compared with the same period last year; gross profit decreased by NT\$264,093 thousand, and gross profit margin decreased by 4.1% compared with the same period last year.

(2) Operation Profit : The operation profit in 2023 decreased by NT\$226,218 thousand compared with that in 2022, mainly due to the decline in the gross profit.

(3)Income Before Income Tax : The pre-tax profit in 2023 decreased by NT\$64,661 thousand compared with 2022, mainly due to the decrease in operating profit and non-operating income increase NT\$161,557 thousand.

After the recession in 2023, looking forward to the new year, although there are still doubts about the global economic environment in 2024. However, as the Windows operating system is about to change, there will be a wave of PC replacements, and as the market for high-value emerging technologies such as AI and electric vehicles heats up, it is expected that they will become the growth drivers of electronic components in 2024.

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 future market development direction, we will continue to invest in research, development and manufacturing of special products.
- Continue to develop customers and automotive electronics distributors in Europe, America and Southeast Asia, integrate component marketing channels and strengthen customer services, and strengthen the production and sales integration and cooperation model among group companies.
- Continue to improve product quality, provide high quality products to customers.
- 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 Ω).
- 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 Ω).

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

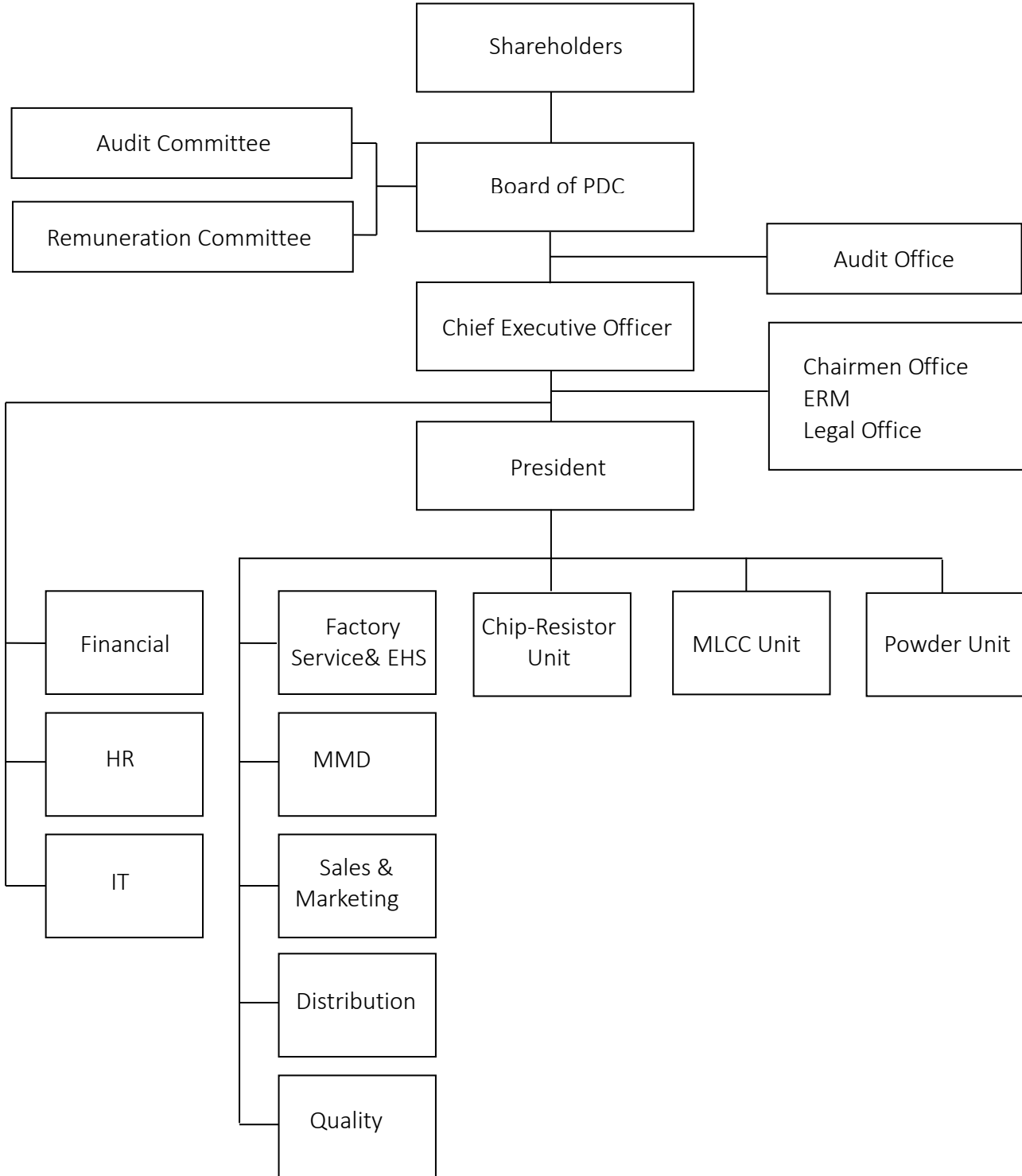
- 2002 On April 19, the stock was listed on the OTC securities trading center.
- On July 22, with the approval of Tai Cai Zheng Yi Zi No. 0910140867, the company was able to convert surplus and capital reserves into a capital increase of NT\$ 42,467,500.
- On December 24, the issuance of 360 million 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.
- 2024 The Shenzhen factory was liquidated.

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.

Department	Main Responsibilities
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.
Factory Service & EHS	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, and information security.
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

2024.04.16

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	2023/06/20	3	2005/10/27	1,065,861	0.62	1,065,861	0.62	0	0	0	0	Golden Gate University MBA	Note 1 Note 4	None	None	None	None
Director	R.O.C	Walsin Technology Corporation	N/A	2023/06/20	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 : Yeu-Yuh Chu	Male 71-80 years old	2023/06/20	3	2005/10/27	72,000	0.04	72,000	0.04	0	0	0	0	PHD of Management, National Taipei University of Technology Overseas Manager, Domestic Manager of Walsin Lihwa Corporation President of Walsin Technology Corporation President of Global Brands Manufacture LTD.	Director of GHPW Enterprise Corporation (Hong Kong) Ltd. Rep of corporate director, GHPW Enterprise Corporation (CQ) Ltd.	None	None	None	None
Representative	R.O.C	Walsin Technology Corporation :Chih-Mou Hung	Male 61-70 years old	2023/06/20	3	2005/10/27	0	0	102,972	0.06	0	0	0	0	Master of chemical engineering, National Cheng Kung University Vice president of Walsin Technology Corporation	Note 2	None	None	None	None
Director	R.O.C	Por-Yuan Wang	Male 81-90 years old	2023/06/20	3	2002/06/28	0	0	0	0	0	0	0	0	PHD of Carnegie Mellon University Chairman of Pacific Venture Partners	Note 3	None	None	None	None
Independent Director	R.O.C	Eric Chen	Male 61-70 years old	2023/06/20	3	2017/06/14	10,312	0.01	10,312	0.01	0	0	0	0	Master of chemistry, National Taiwan University Vice president of Walsin Technology Corporation	Director of Wei Chia International Development Company	None	None	None	None

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		
Independent Director	R.O.C	Chin-Tain Chiu	Male 71-80 years old	2023/06/20	3	2023/06/20	0	0	0	0	0	0	0	0	0	PHD from Institute of Business Administration, National Chengchi University Master's degree from MIT Sloan Graduate School of Management Master of Business Administration, National Chengchi University Bachelor of Electronic Engineering, National Chiao Tung University Senior Vice President/Head of Corporate Finance Department/Head of Taipei Branch, HSBC Head of Corporate Finance Department of Far East Bank Deputy General Manager/Executive Deputy General Manager of American Commercial Bank Manager of Citibank USA Marketing Planner, Taiwan International Standard Electronics Corporation (TAISEL)	Independent Director of Medimaging Integrated Solution Inc. Independent Director of 3D Global Biotech Inc. Director of Qju Shi-De Enterprise Co., Ltd.	None	None	None	None
Independent Director	Singapore	Lau Boon Leng	Female 51-60 years old	2023/06/20	3	2023/06/20	0	0	0	0	0	0	0	0	0	Beachelor of Science, Business Administration, The California State University Vice President of Marsh Singapore Pte. Ltd. Director of Aon Singapore Pte. Ltd. Managing Director of Insurance Matters Pte. Ltd.	Head of Client Service of Willis Towers Watson Brokers (Singapore) Pte. Ltd.	None	None	None	None

Note 1: 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 Walton Advanced Engineering, Inc. Global Brands Manufacture Ltd. Silitech Technology Corporation HannStar Board Corporation Info-Tek Corporation	Chairman Chairman Chairman Chairman Chairman	Walsin Lihwa Corporation Gallatown Developments Ltd. Nitsuko Electronics Corporation Walsin International Management (HK) Ltd. Walsin Electronics (S) Pte. Ltd. Walsin Technology Holding Corporation (HK) Limited	Director	Success Ocean Investments Ltd. Always Up Investments Ltd. Inpaq Technology Co., Ltd. Effort Growth Developments Ltd. CMK Global Brands Manufacture Ltd. HannStar Board International Holdings Ltd GBM UP (HK) Ltd. Walton Holding Universal Ltd. Walton Holding (Hong Kong) Ltd. Up First Investments Ltd. Dynamic Skyline Ltd. Centralian Investments Ltd. Total Rich Holdings Ltd. Forever Line Ltd. Up Ever Holdings Ltd. Will Grow Holdings Ltd. Cheng Cheng Enterprise Co., Ltd.	Rep of corporate director
Career Technology (Mfg.) Co., Ltd	Vice Chairman and President Chief Strategy Officer	GHPW Enterprise Corporation (Hong Kong) Ltd. Silitech (BVI) Holding Ltd. Silitech Technology Corporation Limited Hannstar Board Holdings (Hong Kong)Ltd. Hannstar Board (SAMOA)Holdings Corp. Pan Overseas (B.V.I.) Investments Co., Ltd. Hannstar Board (BVI)Holdings Corp. Kamaya Electric Co., Ltd. HannStar Board Investments (Hong Kong) Ltd. Silitech (Bermuda) Holding Ltd. Silitech Technology Corporation Sdn. Bhd. Soshin Electric Co., Ltd. Iwatsu (Malaysia) Sdn. Bhd			
		Career Technology (Singapore) Private Co., Ltd.	Director and President		

Note 2: 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
Inpaq Technology Co., Ltd.	President	Dongguan Huafai Trading Co., Ltd. Fine Bright Technology Limited Canfield Ltd.	Director	Falcon Automation Equipment Corporation Taiwan Inpaq Electronic Co., Ltd. Joyin Co. Ltd.	Rep of corporate director
Inpaq Technology USA, Inc.	Chairman	Hunan Hongdian Electronic Co., Ltd.	Rep of corporate director and President	Inpaq Technology (China) Co., Ltd. Inpaq Technology (Suzhou) Co., Ltd. Inpaq Trading (Suzhou) Co., Ltd.	

Note 3: 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	Rep of corporate director	UPC Technology Corporation	Independent Director	Pacific Venture Partners	Chairman
Taiwan Cement Corporation	Rep of corporate director				

Note 4 : 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 (as of 2024.4.15)	Walsin Lihwa Corporation	18.30%
	HannStar Board Corporation	7.88%
	Global Brands Manufacture Ltd.	3.53%
	Walton Advanced Engineering, Inc.	2.75%
	Yu-Heng Chiao	2.65%
	Citigroup (Taiwan) Commercial Bank entrusted with the custody of Maybank Kim Eng Securities Sdn Bhd investment account	2.33%
	Giga Investment Co.	1.37%
	Chin-Xin Investment Co., Ltd	1.28%
	Tsai Yi Corporation	1.11%
	Winbond Electronics Corporation	1.09%

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

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders	shareholding
Walsin Lihwa Corporation (as of 2024.3.19)	Chin-Xin Investment Co., Ltd	6.15%
	Winbond Electronics Corporation	6.14%
	Teco Electric & Machinery co., Ltd.	5.22%
	The Business Department of Standard Chartered International Commercial Bank is entrusted with the custody of the special investment account of Royal Bank of Singapore (Singapore) Limited.	4.54%
	Rong Jiang Co., Ltd.	4.27%
	China Trust Commercial Bank is entrusted with the custody of Yuanta Taiwan High Dividend Securities Investment Trust Fund Special Account	3.31%
	Patricia Chiao	2.71%
	Huali Investment Corp.	2.65%
	Chunghwa Post Co., Ltd.	1.89%
	Yu-Heng Chiao	1.62%
HannStar Board Corporation (as of 2024.4.20)	Walsin technology Corporation	20.32%
	Walsin Lihwa Corporation	12.06%
	Career Technology (Mfg.) Co., Ltd.	5.44%
	Taipei Fubon Commercial Bank Co., Ltd. is entrusted with the custody of Fuhua Taiwan Technology Premium ETF Securities Investment Trust Fund Special Account	4.54%
	Hua Nan Bank is entrusted with the custody of Yuanta Taiwan Value High Interest ETF Securities Investment Trust Fund Special Account	4.09%

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders	shareholding
	Chin-Xin Investment Co. Ltd.	3.55%
	Chiao, Yu-Heng	2.19%
	Hong, Pai-Yung	1.91%
	Taiwan Bank is entrusted with the custody of the Yuanta Taiwan High Dividend Low Volatility ETF Securities Investment Trust Fund Special Account	1.68%
	Xing Xing Investment C. Ltd.	1.64%
Global Brands Manufacture Ltd. (as of 2024.4.20)	HannStar Board Co., Ltd.	40.65%
	Taipei Fubon Commercial Bank Co., Ltd. is entrusted with the custody of Fuhua Taiwan Technology Premium ETF Securities Investment Trust Fund Special Account	4.58%
	Hua Nan Bank is entrusted with the custody of Yuanta Taiwan Value High Interest ETF Securities Investment Trust Fund Special Account	3.40%
	The Bank of Taiwan is entrusted with the custody of the Yuanta Taiwan High Dividend Low Volatility ETF Securities Investment Trust Fund Special Account	1.54%
	Chiao, Yu-Heng	1.15%
	HSBC hosts Mitsubishi UFJ Morgan Stanley securities trading account	0.88%
	Liao Minhui	0.82%
	Jicheng Investment Co., Ltd.	0.71%
	Qiu Jifu	0.68%
	Chase Managed Vanguard Emerging Markets Stock Index Fund Special Account	0.66%
Walton Advanced Engineering, Inc. (as of 2024.4.8)	Walsin Lihwa Corporation	21.17%
	Winbond Electronics Corp.	9.67%
	Prosperity Dielectrics Co., Ltd.	6.16%
	Walsin Technology Corporation	6.16%
	HannStar Board Co., Ltd.	2.85%
	Chiao, Yu-Heng	1.97%
	JP Morgan Chase Bank N.A. Taipei Branch under the Custody of JP Morgan Securities Co. Ltd.	0.98%
	UBS Europe SE Investment Account under the custody of Citibank Taiwan	0.94%
	Chiao, Yu-Lon	0.94%
	ACWI Fund Investment Account under the Custody of Standard Chartered International Commercial Bank Business Department	0.68%
Winbond Electronics Corporation	Walsin Lihwa Corporation	21.99%
	Chin-Xin Investment Co., Ltd	6.22%

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders	shareholding
(as of 2024.3.11)	The Business Department of Standard Chartered International Commercial Bank Custody of LGT Royal Bank (Singapore) Co., Ltd. Investment Account	1.85%
	Labor Pension Fund	1.68%
	Chiao, Yu-Cheng	1.64%
	Cathay Life Insurance Co., Ltd.	1.29%
	Citibank Taiwan in custody for Norges Bank	1.04%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.01%
	Hong, Pai-Yung	0.98%
	JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the Vanguard Emerging Market Stock Index Fund investment account of the manager of the Vanguard Group Company.	0.94%
Giga Investment Co.	Giga-Byte Technology Co., Ltd.	100.00%
Chin-Xin Investment Co., Ltd (as of 2024.4.17)	Winbond Electronics Corporation	37.69%
	Walsin Lihwa Corporation	36.99%
	Huali Investment Corp.	4.43%
	Chiao, Yu-Cheng	3.14%
	Chiao, Yu-Lon	3.14%
	Chiao, Yu-Heng	3.14%
	Chiao, Yu-Chi	3.14%
	Walsin Technology Corporation	1.86%
	HannStar Board Co., Ltd.	1.34%
	Prosperity Dielectrics Co., Ltd.	0.72%
Tsai Yi Corporation (as of 2024.4.15)	Walsin Lihwa Corporation	33.97%
	Walsin Technology Corporation	26.62%
	Jin Shin Investment Corporation	8.23%
	Global Brands Manufacture Ltd.	6.83%
	Ching An Investment Corporation	3.95%
	Jung Yang Investment Corporation	3.85%
	Prosperity Dielectrics Co., Ltd.	3.36%
	Walton Advanced Engineering, Inc.	3.35%
	HannStar Board Corporation	2.91%
	HannStar Display Corporation	2.00%

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

Qualification Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman 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. (2)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.	0
Director Yeu-Yuh Chu	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. (2)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	0
Director 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. (2)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.	0
Director 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. (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. (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 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>(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. (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>0</p>
<p>Independent Director Chin-Tain Chiu</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. (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. (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. (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>2</p>

Independent Director Lau Boon Leng	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. (10)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. (11)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.	0
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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 0% are directors with employee status, 1 female director (14%) and 3 are independent directors (43%). None of the independent directors has served three consecutive terms. There are 4 directors over the age of 65, and 3 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 Yeu-Yuh Chu 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 Eric Chen is familiar with the manufacturing and operation management of passive components industry, independent director Chin-Tain Chiu has accounting and financial analysis capabilities and operational management capabilities; independent director Lau Boon Leng has international vision and risk management capabilities.

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	-	61-70	-	YES	o	o	o		o
	Yeu-Yuh Chu		Male	-	71-80	-	YES	o	o		o	o
	Chih-Mou Hung		Male	-	61-70	-	YES	o	o		o	o
	Por-Yuan Wang		Male	-	81-90	-	YES		o		o	o
Independent Director	Eric Chen			Male	-	61-70	V	YES	o			o
	Chin-Tain Chiu		Male	-	71-80	V	YES		o		o	o
	Lau Boon Leng	Singapore	Female	-	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
■ The number of independent directors exceeds one third of the number of directors	Achieved
■ Directors who also serve as company managers should not exceed one-third of the number of directors	Achieved
■ The term of independent directors has not exceeded 3 terms	Achieved
■ Board members include at least one female director	Achieved

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

2024.04.16

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	
President	R.O.C.	Chun-Hsueh Chen	Male	2023.07.01	20,021	0.01	0	0	0	0	Institute of Mechanical Engineering, National Central University AVP of Walsin Technology Corporation President of Joyin Co., Ltd. President of Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Note 1	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 AVP of Walsin Technology Corporation	Note 1	None	None	None	None
AVP	R.O.C.	Hung-Chun Wu	Male	2007.11.01	163,337	0.09	0	0	0	0	Institute of Engineering Physics, National Tsing Hua University	Note 1	None	None	None	None
AVP	R.O.C.	Chien-Wen Chiang	Male	2007.12.26	16,669	0.01	89	0	0	0	Master of Mechanical and Materials engineering, Tatung University	Note 1	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 Assistant Accounting Manager of Walsin Technology Corporation	Note 1	None	None	None	None

Note 1 : 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".

3.3 Remuneration of Directors & Managers in 2023

3.3.1 Remuneration of Directors and Independent Directors

As of December 31, 2023 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	1,900	1,900	0	0	4,538	4,538	300	300	6,738	6,738	1.49%	1.49%	3,286	3,286	54	54	145	0	145	0	10,223	10,223	2.27%	2.27%	75,922
	Walsin Technology Corporation (WTC)																									
	Rep of WTC: Li-Chin Ku(Note 1)																									
	Rep of WTC: Chih-Mou Hung																									
	Rep of WTC: Yeu-Yuh Chu(Note 2)																									
Por-Yuan Wang																										
Independent Director	Po-Kang Fan(Note 1)	0	0	0	0	1,297	1,297	255	255	1,552	1,552	0.34%	0.34%	0	0	0	0	0	0	0	0	1,552	1,552	0.34%	0.34%	5,336
	Eric Chen																									
	Yong- Chian Tan(Note 1)																									
	Chin-Tain Chiu(Note 2)																									
	Lau Boon Leng(Note 2)																									

1. 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.
2. 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

Note 1:The director has resigned as a director after re-election at the 2023 annual shareholders' meeting.

Note 2:The director has taken up a new position as director after re-election at the 2023 annual shareholders' meeting.

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 (H)	The Company	From All Consolidated Entities and Non-consolidated Affiliates (I)
<NT\$1,000,000	9(Chih-Mou Hung 、 Li-Chin Ku 、 Por-Yuan Wang 、 Po-Kang Fan 、 Eric Chen 、 Yong-Chian Tan 、 Yeu-Yuh Chu 、 Chin-Tain Chiu 、 Lau Boon Leng)	9(Chih-Mou Hung 、 Li-Chin Ku 、 Por Yuan Wang 、 Po-Kang Fan 、 Eric Chen 、 Yong-Chian Tan 、 Yeu-Yuh Chu 、 Chin-Tain Chiu 、 Lau Boon Leng)	8(Li-Chin Ku 、 Por-Yuan Wang 、 Po-Kang Fan 、 Eric Chen 、 Yong-Chian Tan 、 Yeu-Yuh Chu 、 Chin-Tain Chiu 、 Lau Boon Leng)	5(Por-Yuan Wang 、 Eric Chen 、 Yeu-Yuh Chu 、 Chin-Tain Chiu 、 Lau Boon Leng)
NT\$1,000,000 (inclusive) ~ NT\$2,000,000	1(Walsin Technology Corporation)	1(Walsin Technology Corporation)	2(Walsin Technology Corporation 、 Chih-Mou Hung)	1(Chih-Mou Hung)
NT\$2,000,000 (inclusive) ~ NT\$3,500,000	0	0	0	2(Po-Kang Fan 、 Yong- Chian Tan)
NT\$3,500,000 (inclusive) ~ NT\$5,000,000	1(Yu-Heng Chiao)	1(Yu-Heng Chiao)	0	0
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	0	0	1(Yu-Heng Chiao)	2(Walsin Technology Corporation 、 Li-Chin Ku)
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	0	0	0	0
NT\$15,000,000 (inclusive) ~ NT\$30,000,000	0	0	0	0
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	1(Yu-Heng Chiao)
> NT\$100,000,000 (inclusive)	0	0	0	0
Total	11	11	11	11

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, 2023 Unit: NT\$ thousands;

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)(Note 2)		Employee Compensation (D)				Amount and Ratio of Total Compensation (A+B+C+D) and proportion of Net Income (%)		Remuneration from Ventures other than Subsidiaries or from the Parent Company
		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	Stock	Cash	Stock			
CEO	Yu-Heng Chiao (Note 3)	6,322	6,322	216	216	1,711	1,711	1,148	0	1,148	0	9,397 2.08%	9,397 2.08%	41,618
President	Chih-Mou Hung (Note 4)													
President	Chun-Hsueh Chen (Note 5)													
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.

Note 3 : Mr. Yu-Heng Chiao resigned as CEO on 2023.06.20.

Note 4 : Mr. Chih-Mou Hung resigned as President on 2023.07.01.

Note 5 : Mr. Chun-Hsueh Chen was newly appointed as President on 2023.07.01.

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	3(Yu-Heng Chiao 、 Chih-Mou Hung 、 Chun-Hsueh Chen)	2(Chih-Mou Hung 、 Chun-Hsueh Chen)
NT\$2,000,000 (inclusive) ~ NT\$3,500,000	0	0
NT\$3,500,000 (inclusive) ~ NT\$5,000,000	1(Wen-Ko Lin)	1(Wen-Ko Lin)
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	0	0
NT\$10,000,000 (inclusive) ~ NT\$15,000,000	0	0
NT\$15,000,000 (inclusive) ~ NT\$30,000,000	0	0
NT\$30,000,000 (inclusive) ~ NT\$50,000,000	0	1(Yu-Heng Chiao)
NT\$50,000,000 (inclusive) ~NT\$100,000,000	0	0
> NT\$100,000,000	0	0
Total	4	4

Distribution of Employees' Compensation to Managers

2024.4.30 Unit:NT\$ thousands;

	Title	Name	Stock	Cash	Total	Percentage of the Total to Net Income (%)
Managers	CEO	Yu-Heng Chiao	0	2,045	2,045	0.45%
	President	Chun- Hsueh Chen				
	Vice President	Wen-Ko Lin				
	AVP	Hung-Chun Wu				
	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	2023		2022	
	The Company	All consolidated entities	The Company	All consolidated entities
Net Profit Attributable To Owners of the Company (NT\$ thousands)	451,374	451,374	506,518	506,518
Directors(%)	2.61%	2.61%	5.10%	8.26%
President & Vice Presidents(%)	2.08%	2.08%	4.81%	7.97%

(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 7(A) meetings in the most recent year (2023), the attendance records for directors were as follows:

Title	Name	Attended in Person (B)	Attended by Proxy	Attendance Percentage (%) 【B/A】	Remarks
Chairman	Yu-Heng Chiao	7	0	100	
Director	Yeu-Yuh Chu (Walsin Technology Corporation Representative)	4	0	100	Newly appointed after re-election in 2023
Director	Chih-Mou Hung (Walsin Technology Corporation Representative)	7	0	100	
Director	Li-Chin Ku (Walsin Technology Corporation Representative)	3	0	100	Retired after re-election in 2023
Director	Por-Yuan Wang	6	1	86	
Independent Director	Eric Chen	7	0	100	
Independent Director	Chin-Tain Chiu	4	0	100	Newly appointed after re-election in 2023
Independent Director	Lau Boon Leng	4	0	100	
Independent Director	Po-Kang Fan	3	0	100	Retired after re-election in 2023
Independent Director	Yong-Chian Tan	3	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: The Company has established Audit Committee, and the Article 14-3 of the Securities and Exchange Act do not apply. Relevant information, please refer to "Operations of the Audit Committee" in this annual report.

