# Powertech Technology Inc. and Subsidiaries

## Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

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

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

POWERTECH TECHNOLOGY INC.

By:

TSAI DUH-KUNG
Chairman

March 10, 2023

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Powertech Technology Inc.

### Opinion

We have audited the accompanying consolidated financial statements of Powertech Technology Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2022 and 2021, its consolidated financial performance and its consolidated cash flows for the years then ended 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards of 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 Corporation 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.

### 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, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Corporation for the year ended December 31, 2022, are described as follows:

<u>Recognition of Contract Assets and Revenue</u>

1. The amount of sales revenue is material to the Corporation. Refer to Note 21 to the accompanying consolidated financial statements for details of sales revenue. The major type of revenue is subcontracting revenue. The types of subcontracting transactions are as follows:

    1) Wafer level testing;

    2) Wafer level packaging;

    3) IC packaging; and

    4) IC testing.

2. Packaging services: Since the customers have ownership of the assets, assume significant risks and rewards of ownership of the assets, have the right to dispose of the assets and prevent the Corporation from obtaining the benefits of the assets, revenue should be recognized over time in accordance with the requirements of paragraph 35(b) of International Financial Reporting Standards No. 15.

3. Testing services: In accordance with the requirements of paragraph 35(a) of International Financial Reporting Standards No. 15, as the Corporation recognizes revenue over time since the customers simultaneously receive and consume the benefits provided by the Corporation's testing services.

4. The Corporation recognizes the contract assets and revenue of packaging and testing services at the end of each month based on the completion schedule. Since the abovementioned process involves estimates and manual controls, there is a risk that contract assets and revenue may not be recognized correctly as a result of human error.

5. We reviewed the Corporation's revenue recognition policy, assessed the reasonableness of its contract assets and revenue recognition, confirmed against relevant supporting documents and accounting records, and verified the accuracy of the monetary amounts of contract assets and revenue recognized.

**Other Matter**

We have also audited the financial statements of Powertech Technology Inc. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

**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 Corporation'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 Corporation 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 Corporation'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 of 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 of 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 Corporation'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 Corporation’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 Corporation 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 Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors’ report are Cheng Chin Lin and Su Li Fang.

Lin cheng chih    Fang Su Li

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2023

<u>*Notice to Readers*</u>

*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.*

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

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

| ASSETS | 2022 Amount | % | 2021 Amount | % |
|---|---|---|---|---|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 20,373,424 | 17 | $ 22,614,233 | 19 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 66,619 | - | 105,537 | - |
| Financial assets at amortized cost - current (Notes 4, 9 and 29) | 94,176 | - | 455,091 | - |
| Contract assets - current (Notes 4, 21 and 28) | 2,645,344 | 2 | 2,418,865 | 2 |
| Notes and accounts receivable (Notes 4, 10 and 21) | 9,252,417 | 8 | 11,519,708 | 10 |
| Receivables from related parties (Notes 4, 21 and 28) | 5,094,481 | 4 | 6,455,306 | 6 |
| Other receivables (Note 4) | 330,849 | - | 382,322 | - |
| Other receivables from related parties (Notes 4 and 28) | 66,111 | - | 65,347 | - |
| Inventories (Notes 4 and 11) | 10,752,826 | 9 | 6,767,994 | 6 |
| Prepaid expenses (Note 16) | 417,977 | 1 | 452,308 | - |
| Other current assets (Notes 4, 16 and 30) | 682,433 | 1 | 721,903 | 1 |
| Total current assets | 49,776,657 | 42 | 51,958,614 | 44 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 17,143 | - | 30,144 | - |
| Financial assets at amortized cost - non-current (Notes 4, 9 and 29) | 429,974 | - | 478,535 | 1 |
| Property, plant and equipment (Notes 4, 13, 28 and 29) | 64,818,236 | 55 | 63,236,697 | 53 |
| Right-of-use assets (Notes 4, 5 and 14) | 1,463,013 | 1 | 1,481,957 | 1 |
| Intangible assets (Notes 4 and 15) | 1,125,632 | 1 | 982,640 | 1 |
| Deferred income tax assets (Notes 4 and 23) | 227,759 | - | 86,079 | - |
| Net defined benefit assets - non-current (Notes 4 and 19) | 2,539 | - | - | - |
| Other non-current assets (Notes 4 and 16) | 1,108,185 | 1 | 332,356 | - |
| Total non-current assets | 69,192,481 | 58 | 66,628,408 | 56 |
| TOTAL | $ 118,969,138 | 100 | $ 118,587,022 | 100 |

| LIABILITIES AND EQUITY | 2022 Amount | % | 2021 Amount | % |
|---|---|---|---|---|
| CURRENT LIABILITIES | | | | |
| Short-term bank loans (Note 17) | $ 69,720 | - | $ 72,180 | - |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7) | 7,446 | - | 5,649 | - |
| Contract liabilities - current (Note 21) | 226,859 | - | 164,824 | - |
| Notes and accounts payable | 5,510,927 | 5 | 6,744,452 | 6 |
| Accounts payable to related parties (Note 28) | 82,684 | - | 154,391 | - |
| Accrued compensation of employees and remuneration of directors (Note 22) | 1,422,401 | 1 | 1,603,752 | 2 |
| Payables to equipment suppliers (Note 28) | 2,536,275 | 2 | 4,337,945 | 4 |
| Other payables to related parties (Note 28) | 32,314 | - | 6,184 | - |
| Current income tax liabilities (Notes 4 and 23) | 1,359,309 | 1 | 1,570,467 | 1 |
| Lease liabilities - current (Notes 4, 5 and 14) | 66,715 | - | 63,724 | - |
| Accrued expenses and other current liabilities (Notes 4 and 18) | 8,117,668 | 7 | 8,474,060 | 7 |
| Current portion of long-term debt (Notes 17 and 29) | 182,434 | - | 121,503 | - |
| Total current liabilities | 19,614,752 | 16 | 23,319,131 | 20 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term debt (Notes 17 and 29) | 30,353,569 | 26 | 30,012,813 | 25 |
| Deferred income tax liabilities (Notes 4 and 23) | 302,326 | - | 192,056 | - |
| Lease liabilities - non-current (Notes 4, 5 and 14) | 1,344,749 | 1 | 1,364,825 | 1 |
| Net defined benefit liabilities - non-current (Notes 4 and 19) | 282,422 | - | 368,656 | 1 |
| Other non-current liabilities (Note 18) | 748,282 | 1 | 23,299 | - |
| Total non-current liabilities | 33,031,348 | 28 | 31,961,649 | 27 |
| Total liabilities | 52,646,100 | 44 | 55,280,780 | 47 |
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 4 and 20) | | | | |
| Capital stock | | | | |
| Ordinary shares | 7,591,466 | 6 | 7,791,466 | 7 |
| Capital surplus | 149,540 | - | 270,794 | - |
| Retained earnings | | | | |
| Legal reserve | 9,181,307 | 8 | 8,290,517 | 7 |
| Special reserve | 710,623 | - | 366,982 | - |
| Unappropriated earnings | 35,659,269 | 30 | 34,916,347 | 30 |
| Total retained earnings | 45,551,199 | 38 | 43,573,846 | 37 |
| Other equity | (534,445) | - | (710,623) | (1) |
| Treasury shares | (468,802) | - | (1,418,300) | (1) |
| Total equity attributable to shareholders of the Parent | 52,288,958 | 44 | 49,507,183 | 42 |
| NON-CONTROLLING INTERESTS (Notes 12 and 20) | 14,034,080 | 12 | 13,799,059 | 11 |
| Total equity | 66,323,038 | 56 | 63,306,242 | 53 |
| TOTAL | $ 118,969,138 | 100 | $ 118,587,022 | 100 |

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

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| NET SALES (Notes 4, 21 and 28) | $ 83,926,735 | 100 | $ 83,793,572 | 100 |
| OPERATING COSTS (Notes 4, 11, 22 and 28) | 66,550,715 | 79 | 64,498,915 | 77 |
| GROSS PROFIT | 17,376,020 | 21 | 19,294,657 | 23 |
| OPERATING EXPENSES (Notes 22 and 28) | | | | |
| Marketing | 428,936 | 1 | 404,665 | - |
| General and administrative | 2,035,906 | 2 | 1,972,837 | 2 |
| Research and development | 2,462,430 | 3 | 2,443,246 | 3 |
| Expected credit loss (gain) (Note 10) | 731 | - | (51,037) | - |
| Total operating expenses | 4,928,003 | 6 | 4,769,711 | 5 |
| OPERATING INCOME | 12,448,017 | 15 | 14,524,946 | 18 |
| NONOPERATING INCOME AND EXPENSES | | | | |
| Interest income (Notes 4 and 22) | 109,467 | - | 46,533 | - |
| Other income (Notes 4 and 22) | 71,684 | - | 87,344 | - |
| Other gains and losses (Notes 4, 22 and 28) | (242,861) | - | 535,722 | - |
| Finance costs (Notes 4 and 22) | (256,368) | (1) | (228,152) | - |
| Foreign exchange gain (loss), net (Notes 4 and 22) | 1,509,987 | 2 | (260,906) | - |
| Total nonoperating income (expenses) | 1,191,909 | 1 | 180,541 | - |
| INCOME BEFORE INCOME TAX | 13,639,926 | 16 | 14,705,487 | 18 |
| INCOME TAX EXPENSE (Notes 4 and 23) | 2,888,077 | 3 | 2,979,562 | 4 |
| NET INCOME | 10,751,849 | 13 | 11,725,925 | 14 |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 20) | | | | |
| Items not reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Note 19) | (1,513) | - | 9,325 | - |
| Unrealized loss on investments in equity instruments at fair value through other comprehensive income | (13,001) | - | (5,144) | - |
| Items reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | 200,747 | - | (549,311) | (1) |
| Total other comprehensive income (loss) | 186,233 | - | (545,130) | (1) |
| TOTAL COMPREHENSIVE INCOME | $ 10,938,082 | 13 | $ 11,180,795 | 13 |

(Continued)

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| NET INCOME ATTRIBUTABLE TO | | | | |
| Shareholders of the Parent | $ 8,686,730 | 10 | $ 8,898,398 | 11 |
| Non-controlling interests | 2,065,119 | 3 | 2,827,527 | 3 |
| | $ 10,751,849 | 13 | $ 11,725,925 | 14 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO | | | | |
| Shareholders of the Parent | $ 8,880,341 | 11 | $ 8,564,259 | 10 |
| Non-controlling interests | 2,057,741 | 2 | 2,616,536 | 3 |
| | $ 10,938,082 | 13 | $ 11,180,795 | 13 |
| EARNINGS PER SHARE (Note 24) | | | | |
| Basic | $ 11.60 | | $ 11.54 | |
| Diluted | $ 11.47 | | $ 11.44 | |

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

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

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

| | Equity Attributable to Shareholders of the Corporation | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | | | Retained Earnings | | | Other Equity | | | | | |
| | Number of Shares (In Thousands) | Amount | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income | Treasury Shares | Total | Noncontrolling Interests | Total Equity |
| BALANCE, JANUARY 1, 2021 | 779,147 | $ 7,791,466 | $ 231,294 | $ 7,628,495 | $ 324,741 | $ 30,608,443 | $ (352,472) | $ (14,510) | $ (229,334) | $ 45,988,123 | $ 12,416,516 | $ 58,404,639 |
| Appropriation of the 2020 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 662,022 | - | (662,022) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | 42,241 | (42,241) | - | - | - | - | - | - |
| Cash dividends distributed by the Parent | - | - | - | - | - | (3,895,733) | - | - | - | (3,895,733) | - | (3,895,733) |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | - | (1,006,823) | (1,006,823) |
| Donations from shareholders | - | - | 55 | - | - | - | - | - | - | 55 | 73 | 128 |
| Net income for the year ended December 31, 2021 | - | - | - | - | - | 8,898,398 | - | - | - | 8,898,398 | 2,827,527 | 11,725,925 |
| Other comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | - | 9,502 | (338,497) | (5,144) | - | (334,139) | (210,991) | (545,130) |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | - | 8,907,900 | (338,497) | (5,144) | - | 8,564,259 | 2,616,536 | 11,180,795 |
| Buy-back of ordinary shares | - | - | - | - | - | - | - | - | (1,018,166) | (1,018,166) | - | (1,018,166) |
| The Parent's shares held by its subsidiary treated as treasury shares | - | - | - | - | - | - | - | - | (170,800) | (170,800) | (227,243) | (398,043) |
| Adjustment of capital surplus due to dividends distributed to subsidiaries | - | - | 39,445 | - | - | - | - | - | - | 39,445 | - | 39,445 |
| BALANCE, DECEMBER 31, 2021 | 779,147 | 7,791,466 | 270,794 | 8,290,517 | 366,982 | 34,916,347 | (690,969) | (19,654) | (1,418,300) | 49,507,183 | 13,799,059 | 63,306,242 |
| Appropriation of the 2021 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 890,790 | - | (890,790) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | 343,641 | (343,641) | - | - | - | - | - | - |
| Cash dividends distributed by the Parent | - | - | - | - | - | (5,162,197) | - | - | - | (5,162,197) | - | (5,162,197) |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | - | (1,734,690) | (1,734,690) |
| Net income for the year ended December 31, 2022 | - | - | - | - | - | 8,686,730 | - | - | - | 8,686,730 | 2,065,119 | 10,751,849 |
| Other comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | 17,433 | 189,179 | (13,001) | - | 193,611 | (7,378) | 186,233 |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | 8,704,163 | 189,179 | (13,001) | - | 8,880,341 | 2,057,741 | 10,938,082 |
| Buy-back of ordinary shares | - | - | - | - | - | - | - | - | (943,589) | (943,589) | - | (943,589) |
| Cancelation of treasury shares | (20,000) | (200,000) | (197,142) | - | - | (1,564,613) | - | - | 1,961,755 | - | - | - |
| The Parent's shares held by its subsidiary treated as treasury shares | - | - | - | - | - | - | - | - | (68,668) | (68,668) | (91,361) | (160,029) |
| Adjustment of capital surplus due to dividends distributed to subsidiaries | - | - | 75,888 | - | - | - | - | - | - | 75,888 | - | 75,888 |
| Additional non-controlling interests recognized on the acquisition of a subsidiary | - | - | - | - | - | - | - | - | - | - | 3,331 | 3,331 |
| BALANCE, DECEMBER 31, 2022 | 759,147 | $ 7,591,466 | $ 149,540 | $ 9,181,307 | $ 710,623 | $ 35,659,269 | $ (501,790) | $ (32,655) | $ (468,802) | $ 52,288,958 | $ 14,034,080 | $ 66,323,038 |

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

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

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

| | 2022 | 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 13,639,926 | $ 14,705,487 |
| Adjustments for: | | |
| Depreciation | 14,818,780 | 14,011,737 |
| Amortization | 35,855 | 40,501 |
| Expected credit loss (gain) recognized on trade receivables | 731 | (51,037) |
| Net loss (gain) on fair value change of financial assets designated as at fair value through profit or loss | 8,503 | (12,676) |
| Finance costs | 256,368 | 228,152 |
| Premium amortization of financial assets at amortized cost | - | 1 |
| Interest revenue | (109,467) | (46,533) |
| Net loss (gain) on disposal of property, plant and equipment | 417,758 | (289,616) |
| Property, plant and equipment transferred to expenses | 278 | 14,207 |
| Impairment loss on non-financial assets | 2,869 | 1,471 |
| Net (gain) loss on foreign currency exchange | (482,863) | 53,792 |
| Changes in operating assets and liabilities: | | |
| Decrease in financial assets mandatorily classified as at fair value through profit or loss | 30,415 | 76,606 |
| Increase in contract assets | (226,479) | (207,069) |
| Decrease (increase) in notes and accounts receivable | 2,225,238 | (3,012,648) |
| Decrease (increase) in accounts receivable from related parties | 1,274,561 | (190,463) |
| Decrease in other receivables | 55,638 | 77,299 |
| Increase in other receivables from related parties | (2,472) | (16,788) |
| Increase in inventories | (3,981,479) | (1,793,258) |
| Increase in prepayments | (61,082) | (300,456) |
| Increase in net defined benefit assets | (2,539) | - |
| Decrease (increase) in other current assets | 245,362 | (300,505) |
| Increase in financial liabilities held for trading | 1,797 | 214 |
| Increase in contract liabilities | 62,035 | 108,148 |
| (Decrease) increase in accounts payable | (1,184,135) | 1,732,565 |
| (Decrease) increase in accounts payable to related parties | (70,089) | 21,155 |
| (Decrease) increase in accrued compensation of employees and remuneration of directors | (181,511) | 601,068 |
| Increase in other payables to related parties | 26,130 | 6,184 |
| (Decrease) increase in accrued expenses and other current liabilities | (397,229) | 2,137,909 |
| Decrease in net defined benefit liabilities | (87,747) | (23,803) |
| Decrease in other payables | (9,384) | (137,397) |
| Cash generated from operations | 26,305,768 | 27,434,247 |
| Interest received | 107,512 | 46,683 |
| Interest paid | (342,776) | (299,220) |
| Income tax paid | (3,147,884) | (2,532,328) |
| Net cash generated from operating activities | 22,922,620 | 24,649,382 |

(Continued)

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

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

| | 2022 | 2021 |
|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at amortized cost | $ (98,410) | $ (80,379) |
| Proceeds from sale of financial assets at amortized cost | 502,724 | 463,202 |
| Net cash outflow on acquisition of subsidiary | (127,194) | - |
| Acquisition of property, plant and equipment | (18,581,621) | (15,274,876) |
| Disposal of property, plant and equipment | 270,592 | 1,094,055 |
| Increase in refundable deposits | (759,843) | (217,299) |
| Increase in intangible assets | (24,597) | (26,467) |
| Increase in non-current assets | (17,657) | (74) |
| Increase in prepayments for equipment | (91,389) | (17,295) |
| Net cash used in investing activities | (18,927,395) | (14,059,133) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of short-term bank loans | (2,460) | (124,802) |
| Proceeds from long-term debt | 31,080,533 | 20,779,480 |
| Repayments of long-term debt | (30,680,545) | (22,984,850) |
| Increase (decrease) in guarantee deposits | 831,966 | (29) |
| Repayment of the principal portion of lease liabilities | (65,831) | (106,543) |
| Dividends paid to shareholders of the Corporation | (5,086,309) | (3,856,288) |
| Payments for buy-back of treasury shares | (1,103,618) | (1,416,209) |
| Dividends paid to non-controlling interests | (1,734,690) | (1,006,823) |
| Donations from shareholders | - | 128 |
| Net cash used in financing activities | (6,760,954) | (8,715,936) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | 524,920 | (279,892) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (2,240,809) | 1,594,421 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR | 22,614,233 | 21,019,812 |
| CASH AND CASH EQUIVALENTS, END OF THE YEAR | $ 20,373,424 | $ 22,614,233 |

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

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

## 1. GENERAL INFORMATION

Powertech Technology Inc. (PTI) was incorporated in the Republic of China (ROC) on May 15, 1997 and commenced business on September 3, 1997. PTI is mainly engaged in the manufacturing, packaging, testing, researching and developing, designing, assembling and sale of various integrated circuit products. PTI also provides semiconductor testing and assembly services on a turnkey basis, in which PTI buys fabricated wafers and sells tested and assembled semiconductors. PTI's registered office and principal place of business is in Hsin-chu Industrial Park, Hukou, Hsin-chu.

PTI's shares were initially listed and started trading on the Taipei Exchange (TPEx) on April 3, 2003, after which PTI's shares were transferred for listing and started trading on the Taiwan Stock Exchange (TWSE) on November 8, 2004. PTI also issued Global Depositary Shares (GDS), which are listed on the Luxembourg Stock Exchange and trading on the Euro MTF Market. The GDS were accepted for quotation on the International Order Book of the London Stock Exchange.

The consolidated financial statements are presented in PTI's functional currency, the New Taiwan dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since PTI's shares are listed on the Taiwan Stock Exchange.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by PTI's board of directors and issued on March 10, 2023.

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

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

   The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation's accounting policies.

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

| New IFRSs | Effective Date Announced by International Accounting Standards Board (IASB) |
|---|---|
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2023 (Note 1) |
| Amendments to IAS 8 "Definition of Accounting Estimates" | January 1, 2023 (Note 2) |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | January 1, 2023 (Note 3) |

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

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

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Corporation has assessed that the application of other standards and interpretations will not have a material impact on the Corporation's financial position and financial performance.

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture" | To be determined by IASB |
| Amendments to IFRS 16 "Leases Liability in a Sale and leaseback" | January 1, 2024 (Note 2) |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17-Comparative Information" | January 1, 2023 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2023 |
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | January 1, 2024 |

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

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and defined benefit liabilities.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, and

3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of PTI and the entities controlled by PTI (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by PTI.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of PTI and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Notes 12 and 32 k for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets.

f. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Corporation’s foreign operations (including the subsidiaries and associates in other countries or subsidiaries that use currencies different from PTI) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of PTI and non-controlling interests as appropriate).

g. Inventories

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

h. Property, plant, and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction for production are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

i. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units (referred to as cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

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

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

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

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

Before the Corporation recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Corporation expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, debt investments, time deposits with original maturities of more than 3 months, notes and accounts receivable (included related parties), other receivables (included related parties), pledged time deposits and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and contract assets.

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

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

For internal credit risk management purposes, The Corporation determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Corporation are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method.

<u>Financial liabilities at FVTPL</u>

A financial liability is classified as at FVTPL when such a financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on such financial liability. Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Corporation enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Revenue recognition

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

For contracts where the period between the date the Corporation transfers a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

<u>Revenue from the rendering of services</u>

As the Corporation fulfills the obligations in the contract for testing services, the customer simultaneously receives and consumes the benefits provided by the Corporation. The Corporation has the right to revenue collection for the portion of testing services that have been fulfilled, and the revenue from testing services is recognized over time. The Corporation fulfills the obligations in the contract for packaging services when the customer creates or enhances the goods they have control of. The Corporation has the right to revenue collection for the portion of packaging services that have been fulfilled, and the revenue from packaging services is recognized over time. Contract assets are recognized during the process of semiconductor assembling and testing, and are reclassified to accounts receivable at the point the bills were issued. If the payment exceeds the revenue recognized to date, the Corporation recognizes the difference as a contract liability. It is recognized as contract asset before the Corporation satisfies its performance obligations.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

n. Leases

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

1) The Corporation as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Corporation as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

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

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

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than that stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Corporation can no longer withdraw the offer of the termination benefit and when the Corporation recognizes any related restructuring costs.

q. Treasury shares

When the Corporation buys back the issued shares as treasury shares, the cost paid will be debited to the treasury shares and listed as a deduction of shareholders equity.

The parent company's shares held by its subsidiaries are reclassified to treasury shares from investments accounted for using the equity method and are recognized based on the original investment cost. Cash dividends earned by subsidiaries are written-off from investment income and adjusted to capital surplus - treasury share transactions.

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

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

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

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

**Key Sources of Estimation Uncertainty**

a. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Checking accounts and demand deposits | $ 20,372,822 | $ 22,613,960 |
| Cash on hand | 602 | 273 |
| | $ 20,373,424 | $ 22,614,233 |

The market rate intervals of cash in bank and cash equivalents at the end of the reporting period were as follows:

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Bank deposits | 0%-4.35% | 0%-2.03% |

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

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Financial assets at FVTPL - current | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Derivative financial assets (not under hedge accounting) | | |
| Foreign exchange forward contracts | $ 38,410 | $ 26,337 |
| Non-derivative financial assets | | |
| Mutual funds | 28,209 | 79,200 |
| | $ 66,619 | $ 105,537 |
| Financial liabilities at FVTPL - current | | |
| Financial liabilities held for trading | | |
| Derivative financial liabilities (not under hedge accounting) | | |
| Foreign exchange forward contracts | $ 7,446 | $ 5,649 |

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

| | Currency | Maturity Date | Contract Amount (In Thousands) |
|---|---|---|---|
| December 31, 2022 | | | |
| Sell foreign exchange forward contracts | USD to NTD | 2023.01.03-2023.03.03 | USD 111,500 |
| | USD to JPY | 2023.01.06-2023.05.08 | USD 11,174 |
| | USD to RMB | 2023.01.09-2023.01.18 | USD 2,734 |

(Continued)

| | Currency | Maturity Date | Contract Amount (In Thousands) |
|---|---|---|---|
| December 31, 2021 | | | |
| Sell foreign exchange forward contracts | USD to NTD | 2022.01.04-2022.03.31 | USD 165,440 |
| | USD to JPY | 2022.01.05-2022.04.25 | USD 18,372 |
| | USD to RMB | 2022.01.14 | USD 2,507 |

(Concluded)

The Corporation entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

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

Investments in equity instruments at FVTOCI

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Non-current | | |
| Domestic investments | | |
| Listed shares | | |
| Ordinary shares - Solid State System Co., Ltd. | $ 17,143 | $ 30,144 |

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current | | |
| Domestic investments | | |
| Corporate bonds - P08 Taiwan Power Company 3A Bond | $ 50,000 | $ - |
| Corporate bonds - P06 Taiwan Power Company 1A Bond | - | 300,000 |
| Corporate bonds - P06 Taiwan Power Company 3A Bond | - | 50,000 |
| Corporate bonds - P06 FPC 1A Bond | - | 50,000 |
| Pledged time deposits | 13,468 | 25,223 |
| Restricted deposits | 30,708 | 29,868 |
| | $ 94,176 | $ 455,091 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Non-current | | |
| Domestic investments | | |
| Corporate bonds - P08 Taiwan Power Company 3A Bond | $ 50,000 | $ 100,000 |
| Time deposits with original maturities of more than 3 months | 255,640 | 264,661 |
| Pledged time deposits | 124,334 | 113,874 |
| | $ 429,974 | $ 478,535 |

(Concluded)

On April 21, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13% at premium value of $300,000 thousand (par value of $300,000 thousand), and a maturity date of April 21, 2022.

On May 19, 2017, the Corporation bought corporate bonds issued by Formosa Plastics Corporation with an effective interest rate of 1.09% at par value of $100,000 thousand, and maturity dates of May 19, 2021 and 2022, at par value of $50,000 thousand, respectively.

On December 15, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.88% at par value of $100,000 thousand, and maturity dates of December 15, 2021 and 2022, at par value of $50,000 thousand, respectively.

On September 12, 2019, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.72% at par value of $100,000 thousand, and maturity dates of September 12, 2023 and 2024, at par value of $50,000 thousand, respectively.

Refer to Note 27 for information relating to their credit risk management and impairment.

Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. NOTES AND ACCOUNTS RECEIVABLE

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Notes receivable | | |
| Notes receivable - operating | $ 44,579 | $ 155,411 |
| Accounts receivable | | |
| At amortized cost | | |
| Gross carrying amount | 9,273,670 | 11,429,067 |
| Less: Allowance for impairment loss | (65,832) | (64,770) |
| | 9,207,838 | 11,364,297 |
| | $ 9,252,417 | $ 11,519,708 |

At amortized cost

The average credit period of sales of goods was 30 days to 150 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

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

The following table details the loss allowance of accounts receivable based on the Corporation's provision matrix:

December 31, 2022

| | Not Past Due | Up to 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount | $ 9,216,754 | $ 49,148 | $ 7,233 | $ 535 | $ - | $ 9,273,670 |
| Loss allowance (Lifetime ECLs) | (8,926) | (49,138) | (7,233) | (535) | - | (65,832) |
| Amortized cost | $ 9,207,828 | $ 10 | $ - | $ - | $ - | $ 9,207,838 |

December 31, 2021

| | Not Past Due | Up to 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount | $11,374,799 | $ 52,322 | $ 1,411 | $ 535 | $ - | $11,429,067 |
| Loss allowance (Lifetime ECLs) | (10,502) | (52,322) | (1,411) | (535) | - | (64,770) |
| Amortized cost | $11,364,297 | $ - | $ - | $ - | $ - | $11,364,297 |

The movements of the loss allowance of accounts receivable were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Balance at January 1 | $ 64,770 | $ 30,526 |
| Add: Impairment loss | 731 | - |
| Add: Combination of subsidiaries | 331 | - |
| Add: Amounts recovered | - | 85,281 |
| Less: Net remeasurement of loss allowance | - | (51,037) |
| Balance at December 31 | $ 65,832 | $ 64,770 |

## 11. INVENTORIES

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Raw materials | $ 10,173,117 | $ 6,143,831 |
| Supplies | 579,709 | 624,163 |
| | $ 10,752,826 | $ 6,767,994 |

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

| | For the Year Ended December 31 2022 | For the Year Ended December 31 2021 |
|---|---|---|
| Cost of inventories sold | $ 66,550,715 | $ 64,498,915 |
| Write-downs of inventories | $ 173,869 | $ 112,372 |
| Unallocated production overhead | $ 6,286,636 | $ 3,525,843 |
| Sales of scrap | $ 221,483 | $ 198,580 |

## 12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| Investor | Investee | Nature of Activities | Proportion of Ownership (%) December 31 2022 | Proportion of Ownership (%) December 31 2021 | Remark |
|---|---|---|---|---|---|
| Powertech Technology Inc. | Powertech Holding (BVI) Inc. | Investment business | 100 | 100 | - |
| | Greatek Electronics Inc. ("GEI") | Semiconductor assembly and testing services | 43 | 43 | Notes 1 and 2 |
| | Powertech Technology (Singapore) Pte. Ltd. | Investment business | 100 | 100 | Note 3 |
| | Powertech Technology (Xian) Ltd. | Semiconductor testing design, manufacturing, sales business and assembly services | 36 | 36 | - |
| | Powertech Technology (Suzhou) Ltd. | Semiconductor testing design, manufacturing, sales business and assembly services | 9 | 9 | - |
| | Powertech Technology Japan Ltd. | Investment business | 100 | 100 | - |
| | Tera Probe, Inc. | Wafer probing test services | 12 | 12 | Note 2 |
| | TeraPower Technology Inc. | Wafer probing test services | 49 | 49 | - |
| Powertech Holding (BVI) Inc. | PTI Technology (Singapore) Pte. Ltd. | Investment business | 100 | 100 | - |
| PTI Technology (Singapore) Pte. Ltd. | Powertech Technology (Suzhou) Ltd. | Semiconductor testing design, manufacturing, sales business and assembly services | 72 | 72 | - |
| Powertech Technology (Singapore) Pte. Ltd. | Powertech Technology (Xian) Ltd. | Semiconductor testing design, manufacturing, sales business and assembly services | 64 | 64 | - |
| | Powertech Technology (Suzhou) Ltd. | Semiconductor testing design, manufacturing, sales business and assembly services | 19 | 19 | - |

(Continued)

| Investor | Investee | Nature of Activities | Proportion of Ownership (%) December 31 2022 | 2021 | Remark |
|---|---|---|---|---|---|
| Powertech Technology Japan Ltd. | Tera Probe, Inc. | Wafer probing test services | 49 | 49 | Note 2 |
| | Powertech Technology Akita Inc. | Semiconductor assembly and testing service | 100 | 100 | Note 3 |
| Tera Probe, Inc. | TeraPower Technology Inc. | Wafer probing test services | 51 | 51 | - |
| | Tera Probe Aizu, Inc. | Wafer probing test services | - | 100 | Note 4 |
| Greatek Electronics Inc. ("GEI") | Get-Team Tech Corporation | Metal plating on semiconductor lead frame | 97.46 | - | Note 5 |

(Concluded)

Note 1: On the reelection of the directors and supervisors of Greatek Electronics Inc., PTI obtained the majority of the board seats and Greatek Electronics Inc., became a subsidiary of PTI even though PTI has only 43% ownership of Greatek Electronics Inc.

Note 2: Subsidiaries that have material non-controlling interests.

Note 3: Due to the adjustment of operational needs, the Corporation scaled down the business operation of Powertech Technology (Singapore) Pte. Ltd. in January 2021, which is mainly engaged in reinvestment business. It is also expected to cease the operation of Powertech Technology Akita Inc.

Note 4: Due to the adjustment of operational needs, the Corporation ceased the operation of Tera Probe Aizu, Inc. in July 2022. and was merged by Tera Probe, Inc., which is the surviving company.

Note 5: In October 2022, Greatek acquired 97.46% ownership of Get-Team Tech Corporation and obtained the majority, Get-Team Tech Corporation became a subsidiary of Greatek.

b. Details of subsidiaries that have material non-controlling interests

| Name of Subsidiary | Principal Place of Business | Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2022 | 2021 |
|---|---|---|---|
| Greatek Electronics Inc. | Zhunan Township, Miaoli County | 57% | 57% |
| Tera Probe, Inc. | Japan | 39% | 39% |

| Name of Subsidiary | Profit Allocated to Non-controlling Interests For the Year Ended December 31 2022 | 2021 | Accumulated Non-controlling Interests December 31 2022 | 2021 |
|---|---|---|---|---|
| Greatek Electronics Inc. (Excludung non-controlling interests in subsidiary) | $ 1,795,663 | $ 2,620,637 | $ 11,472,577 | $ 11,434,242 |
| Tera Probe, Inc. | $ 269,456 | $ 206,890 | $ 2,558,358 | $ 2,364,817 |

Summarized financial information in respect of each of the Corporation's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Greatek Electronics Inc. and subsidiary

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current assets | $ 8,657,344 | $ 11,353,869 |
| Non-current assets | 15,774,891 | 15,152,214 |
| Current liabilities | (2,927,106) | (5,411,464) |
| Non-current liabilities | (596,235) | (264,714) |
| Equity | $ 20,908,894 | $ 20,829,905 |
| Equity attributable to: | | |
| Owners of the Corporation | $ 8,969,650 | $ 8,937,109 |
| Non-controlling interests | 11,936,099 | 11,892,796 |
| Non-controlling interests from subsidiary | 3,145 | - |
| | $ 20,908,894 | $ 20,829,905 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Operating revenue | $ 15,950,309 | $ 19,461,143 |
| Net income for the year | $ 3,157,984 | $ 4,602,762 |
| Other comprehensive income (loss) for the year | (238,096) | (6,282) |
| Total comprehensive income for the year | $ 2,919,888 | $ 4,596,480 |
| Net income attributable to: | | |
| Owners of the Corporation | $ 1,355,019 | $ 1,974,823 |
| Non-controlling interests | 1,803,151 | 2,627,939 |
| Non-controlling interests from subsidiary | (186) | - |
| | $ 3,157,984 | $ 4,602,762 |
| Total comprehensive income (loss) attributable to: | | |
| Owners of the Corporation | $ 1,252,863 | $ 1,972,128 |
| Non-controlling interests | 1,667,211 | 2,624,352 |
| Non-controlling interests from subsidiary | (186) | - |
| | $ 2,919,888 | $ 4,596,480 |
| Net cash inflow (outflow) from: | | |
| Operating activities | $ 6,387,407 | $ 7,414,609 |
| Investing activities | (4,225,394) | (5,520,502) |
| Financing activities | (2,456,890) | (1,764,523) |
| Net cash (outflow) inflow | $ (294,877) | $ 129,584 |
| Dividends paid to non-controlling interests | | |
| Greatek Electronics Inc. | $ 1,623,908 | $ 1,006,823 |

Tera Probe, Inc.

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current assets | $ 2,502,705 | $ 2,411,445 |
| Non-current assets | 5,366,521 | 4,298,508 |
| Current liabilities | (974,592) | (660,346) |
| Non-current liabilities | (645,023) | (356,467) |
| Equity | $ 6,249,611 | $ 5,693,140 |
| Equity attributable to: | | |
| Owners of the Corporation | $ 3,790,390 | $ 3,452,890 |
| Non-controlling interests | 2,459,221 | 2,240,250 |
| | $ 6,249,611 | $ 5,693,140 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Operating revenue | $ 1,691,325 | $ 1,623,307 |
| Net income (loss) for the year | $ 739,085 | $ 448,678 |
| Other comprehensive income (loss) for the year | 20,184 | 305,558 |
| Total comprehensive income (loss) for the year | $ 759,269 | $ 754,236 |
| Net income (loss) attributable to: | | |
| Owners of the Corporation | $ 448,243 | $ 272,116 |
| Non-controlling interests | 290,842 | 176,562 |
| | $ 739,085 | $ 448,678 |
| Total comprehensive income (loss) attributable to: | | |
| Owners of the Corporation | $ 460,484 | $ 457,432 |
| Non-controlling interests | 298,785 | 296,804 |
| | $ 759,269 | $ 754,236 |
| Cash flow inflow (outflow) from: | | |
| Operating activities | $ 1,385,310 | $ (424,553) |
| Investing activities | (728,013) | (121,471) |
| Financing activities | 275,460 | 186,792 |
| Net cash inflow (outflow) | $ 932,757 | $ (359,232) |

The share of profit or loss and other comprehensive income of those subsidiaries for the years ended December 31, 2022 and 2021 was based on the subsidiaries' financial statements audited by the auditors for the same years.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | December 31 2022 | December 31 2021 |
|---|---|---|
| Assets used by the Corporation | $ 64,818,236 | $ 63,236,697 |

| | Land | Building | Machinery and Equipment | Office Equipment | Leasehold Improvements | Other Equipment | Construction in Progress | Advance Payments | Spare parts | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | | |
| Balance at January 1, 2022 | $ 4,174,426 | $ 30,352,530 | $ 106,275,541 | $ 2,469,708 | $ 90,885 | $ 3,767,435 | $ 2,623,038 | $ 6,747,669 | $ 277,057 | $ 156,778,289 |
| Additions | 94,973 | 281,535 | 780,068 | 28,471 | - | 102,148 | 2,038,950 | 13,167,796 | 368,939 | 16,862,880 |
| Acquisitions through business combinations (Note 25) | 8,946 | 9,527 | 123,965 | 57 | - | 16,742 | - | 10,578 | - | 169,815 |
| Disposals | - | (399,756 ) | (9,562,127 ) | (93,131 ) | - | (469,282 ) | - | (36,818 ) | (369,799 ) | (10,928,913 ) |
| Reclassified | 134,168 | 3,614,987 | 10,598,135 | 113,945 | 156 | 160,570 | (1,647,927 ) | (13,033,624 ) | 58,703 | (887 ) |
| Effect of foreign currency exchange differences | 534 | 34,425 | 450,663 | 6,175 | (1,824 ) | 30,347 | 15,173 | 8,528 | - | 544,021 |
| Balance at December 31, 2022 | 4,413,047 | 33,893,248 | 108,666,245 | 2,525,225 | 89,217 | 3,609,960 | 3,029,234 | 6,864,129 | 334,900 | 163,425,205 |
| Accumulated deprecation | | | | | | | | | | |
| Balance at January 1, 2022 | - | 13,413,221 | 73,643,404 | 1,873,765 | 4,280 | 3,414,665 | - | - | - | 92,349,335 |
| Depreciation expense | - | 1,652,751 | 12,336,333 | 203,470 | 3,248 | 189,856 | - | - | 369,799 | 14,755,457 |
| Acquisitions through business combinations (Note 25) | - | 4,512 | 113,348 | 48 | - | 10,439 | - | - | - | 128,347 |
| Disposals | - | (373,074 ) | (8,955,859 ) | (63,314 ) | - | (462,931 ) | - | - | (369,799 ) | (10,224,977 ) |
| Reclassified | - | - | 264 | (39 ) | - | (184 ) | - | - | - | 41 |
| Effect of foreign currency exchange differences | - | 21,440 | 299,773 | 5,898 | - | 28,989 | - | - | - | 356,100 |
| Balance at December 31, 2022 | - | 14,718,850 | 77,437,263 | 2,019,828 | 7,528 | 3,180,834 | - | - | - | 97,364,303 |
| Accumulated impairment | | | | | | | | | | |
| Balance at January 1, 2022 | 1,523 | 413,199 | 581,968 | 96,761 | 58,179 | - | 835 | 39,792 | - | 1,192,257 |
| Recognition (revolution) of impairment losses | - | - | 841 | 113 | - | - | 1,915 | - | - | 2,869 |
| Disposals | - | - | (3,687 ) | (11,899 ) | - | - | - | - | - | (15,586 ) |
| Reclassified | - | - | - | - | - | - | (786 ) | 786 | - | - |
| Effect of foreign currency exchange differences | (51 ) | 20,763 | 43,481 | 2,252 | (1,984 ) | - | 1 | (1,336 ) | - | 63,126 |
| Balance at December 31, 2022 | 1,472 | 433,962 | 622,603 | 87,227 | 56,195 | - | 1,965 | 39,242 | - | 1,242,666 |
| Carrying amount at December 31, 2022 | $ 4,411,575 | $ 18,740,436 | $ 30,606,379 | $ 418,170 | $ 25,494 | $ 429,126 | $ 3,027,269 | $ 6,824,887 | $ 334,900 | $ 64,818,236 |
| Cost | | | | | | | | | | |
| Balance at January 1, 2021 | $ 3,442,706 | $ 27,495,212 | $ 103,858,997 | $ 2,514,788 | $ 413,336 | $ 3,722,627 | $ 2,294,972 | $ 3,952,441 | $ 203,042 | $ 147,898,121 |
| Additions | 560,535 | 52,195 | 2,024,569 | 25,881 | - | 62,147 | 3,179,921 | 11,595,794 | 581,518 | 18,082,560 |
| Disposals | - | (335,730 ) | (6,791,946 ) | (166,882 ) | (309,734 ) | (140,197 ) | (527 ) | (576 ) | (524,917 ) | (8,270,509 ) |
| Reclassified | 173,806 | 3,281,425 | 8,286,525 | 179,842 | 5,168 | 131,123 | (2,866,607 ) | (8,747,778 ) | 17,651 | 461,155 |
| Effect of foreign currency exchange differences | (2,621 ) | (140,572 ) | (1,102,604 ) | (83,921 ) | (17,885 ) | (8,265 ) | 15,279 | (52,212 ) | (237 ) | (1,393,038 ) |
| Balance at December 31, 2021 | 4,174,426 | 30,352,530 | 106,275,541 | 2,469,708 | 90,885 | 3,767,435 | 2,623,038 | 6,747,669 | 277,057 | 156,778,289 |
| Accumulated deprecation | | | | | | | | | | |
| Balance at January 1, 2021 | - | 12,275,248 | 68,685,966 | 1,878,378 | 236,089 | 3,342,692 | - | - | 13,651 | 86,432,024 |
| Depreciation expense | - | 1,493,381 | 11,511,882 | 201,164 | 2,242 | 207,897 | - | - | 511,504 | 13,928,070 |
| Disposals | - | (306,089 ) | (6,042,721 ) | (143,981 ) | (220,304 ) | (128,348 ) | - | - | (524,917 ) | (7,366,360 ) |
| Reclassified | - | 6,841 | 360,165 | - | (6,841 ) | (19 ) | - | - | - | 360,146 |
| Effect of foreign currency exchange differences | - | (56,160 ) | (871,888 ) | (61,796 ) | (6,906 ) | (7,557 ) | - | - | (238 ) | (1,004,545 ) |
| Balance at December 31, 2021 | - | 13,413,221 | 73,643,404 | 1,873,765 | 4,280 | 3,414,665 | - | - | - | 92,349,335 |
| Accumulated impairment | | | | | | | | | | |
| Balance at January 1, 2021 | 1,749 | 425,731 | 639,988 | 100,528 | 141,178 | - | - | 45,729 | - | 1,354,903 |
| Recognition (revolution) of impairment losses | - | - | 389 | 198 | - | - | 884 | - | - | 1,471 |
| Disposals | - | - | (26,683 ) | - | (73,027 ) | - | - | - | - | (99,710 ) |
| Reclassified | - | - | - | - | - | - | - | - | - | - |
| Effect of foreign currency exchange differences | (226 ) | (12,532 ) | (31,726 ) | (3,965 ) | (9,972 ) | - | (49 ) | (5,937 ) | - | (64,407 ) |
| Balance at December 31, 2021 | 1,523 | 413,199 | 581,968 | 96,761 | 58,179 | - | 835 | 39,792 | - | 1,192,257 |
| Carrying amount at December 31, 2021 | $ 4,172,903 | $ 16,526,110 | $ 32,050,169 | $ 499,182 | $ 28,426 | $ 352,770 | $ 2,622,203 | $ 6,707,877 | $ 277,057 | $ 63,236,697 |

Tera Probe, Inc. expected a decrease in the future cash flows of machinery and equipment, office equipment, leasehold improvements and advance payments. Therefore, impairment loss of $2,869 thousand and $1,471 thousand was recognized in other gains and losses for the years ended December 31, 2022 and 2021, respectively.

Tera Probe, Inc. assessed that the book value of some assets cannot be recovered.

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

| | |
|---|---|
| Buildings | |
| Main plants | 3-51 years |
| Mechanical and electrical power equipment | 2-26 years |
| Wafer fab | 6-16 years |
| Fire control equipment | 6-26 years |
| Others | 2-51 years |
| Machinery and equipment | 1-15 years |
| Office equipment | 1-15 years |
| Leasehold improvements | 2-50 years |
| Other equipment | 2-16 years |
| Spare parts | 0.5-2 years |

Property, plant and equipment used by the Corporation and pledged as collateral for bank borrowings are set out in Note 29.

## 14. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Carrying amount | | |
| Land | $ 1,345,852 | $ 1,377,512 |
| Buildings | 33,265 | - |
| Machinery and equipment | 82,657 | 101,801 |
| Transportation equipment | 1,239 | 2,644 |
| | $ 1,463,013 | $ 1,481,957 |

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Additions to right-of-use assets | $ 29,124 | $ 10,260 |
| Depreciation charge for right-of-use assets | | |
| Land | $ 39,265 | $ 39,116 |
| Buildings | 1,468 | 15,182 |
| Machinery and equipment | 21,185 | 28,030 |
| Transportation equipment | 1,405 | 1,339 |
| | $ 63,323 | $ 83,667 |

b. Lease liabilities

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Carrying amount | | |
| Current | $ 66,715 | $ 63,724 |
| Non-current | $ 1,344,749 | $ 1,364,825 |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Land | 0.93%-1.69% | 0.93%-1.69% |
| Buildings | 2.53% | - |
| Machinery and equipment | 0.80%-2.30% | 0.80%-1.70% |
| Transportation equipment | 0.92% | 0.92% |

c. Other lease information

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Expenses relating to short-term leases | $ 22,038 | $ 14,858 |
| Total cash outflow for leases | $ (87,869) | $ (121,401) |

The Corporation's leases of certain land, office, machines, vehicles and office equipment qualify as short-term leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INTANGIBLE ASSETS

| | Computer Software | Goodwill | Trade Secret | Core Techniques | Client Relationships | Royalty | Technical Services | Total |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| Balance at January 1, 2022 | $ 611,572 | $ 979,819 | $ - | $ 246,494 | $ 220,775 | $ 9,424 | $ 88,894 | $ 2,156,978 |
| Additions | 24,597 | - | - | - | - | - | - | 24,597 |
| Acquisitions through business combinations (Note 25) | - | 17,896 | 41,383 | - | - | - | - | 59,279 |
| Disposals | 60,690 | - | - | - | - | - | - | 60,690 |
| Reclassifications | 650 | - | - | - | - | - | - | 650 |
| Effect of foreign currency exchange differences | (2,850) | - | - | 2,609 | - | (38) | - | (279) |
| Balance at December 31, 2022 | 694,659 | 997,715 | 41,383 | 249,103 | 220,775 | 9,386 | 88,894 | 2,301,915 |
| Accumulated amortization | | | | | | | | |
| Balance at January 1, 2022 | 583,470 | - | - | 246,494 | 220,775 | 8,664 | 88,894 | 1,148,297 |
| Amortization expense | 34,112 | - | 1,035 | - | - | 708 | - | 35,855 |
| Disposals | 60,690 | - | - | - | - | - | - | 60,690 |
| Reclassifications | (95,413) | - | - | - | - | - | - | (95,413) |
| Effect of foreign currency exchange differences | (2,985) | - | - | 2,609 | - | (34) | - | (410) |
| Balance at December 31, 2022 | 579,874 | - | 1,035 | 249,103 | 220,775 | 9,338 | 88,894 | 1,149,019 |
| Accumulated impairment | | | | | | | | |
| Balance at January 1, 2022 | 26,041 | - | - | - | - | - | - | 26,041 |
| Effect of foreign currency exchange differences | 1,223 | - | - | - | - | - | - | 1,223 |
| Balance at December 31, 2022 | 27,264 | - | - | - | - | - | - | 27,264 |
| Carrying amount at December 31, 2022 | $ 87,521 | $ 997,715 | $ 40,348 | $ - | $ - | $ 48 | $ - | $ 1,125,632 |

| | Computer Software | Goodwill | Core Techniques | Client Relationships | Royalty | Technical Services | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at January 1, 2021 | $ 632,953 | $ 979,819 | $ 247,464 | $ 220,775 | $ 9,587 | $ 88,894 | $ 2,179,492 |
| Additions | 26,467 | - | - | - | - | - | 26,467 |
| Disposals | (12,820) | - | - | - | - | - | (12,820) |
| Reclassifications | 370 | - | - | - | - | - | 370 |
| Effect of foreign currency exchange differences | (35,398) | - | (970) | - | (163) | - | (36,531) |
| Balance at December 31, 2021 | 611,572 | 979,819 | 246,494 | 220,775 | 9,424 | 88,894 | 2,156,978 |
| Accumulated amortization | | | | | | | |
| Balance at January 1, 2021 | 585,776 | - | 247,464 | 220,775 | 5,947 | 88,894 | 1,148,856 |
| Amortization expense | 37,638 | - | - | - | 2,863 | - | 40,501 |
| Disposals | (12,820) | - | - | - | - | - | (12,820) |
| Effect of foreign currency exchange differences | (27,124) | - | (970) | - | (146) | - | (28,240) |
| Balance at December 31, 2021 | 583,470 | - | 246,494 | 220,775 | 8,664 | 88,894 | 1,148,297 |
| Accumulated impairment | | | | | | | |
| Balance at January 1, 2021 | 28,161 | - | - | - | - | - | 28,161 |
| Effect of foreign currency exchange differences | (2,120) | - | - | - | - | - | (2,120) |
| Balance at December 31, 2021 | 26,041 | - | - | - | - | - | 26,041 |
| Carrying amount at December 31, 2021 | $ 2,061 | $ 979,819 | $ - | $ - | $ 760 | $ - | $ 982,640 |

The Group acquired Get-Team in October 2022 and recognized goodwill of $17,896 thousand (see Note 25).

The amortization of the trade secret acquired through a business combination was recognized over its useful life based on the standard appraisal practices.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Computer software | 2-10 years |
| Core techniques | 5 years |
| Client relationships | 9 years |
| Royalty | 3-10 years |
| Technical services | 2-4 years |
| Trade secret | 10 years |

## 16. OTHER ASSETS

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current | | |
| Payment on behalf of others | $ 296,153 | $ 410,278 |
| Refundable deposits | 194,305 | - |
| Tax refund receivables | 150,500 | 263,040 |
| Others | 41,475 | 48,585 |
| | $ 682,433 | $ 721,903 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Prepayments | | |
| Excess business tax paid | $ 292,831 | $ 330,933 |
| Prepayments for insurance premiums | 36,555 | 27,588 |
| Inventory of supplies | 33,187 | 33,381 |
| Prepayments for repairs | 21,778 | 26,981 |
| Prepayments to suppliers | 2,640 | 8,055 |
| Others | 30,986 | 25,370 |
| | $ 417,977 | $ 452,308 |
| Non-current | | |
| Refundable deposits | $ 934,365 | $ 267,582 |
| Prepayments for equipment | 155,238 | 63,849 |
| Others | 18,582 | 925 |
| | $ 1,108,185 | $ 332,356 |

(Concluded)

## 17. BORROWINGS

a. Short-term bank loans

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Unsecured borrowings | | |
| Working capital loan | $ 69,720 | $ 72,180 |

The effective interest rate range on the working capital loan was 0.53% and 0.68% as of December 31, 2022 and 2021, respectively.

b. Long-term debt

The long-term debts of the Corporation are all floating rate debt, which include:

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| 1) Secured borrowings (Note 29) | $ 20,414,539 | $ 13,519,457 |
| 2) Unsecured borrowings | 10,121,464 | 16,614,859 |
| | 30,536,003 | 30,134,316 |
| Less: Current portion | (182,434) | (121,503) |
| | $ 30,353,569 | $ 30,012,813 |

1) The principal will be repaid in installments from December 2024 to December 2038. As of December 31, 2022 and 2021, the interest rate range of the loan was 1.025%-1.680% and 0.4%-1.01% per annum, respectively.

2) The principal will be repaid in installments from January 2023 to December 2028. As of December 31, 2022 and 2021, the interest rate range of the loan was 0.60%-5.64% and 0.45%-1.00% per annum, respectively.

For PTI's long-term debt, the financing banks required PTI to comply with the requirements to maintain the current ratio, fixed ratio, liability ratio, financial liability ratio, equity ratio, interest coverage ratio, tangible assets and net asset value as well as the ability to repay the current portion of long-term liabilities in its annual and semiannual consolidated financial statements. As of December 31, 2022, PTI was in compliance with these ratio requirements.

## 18. OTHER LIABILITIES

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Current | | |
| Accrued expenses and other current liabilities | | |
| Salaries and bonuses | $ 3,541,372 | $ 3,503,413 |
| Agency receipts | 405,740 | 286,840 |
| Payables for insurance | 254,753 | 243,443 |
| Payables for utilities | 220,057 | 210,657 |
| Guarantee deposits (a) | 131,934 | - |
| Indemnification payables (b) | 131,408 | 133,487 |
| Payables for annual leave | 37,502 | 75,237 |
| Payables for treasury stock delivery payments | - | 241,156 |
| Others | 3,394,902 | 3,779,827 |
| | $ 8,117,668 | $ 8,474,060 |
| Non-current | | |
| Other liabilities | | |
| Guarantee deposits (a) | $ 735,683 | $ 1,316 |
| Others | 12,599 | 21,983 |
| | $ 748,282 | $ 23,299 |

a. Mainly guarantee deposits for capacity reservation.

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

## 19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

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

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

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Present value of defined benefit obligation | $ 896,353 | $ 874,267 |
| Fair value of plan assets | (616,470) | (506,528) |
| Net defined benefit liabilities | $ 279,883 | $ 367,739 |
| Net defined benefit assets | $ (2,539) | $ (917) |
| Net defined benefit liabilities | 282,422 | 368,656 |
| | $ 279,883 | $ 367,739 |

Movements in net defined benefit liabilities were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|---|---|---|
| Balance at January 1, 2021 | $ 895,143 | $ (494,201) | $ 400,942 |
| Service cost | | | |
| Current service cost | 6,336 | - | 6,336 |
| Net interest expense (income) | 3,574 | (1,996) | 1,578 |
| Recognized in profit or loss | 9,910 | (1,996) | 7,914 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (3,862) | (3,862) |
| Actuarial loss - changes in demographics assumptions | 10,094 | - | 10,094 |
| Actuarial loss - changes in financial assumptions | (32,436) | - | (32,436) |
| Actuarial loss - experience adjustments | 19,081 | (2,983) | 16,098 |
| Others | 781 | - | 781 |
| Recognized in other comprehensive income | (2,480) | (6,845) | (9,325) |

(Continued)

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|---|---|---|
| Contributions from the employer | $ - | $ (21,287) | $ (21,287) |
| Benefits paid | (18,561) | 17,801 | (760) |
| Liabilities extinguished on settlement | - | - | - |
| Effects of foreign currency exchange differences | (9,745) | - | (9,745) |
| Balance at December 31, 2021 | 874,267 | (506,528) | 367,739 |
| Service cost | | | |
| Current service cost | 5,458 | - | 5,458 |
| Net interest expense (income) | 6,134 | (3,731) | 2,403 |
| Recognized in profit or loss | 11,592 | (3,731) | 7,861 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (23,537) | (23,537) |
| Actuarial loss - changes in demographics assumptions | 451 | - | 451 |
| Actuarial gain - changes in financial assumptions | (42,474) | - | (42,474) |
| Actuarial loss (gain) - experience adjustments | 82,769 | (15,914) | 66,855 |
| Others | 218 | - | 218 |
| Recognized in other comprehensive income | 40,964 | (39,451) | 1,513 |
| Contributions from the employer | - | (91,593) | (91,593) |
| Benefits paid | (28,645) | 24,833 | (3,812) |
| Liabilities extinguished on settlement | - | - | - |
| Effects of foreign currency exchange differences | (1,825) | - | (1,825) |
| Balance at December 31, 2022 | $ 896,353 | $ (616,470) | $ 279,883 |

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

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

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

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

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

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Discount rates | 1.206%-1.40% | 0.35%-0.75% |
| Expected rates of salary increase | 2.05%-4.00% | 2.25%-4.00% |
| Return on plan assets | 1.40% | 0.7%-0.75% |

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

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Discount rate | | |
| 0.50% increase | $ (45,192) | $ (46,878) |
| 0.50% decrease | $ 47,722 | $ 49,718 |
| Expected rate of salary increase/decrease | | |
| 0.50% increase | $ 44,381 | $ 46,333 |
| 0.50% decrease | $ (42,346) | $ (44,041) |

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

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Expected contributions to the plan for the next year | $ 20,645 | $ 21,589 |
| Average duration of the defined benefit obligation | 11-15 years | 11-16 years |

## 20. EQUITY

a. Capital stock

1) Ordinary shares

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Shares authorized (in thousands of shares) | 1,500,000 | 1,500,000 |
| Shares authorized (in thousands of dollars) | $ 15,000,000 | $ 15,000,000 |
| Shares issued and fully paid (in thousands of shares) | 759,147 | 779,147 |
| Shares issued (in thousands of dollars) | $ 7,591,466 | $ 7,791,466 |

Fully paid ordinary shares, which have a par value of $10, carry 1 vote per share and carry a right to dividends.

Out of the shares authorized, 15,000 thousand shares were reserved for the issuance of employee share options.

The change in the share capital of the Corporation was mainly due to the cancellation of the treasury shares by the resolution of the board of directors on March 10, 2022. The base date of the capital reduction was March 14, 2022, and the registration of the change of capital reduction was completed on April 15, 2022.

As of December 31, 2022, 22 units of GDS of PTI were trading on the Luxembourg Stock Exchange. The number of ordinary shares represented by the GDS was 44 shares (one GDS represents 2 ordinary shares).

b. Capital surplus

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (1) | | |
| Share premium | $ 1,879 | $ 1,929 |
| May be used to offset a deficit only | | |
| Arising from treasury share transactions | 75,888 | 197,092 |
| Changes in percentage of ownership interests in subsidiaries (2) | 71,773 | 71,773 |
| | $ 149,540 | $ 270,794 |

1) The premium from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the PTI's Articles of Incorporation, PTI should make appropriations from its net income in the following order:

1) Offset deficits.

2) Set aside as legal reserve 10% of the remaining profit.

3) Appropriate as special reserve.

4) After the above-mentioned amounts have been deducted, any remaining profit from the previous years and the current year's undistributed retained earnings shall be used by PTI's board of directors as the basis for proposing a distribution plan, which should be resolved by the shareholders as to whether the amount should be distributed as dividends or retained within PTI.

Dividends are distributed in the form of cash, ordinary shares or a combination of cash and ordinary shares. In consideration of PTI being in a capital-intensive industry as well as the present and future investment environment, capital demand, market competition, capital budget, shareholders' interests, balanced dividend considerations and long-term financial plans, PTI's Articles of Incorporation provide that the total cash dividends paid in any given year should be at least 20% of total dividends distributed.

For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 22(g).

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals PTI's capital surplus. The legal reserve may be used to offset deficit. If PTI has no deficit and the legal reserve has exceeded 25% of PTI's capital surplus, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings on May 27, 2022 and July 29, 2021, respectively, were as follows:

| | Appropriation of Earnings For the Year Ended December 31 | |
|---|---|---|
| | **2021** | **2020** |
| Legal reserve | $ 890,790 | $ 662,022 |
| Special reserve | $ 343,641 | $ 42,241 |
| Cash dividends | $ 5,162,197 | $ 3,895,733 |
| Cash dividends per share (NT$) | $ 6.8 | $ 5 |

The appropriation of earnings for 2022, which were proposed by PTI's board of directors on March 10, 2023. were as follows:

| | For the Year Ended December 31, 2022 |
|---|---|
| Legal reserve | $ 870,416 |
| Special reserve reversed | $ (108,395) |
| Cash dividends | $ 5,314,026 |
| Cash dividends per share (NT$) | $ 7 |

The appropriation of earnings for 2022 will be resolved by the shareholders in their meeting to be held on May 31, 2023.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Balance at January 1 | $ (690,969) | $ (352,472) |
| Recognized for the year | | |
| Exchange differences on translation of the financial statements of foreign operations | 189,179 | (338,497) |
| Other comprehensive income (loss) recognized for the year | 189,179 | (338,497) |
| Balance at December 31 | $ (501,790) | $ (690,969) |

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Balance at January 1 | $ (19,654) | $ (14,510) |
| Recognized for the year | | |
| Unrealized loss - equity instruments | (13,001) | (5,144) |
| Other comprehensive (loss) recognized for the year | (13,001) | (5,144) |
| Balance at December 31 | $ (32,655) | $ (19,654) |

e. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Balance at January 1 | $ 13,799,059 | $ 12,416,516 |
| Share in profit for the year | 2,065,119 | 2,827,527 |
| Other comprehensive income (loss) for the year | | |
| Exchange differences on translation of the financial statements of foreign entities | 11,568 | (210,814) |
| Remeasurement on defined benefit plans | (18,946) | (177) |
| Donations from shareholders | - | 73 |
| Cash dividends to shareholders from subsidiaries | (1,734,690) | (1,006,823) |
| The Corporation’s shares held by its subsidiaries treated as treasury shares | (91,361) | (227,243) |
| Additional non-controlling interests recognized on acquisition of subsidiary | 3,331 | - |
| Balance at December 31 | $ 14,034,080 | $ 13,799,059 |

f. Treasury shares

| **Purpose of Buy-Back** | **Shares Cancelled (In Thousands of Shares)** | **Shares Held by Subsidiary (In Thousands of Shares)** |
|---|---|---|
| Number of shares at January 1, 2021 | - | 6,170 |
| Increase during the year | 10,412 | 3,830 |
| Number of shares at December 31, 2021 | 10,412 | 10,000 |
| Increase during the year | 9,588 | 1,800 |
| Decrease during the year | (20,000) | - |
| Number of shares at December 31, 2022 | - | 11,800 |

PTI's shares held by its subsidiaries at the end of the reporting period were as follows:

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|---|---|---|---|
| December 31, 2022 | | | |
| Greatek Electronics Inc | 11,800 | $ 934,560 | $ 934,560 |
| December 31, 2021 | | | |
| Greatek Electronics Inc. | 10,000 | $ 977,000 | $ 977,000 |

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. PTI's shares held by its subsidiary are treated as treasury shares.

## 21. REVENUE

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Revenue from contracts with customers | | |
| Revenue from packaging services | $ 56,640,115 | $ 57,595,446 |
| Revenue from testing services | 18,770,932 | 18,450,620 |
| Revenue from module services | 8,455,733 | 7,675,143 |
| Others | 59,955 | 72,363 |
| | $ 83,926,735 | $ 83,793,572 |

a. Contract information

As the Corporation fulfills its obligations in the contract for testing services, the customer simultaneously receives and consumes the benefits provided by the Corporation. The Corporation has the right to revenue collection for the portion of testing services that have been fulfilled, and the revenue from testing services is recognized over time. The Corporation fulfills its obligations in the contract for packaging services when the customer creates or enhances the goods they have control of. The Corporation has the right to revenue collection for the portion of packaging services that have been fulfilled, and the revenue from packaging services is recognized over time.

b. Contract balances

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|---|---|---|---|
| Notes and accounts receivable (including related parties) (Note 10) | $ 14,346,898 | $ 17,975,014 | $ 14,766,670 |
| Contract assets | | | |
| Revenue from processing services | $ 2,645,344 | $ 2,418,865 | $ 2,211,796 |
| Contract liabilities | | | |
| Revenue from processing services | $ 226,859 | $ 164,824 | $ 56,676 |

The changes in the contract asset and the contract liability balance primarily result from the timing difference between the Corporations performance and the respective customer's payment.

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year and from the performance obligations which were satisfied in the previous period is as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| From the contract liabilities at the beginning of the year | | |
| Revenue from processing services | $ 142,135 | $ 45,090 |

c. Disaggregation of revenue from contracts with customers

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Primary geographical markets | | |
| Japan | $ 27,189,539 | $ 25,796,097 |
| Taiwan (the principal place of business of the Corporation) | 25,119,738 | 19,356,303 |
| America | 13,728,399 | 12,546,898 |
| Singapore | 11,349,663 | 19,099,286 |
| China, Hong Kong and Macao | 2,250,357 | 2,002,639 |
| Europe | 1,930,719 | 2,314,953 |
| Others | 2,358,320 | 2,677,396 |
| | $ 83,926,735 | $ 83,793,572 |

## 22. NET PROFIT FROM CONTINUING OPERATIONS

a. Other gains and losses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Fair value changes of financial assets and financial liabilities | | |
| Financial assets mandatorily classified as at FVTPL | $ 57,316 | $ 183,730 |
| Financial liabilities classified as held for trading | (641,610) | (63,934) |
| Impairment loss of non-financial assets | (2,869) | (1,471) |
| Others | 344,302 | 417,397 |
| | $ (242,861) | $ 535,722 |

b. Interest income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Bank deposits | $ 107,089 | $ 40,298 |
| Financial assets measured at amortized cost | 2,377 | 6,235 |
| Others | 1 | - |
| | $ 109,467 | $ 46,533 |

c. Other income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Rental income | | |
| Operating lease rental income | $ 71,684 | $ 87,344 |

d. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Interest on bank loans | $ 324,544 | $ 273,450 |
| Interest on lease liabilities | 24,002 | 24,243 |
| Capitalized interest | (92,178) | (69,541) |
| | $ 256,368 | $ 228,152 |

Information about capitalized interest was as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Capitalized interest | $ 92,178 | $ 69,541 |
| Capitalization rate | 0.833%-1.338% | 0.836%-0.927% |

e. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Property, plant and equipment | $ 14,755,457 | $ 13,928,070 |
| Right-of-use assets | 63,323 | 83,667 |
| Intangible assets | 35,855 | 40,501 |
| Total | $ 14,854,635 | $ 14,052,238 |
| An analysis of depreciation by function | | |
| Operating costs | $ 14,143,204 | $ 13,478,789 |
| Operating expenses | 675,576 | 532,948 |
| | $ 14,818,780 | $ 14,011,737 |
| An analysis of amortization by function | | |
| Operating costs | $ 26,881 | $ 26,833 |
| Marketing | 1 | 25 |
| General and administrative | 2,246 | 5,072 |
| Research and development | 6,727 | 8,571 |
| | $ 35,855 | $ 40,501 |

f. Employee benefit expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Post-employment benefits (Note 19) | | |
| Defined contribution plans | $ 623,222 | $ 580,896 |
| Defined benefit plans | 7,861 | 7,914 |
| | 631,083 | 588,810 |
| Termination benefits | 185 | 1,809 |
| Other employee benefits | 17,991,620 | 19,140,680 |
| Total employee benefit expense | $ 18,622,888 | $ 19,731,299 |
| An analysis of employee benefit expense by function | | |
| Operating costs | $ 15,633,112 | $ 16,529,859 |
| Operating expenses | 2,989,776 | 3,201,440 |
| | $ 18,622,888 | $ 19,731,299 |

g. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of PTI, PTI accrues compensation of employees and remuneration of directors at the rates between 5% and 7.5% and no higher than 1.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. However, if PTI has accumulated deficits (including adjustment of unappropriated earnings), PTI should retain the net profit in advance for deducting accumulated deficits. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which were approved by PTI's board of directors on March 10, 2023 and March 10, 2022, respectively, are as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Compensation of employees | 5.42% | 5.42% |
| Remuneration of directors | 1.08% | 1.08% |

Amount

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| | Cash | Cash |
| Compensation of employees | $ 586,354 | $ 600,642 |
| Remuneration of directors | 117,271 | 120,128 |

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

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

h. Gains or losses on foreign currency exchange

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Foreign exchange gains | $ 2,980,730 | $ 470,892 |
| Foreign exchange losses | (1,470,743) | (731,798) |
| Net gains (losses) | $ 1,509,987 | $ (260,906) |

## 23. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | $ 2,848,706 | $ 2,650,395 |
| Income tax on unappropriated earnings | 46,552 | 54,893 |
| Adjustments for prior years | 24,229 | (5,397) |
| | 2,919,487 | 2,699,891 |
| Deferred tax | | |
| In respect of the current year | (31,410) | 279,671 |
| Income tax expenses recognized in profit or loss | $ 2,888,077 | $ 2,979,562 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Profit before income tax | $ 13,639,926 | $ 14,705,487 |
| Income tax expense calculated at the statutory rate | $ 3,376,444 | $ 3,545,373 |
| Items that should be reduce | (663,327) | (772,101) |
| Nondeductible expenses in determining taxable income | 1,996 | 1,832 |
| Income tax on unappropriated earnings | 46,552 | 54,893 |
| Generation of temporary differences | 94,838 | 165,241 |
| Unrecognized loss carryforwards | (21,381) | (16,980) |
| Adjustments for prior years' tax | 24,229 | (5,397) |
| Others | 28,726 | 6,701 |
| Income tax expense recognized in profit or loss | $ 2,888,077 | $ 2,979,562 |

b. Current tax liabilities

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current tax liabilities | | |
| Tax payable | $ 1,359,309 | $ 1,570,467 |

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were follows:

For the year ended December 31, 2022

| | Balance, Beginning of Year | Movements in the Year | Balance, End of Year |
|---|---|---|---|
| Deferred tax assets | | | |
| Temporary differences | $ 86,079 | $ 141,680 | $ 227,759 |
| Deferred tax liabilities | | | |
| Temporary differences | $ 192,056 | $ 110,270 | $ 302,326 |

For the year ended December 31, 2021

| | Balance, Beginning of Year | Movements in the Year | Balance, End of Year |
|---|---|---|---|
| Deferred tax assets | | | |
| Temporary differences | $ 305,185 | $ (219,106) | $ 86,079 |
| Deferred tax liabilities | | | |
| Temporary differences | $ 131,491 | $ 60,565 | $ 192,056 |

d. Items for which no deferred tax assets have been recognized in the consolidated balance sheets

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Loss carryforwards | | |
| Expiry in 2026 | $ 75,751 | $ 118,171 |
| Expiry in 2027 | 202,631 | 199,102 |
| Expiry in 2028 | 83,641 | 82,184 |
| Expiry in 2029 | 17,579 | 17,273 |
| | $ 379,602 | $ 416,730 |
| Deductible temporary differences | $ 115,150 | $ 121,950 |

e. Income tax assessments

The Corporation's income tax returns through 2020 have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

**Unit: NT$ Per Share**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Basic earnings per share | $ 11.60 | $ 11.54 |
| Diluted earnings per share | $ 11.47 | $ 11.44 |

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

**Net Profit for the Year**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Profit for the year attributable to the owners of the Corporation | $ 8,686,730 | $ 8,898,398 |
| Effect of potentially dilutive ordinary shares: | | |
| Compensation of employees | - | - |
| Earnings used in the computation of diluted earnings per share | $ 8,686,730 | $ 8,898,398 |

Weighted average number of ordinary shares outstanding (in thousands of shares):

| | For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 748,748 | 770,870 |
| Effect of potentially dilutive ordinary shares: | | |
| Compensation of employees | 8,593 | 7,009 |
| Weighted average number of ordinary shares used in the computation of dilutive earnings per share | 757,341 | 777,879 |

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

## 25. BUSINESS COMBINATIONS

a. Subsidiaries acquired

| Subsidiary | Principal Activity | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|---|---|---|---|---|
| Get-Team Tech Corporation (Get-Team) | Metal plating on semiconductor lead frame | October 5, 2022 | 97.46 | $ 171,523 |

Get-Team Tech was acquired in order to continue the expansion of assembly service.

b. Consideration transferred

| | Get-Team Tech Corporation |
|---|---|
| Cash | $ 171,523 |

The fair value of the ordinary shares of Get-Team, determined by an in dependent expert on distribution of cash at the date of the acquisition, amounted to $171,523 thousand.

c. Assets acquired and liabilities assumed at the date of acquisition

| | Get-Team Tech Corporation |
|---|---|
| Current assets | |
| Cash | $ 44,329 |
| Accounts receivable | 45,692 |
| Inventories | 3,353 |
| Other current assets | 11,587 |
| Non-current assets | |
| Property, plant and equipment | 41,468 |
| Right-of-use assets | 17,997 |
| Intangible assets | 41,383 |
| Other non-current assets | 1,040 |
| Current liabilities | |
| Accounts payable | (8,979) |
| Accrued compensation to employees and remuneration to directors | (160) |
| Current income tax liabilities | (1,287) |
| Accrued expenses and other current liabilities | (8,067) |
| Non-current liabilities | |
| Deferred income tax liabilities | (11,775) |
| Lease liabilities | (19,623) |
| | $ 156,958 |

The tax bases of Get-Team’s assets were required to be based on the market values of the assets. At the date of issuance of these consolidated financial statements, the necessary market valuations and other calculations have been finalized, and been determined based on the market values of the tax values

d. Non-controlling interests

The non-controlling interest (a 2.54% ownership interest in Get-Team) recognized at the acquisition date was measured by reference to the fair value of the non-controlling interest.

e. Goodwill recognized on acquisitions

| | Get-Team Tech Corporation |
|---|---|
| Consideration transferred | $ 171,523 |
| Plus: Non-controlling interests (2.54% in Get-Team) | 3,331 |
| Less: Fair value of identifiable net assets acquired | (156,958) |
| | $ 17,896 |

The goodwill recognized in the acquisitions of Get-Team mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces of Get-Team. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets

f. Net cash outflow on the acquisition of subsidiaries

| | Get-Team Tech Corporation |
|---|---|
| Consideration paid in cash | $ 171,523 |
| Less: Cash and cash equivalent balances acquired | (44,329) |
| | $ 127,194 |

## 26. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure its ability to continue as a going concern while maximizing the return to stakeholders. The Corporation's overall strategy remains unchanged from the previous year.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

## 27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2022

| | Carrying Amount | Fair Value | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Financial assets at amortized cost | | | | | |
| Domestic corporate bonds | $ 100,000 | $ - | $ 100,082 | $ - | $ 100,082 |

December 31, 2021

| | Carrying Amount | Fair Value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Financial assets at amortized cost | | | | | |
| Domestic corporate bonds | $ 500,000 | $ - | $ 501,313 | $ - | $ 501,313 |

The abovementioned level 2 fair value measurement was based on quoted prices from the Taipei Exchange.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Mutual funds | $ 28,209 | $ - | $ - | $ 28,209 |
| Derivative instruments | - | 38,410 | - | 38,410 |
| | $ 28,209 | $ 38,410 | $ - | $ 66,619 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Domestic listed shares and emerging market shares | $ 943 | $ 16,200 | $ - | $ 17,143 |
| Financial liabilities at FVTPL | | | | |
| Derivative instruments | $ - | $ 7,446 | $ - | $ 7,446 |

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Mutual funds | $ 79,200 | $ - | $ - | $ 79,200 |
| Derivative instruments | - | 26,337 | - | 26,337 |
| | $ 79,200 | $ 26,337 | $ - | $ 105,537 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Domestic listed shares and emerging market shares | $ 1,644 | $ 28,500 | $ - | $ 30,144 |
| Financial liabilities at FVTPL | | | | |
| Derivative instruments | $ - | $ 5,649 | $ - | $ 5,649 |

There were no transfers between Levels 1 and 2 in 2022 and 2021.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

| Financial Instruments | Valuation Techniques and Inputs |
|---|---|
| Derivatives - foreign currency forward contracts | Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. |
| Unlisted securities | Using the market approach and the binomial option pricing model to calculate the fair value. |

c. Categories of financial instruments

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Financial assets | | |
| Financial assets at fair value through profit or loss (FVTPL) | | |
| Mandatorily classified as at FVTPL | $ 66,619 | $ 105,537 |
| Financial assets at amortized cost (Note 1) | 36,770,102 | 42,238,124 |
| Financial assets at FVTOCI | | |
| Equity instruments | 17,143 | 30,144 |
| Financial liabilities | | |
| Financial liabilities at fair value through profit or loss (FVTPL) | | |
| Held for trading | 7,446 | 5,649 |
| Financial liabilities at amortized cost (Note 2) | 40,883,649 | 42,439,510 |

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, time deposits with original maturities of more than 3 months, notes and accounts receivable (including related parties), other receivables (including related parties), pledged time deposits and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable (including related parties), other payables (including related parties), accrued expenses, other current liabilities and long-term debt (including current portion) and guarantee deposit.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Corporation's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function, an independent body that monitors risks and policies implemented to mitigate risk exposures, reports quarterly to the Corporation's board of directors.

1) Market risk

   The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Corporation entered into a variety of derivative financial instruments (included forward exchange contracts) to manage its exposure to foreign currency risk.

   There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

   a) Foreign currency risk

      The Corporation's operating activities are partially denominated in foreign currencies and thus have natural hedging effects. The Corporation's management of foreign currency risk is for risk hedging instead of speculative purposes.

      The strategy of foreign currency risk management is to review the net position exposed to foreign currency risk and manage the risk of the net position. The Corporation selects the instruments to hedge against currency exposure taking into consideration the hedging cost and period. The Corporation currently utilizes derivative financial instruments, including buy/sell foreign exchange forward contracts, to hedge against foreign currency exchange risk.

      For the carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period, refer to Note 31.

      The Corporation uses forward exchange contracts to reduce foreign currency risk exposure. It is the Corporation's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

      As net investments in foreign operations are for strategic purposes, they are not hedged by the Corporation.

      <u>Sensitivity analysis</u>

      The Corporation was mainly exposed to the USD and JPY.

      The following table details the Corporation's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusted their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis included cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), accounts payable (including related parties), other payables (including related parties), short-term bank loans and long-term debt. The number below indicates the decrease/increase in pre-tax profit when the functional currency strengthens 5% against the relevant currency.

| | USD Impact | | JPY Impact | |
|---|---|---|---|---|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2022 | 2021 | 2022 | 2021 |
| Profit or loss | $ (636,520) | $ (532,405) | $ 25,342 | $ 60,773 |

b) Interest rate risk

As the Corporation owns assets at both fixed and floating interest rates, the Corporation is exposed to interest rate risk. The Corporation's interest rate risk also comes from borrowings at floating interest rates. Since the Corporation's bank borrowings are at floating interest rates, fluctuations in interest rates will affect cash flow in the future but will not affect the fair value.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period were as follows.

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Fair value interest rate risk | | |
| Financial assets | $ 7,326,077 | $ 7,447,832 |
| Financial liabilities | 670,474 | 317,593 |
| Cash flow interest rate risk | | |
| Financial assets | 13,467,495 | 15,599,156 |
| Financial liabilities | 29,935,249 | 29,888,903 |

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rate risk for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of both the assets and the liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.1% higher/lower and all other variables were held constant, the Corporation's pre-tax loss for the years ended December 31, 2022 and 2021 would have decreased/increased by $16,468 thousand and $14,454 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rate risk on its variable-rate net liabilities.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Corporation does not actively trade these investments. The Corporation's equity price risk was mainly concentrated on equity instruments in the electronics industry sector listed on the Taipei Exchange.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by $1,410 thousand and $3,960 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the year ended December 31, 2022 and 2021 would have increased/decreased by $857 thousand and $1,507 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of the counterparty to discharge an obligation arises from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to minimize credit risk, the management of the Corporation has established rules for credit and accounts receivable management to ensure that follow-up action is taken to recover overdue debt. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors of the Corporation consider that the Corporation's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit ratings.

The counterparties of trade receivables cover a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Corporation's concentration of credit risk was related to the three largest customers within the Corporation. Besides the aforementioned customers, there was no other customer that accounted for 10% of total gross accounts receivable for the years ended December 31, 2022 and 2021. The three largest customers are creditworthy counterparties; therefore, the Corporation believes the concentration of credit risk is insignificant.

Credit risk management for investments in debt instruments

The Corporation only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Corporation's exposure and the external credit ratings are continuously monitored. The Corporation reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Corporation considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses. The Corporation's current credit risk grading framework comprises the following categories:

| **Category** | **Description** | **Basis for Recognizing Expected Credit Losses** | **Expected Loss Rate** |
|---|---|---|---|
| Performing | The counterparty has a low risk of default and a strong capacity to meet contractual cash flows | 12-month ECLs | - |

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Corporation had available unutilized short-term bank loan facilities of approximately $4,578,641 thousand and $6,739,081 thousand, respectively.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables include both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2022

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Non-interest bearing liabilities | $ 4,222,227 | $ 4,431,558 | $ 756,568 | $ - | $ - |
| Lease liabilities | 7,856 | 15,712 | 66,467 | 226,174 | 1,578,124 |
| Fixed interest rate liabilities | - | 118,524 | 133,630 | 418,320 | - |
| Variable interest rate liabilities | - | - | - | 23,802,779 | 6,132,470 |
| Guarantee deposits | 17,630 | - | 114,348 | 650,568 | 85,071 |
| | $ 4,,247,713 | $ 4,565,794 | $ 1,071,013 | $25,097,841 | $ 7,795,665 |

Further information on the maturity analysis of the above financial liabilities was as follows:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|---|---|---|---|---|---|---|
| Lease liabilities | $ 90,035 | $ 226,174 | $ 239,117 | $ 236,011 | $ 234,291 | $ 868,705 |
| Variable interest rate liabilities | $ - | $ 23,802,779 | $ 5,689,903 | $ 366,857 | $ 75,710 | $ - |
| Guarantee deposits | $ 131,978 | $ 650,568 | $ 85,055 | $ - | $ - | $ 16 |

December 31, 2021

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Non-interest bearing liabilities | $ 4,074,461 | $ 6,465,347 | $ 1,693,206 | $ - | $ - |
| Lease liabilities | 7,265 | 14,531 | 65,252 | 226,903 | 1,617,461 |
| Fixed interest rate liabilities | - | 105,263 | 88,421 | 123,909 | - |
| Variable interest rate liabilities | - | - | - | 24,604,646 | 5,284,257 |
| | $ 4,081,726 | $ 6,585,141 | $ 1,846,879 | $24,955,458 | $ 6,901,718 |

Further information on the maturity analysis of the above financial liabilities was as follows:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|---|---|---|---|---|---|---|
| Lease liabilities | $ 87,048 | $ 226,903 | $ 236,403 | $ 234,088 | $ 233,688 | $ 913,282 |
| Variable interest rate liabilities | $ - | $ 24,604,646 | $ 4,714,859 | $ 418,769 | $ 150,629 | $ - |

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Corporation's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2022

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year |
|---|---|---|---|
| Gross settled | | | |
| Foreign exchange forward contracts | | | |
| Inflows | $ 2,290,374 | $ 1,585,405 | $ 27,408 |
| Outflows | (2,262,019) | (1,583,022) | (27,182) |
| | $ 28,355 | $ 2,383 | $ 226 |

December 31, 2021

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year |
|---|---|---|---|
| Gross settled | | | |
| Foreign exchange forward contracts | | | |
| Inflows | $ 1,814,159 | $ 2,972,363 | $ 35,574 |
| Outflows | (1,803,477) | (2,961,903) | (36,028) |
| | $ 10,682 | $ 10,460 | $ (454) |

c) Loan facilities

| | December 31 | |
|---|---|---|
| | 2022 | 2021 |
| Secured bank loan facilities which may be mutually extended: | | |
| Amount used | $ 20,414,539 | $ 13,519,457 |
| Amount unused | 6,900,000 | 17,175,000 |
| | $ 27,314,539 | $ 30,694,457 |

## 28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between PTI and its subsidiaries, which were related parties of PTI, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between PTI and other related parties are disclosed below.

a. Related party name and relationship

| Related Party Name | Relationship with the Corporation |
|---|---|
| Kioxia Corporation | Substantial related party |
| Toshiba International Procurement Hong Kong, Ltd. | Substantial related party |
| Toshiba Information Systems (Japan) Corporation | Substantial related party |
| Toshiba Trading Inc. | Substantial related party |
| Toshiba Electronic Devices & Storage Corporation | Substantial related party |
| Kingston Technology International Ltd. | Substantial related party |
| Kingston Digital International Ltd. | Substantial related party |
| Kingston Solution, Inc. | Substantial related party |
| Kingston Technology Far East Corp. | Substantial related party |
| Solid State Storage Technology Corporation | Substantial related party |
| Realtek Singapore Private Limited | Substantial related party |
| Realtek Semiconductor Corp. | Substantial related party |
| Raymx Microelectronic Corp. | Substantial related party |
| Kingston Technology International Limited (Ireland) | Substantial related party |

b. Sales of goods

| Account | Related Party Type | For the Year Ended December 31 2022 | 2021 |
|---|---|---|---|
| Sales of goods | Substantial related parties | | |
| | Kioxia Corporation | $ 20,882,528 | $ 21,781,738 |
| | Others | 1,896,429 | 2,219,066 |
| | | $ 22,778,957 | $ 24,000,804 |

Sales transactions with related parties were based on normal commercial prices and terms. In general, the payment terms for the sales of the Corporation is from 30 days to 150 days starting from the first day of the month following the invoice date.

c. Purchases

| Related Party Type | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Substantial related parties | $ 1,192,843 | $ 987,046 |

The purchase prices and payment terms were based on negotiations for which there are no comparable transactions in the market.

d. Operating costs and expenses

| Related Party Type | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Substantial related parties | $ 162 | $ 198 |

Operating costs and expenses mainly were occasional fee.

e. Other gains and losses

| Related Party Type | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Substantial related parties | $ (22,535) | $ 17,452 |

Other gains and losses mainly include the purchase and sales of raw materials, compensation and the difference between collections and payment transfers. The purchase and sales of raw materials were based on conditions agreed by both parties for which there are no comparable transactions in the market.

f Contract assets

| Related Party Type | December 31 2022 | 2021 |
|---|---|---|
| Substantial related parties | | |
| Kioxia Corporation | $ 829,624 | $ 669,072 |
| Others | 75,486 | 84,067 |
| | $ 905,110 | $ 753,139 |

For the years ended December 31, 2022 and 2021, no impairment loss was recognized for contract assets from related parties.

g. Accounts receivable from related parties (excluding loans to related parties and contract assets)

| Line Item | Related Party Type | December 31 2022 | 2021 |
|---|---|---|---|
| Accounts receivable - related parties | Substantial related parties | | |
| | Kioxia Corporation | $ 4,769,255 | $ 5,984,852 |
| | Others | 325,226 | 470,454 |
| | | $ 5,094,481 | $ 6,455,306 |

The outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment loss was recognized for accounts receivable from related parties.

h. Payables to related parties (excluding loans from related parties)

| Line Item | Related Party Type | December 31 2022 | December 31 2021 |
|---|---|---|---|
| Accounts payable - related parties | Substantial related party | | |
| | Solid State Storage Technology Corporation | $ 70,748 | $ - |
| | Toshiba International Procurement Hong Kong, Ltd. | 11,936 | 154,391 |
| | | $ 82,684 | $ 154,391 |

The outstanding accounts payable from related parties are unsecured.

i. Payable to equipment suppliers

| Related Party Type | December 31 2022 | December 31 2021 |
|---|---|---|
| Substantial related party | $ - | $ 40,121 |

j. Other receivables from related parties

| Related Party Type | December 31 2022 | December 31 2021 |
|---|---|---|
| Substantial related parties | | |
| Kioxia Corporation | $ 65,783 | $ 64,766 |
| Kingston Solution, Inc. | - | 48 |
| Others | 328 | 533 |
| | $ 66,111 | $ 65,347 |

k. Other payables from related parties

| Related Party Type | December 31 2022 | December 31 2021 |
|---|---|---|
| Substantial related party | | |
| Kioxia Corporation | $ 31,758 | $ 357 |
| Others | 556 | 5,827 |
| | $ 32,314 | $ 6,184 |

l. Acquisition of property, plant and equipment

| Related Party Type | Acquisition Price For the Year Ended December 31 2022 | Acquisition Price For the Year Ended December 31 2021 |
|---|---|---|
| Substantial related party | $ - | $ 45,930 |

m. Remuneration of key management personnel

| Related Party Type | For the Year Ended December 31 2022 | 2021 |
|---|---|---|
| Short-term benefits | $ 531,118 | $ 512,749 |
| Post-employment benefits | 2,047 | 2,117 |
| | $ 533,165 | $ 514,866 |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were mainly provided for long-term bank loans, customs surety bonds, bank guarantees, bonded warehouse guarantee deposits and lease deposits:

| Related Party Type | December 31 2022 | 2021 |
|---|---|---|
| Property, plant and equipment | $ 24,918,762 | $ 18,279,070 |
| Pledged deposits (classified as financial assets at amortized cost - current) | 13,468 | 25,223 |
| Restricted deposits (classified as financial assets at amortized cost - current) | 30,708 | 29,868 |
| Pledged deposits (classified as financial assets at amortized cost - non-current) | 124,334 | 113,874 |
| | $ 25,087,272 | $ 18,448,035 |

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company were as follows:

a. From February, 2021 to October, 2021, PTI signed a purchase agreement of equipment worth $646,433 thousand with Kulicke & Soffa Pte. Ltd. As of December 31, 2022, PTI has paid $617,158 thousand.

b. From August, 2020 to July, 2021, PTI signed a contract worth $595,845 thousand with Yi-Sheng Systems Integration Co., Ltd. for factory engineering. As of December 31, 2022, PTI has paid a total of $595,845 thousand.

c. From December, 2020 to December, 2021 and December, 2021 to August, 2022, PTI signed the purchase agreements of equipment worth $588,119 thousand and $523,210 thousand with Disco Hi-Tec Taiwan Co., Ltd. As of December 31, 2022, PTI has paid a total of $540,783 thousand and $187,232 thousand, respectively.

d. From April, 2021 to January, 2022, PTI signed a purchase agreement of equipment worth $505,374 thousand with Advantest Corporation. As of December 31, 2022, PTI has paid a total of $466,823 thousand.

e. From March, 2021 to January, 2022, PTI signed a contract worth $713,114 thousand with Jiu Han Engineering Co., Ltd. to set up clean rooms and factory engineering. As of December 31, 2022, PTI has paid a total of $654,314 thousand.

f. From July, 2021 to July, 2022, PTI signed a contract worth $728,248 thousand with Jian Ming Construction Co. Ltd. to set up new plant construction and factory engineering. As of December 31, 2022, PTI has paid a total of $161,268 thousand.

g. As of December 31, 2022, PTI's unused letters of credit for purchasing of machinery and equipment amounted to approximately US$880 thousand.

h. In November 2021, PTI entered into capacity reservation agreements with Zhen Ding Technology Co., Ltd. The deposits in a required aggregate amount of US$35,000 thousand were paid to suppliers in compliance with the agreements and refunded to PTI when terms set forth in the agreements have been satisfied. According to the agreements, the deposits will be refunded in 58 installments starting from March 2023. As of December 31, 2022, the Corporation has paid a total of US$35,000 thousand.

i. From August, 2020 to June, 2021, June, 2021 to October, 2021, October, 2021 to January, 2022, January, 2022 to April, 2022 and May, 2022 to July, 2022, the TeraPower Technology Inc. signed a purchase agreement of equipment worth $703,687 thousand, $501,272 thousand, $655,415 thousand, $505,372 thousand and $649,333 thousand with Advantest Taiwan Inc., As of December 31, 2022, the TeraPower Technology Inc. has paid a total of $703,687 thousand, $501,272 thousand, $418,557 thousand, $76,234 thousand and $29,757 thousand, respectively.

j. From July, 2021 to July, 2022, Tera Probe, Inc. signed a purchase agreement of equipment worth $640,534 thousand with Teradyne Inc. As of December 31, 2022, Tera Probe, Inc. has paid $389,023 thousand.

k. In March, 2021, Greatek Electronics Inc. signed a contract worth $510,000 thousand with Jian Ming Contractor Co., Ltd. for factory engineering. As of December 31, 2022, Greatek Electronics Inc. has paid a total of $510,000 thousand.

l. In June, 2021, Greatek Electronics Inc. signed a contract worth $980,000 thousand with Jiu Han Engineering Co., Ltd. for electromechanical air conditioning engineering. As of December 31, 2022, Greatek Electronics Inc. has paid a total of $882,000 thousand.

m. In July, 2021, Greatek Electronics Inc. signed a contract worth $360,000 thousand with Jiu Han Engineering Co., Ltd. to set up clean rooms and plumbing systems. As of December 31, 2022, Greatek Electronics Inc. has paid a total of $324,000 thousand.

n. In September, 2021, Greatek Electronics Inc. signed a contract worth $378,000 thousand with Jiu Han Engineering Co., Ltd. for mechanical and electrical engineering. As of December 31, 2022, Greatek Electronics Inc. has paid a total of $340,200 thousand.

o. In April, 2022, Greatek Electronics Inc. signed a contract worth $414,000 thousand with Jian Ming Contractor Co., Ltd. for construction of staff dorm. As of December 31, 2022, Greatek Electronics Inc. has paid a total of $248,400 thousand.

p. In July, 2022, Greatek Electronics Inc. signed a contract worth $418,000 thousand with Jiu Han Engineering Co., Ltd. for electromechanical air conditioning and fire engineering for staff dorm. As of December 31, 2022, Greatek Electronics Inc. has paid a total of $125,400 thousand.

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

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

| | December 31, 2022 | | |
|---|---|---|---|
| | **Foreign Currency** | **Exchange Rate** | **Carrying Amount** |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 595,039 | 30.7080 (USD:NTD) | $ 18,272,458 |
| USD | 9,588 | 6.9514 (USD:RMB) | 294,428 |
| USD | 6,558 | 132.12 (USD:JPY) | 201,383 |
| JPY | 883,774 | 0.2324 (JPY:NTD) | 205,389 |
| JPY | 3,611 | 0.0526 (JPY:RMB) | 839 |
| JPY | 200,090 | 0.0075 (JPY:USD) | 46,501 |
| SGD | 642 | 0.7447 (SGD:USD) | 14,681 |
| RMB | 33,070 | 0.1438 (RMB:USD) | 146,087 |
| RMB | 13,358 | 4.4175 (RMB:NTD) | 59,009 |
| | | | $ 19,240,775 |
| Non-monetary items | | | |
| USD | 904 | 30.7080 (USD:NTD) | $ 27,755 |
| JPY | 45,846 | 0.2324 (JPY:NTD) | 10,655 |
| | | | $ 38,410 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 186,628 | 30.7080 (USD:NTD) | $ 5,730,973 |
| USD | 4,743 | 6.9514 (USD:RMB) | 145,648 |
| USD | 5,251 | 132.12 (USD:JPY) | 161,248 |
| EUR | 1,134 | 32.7086 (EUR:NTD) | 37,092 |
| JPY | 3,001,847 | 0.2324 (JPY:NTD) | 697,629 |
| JPY | 96,703 | 0.0526 (JPY:RMB) | 22,474 |
| JPY | 169,783 | 0.076 (JPY:USD) | 39,458 |
| RMB | 15,400 | 0.1439 (RMB:USD) | 68,030 |
| | | | $ 6,902,552 |
| Non-monetary items | | | |
| USD | 212 | 30.7080 (USD:NTD) | $ 6,508 |
| JPY | 3,196 | 0.2324 (JPY:NTD) | 743 |
| RMB | 44 | 4.4175 (RMB:NTD) | 195 |
| | | | $ 7,446 |

| | December 31, 2021 | | |
|---|---|---|---|
| | Foreign Currency | Exchange Rate | Carrying Amount |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 618,833 | 27.6900 (USD:NTD) | $ 17,135,486 |
| USD | 11,133 | 6.4496 (USD:RMB) | 308,273 |
| USD | 9,035 | 109.9276 (USD:JPY) | 250,179 |
| JPY | 1,206,718 | 0.2406 (JPY:NTD) | 290,279 |
| JPY | 41,210 | 0.0554 (JPY:RMB) | 9,913 |
| JPY | 287,651 | 0.0087 (JPY:USD) | 69,195 |
| SGD | 1,424 | 0.7390 (SGD:USD) | 29,140 |
| RMB | 46,521 | 0.1568 (RMB:USD) | 201,929 |
| RMB | 7,906 | 4.3406 (RMB:NTD) | 34,317 |
| | | | $ 18,328,711 |
| Non-monetary items | | | |
| USD | 943 | 27.6900 (USD:NTD) | $ 26,110 |
| JPY | 699 | 0.2406 (JPY:NTD) | 168 |
| RMB | 14 | 4.3406 (RMB:NTD) | 59 |
| | | | $ 26,337 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 236,249 | 27.6900 (USD:NTD) | $ 6,541,735 |
| USD | 10,191 | 6.4496 (USD:RMB) | 282,189 |
| USD | 8,014 | 109.9276 (USD:JPY) | 221,908 |
| EUR | 3,362 | 31.3382 (EUR:NTD) | 105,359 |
| JPY | 5,597,312 | 0.2406 (JPY:NTD) | 1,346,447 |
| JPY | 874,094 | 0.0554 (JPY:RMB) | 210,266 |
| JPY | 116,917 | 0.0087 (JPY:USD) | 28,125 |
| RMB | 16,935 | 0.1568 (RMB:USD) | 73,508 |
| SGD | 51 | 0.7390 (SGD:USD) | 1,044 |
| | | | $ 8,810,581 |
| Non-monetary items | | | |
| JPY | 23,474 | 0.2406 (JPY:NTD) | $ 5,649 |

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were $1,509,987 thousand and $(260,906) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and currencies of the Group.

## 32. SEPARATELY DISCLOSED ITEMS

Except for the following, the Corporation has no other significant transactions, investees and investments in mainland China that need to be disclosed as required by the Securities and Futures Bureau.

a. Financing provided to others: Table 1 (attached)

b. Endorsements/guarantees provided: None

c. Marketable securities held: Table 2 (attached)

d. Marketable securities acquired or disposed of at costs or prices amounting to at least NT$300 million or 20% of the paid-in capital: Table 3 (attached)

e. Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: Table 4 (attached)

f. Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Table 5 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6 (attached)

i. Derivative transactions: Note 7.

j. Intercompany relationships and significant intercompany transactions: Table 7 (attached).

k. Information of investees: Table 8 (attached)

l. Information on investments in mainland China: Table 9 (attached)

   Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investments at the end of the period, repatriations of investment income, and limit on the amount of investments in the mainland China area: Note 32 (j).

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

| Name of Major Shareholder | Shares | |
|---|---|---|
| | **Number of Shares** | **Percentage of Ownership (%)** |
| China Life Insurance Co., Ltd. | 38,952,000 | 5.13 |

Note: The information on major shareholders in this table is calculated by CHEP on the last business day at the end of the quarter as the total number of ordinary shares and special shares held by shareholders who have completed the non-physical registration delivery (including treasury shares) of the company with a total of more than 5% of shares held. The share capital recorded in the Corporation's consolidated financial reports and the number of shares that had actually completed non-physical registration may differ depending on the basis of preparation and calculation.

## 33. SEGMENT INFORMATION

a. The revenue, operating results and financial information of each plant presented to the chief operating decision maker are consistent with the information in the consolidated financial statements. The segment revenue and operating results for the years ended December 31, 2022 and 2021 are shown in the consolidated income statements for the years ended December 31, 2022 and 2021. The segment assets as of December 31, 2022 and 2021 are shown in the consolidated balance sheets as of December 31, 2022 and 2021.

b. Geographical information

The Corporation's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below.

| | Revenue For the Year Ended December 31 | | Non-current Assets December 31 | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Japan | $ 27,189,539 | $ 25,796,097 | $ 2,200,264 | $ 1,782,700 |
| Taiwan (the principal place of business of PTI) | 25,119,738 | 19,356,303 | 62,705,877 | 60,921,676 |
| America | 13,728,399 | 12,546,898 | - | - |
| Singapore | 11,349,663 | 19,099,286 | 27 | 114 |
| China, Hong Kong and Macao | 2,250,357 | 2,002,639 | 2,500,713 | 2,996,804 |
| Europe | 1,930,719 | 2,314,953 | - | - |
| Others | 2,358,320 | 2,677,396 | - | - |
| | $ 83,926,735 | $ 83,793,572 | $ 67,406,881 | $ 65,701,294 |

Non-current assets exclude financial instruments, deferred tax assets, and other assets.

c. Major customers

Sales to customers amounting to at least 10% of total gross sales:

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Customer | Amount | % of Total | Amount | % of Total |
| A | $ 20,882,528 | 25 | $ 21,803,359 | 26 |
| B | 18,688,423 | 22 | 16,881,041 | 20 |
| C | 9,651,686 | 12 | 234,296 | - |
| D | 660,035 | 1 | 9,345,484 | 11 |

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance | Actual Amount Borrowed | Interest Rate | Nature of Financing | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limits | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | Powertech Technology Inc. | Powertech Technology (Suzhou) Ltd. | Other receivables | Note 1 | $ 460,620 | $ 460,620 | $ - | 1.0 | For short term financing | $ - | Working capital | $ - | - | $ - | $ 2,614,447 | $ 5,228,895 | - |

Note 1: Indirect investments, the Corporation’s 100%-owned subsidiary.

Note 2: The amount of financing provided by PTI to any individual shall not exceed five percent of PTI’s net worth. The aggregate amount available for financing not exceed ten percent of PTI’s net worth.

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares (In Thousands) | Carrying Value | % of Ownership | Fair Value | |
| Powertech Technology Inc. | Stock | | | | | | | |
| | Solid state system Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 2,053 | $ 17,143 | 3 | $ 17,143 | Note 3 |
| Greatek Electronics Inc. | Fund | | | | | | | |
| | Yuanta Global Leaders Balanced Fund - USD | - | Financial assets at fair value through profit or loss - current | 2,844 | 28,209 | - | 28,209 | Note 4 |
| | Bond | | | | | | | |
| | P08 Taipower 3A | - | Financial assets at amortized cost - current | 50 | 50,000 | - | 50,041 | Note 2 |
| | P08 Taipower 3A | - | Financial assets at amortized cost - noncurrent | 50 | 50,000 | - | 50,041 | Note 2 |
| | Stock | | | | | | | |
| | Powertech Technology Inc. | Parent entity | Financial assets at fair value through other comprehensive income - noncurrent | 11,800 | 934,560 | 2 | 934,560 | Note 1 |
| | SAMHOP Microelectronics Corp. | - | Financial assets at fair value through profit or loss - noncurrent | 268 | - | 3 | - | Note 5 |
| | