



Stock Code : 6173

# Prosperity Dielectrics Co., Ltd.

## 2024 Annual Shareholders' Meeting Handbook

(English Translation)<sup>1</sup>

Convening Method : Physical Shareholders' Meeting

Date : June 14, 2024

Time : 9:30 A.M.

Place : E68 Conference Room, China Motor Training Center, No.3,  
Qingnian Rd., Yangmei Dist., Taoyuan City 326, Taiwan(R.O.C.)

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<sup>1</sup> This translation is for reference only. In the event of any discrepancy between the Chinese version and this translation, the Chinese version shall prevail.

**Prosperity Dielectrics Co., Ltd.**  
**2024 Annual Shareholders' Meeting Handbook**  
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**Prosperity Dielectrics Co., Ltd.**  
**Meeting Procedure and Agenda of the 2024 Annual Shareholders' Meeting**

**1. Announcement of the Commencement of the Meeting.**

**2. Chairman's Address.**

**3. Matters to Be Reported**

- (1) The 2023 Business Report and Final Account Report.
- (2) Audit Committee's Review Report.
- (3) The Distribution Report of Compensation of Employees and Directors for the year 2023.
- (4) Other Matters to Be Reported.

**4. Matters to Be Ratified and Discussed**

- (1) Ratification of the 2023 Business Report and Final Account Statements.
- (2) Ratification of the 2023 Earnings Distribution Proposal.
- (3) Discussion of the Proposal for the Release of Directors' Non-Competition Obligations.

**5. Other Extemporaneous Matters and Motions**

**6. Adjournment**

## Matters to Be Reported

### 1.The 2023 Business Report and Final Account Report.

Please review and approve the Company's 2023 business report and final account report. For details, please refer to pp.7 – 32 of the Appendix to the Handbook.

### 2.Audit Committee’s Review Report.

Please refer to p.33 of the Appendix to the Handbook for the review report from the Audit Committee.

### 3.The Distribution Report of Compensation of Employees and Directors for the year 2023.

The compensation of employees and directors for the year 2023 were NT\$14,586,607 and NT\$5,834,643, respectively , which were 2.5% and 1% of the profit and approved by the Company’s board of directors on February 22, 2024 .The above amounts will all be paid in cash.

### 4. Report on the Status of Repurchase of the Company's Shares.

(1)Please refer to pp.34 - 35 of the Appendix to the Handbook for 9th plan of transferring the repurchased shares to the employees of the Company.

(2)The status of repurchase of the Company's shares was as follows:

No.		9th
Date of BOD Resolution		6th Meeting of the Board of Directors of 11th Term on March 25, 2021
Purpose of Repurchase		Transferring the Repurchased Shares to the Employees
Repurchase Period		March 26, 2021 to March 31, 2021
Type of Shares Repurchased		Common Shares
No. of shares repurchased	Estimated	800,000 Shares
	Actual	800,000 Shares
Average Repurchase Price per Share		67.96
Reasons for Failure to Fully Repurchase the Shares		Not Applicable (Fully Repurchased)
Execution	Date of Transfer or Deadline for Cancellation of Shares	Untransferred
	Number of Shares Transferred	Not Applicable
	Number of Shares Untransferred or Cancelled	Not Applicable
	Date and Document Number of over the Counter Transaction Approved by the Competent Authority	Not Applicable

**5. Report on the Amendments to the Company's Rules and Regulations Relating to Corporate Governance.**

The Rules of Procedure for Board of Directors Meetings have been amended by the resolution adopted in the meeting of the Board of Directors on February 22, 2024. Please refer to pp.36 - 43 of the Appendix to the Handbook for the full content of the amended version.

**6. Report on the Status of Shareholders' Proposals for the 2024 Annual Shareholders' Meeting.**

During the period for accepting the shareholders' proposals from March 29, 2024 to April 8, 2024, none of the shareholders holding more than 1% of the total shares of the Company submitted any written proposal to the Company in accordance with Article 172-1 of Company Act.

## Matters to Be Ratified and Discussed

### Proposal 1

Proposed by the Board of Directors

**Subject : Ratification of the 2023 Business report and Financial Statements.**

Explanations :

1. The Company's 2023 business report ,parent company only financial statements and consolidated financial statements(including balance sheets , statements of comprehensive income, changes in equity and cash flows) had been approved by the Board of Directors and reviewed by the Audit Committee. Please refer to pp.7 – 32 of the Appendix to the Handbook for the aforementioned statements.
2. The Company's financial statements had been audited as well as certified by Yi-Min Huang and Chin-Chuan Shih, CPAs of Deloitte & Touche.

Resolution :

### Proposal 2

Proposed by the Board of Directors

**Subject : Ratification of the Company's 2023 Earnings Distribution Proposal.**

Explanations :

- 1.The Company made a profit of NT\$451,374,496 after tax for fiscal year 2023.  
The 2023 earnings distribution proposal is as follows:

**Prosperity Dielectrics Co., Ltd.  
Earnings Distribution Proposal for 2023**

Unit: NT\$

Summary	Amount		Note
Unappropriated earnings, beginning of year		\$2,723,867,030	
Net profit for 2023	451,374,496		
Remeasurement of defined benefit plans recognized in retained earnings	681,079		
Adjustments on equity method investments recognized in retained earnings	(16,750,492)		
Disposal of investments in equity instruments designated as at fair value through other comprehensive income and the cumulative gain or loss transferred to retained earnings	20,241,994		
Net profit for 2023 plus other profit items adjusted to the current year's unappropriated earnings other than net profit for 2023		455,547,077	
Legal reserve		(45,554,708)	
Distributable earnings		3,133,859,399	
Distributable items :			
Cash dividends to shareholders		(206,400,000)	NT\$1.2 per share
Unappropriated earnings, end of year		\$2,927,459,399	

Chairman : Yu-Heng Chiao

Manager : Chun-Hsueh Chen

Accounting Chief : Hsia-Ying Lo

2. The profit distribution is calculated based on 172,000,000 shares , which is the number of issued shares of the Company on March 26, 2024. In the event that the Company buys

back shares or transfers treasury stocks to employees, thereby affecting the number of outstanding shares and then causing the proposed profit distribution per share to change, it is proposed that the chairman be authorized to adjust the same based on the number of actual shares outstanding on the ex-dividend base date. The distribution of the cash dividends shall be rounded down to the nearest New Taiwan Dollar. The aggregate of the remaining cash will be credited to other revenue by the Company.

3. Upon the approval of the annual shareholders' meeting, it is proposed that the chairman be authorized to otherwise determine the distribution record date and distribution date.
4. The Company operates for sustainable development and maintains market competitiveness in response to industrial upgrading, the Company is planning to use the unappropriated earnings to construct or purchase buildings, software or hardware equipment or technology for use in production or operation as needed for its business, and the Company will report to the National Taxation Bureau for the deduction such investment amounts from the unappropriated earnings tax base in accordance with Article 23-3 of the Statute of Industrial Innovation.

Resolution :

### **Proposal 3**

**Proposed by the Board of Directors**

**Subject : Discussion of the Proposal for the Release of Directors' Non-Competition Obligations.**

Explanations :

1. It is conducted in accordance with Article 209 of the Company Act.
2. One of the Company's directors concurrently acts as a manager or runs business for another company which has the same or similar lines of business with the Company. Hence it is proposed to the shareholders' meeting to release the non-competition restrictions on the director in accordance with the laws.
3. The concurrent position has not released non-competition restrictions held by the director was as follows:
  - (1) Director : Representative of Walsin Technology Corporation – Mr. Chih-Mou Hung

Names of Other Companies Where directors Serves	Title of Position
INPAQ Technology Co., Ltd.	President

Resolution :

### **Other Extemporary Matters and Motions**

### **Adjournment**

# Appendix



# Prosperity Dielectrics Co., Ltd

## 2023 Business Report

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 operating results of PDC for 2023 are reported 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:

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

Item	2023	2022	Growth rate
<b>Statements of Comprehensive Income</b>			
Net Revenue	3,260,327	3,728,375	-12.6%
Gross Profit	626,031	896,137	-30.1%
Operating Profit	347,475	592,257	-41.3%
Income Before Income Tax	563,043	609,631	-7.6%
Net Income	451,374	506,518	-10.9%
Earnings Per Share	2.64	2.96	-10.8%
<b>Consolidated Statements of Comprehensive Income</b>			
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%

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).

## **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	%
<b>CURRENT ASSETS</b>				
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>
<b>NON-CURRENT ASSETS</b>				
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>
<b>TOTAL</b>	<u>\$ 8,354,230</u>	<u>100</u>	<u>\$ 8,608,080</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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>
<b>NON-CURRENT LIABILITIES</b>				
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>
<b>EQUITY (Note 19)</b>				
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>
<b>TOTAL</b>	<u>\$ 8,354,230</u>	<u>100</u>	<u>\$ 8,608,080</u>	<u>100</u>

(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)**

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

(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)	\$ 919,642	\$ (54,371)	\$ 324,031	\$ 6,698,817
Appropriation of the 2021 earnings (Note 19)											
Legal reserve	-	-	-	115,063	-	(115,063)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(344,000)	-	-	-	-	(344,000)
Change in capital surplus from investment in associates accounted for using the equity method	-	-	(170)	-	-	(15)	-	-	-	-	(185)
Net profit (loss) for the year ended December 31, 2022	-	-	-	-	-	506,518	-	-	-	(16,873)	489,645
Other comprehensive income (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

(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	<u>(15,049)</u>	<u>(17,022)</u>
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	<u>(180,065)</u>	<u>(120,906)</u>
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>

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

(Concluded)

## **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 Notes 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	%
<b>CURRENT ASSETS</b>				
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>
<b>NON-CURRENT ASSETS</b>				
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>
<b>TOTAL</b>	<u>\$ 8,508,230</u>	<u>100</u>	<u>\$ 8,732,754</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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>
<b>NON-CURRENT LIABILITIES</b>				
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>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>				
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	3,934,264	46	3,685,117	42
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	702,931	8	528,446	6
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>
<b>TOTAL</b>	<u>\$ 8,508,230</u>	<u>100</u>	<u>\$ 8,732,754</u>	<u>100</u>

(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	13	\$ 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>13</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)**

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

(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	172,000	\$ 1,720,000	\$ 498,708	\$ 687,087	\$ 67,764	\$ 3,179,413	\$ (66,031)	\$ 768,962	\$ (54,371)	\$ 6,801,532	\$ -	\$ 6,801,532

(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	<u>(15,049)</u>	<u>(17,023)</u>
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	<u>(181,836)</u>	<u>(150,516)</u>
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>
(With Deloitte & Touche auditors' report dated February 22, 2024)		(Concluded)

## **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 Co., Ltd.

The convener of the Audit Committee : Eric Chen

March 26, 2024

**Prosperity Dielectrics Co.,Ltd.**  
**9th Plan of Transferring the Repurchased Shares to the Employees**

Amended on March 23, 2022

Article 1 For the purpose of encouraging our employees and creating cohesion among the employees, the Company hereby, pursuant to Article 28-2, Paragraph 1, Subparagraph 1 of the Securities and Exchange Act and the Regulations Governing Share Repurchase By Exchange-Listed and OTC-Listed Companies issued by the Securities and Futures Bureau, Financial Supervisory Commission R.O.C., establishes the Plan of Transferring the Repurchased Shares to the Employees (the "Plan"). Except as otherwise provided in the relevant laws or regulations, all share repurchased and transferred to the employees of the Company shall be implemented in compliance with the Plan.

**Article 2 Type of shares to be transferred, a description of the rights attaching thereto, and any restrictions on such rights**

The shares to be transferred to the employees are common shares. Except as otherwise provided in the relevant laws or regulations or in this Plan, the rights and obligations embedded thereon are the same with other common shares of the Company.

**Article 3 Transfer period**

In accordance with the provisions herein, transfer the repurchased shares to employees in one time or several times within five years from the date of share-repurchase.

**Article 4 Eligibility requirements for transferees and the number of shares they are allowed to subscribe for**

The transferees of the Plan are based on the principle that the full-time employees of the Company and the full-time employees of the Company's domestic and overseas subsidiaries who took up the job before the stock subscription date. In addition, the employee's subscription ratio and number of shares are determined based on their job title, salary, years of service, performance, and their contribution to the Company, and take into account the total number of shares purchased by the Company at the base date of subscription and the upper limit of the number of shares subscribed by a single employee.

The qualifications of the transferee in the preceding paragraph and the number of shares that can be subscribed will be in accordance with the relevant laws and regulations at the time of the transfer, and in consideration of the Company's operational needs and business development strategies and guidelines. The human resources department will draw up a proposal in accordance with the preceding principles to meet the rules of Compensation Committee Organization. Managers with standardized organizational procedures of the Compensation Committee shall submit them to the Compensation Committee for review and to the Board of Directors for approval. Non-managers shall submit them to the Audit Committees for review and to the Board of Directors for approval.

The domestic and overseas subsidiaries mentioned in Paragraph 1 refer to the subsidiaries in which the Company directly or indirectly holds more than 50% of the voting shares of the same invested company.

**Article 5 Procedures for transfer of shares**

The procedures of the Plan of transferring the repurchased shares to the employees :

- (1) In accordance with the resolution of the Board of Directors, the Company shall make the announcements, filings and repurchase the shares of the Company within the execution period.
- (2) Regarding the employee's stock subscription base date, the criteria for the number of shares to be subscribed, the subscription payment period, the content of rights and other

operational matters, the human resources department of the Company shall make a proposal in accordance with the provisions of the Plan. Except for the qualifications of the transferee and the number of shares to be implemented in compliance with Article 4, and the rest shall be approved by the Board of Directors.

(3) If the employee fails to subscribe and make the payment at the expiration of the payment period, it shall be deemed as a waiver of his/her subscription right. The balance of the under-subscription shall be implemented in compliance with the provisions of the preceding paragraph.

(4) Count the actual number of shares being paid for subscription and process the registration of the transfer of shares.

#### **Article 6 Agreed transfer price per share**

For the repurchase shares being transferred to the employees, the transfer price is the actual average repurchase price of the repurchased shares. However, before the transfer, if there is an increase or decrease in the Company's issued common shares, the transfer price may be adjusted within the range of the increase or decrease ratio of the issued shares.

Transfer price adjustment formula:

The adjusted conversion price = the average price actually repurchased  $\times$  (the total number of common shares at the time the Company's repurchased shares are executed  $\div$  the total number of common shares before the Company transfers the repurchased shares to employees)

#### **Article 7 Rights and obligations subsequent to execution of the transfer**

After the repurchased shares have been transferred and registered under employees' names on the Company's Shareholders' Rosters, unless otherwise specified, the rights and obligations associated with the shares are the same as the other common shares.

#### **Article 8 Other rights and obligations related to the Company and its employees**

For the shares transferred according to the Plan, the taxes and fees incurred shall be handled in accordance with the laws and regulations at the time of the transfer and the Company's related operations.

Article 9 The Plan shall take effect after the resolution of the Board of Directors. In the future, if there are changes due to amend in the laws or regulations or amendments approved by the competent authority or changes based on the objective environment, they may be reported to the Board of Directors for revision.

Article 10 The enactment of the Plan shall be reported to the shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

# **Prosperity Dielectrics Co.,Ltd.**

## **Rules of Procedure for Board of Directors Meetings**

Amended on February 22, 2024

### **Article 1 Basis for the adoption**

To establish a strong governance system and sound supervisory capabilities for this Corporation's board of directors and to strengthen management capabilities, these Rules are adopted pursuant to Article 26-3 , paragraph 8 of the Securities and Exchange Act and the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

### **Article 2 Scope**

Unless otherwise provided by the laws and regulations, with respect to the board of directors meetings ("board meetings") of the Company, the main agenda items, working procedures, required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the provisions of these Rules.

### **Article 3 Convening and notice of board meetings**

- 3.1 The board of directors shall meet at least quarterly.
- 3.2 A notice of the reasons for convening a board meeting shall be given to each director and supervisor before 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice. The meeting notice may be delivered in writing or by e-mail or fax.
- 3.3 All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion.

### **Article 4 Meeting notification and materials**

- 4.1 The designated unit responsible for the board meetings of this Corporation shall be Finance department.
- 4.2 The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.
- 4.3 A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.

### **Article 5 Attendance book and proxy arrangement**

- 5.1 When a board meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.
- 5.2 Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with this Corporation's articles of incorporation. Attendance by videoconference will be deemed attendance in person.

5.3 A director who appoints another director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.

5.4 The proxy referred to in paragraph 2 may be the appointed proxy of only one person .

#### **Article 6 Meeting place and time**

A board meeting shall be held at the premises and during the business hours of this Corporation, or at a place and time convenient for all directors to attend and suitable for holding board meetings.

#### **Article 7 Chair and acting chair of a board meeting**

7.1 Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.

7.2 Where a meeting of the board of directors is called by a majority of directors on their own initiative in accordance with Article 203, paragraph 4 or Article 203-1, paragraph 3 of the Company Act, the directors shall choose one person by and from among themselves to chair the meeting.

7.3 When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson is also on leave or for any reason unable to exercise the powers of vice chairperson, the chairperson shall appoint one of the managing directors to act, or, if there are no managing directors, one of the directors shall be appointed to act as chair. If no such designation is made by the chairperson, the managing directors or directors shall select one person from among themselves to serve as chair.

#### **Article 8 Reference materials, non-voting participants, and holding board meetings**

8.1 When a board meeting is held, the management (or the designated unit responsible for the board meetings) shall furnish the attending directors with relevant materials for ready reference.

8.2 As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants.

When necessary, certified public accountants, attorneys, or other professionals retained by this Corporation may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.

8.3 The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance.

If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time on the same day , provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.

#### **Article 9 Documentation of a board meeting by audio or video**

9.1 Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

9.2 If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

9.3 Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of this Corporation.

#### **Article 10 Agenda items**

Agenda items for regular board meetings of the Company shall include at least the following:

1. Matters to be reported:

- (1) Minutes of the last meeting and action arising.
- (2) Important financial and business matters.
- (3) Internal audit activities.
- (4) Other important matters to be reported.

2. Matters for discussion:

- (1) Items discussed and continued from the last meeting.
- (2) Items for discussion at this meeting.

3. Extraordinary motions.

#### **Article 11 Agenda discussion**

11.1 A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.

11.2 As for the agenda given in the meeting notice in the preceding paragraph, the chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.

11.3 At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion



by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 8, paragraph 3 shall apply mutatis mutandis.

11.4 During the proceedings of a board meeting, if the chair is unable to chair the meeting or fails to declare the meeting closed as provided in paragraph 2, the provisions of Article 7, paragraph 3 shall apply mutatis mutandis to the selection of the deputy to act in place thereof.

#### Article 12 Matters requiring discussion at a board meeting

12.1 The matters listed below as they relate to this Corporation shall be raised for discussion at a board meeting:

1. The Corporation's business plan.
2. Annual and semi-annual financial reports.
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of equity-type securities.
6. If the board of directors does not have managing directors, the election or discharge of the chairman of the board of directors.
7. The appointment or discharge of a financial, accounting, or internal audit officer.
8. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
9. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 8 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

In the case of a foreign issuer whose shares have no par value or a par value other than NT\$10, 2.5 percent of shareholders' equity shall be substituted for the calculation of the amount equal to 5 percent of paid-in capital required under this paragraph.

12.2 At least one independent director of this Corporation shall attend the meeting in person.

With respect to the matters which must be approved by resolutions at a board meeting as provided in the first paragraph, any and all independent directors shall attend the meeting. Where an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.

With the exception of matters required to be discussed at a board meeting under Article 12, paragraph 1, when the board of directors appoints a party to exercise the powers of the board in accordance with applicable this Corporation's rules and regulations , and articles of incorporation , and the resolution of the shareholders' meeting , and the resolution of the board meetings, or laws and regulations.

#### Article 13 Voting-I

13.1 When the chair at a board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

13.2 When a proposal comes to a vote at a board meeting, if no attending director voices an objection following an inquiry by the chair, the proposal will be deemed approved, and the effect is the same as voting. If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote.

13.3 One voting method for proposals at a board meeting shall be selected by the chair from among those below, provided that when an attending director has an objection, the chair shall seek the opinion of the majority to make a decision:

1. A show of hands or a vote by voting machine.
2. A roll call vote.
3. A vote by ballot.
4. A vote by other method selected at this Corporation's discretion of the board meetings.

"Attending directors," as used in the preceding two paragraphs, does not include directors that may not exercise voting rights pursuant to Article 15, paragraph 1.

#### Article 14 Voting-II and methods for vote monitoring and counting

14.1 Except where otherwise provided by the Regulations Governing Procedure for Board of Directors Meetings of Public Companies and the Company Act, the passage of a proposal at a board meeting shall require the approval of a majority of the directors in attendance at a board of directors meeting attended by a majority of all directors. Voting results shall be made known on-site immediately and recorded in writing.

14.2 When there is an amendment or alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If any one among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.

14.3 If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be directors.

#### Article 15 Recusal of directors due to conflicts of interest

15.1 If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

15.2 Where the spouse or a blood relative within the second degree of kinship of a director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item.

15.3 The provisions of Article 180, paragraph 2 of the Company Act, as applied mutatis mutandis under Article 206, paragraph 4 of that Act, apply to resolutions of board of directors meetings when a director is prohibited by the preceding two paragraphs from exercising voting rights.

#### Article 16 Meeting minutes and sign-in matters

16.1 Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

1. The meeting session (or year) and the time and place of the meeting.
2. The name of the chair.
3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.

6. The matters reported at the meeting.
7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, experts, or other persons; the name of any director that is an interested party as referred to in Article 15, paragraph 1, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 2.
8. Extraordinary motions: the name of the mover, the method of resolution and the result, a summary of the comments of any director, expert, or other person; the name of any director that is an interested party as referred to in Article 15, paragraph 1, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements.
9. Other matters required to be recorded.

16.2 With respect to a resolution passed at a board meeting, any objection or expression of reservations by an independent director expresses of which there is a record or written statement, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting.

16.3 The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of this Corporation.

16.4 The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of this Corporation.

16.5 The meeting minutes of paragraph 1 may produced and distributed in electronic form.

#### Article 17 Principle of authorization

With the exception of matters required to be discussed at a board meeting under Article 12, paragraph 1, when the board of directors appoints a party to exercise the powers of the board in accordance with applicable this Corporation's rules and regulations , and articles of incorporation , and the resolution of the shareholders' meeting , and the resolution of the board meetings, or laws and regulations during the recess of board meeting.

Article 18 These Rules of Procedure shall be adopted by the approval of the board meeting and shall be reported to the shareholders' meeting.

The Rules of Procedure were enacted on Jan. 1, 2007. The amendment was made after approval by a resolution of the board meeting on Mar. 31, 2008.

The second amendment was made after approval by a resolution of the board meeting on Mar. 31, 2010.

The third amendment was made after approval by a resolution of the board meeting on Dec. 18, 2012.

The fourth amendment was made after approval by a resolution of the board meeting on Aug. 22, 2017.

The fifth amendment was made after approval by a resolution of the board meeting on Mar. 25, 2019.

The sixth amendment was made after approval by a resolution of the board meeting on Mar. 27, 2020.

The seventh amendment was made after approval by a resolution of the board meeting on Nov. 1, 2022.

The eighth amendment was made after approval by a resolution of the board meeting on February 22, 2024.

**Prosperity Dielectrics Co., Ltd.**  
**Shareholdings of All Directors**

Title	Name	April 16,2024		
		Type of shares	Current shareholding (shares)	Shareholding ratio (%)
Chairman	Yu-Heng Chiao	Common shares	1,065,861	0.62%
Director	Walsin Technology Corporation Representative : Yeu-Yuh Chu	Common shares	74,186,468	43.13%
Director	Walsin Technology Corporation Representative : Chih-Mou Hung	Common shares		
Director	Por-Yuan Wang	Common shares	0	0%
Independent director	Eric Chen	Common shares	10,312	0.01%
Independent director	Chin-Tain Chiu	Common shares	0	0%
Independent director	Lau Boon Leng	Common shares	0	0%
Shareholdings of all directors			75,262,641	43.76%
Note : As of the book closure date for the 2024 Annual Shareholders' Meeting, the Company had issued 172,000,000 shares of common stock.				

# Regulations

# Prosperity Dielectrics Co.,Ltd.

## Articles of Incorporation

### Chapter I General Principles

Article 1 The Company is incorporated as a company limited by shares in accordance with the Company Act (“the Company Act”), and it is named 信昌電子陶瓷股份有限公司 in Chinese language and 「PROSPERITY DIELECTRICS CORPORATION」 in English language (the “Company”).

Article 2 The business scope of the Company is as follows:

- 1.C801030 Precision Chemical Material Manufacturing
- 2.C801990 Other Chemical Material Manufacturing
- 3.CC01080 Electronics Components Manufacturing
- 4.CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
- 5.F119010 Wholesale of Electronic Materials
- 6.F219010 Retail Sale of Electronic Materials
- 7.ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval

Article 3 The Company’s re-investment is handled in accordance with the resolution of the Board of Directors, and the total investment by the Company shall not be subject to the ceiling of an amount equivalent to 40 percent of its paid-in capital.

Article 4 The Company has its head-office in Taoyuan City. Subject to the approval of the Board of Directors, the Company may, if necessary, set up branches within and outside of the Republic of China.

### Chapter II Shares

Article 5 The total capital of the Company is 2,200 million New Taiwan Dollars (NT\$ 2,200,000,000) which is divided into 220,000,000 shares with a face value of ten New Taiwan Dollars (NT\$10) per share. The afore-mentioned shares shall be issued in installments.

100 million New Taiwan Dollars (NT\$100,000,000) which is divided into 10,000,000 shares with a face value of ten New Taiwan Dollars (NT\$10) per share of the preceding capital is reserved for the issuance of employee stock option certificates, and the Board of Directors shall be authorized to issue them in installments as needed.

Where the Company is entitled to buy back its own shares according to the law, the Board of Directors is authorized to undertake such share buyback pursuant to the law.

If the Company intends to transfer the repurchased shares to employees at a price lower than the average price of the actual repurchased shares, it shall be approved by the shareholders’ meeting of shareholders representing more than half of the total issued shares and more than two-thirds of the voting rights of the present shareholders.

Article 6 Where the shares issued by the Company are in scripless form and without physical certificates, the Company shall register the shares with the central securities depository institution.

Article 7 The affairs of the shareholders’ of the Company shall be handled in accordance with the Company Act and the relevant regulations.

Article 8 The transfer, registration, loss or destruction of the share certificates of the Company shall be handled in accordance with the Company Act and the relevant regulations.

Article 9 The entries in the shareholders’ roster shall not be altered within 60 days prior to the convening date of a regular shareholders’ meeting, or within 30 days prior to the convening date of a special shareholders’ meeting, or within 5 days prior to the target date fixed by the Company for distribution of dividends, bonus or other benefits.



### **Chapter III Shareholders' Meetings**

Article 10 Shareholders meetings shall be of two types, general meetings and special meetings. General meetings shall be convened once a year, within six months from the end of each fiscal year in accordance with the law. Special meetings shall be convened in accordance with the law, whenever necessary.

Article 10-1 The shareholders' meeting of the Company can be held by means of visual communication network or other methods promulgated by the central competent authority.

Article 11 If a shareholder is unable to attend the shareholders' meeting in person for any reason, a shareholder may designate a proxy to attend the shareholders' meeting with a power of attorney stating the scope of authority in accordance with the Company Act and the "Regulations for the Use of Proxies for the Attendance at Stockholders Meetings of Public Companies," promulgated by the competent governmental authority.

Article 12 Unless otherwise regulated by the Company Law, the chairman of the Board of Directors shall chair the shareholders' meeting. If the chairman is on leave or cannot exercise the power and authority for any reason, his or her agency shall be appointed to act on the chairman's behalf in accordance with the provisions of Article 208 of the Company Law.

Article 13 Except otherwise provided by the laws and the regulations, a resolution of the shareholders meeting shall be adopted by the majority of the votes represented by the attending shareholders who hold the majority of the Company's issued shares.

Article 14 The resolutions of the shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty days after the close of the meeting. The dissemination of the proceedings of the preceding paragraph can be done by public announcement. The minutes shall record the time and date of the meeting, the venue, the name of the chairman, the method of adopting resolutions and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company.

### **Chapter IV Directors and Audit Committee**

Article 15 The Company shall have 7 to 9 directors, at least, 3 independent directors. The Board of Director is authorized to determine the number of directors. Directors shall be elected by adopting candidates nomination system as specified in Article 192-1 of the Company Act; the shareholder may elect the directors among the list of candidates. The nomination of directors and related announcement or other relevant matters shall comply with the relevant laws and the regulations of the Company Act, the Securities and Exchange Act, and etc. The election of directors shall be subject to the Rules for Election of Directors of the Company. Unless otherwise provided with by any other laws or regulations, the independent and non-independent directors shall be elected at the same time but on separate ballots. The term of office of director shall not exceed three years but they are eligible for re-election. In accordance with Article 14-4 of the Securities and Exchange Act, the Company shall establish an Audit Committee in replacement of the supervisors, which shall consist of all independent directors. The Audit Committee or the members of the Audit Committee shall be

responsible for the responsibilities of supervisors specified under the Company Act, the Security and Exchange Act and other relevant regulations. The duties, rules of meeting, and other matters shall be conducted in accordance with the relevant rules of the competent securities authority.

- Article 16 When the number of vacancies in the Board of Directors of a company equals to one third of the total number of directors, the Board of Director shall call , within 60 days ,a special meeting of shareholders to elect succeeding directors to fill the vacancies. The term of office shall be limited to the duration of the original term of office.
- Article 17 In case no election of new directors is effected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.
- Article 18 The directors organize the Board of Directors ,and shall elect a chairman of the Board of Directors from among the directors by a majority vote at a meeting attended by over two-thirds of the directors, the chairman of the board presides over all business on behalf of the Company in accordance with the laws, the Articles of Incorporation, and the resolutions of the shareholders' meeting and the Board of Directors. The directors may also elect a vice chairman from each other.
- Article 19 The business policy and other important matters of the Company are determined by the resolution of the Board of Directors. Except for the first meeting of the Board of Directors, which is convened in accordance with Article 203 of the Company Law, the rest of the Board of Directors is convened and chaired by the chairman. In case the chairman of the Board of Directors is on leave or absent or can not exercise his power and authority for any cause, if the vice chairman has been appointed , the vice chairman shall act on his behalf. In case the vice chairman is also on leave or absent or unable to exercise his power and authority for any cause, the chairman of the Board of Directors shall designate one of directors, in the absence of such a designation, directors shall elect from among themselves an acting chairman of the Board of Directors.
- In calling a meeting of the Board of Directors, a meeting notice specifying the reasons for convening shall be given to each director no later than 7 days prior to the scheduled meeting date. However,in the event of an emergency,a meeting may be convened at any time. The meeting notice may be delivered in writing or by fax or e-mail.
- Article 20 Unless otherwise provided by the law, resolutions adopted at a meeting of the Board of Directors must be approved by a majority vote of the directors being present, who shall represent no less than half of the total number of directors. When a director is unable to attend the meeting of the Board of Directors due to any reason, he or she may designate other directors as their proxies to attend the meetings of the Boards of Directors,and give to that director a written proxy stating the scope of authorization with respect to the reasons for meeting; provided that each director may act as proxy for one other director only.
- Article 21 The resolutions of the Board of Director shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all directors of the Company within twenty days after the close of the meeting. The minutes shall record a summary of the essential points of the proceedings and the results of the meeting.
- Article 22 (Deleted)
- Article 23 Regardless of the Company's earnings, the Company is entitled to a fixed remuneration,and the number of authorized directors shall, in accordance with the recommendations of the Remuneration Commission, have regard to the degree of participation of the Company and the value of the salary, and shall, in the light of domestic and foreign standards.

Article 24 Within the directors' terms of office, the Company may purchase liability insurance for the directors' liability which shall be taken within the scope of their business according to laws.

## **Chapter V Managers and Staff**

Article 25 The Company has a president, whose appointment, dismissal and remuneration of the president are conducted in accordance with Article 29 of the Company Act.

Article 26 Other employees of the Company are appointed and dismissed by the president.

## **Chapter VI Accounting**

Article 27 At the close of each fiscal year, the Board of Directors shall prepare the following statements and records and submit the same for recognition at the annual general shareholders' meeting in accordance with statutory procedures, not later than the 30th day prior to the meeting date of a general meeting of shareholders: ( 1 ) the business report; ( 2 ) the financial statements; and ( 3 ) the surplus earning distribution or loss off-setting proposals.

Article 28 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.

Article 28-1 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.

## **Chapter VII Supplementary Provisions**

Article 29 The Company's organizational rules and rules for handling matters are separately formulated by the Board of Directors.

Article 30 The Company may provide endorsements or guarantee to the affiliated company.

Article 31 Any matters not specified in the Articles of Incorporation shall be handled in accordance with the Company Act ,the relevant laws and regulations.

Article 32 The Articles of Incorporation were enacted on May 8, 1990.  
The first amendment was made on May 24, 1990.

The second amendment was made on August 23, 1990.  
The third amendment was made on June 3, 1991.  
The fourth amendment was made on May 30, 1995.  
The fifth amendment was made on May 23, 1996.  
The sixth amendment was made on July 18, 1997.  
The seventh amendment was made on June 5, 2001.  
The eighth amendment was made on June 28, 2002.  
The ninth amendment was made on June 25, 2004.  
The tenth amendment was made on June 29, 2005.  
The eleventh amendment was made on June 23, 2006.  
The twelfth amendment was made on May 30, 2007.  
The thirteenth amendment was made on December 6, 2007.  
The fourteenth amendment was made on June 19, 2008.  
The fifteenth amendment was made on June 17, 2010.  
The sixteenth amendment was made on June 19, 2012.  
The seventeenth amendment was made on June 18, 2013.  
The eighteenth amendment was made on June 11, 2015.  
The nineteenth amendment was made on June 15, 2016.  
The twentieth amendment was made on June 12, 2019.  
The twenty-first amendment was made on June 17, 2020.  
The twenty-second amendment was made on June 14, 2022, and shall become effective after approval by a resolution of the shareholders' meeting. Any subsequent amendments to these Articles of Incorporation shall follow the same procedure.

## **Prosperity Dielectrics Co.,Ltd**

### **Rules and Procedures of Shareholders' Meeting**

- Article 1 The Company's shareholders' meeting (including physical shareholders' meeting and virtual shareholders' meeting) shall be conducted in accordance with these rules. Any matter concerned that is not provided in these rules shall be handled in accordance with the related laws and regulations, and the relevant provisions of the Articles of Incorporation of the Company.
- Article 2 The Company shall specify in its shareholders' meeting notices the time during which attendance registrations for shareholders will be accepted, the place to register for attendance, and other matters for attention.
- The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.
- Shareholders and their proxies (collectively, "shareholders") shall attend the shareholders' meeting based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.
- On the day of the shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.
- The number of shares in attendance shall be calculated according to the shares indicated by the sign-in cards handed in, plus the number of shares whose voting rights are exercised by correspondence or electronically.
- Each shareholder attending the shareholders' meeting (or proxy) shall wear an attendance card and submit the attendance card in lieu of sign in.
- If the sign-in card is handed over to the company, it shall be deemed that the shareholder or agent on the sign-in card is present in person, and the company is not liable responsibility identified.
- The Company shall furnish attending shareholders with the meeting agenda handbook, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.
- Article 3 Attendance and voting at the shareholders' meeting shall be calculated based on the numbers of shares.
- Article 4 The venue for the shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for the shareholders' meeting. The meeting may begin no earlier than 9:00 a.m. and no later than 3:00 p.m.
- Article 5 If the shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the chairman. When the chairman is on leave or for any reason unable to exercise the powers of the chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the chairman shall

appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

If the shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting.

Article 6 This Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend the shareholders' meeting. Staff handling administrative affairs of the shareholders' meeting shall wear identification cards or arm bands.

Article 7 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 8 The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting.

However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 9 If the shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and the amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without the resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to the shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by the resolution of the shareholders' meeting. After the meeting is adjourned, shareholders cannot designate another person as

chairman and continue the meeting at the same or other place. If the chair declares the meeting adjourned in violation of the rules of procedure, the attending shareholders can elect a new chair by the agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

Article 9-1 Election or dismissal of directors, the amendments to the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the Company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the Company, or any matter under Article 185, paragraph 1 of the Company Act, shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders' meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders' meeting. The proposal, acceptance, review, etc, are handled in accordance with the Company Act and the relevant laws and regulations.

Prior to the date for issuance of notice of the shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders' meeting, the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders' meeting and take part in discussion of the proposal.

Article 10 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

Article 11 Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

Article 12 When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When a juristic person shareholder appoints two or more representatives to attend the shareholders' meeting, only one of the representatives appointed may speak on the same proposal.

Article 13 After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

- Article 14 When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.
- Article 15 Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.  
Vote counting for the shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.
- Article 15-1 The election of directors at the shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected, and the names of directors not elected and number of votes they received.  
The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.
- Article 16 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.  
If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.
- Article 17 Except as otherwise provided in the Company Act and the Articles of Incorporation of the Company, a shareholder shall be entitled to one vote for each share held, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders.  
The voting rights of shareholders are calculated based on the voting rights of their representatives. When the Company holds the shareholder' meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to extraordinary motions and the amendments to original proposals of the meeting.  
Shareholders shall exercise their voting rights in writing or electronically in accordance with the provisions of the Company Law and the "Guidelines for the Handling of Share Affairs of Companies Offering Public Shares".
- Article 18 When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.



Article 19 The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

Article 20 These rules shall take effect after having been submitted to and approved by the shareholders' meeting. Subsequent amendments thereto shall be effected in the same manner.

## **Group Business Philosophy**

**◎Integrity first**

**◎Treat Customers as Partners**

**◎Focus and Quality as top priority**

**◎Globalization**

**◎Stabilization and Talent development**

**◎Value key Stakeholders**

**◎Collaboration**