(2) In addition to the matters referred to above, any dissenting or qualified opinion of an independent director 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 2023 were as follows :

Evaluation cycle	Evaluation period	Scope of Evaluation	Method of Evaluation	Evaluation content
Once every year	2023/01/01 ~ 2023/12/31	Individual directors	Self evaluation by individual board members	A.Familiarity with the goals and missions of the Company. B.Awareness of the duties of a director. C. Participation in the operation of the Company. D. Management of internal relationship and communication. E. The director's professionalism and continuing education. F. Internal control.
Once every year	2023/01/01 ~ 2023/12/31	The Board of Directors	Internal evaluation of the Board of Directors	A.Participation in the operation of the Company. B. Improvement of the quality of the Board of Directors' decision making. C. Composition and structure of the Board of Directors. D. Election and continuing education of the directors. E.Internal control.
Once every year	2023/01/01 ~ 2023/12/31	Functional committees (including audit committee and remuneration committee).	Internal self-evaluation of functional committee members	A. Participation in the operation of the Company. B. Awareness of the duties of functional committee. C. Improvement of the quality of functional committees' decision making D. Functional Committee Composition and Member Appointment 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 of the board of directors/functional committees in 2023 were reported to the Compensation Committee on January 31, 2024 and disclosed on the company's website after reporting to the board of directors on January 31, 2024.
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 2023, 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 Li-Chin Ku Chih-Mou Hung	The Company's charitable donations.	Personally Interested.	Recused as provided by law, not participating in discussions and voting.	11th Term 21th Meeting Feb 23, 2023
Yu-Heng Chiao Chih-Mou Hung Por-Yuan Wang Eric Chen	The Company's nomination of candidates for the 12th of directors.			11th Term 22th Meeting May 4, 2023
Yu-Heng Chiao Chih-Mou Hung Por-Yuan Wang	Proposal to lift the company's non-competition restrictions imposed by the 12th of Directors.			11th Term 22th Meeting May 4, 2023
Yu-Heng Chiao Li-Chin Ku Chih-Mou Hung Por-Yuan Wang Po-Kang Fan Eric Chen Yong-Chian Tan	The distribution of compensation of directors of the Company for 2022.			11th Term 22th Meeting May 4, 2023
Yu-Heng Chiao Chih-Mou Hung	The distribution of compensation of employees of the Company for 2022.			11th Term 22th Meeting May 4, 2023
Chih-Mou Hung	The Company's manager bonus distribution.			11th Term 22th Meeting May 4, 2023
Yu-Heng Chiao	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 22th Meeting May 4, 2023
Yu-Heng Chiao	The company does not re-employ senior managers.			12th Term 1th Meeting Jun 20, 2023
Chih-Mou Hung	Appointment of general manager of the company.			12th Term 2th Meeting Jun 30, 2023
Yu-Heng Chiao	Proposal to chairman's remuneration.			12th Term 2th Meeting Jun 30, 2023
Chih-Mou Hung	Proposal to release the non-competition responsibilities of Directors known to the Company for self operating or operating similar businesses for others.			12th Term 3th Meeting Aug 10, 2023
Chih-Mou Hung	The Company's manager bonus distribution.			12th Term 3th Meeting Aug 10, 2023

Name(s) of Directors	Proposal	Reason for Recusal	Participated in Vote or Not	Remarks
Yu-Heng Chiao	The Company's chairman bonus distribution.			12th Term 5th Meeting Jan 31, 2024
Yu-Heng Chiao	The Company's charitable donations.			12th Term 5th Meeting Jan 31, 2024
Yu-Heng Chiao	The distribution of compensation of employees of the Company for 2023.			12th Term 7th Meeting Mar 26, 2024

3.4.2 Operation of the Audit Committee

The Audit Committee totally held 6 (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 (%) 【B/A】	Remarks
Convener	Po-Kang Fan	3	0	100	Retired after re-election in 2023
Independent Director	Yong-Chian Tan	3	0	100	
Convener	Eric Chen	6	0	100	
Independent Director	Chin-Tain Chiu	3	0	100	Newly appointed after re-election in 2023
Independent Director	Lau Boon Leng	3	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 in 2023:

- 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 18th Meeting Feb 23, 2023	11th Term 21th Meeting Feb 23, 2023	Proposal : Proposal for the Company's 2022 business report, balance sheets, statements of comprehensive income, changes in equity and cash flows. Resolution : Proposal passed. 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. Resolution : Proposal passed. 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. Resolution : Proposal passed. 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. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
		Proposal : Discussion of the amendments to "Internal control system". Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
		Proposal : The Company's charitable donations. Resolution : Proposal passed. 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 19th Meeting	11th Term 22th Meeting	Proposal : Ratification of the Company's 2022 Earnings Distribution Proposal.	All of the independent directors and the directors present

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
May 4, 2023	May 4, 2023	Resolution : Proposal passed. Suggestion : None.	approved the proposal unanimously.
		Proposal : Proposal for the evaluation of independence of the CPAs, the appointment and compensation of the CPAs for the year 2023. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
		Proposal : Proposal for the Company's consolidated financial statements for the first quarters of 2023. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
		Proposal : proposed to amend the company's "operating methods with related parties, group companies, specific companies and their financial business". Resolution : Proposal passed. 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 system". Resolution : Proposal passed. 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 businesses for others. Resolution : Proposal passed. Suggestion : None.	Except that the relevant directors shall not be counted in the voting pursuant to Article 15 of Regulations Governing Meetings, other independent directors and directors present approved the proposal unanimously.
2th Term 2th Meeting Aug 10, 2023	12th Term 3th Meeting Aug 10, 2023	Proposal : Proposal for the Company's consolidated financial statements for the first two quarters of 2023. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
		Proposal : Disposal of securities held. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
		Proposal to release the non-competition responsibilities of Directors known to the Company for self operating or operating similar businesses for others. Resolution : Proposal passed. 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.
2th Term 3th Meeting Oct 31, 2023	12th Term 4th Meeting Oct 31, 2023	Proposal : Proposal for the Company's consolidated financial statements for the first three quarters of 2023. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
		Proposal : The 2024 annual audit plan. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.

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
2th Term 4th Meeting Jan 31, 2024	12th Term 5th Meeting Jan 31, 2024	Proposal : The Company's charitable donations. Resolution : Proposal passed. 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.
2th Term 5th Meeting Feb 22, 2024	12th Term 6th Meeting Feb 22, 2024	Proposal : Proposal for the Company's 2023 business report, balance sheets, statements of comprehensive income, changes in equity, cash flows, consolidated financial statements, affiliates' consolidated business report and consolidated financial statements. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
		Proposal : Matters concerning the repatriation of surplus of Dongguan Frontier Electronics Co., Ltd. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
		Proposal : Proposal for the 2023 statement on internal control system. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
2th Term 6th Meeting Mar 26, 2024	12th Term 7th Meeting Mar 26, 2024	Proposal : Ratification of the Company's 2023 Earnings Distribution Proposal. Resolution : Proposal passed. 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 2024. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
2th Term 7th Meeting Apr 29, 2024	12th Term 8th Meeting Apr 29, 2024	Proposal : Proposal for the Company's consolidated financial statements for the first quarters of 2024. Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the directors present approved the proposal unanimously.
		Proposal : Frontec International Corporation plans to go through liquidation.. Resolution : Proposal passed. 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 system". Resolution : Proposal passed. Suggestion : None.	All of the independent directors and the 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 : None.

(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 17h Meeting Jan 17, 2023	11th Term 20th Meeting 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 18th Meeting Feb 23, 2023	11th Term 21th Meeting 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. (2)Proposal for the 2022 statement on internal control system. (3)Proposal for the amendments to internal control system.
1st Term 19th Meeting May 4, 2023	11th Term 22th Meeting May 4, 2023	(1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up. (2)Proposal for the amendments to internal control system and Internal auditing system.
2th Term 2th Meeting Aug 10, 2023	12th Term 3th Meeting Aug 10, 2023	(1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up.
2th Term 3th Meeting Oct 31, 2023	12th Term 4th Meeting Oct 31, 2023	(1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up. (2)Proposal for the 2024 annual audit plan.
2th Term 4th Meeting Jan 31, 2024	12th Term 5th Meeting Jan 31, 2024	(1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up.
2th Term 5th Meeting	12th Term 6th Meeting	(1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve

Audit Committee Meeting Number and Date	Board of Directors Meeting Number and Date	Communication Highlights
Feb 22, 2024	Feb 22, 2024	and follow up. (2)Proposal for the 2023 statement on internal control system.
2th Term 6th Meeting Mar 26, 2024	12th Term 7th Meeting Mar 26, 2024	(1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up.
2th Term 7th Meeting Apr 29, 2024	12th Term 8th Meeting Apr 29, 2024	(1)Report to the independent directors on the implementation status of the audit business and audit deficiencies to improve and follow up. (2)Proposal for the amendments to internal control system and Internal auditing 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 18th Meeting 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.
2th Term 2th Meeting Aug 10, 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.
2th Term 5th Meeting Feb 22, 2024	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 (https://www.pdc.com.tw/tw) and Public Information Observatory.	No difference.
2.Shareholding Structure and Shareholders' Rights (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 management system and a firewall between	V		(3)The company and affiliated companies operate independently, and have established "Rules Governing	No difference.

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	
<p>the Company and its affiliates?</p> <p>(4)Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?</p>	V		<p>Financial and Business Matters Between this Corporation and its Affiliated Enterprises". In addition, the company has established the " Regulations Governing Supervision and Management of Subsidiaries" monitoring regulations for subsidiaries.</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> <p>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.</p> <p>② Before taking office, insiders should be notified of relevant laws and regulations and given insider equity transaction brochure.</p> <p>③ Internal announcement to all employees to remind them that insider trading is prohibited.</p>	No difference.

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	
			<p>④ Conduct insider trading prevention education 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		(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.	No difference.
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit	V		(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	In the future, other functional committees will be set up in due course

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	
<p>committee?</p> <p>(3)Has the Company established rules and 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>	V		<p>corporate governance needs.</p> <p>(3)The company has passed the " Rules for 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,</p>	<p>according to the company's corporate governance needs.</p> <p>No difference.</p>

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	
(4)Does the Company regularly evaluate its external auditors' independence?	V		<p>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. In addition, the internal performance evaluations of the board of directors for 2022 and 2023 were completed in December 2022 and January 2024 respectively, and reported to the board of directors on January 17, 2023 and January 31, 2024 respectively. The 2023 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</p>	No difference.

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	
			<p>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 average level of the industry, and they have also continued to introduce digital audit tools in recent years to improve audit quality. The 2023 assessment results/the independence and competency assessment of accountants have been submitted to the Audit Committee and the Board of Directors for review on May 4, 2023.</p>	

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	
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 shareholders' meeting according to law, prepare the minutes of the</p>	No difference.

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	
			<p>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.</p> <p>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.</p> <p>The business execution status of the corporate governance supervisor in 2023 is described as follows. :</p> <p>①Handle 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.</p> <p>②Prepare the agenda of the board of directors and notify the directors seven days before the meeting, convene</p>	

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	
			<p>the meeting and provide meeting materials, and complete the minutes of the board meeting within 20 days after the meeting.</p> <p>③Provide 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 2023 have completed the statutory training and the status of the training has been disclosed on the Public Information Observatory.</p> <p>④Assist 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> <p>⑤Review the legality of independent director qualifications and assist in handling matters related to director changes.</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 the company's website website? Does the Company appropriately respond to stakeholders'	V		The company has set up a special area for interested parties on the company's 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	No difference.

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	
questions and concerns on important corporate social responsibility issues?			directors. The communication situation in 2022 and 2023 has been reported to the board of directors on 2023.01.17 and 2024.01.31 respectively, and the details has be disclosed on the company's website: https://www.pdc.com.tw/tw .	
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				
(1)Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	V		(1)The company's website (https://www.pdc.com.tw/tw .) discloses financial business and corporate governance information and regularly updates it.	No difference.
(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.)?	V		(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.	No difference.
(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	V		(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	No difference.

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	
each month before the specified deadlines?			prescribed deadline.	
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)?	V		<p>(1)Employee rights and employee care: Please refer to the description of "5. Operational Highlights" - "5.5. Labor Relations".</p> <p>(2)Investor Relations: The spokesperson of the company will receive and respond to investors' questions at any time.</p> <p>(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.</p> <p>(4)Directors' advanced training: the company irregularly provides relevant laws and regulations update information for directors to refer to, and provides relevant training course information, and arranges directors to participate in relevant training courses. In 2023, 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 : http://mops.twse.com.tw.</p> <p>(5)Implementation of risk management policies and risk measurement standards: The company has formulated internal control systems and "risk management policies</p>	No difference.

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	
			<p>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>	
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.)	V		The results of the tenth (2023) corporate governance evaluation of the company are listed as 6%~20%, which is the same level as the ninth. The improved items in 2023 include the issuance of English version of annual shareholder meeting report, and we will gradually improve the unimproved items in the future.	In the future, we will gradually improve the unimproved items.

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)	Eric Chen	Please refer to relevant content of 3. Corporate Governance Report.	<ol style="list-style-type: none"> 1. Not an employee of the company or any of its affiliates; 2. Not a director or supervisor of the company or any of its affiliates; 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; 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; 	0
Independent Director	Chin-Tain Chiu			1

Identify	Condition Name	Professional qualifications and experience	Independence Criteria	Number of Other Public Companies in Which the Member Concurrently Serving as a Remuneration Committee Member
Independent Director	Lau Boon Leng		<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>	0

3.4.4.3 Operation of the Remuneration Committee

- (1) The Company's Remuneration Committee is comprised of three members.
- (2) Term for the 4th committee members: From June 17, 2020 to June 16, 2023. Term for the 5th committee members: From June 20, 2023 to June 19, 2026. The Remuneration Committee met five (A) times in 2023 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
Convener	Po-Kang Fan	3	0	100%	Resigned after re-election
Member	Yong-Chian Tan	3	0	100%	
Member	Eric Chen	3	0	100%	
Convener	Eric Chen	2	0	100%	
Member	Chin-Tain Chiu	2	0	100%	Newly appointed after re-election
Member	Lau Boon Leng	2	0	100%	

Other information required to be disclosed:

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.
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.

Attachment: Resolutions of the Remuneration Committee in 2023

Meeting Number and Date	Proposals	Resolution of Remuneration Committee	Company's Handling of Remuneration Committee Member's Opinion
4 th Term 2023.01.17	(1)The company's 2022 year-end bonuses for managers and audit supervisors. (2)The company's 2022 employee and director remuneration appropriation ratio proposal.	Passed by all members of the committee.	Directors approved the proposal unanimously.

Meeting Number and Date	Proposals	Resolution of Remuneration Committee	Company's Handling of Remuneration Committee Member's Opinion
	(3)The 2022 annual performance evaluation report of the members of the company's board of directors.		
4 th Term 2023.02.23	(1)The distribution of bonuses to managers and audit supervisors for reaching the target in the second half of 2022.	Passed by all members of the committee	Directors approved the proposal unanimously.
4 th Term 2023.05.04	(1)Remuneration distribution project for directors for 2022. (2)Managers (above the division level) and audit supervisors' annual employee remuneration distribution plan for 2022. (3)The company's performance bonus distribution case for managers and audit supervisors from July 2022 to December 2022.	Passed by all members of the committee	Directors approved the proposal unanimously.
5 th Term 2023.06.30	(1)Select the convener and meeting chairperson. (2)Amendment to the Company's "Remuneration Measures for Directors". (3)Proposed appointment of general manager and his remuneration case. (4)Review the company's chairman's fixed remuneration case.	Passed by all members of the committee	Directors approved the proposal unanimously.
5 th Term 2023.08.10	(1)Bonus payment case for the company's former general manager in the first half of 2023. (2)The distribution of bonuses to managers and audit supervisors for reaching the target in the first half of 2023. (3)The company's performance bonus distribution case for managers and audit supervisors from January 2023 to June 2023. (4)The case of rental subsidy for the company's manager.	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 2022 and 2023 has been reported to the board of directors in February 2023 and February 2024, 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 (https://www.pdc.com.tw/tw).</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 in 2023, and formulate relevant risk management policies or strategies.</p> <p>The relevant risk assessment results were reported to the board of directors in October 2023 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 2023 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	
			<div style="display: flex; border: 1px solid black;"> <div style="border-right: 1px solid black; padding: 2px;">stakeholder communication</div> <div style="padding: 2px;"> <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> </div> </div>	
<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, 2026), 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 December 16, 2026). 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>①Adjusting the lighting configuration in non-main work/office areas of the factory can reduce energy consumption by 100,136KW per year.</p> <p>②The PDR factory purchased a high-efficiency 100-ton variable-frequency ice water main unit. The measured power consumption dropped from 1.1KW/ton (old machine) to 0.4KW/ton (new machine), which can reduce energy consumption by 383,250KW per year.</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 October 2023 and February 2024 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>①Greenhouse gas emissions in the last two years.</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>2022</td> <td>1,345</td> <td>31,697</td> <td>10.487</td> <td>6,016</td> </tr> <tr> <td>2023</td> <td>1,586</td> <td>30,441</td> <td>12.306</td> <td>6,539</td> </tr> </tbody> </table> <p>Note: The denominator for calculating unit emissions is calculated on the basis of output value.</p> <p>In 2023, the greenhouse gas emissions of Scope 1 and Scope 2 will total 32,027 tons of CO2e, and the total</p>	Year	Scope 1	Scope 2	Emissions per unit of product (kgCO2e/KNTD) (Note)	Scope 3	2022	1,345	31,697	10.487	6,016	2023	1,586	30,441	12.306	6,539	No difference.
Year	Scope 1	Scope 2	Emissions per unit of product (kgCO2e/KNTD) (Note)	Scope 3															
2022	1,345	31,697	10.487	6,016															
2023	1,586	30,441	12.306	6,539															

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 38,566 tons of CO2e. The main emission source comes from the outsourced electricity emissions of Scope 2, accounting for 78.9% of the total emissions; HFCs of LPG in scope 1 accounted for 3.6%. The overall carbon emissions decreased compared with the previous year and the emissions per unit product increased slightly compared with the previous year, mainly due to the decrease in production and product mix.</p> <p>In 2023, 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, adjusted the lighting configuration in the factory area, 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 2023 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>	

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 subsidiary (Wujiang Factory) has completed the internal inventory of greenhouse gas emission categories 1, 2 and 3 in accordance with ISO 14064-1. The results of the inventory are as follows:</p> <p style="text-align: right;">Unit: metric tons CO2e</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>Scope 3</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>334</td> <td>933</td> <td>934</td> </tr> </tbody> </table> <p>② <u>Water consumption of all factories in Taiwan in the last 2 years:</u></p> <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>2022</td> <td>259,622</td> <td>82.4</td> </tr> <tr> <td>2023</td> <td>248,975</td> <td>95.7</td> </tr> </tbody> </table> <p>Note: The denominator of the calculation unit water consumption is calculated based on the output value.</p> <p>In 2023, due to the decrease in production, the overall water consumption decreased, while the unit water consumption increased slightly due to the product mix. In 2023, we continued to improve equipment and process, implement various energy-saving plans on a daily basis (Including continuous recycling and reuse of RO concentrated water to save domestic water consumption and other water-saving measures) (please refer to the company's announced sustainability report). In</p>	Year	Scope 1	Scope 2	Scope 3	2023	334	933	934	Year	Total water consumption (metric tons)	Unit water consumption (litres/KNTD) (Note)	2022	259,622	82.4	2023	248,975	95.7	
Year	Scope 1	Scope 2	Scope 3																		
2023	334	933	934																		
Year	Total water consumption (metric tons)	Unit water consumption (litres/KNTD) (Note)																			
2022	259,622	82.4																			
2023	248,975	95.7																			

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons												
	Yes	No	Summary description													
			<p>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> The company has established an ISO14001 environmental management system to properly handle environmental issues arising from activities, 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="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Year</th> <th style="width: 20%;">Hazardous waste</th> <th style="width: 20%;">Non-hazardous waste</th> <th style="width: 45%;">unit product output (kg/KKntd)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2022</td> <td style="text-align: center;">1,106</td> <td style="text-align: center;">494</td> <td style="text-align: center;">0.508</td> </tr> <tr> <td style="text-align: center;">2023</td> <td style="text-align: center;">1,016</td> <td style="text-align: center;">514</td> <td style="text-align: center;">0.588</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 2023 is not only due to the decrease in production, but</p>	Year	Hazardous waste	Non-hazardous waste	unit product output (kg/KKntd)	2022	1,106	494	0.508	2023	1,016	514	0.588	
Year	Hazardous waste	Non-hazardous waste	unit product output (kg/KKntd)													
2022	1,106	494	0.508													
2023	1,016	514	0.588													

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>also the active implementation of waste recycling and reuse programs. In addition to continuing to implement the existing plan for 2022, we will further implement resource recycling and reduce waste incineration. The quantity of waste processed through reuse in 2023 increased by 74 metric tons compared with 2022, and the effect is significant. The output of waste per unit product (kg/KKntd) was slightly higher than that of the previous year, mainly due to the product mix.</p> <p>Waste reduction and emission reduction is the direction that the company is going to strengthen. In 2023, the company has increased the quantity of chamfering sludge separated, disposed and reused by 240% compared with 2022. In addition, the recycling rate of waste plastics such as tapes and raw material packaging bags that were originally disposed of as general industrial waste was increased by 111%.</p>	
<p>4. Social Issues</p> <p>(1)Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights</p>	V		<p>①The company complies with the Responsible Business Alliance Code of Conduct (RBA Code of Conduct), international human rights conventions, and labor</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	
conventions?			<p>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 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>	

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			In addition, in 2023, human rights protection-related education and training had be implemented for new recruits, with a total of 765 hours and 248 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.	
(2)Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		<p>① <u>Employee Compensation</u> 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> Please refer to "5. Operational Highlights" - "5.5. Labor Relations", the company's website and the explanation of the sustainability report.</p> <p>③ <u>Business performance is reflected in employee compensation</u> 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</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>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 2023, the Company's average employee benefit expenses and average salary expenses in Taiwan increased by 3.6% and 2.3% respectively compared with the previous year.</p> <p>④ <u>Workplace Diversity and Equality</u></p> <p>In order to achieve gender equality and a friendly workplace, in 2023 Taiwan and its subsidiaries will account for 50% of men and 50% of women ; Among the executive positions, men accounted for 67% and women accounted for 33%, among which female supervisors increased by 1% 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		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, 2026), 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	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>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> <p>②In 2023, the frequency of disability injuries was 6.91, and there was 7 occupational accidents in the year, with 7 persons (accounting for 0.97% of the total number of employees at the end of 2023), 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>③The 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" data-bbox="1137 1107 1641 1212"> <thead> <tr> <th>Year</th> <th>Person</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>384</td> <td>1,123.5</td> </tr> <tr> <td>2023</td> <td>813</td> <td>1,199.5</td> </tr> </tbody> </table> <p>④Describe the number of fires in the year, the number of casualties and the ratio of the number of casualties to the total number of employees, and</p>	Year	Person	Hours	2022	384	1,123.5	2023	813	1,199.5	
Year	Person	Hours											
2022	384	1,123.5											
2023	813	1,199.5											

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			related improvement measures in response to fires: No fire incidents in 2023.	
(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 capabilities. Please refer to "5. Operational Highlights" - "5.5. Labor Relations" for explanations.	No difference.
(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. 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	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	
			prevention and education and training, we will guard the customer's data.	
(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 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.	No difference.
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		V	The company has completed the 2022 sustainability report and published it on the company's 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.

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
third party assurance or certification for the reports above? ?				
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: 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 : (1) Please refer to the "Sustainability Report" uploaded on the company's website or public information observatory. (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. (3) Green investment PDC participated in the investment and establishment of Hannstar Board New Energy Co., Ltd. in 2023, with an investment amount of NT\$2.5 million. The company takes sustainable development, net-zero carbon emissions and green renewable energy as its core values, and targets low carbon and energy transition. The company has planned investment, development, construction, operation and maintenance of renewable energy, also conducts evaluation procurement through the green trading platform, and then plan for the construction of energy storage equipment to enhance the resilience, efficiency and safety of the grid. Eventually, the green transformation train will be launched in all aspects to achieve the goal of 100% use of renewable energy by enterprises. (4) Information about community service, promotion of public welfare and good neighborliness In order to care for the society and promote public welfare, the company carries out related activities in three aspects: 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. 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. 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				

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>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 September 2023, the Welfare Committee of our company cooperated with Amazing Grace Deaf Bakery to purchase Mid-Autumn Festival gift boxes to support Amazing Grace Deaf Bakery in establishing a friendly employment environment and assist the hearing impaired to enhance their self-worth by making baked goods.</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 (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's 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 2023, 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	
2. Ethical Management Practice (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?	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.
(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?	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 2023.01.17/ 2024.01.31 respectively.	No difference.
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	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. ②During 2023, announcements have been made to all employees to reiterate the company's clean and honest management policy and the strict prohibition of insider trading. ③In 2023, education and training for new employees (including issues related to integrity) have been	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>provided, with a total of 115 hours (230 people * 0.5 hours).</p> <p>④From August to November 2023, the company's directors, corporate governance directors and senior managers participated in the "Practice Integrity and Ethics" promotion course (the content included the understanding of directors and senior executives of listed companies on the current supervision by the competent authorities). The number of participants was 9 people, and the course time was 27 Hour.</p> <p>In addition, directors participated in the "Insider Equity Promotion Seminar for Listed and Overseas Companies" and "Legal Responsibilities and Business Judgment Rules of Directors, Supervisors and Managers" with a total of 3 participants, totaling 9 hours.</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		<p>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 to expose in case of malpractice, report the reported</p>	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	
			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 Does the company disclose its ethical corporate management policies and the results of their	V		The company has placed the content and implementation of 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	
implementation on its website and the Market Observation Post System (MOPS)?			Management and Guidelines for Conduct" on the public information observation station (http://mops.twse.com.tw) and the company's website (http://www.pdc.com.tw/tw).	
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: 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): 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 M.O.P.S <http://www.mops.twse.com.tw> and the Company's website. <http://www.pdc.com.tw/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. 22, 2024

Based on the findings of a self assessment, the Company states the following with regard to the internal control system during the year 2023.

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, 2023, 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. 22,2024, 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 : Chun-Hsueh Chen

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 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 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.
11th Term 22th Meeting	May 4, 2023	(1) Ratification of the Company's 2022 Earnings Distribution Proposal.	Proposal passed.
		(2) Discussion of the formulate to the company's "Audit Methods for Pre-Approval of Non-Confirmed Services Provided by CPAs".	Proposal passed.
		(3) Proposal for the evaluation of independence of the CPAs, the appointment and compensation of the CPAs for the year 2023.	Proposal passed.
		(4) Proposal for the Company's consolidated financial statements for the first quarter of 2023.	Proposal passed.

Meeting Number	Meeting Date	Proposal	Resolution
		(5) Discussion of the amendments to the company's "Operating methods with related parties, group companies, specific companies and their financial business".	Proposal passed.
		(6) Discussion of the amendments to the company's internal control system and internal audit system.	Proposal passed.
		(7) Proposal for nominations of the company's candidates for the 12th session of directors.	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.
		(8) Proposal to lift the non-competition restrictions imposed by the 12th Board of Directors of the Company.	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.
		(9) Proposal for the resolutions of the third meeting of the Remuneration Committee in 2023.	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.
		(10) 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.
12th Term 1st Meeting	Jun. 20, 2023	(1) Proposal for the current board of directors intends to authorize the chairman to establish credit lines with domestic and foreign banks in the name of the company.	Proposal passed.
		(2) Proposal for the appointment of three members of the fifth remuneration committee and their terms of office.	Proposal passed.
		(3) Proposal for no renewal of senior managers of the company.	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.
12th Term 2nd Meeting	Jun. 30, 2023	(1) Proposal for the appointment of the president of the company.	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 fourth meeting of the Remuneration Committee in 2023.	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.
12th Term	Aug. 10, 2023	(1) Proposal for the Company's consolidated financial statements for the	Proposal passed.

Meeting Number	Meeting Date	Proposal	Resolution	
3rd Meeting			first two quarters of 2023.	
		(2)	Disposal of securities held.	Proposal passed.
		(3)	Proposal to release the non-competition responsibilities of director 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.
		(4)	Proposal for the resolutions of the second meeting of the fifth term of the Remuneration Committee in 2023.	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.
12th Term 4th Meeting	Oct. 31, 2023	(1)	Proposal for the Company's consolidated financial statements for the first three quarters of 2023.	Proposal passed.
		(2)	Proposal for the 2024 annual audit plan.	Proposal passed.
12th Term 5th Meeting	Jan. 31, 2024	(1)	Proposal for the distribution ratio of compensation of employees and directors for the year 2023.	Proposal passed.
		(2)	Proposal for the Company's 2024 annual business plan and budget.	Proposal passed.
		(3)	Proposal for the resolutions of the first meeting of the Remuneration Committee in 2024.	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.
		(4)	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.
12th Term 6th Meeting	Feb. 22, 2024	(1)	Proposal for the distribution of compensation of employees and directors for the year 2023.	Proposal passed.
		(2)	Proposal for the Company's 2023 business report, balance sheets, statements of comprehensive income, changes in equity and cash flows, consolidated financial statements, the affiliates' consolidated business report and consolidated financial statements, etc.	Proposal passed.
		(3)	Discussion of the amendments to the company's "Regulations Governing Procedure for Board of Directors Meetings".	Proposal passed.
		(4)	Discussion of the amendments to the company's "Audit Committee Charter".	Proposal passed.
		(5)	Discussion of the earnings distribution proposal of Dongguan Frontier Electronics Co., Ltd., the Company's 100% owned subsidiary.	Proposal passed.
		(6)	Proposal for the 2023 statement on internal control system.	Proposal passed.
		(7)	Proposal for convening the Company's regular shareholders' meeting in 2024.	Proposal passed.
12th Term 7th Meeting	Mar. 26, 2024	(1)	Ratification of the Company's 2023 Earnings Distribution Proposal.	Proposal passed.
		(2)	Proposal for the evaluation of independence of the CPAs, the appointment and compensation of the CPAs for the year 2024.	Proposal passed.
		(3)	Proposal for the resolutions of the second meeting of the Remuneration Committee in 2024.	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

Meeting Number	Meeting Date	Proposal	Resolution
			the proposal unanimously.
12th Term 8th Meeting	Apr. 29, 2024	(1) Proposal for the Company's consolidated financial statements for the first quarter of 2024.	Proposal passed.
		(2) Frontec International Corporation plans to go through liquidation.	Proposal passed.
		(3) Discussion of the amendments to "Internal control system" and "Internal Audit system".	Proposal passed.

(2). Resolutions of the shareholders' meeting :

Meeting Date	Summary of significant proposals	Resolution	Execution
Jun. 20, 2023	1.Ratification of the 2022 business report and final account statements.	Proposal passed.	Completed.
	2.Ratification of the Company's 2022 earnings distribution proposal.	Proposal passed.	The proposal was approved by the shareholders' meeting, and cash dividends were distributed NT\$1.2 per share. Jul. 26, 2023 was the ex-dividend base date and the dividends were paid out on Aug. 15, 2023.
	3.The amendments to the company's "Procedures for lending funds to other parties".	Proposal passed.	The Company has been operated in accordance with the amended company operating procedures.
	4.The amendments to the company's "Procedures for Endorsements and Guarantees".	Proposal passed.	The Company has been operated in accordance with the amended company operating procedures.
	5.Discussion of the proposal for the release of directors' non-competition obligations.	Proposal passed.	Completed.
	6.Election of the Company's Directors of the 12th term.	7 newly elected directors (including 3 independent directors) : Director : Yu-Heng Chiao 、 Representative of Walsin Technology Corporation - Yeu-Yuh Chu and Chih-Mou Hung 、 Por-Yuan Wang Independent Director : Eric Chen 、 Chin-Tain Chiu 、 Lau Boon Leng	Completed.
	7.Discussion of the Proposal for the Release of the 12th term 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:

Summary of Resignations and Dismissals of Key Personnel Relevant to Financial Reports

2024.04.30

Job title	Name	Date of Appointment	Date of Termination	Reason for Resignation or Dismissal
President	Chih-Mou Hung	2019.02.23	2023.07.01	Job adjustment
President	Chun-Hsueh Chen	2023.07.01	—	Job adjustment

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 Chin-Chuan Shih	2023.01.01~ 2023.12.31	3,190	1,265 (Note 1)	4,455	

Note 1: "Non-auditing fees" items include tax visa fees, service fee for issuing transfer pricing report.

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		2023		As of Closure Date April 16, 2024	
			Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman	Yu-Heng Chiao		0	0	0	0
Director	Yeu-Yuh Chu (Note 1)	Walsin Technology Corporation	0	0	0	0
Director	Chih-Mou Hung					
Director	Li-Chin Ku (Note 2)					
Director	Por-Yuan Wang		0	0	0	0
Independent director	Eric Chen		0	0	0	0
Independent director	Chin-Tain Chiu (Note 1)		0	0	0	0
Independent director	Lau Boon Leng (Note 1)		0	0	0	0
Independent director	Po-Kang Fan (Note 2)		0	0	Not applicable	Not applicable
Independent director	Yong-Chian Tan (Note 2)		0	0	Not applicable	Not applicable
Major shareholder over 10%	Walsin Technology Corporation		0	0	0	0
President	Chun- Hsueh Chen (Note 3)		0	0	0	0
President	Chih-Mou Hung (Note 4)		0	0	Not applicable	Not applicable
Vice President	Wen-Ko Lin		0	0	0	0
AVP	Chung-Ya Tsao (Note 5)		0	0	Not applicable	Not applicable
AVP	Hung-Chun Wu		5,363	0	0	0
AVP	Liang-Wei Chen (Note 4)		(60,000)	0	Not applicable	Not applicable
AVP	Chien-Wen Chiang		(58,000)	0	0	0
Head of Financial Director	Hsia-Ying Lo		0	0	0	0

Note 1: New directors were appointed after a comprehensive re-election on June 20, 2023. Equity changed in 2023 was calculated from that date.

Note 2: Directors resigned after a comprehensive re-election on June 20, 2023, and the equity changed in 2023 was settled until that date.

Note 3: He was newly appointed on July 1, 2023, and the equity changed in 2023 was calculated from that date.

Note 4: He was dismissed on July 1, 2023, and the equity changes in 2023 was settled until that date.

Note 5: He was dismissed on August 1, 2023, and the equity changed in 2023 was settled until 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. (Walton)	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 (WTC)	The same chairman as WTC	
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	
UBS European SE Investment Fund under the custody of Citibank Taiwan	864,000	0.50%	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	
Tsung-Yuan Huang	516,000	0.30%	0	0%	0	0%	N/A	N/A	
Barclays Capital SBL/PB investment account under the custody of Citi Bank	342,932	0.20%	0	0%	0	0%	N/A	N/A	
MU-SHAN REN	320,000	0.19%	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, 2024

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%	39,052,694	26.62%	43,987,689	29.99%
Joyin Co. Ltd	23,715,360	30.40%	195,000	0.25%	23,910,360	30.65%
Hannstar Board New Energy Co., Ltd.	250,000	5%	1,250,000	25%	1,500,000	30%

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

Year/ Month	Issue price	Authorized capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Paid with property other than cash	Other
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 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 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

Year/ Month	Issue price	Authorized capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Paid with property other than cash	Other
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 thousand	None	Jing-Shou-Shang No. 10201112260, dated 2013.06.18
2017/08	10	220,000	2,200,000	172,000	1,720,000	Capital reduction by cash NT\$131,163 thousand	None	Jing-Shou-Shang No. 10601111170, dated 2017.08.07

2024.4.16 Unit: share

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

4.1.2 Shareholder Structure

Shareholder Structure

2024.4.16 Unit: person/share

Shareholder Structure Quantity	Government Institutions	Financial Institutions	Other juristic (corporate) persons	Individuals	Foreign Institutions and Individuals	Total
Number	0	9	174	35,251	57	35,491
No. of Shares Held	0	314,132	78,504,049	90,157,482	3,024,337	172,000,000
Ratio of shareholding (%)	0%	0.18%	45.64%	52.42%	1.76%	100%

4.1.3 Distribution of Shareholders

Distribution of Common Shares

2024.4.16 Unit: person/share

Shareholding	Number of Shareholders	Number of shares held	Ratio of shareholding (%)
1 to 999	14,434	700,101	0.41%
1,000 to 5,000	17,732	34,831,581	20.25%
5,001 to 10,000	1,933	15,401,762	8.95%
10,001 to 15,000	510	6,559,113	3.81%
15,001 to 20,000	361	6,738,376	3.92%
20,001 to 30,000	215	5,548,372	3.23%
30,001 to 40,000	100	3,602,717	2.10%
40,001 to 50,000	54	2,501,365	1.45%
50,001 to 100,000	97	6,828,589	3.97%
100,001 to 200,000	33	4,698,300	2.73%
200,001 to 400,000	13	3,344,642	1.94%
400,001 to 600,000	1	516,000	0.30%
600,001 to 800,000	2	1,562,000	0.91%
800,001 to 1,000,000	3	2,619,080	1.52%
1,000,001 and more	3	76,548,002	44.51%
Total	35,491	172,000,000	100.00%

Note : Distribution of Preferred Shares: None.

4.1.4 List of Major Shareholders

Unit: share

Major Shareholders	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%
UBS European SE Investment Fund under the custody of Citibank Taiwan	864,000	0.50%
ABC Taiwan Electronics Corp.	803,880	0.47%
Wen-Che Shen	762,000	0.44%
Tsung-Yuan Huang	516,000	0.30%
Barclays Capital SBL/PB investment account under the custody of Citi Bank	342,932	0.20%
MU-SHAN REN	320,000	0.19%

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

Unit: dollar/share

Item		Year	2022	2023	Current Year up to March 31, 2024 (Note 6)
Share Price	High		65.20	56.40	49.40
	Low		30.50	33.70	44.00
	Average		44.27	43.41	46.25
Net Value per Share (Note 1)	Basic		37.08	39.54	—
	Diluted		35.88	38.34	—
Earnings per Share	Weighted average shares		171,779,772	171,562,787	171,515,393
	Earnings per share (Note 2)	Before adjustment	2.95	2.63	0.85
		After adjustment	2.95	2.63	0.85
Dividend per Share	Cash dividend		1.2	1.2	—
	Stock Dividend	Before adjustment	—	—	—
		After adjustment	—	—	—
	Accumulated unpaid dividend		—	—	—
Return Analysis	Price-earnings ratio (Note 3)		15.01	16.51	—
	Price-dividend ratio (Note 4)		36.89	36.18	—
	Cash dividend yield (Note 5)		2.71%	2.76%	—

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.

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 :

Proposed cash dividend of NT\$1.2 per share.

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 2023, the estimated employee remuneration was NT\$14,586 thousand and the director's remuneration was NT\$5,835

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 2023	Adoption of the resolution by the board of directors	Discrepancy	Accounting treatment
Directors compensation	5,835	5,835	0	None
Employees compensation distributed in cash	14,586	14,586	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	6,492	6,492	6,492	0	None
Employees bonus distributed in cash	16,211	16,231	16,231	20	Adjusted for 2023 P&L.

4.1.9 The Execution Status of Shares Buyback :

The Execution Status of Shares Buyback

As of 2024.04.16

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 800,000 shares
Value of shares repurchased	NT\$ 54,370,321
Ratio of the number of shares already repurchased to the number of shares intended to be repurchased (%)	100%
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) and Ceramic Dielectric Powders(Powder).

(2) Revenue Ratio

Product	Revenue Ratio (%)
MLCC	60
Powder	20
Chip-R	16
Others	4
Total	100

(3) Manly product and service

- Multi-layer ceramic capacitors (MLCC)
- Chip-resistors (Chip-R)
- Ceramic dielectric powders (Powder)

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

- High power and high-frequency chip capacitors for industrial-grade special applications
- Expanded development of automotive-grade NPO chip capacitors
- Automotive-grade medium-voltage high-capacity X7R chip capacitors
- Automotive-grade low-loss and low DC bias chip capacitors
- Automotive-grade high-capacity $\geq 10\mu\text{F}$ X7R, X7S chip capacitors
- Expanded development of X1Y2 and X2 safety chip capacitors
- Industrial high-power current detection metal plate resistors
- Four-terminal high-precision electrode current detection metal plate resistor
- Sulfur-resistant high-voltage safety resistors
- Functional resistors without RoHS exclusion clauses
- BME/PME MLCC high-end thin layer and special application powder
- 5G Communication LTCC Mid-K & High-K Filter Application Powder
- 5G Communication (LEO/MEO) LTCC Low-K DRA Application Powder
- Cu-electrode Mid-K RF powder

Estimated investment in research and development: estimated NT\$80,396 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 industry of automotive, industrial, aerospace, medical, information, communication , consumer electronics and 3C industry.

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.

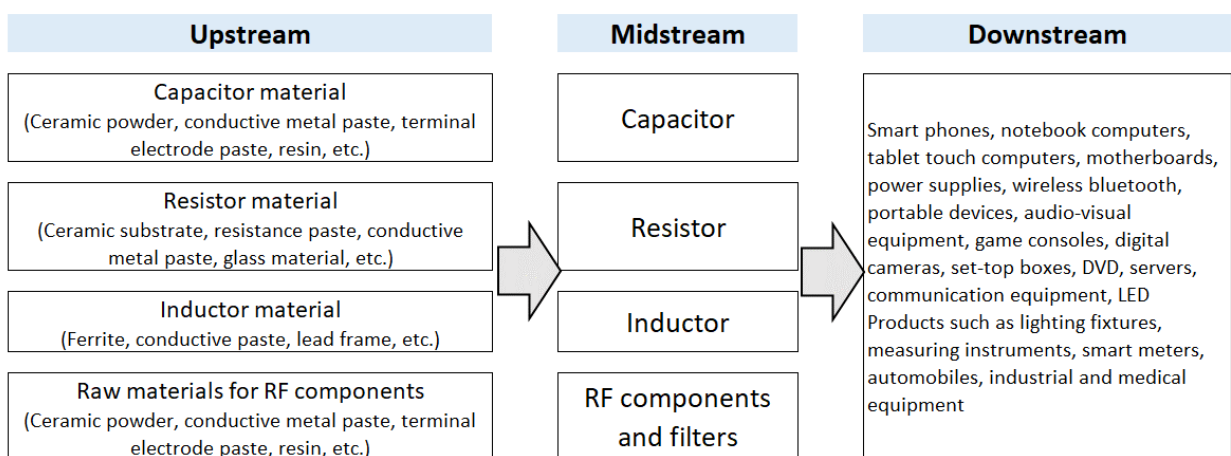
After years of hard work and development, domestic manufacturers have gradually increased their autonomy in ceramic materials and process technologies required for ceramic capacitors, resistors and inductors. Strengthened the product sales advantages through technological upgrades and horizontal integration 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 passivecomponent 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 circle is more than ten years, Chip-R anti-sulfur, improving MLCC bending strength, high temperature resistance requirements for lighting applications, AI 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	2023	As of March 31, 2024
R&D expenses	78,825	15,299
Revenues	3,653,839	872,570
R&D expenses as a percentage of revenue	2.16%	1.75%

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"> ■ Microwave ceramic powder NPO ■ Capacitor ceramic powder X7R high-end formula powder ■ Capacitor ceramic powder NPO high-end formula powder
Capacitor	<ul style="list-style-type: none"> ■ Special AC safety regulations capacitors ■ Medium voltage and high capacity 5G application capacitors ■ Automotive application capacitor

Resistor	<ul style="list-style-type: none"> ■ Anti-sulfur EIA-977 high voltage resistor ■ 0508/2725metal plate resistor ■ 0612/1225 long electrode BME low resistance resistor
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5.1.4 Long-term and short-term business development plans

Looking forward to the new year, the continuation of the Russia-Ukraine war and the Israel-Kazakhstan war, inflation variables, concerns about slowing economic growth in major economies, and geopolitical risks have triggered market concerns.

But with the application of future technologies such as AI, 5G, New Energy, IoT, automotive electronics, and high-speed transmission, etc., it is still expected to drive the growth of passive component demand.

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 of new specification products 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 AI, 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

Unit: NT\$ thousand

Year		2021		2022		2023	
Region		Amount	%	Amount	%	Amount	%
Export Sales	Asia	2,938,879	49	1,480,500	36	1,556,402	43
	America	397,810	7	445,528	11	229,834	6
	EU	254,933	4	220,938	5	129,824	3
	Others	3,188	—	370	—	—	—
Subtotal		3,594,810	60	2,147,336	52	1,916,060	52
Domestic sales		2,415,300	40	1,995,050	48	1,737,779	48
Total		6,010,110	100	4,142,386	100	3,653,839	100

(2). Market Share

In terms of chip capacitors, which account for more than 60% of PDC's business, the output value in 2023 was NT\$1.39 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, AI, 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, 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), 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/ Geopolitical risks such as the Russia-Ukraine war and the Israel-Kazakhstan war/ rising interest rates and inflation on costs and expenses, 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.

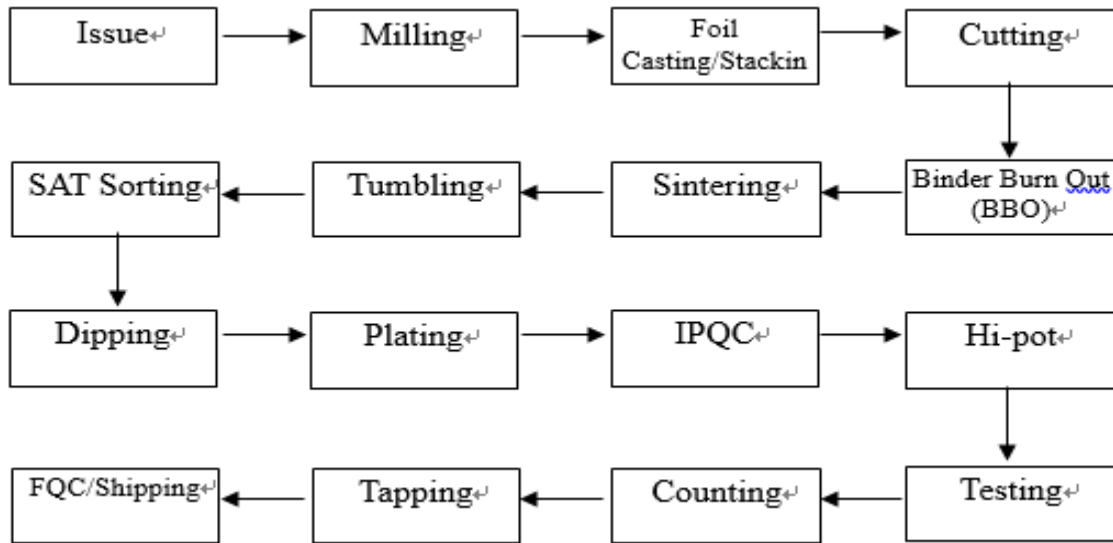
5.2.2 Usage and Manufacturing Processes for the Main Products

(1). Usage of Main Products

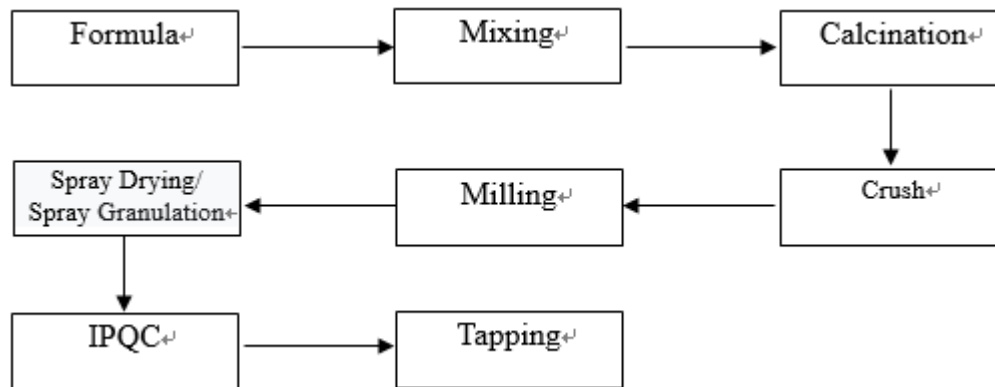
Main Products	Usage
MLCC	Used for the energy storage, bypass, smoothing, coupling, filtering, resonance, impedance-matching circuits, and applied to computer peripherals, communications products and consumer electronics, industrial/automotive electronics, New Energy, household/Medical electronics, etc.
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	2022				2023				Up to March 31,2024			
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	880,949	21	Affiliates	Walsin Technology Corporation	841,538	23	Affiliates	Walsin Technology Corporation	201,186	23	Affiliates
2	A company	528,292	13	Non-affiliates	A company	388,520	11	Non-affiliates	-	-	-	
3	Others	2,733,145	66		Others	2,423,781	66		Others	671,384	77	
	Net Sales	4,142,386	100		Net Sales	3,653,839	100		Net Sales	872,570	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	2022				2023				Up to March 31,2024			
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	Walsin Technology Corporation	413,499	24	Affiliates	Dongguan Walsin Technology Electronics Co., Ltd.	298,065	19	Affiliates	Dongguan Walsin Technology Electronics Co., Ltd.	90,510	21	Affiliates
2	Dongguan Walsin Technology Electronics Co., Ltd.	300,187	18	Affiliates	Walsin Technology Corporation	268,352	17	Affiliates	Walsin Technology Corporation	67,929	16	Affiliates
3	A company	122,773	7	Non-affiliates	A company	172,063	11	Non-affiliates	A company	41,477	10	Non-affiliates
4	Others	868,636	51		Others	808,844	53		Others	234,091	53	
	Net Purchases	1,705,095	100		Net Purchases	1,547,324	100		Net Purchases	434,007	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\$ thousand

Year Product	Unit	2022			2023		
		Capacity	Volume	Value	Capacity	Volume	Value
MLCC	Kpc	5,460,000	1,446,212	1,582,259	5,460,000	1,969,627	1,394,329
Chip-R	Kpc	5,400,000	3,552,221	560,752	5,400,000	2,658,956	523,138
Powder	Kg	5,370,000	2,323,760	743,827	5,370,000	2,377,198	782,836
Others	Kpc	325,008	169,640	145,446	162,504	77,344	68,269
Total	Kpc	11,185,008	5,168,073	3,032,284	11,022,504	4,705,927	2,768,572
	Kg	5,370,000	2,323,760		5,370,000	2,377,198	

Note : Due to the diversified series and specifications of MLCC and Chip-R of the company, the calculation of production capacity is based on equivalent quantity, while the production volume is the sum of the actual production quantities of each specification, which is calculated on a different basis.

5.2.6 Sales volume and value for the last two years

Unit : Kpcs ; Kg ; NT\$ thousand

Year Product	Unit	2022				2023			
		Domestic Sales		Exports		Domestic Sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
MLCC	Kpcs	4,778,955	1,206,686	11,084,532	1,303,902	3,567,950	997,453	12,395,142	1,181,321
Chip-R	Kpcs	4,326,848	369,039	5,164,248	295,569	2,750,947	307,119	3,550,655	266,546
Powder	Kg	1,060,904	365,333	1,024,150	319,436	1,180,465	397,204	940,373	318,702
Others	Kpcs	55,911	53,992	286,101	228,429	35,834	36,003	193,884	149,491
Total	Kpcs	9,161,714	1,995,050	16,534,881	2,147,336	6,354,731	1,737,779	16,139,681	1,916,060
	Kg	1,060,904		1,024,150		1,180,465		940,373	

5.3 Workforce Structure

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

Fiscal Year		2022	2023	2024 up to March 31
Number of employees	indirect Employee	295	266	269
	Direct Employee	489	455	451
	Total	784	721	720
Average age		35.70	28.76	28.80
Average years of service		5.48	5.66	5.72
Education background (%)	Ph.D.	0.38	0.42	0.42
	Master's	4.46	5.13	5.42
	University/College	33.80	57.28	58.33
	Senior High School	22.79	24.55	24.03
	Below senior high School	38.65	12.62	11.81

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	2023	Up to March 31,2024
Fail to follow Air Pollution Control Act	-	-
Fail to follow Water Pollution Control Act	-	-
Fail to follow Waste Disposal Act	-	-
Others	-	-

5.4.2 Preventive measures for improvement of penalties

There are no such events.

5.4.3 The following plans for pollution prevention measures :

(1) The company's environmental policy

<p style="text-align: center;">Environmental Policy</p> <p>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:</p> <ul style="list-style-type: none">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.
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(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, 2026), IATF 16949 automotive industry quality management system certification (valid until December 16, 2026). 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 continued to implement previous improvement measures such as waste plastic recycling and reuse, as well as sludge recycling and reuse from the tumbling station. Additionally, the company has continued to implement the following major goals and management plans in 2023:

No	Goal/Target	Program	Status Statement	Execution
1	Continuous improvement	Centralized management of valuable waste materials (scrap material).	Valuable waste materials are stored alongside general waste in the same area without locking controls.	A separate locked control warehouse was established in March of 2023.
2	Energy conservation and carbon reduction	Gradual replacement of old-style fluorescent lamps with LEDs.	Some fluorescent lamps within the facility are still of the traditional type.	The gradual replacement of traditional fluorescent lamps with LEDs began in January of 2023.
3	Continuous improvement	Improvement of walking safety in the factory area.	Some roads within the factory area are damaged or depressed.	Repair work to level damaged and depressed road surfaces began in August of 2023.
4	Continuous improvement	Safety protection for stair climbing.	Some equipment staircases within the factory lack protective cages, and handrails are not installed on staircases.	Installation of protective cages and handrails on all internal factory staircases began in September of 2023.
5	Continuous improvement	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.	Implementation of the waste plastic (R-0201) outsourced recycling program was began in April of 2022 and continued in 2023, reducing nearly 4.2 tons of garbage in 2023 and is still ongoing.
6	Continuous improvement	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 of 2022, and approximately 21.7 tons of sludge were reduced through separation, disposal and recycling in 2023.
7	Reduce security risks	Improvement plan for oil dripping in drying furnace exhaust ducts of the resistive plant printing machine.	Accumulation of oil and dripping in the printing machine and exhaust ducts poses a fire hazard.	Replacement and addition of inspection ports to the ducts were completed in mid-February of 2023 to facilitate observation of oil stains inside the ducts for proactive prevention.

5.4.4 The summary of environmental protection related expenditures in Taiwan's factories in 2023 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	8,463	-
(2) Save resource Consumption	The cost of saving resources (e.g. water resource)	164	2,080
(3) Business Waste Disposal and Recycling	The Cost of disposal of business waste (including reuse, incineration, burial, etc.)	16,191	-
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	1,080	-
3.Other Environmental Protection related costs	Fine of environmental issue	-	-
Total		25,898	2,080

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 2023, the company's training expenses totaled NT\$377 thousand, with a total training hours of 3,669 hours and 1,058 persons. The course content is as follows:

Course category	Course Title
Management	Supplier Development Management and Evaluation/Financial and Tax Thinking Required under the Trend of Global Restructuring of Taiwanese Business Supply Chains/Financial Technology and Emerging Money Laundering Techniques - Legal Liability Case Analysis/Corporate Governance Responses from Financial Cybersecurity Incidents/Special Lecture on Self-Compiled Financial Statements/Practical Seminar on Internal Audit Digital Transformation/Common Deficiencies in Financial Statement Review and Practical Analysis of Important Internal Control Regulations/Practical Audit of Talent System in Manufacturing Industry/Comprehensive Review of Internal Control Deficiencies from Regional Perspectives
Quality control	PFMEA Video Counseling/MSA Application and Implementation Counseling/HSF Restricted Substance Management/APQP Video Counseling/IATF16949 System Audit Training/Quality Awareness Promotion/FME Series Product Defect Prevention Process/FME Series Product Process Outsourcing Incoming Inspection Operation/FME Series Product Electroplating Operation Process Education and Training/Sampling Techniques and SPC/New Version of PFMEA/Failure Analysis and Verification Report/VDA6.3 Internal Auditor Revision Training
Information technology	ISO27001_2022 New Version Clauses/ ISO27001 Information Security Practical Exercise Workshop
Marketing and Sales	Introduction to MLCC Manufacturing Process/ Explanation of PDC Product Applications and Markets/ MLCC Product Training/ Chip R Product Training
Health and Safety	Fire Safety Training (Including AED + CPR)/ RoHS Environmental Related Restricted Substances/ SDS Hazardous Substances/ Traffic Safety and Accident Handling Seminar/ Unlawful Behavior Course - Preventing Workplace Harassment/ Emergency Response Evacuation Drill/ Professional Personnel for Technical Level Toxicity and Hazardous Chemicals/ Professional Personnel for Operational Level Technical Toxicity and Hazardous Chemicals/ ISO14001&45001 Internal Audit Personnel/ Health Seminar - Smoking Cessation Related
ESG related	Employee Ethics and Integrity Advocacy/ RBA Internal Audit Personnel Training/ Employee Interviews at Yangmei Plant/ Audit Observation - VDA6.3 & RBA/ RBA Awareness Advocacy/ ESG Sustainability and Self-compiled Financial Statements
Professional knowledge	The Second Taiwan-Japan Powder Processing Technology Seminar/ Laboratory Certification Scope ISO/IEC 17025

(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 June 2023, the company received a letter numbered 1120146422 from the Taoyuan City Government's Bureau of Labor Affairs, regarding violations of Article 32, Paragraph 2 of the Labor Standards Act concerning employee overtime. The total fine imposed was NT\$150 thousand. The company has complied with legal regulations by paying the fine and arranging coordination for employee overtime attendance matters.

5.6 Cybersecurity management

(1) With the advancements in technology, the already frequent cyber-attacks continue to evolve at a rapid pace. Moreover, the protection of intellectual property rights and corporate trade secrets has become increasingly important. To continuously promote and improve information security, the company has established relevant information security risk management measures:

a. To enhance the level of information security management, an "Information and Communications Security Committee" has been established. This committee is responsible for reviewing the company's information security governance policies and overseeing the operation of information security management. The committee will convene regular meetings to review matters related to information security governance and continuously make improvements to ensure the effectiveness of the formulation and implementation of information security policies. The convener of the Information Security Committee will be responsible for information security

governance, planning, supervision, and promotion of implementation, aiming to build a comprehensive information security defense capability and enhance colleagues' awareness of information security. The head of the company's business division is one of the members of this committee. The company's information security management organization is mainly composed of the Information Department as the dedicated core unit, which has an information security supervisor and sufficient information security personnel. Additionally, personnel from related departments will be invited to participate in collaborative operations to jointly promote and handle matters related to information security.

- b. The company's information security strategy focuses on three main pillars: information security governance, legal compliance, and technology application, aiming to comprehensively enhance information security protection capabilities, including systems, technology, personnel, and organization. The goals are as follows:
- ① Conduct information security education and training to raise employees' awareness of information security and strengthen their understanding of related responsibilities.
 - ② Protect the information of the company's business activities, prevent unauthorized access and modification, and ensure its accuracy and integrity.
 - ③ Regularly perform internal and external audits to ensure all related operations are implemented effectively.
 - ④ Ensure that the company's critical core systems maintain a certain level of system availability.
- c. To reduce the risk of cyber-attacks and prevent data destruction or loss, ensuring that company operations are not disrupted, the company has implemented the following control measures and response strategies:
- ① Joined the Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC) to actively receive and disseminate information security intelligence, enhancing response capabilities.
 - ② Continuously strengthen the backup and redundancy mechanisms for critical servers and network equipment, protect through firewalls, and perform regular virus scans to ensure system security.
 - ③ Announce information security management policies and regulations irregularly to raise all employees' awareness of information security.
 - ④ In addition to holding quarterly information security meetings and the annual 'Information and Communications Security Committee' meeting for ongoing review and improvement, an annual information security execution report is presented to the board of directors on January 31, 2024.
 - ⑤ Conducted 30 hours of education training for information security personnel, amounting to 3 person-times; for all employees, besides regular announcements and advocacy, a 2-hour "Information Security Education Training" course was

implemented, with 224 person-times attending, totaling 448 hours, and a "Social Engineering Drill" with 175 participants, totaling 175 hours.

⑥ Considering current emerging trends in information security, such as Distributed Denial of Service (DDoS) attacks, ransomware, social engineering attacks, and phishing websites, the group regularly monitors information security issues and plans response strategies, conducting drills for different information security scenarios to strengthen the response capabilities of handling personnel, aiming to reduce the harm from information security threats.

⑦ For the fiscal year 2023, the total investment in information security resources amounted to NT\$4,006 thousand, including personnel costs of NT\$3,766 thousand and capital expenditures on network security management of NT\$240 thousand.

d. In the future, the company will continue to follow international standards, establish a systematic framework, and comprehensively review information systems to ensure the appropriateness and effectiveness of processes while practicing daily management. For projects with higher risks and greater impact, the company will review the needs annually and allocate the corresponding budget for handling. This approach aims to effectively protect the company's assets, ensure the continuous operation of the business, safeguard the interests of customers, and protect the rights of shareholders.

(2) As of the date of publication of the annual report, there have been no losses due to significant information and communications 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~ 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~ 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~ 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~ 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.
 - h. In order to improve the safety of workers, cage handrails are installed on the ladders and steps of equipment in the factory.
- (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.

e. By increasing the number of emergency escape route instructions, the effectiveness of emergency escapes can be improved.

f. Increase the number of escape route maps in the factory and strengthen their judgment. An escape route map is posted at the door of each station. The direction of the escape route map is for the viewer who can easily understand it at a glance.

(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.

c. Educate all company personnel to identify chemical-related information posted on chemical bottling and promote all-employee audits.

(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.

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				
		2019	2020	2021	2022	2023
Current Assets		2,778,886	3,675,244	4,157,808	3,603,339	3,030,922
Property, Plant and Equipment		1,775,007	2,000,351	2,218,674	2,161,442	1,769,437
Intangible Assets		2,034	1,804	7,221	8,214	6,151
Other Asset		1,737,338	2,296,390	3,026,444	2,959,759	3,701,720
Total Assets		6,293,265	7,973,789	9,410,147	8,732,754	8,508,230
Current Liabilities	Before Distribution	1,219,460	1,609,831	1,475,389	1,520,728	1,298,811
	After Distribution	1,529,060	1,953,831	1,819,389	1,727,128	(Note 2)
Noncurrent Liabilities		560,337	1,111,779	1,235,941	834,126	407,887
Total Liabilities	Before Distribution	1,779,797	2,721,610	2,711,330	2,354,854	1,706,698
	After Distribution	2,089,397	3,065,610	3,055,330	2,561,254	(Note 2)
Equity Attributable to Shareholders of the Parent		4,469,375	5,211,604	6,374,786	6,377,900	6,801,532
Capital Stock		1,720,000	1,720,000	1,720,000	1,720,000	1,720,000
Capital Surplus		497,066	497,066	498,548	498,708	498,708
Retained Earnings	Before Distribution	2,121,325	2,602,586	3,407,490	3,685,117	3,934,264
	After Distribution	1,811,725	2,258,586	3,063,490	3,478,717	(Note 2)
Other Equity		130,984	391,952	803,119	528,446	702,931
Treasury Shares		0	0	(54,371)	(54,371)	(54,371)
Equity attributable to former owner of business combination under common control		0	0	324,031	0	0
Non-controlling Interests		44,093	40,575	0	0	0
Total Equity	Before Distribution	4,513,468	5,252,179	6,374,786	6,377,900	6,801,532
	After Distribution	4,203,868	4,908,179	6,030,786	6,171,500	(Note 2)

Note 1: The financial data of the years from 2019 to 2023 have been audited by CPAs.

Note 2: The earnings distribution proposal for 2023 is yet to be resolved by the annual shareholders' meeting.

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

Unit: NT\$ thousand

Year		2019	2020	2021	2022	2023
Item						
Current Assets		1,564,475	2,540,759	3,110,364	2,797,544	2,214,996
Property, Plant and Equipment		1,442,114	1,698,011	2,093,893	2,062,457	1,750,930
Intangible Assets		2,034	1,766	7,192	8,194	6,151
Other Assets		3,043,815	3,340,070	4,019,699	3,739,885	4,382,153
Total Assets		6,052,438	7,580,606	9,231,148	8,608,080	8,354,230
Current Liabilities	Before Distribution	1,031,042	1,261,660	1,309,189	1,402,793	1,165,680
	After Distribution	1,340,642	1,605,660	1,653,189	1,609,193	(Note 2)
Non-current Liabilities		552,021	1,107,342	1,223,142	827,387	387,018
Total Liabilities	Before Distribution	1,583,063	2,369,002	2,532,331	2,230,180	1,552,698
	After Distribution	1,892,663	2,713,002	2,876,331	2,436,580	(Note 2)
Equity Attributable to Shareholders of the Parent		4,469,375	5,211,604	6,698,817	6,377,900	6,801,532
Capital Stock		1,720,000	1,720,000	1,720,000	1,720,000	1,720,000
Capital Surplus		497,066	497,066	498,548	498,708	498,708
Retained Earnings	Before Distribution	2,121,325	2,602,586	3,407,490	3,685,117	3,934,264
	After Distribution	1,811,725	2,258,586	3,063,490	3,478,717	(Note 2)
Other Equity		130,984	391,952	803,119	528,446	702,931
Treasury Stock		0	0	(54,371)	(54,371)	(54,371)
Equity attributable to former owner of business combination under common control		0	0	324,031	0	0
Non-controlling Interests		0	0	0	0	0
Total Equity	Before Distribution	4,469,375	5,211,604	6,698,817	6,377,900	6,801,532
	After Distribution	4,159,775	4,867,604	6,354,817	6,171,500	(Note 2)

Note 1 : The financial data of the years from 2019 to 2023 have been audited by CPAs.

Note 2: The earnings distribution proposal for 2023 is yet to be resolved by the 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	2019	2020	2021	2022	2023
Operating Revenue	4,356,398	5,207,861	6,010,110	4,142,386	3,653,839
Gross Profit (Loss)	1,257,188	1,306,665	1,586,510	965,839	701,746
Income (Loss) from Operations	893,789	907,953	1,177,762	616,600	390,382
Non-operating Income and Expenses	87,223	83,971	264,570	12,875	174,432
Profit (Loss) before Income Tax	981,012	991,924	1,442,332	629,475	564,814
Profit (Loss) from continuing operations	764,859	787,731	1,148,630	489,645	451,374
Profit (Loss) from Discontinuing Operations	0	0	0	0	0
Net Income (Loss)	764,859	787,731	1,148,630	489,645	451,374
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	81,103	260,580	367,697	(141,157)	195,408
Total Comprehensive Income (Loss) for the Year	845,962	1,048,311	1,516,327	348,488	646,782
Net Income (Loss) Attributable to: Owners of the Parent Company	771,591	791,318	1,143,641	506,518	451,374
Net Income (Loss) Attributable to: Equity attributable to former owner of business combination under common control	0	0	4,126	(16,873)	0
Net Income (Loss) Attributable to: Non-controlling Interests	(6,732)	(3,587)	863	0	0
Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company	855,382	1,051,829	1,508,951	361,810	646,782
Total Comprehensive Income (Loss) Attributable to: Equity attributable to former owner of business combination under common control	0	0	6,198	(13,322)	0
Total Comprehensive Income (Loss) Attributable to: Non-controlling Interests	(9,420)	(3,518)	1,178	0	0
Earnings (Loss) Per Share	4.49	4.60	6.67	2.96	2.64

Note 1: The financial data of the years from 2019 to 2023 have been audited by CPAs.

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

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

Item \ Year	2019	2020	2021	2022	2023
Operating Revenue	3,693,112	4,243,551	5,103,801	3,728,375	3,260,327
Gross Profit (Loss)	1,023,744	1,057,178	1,383,923	896,137	626,031
Income (Loss) from Operations	715,411	708,383	1,018,081	592,257	347,475
Non-operating Income and Expenses	226,292	247,823	387,560	17,374	215,568
Profit (Loss) before Income Tax	941,703	956,206	1,405,641	609,631	563,043
Profit (Loss) from continuing operations	771,591	791,318	1,147,767	489,645	451,374
Profit (Loss) from Discontinuing Operations	0	0	0	0	0
Net Income (Loss)	771,591	791,318	1,147,767	489,645	451,374
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	83,791	260,511	367,382	(141,157)	195,408
Total Comprehensive Income (Loss) for the Year	855,382	1,051,829	1,515,149	348,488	646,782
Net Income (Loss) Attributable to: Owners of the Parent Company	771,591	791,318	1,143,641	506,518	451,374
Net Income (Loss) Attributable to: Equity attributable to former owner of business combination under common control	0	0	4,126	(16,873)	0
Net Income (Loss) Attributable to: Non-controlling Interests	0	0	0	0	0
Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company	855,382	1,051,829	1,508,951	361,810	646,782
Total Comprehensive Income (Loss) Attributable to: Equity attributable to former owner of business combination under common control	0	0	6,198	(13,322)	0
Total Comprehensive Income (Loss) Attributable to: Non-controlling Interests	0	0	0	0	0
Earnings (Loss) Per Share	4.49	4.60	6.67	2.96	2.64

Note 1 : The financial data of the years from 2019 to 2023 have been audited by CPAs.

6.1.3 Auditors' Opinions for past 5 years

Year	2019	2020	2021	2022	2023
CPA	Chin-Chuan Shih Ker-Chang Wu	Yi-Min Huang Chin-Chuan Shih	Yi-Min Huang Chin-Chuan Shih	Yi-Min Huang Chin-Chuan Shih	Yi-Min Huang Chin-Chuan Shih
Audit Opinion	unqualified opinion	unqualified opinion	unqualified opinion with other matter section	unqualified opinion with Emphasis of matter or 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		2019	2020	2021	2022	2023
Item						
Capital Structure Analysis(%)	Debts Ratio	28.28	34.13	29.84	26.97	20.06
	Long-term Fund to Property, Plant and Equipment	285.85	318.14	343.03	333.67	407.44
Liquidity Analysis(%)	Current Ratio	227.88	228.30	281.81	236.95	233.36
	Quick Ratio	187.48	187.74	225.24	191.86	186.83
	Times Interest Earned (Times)	267.87	124.84	150.89	46.91	42.01
Operating Performance Analysis	Average Collection Turnover (Times)	4.36	5.56	5.52	4.23	4.31
	Days Sales Outstanding	83.71	65.64	66.12	86.28	84.68
	Average Inventory Turnover (Times)	5.50	7.11	6.06	4.26	4.64
	Average Payment Turnover (Times)	5.05	6.56	6.75	7.33	9.20
	Average Inventory Turnover Days	66.36	51.33	60.23	85.68	78.66
	Property, Plant and Equipment Turnover (Times)	2.79	2.76	2.85	1.89	1.86
	Total Assets Turnover (Times)	0.68	0.73	0.70	0.46	0.42
Profitability Analysis	Return on Total Assets (%)	12.01	11.13	13.51	5.52	5.36
	Return on Equity (%)	17.51	16.35	19.74	7.94	6.85
	Pre-tax Income to Paid-in Capital Ratio (%)	57.43	57.88	83.57	37.58	32.84
	Net Margin (%)	17.56	15.13	19.04	11.82	12.35
	Earnings (Loss) Per Share (NT\$)	4.49	4.60	6.67	2.96	2.64
Cash Flow	Cash Flow Ratio (%)	78.96	88.99	53.49	84.10	87.56
	Cash Flow Adequacy Ratio (%)	119.01	120.58	102.38	103.32	110.27
	Cash Flow Reinvestment Ratio (%)	3.27	13.33	4.58	9.62	9.30
Leverage	Operating Leverage	3.12	3.52	3.26	3.99	5.19
	Financial Leverage	1.00	1.01	1.01	1.02	1.04
<p>Explanation of changes in financial ratios in the last two years:</p> <ol style="list-style-type: none"> In 2023, the decrease in the Debts Ratio was mainly due to the decrease in liabilities as a result of repayment of borrowings. In 2023, the ratio of long term fund to Property, Plant and Equipment increased, mainly due to the decrease in the net amount of Property, Plant and Equipment due to depreciation. 						

Note 1: The financial data of the years from 2019 to 2023 have been audited by CPAs.

6.2.2 Financial Analysis - Unconsolidated (Based on IFRSs)

Item		Year				
		2019	2020	2021	2022	2023
Capital Structure Analysis(%)	Debts Ratio	26.16	31.25	28.43	25.91	18.59
	Long-term Fund to Property, Plant and Equipment	348.20	372.14	362.86	349.35	410.56
Liquidity Analysis(%)	Current Ratio	151.74	201.38	237.58	199.43	190.02
	Quick Ratio	117.35	157.40	178.27	153.55	141.41
	Times Interest Earned (Times)	245.98	121.35	147.89	45.91	41.97
Operating Performance Analysis	Average Collection Turnover (Times)	4.21	6.06	6.07	4.18	4.21
	Days Sales Outstanding	86.69	60.23	60.13	87.32	86.69
	Average Inventory Turnover (Times)	6.40	7.21	5.65	4.04	4.42
	Average Payment Turnover (Times)	5.37	7.36	7.88	8.60	11.01
	Average Inventory Turnover Days	57.03	50.62	64.60	90.34	82.57
	Property, Plant and Equipment Turnover (Times)	2.97	2.70	2.69	1.79	1.71
	Total Assets Turnover (Times)	0.60	0.62	0.62	0.42	0.38
Profitability Analysis	Return on Total Assets (%)	12.59	11.70	13.97	5.61	5.45
	Return on Equity (%)	17.51	16.35	19.74	7.49	6.85
	Pre-tax Income to Paid-in Capital Ratio (%)	54.75	55.59	81.48	35.44	32.74
	Net Margin (%)	20.89	18.65	22.41	13.13	13.84
	Earnings (Loss) Per Share (NT\$)	4.49	4.60	6.67	2.96	2.64
Cash Flow	Cash Flow Ratio (%)	70.36	96.55	51.50	92.45	83.52
	Cash Flow Adequacy Ratio (%)	101.33	99.87	84.28	90.50	97.88
	Cash Flow Reinvestment Ratio (%)	(0.23)	11.67	3.54	10.24	7.96
Leverage	Operating Leverage	3.66	3.66	3.04	3.68	4.91
	Financial Leverage	1.01	1.01	1.01	1.02	1.04
<p>Explanation of changes in financial ratios in the last two years:</p> <p>1.In 2023, the decrease in the Debts Ratio was mainly due to the decrease in liabilities as a result of repayment of borrowings.</p> <p>2.In 2023, the ratio of long term fund to Property, Plant and Equipment increased, mainly due to the decrease in the net amount of Property, Plant and Equipment due to depreciation.</p>						

Note 1: The financial data of the years from 2019 to 2023 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 2023 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 Limited
The convener of the Audit Committee : Eric Chen

March 26, 2024

6.4 Financial Statement for the Most Recent Fiscal Year

(Please refer to pages 158 to 225 of the Annual Report)

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

(Please refer to pages 226 to 287 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	2023	2022	Difference	
			Amount	%
Current Assets	3,030,922	3,603,339	(572,417)	(16%)
Investments	3,505,600	2,723,218	782,382	29%
Property, Plant and Equipment	1,769,437	2,161,442	(392,005)	(18%)
Other Assets	202,271	244,755	(42,484)	(17%)
Total Assets	8,508,230	8,732,754	(224,524)	(3%)
Current Liabilities	1,298,811	1,520,728	(221,917)	(15%)
Total Liabilities	1,706,698	2,354,854	(648,156)	(28%)
Capital Stock	1,720,000	1,720,000	-	-
Capital Surplus	498,708	498,708	-	-
Retained Earnings	3,934,264	3,685,117	249,147	7%
Total Equity	6,801,532	6,377,900	423,632	7%

The reasons, effects and future plans about significant changes :

1. Decrease in current assets / Increase in investments: Mainly due to transfer funds to long-term financial assets in order to increase long-term capital income, resulting in the decrease in current assets and the increase in investments.
2. Decrease in Property, Plant and Equipment: Mainly due to depreciation.
3. Decrease in liabilities: Mainly due to repayment of long-term loans.

7.2 Financial Performance

Unit: NT\$ Thousand

Items	2023	2022	Difference	
			Amount	%
Net Sales	3,653,839	4,142,386	(488,547)	(12%)
Cost of Goods Sold	2,952,093	3,176,547	(224,454)	(7%)
Gross Profit	701,746	965,839	(264,093)	(27%)
Operating Expenses	311,364	349,239	(37,875)	(11%)
Profit From Operations	390,382	616,600	(226,218)	(37%)
Non-operating Income and Expenses	174,432	12,875	161,557	1,255%
Profit before Income Tax	564,814	629,475	(64,661)	(10%)
Income Tax Expense	113,440	139,830	(26,390)	(19%)
Net Income	451,374	489,645	(38,271)	(8%)

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 2023 compared with the previous year, please refer to "Chapter 1. Letter to Shareholders" for details.

7.3 Cash Flow

Unit: NT\$ Thousand

Cash Balance 2022/1/1	Net Cash from Operating Activities in 2022	Net Cash Flow from Investing and Financing Activities in 2022	Cash Balance 2022/12/31	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
1,605,577	1,137,288	(1,725,447)	1,017,418	—	—

1. 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 invest in long-term financial assets.
 Financing activities : Net cash outflow from financing activities due to distribution of cash dividends and repay loans.

2. Improvement plan for insufficient liquidity:
 Not applicable.

3. 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 2023 with an amount of NT\$74,280 thousand. The source of funds was self-owned funds.

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 continue to develop China and overseas markets and customers. 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 (2023.12.31)	Policy	Main reason for profit or loss	Improvement Plan	future investment plans
PDC Prime Holdings Limited	728,456	Overseas holding company	The gain in 2023 was NT\$53,266 thousand, mainly due to the reinvested subsidiary actively manages customers to increase revenue and optimize product portfolio.	Not applicable.	The plans depend on the demands of market.
Frontec International Corporation	325,684	Overseas holding company	The profit in 2023 was NT\$5,632 thousand, which was mainly due to profits from reinvested subsidiaries.	Not applicable.	None.

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 2023 was NT\$49,004 thousand, accounting for only 1.34% 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	2023	2022
Exchange gain (loss)	(2,212)	79,199
Net Sales	3,653,839	4,142,386
Percentage of Net Sales	-0.06%	1.91%
Profit before Income Tax	564,814	629,475
Percentage of Profit before Income Tax	-0.39%	12.58%

(3) In the past two years, the Taiwan dollar has fluctuated sharply against the US dollar. At the end of 2023, the Taiwan dollar rebounded sharply against the U.S. dollar. In addition, the company held net asset positions in U.S. dollars, resulting in a small exchange loss. 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, 2024, the Company and its subsidiaries had no capital loans.
- (3).During the year of 2023 and the first quarter of 2024, 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 2023 and the first quarter of 2024, 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 frequent U.S.-China trade wars, technology wars, and geopolitical conflicts have led to continuous 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 2023, the Company's purchases from its parent company- Walsin Technology Corporation and its affiliated company- Dongguan Walsin Technology Electronics Co., Ltd., accounted for 17% and 19% of the Company's total purchases, respectively. The sales to Walsin Technology Corporation accounted for 23% 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 (<https://www.pdc.com.tw/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 2023 risk management operation report(including risk management process/risk assessment/response countermeasures, etc.) has been submitted to the board of directors on 2023.10.31 (Annual risk management operation report has been disclosed on the company's website (<https://www.pdc.com.tw/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 MLCC Unit Chip-resistor Unit Chip-inductor Unit 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.

Risk Item	Departments Responsible for Each Risk	Risk Business Matters
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	Factory Service & EHS	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 Data 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.
Sustainable Business Operations	Sustainable Development Committee	Responsible for sustainable development 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

Risk Item	Departments Responsible for Each Risk	Risk Business Matters
		information protection and management.
Information Management Risk	Information and Communications Security Committee	Develop information security management related specifications and promote related activities, establish and implement risk management systems, establish emergency response and recovery measures for security incidents, implement audit improvement recommendations, plan and implement corrective measures, research new information security products or technologies, and identify information security Relevant regulations and contracts.

7.6.14 Other important risks and countermeasures :

None.

7.7 Other Important Matters :

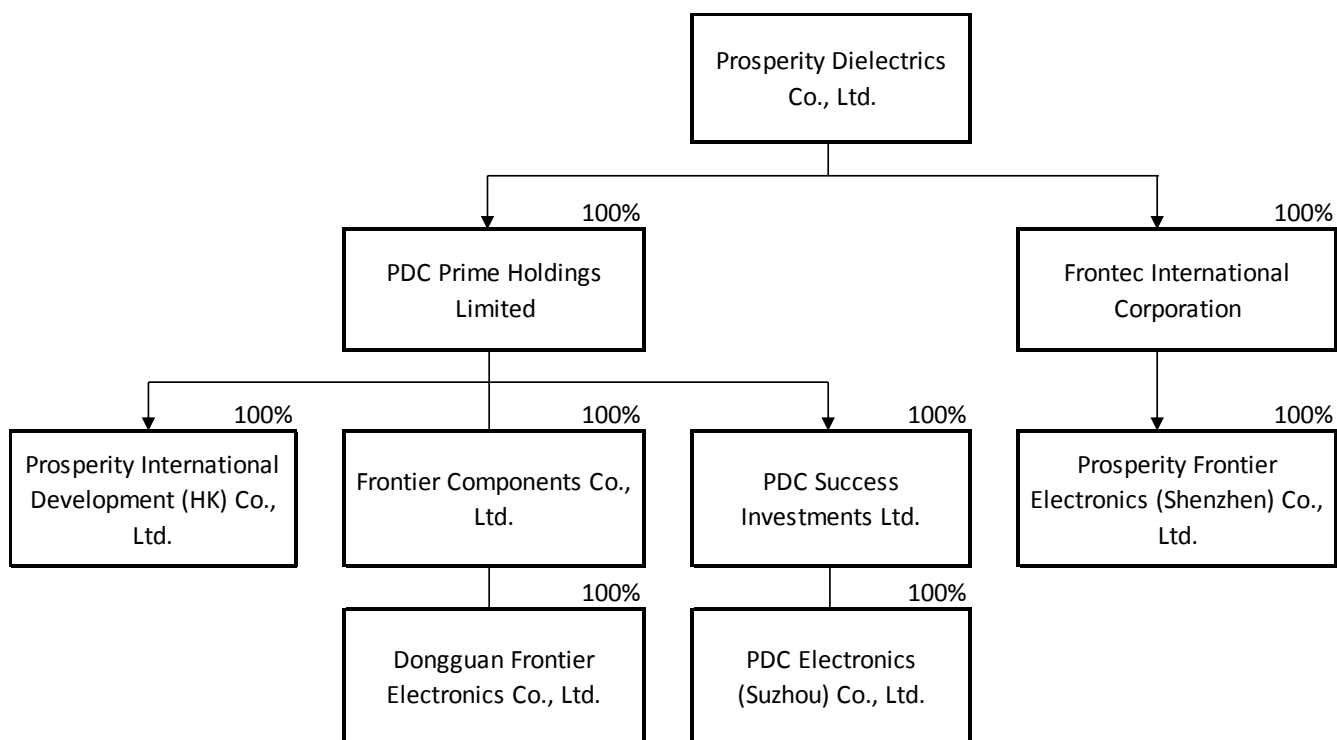
None.

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

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	Chun-Hsueh Chen	(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	Chun-Hsueh Chen	(Rep of PDC)	USD 23,464,538.00	100%
	Director	Wen-Ko Lin			
PDC Success Investments Ltd. (PDC Success)	Director	Chun-Hsueh Chen	(Rep of PDC Holdings)	USD 12,009,000.00	100%
	Director	Wen-Ko Lin			
PDC Electronics (Suzhou) Co., Ltd.	Chairman	Chi-Lin Kuang	(Rep of PDC Success)	USD 12,000,000.00	100%
	Director	Chun-Hsueh Chen			
	Director	Hung-Chun Wu			
	Supervisor	Hsia-Ying Lo			
	President	Kuo-Chou Chen			
Frontec International Corporation (FIC)	Director	Chun-Hsueh Chen	(Rep of PDC)	USD 8,221,614.62	100%
	Director	Wen-Ko Lin			
Dongguan Frontier Electronics Co., Ltd. (Dongguan Frontier)	Chairman	Wen-Ko Lin	(Rep of FCC)	USD 6,100,000.00	100%
	Director	Chun-Hsueh Chen			
	Director	Chien-Wen Chiang			
	Supervisor	Hsia-Ying Lo			
	President	Wen-Ko Lin			
Prosperity International Development (HK) Co., Ltd.	Director	Chun-Hsueh Chen	(Rep of PDC Holdings)	USD 2,401,000.00	100%
	Director	Wen-Ko Lin			
Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Chairman	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			

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.	276,646	1,074,350	254,816	819,534	748,250	20,706	57,439	None
PDC Prime Holdings Limited	728,456	1,608,620	0	1,608,620	0	0	53,266	None
PDC Success Investments Ltd.	387,932	721,271	0	721,271	0	0	(3,865)	None
PDC Electronics (Suzhou) Co., Ltd.	368,820	727,329	6,345	720,984	42,733	(4,684)	(3,868)	None
Frontec International Corporation	325,684	134,801	0	134,801	0	0	5,632	None
Dongguan Frontier Electronics Co., Ltd.	187,484	461,159	206,164	254,995	869,482	19,878	17,686	None
Prosperity International Development (HK) Co., Ltd.	73,795	61,271	0	61,271	0	0	(384)	None
Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	184,410	134,695	69	134,626	81,839	7,006	5,630	None

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 31,2023 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 22, 2024

8.1.3 Affiliation Report

Declaration

The 2023 (from January 1 to December 31, 2023) 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 22, 2024

Affiliation Report

To Prosperity Dielectrics Co., Ltd.

We have audited the 2023 financial statements of Prosperity Dielectrics Co., Ltd. in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and auditing standards, and issued our unqualified opinion with other matter section on February 22, 2024. The attached 2023 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 2023 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 22, 2024

Relationship between Subordinate Company and Controlling Company

Unit: shares; %(As of 2023.12.31)

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: (Chih-Mou Hung)
					Director	Walsin Technology Corporation: (Yeu-Yuh Chu)

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	841,538	26	Note1	Note1	Note3	Note1	Monthly 0 day~120 days	None	210,017	26	None	None	None	
Purchase	268,352	20	Note2	Note2	Note3	Note2	Monthly 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				
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 (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	2023.01~2023.12	capital lease	Reference market price	Pay monthly	quite	6,576	As of 2023.12.31, the balance of rent payable was NT\$ 0 (before tax)	None
Lease	Buildings and office	No.566-1, Kaoshi Rd., Yangmei, Taoyuan	2023.01~2023.12	operational lease	Reference market price	Pay monthly	quite	3,076	As of 2023.12.31, the rent receivable balance was NT\$ 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, 2023 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

YU-HENG CHIAO
Chairman

3 February 22, 2024

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, 2023 and 2022, 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 material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the report of other auditors (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, 2023 and 2022, 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 in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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 reports of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. 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 these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2023 is described as follows:

Validity of Sales Revenue

The Group engages mainly in the manufacturing and selling chip capacitors, chip resistors, dielectric porcelain powders and magnetic materials. For the year ended December 31, 2023, the sales revenue of the Group was NT\$3,653,839 thousand. It has been assessed that the authenticity of sales from key customers is significant to consolidated financial statements. The existence of sales revenue from key customers was considered as a key audit matter for the audit of the Group's consolidated financial statements for the year ended December 31, 2023. 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 and inspected the sales transactions from these customers on a sample basis to ensure the validity of the 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\$390,462 thousand and NT\$410,924 thousand as of December 31, 2023 and 2022, and the share of loss of associates accounted for using the equity method for the years ended December 31, 2023 and 2022 amounted to NT\$12,925 thousand and NT\$13,552 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, 2023 and 2022 on which we have issued an unmodified opinion with emphasis of matter paragraph or other matter paragraph.

Emphasis of Matter

As described in Note 29 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. For the year ended December 31, 2022, the comprehensive income of previously held interests decreased by NT\$13,322 thousand.

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, 2023 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 22, 2024

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,017,418	12	\$ 1,605,577	18
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	68,755	1	348,414	4
Financial assets at amortized cost - current (Notes 4 and 8)	421,735	5	79,496	1
Notes receivable from unrelated parties (Notes 4 and 9)	29,651	-	31,317	-
Trade receivables from unrelated parties (Notes 4 and 9)	568,758	7	583,613	7
Trade receivables from related parties (Notes 4 and 27)	270,150	3	212,608	2
Other receivables from unrelated parties	31,306	1	29,602	-
Other receivables from related parties (Note 27)	1,339	-	1,273	-
Inventories (Notes 4 and 10)	600,952	7	671,972	8
Other current assets	20,858	-	39,467	1
Total current assets	<u>3,030,922</u>	<u>36</u>	<u>3,603,339</u>	<u>41</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 12)	1,706,241	20	1,359,851	16
Financial assets at amortized cost - non-current (Notes 4 and 8)	661,517	8	212,610	2
Investments accounted for using the equity method (Notes 4 and 13)	1,137,842	13	1,150,757	13
Property, plant and equipment (Notes 4 and 14)	1,769,437	21	2,161,442	25
Right-of-use assets (Notes 4 and 15)	147,780	2	183,048	2
Computer software (Note 4)	6,151	-	8,214	-
Deferred tax assets (Notes 4 and 23)	35,412	-	39,395	1
Other non-current assets	12,928	-	14,098	-
Total non-current assets	<u>5,477,308</u>	<u>64</u>	<u>5,129,415</u>	<u>59</u>
TOTAL	<u>\$ 8,508,230</u>	<u>100</u>	<u>\$ 8,732,754</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 63,411	1	\$ 230,000	3
Trade payables to unrelated parties	236,217	3	210,919	2
Trade payables to related parties (Note 27)	92,463	1	102,475	1
Other payables to unrelated parties (Note 17)	384,560	4	406,176	5
Other payables to related parties (Note 27)	14,426	-	16,506	-
Current tax liabilities (Notes 4 and 23)	58,228	1	151,907	2
Lease liabilities - current (Notes 4 and 15)	28,781	-	34,708	-
Current portion of long-term borrowings (Note 16)	409,158	5	349,591	4
Other current liabilities	11,567	-	18,446	-
Total current liabilities	<u>1,298,811</u>	<u>15</u>	<u>1,520,728</u>	<u>17</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	66,408	1	472,193	6
Deferred tax liabilities (Notes 4 and 23)	179,739	2	158,439	2
Lease liabilities - non-current (Notes 4 and 15)	122,460	2	151,490	2
Deferred revenue - non-current (Notes 4 and 17)	1,509	-	4,882	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	8,617	-	24,347	-
Guarantee deposits received	29,154	-	22,775	-
Total non-current liabilities	<u>407,887</u>	<u>5</u>	<u>834,126</u>	<u>10</u>
Total liabilities	<u>1,706,698</u>	<u>20</u>	<u>2,354,854</u>	<u>27</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)				
Share capital				
Ordinary shares	1,720,000	20	1,720,000	20
Capital surplus	498,708	6	498,708	6
Retained earnings				
Legal reserve	687,087	8	624,924	7
Special reserve	67,764	1	67,764	1
Unappropriated earnings	3,179,413	37	2,992,429	34
Total retained earnings	<u>3,934,264</u>	<u>46</u>	<u>3,685,117</u>	<u>42</u>
Other equity				
Exchange differences on the translation of the financial statements of foreign operations	(66,031)	(1)	(50,917)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	768,962	9	579,363	7
Total other equity	<u>702,931</u>	<u>8</u>	<u>528,446</u>	<u>6</u>
Treasury shares	(54,371)	-	(54,371)	(1)
Total equity attributable to owners of the Company	<u>6,801,532</u>	<u>80</u>	<u>6,377,900</u>	<u>73</u>
Total equity	<u>6,801,532</u>	<u>80</u>	<u>6,377,900</u>	<u>73</u>
TOTAL	<u>\$ 8,508,230</u>	<u>100</u>	<u>\$ 8,732,754</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated February 22, 2024)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
NET SALES (Notes 4 and 32)	\$ 3,653,839	100	\$ 4,142,386	100
COST OF SALES (Note 10)	<u>2,952,093</u>	<u>81</u>	<u>3,176,547</u>	<u>77</u>
GROSS PROFIT	<u>701,746</u>	<u>19</u>	<u>965,839</u>	<u>23</u>
OPERATING EXPENSES				
Selling and marketing expenses	113,904	3	129,830	3
General and administrative expenses	118,635	3	131,170	3
Research and development expenses	<u>78,825</u>	<u>2</u>	<u>88,239</u>	<u>2</u>
Total operating expenses	<u>311,364</u>	<u>8</u>	<u>349,239</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>390,382</u>	<u>11</u>	<u>616,600</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	62,778	2	29,558	1
Dividend income	45,731	1	42,700	1
Other income	18,905	1	21,436	-
Gain on disposal of property, plant and equipment	-	-	340	-
Gain on disposal of investments	-	-	17,808	-
Gain on lease modifications	1	-	758	-
Foreign exchange gain	-	-	79,199	2
Gain on valuation of financial assets at FVTPL	108,509	3	-	-
Gain on reversal of impairment loss	6,641	-	5,379	-
Interest expense	(13,774)	-	(13,710)	-
Miscellaneous expenses	(4,688)	-	(13,978)	-
Loss on disposal of property, plant and equipment	(232)	-	-	-
Loss on disposal of investments	(29,522)	(1)	-	-
Foreign exchange loss	(2,212)	-	-	-
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>(17,705)</u>	<u>(1)</u>	<u>(50,112)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>174,432</u>	<u>5</u>	<u>12,875</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	564,814	16	629,475	15
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(113,440)</u>	<u>(3)</u>	<u>(139,830)</u>	<u>(3)</u>
NET PROFIT FOR THE YEAR	<u>451,374</u>	<u>13</u>	<u>489,645</u>	<u>12</u>

(Continued)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 681	-	\$ 10,021	-
Unrealized valuation gain (loss) on investments in equity instruments at fair value through other comprehensive income	186,335	5	(188,465)	(4)
Share of the other comprehensive loss of associates accounted for using the equity method	23,506	1	(26,227)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on the translation of the financial statements of foreign operations	(22,505)	(1)	64,137	1
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>7,391</u>	<u>-</u>	<u>(623)</u>	<u>-</u>
Other comprehensive (loss) income for the year	<u>195,408</u>	<u>5</u>	<u>(141,157)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 646,782</u>	<u>18</u>	<u>\$ 348,488</u>	<u>8</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 451,374	12	\$ 506,518	12
Equity attributable to former owner of business combination under common control	<u>-</u>	<u>-</u>	<u>(16,873)</u>	<u>-</u>
	<u>\$ 451,374</u>	<u>12</u>	<u>\$ 489,645</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 646,782	18	\$ 361,810	9
Equity attributable to former owner of business combination under common control	<u>-</u>	<u>-</u>	<u>(13,322)</u>	<u>(1)</u>
	<u>\$ 646,782</u>	<u>18</u>	<u>\$ 348,488</u>	<u>8</u>

(Continued)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 2.64</u>		<u>\$ 2.96</u>	
Diluted	<u>\$ 2.63</u>		<u>\$ 2.95</u>	

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

(With Deloitte & Touche auditors' report dated February 22, 2024)

(Concluded)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company											
	Share Capital		Capital Surplus	Retained Earnings			Other Equity (Note 20)		Treasury Shares	Total	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 AT JANUARY 1, 2022	172,000	\$ 1,720,000	\$ 498,548	\$ 509,861	\$ 67,764	\$ 2,829,865	\$ (116,523)	\$ 919,642	\$ (54,371)	\$ 6,374,786	\$ 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
Appropriation of 2022 earnings (Note 20)												
Legal reserve	-	-	-	62,163	-	(62,163)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(206,400)	-	-	-	(206,400)	-	(206,400)
Change in capital surplus from investments in associates accounted for using the equity method	-	-	-	-	-	(16,750)	-	-	-	(16,750)	-	(16,750)
Net profit for the year ended December 31, 2023	-	-	-	-	-	451,374	-	-	-	451,374	-	451,374
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	-	681	(15,114)	209,841	-	195,408	-	195,408
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	-	452,055	(15,114)	209,841	-	646,782	-	646,782
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 20)	-	-	-	-	-	20,242	-	(20,242)	-	-	-	-
BALANCE AT DECEMBER 31, 2023	<u>172,000</u>	<u>\$ 1,720,000</u>	<u>\$ 498,708</u>	<u>\$ 687,087</u>	<u>\$ 67,764</u>	<u>\$ 3,179,413</u>	<u>\$ (66,031)</u>	<u>\$ 768,962</u>	<u>\$ (54,371)</u>	<u>\$ 6,801,532</u>	<u>\$ -</u>	<u>\$ 6,801,532</u>

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

(With Deloitte & Touche auditors' report dated February 22, 2024)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 564,814	\$ 629,475
Adjustments for:		
Depreciation expense	445,069	458,851
Amortization expense	7,246	5,325
Net (gain) loss on valuation of financial assets at FVTPL	(108,509)	106,503
Interest expense	13,774	13,710
Interest income	(62,778)	(29,558)
Dividend income	(45,731)	(42,700)
Share of loss of associates accounted for using the equity method	17,705	50,112
Loss (gain) on disposal of property, plant and equipment	232	(340)
Loss (gain) on disposal of investments	29,522	(17,808)
Impairment loss of non-financial assets	2,827	-
Reversal of impairment loss of non-financial assets	-	(13,656)
Gain on lease modifications	(1)	(758)
Changes in operating assets and liabilities		
Decrease in financial assets mandatorily classified as at fair value through profit or loss	358,646	94,957
Decrease in notes receivable from unrelated parties	1,666	19,565
Decrease in trade receivables from unrelated parties	14,855	159,405
(Increase) decrease in trade receivables from related parties	(57,542)	123,368
Decrease in other receivables from unrelated parties	13,249	4,857
Decrease in other receivables from related parties	2,732	13,120
Decrease in inventories	61,552	156,875
Decrease in other current assets	18,609	13,936
Increase in other non-current assets	(2,987)	(9,746)
Increase (decrease) in trade payables to unrelated parties	25,298	(178,645)
Decrease in trade payables to related parties	(10,012)	(61,116)
Decrease in other payables to unrelated parties	(26,761)	(117,419)
(Decrease) increase in other payables to related parties	(3,622)	5,262
(Decrease) increase in other current liabilities	(6,879)	2,693
Decrease in net defined benefit liabilities	(15,049)	(17,023)
Cash generated from operations	1,237,925	1,369,245
Interest received	47,930	30,078
Dividends received	45,626	43,440
Interest paid	(12,357)	(13,260)
Income tax paid	(181,836)	(150,516)
Net cash generated from operating activities	<u>1,137,288</u>	<u>1,278,987</u>

(Continued)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (200,000)	\$ (199,688)
Disposal of financial assets at fair value through other comprehensive income	39,945	252,777
Purchase of financial assets at amortized cost	(791,146)	(169,134)
Disposal of financial assets at amortized cost	-	183,201
Purchase of investments accounted for using the equity methods (Note 13)	(2,500)	(379,629)
Payments for property, plant and equipment	(74,280)	(561,943)
Proceeds from disposal of property, plant and equipment	65,603	406
Increase in refundable deposits	(279)	(711)
Acquisition of intangible assets	-	(3,000)
Disposal of intangible assets	<u>13</u>	<u>-</u>
Net cash used in investing activities	<u>(962,644)</u>	<u>(877,721)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	230,000
Repayments of short-term borrowings	(163,216)	-
Repayments of long-term borrowings	(349,591)	(8,334)
Proceeds from guaranteed deposits received	6,379	-
Refund of guaranteed deposits received	-	(2,459)
Repayment of the principal portion of lease liabilities	(35,421)	(34,976)
Decrease in other non-current liabilities	(3,373)	-
Cash dividends paid to owners of the Company	<u>(206,400)</u>	<u>(344,000)</u>
Net cash used in financing activities	<u>(751,622)</u>	<u>(159,769)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(11,181)</u>	<u>51,882</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(588,159)	293,379
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,605,577</u>	<u>1,312,198</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,017,418</u>	<u>\$ 1,605,577</u>

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

(With Deloitte & Touche auditors' report dated February 22, 2024)

(Concluded)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2023 and 2022.

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 22, 2024.

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 “IFRS Accounting Standards”) 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 Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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 have a material impact on the Group's financial position and financial performance.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date 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
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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- 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 IFRS Accounting Standards 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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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 and intangible assets other than goodwill

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 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 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.

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 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 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. 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 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 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 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 remeasurement 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. MATERIAL 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 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>	
	2023	2022
Cash on hand	\$ 382	\$ 539
Checking accounts and demand deposits	361,428	398,256
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	195,889	1,053,692
Repurchase agreements collateralized by bonds	<u>459,719</u>	<u>153,090</u>
	<u>\$ 1,017,418</u>	<u>\$ 1,605,577</u>

The market rate intervals of cash equivalents were as follows:

	<u>December 31</u>	
	2023	2022
Time deposits with original maturities of 3 months or less	1.25%-5.3%	1.1%-4.9%
Repurchase agreements collateralized by bonds	1.02%-5.65%	0.8%-4.1%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2023	2022
<u>Financial assets mandatorily classified as at FVTPL - current</u>		
Non-derivative financial assets		
Domestic listed shares	\$ 68,755	\$ 250,030
Mutual funds	-	53,835
Government bonds	<u>-</u>	<u>44,549</u>
	<u>\$ 68,755</u>	<u>\$ 348,414</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 360,664	\$ 74,605
Restricted deposits (b)	-	4,891
Current portion of bonds (c)	<u>61,071</u>	<u>-</u>
	<u>\$ 421,735</u>	<u>\$ 79,496</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 1 year (a)	\$ 86,650	\$ -
Bonds (c)	<u>574,867</u>	<u>212,610</u>
	<u>\$ 661,517</u>	<u>\$ 212,610</u>

- 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>	
	<u>2023</u>	<u>2022</u>
Time deposits with original maturities of more than 3 months	1.55%-5.15%	1.425%-4.125%
Time deposits with original maturities of more than 1 year	3.1%	-

- 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:

December 31, 2023

Non-current

Period	Face Value	Range of Coupon Rate	Range of Effective Interest Rate
February to December 2023	US\$13,556,000	4.902%-6.75%	4.4235%-5.5403%
June to December 2022	US\$7,000,000	3%-3.875%	3.7563%-4.3224%

December 31, 2022

Non-current

Period	Face Value	Range of Coupon Rate	Range of Effective Interest Rate
June to December 2022	US\$7,000,000	3%-3.875%	3.7563%-4.3224%

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes receivable from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 29,651	\$ 31,317
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 29,651</u>	<u>\$ 31,317</u>
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 591,564	\$ 606,441
Less: Allowance for impairment loss	<u>(22,806)</u>	<u>(22,828)</u>
	<u>\$ 568,758</u>	<u>\$ 583,613</u>

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

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

The Group measures the loss allowance for notes receivable and trade receivables at an amount equal to lifetime ECLs. The expected credit losses on notes receivable and trade receivables are estimated by reference to the 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, 2023

	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	\$ 616,541	\$ 1,470	\$ 3,195	\$ 9	\$ -	\$ -	\$ 621,215
Loss allowance (Lifetime ECLs)	<u>(22,412)</u>	<u>(73)</u>	<u>(319)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(22,806)</u>
Amortized cost	<u>\$ 594,129</u>	<u>\$ 1,397</u>	<u>\$ 2,876</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 598,409</u>

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	\$ 628,389	\$ 256	\$ 9,113	\$ -	\$ -	\$ -	\$ 637,758
Loss allowance (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>

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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 22,828	\$ 24,349
Less: Transfers to delinquent receivables	-	(1,239)
Less: Net remeasurement of loss allowance	-	(349)
Add: Foreign exchange differences	<u>(22)</u>	<u>67</u>
Balance at December 31	<u>\$ 22,806</u>	<u>\$ 22,828</u>

10. INVENTORIES

	December 31	
	2023	2022
Finished goods	\$ 164,910	\$ 178,908
Semi-finished goods	95,850	85,484
Work in progress	148,305	157,005
Raw materials	182,651	232,278
Inventory in transit	<u>9,236</u>	<u>18,297</u>
	<u>\$ 600,952</u>	<u>\$ 671,972</u>

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

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 2,942,625	\$ 3,184,824
Inventory write-downs (reversed)	<u>9,468</u>	<u>(8,277)</u>
	<u>\$ 2,952,093</u>	<u>\$ 3,176,547</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	
			2023	2022
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
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
			(In liquidation)	(Note)

Note: The company's liquidation was finalized in June 2023.

The above-mentioned subsidiaries included in the consolidated financial statements have been audited for the years ended December 31, 2023 and 2022.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	December 31	
	2023	2022
<u>Non-current</u>		
Domestic investments - listed shares	\$ 1,347,319	\$ 1,118,683
Domestic investments - unlisted shares	<u>358,922</u>	<u>241,168</u>
	<u>\$ 1,706,241</u>	<u>\$ 1,359,851</u>

Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Non-current</u>		
Domestic investments - listed shares		
Walton Advanced Engineering Inc.	\$ 486,712	\$ 362,241
Walsin Lihwa Corporation	424,748	518,710
HannStar Board Corporation	313,459	179,403
APAQ Technology Co., Ltd.	-	30,779
Fubon Financial Holding Co., Ltd. - preferred shares C	27,500	27,550
Hotai Finance Co., Ltd. - preferred shares B	94,900	-
Domestic investments - unlisted shares		
Chin-Xin Investment Co., Ltd.	169,273	153,067
Hwa Bao Botanic Conservation Corp.	<u>189,649</u>	<u>88,101</u>
	<u>\$ 1,706,241</u>	<u>\$ 1,359,851</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 May 2023 and June 2022, PDC paid \$100,000 thousand and \$80,000 thousand to subscribed new shares, totaling 10,000 thousand and 8,000 thousand shares, respectively, 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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Chongqing Shuohong Investment Co., Ltd.	\$ 543,432	\$ 556,975
Chongqing Xincheng Electronics Co., Ltd.	38,583	40,618
GHPW Enterprise Corporation (HK) Limited	61,246	63,051
Tsai Yi Corporation (before the name changed in June 2022, it was Walsin Color Corporation)	101,672	79,189
Joyin Co., Ltd.	390,462	410,924
Hannstar Board New Energy Co., Ltd.	<u>2,447</u>	<u>-</u>
	<u>\$ 1,137,842</u>	<u>\$ 1,150,757</u>

Share of profit or loss of associates for the years ended December 31, 2023 and 2022 after restated was summarized as follows:

	2023	2022
Chongqing Shuohong Investment Co., Ltd.	\$ (3,796)	\$ (31,594)
Chongqing Xincheng Electronics Co., Ltd.	(1,347)	(4,783)
GHPW Enterprise Corporation (HK) Limited	(384)	(358)
Tsai Yi Corporation	800	175
Joyin Co., Ltd.	(12,925)	(13,552)
Hannstar Board New Energy Co., Ltd.	<u>(53)</u>	<u>-</u>
	<u>\$ (17,705)</u>	<u>\$ (50,112)</u>

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

	December 31	
	2023	2022
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%
Hannstar Board New Energy Co., Ltd.	5%	-

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 and Hannstar Board New Energy Co., Ltd., its parent company, Walsin Technology Corporation, exercises significant influence over those companies; therefore, they are accounted for using the equity method.

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 years ended December 31, 2023 and 2022 was recognized based on the associates’ financial statements audited by independent accountants for the same periods. In addition, the financial statements for the years ended December 31, 2023 and 2022 of Joyin Co., Ltd. were 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
Cost							
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	<u>148,895</u>	<u>93,182</u>	<u>160,656</u>	<u>3,566</u>	<u>7,962</u>	<u>(408,346)</u>	<u>5,915</u>
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>
Accumulated depreciation and impairment							
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) impairment losses	-	(6,011)	632	-	-	-	(5,379)
Effects of foreign currency exchange differences	-	2,319	2,623	20	549	-	5,511
Reclassifications	<u>-</u>	<u>6,011</u>	<u>(97)</u>	<u>-</u>	<u>2,003</u>	<u>-</u>	<u>7,917</u>
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>
Cost							
Balance at January 1, 2023	\$ 451,115	\$ 1,105,773	\$ 2,985,711	\$ 50,091	\$ 238,668	\$ 65,564	\$ 4,896,922
Additions	-	-	655	-	85	80,482	81,222
Disposals	-	-	(206,558)	(825)	(15,321)	(104)	(222,808)
Effect of foreign currency exchange differences	-	(3,478)	(2,231)	(9)	(507)	-	(6,225)
Reclassifications	<u>-</u>	<u>7,402</u>	<u>66,586</u>	<u>2,786</u>	<u>4,399</u>	<u>(75,163)</u>	<u>6,010</u>
Balance at December 31, 2023	<u>\$ 451,115</u>	<u>\$ 1,109,697</u>	<u>\$ 2,844,163</u>	<u>\$ 52,043</u>	<u>\$ 227,324</u>	<u>\$ 70,779</u>	<u>\$ 4,755,121</u>
Accumulated depreciation and impairment							
Balance at January 1, 2023	\$ -	\$ 745,295	\$ 1,764,930	\$ 32,952	\$ 192,303	\$ -	\$ 2,735,480
Depreciation expenses	-	86,617	304,428	5,447	15,556	-	412,048
Disposals	-	-	(142,528)	(814)	(13,631)	-	(156,973)
Reversals of impairment losses	-	(6,011)	(630)	-	-	-	(6,641)
Effects of foreign currency exchange differences	-	(3,177)	(2,445)	(11)	(506)	-	(6,139)
Reclassifications	<u>-</u>	<u>6,011</u>	<u>-</u>	<u>-</u>	<u>1,898</u>	<u>-</u>	<u>7,909</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 828,735</u>	<u>\$ 1,923,755</u>	<u>\$ 37,574</u>	<u>\$ 195,620</u>	<u>\$ -</u>	<u>\$ 2,985,684</u>
Carrying amount at December 31, 2023	<u>\$ 451,115</u>	<u>\$ 280,962</u>	<u>\$ 920,408</u>	<u>\$ 14,469</u>	<u>\$ 31,704</u>	<u>\$ 70,779</u>	<u>\$ 1,769,437</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

	December 31	
	2023	2022
<u>Carrying amount</u>		
Land	\$ 122,480	\$ 143,351
Buildings	24,475	38,436
Transportation equipment	<u>825</u>	<u>1,261</u>
	<u>\$ 147,780</u>	<u>\$ 183,048</u>
	For the Year Ended December 31	
	2023	2022
Additions of right-of-use assets	<u>\$ 331</u>	<u>\$ 46,029</u>
Depreciation charge for right-of-use assets		
Land	\$ 20,731	\$ 20,731
Buildings	12,065	13,827
Transportation equipment	<u>225</u>	<u>363</u>
	<u>\$ 33,021</u>	<u>\$ 34,921</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, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 28,781</u>	<u>\$ 34,708</u>
Non-current	<u>\$ 122,460</u>	<u>\$ 151,490</u>

The discount rates of lease liabilities were as follows:

	December 31	
	2023	2022
Land	1%	1%
Buildings	1%	1%
Transportation equipment	1%	1%

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Unsecured borrowings		
Line of credit borrowings	\$ <u>63,411</u>	\$ <u>230,000</u>
Interest rate	1.65%	1.74%-2%

b. Long-term borrowings

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
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	\$ 99,731	\$ 198,970
2020.04.09-2024.12.15	49,865	99,485
2020.07.09-2025.06.15	59,765	79,392
2020.08.07-2025.06.15	74,706	99,240
2021.11.09-2025.06.15	44,824	59,544
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	45,715	95,360
2020.04.29-2024.12.10	45,715	95,360
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	55,245	94,433
Less: Current portion	<u>(409,158)</u>	<u>(349,591)</u>
Long-term borrowings	<u>\$ 66,408</u>	<u>\$ 472,193</u>
Interest rate	1.2%-1.35%	1.075%-1.225%

17. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Payables for accrued expense	\$ 306,568	\$ 330,300
Payables for purchases of equipment	51,304	45,904
Payables for annual leave (Note 18)	5,767	6,749
Payables for remuneration of directors and employee bonuses	20,421	22,723
Payables for dividends	<u>500</u>	<u>500</u>
	<u>\$ 384,560</u>	<u>\$ 406,176</u>
<u>Non-current</u>		
Deferred revenue		
Arising from government grants	<u>\$ 1,509</u>	<u>\$ 4,882</u>

18. PROVISIONS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Employee benefits (presented in other payables)	<u>\$ 5,767</u>	<u>\$ 6,749</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:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 23,882	\$ 37,582
Fair value of plan assets	<u>(15,265)</u>	<u>(13,235)</u>
Deficit	<u>8,617</u>	<u>24,347</u>
Net defined benefit liabilities	<u>\$ 8,617</u>	<u>\$ 24,347</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	\$ 58,278	\$ (6,887)	\$ 51,391
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>
Service cost			
Current service cost	65	-	65
Net interest expense (income)	<u>564</u>	<u>(211)</u>	<u>353</u>
Recognized in profit or loss	<u>629</u>	<u>(211)</u>	<u>418</u>
Remeasurement			
Actuarial gain - changes in financial assumptions	454	-	454
Actuarial gain - experience adjustments	(972)	-	(972)
Return on the plan assets	<u>-</u>	<u>(163)</u>	<u>(163)</u>
Recognized in other comprehensive income	<u>(518)</u>	<u>(163)</u>	<u>(681)</u>
Contributions from the employer	<u>-</u>	<u>(16,598)</u>	<u>(16,598)</u>
Benefits paid from the plan assets	<u>(3,446)</u>	<u>3,446</u>	<u>-</u>
Settlement of assigned assets	<u>(10,365)</u>	<u>11,496</u>	<u>(1,131)</u>
Balance at December 31, 2023	<u>\$ 23,882</u>	<u>\$ (15,265)</u>	<u>\$ 8,617</u>

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:

	December 31	
	2023	2022
Discount rate	1.375%	1.5%
Expected rate of salary increase	2%	2%

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

	December 31	
	2023	2022
Discount rate		
0.25% increase	<u>\$ (659)</u>	<u>\$ (971)</u>
0.25% decrease	<u>\$ 684</u>	<u>\$ 1,007</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 667</u>	<u>\$ 983</u>
0.25% decrease	<u>\$ (646)</u>	<u>\$ (952)</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.

	December 31	
	2023	2022
Expected contributions to the plan for the next year	<u>\$ 1,921</u>	<u>\$ 1,599</u>
Average duration of the defined benefit obligation	11.2 years	10.5 years

20. EQUITY

a. Share capital

Common shares

	December 31	
	2023	2022
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

	December 31	
	2023	2022
<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>10,687</u>
	<u>\$ 498,708</u>	<u>\$ 498,708</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, 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.

Items referred to under Rule No. 1090150022 and Rule No. 10901500221 issued by the FSC and in the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by PDC.

The appropriations of earnings for 2022 and 2021, which were approved in the shareholders’ meetings on June 20, 2023 and June 14, 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
Legal reserve	\$ 62,163	\$ 115,063
Cash dividends	206,400	344,000
Cash dividends per share (NT\$)	1.2	2.0

The appropriation of earnings for 2023 will be resolved by the shareholders in their meeting to be held in 2024.

d. Other equity items

The movements of other equity items were as follows:

	For the Year Ended December 31, 2023		
	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI	Total
Balance at January 1	\$ (50,917)	\$ 579,363	\$ 528,446
Exchange differences on the translation of the net assets of foreign operations	(22,505)	-	(22,505)
Unrealized valuation gain on investments in equity instruments at FVTOCI	-	186,335	186,335
Share from associates accounted for using the equity method	7,391	23,506	30,897
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(20,242)</u>	<u>(20,242)</u>
Balance at December 31	<u>\$ (66,031)</u>	<u>\$ 768,962</u>	<u>\$ 702,931</u>
	For the Year Ended December 31, 2022		
	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI	Total
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)
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	<u>-</u>	<u>(126,013)</u>	<u>(126,013)</u>
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>

e. Treasury shares

- 1) Movements of the treasury shares for the years ended December 31, 2023 and 2022 were as follows:

Unit: In Thousands of Shares

Purpose of Buy-back	For the Year Ended December 31, 2023			
	Number of Shares at January 1, 2023	Increase During the Period	Decrease During the Period	Number of Shares at December 31, 2023
Shares transferred to employees	800	-	-	800
Purpose of Buy-back	For the Year Ended December 31, 2022			
	Number of Shares at January 1, 2022	Increase During the Period	Decrease During the Period	Number of Shares at December 31, 2022
Shares transferred to employees	800	-	-	800

- 2) As of the years ended December 31, 2023 and 2022, 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 years ended December 31, 2023 and 2022, 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 Note 32-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					
	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Short-term employee benefits						
Salaries and wages	\$ 389,183	\$ 142,859	\$ 532,042	\$ 427,432	\$ 138,666	\$ 566,098
Labor/health insurance	41,592	11,396	52,988	42,495	11,158	53,653
Pension	16,389	7,040	23,429	15,643	5,179	20,822
Other employee benefits	26,278	5,557	31,835	26,272	5,222	31,494
Depreciation	425,256	19,813	445,069	429,711	29,140	458,851
Amortization	4,743	2,503	7,246	3,899	1,426	5,325

The number of employees of the Group as of December 31, 2023 and 2022 was 732 and 808, 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, 2023 and 2022, which were approved by the Company's board of directors on February 22, 2024 and February 23, 2023, respectively, are as follows:

	For the Year Ended December 31	
	2023	2022
<u>Accrual rate</u>		
Compensation of employees	2.5%	2.5%
Remuneration of directors	1%	1%

	For the Year Ended December 31			
	2023		2022	
	Cash	Shares	Cash	Shares
<u>Amount</u>				
Compensation of employees	\$ 14,586	\$ -	\$ 16,231	\$ -
Remuneration of directors	5,835	-	6,492	-

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 for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors and paid on February 23, 2023 and February 22, 2022, respectively, are as follows. The differences were adjusted to profit and loss for the years ended December 31, 2023 and 2022, respectively.

	For the Year Ended December 31			
	2022		2021	
	Cash	Shares	Cash	Shares
Compensation of employees				
Amounts approved in the board of directors' meeting	\$ 16,231	\$ -	\$ 36,309	\$ -
Actual amounts paid	16,211	-	36,303	-
Remuneration of directors				
Amounts approved in the board of directors' meeting	6,492	-	14,523	-
Actual amounts paid	6,492	-	14,523	-

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, 2023 and 2022 are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 101,408	\$ 148,085
Undistributed earnings levy	15,990	21,163
Adjustments for deferred tax assets	-	2,185
Adjustments for prior year	<u>(3,958)</u>	<u>(31,603)</u>
	<u>\$ 113,440</u>	<u>\$ 139,830</u>

The reconciliation of the Group's accounting profit to current income tax expense for the years ended December 31, 2023 and 2022 are as follows:

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate (20%) according to profit before tax	\$ 118,338	\$ 120,266
Permanent differences	(22,341)	16,863
Other adjustments	5,411	13,141
Undistributed earnings levy	15,990	21,163
Adjustments for prior years' tax	<u>(3,958)</u>	<u>(31,603)</u>
Income tax expense recognized in profit or loss	<u>\$ 113,440</u>	<u>\$ 139,830</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

	For the Year Ended December 31	
	2023	2022
Income tax payable	<u>\$ 58,228</u>	<u>\$ 151,907</u>

c. Deferred income tax assets and liabilities

	December 31	
	2023	2022
Deferred tax assets		
Impairment loss on assets	\$ 12,288	\$ 13,490
Unrealized loss from inventory devaluation	13,143	10,237
Unrealized loss from bad debt	2,902	2,978
Others	<u>7,079</u>	<u>12,690</u>
	<u>\$ 35,412</u>	<u>\$ 39,395</u>
Deferred tax liabilities		
Unappropriated earnings of subsidiaries	\$ 147,142	\$ 135,890
Reserve for land value increment tax	13,734	13,734
Others	<u>18,863</u>	<u>8,815</u>
	<u>\$ 179,739</u>	<u>\$ 158,439</u>

d. PDC’s income tax returns through 2021 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

Earnings per share for the years ended December 31, 2023 and 2022 are as follows:

	For the Year Ended December 31, 2023		
	Amount (In Thousands) After Income Tax	Number of Shares	Earnings Per Share (In Dollars) After Income Tax
Basic earnings per share			
Amount after income tax attributable to owners of the Company	\$ 451,374	171,200,000	\$ <u>2.64</u>
Effect of potentially dilutive common shares - employee share options	<u>-</u>	<u>362,787</u>	
Diluted earnings per share			
Amount after income tax attributable to owners of the Company and effect of potentially dilutive common shares	\$ <u>451,374</u>	<u>171,562,787</u>	\$ <u>2.63</u>
	For the Year Ended December 31, 2022		
	Amount (In Thousands) After Income Tax	Number of Shares	Earnings Per Share (In Dollars) After Income Tax
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>

The Group may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares will be 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. 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.

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 consolidated financial statements as approximate fair values. There were no major differences between the carrying amounts and fair values as of December 31, 2023 and 2022.

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

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 68,755	\$ -	\$ -	\$ 68,755
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,347,319	\$ -	\$ -	\$ 1,347,319
Domestic unlisted shares	-	-	358,922	358,922
	<u>\$ 1,347,319</u>	<u>\$ -</u>	<u>\$ 358,922</u>	<u>\$ 1,706,241</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 250,030	\$ -	\$ -	\$ 250,030
Mutual funds	53,835	-	-	53,835
Government bonds	-	44,549	-	44,549
	<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	-	-	241,168	241,168
	<u>\$ 1,118,683</u>	<u>\$ -</u>	<u>\$ 241,168</u>	<u>\$ 1,359,851</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

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>2023</u>	<u>2022</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 68,755	\$ 348,414
Financial assets at amortized cost (Note 1)	3,006,299	2,760,241
Financial assets at FVTOCI		
Equity instruments	1,706,241	1,359,851
<u>Financial liabilities</u>		
Amortized cost (Note 2)	1,295,797	1,810,635

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, investments in debt instruments, 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, current portion of long-term borrowings, 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 30.

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
Profit or loss	\$ 46,541	\$ 56,008	\$ 16,815	\$ 11,828
Equity	1,837	1,892	17,460	17,928

The sensitivity analysis included only outstanding foreign currency denominated monetary items and their adjusted 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:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial liabilities	\$ 151,241	\$ 186,198
Cash flow interest rate risk		
Financial assets	1,102,922	1,281,387
Financial liabilities	538,977	1,051,784

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, 2023 and 2022 would have resulted in cash outflows by \$5,639 thousand and \$2,296 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, 2023

	Less than 1 Year	2-3 Years	3+ Years	Total
<u>Non-derivative financing liabilities</u>				
Non-interest bearing	\$ 756,820	\$ -	\$ -	\$ 756,820
Variable interest rate liabilities	472,569	66,408	-	538,977
Lease liabilities	<u>28,781</u>	<u>59,932</u>	<u>62,529</u>	<u>151,242</u>
	<u>\$ 1,258,170</u>	<u>\$ 126,340</u>	<u>\$ 62,529</u>	<u>\$ 1,447,039</u>

December 31, 2022

	Less than 1 Year	2-3 Years	3+ Years	Total
<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>

27. 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 Co., Ltd.	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
Tsai Yi Corporation	Associate
Joyin Co., Ltd.	Associate
Dongguan Joyin Electronics Co., Ltd.	Associate
Hannstar Board New Energy 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 Chartiabale 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, 2023 and 2022 are disclosed as follows:

Related Party Category/Name	Sales of Goods	
	For the Year Ended December 31	
	2023	2022
Parent company	\$ 841,538	\$ 880,949
Sister companies		
Dongguan Walsin Technology Electronics Co., Ltd.	120,341	37,910
Others	<u>102,814</u>	<u>132,661</u>
	<u>223,155</u>	<u>170,571</u>
Associates	18	34
Other related parties	<u>256</u>	<u>445</u>
	<u>\$ 1,064,967</u>	<u>\$ 1,051,999</u>

Related Party Category/Name	Purchases of Goods	
	For the Year Ended December 31	
	2023	2022
Parent company	\$ 268,352	\$ 413,499
Sister companies		
Dongguan Walsin Technology Electronics Co., Ltd.	298,065	300,187
Others	<u>32,838</u>	<u>42,174</u>
	<u>330,903</u>	<u>342,361</u>
Associates	<u>5,837</u>	<u>701</u>
	<u>\$ 605,092</u>	<u>\$ 756,561</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	
	2023	2022
Parent company	\$ -	\$ 198,000
Other related parties		
Falcon Automation Equipment Corporation	10,480	26,552
Associates	<u>1,310</u>	<u>-</u>
	<u>\$ 11,790</u>	<u>\$ 224,552</u>

Related Party Category	Disposal of Assets			
	For the Year Ended December 31			
	2023		2022	
	Proceeds	Gain (Loss) on Disposal	Proceeds	Gain (Loss) on Disposal
Sister companies				
INPAQ Technology (China) Co., Ltd.	\$ 64,100	\$ 3,080	\$ -	\$ -
Other	<u>1,185</u>	<u>30</u>	<u>-</u>	<u>-</u>
	<u>65,285</u>	<u>3,110</u>	<u>-</u>	<u>-</u>
Associates	<u>85</u>	<u>85</u>	<u>-</u>	<u>-</u>
	<u>\$ 65,370</u>	<u>\$ 3,195</u>	<u>\$ -</u>	<u>\$ -</u>

Lease arrangements as lessee

Item	Related Party Category	December 31	
		2023	2022
Lease liabilities	Parent company	\$ 22,876	\$ 29,194
	Other related parties	<u>9,277</u>	<u>10,815</u>
		<u>\$ 32,153</u>	<u>\$ 40,009</u>
Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Interest expense	Parent company	\$ 257	\$ 184
	Sister companies	-	52
	Other related parties	<u>100</u>	<u>115</u>
		<u>\$ 357</u>	<u>\$ 351</u>
Rental expense	Parent company	\$ 284	\$ 1,603
	Sister companies	<u>244</u>	<u>245</u>
		<u>\$ 528</u>	<u>\$ 1,848</u>

Lease arrangements as lessor

Lease income was summarized as follows:

Related Party Category	For the Year Ended December 31	
	2023	2022
Parent company	\$ 3,076	\$ 3,002
Sister companies	98	122
Associates	47	47
Other related parties	<u>2,482</u>	<u>2,483</u>
	<u>\$ 5,703</u>	<u>\$ 5,654</u>

For the years ended December 31, 2023 and 2022, the remaining balances were as follows:

Related Party Category	Trade Receivables		Trade Payables	
	December 31		December 31	
	2023	2022	2023	2022
Parent company	\$ 210,017	\$ 156,226	\$ -	\$ -
Sister companies				
Dongguan Walsin Technology Electronics Co., Ltd.	27,709	17,582	84,266	88,535
Others	<u>32,422</u>	<u>38,661</u>	<u>6,014</u>	<u>13,204</u>
	<u>60,131</u>	<u>56,243</u>	<u>90,280</u>	<u>101,739</u>
Associates	-	36	2,183	736
Other related parties	<u>2</u>	<u>103</u>	<u>-</u>	<u>-</u>
	<u>\$ 270,150</u>	<u>\$ 212,608</u>	<u>\$ 92,463</u>	<u>\$ 102,475</u>

Related Party Category	Other Receivables		Other Payables	
	December 31		December 31	
	2023	2022	2023	2022
Parent company	\$ -	\$ -	\$ 90	\$ 3,962
Sister companies	121	104	511	719
Associates	1,054	537	107	-
Other related parties	<u>164</u>	<u>632</u>	<u>13,718</u>	<u>11,825</u>
	<u>\$ 1,339</u>	<u>\$ 1,273</u>	<u>\$ 14,426</u>	<u>\$ 16,506</u>

Other receivables are the uncollected amounts from the Group's lease income, selling of equipment, spare parts and raw materials, 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, 2023 and 2022.

Equity transactions

Refer to Notes 12, 13 and 29.

Remuneration of key management personnel

Remuneration of the board of directors and other key management personnel for the years ended December 31, 2023 and 2022 was as follows:

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 19,498	\$ 58,184
Post-employment benefits	<u>216</u>	<u>216</u>
	<u>\$ 19,714</u>	<u>\$ 58,400</u>

28. 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	
	2023	2022
Acquisition of property, plant and equipment	<u>\$ 109,625</u>	<u>\$ 72,145</u>

b. Contingencies

As of December 31, 2023, credit of the Group had no open and unused letters of credit.

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

Unit: Dollars			
Currency	Carrying Amount		Deposits Paid
JPY	JPY	186,000,000	JPY -

29. OTHER ITEMS

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.

30. 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					
	2023			2022		
	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>						
Monetary items						
USD	\$ 52,567	30.735	\$ 1,615,647	\$ 63,256	30.71	\$ 1,942,592
RMB	149,098	4.3327	645,997	111,615	4.4105	492,278
Non-monetary items						
Investments accounted for using the equity method						
USD	1,993	30.735	61,246	2,053	30.71	63,051
RMB	134,331	4.3327	582,015	135,493	4.4105	597,593
<u>Financial liabilities</u>						
Monetary items						
USD	2,091	30.735	64,267	2,464	30.71	75,669
RMB	19,735	4.3327	85,506	22,225	4.4105	98,023

For the years ended December 31, 2023 and 2022, foreign exchange (losses) gains were \$(2,212) thousand and \$79,199 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.

31. 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)

32. 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.
- Frontier Components Co., Limited
- Prosperity International Development (HK) Co., Limited
- Prosperity Frontier Electronics (Shenzhen) 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, 2023 and 2022 as restated:

	For the Year Ended December 31, 2023			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Net sales	\$ 3,260,327	\$ 1,742,304	\$ (1,348,792)	\$ 3,653,839
Cost of sales	(2,639,206)	(1,666,591)	1,353,704	(2,952,093)
Unrealized gain on inter-affiliate accounts	<u>4,910</u>	<u>-</u>	<u>(4,910)</u>	<u>-</u>
Gross profit	626,031	75,713	2	701,746
Operating expenses	<u>(278,556)</u>	<u>(32,808)</u>	<u>-</u>	<u>(311,364)</u>
Profit from operations	347,475	42,905	2	390,382
Non-operating income and expenses	<u>215,649</u>	<u>17,683</u>	<u>(58,900)</u>	<u>174,432</u>
Profit (loss) before income tax	<u>\$ 563,124</u>	<u>\$ 60,588</u>	<u>\$ (58,898)</u>	<u>\$ 564,814</u>

For the Year Ended December 31, 2022

	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
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 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 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. Segment assets and liabilities

December 31, 2023

	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Cash and cash equivalents	\$ 596,011	\$ 421,407	\$ -	\$ 1,017,418
Notes and trade receivables	792,904	388,996	(313,341)	868,559
Inventories	564,042	65,538	(28,628)	600,952
Other current assets	<u>269,046</u>	<u>275,001</u>	<u>(54)</u>	<u>543,993</u>
Total current assets	<u>2,222,003</u>	<u>1,150,942</u>	<u>(342,023)</u>	<u>3,030,922</u>
Financial assets at FVTOCI - non-current	1,706,241	-	-	1,706,241
Investments accounted for using the equity method	2,209,373	643,261	(1,714,792)	1,137,842
Financial assets at amortized cost	281,297	380,220	-	661,517
Property, plant and equipment	1,750,930	18,507	-	1,769,437
Other non-current assets	<u>191,392</u>	<u>10,879</u>	<u>-</u>	<u>202,271</u>
Total assets	<u>\$ 8,361,236</u>	<u>\$ 2,203,809</u>	<u>\$ (2,056,815)</u>	<u>\$ 8,508,230</u>

	December 31, 2022			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
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 - non-current	1,359,851	-	-	1,359,851
Investments accounted for using the equity method	2,163,602	660,644	(1,673,489)	1,150,757
Financial assets at amortized 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>

	December 31, 2023			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Total current liabilities	\$ 1,165,680	\$ 446,526	\$ (313,395)	\$ 1,298,811
Guarantee deposits received	8,285	20,869	-	29,154
Deferred income tax liabilities	179,739	-	-	179,739
Other non-current liabilities	<u>198,994</u>	<u>-</u>	<u>-</u>	<u>198,994</u>
Total liabilities	<u>\$ 1,552,698</u>	<u>\$ 467,395</u>	<u>\$ (313,395)</u>	<u>\$ 1,706,698</u>

	December 31, 2022			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
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>

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:

	<u>For the Year Ended December 31</u>	
	2023	2022
Asia	\$ 3,294,181	\$ 3,475,550
America	229,834	445,528
Europe	129,824	220,938
Other	<u>-</u>	<u>370</u>
	<u>\$ 3,653,839</u>	<u>\$ 4,142,386</u>

d. Information about major customers

Single customers contributing 10% or more to the Group' s revenue for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
Customer A	\$ 841,538	\$ 880,949
Customer B	<u>388,520</u>	<u>528,292</u>
	<u>\$ 1,230,058</u>	<u>\$ 1,409,241</u>

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(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, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Prosperity Dielectrics Co., Ltd.	<u>Listed shares</u>							
	Walton Advanced Engineering Inc.	The chairman of the securities issuer is the same as the Company's	Financial assets at FVOCI - non-current	31,915,536	\$ 486,712	6.16	\$ 486,712	
	Walsin Lihwa Corporation	The chairman of the securities issuer is the second degree of kinship of the Company	"	10,989,605	424,748	0.27	424,748	
	HannStar Board Corporation	The chairman of the securities issuer is the same as the Company	"	5,668,332	313,459	1.07	313,459	
	Hotai Finance Co., Ltd. Preferred Shares B	None	"	1,000,000	94,900	0.15	94,900	
	Fubon Financial Holding Co., Ltd. Preferred Shares C	"	"	500,000	27,500	-	27,500	
	Chunghwa Telecom Co., Ltd.	"	Financial assets at FVTPL - current	400,000	48,000	0.01	48,000	
	Taiwan Semiconductor Manufacturing Co., Ltd.	"	"	35,000	20,755	-	20,755	
	<u>Shares</u>							
	Chin-Xin Investment Co., Ltd.	The chairman of the securities issuer is the second degree of kinship of the Company	Financial assets at FVOCI - non-current	3,500,000	169,273	0.72	169,273	
	Hwa Bao Botanic Conservation Corp.	"	"	18,000,000	189,649	10.00	189,649	
	<u>Bonds</u>							
	ANZ New Zealand International LTD.	None	Financial assets at amortized cost - non-current	-	61,166	-	62,921	
	Sumitomo Mitsui Trust Bank Limited	"	"	-	30,808	-	31,707	
	Norinchukin Bank	"	"	-	30,986	-	31,443	
	Credit Agricole S.A.	"	"	-	30,691	-	31,476	
	NBN Co Limited	"	"	-	62,765	-	64,228	
Burlington Northern Santa Fe, LLC	"	"	-	33,045	-	33,625		
Bristol-Myers Squibb Company	"	"	-	31,836	-	32,954		
Frontier Components Co., Limited	<u>Bonds</u>							
	TSMC Arizona Corp.	None	Financial assets at amortized cost - non-current	-	92,133	-	90,283	
	Amazon.com, Inc.	"	"	-	60,620	-	59,819	
	Commonwealth Bank of Australia	"	"	-	136,107	-	135,454	
	Westpac New Zealand Ltd.	"	"	-	4,710	-	4,790	
U.S. Treasuries	None	Financial assets at amortized cost - current	-	61,071	-	60,746		

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, 2023
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Valuation		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.	APAQ Technology Co., Ltd.	Financial assets at FVTPL - current	-	-	4,541,000	\$ 189,133	-	\$ 102,008	4,541,000	\$ 263,378	\$ 291,141	\$ (27,763)	-	\$ -
		Financial assets at FVTOCI - non-current			739,000	30,779	-	(11,076)	739,000	40,241	19,703	20,538	-	-

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, 2023
 (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	\$ (705,734)	(22)	No significant difference with third parties	-	-	Trade receivables \$ 199,934	25	
	Walsin Technology Corporation	Parent company	Sales	(841,538)	(26)	"	-	-	Trade receivables 210,017	26	
	Walsin Technology Corporation	Parent company	Purchases	268,352	20	"	-	-	Trade payables -	-	
Frontier Components Co., Limited	Prosperity Dielectrics Co., Ltd.	Parent company	Purchases	705,734	97	"	-	-	Trade payables (199,934)	(95)	
	Dongguan Walsin Technology Electronics Co., Ltd.	Sister company	Sales	(120,341)	(16)	"	-	-	Trade receivables 27,709	19	
	Dongguan Frontier Electronics Co., Ltd.	100% owned subsidiary	Sales	(547,934)	(73)	"	-	-	Trade receivables 99,484	67	
Dongguan Frontier Electronics Co., Ltd.	Frontier Components Co., Limited	Parent company	Purchases	547,934	66	"	-	-	Trade payables (99,484)	(56)	
	Dongguan Walsin Technology Electronics Co., Ltd.	Sister company	Purchases	257,038	30	"	-	-	Trade payables (73,823)	(41)	

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, 2023

(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 Walsin Technology Corporation	Indirectly owned second-tier subsidiary Parent company	Trade receivables	\$ 199,934	4.53	\$ -	-	\$ 100,308	\$ -
			Trade receivables	210,017	4.60	-	-	33,493	-

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(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	\$ 705,734	No significant difference with third parties	19	
		Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Parent company to subsidiary	Trade receivables	199,934		"	2
				Purchases	61,738		"	2
1	Frontier Components Co., Limited	Dongguan Frontier Electronics Co., Ltd.	Subsidiary to subsidiary	Sales	547,934	"	15	
				Trade receivables	99,484	"	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, 2023. For profit or loss items, cumulative amounts are shown as a percentage of consolidated total operating revenue for the year ended December 31, 2023.

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, 2023

(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, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
Prosperity Dielectrics Co., Ltd.	PDC Prime Holdings Limited	Samoa	Investment holding	\$ 728,456	\$ 728,456	23,464,538	100	\$ 1,579,992	\$ 53,266	\$ 53,266	
	Frontec International Corporation	British Virgin Islands	Investment holding	325,684	325,684	8,221,615	100	134,801	5,632	5,632	
	Tsai Yi Corporation	Taiwan	Investment holding	51,928	51,928	4,934,995	3.36	101,672	23,695	800	
	Hannstar Board New Energy Co., Ltd.	Taiwan	Solar power generation	2,500	-	250,000	5	2,447	(1,051)	(53)	
	Joyin Co., Ltd.	Taiwan	Manufacturing of electronic components	426,701	426,701	23,715,360	30.4	390,462	(26,522)	(12,925)	
PDC Prime Holdings Limited	PDC Success Investments Ltd.	Republic of Mauritius	Investment holding	387,932	387,932	12,009,000	100	721,271	(3,865)	(3,865)	
	Frontier Components Co., Limited	Hong Kong	International trade	276,646 (Note 2)	276,646 (Note 2)	70,036,752	100	819,534	57,439	57,439	
	Prosperity International Development (HK) Co., Ltd.	Hong Kong	Investment holding	73,795 (Note 2)	73,795 (Note 2)	2,401,000	100	61,271	(384)	(384)	
Prosperity International Development (HK) Co., Ltd.	GHPW Enterprise Corporation (HK) Limited	Hong Kong	Investment holding	73,764 (Note 2)	73,764 (Note 2)	2,400,000	10	61,246	(3,843)	(384)	

Note 1: For the information on investees in mainland China, refer to Table 7.

Note 2: The closing exchange rate as of December 31, 2023 was used to convert the foreign currencies into New Taiwan dollars. The closing exchange rate as of December 31, 2023 was US\$ to NT\$ = 1:30.735.

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA OF PROSPERITY DIELECTRICS CO., LTD.
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
PDC Electronics (Suzhou) Co., Ltd.	Manufacturing of ceramic components	\$ 368,820 (US\$ 12,000,000)	Note 1	\$ 368,820 (US\$ 12,000,000)	\$ -	\$ -	\$ 368,820 (US\$ 12,000,000)	\$ (3,868)	100	\$ (3,868)	\$ 720,984	\$ 159,217 (US\$ 5,180,313)
Dongguan Frontier Electronics Co., Ltd.	Selling of electronic components	187,484 (US\$ 6,100,000)	Note 1	187,484 (US\$ 6,100,000)	-	-	187,484 (US\$ 6,100,000)	17,686	100	17,686	254,995	100,786 (US\$ 3,279,186)
Chongqing Shuohong Investment Co., Ltd.	Investment management, investment consultation services	2,296,331 (RMB 530,000,000) (Note 4)	Note 1	-	-	-	-	(18,580)	20.43	(3,796)	543,432	-
Chongqing Xincheng Electronic Co., Ltd.	Selling of electronic components, real estate investment and leasing	234,494 (RMB 54,122,000) (Note 5)	Note 1	-	-	-	-	(10,328)	13.04	(1,347)	38,583	-
GHPW Enterprise Corporation (Chongqing) Limited	Business consultations, business management, consultation services and property management	737,640 (US\$ 24,000,000)	Note 1	73,764 (US\$ 2,400,000)	-	-	73,764 (US\$ 2,400,000)	(3,759)	10	(376)	61,188	-
Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Manufacturing and selling of chip components, power electronic devices and new electronic components	184,410 (US\$ 6,000,000)	Note 1	173,400 (US\$ 5,641,768)	-	-	173,400 (US\$ 5,641,768)	5,630	100	5,630	134,626	-
Prosperity Frontier Electronics (Guangzhou) Co., Ltd.	Manufacturing and selling of chip components, power electronic devices and new electronic components	- (Note 6)	Note 1	-	-	-	-	1	-	1	-	-

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, 2023 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, 2023) 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. Additionally, Prosperity Frontier Electronics (Guangzhou) Co., Ltd. was liquidated and remitted its share capital in June 2023.

(Continued)

2. Investment quota for mainland China:

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 902,889 (US\$ 29,376,590)	\$ 1,045,597 (US\$ 34,019,762)	(Note 2)

Note 1: The closing exchange rates as of December 31, 2023 are as follows:

US\$ to NT\$ = 1:30.735.
RMB to NT\$ = 1:4.3327.

The average exchange rates for the year ended December 31, 2023 are as follows:

US\$ to NT\$ = 1:31.155.
RMB to NT\$ = 1:4.4240.

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, 2023**

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, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, based on our audits and the report of other auditors (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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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 reports of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. 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 these matters.

The key audit matter of the Company's financial statements for the year ended December 31, 2023 is described as follows:

Validity of Sales Revenue

The Company engages mainly in the manufacturing and selling chip capacitors, chip resistors, dielectric porcelain powders and magnetic materials. For the year ended December 31, 2023, the sales revenue of the Company was NT\$3,260,327 thousand. It has been assessed that the authenticity of sales from key customers is significant to consolidated financial statements. The existence of sales revenue from key customers was considered as a key audit matter for the audit of the Company's financial statements for the year ended December 31, 2023. For the accounting policies related to sales revenue, please refer to Note 4 of the Company's 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 and inspected the sales transactions from these customers on a sample basis to ensure the validity of the occurrence of the sales transactions.

Other Matter

As described in Note 12 to the consolidated financial statements, 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\$390,462 thousand and NT\$410,924 thousand as of December 31, 2023 and 2022, and the share of loss of associates accounted for using the equity method for the years ended December 31, 2023 and 2022 amounted to NT\$12,925 thousand and NT\$13,552 thousand, respectively.

Emphasis of Matter

As described in Notes 28 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. For the year ended December 31, 2022, the comprehensive income of previously held interests increased by NT\$13,322 thousand.

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, 2023 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 22, 2024

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.

PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 589,004	7	\$ 1,072,063	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	68,755	1	250,030	3
Financial assets at amortized cost - current (Notes 4 and 8)	168,808	2	35,391	-
Notes receivable from unrelated parties (Notes 4 and 9)	29,651	1	31,317	-
Trade receivables from unrelated parties (Notes 4 and 9)	343,057	4	439,609	5
Trade receivables from related parties (Notes 4 and 26)	420,195	5	284,209	3
Other receivables from unrelated parties	11,443	-	16,240	-
Other receivables from related parties (Note 26)	1,371	-	1,247	-
Inventories (Notes 4 and 10)	564,042	7	631,219	7
Other current assets	18,670	-	36,219	1
Total current assets	<u>2,214,996</u>	<u>27</u>	<u>2,797,544</u>	<u>32</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)	1,706,241	20	1,359,851	16
Financial assets at amortized cost - non-current (Notes 4 and 8)	281,297	3	-	-
Investments accounted for using the equity method (Notes 4 and 12)	2,209,374	27	2,163,602	25
Property, plant and equipment (Notes 4 and 13)	1,750,930	21	2,062,457	24
Right-of-use assets (Notes 4 and 14)	139,965	2	168,152	2
Computer software (Note 4)	6,151	-	8,194	-
Deferred tax assets (Notes 4 and 22)	32,757	-	36,692	1
Other non-current assets	12,519	-	11,588	-
Total non-current assets	<u>6,139,234</u>	<u>73</u>	<u>5,810,536</u>	<u>68</u>
TOTAL	<u>\$ 8,354,230</u>	<u>100</u>	<u>\$ 8,608,080</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 15)	\$ 20,000	-	\$ 230,000	3
Trade payables to unrelated parties	229,911	3	187,900	2
Trade payables to related parties (Note 26)	20,894	-	40,602	-
Other payables to unrelated parties (Note 16)	377,321	5	387,236	5
Other payables to related parties (Note 26)	14,139	-	16,107	-
Current tax liabilities (Notes 4 and 22)	54,741	1	148,372	2
Lease liabilities - current (Notes 4 and 14)	28,781	-	28,519	-
Current portion of long-term borrowings (Notes 4 and 15)	409,158	5	349,591	4
Other current liabilities	10,735	-	14,466	-
Total current liabilities	<u>1,165,680</u>	<u>14</u>	<u>1,402,793</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 15)	66,408	1	472,193	6
Deferred tax liabilities (Notes 4 and 22)	179,739	2	158,439	2
Lease liabilities - non-current (Notes 4 and 14)	122,460	2	150,972	2
Deferred revenue - non-current (Notes 4 and 16)	1,509	-	4,882	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	8,617	-	24,347	-
Guarantee deposits received	8,285	-	16,554	-
Total non-current liabilities	<u>387,018</u>	<u>5</u>	<u>827,387</u>	<u>10</u>
Total liabilities	<u>1,552,698</u>	<u>19</u>	<u>2,230,180</u>	<u>26</u>
EQUITY (Note 19)				
Share capital				
Ordinary shares	1,720,000	21	1,720,000	20
Capital surplus	498,708	6	498,708	6
Retained earnings				
Legal reserve	687,087	8	624,924	7
Special reserve	67,764	1	67,764	1
Unappropriated earnings	3,179,413	38	2,992,429	35
Total retained earnings	<u>3,934,264</u>	<u>47</u>	<u>3,685,117</u>	<u>43</u>
Other equity				
Exchange differences on the translation of the financial statements of foreign operations	(66,031)	(1)	(50,917)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	768,962	9	579,363	7
Total other equity	<u>702,931</u>	<u>8</u>	<u>528,446</u>	<u>6</u>
Treasury shares	(54,371)	(1)	(54,371)	(1)
Total equity	<u>6,801,532</u>	<u>81</u>	<u>6,377,900</u>	<u>74</u>
TOTAL	<u>\$ 8,354,230</u>	<u>100</u>	<u>\$ 8,608,080</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated February 22, 2024)

PROSPERITY DIELECTRICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
NET SALES (Notes 4 and 20)	\$ 3,260,327	100	\$ 3,728,375	100
COST OF SALES (Note 10)	<u>2,639,206</u>	<u>81</u>	<u>2,819,015</u>	<u>76</u>
GROSS PROFIT	621,121	19	909,360	24
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>4,910</u>	<u>-</u>	<u>(13,223)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>626,031</u>	<u>19</u>	<u>896,137</u>	<u>24</u>
OPERATING EXPENSES				
Selling and marketing expenses	89,094	3	109,784	3
General and administrative expenses	110,637	3	105,857	3
Research and development expenses	<u>78,825</u>	<u>2</u>	<u>88,239</u>	<u>2</u>
Total operating expenses	<u>278,556</u>	<u>8</u>	<u>303,880</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>347,475</u>	<u>11</u>	<u>592,257</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Notes 4 and 12)	46,720	1	(48,011)	(1)
Interest income	32,230	1	11,879	-
Dividend income	45,731	1	42,700	1
Other income	18,468	1	21,181	1
Gain on disposal of property, plant and equipment	322	-	340	-
Gain on disposal of investments	-	-	17,286	-
Gain on lease modifications	-	-	4	-
Foreign exchange gain	2,675	-	95,339	2
Gain on valuation of financial assets at FVTPL	109,866	3	-	-
Gain on reversal of impairment loss	6,011	-	6,011	-
Interest expense	(13,742)	-	(13,573)	-
Miscellaneous expenses	(987)	-	(7,481)	-
Loss on disposal of investments	(31,714)	(1)	-	-
Loss on lease modifications	(12)	-	-	-
Loss on valuation of financial assets at FVTPL	<u>-</u>	<u>-</u>	<u>(108,301)</u>	<u>(3)</u>
Total non-operating income and expenses	<u>215,568</u>	<u>6</u>	<u>17,374</u>	<u>-</u>

(Continued)

PROSPERITY DIELECTRICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 563,043	17	\$ 609,631	16
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(111,669)</u>	<u>(3)</u>	<u>(119,986)</u>	<u>(3)</u>
NET PROFIT FOR THE YEAR	<u>451,374</u>	<u>14</u>	<u>489,645</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	681	-	10,021	-
Unrealized valuation gain (loss) on investments in equity instruments at fair value through other comprehensive income	186,335	5	(188,465)	(5)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	23,506	1	(26,227)	(1)
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method	<u>(15,114)</u>	<u>-</u>	<u>63,514</u>	<u>2</u>
Other comprehensive income (loss) for the year	<u>195,408</u>	<u>6</u>	<u>(141,157)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 646,782</u>	<u>20</u>	<u>\$ 348,488</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 451,374	14	\$ 506,518	14
Equity attributable to former owner of business combination under common control	<u>-</u>	<u>-</u>	<u>(16,873)</u>	<u>(1)</u>
	<u>\$ 451,374</u>	<u>14</u>	<u>\$ 489,645</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 646,782	20	\$ 361,810	10
Equity attributable to former owner of business combination under common control	<u>-</u>	<u>-</u>	<u>(13,322)</u>	<u>(1)</u>
	<u>\$ 646,782</u>	<u>20</u>	<u>\$ 348,488</u>	<u>9</u>

(Continued)

PROSPERITY DIELECTRICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 2.64</u>		<u>\$ 2.96</u>	
Diluted	<u>\$ 2.63</u>		<u>\$ 2.95</u>	

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

(With Deloitte & Touche auditors' report dated February 22, 2024)

(Concluded)

PROSPERITY DIELECTRICS CO., LTD.

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Share Capital		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	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, JANUARY 1, 2022	172,000	\$ 1,720,000	\$ 498,548	\$ 509,861	\$ 67,764	\$ 2,829,865	\$ (116,523)			
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 (loss) for the year ended December 31, 2022	-	-	-	-	-	9,291	59,566	(213,565)	-	3,551	(141,157)
Total comprehensive income (loss) 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 (loss) (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
Appropriation of the 2022 earnings (Note 19)											
Legal reserve	-	-	-	62,163	-	(62,163)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(206,400)	-	-	-	-	(206,400)
Change in capital surplus from investment in associates accounted for using the equity method	-	-	-	-	-	(16,750)	-	-	-	-	(16,750)
Net profit for the year ended December 31, 2023	-	-	-	-	-	451,374	-	-	-	-	451,374
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	681	(15,114)	209,841	-	-	195,408
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	452,055	(15,114)	209,841	-	-	646,782
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (loss) (Note 19)	-	-	-	-	-	20,242	-	(20,242)	-	-	-
BALANCE, DECEMBER 31, 2023	172,000	\$ 1,720,000	\$ 498,708	\$ 687,087	\$ 67,764	\$ 3,179,413	\$ (66,031)	\$ 768,962	\$ (54,371)	\$ -	\$ 6,801,532

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

(With Deloitte & Touche auditors' report dated February 22, 2024)

PROSPERITY DIELECTRICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 563,043	\$ 609,631
Adjustments for:		
Depreciation expense	423,264	423,848
Amortization expense	6,989	4,923
Net (gain) loss on valuation of financial assets at FVTPL	(109,866)	108,301
Interest expense	13,742	13,573
Interest income	(32,230)	(11,879)
Dividend income	(45,731)	(42,700)
Share of (profit) loss of subsidiaries and associates accounted for using the equity method	(46,720)	48,011
Gain on disposal of property, plant and equipment	(322)	(340)
Loss (gain) on disposal of investments	31,714	(17,286)
Loss (gain) on reversal of impairment loss of non-financial assets	8,733	(5,555)
Unrealized gain on the transactions with subsidiaries and associates	(4,910)	13,223
Loss (gain) on lease modifications	12	(4)
Changes in operating assets and liabilities		
Decrease in financial assets mandatorily classified as at fair value through profit or loss	259,427	48,002
Decrease in notes receivable from unrelated parties	1,666	19,565
Decrease in trade receivables from unrelated parties	96,552	90,909
(Increase) decrease in trade receivables from related parties	(135,986)	162,571
Decrease in other receivables from unrelated parties	13,066	175
Decrease in other receivables from related parties	2,674	13,517
Decrease in inventories	52,433	133,651
Decrease in other current assets	17,549	13,238
Increase in other non-current assets	(3,754)	(8,993)
Increase (decrease) in trade payables to unrelated parties	42,011	(165,093)
Decrease in trade payables to related parties	(19,708)	(33,732)
Decrease in other payables to unrelated parties	(15,060)	(118,724)
(Decrease) increase in other payables to related parties	(3,510)	5,192
(Decrease) increase in other current liabilities	(3,731)	3,818
Decrease in net defined benefit liabilities	(15,049)	(17,022)
Cash generated from operations	1,096,298	1,290,820
Interest received	24,066	9,807
Dividends received	45,626	130,342
Interest paid	(12,357)	(13,123)
Income tax paid	(180,065)	(120,906)
Net cash generated from operating activities	<u>973,568</u>	<u>1,296,940</u>

(Continued)

PROSPERITY DIELECTRICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (200,000)	\$ (199,688)
Purchase of financial assets at amortized cost	(414,714)	-
Disposal of financial assets at fair value through other comprehensive income	39,945	252,777
Disposal of financial assets at amortized cost	-	9,921
Purchase of investments accounted for using the equity method	(2,500)	(379,629)
Payments for property, plant and equipment	(74,175)	(556,348)
Proceeds from disposal of property, plant and equipment	1,420	406
Increase in refundable deposits	(2,123)	(247)
Acquisition of intangible assets	<u>-</u>	<u>(3,000)</u>
Net cash used in investing activities	<u>(652,147)</u>	<u>(875,808)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	230,000
Repayment of short-term borrowings	(210,000)	-
Repayment of long-term loans	(349,591)	(8,334)
Refund of guarantee deposits received	(8,269)	(392)
Repayment of the principal portion of lease liabilities	(30,220)	(27,693)
Cash dividends paid to owners of the Company	<u>(206,400)</u>	<u>(344,000)</u>
Net cash used in financing activities	<u>(804,480)</u>	<u>(150,419)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(483,059)	270,713
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,072,063</u>	<u>801,350</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 589,004</u>	<u>\$ 1,072,063</u>

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

(With Deloitte & Touche auditors' report dated February 22, 2024)

(Concluded)

PROSPERITY DIELECTRICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2023 and 2022.

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 22, 2024.

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 “IFRS Accounting Standards”) 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 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be 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.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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 a material impact on the Company's financial position and financial performance.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date 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
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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- 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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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.

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 25.

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.

1. 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. MATERIAL 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 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

	December 31	
	2023	2022
Cash on hand	\$ 182	\$ 227
Checking accounts and demand deposits	129,103	304,546
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	-	614,200
Repurchase agreements collateralized by bonds	<u>459,719</u>	<u>153,090</u>
	<u>\$ 589,004</u>	<u>\$ 1,072,063</u>

The market rate intervals of cash equivalents were as follows:

	<u>December 31</u>	
	2023	2022
Time deposits with original maturities of 3 months or less	-	4.3%-4.9%
Repurchase agreements collateralized by bonds	1.02%-5.65%	0.8%-4.1%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2023	2022
<u>Financial assets mandatorily classified as at FVTPL - current</u>		
Non-derivative financial assets		
Domestic listed shares	<u>\$ 68,755</u>	<u>\$ 250,030</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Time deposits with original maturities of more than 3 months (a)	\$ 168,808	\$ 30,500
Restricted deposits (b)	<u>-</u>	<u>4,891</u>
	<u>\$ 168,808</u>	<u>\$ 35,391</u>
<u>Non-current</u>		
Bonds (c)	<u>\$ 281,297</u>	<u>-</u>

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

	<u>December 31</u>	
	2023	2022
Time deposits with original maturities of more than 3 months	1.55%-5.01%	1.425%

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 Company at the balance sheet date were as follows:

December 31, 2023

Non-current

Period	Face Value	Range of Coupon Rate	Range of Effective Interest Rate
September to November 2023	US\$ 9,000,000	5.301%-6.75%	5.0868%-5.5403%

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes receivable from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 29,651	\$ 31,317
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 29,651</u>	<u>\$ 31,317</u>
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 364,252	\$ 460,804
Less: Allowance for impairment loss	<u>(21,195)</u>	<u>(21,195)</u>
	<u>\$ 343,057</u>	<u>\$ 439,609</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, 2023

	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	\$ 391,615	\$ 1,261	\$ 1,027	\$ -	\$ -	\$ -	\$ 393,903
Loss allowance (Lifetime ECLs)	<u>(21,029)</u>	<u>(63)</u>	<u>(103)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,195)</u>
Amortized cost	<u>\$ 370,586</u>	<u>\$ 1,198</u>	<u>\$ 924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 372,708</u>

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 (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>

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 21,195	\$ 22,434
Less: Transfer to delinquent receivables	<u>-</u>	<u>(1,239)</u>
Balance at December 31	<u>\$ 21,195</u>	<u>\$ 21,195</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Finished goods	\$ 145,716	\$ 167,690
Semi-finished goods	92,410	82,062
Work in progress	149,316	157,542
Raw materials	176,600	222,319
Inventory in transit	<u>-</u>	<u>1,606</u>
	<u>\$ 564,042</u>	<u>\$ 631,219</u>

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

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 2,624,462	\$ 2,818,559
Inventory write-downs	<u>14,744</u>	<u>456</u>
	<u>\$ 2,639,206</u>	<u>\$ 2,819,015</u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	December 31	
	2023	2022
<u>Non-current</u>		
Domestic investments - listed shares	\$ 1,347,319	\$ 1,118,683
Domestic investments - unlisted shares	<u>358,922</u>	<u>241,168</u>
	<u>\$ 1,706,241</u>	<u>\$ 1,359,851</u>

Investments in Equity Instruments at FVTOCI

	December 31	
	2023	2022
<u>Non-current</u>		
Domestic investments - listed shares		
Walton Advanced Engineering Inc.	\$ 486,712	\$ 362,241
Walsin Lihwa Corporation	424,748	518,710
HannStar Board Corporation	313,459	179,403
APAQ Technology Co., Ltd.	-	30,779
Fubon Financial Holding Co., Ltd. - preferred shares C	27,500	27,550
Hotai Finance Co., Ltd. - preferred shares B	94,900	-
Domestic investments - unlisted shares		
Chin-Xin Investment Co., Ltd.	169,273	153,067
Hwa Bao Botanic Conservation Corp.	<u>189,649</u>	<u>88,101</u>
	<u>\$ 1,706,241</u>	<u>\$ 1,359,851</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 May 2023 and June 2022, the Company paid \$100,000 thousand and \$80,000 thousand to subscribed new shares, totaling 10,000 thousand and 8,000 thousand shares, respectively, 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

	<u>December 31</u>	
	2023	2022
Investments in subsidiaries	\$ 1,714,793	\$ 1,673,489
Investments in associates	<u>494,581</u>	<u>490,113</u>
	<u>\$ 2,209,374</u>	<u>\$ 2,163,602</u>

a. Investment in subsidiaries

	<u>December 31</u>	
	2023	2022
Unlisted shares		
PDC Prime Holdings Limited	\$ 1,579,992	\$ 1,543,925
Frontec International Corporation	<u>134,801</u>	<u>129,564</u>
	<u>\$ 1,714,793</u>	<u>\$ 1,673,489</u>

Share of profit (loss) of investments accounted for using the equity method for the years ended December 31, 2023 and 2022 was summarized as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
PDC Prime Holdings Limited	\$ 53,266	\$ (34,674)
Frontec International Corporation	<u>5,632</u>	<u>40</u>
	<u>\$ 58,898</u>	<u>\$ (34,634)</u>

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

	<u>December 31</u>	
	2023	2022
PDC Prime Holdings Limited	100%	100%
Frontec International Corporation	100%	100%

b. Investment in associates

	<u>December 31</u>	
	2023	2022
Unlisted shares		
Tsai Yi Corporation (before the name changed in June 2022, it was Walsin Color Corporation)	\$ 101,672	\$ 79,189
Joyin Co., Ltd.	390,462	410,924
Hannstar Board New Energy Co., Ltd.	<u>2,447</u>	<u>-</u>
	<u>\$ 494,581</u>	<u>\$ 490,113</u>

Share of profit of associates for the years ended December 31, 2023 and 2022 was summarized as follows:

	For the Year Ended December 31	
	2023	2022
Tsai Yi Corporation	\$ 800	\$ 175
Joyin Co., Ltd.	(12,925)	(13,552)
Hannstar Board New Energy Co., Ltd.	<u>(53)</u>	<u>-</u>
	<u>\$ (12,178)</u>	<u>\$ (13,377)</u>

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

	December 31	
	2023	2022
Tsai Yi Corporation	3.36%	3.36%
Joyin Co., Ltd.	30.4%	30.4%
Hannstar Board New Energy Co., Ltd.	5%	-

Even though the Company holds less than 20% of the voting rights each in Tsai Yi Corporation and Hannstar Board New Energy Co., Ltd., its parent company, Walsin Technology Corporation, exercises significant influence over those companies; therefore, they are accounted for using the equity method.

- c. Except for Joyin Co., Ltd., the share of profit or loss and other comprehensive income of the investments in associates accounted for using the equity method for the years ended December 31, 2023 and 2022 was recognized based on the associates' financial statements audited by independent accountants for the same periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Other Equipment	Property under Construction and Prepayments for Equipment	Total
<u>Cost</u>							
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	<u>148,895</u>	<u>93,182</u>	<u>160,227</u>	<u>3,566</u>	<u>7,673</u>	<u>(407,532)</u>	<u>6,011</u>
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>
<u>Accumulated depreciation and impairment</u>							
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	<u>-</u>	<u>6,011</u>	<u>(97)</u>	<u>-</u>	<u>2,003</u>	<u>-</u>	<u>7,917</u>
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>

(Continued)

	Land	Buildings	Machinery and Equipment	Office Equipment	Other Equipment	Property under Construction and Prepayments for Equipment	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 451,115	\$ 908,572	\$ 2,700,639	\$ 48,587	\$ 198,578	\$ 65,564	\$ 4,373,055
Additions	-	-	655	-	85	80,378	81,118
Disposals	-	-	(70,963)	(13)	(5,584)	-	(76,560)
Reclassifications	-	7,402	66,586	2,786	4,399	(75,163)	6,010
Balance at December 31, 2023	<u>\$ 451,115</u>	<u>\$ 915,974</u>	<u>\$ 2,696,917</u>	<u>\$ 51,360</u>	<u>\$ 197,478</u>	<u>\$ 70,779</u>	<u>\$ 4,383,623</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2023	\$ -	\$ 573,171	\$ 1,552,720	\$ 31,463	\$ 153,244	\$ -	\$ 2,310,598
Depreciation expenses	-	79,757	295,161	5,441	15,300	-	395,659
Disposals	-	-	(70,963)	(13)	(4,486)	-	(75,462)
Reversals of impairment losses	-	(6,011)	-	-	-	-	(6,011)
Reclassifications	-	6,011	-	-	1,898	-	7,909
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 652,928</u>	<u>\$ 1,776,918</u>	<u>\$ 36,891</u>	<u>\$ 165,956</u>	<u>\$ -</u>	<u>\$ 2,632,693</u>
Carrying amount at December 31, 2023	<u>\$ 451,115</u>	<u>\$ 263,046</u>	<u>\$ 919,999</u>	<u>\$ 14,469</u>	<u>\$ 31,522</u>	<u>\$ 70,779</u>	<u>\$ 1,750,930</u>

(Concluded)

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:

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amount</u>		
Land	\$ 114,665	\$ 135,132
Buildings	24,475	31,759
Transportation equipment	<u>825</u>	<u>1,261</u>
	<u>\$ 139,965</u>	<u>\$ 168,152</u>

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	\$ <u>331</u>	\$ <u>33,635</u>
Depreciation charge for right-of-use assets		
Land	\$ 20,467	\$ 20,466
Buildings	6,913	6,547
Transportation equipment	<u>225</u>	<u>363</u>
	<u>\$ 27,605</u>	<u>\$ 27,376</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, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	\$ <u>28,781</u>	\$ <u>28,519</u>
Non-current	\$ <u>122,460</u>	\$ <u>150,972</u>

The discount rates for lease liabilities were as follows:

	December 31	
	2023	2022
Land	1%	1%
Buildings	1%	1%
Transportation equipment	1%	1%

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Unsecured borrowings		
Line of credit borrowings	\$ <u>20,000</u>	\$ <u>230,000</u>
Interest rate	1.65%	1.74%-2%

b. Long-term borrowings

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
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	\$ 99,731	\$ 198,970
2020.04.09-2024.12.15	49,865	99,485
2020.07.09-2025.06.15	59,765	79,392
2020.08.07-2025.06.15	74,706	99,240
2021.11.09-2025.06.15	44,824	59,544
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	45,715	95,360
2020.04.29-2024.12.10	45,715	95,360
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	55,245	94,433
Less: Current portion	<u>(409,158)</u>	<u>(349,591)</u>
Long-term borrowings	<u>\$ 66,408</u>	<u>\$ 472,193</u>
Interest rate	1.2%-1.35%	1.075%-1.225%

16. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Payables for accrued expense	\$ 299,387	\$ 311,419
Payables for purchases of equipment	51,304	45,904
Payables for annual leave (Note 17)	5,709	6,690
Payables for remuneration of directors and employee bonuses	20,421	22,723
Payables for dividends	<u>500</u>	<u>500</u>
	<u>\$ 377,321</u>	<u>\$ 387,236</u>

(Continued)

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Non-current</u>		
Deferred revenue		
Arising from government grants	\$ <u>1,509</u>	\$ <u>4,882</u> (Concluded)

17. PROVISIONS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Employee benefits (presented in other payables)	\$ <u>5,709</u>	\$ <u>6,690</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:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Present value of defined benefit obligation	\$ 23,882	\$ 37,582
Fair value of plan assets	<u>(15,265)</u>	<u>(13,235)</u>
Deficit	<u>8,617</u>	<u>24,347</u>
Net defined benefit liabilities	\$ <u>8,617</u>	\$ <u>24,347</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	\$ 58,278	\$ (6,887)	\$ 51,391
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>
Service cost			
Current service cost	65	-	65
Net interest expense (income)	<u>564</u>	<u>(211)</u>	<u>353</u>
Recognized in profit or loss	<u>629</u>	<u>(211)</u>	<u>418</u>
Remeasurement			
Actuarial gain - changes in financial assumptions	454	-	454
Actuarial gain - experience adjustments	(972)	-	(972)
Return on the plan assets	<u>-</u>	<u>(163)</u>	<u>(163)</u>
Recognized in other comprehensive income	<u>(518)</u>	<u>(163)</u>	<u>(681)</u>
Contributions from the employer	<u>-</u>	<u>(16,598)</u>	<u>(16,598)</u>
Benefits paid from the plan assets	<u>(3,446)</u>	<u>3,446</u>	<u>-</u>
Settlement of signed assets	<u>(10,365)</u>	<u>11,496</u>	<u>1,131</u>
Balance at December 31, 2023	<u>\$ 23,882</u>	<u>\$ (15,265)</u>	<u>\$ 8,617</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:

	<u>December 31</u>	
	2023	2022
Discount rate	1.375%	1.5%
Expected rate of salary increase	2%	2%

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

	<u>December 31</u>	
	2023	2022
Discount rate		
0.25% increase	\$ (659)	\$ (971)
0.25% decrease	\$ 684	\$ 1,007
Expected rate of salary increase/decrease		
0.25% increase	\$ 667	\$ 983
0.25% decrease	\$ (646)	\$ (952)

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.

	<u>December 31</u>	
	2023	2022
Expected contributions to the plan for the next year	\$ 1,921	\$ 1,599
Average duration of the defined benefit obligation	11.2 years	10.5 years

19. EQUITY

a. Share capital

Common shares

	<u>December 31</u>	
	2023	2022
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

	December 31	
	2023	2022
<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>10,687</u>
	<u>\$ 498,708</u>	<u>\$ 498,708</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 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 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 2022 and 2021, which were approved in the shareholders' meetings on June 20, 2023 and June 14, 2022, respectively, were as follows:

	For the Year Ended December 31	
	2022	2021
Legal reserve	\$ 62,163	\$ 115,063
Cash dividends	206,400	344,000
Cash dividends per share (NT\$)	1.2	2

The appropriation of earnings for 2023 will be resolved by the shareholders in their meeting to be held in 2024.

d. Other equity items

The movements of other equity items were as follows:

	For the Year Ended December 31, 2023		
	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI	Total
Balance at January 1	\$ (50,917)	\$ 579,363	\$ 528,446
Unrealized valuation gain on investments in equity instruments at FVTOCI	-	186,335	186,335
Share from associates accounted for using the equity method	(15,114)	23,506	8,392
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(20,242)</u>	<u>(20,242)</u>
Balance at December 31	<u>\$ (66,031)</u>	<u>\$ 768,962</u>	<u>\$ 702,931</u>

	For the Year Ended December 31, 2022		
	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI	Total
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
			(Continued)

	For the Year Ended December 31, 2022		
	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI	Total
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>

(Concluded)

e. Treasury shares

1) Movements of the treasury shares for the year ended December 31, 2023 and 2022 were as follows:

Unit: In Thousands of Shares

	For the Year Ended December 31, 2023			
Purpose of Buy-back	Number of Shares at January 1, 2023	Increase During the Period	Decrease During the Period	Number of Shares at December 31, 2023
Shares transferred to employees	<u>800</u>	<u>-</u>	<u>-</u>	<u>800</u>

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

2) As of the years ended December 31, 2023 and 2022, 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 years ended December 31, 2023 and 2022, 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

Region	For the Year Ended December 31	
	2023	2022
Asia	\$ 2,900,669	\$ 3,061,899
America	229,834	445,528
Europe	129,824	220,938
Other	-	10
	\$ 3,260,327	\$ 3,728,375

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					
	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Short-term employee benefits						
Salaries and wages	\$ 373,026	\$ 123,722	\$ 496,748	\$ 399,672	\$ 120,742	\$ 520,414
Labor/health insurance	39,456	9,501	48,957	39,210	9,383	48,593
Pension	16,389	7,040	23,429	15,643	5,179	20,822
Directors' remuneration	-	6,390	6,390	-	7,077	7,077
Other employee benefits	25,273	4,996	30,269	24,597	4,686	29,283
Depreciation	403,543	19,721	423,264	396,125	27,723	423,848
Amortization	4,486	2,503	6,989	3,497	1,426	4,923

The number of employees of the Company for the years ended December 31, 2023 and 2022 was 742 and 793, respectively. Among them, the number of directors who did not serve as employees were 6 and 5, respectively. The basis of calculation is consistent with that of employee benefits.

The average employee benefits for the years ended December 31, 2023 and 2022 were \$814 thousand and \$786 thousand, respectively.

The average salaries and wages for the years ended December 31, 2023 and 2022 were \$675 thousand and \$660 thousand, respectively. The difference between the two years is 2%.

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, 2023 and 2022 which were approved by the Company's board of directors on February 22, 2024 and February 23, 2023, respectively, are as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
<u>Accrual rate</u>		
Compensation of employees	2.5%	2.5%
Remuneration of directors	1%	1%

	<u>For the Year Ended December 31</u>			
	2023		2022	
	Cash	Shares	Cash	Shares
<u>Amount</u>				
Compensation of employees	\$ 14,586	\$ -	\$ 16,231	\$ -
Remuneration of directors	5,835	-	6,492	-

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, 2022 and 2021, which were approved by the Company's board of directors and paid on February 23, 2023 and February 22, 2022, respectively, are as follows. The differences were adjusted to profit and loss for the years ended December 31, 2023 and 2022, respectively.

	For the Year Ended December 31			
	2022		2021	
	Cash	Shares	Cash	Shares
Compensation of employees				
Amounts approved in the board of directors meeting	\$ 16,231	\$ -	\$ 36,309	\$ -
Actual amounts paid	16,211	-	36,303	-
Remuneration of directors				
Amounts approved in the board of directors' meeting	6,492	-	14,523	-
Actual amounts paid	6,492	-	14,523	-

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:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 95,679	\$ 126,261
Undistributed earnings levy	15,990	21,163
Adjustments for prior year	-	(27,438)
Income tax expense recognized in profit or loss	<u>\$ 111,669</u>	<u>\$ 119,986</u>

The reconciliation of accounting profit and current income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Income tax expense calculated at the statutory rate (20%) according to profit before tax	\$ 112,609	\$ 125,301
Permanent difference	(22,341)	8,964
Other adjustment items	5,411	(8,004)
Undistributed earnings levy	15,990	21,163
Adjustment of previous year's income tax	-	(27,438)
Income tax expense recognized in profit or loss	<u>\$ 111,669</u>	<u>\$ 119,986</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

	December 31	
	2023	2022
Income tax payables	<u>\$ 54,741</u>	<u>\$ 148,372</u>

c. Deferred income tax assets and liabilities

	December 31	
	2023	2022
Deferred tax assets		
Impairment loss on assets	\$ 12,288	\$ 13,490
Unrealized loss from inventory devaluation	10,749	7,800
Unrealized loss from bad debt	2,859	2,934
Others	<u>6,861</u>	<u>12,468</u>
	<u>\$ 32,757</u>	<u>\$ 36,692</u>
Deferred tax liabilities		
Unappropriated earnings of subsidiaries	\$ 147,142	\$ 135,890
Reserve for land value increment tax	13,734	13,734
Others	<u>18,863</u>	<u>8,815</u>
	<u>\$ 179,739</u>	<u>\$ 158,439</u>

d. Approved income tax situation

The Company’s income tax returns through 2021 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Earnings per share for the years ended December 31, 2023 and 2022 are as follows:

	For the Year Ended December 31, 2023		
	Amount (In Thousands) After Income Tax	Number of Shares	Earnings Per Share (In Dollars) After Income Tax
Basic earnings per share			
Amount after income tax attributable to owners of the Company	\$ 451,374	171,200,000	<u>\$ 2.64</u>
Effect of potentially dilutive common shares - employee share options	<u>-</u>	<u>362,787</u>	
Diluted earnings per share			
Amount after income tax attributable to owners of the Company and effect of potentially dilutive common shares	<u>\$ 451,374</u>	<u>171,562,787</u>	<u>\$ 2.63</u>
	For the Year Ended December 31, 2022		
	Amount (In Thousands) After Income Tax	Number of Shares	Earnings Per Share (In Dollars) After Income Tax
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>

The Company may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares will be 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. 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.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

The management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements as approximate fair values. There were no major differences between the carrying amounts and fair values as of December 31, 2023 and 2022.

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

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 68,755	\$ -	\$ -	\$ 68,755
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,347,319	\$ -	\$ -	\$ 1,347,319
Domestic unlisted shares	-	-	358,922	358,922
	<u>\$ 1,347,319</u>	<u>\$ -</u>	<u>\$ 359,922</u>	<u>\$ 1,706,241</u>

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>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

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

	December 31	
	2023	2022
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 68,755	\$ 250,030
Financial assets at amortized cost (Note 1)	1,849,210	1,882,337
Financial assets at FVTOCI		
Equity instruments	1,706,241	1,359,851
<u>Financial liabilities</u>		
Amortized cost (Note 2)	1,146,116	1,700,183

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, investments in debt instruments, 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, current portion of long-term borrowings, 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 29.

	USD Impact	
	For the Year Ended December 31	
	2023	2022
Profit or loss	\$ 27,149	\$ 38,981
Equity	51,444	50,205

The sensitivity analysis included only outstanding foreign currency denominated monetary items and their adjusted 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:

	December 31	
	2023	2022
Fair value interest rate risk		
Financial liabilities	\$ 151,241	\$ 179,491
Cash flow interest rate risk		
Financial assets	628,527	797,790
Financial liabilities	495,566	1,051,784

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, 2023 and 2022 would have resulted in cash outflows increased by \$1,330 thousand and decreased \$2,540 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, 2023

	Less than 1 Year	2-3 Years	3+ Years	Total
<u>Non-derivative financing liabilities</u>				
Non-interest bearing	\$ 650,550	\$ -	\$ -	\$ 650,550
Variable interest rate liabilities	429,158	66,408	-	495,566
Lease liabilities	<u>28,781</u>	<u>59,932</u>	<u>62,528</u>	<u>151,241</u>
	<u>\$ 1,108,489</u>	<u>\$ 126,340</u>	<u>\$ 62,528</u>	<u>\$ 1,297,357</u>

December 31, 2022

	Less than 1 Year	2-3 Years	3+ Years	Total
<u>Non-derivative financing liabilities</u>				
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>

26. 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

<u>Related Party Name</u>	<u>Related Party Category</u>
Walsin Technology Corporation	Parent company
Frontier Components Co., Limited	Subsidiary
Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Subsidiary
PDC Electronics (Suzhou) Co., Ltd.	Subsidiary
Dongguan Frontier Electronics Co., Ltd.	Subsidiary
Dongguan Walsin Technology Electronics Co., Ltd.	Sister company
Walsin Technology Corporation (HK) Limited	Sister company
Kamaya Electric Co., Ltd.	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
Tsai Yi Corporation	Associate
Joyin Co., Ltd.	Associate
Hannstar Board New Energy 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

Related Party Category/Name	Sales of Goods		Purchases of Goods	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2023	2022	2023	2022
Parent company	\$ 841,538	\$ 880,949	\$ 268,352	\$ 413,499
Subsidiaries				
Frontier Components Co., Limited	705,734	459,711	6,188	-
Others	1,190	720	61,737	99,959
	<u>706,924</u>	<u>460,431</u>	<u>67,925</u>	<u>99,959</u>
Sister companies	37,307	43,996	68,945	93,048
Associates	18	34	3,336	701
Other related parties	<u>256</u>	<u>445</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,586,043</u>	<u>\$ 1,385,855</u>	<u>\$ 408,558</u>	<u>\$ 607,207</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	
	2023	2022
Parent company	\$ -	\$ 198,000
Other related parties		
Falcon Automation Equipment Corporation	10,480	26,552
Associates	<u>1,310</u>	<u>-</u>
	<u>\$ 11,790</u>	<u>\$ 224,552</u>

Related Party Category	Disposal of Assets			
	For the Year Ended December 31			
	2023		2022	
	Proceeds	Gain (Loss) on Disposal	Proceeds	Gain (Loss) on Disposal
Sister companies	\$ 1,141	\$ 43	\$ -	\$ -
Associates	<u>85</u>	<u>85</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,226</u>	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ -</u>

Lease arrangements as lessee

Item	Related Party Category	December 31	
		2023	2022
Lease liabilities	Parent company	\$ 22,876	\$ 29,194
	Other related parties	<u>9,277</u>	<u>10,815</u>
		<u>\$ 32,153</u>	<u>\$ 40,009</u>

Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Interest expense	Parent company	\$ 257	\$ 184
	Other related parties	<u>100</u>	<u>115</u>
		<u>\$ 357</u>	<u>\$ 299</u>
Rental expense	Parent company	<u>\$ 284</u>	<u>\$ 1,603</u>

Lease arrangements as lessor

Lease income was summarized as follows:

Related Party Category	For the Year Ended December 31	
	2023	2022
Parent company	\$ 3,076	\$ 3,002
Sister companies	98	122
Associates	47	47
Other related parties	<u>2,482</u>	<u>2,483</u>
	<u>\$ 5,703</u>	<u>\$ 5,654</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	
	2023	2022	2023	2022
Parent company	\$ 210,017	\$ 156,226	\$ -	\$ -
Subsidiaries				
Frontier Components Co., Limited	199,934	111,544	13,923	3,317
Others	<u>-</u>	<u>233</u>	<u>-</u>	<u>23,616</u>
	<u>199,934</u>	<u>111,777</u>	<u>13,923</u>	<u>26,933</u>
Sister companies	10,242	16,067	5,825	12,933
Associates	-	36	1,146	736
Other related parties	<u>2</u>	<u>103</u>	<u>-</u>	<u>-</u>
	<u>\$ 420,195</u>	<u>\$ 284,209</u>	<u>\$ 20,894</u>	<u>\$ 40,602</u>

Related Party Category/Name	Other Receivables		Other Payables	
	December 31		December 31	
	2023	2022	2023	2022
Parent company	\$ -	\$ -	\$ 90	\$ 3,962
Subsidiaries	32	-	22	-
Sister companies	121	78	202	320
Associates	1,054	537	107	-
Other related parties	<u>164</u>	<u>632</u>	<u>13,718</u>	<u>11,825</u>
	<u>\$ 1,371</u>	<u>\$ 1,247</u>	<u>\$ 14,139</u>	<u>\$ 16,107</u>

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

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

The remaining trade payables - related parties were not guaranteed and would be paid off by cash, and trade receivables - related parties were also not guaranteed. There was no bad debt expense for trade receivables - related parties as of December 31, 2023 and 2022.

Equity transactions

Refer to Notes 12, 13 and 28.

Remuneration of key management personnel

Remuneration of the board of directors and other key management personnel for the years ended December 31, 2023 and 2022 was as follows:

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 19,498	\$ 42,184
Post-employment benefits	<u>216</u>	<u>216</u>
	<u>\$ 19,714</u>	<u>\$ 42,400</u>

27. 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:

	December 31	
	2023	2022
Acquisition of property, plant and equipment	<u>\$ 109,625</u>	<u>\$ 72,145</u>

b. Contingencies

As of December 31, 2023, the Company had no open and unused letters of credit.

As of December 31, 2022, outstanding letters of credit of the Company were summarized as follows:

	Unit: Dollars	
Currency	Carrying Amount	Deposits Paid
JPY	JPY 186,000,000	JPY -

28. OTHER ITEMS

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.

29. 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					
	2023			2022		
	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>						
Monetary items						
USD	\$ 31,193	30.735	\$ 958,717	\$ 44,316	30.71	\$ 1,360,944
Non-monetary items						
Investments accounted for using the equity method						
USD	55,793	30.735	1,714,793	54,493	30.71	1,673,489
<u>Financial liabilities</u>						
Monetary items						
USD	1,749	30.735	53,756	2,005	30.71	61,574

For the years ended December 31, 2023 and 2022, foreign exchange gains were \$2,675 thousand and \$95,339 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.

30. 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)

31. 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, 2023

(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, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Prosperity Dielectrics Co., Ltd.	<u>Listed shares</u>							
	Walton Advanced Engineering Inc.	The chairman of the securities issuer is the same as the Company's	Financial assets at FVOCI - non-current	31,915,536	\$ 486,712	6.16	\$ 486,712	
	Walsin Lihwa Corporation	The chairman of the securities issuer is the second degree of kinship of the Company	"	10,989,605	424,748	0.27	424,748	
	HannStar Board Corporation	The chairman of the securities issuer is the same as the Company	"	5,668,332	313,459	1.07	313,459	
	Hotai Finance Co., Ltd. Preferred Shares B	None	"	1,000,000	94,900	0.15	94,900	
	Fubon Financial Holding Co., Ltd. Preferred Shares C	"	"	500,000	27,500	-	27,500	
	Chunghwa Telecom Co., Ltd.	"	Financial assets at FVTPL - current	400,000	48,000	0.01	48,000	
	Taiwan Semiconductor Manufacturing Co., Ltd.	"	"	35,000	20,755	-	20,755	
	<u>Shares</u>							
	Chin-Xin Investment Co., Ltd.	The chairman of the securities issuer is the second degree of kinship of the Company	Financial assets at FVOCI - non-current	3,500,000	169,273	0.72	169,273	
	Hwa Bao Botanic Conservation Corp.	"	"	18,000,000	189,649	10.00	189,649	
	<u>Bonds</u>							
	ANZ New Zealand International LTD.	None	Financial assets at amortized cost - non-current	-	61,166	-	62,921	
	Sumitomo Mitsui Trust Bank Limited	"	"	-	30,808	-	31,707	
	Norinchukin Bank	"	"	-	30,986	-	31,443	
	Credit Agricole S.A.	"	"	-	30,691	-	31,476	
	NBN Co Limited	"	"	-	62,765	-	64,228	
Burlington Northern Santa Fe, LLC	"	"	-	33,045	-	33,625		
Bristol-Myers Squibb Company	"	"	-	31,836	-	32,954		
Frontier Components Co., Limited	<u>Bonds</u>							
	TSMC Arizona Corp.	None	Financial assets at amortized cost - non-current	-	92,133	-	90,283	
	Amazon.com, Inc.	"	"	-	60,620	-	59,819	
	Commonwealth Bank of Australia	"	"	-	136,107	-	135,454	
	Westpac New Zealand Ltd.	"	"	-	4,710	-	4,790	
U.S. Treasuries	None	Financial assets at amortized cost - current	-	61,071	-	60,746		

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, 2023

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Valuation		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.	APAQ Technology Co., Ltd.	Financial assets at FVTPL - current	-	-	4,541,000	\$ 189,133	-	\$ 102,008	4,541,000	\$ 263,378	\$ 291,141	\$ (27,763)	-	\$ -
		Financial assets at FVTOCI - non-current			739,000	30,779	-	(11,076)	739,000	40,241	19,703	20,538	-	-

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, 2023
(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	\$ (705,734)	(22)	No significant difference with third parties	-	-	Trade receivables \$ 199,934	25	
	Walsin Technology Corporation	Parent company	Sales	(841,538)	(26)	"	-	-	Trade receivables 210,017	26	
	Walsin Technology Corporation	Parent company	Purchases	268,352	20	"	-	-	Trade payables -	-	
Frontier Components Co., Limited	Prosperity Dielectrics Co., Ltd.	Parent company	Purchases	705,734	97	"	-	-	Trade payables (199,934)	(95)	
	Dongguan Walsin Technology Electronics Co., Ltd.	Sister company	Sales	(120,341)	(16)	"	-	-	Trade receivables 27,709	19	
	Dongguan Frontier Electronics Co., Ltd.	100% owned subsidiary	Sales	(547,934)	(73)	"	-	-	Trade receivables 99,484	67	
Dongguan Frontier Electronics Co., Ltd.	Frontier Components Co., Limited	Parent company	Purchases	547,934	66	"	-	-	Trade payables (99,484)	(56)	
	Dongguan Walsin Technology Electronics Co., Ltd.	Sister company	Purchases	257,038	30	"	-	-	Trade payables (73,823)	(41)	

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, 2023**

(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 Walsin Technology Corporation	Indirectly owned second-tier subsidiary Parent company	Trade receivables	\$ 199,934	4.53	\$ -	-	\$ 100,308	\$ -
			Trade receivables	210,017	4.60	-	-	33,493	-

PROSPERITY DIELECTRICS CO., LTD.

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2023

(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, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
Prosperity Dielectrics Co., Ltd.	PDC Prime Holdings Limited	Samoa	Investment holding	\$ 728,456	\$ 728,456	23,464,538	100	\$ 1,579,992	\$ 53,266	\$ 53,266	
	Frontec International Corporation	British Virgin Islands	Investment holding	325,684	325,684	8,221,615	100	134,801	5,632	5,632	
	Tsai Yi Corporation	Taiwan	Investment holding	51,928	51,928	4,934,995	3.36	101,672	23,695	800	
	Hannstar Board New Energy Co., Ltd.	Taiwan	Solar power generation	2,500	-	250,000	5	2,447	(1,051)	(53)	
	Joyin Co., Ltd.	Taiwan	Manufacturing of electronic components	426,701	426,701	23,715,360	30.4	390,462	(26,522)	(12,925)	
PDC Prime Holdings Limited	PDC Success Investments Ltd.	Republic of Mauritius	Investment holding	387,932	387,932	12,009,000	100	721,271	(3,865)	(3,865)	
	Frontier Components Co., Limited	Hong Kong	International trade	276,646 (Note 2)	276,646 (Note 2)	70,036,752	100	819,534	57,439	57,439	
	Prosperity International Development (HK) Co., Ltd.	Hong Kong	Investment holding	73,795 (Note 2)	73,795 (Note 2)	2,401,000	100	61,271	(384)	(384)	
Prosperity International Development (HK) Co., Ltd.	GHPW Enterprise Corporation (HK) Limited	Hong Kong	Investment holding	73,764 (Note 2)	73,764 (Note 2)	2,400,000	10	61,246	(3,843)	(384)	

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

Note 2: The closing exchange rate as of December 31, 2023 was used to convert the foreign currencies into New Taiwan dollars. The closing exchange rate as of December 31, 2023 was US\$ to NT\$ = 1:30.735.

PROSPERITY DIELECTRICS CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA OF PROSPERITY DIELECTRICS CO., LTD.
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
PDC Electronics (Suzhou) Co., Ltd.	Manufacturing of ceramic components	\$ 368,820 (US\$ 12,000,000)	Note 1	\$ 368,820 (US\$ 12,000,000)	\$ -	\$ -	\$ 368,820 (US\$ 12,000,000)	\$ (3,868)	100	\$ (3,868)	\$ 720,984	\$ 159,217 (US\$ 5,180,313)
Dongguan Frontier Electronics Co., Ltd.	Selling of electronic components	187,484 (US\$ 6,100,000)	Note 1	187,484 (US\$ 6,100,000)	-	-	187,484 (US\$ 6,100,000)	17,686	100	17,686	254,995	100,786 (US\$ 3,279,186)
Chongqing Shuohong Investment Co., Ltd.	Investment management, investment consultation services	2,296,331 (RMB 530,000,000) (Note 4)	Note 1	-	-	-	-	(18,580)	20.43	(3,796)	543,432	-
Chongqing Xincheng Electronic Co., Ltd.	Selling of electronic components, real estate investment and leasing	234,494 (RMB 54,122,000) (Note 5)	Note 1	-	-	-	-	(10,328)	13.04	(1,347)	38,583	-
GHPW Enterprise Corporation (Chongqing) Limited	Business consultations, business management, consultation services and property management	737,640 (US\$ 24,000,000)	Note 1	73,764 (US\$ 2,400,000)	-	-	73,764 (US\$ 2,400,000)	(3,759)	10	(376)	61,188	-
Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Manufacturing and selling of chip components, power electronic devices and new electronic components	184,410 (US\$ 6,000,000)	Note 1	173,400 (US\$ 5,641,768)	-	-	173,400 (US\$ 5,641,768)	5,630	100	5,630	134,626	-
Prosperity Frontier Electronics (Guangzhou) Co., Ltd.	Manufacturing and selling of chip components, power electronic devices and new electronic components	- (Note 6)	Note 1	-	-	-	-	1	-	1	-	-

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, 2023 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, 2023) if the relevant figures in this table involve foreign currencies.

Note 4: Investment amount of RMB 108,290,000 was made using PDC Electronics (Suzhou) Co., Ltd.'s own capital.

Note 5: Investment amount of RMB 7,055,500 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 RMB 1,000,000 was made using Dongguan Frontier Electronics Co., Ltd.'s own capital. Additionally, Prosperity Frontier Electronics (Guangzhou) Co., Ltd. was liquidated and remitted its share capital in June 2023.

(Continued)

2. Investment quota for mainland China:

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 902,889 (US\$ 29,376,590)	\$ 1,045,597 (US\$ 34,019,762)	(Note 2)

Note 1: The average exchange rates as of December 31, 2023 are as follows:

US\$ to NT\$ = 1:30.735
RMB to NT\$ = 1:4.3327

The average exchange rates for the year ended December 31, 2023 are as follows:

US\$ to NT\$ = 1:31.155
RMB to NT\$ = 1:4.424

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, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Walsin Technology Corporation	74,186,468	43.13

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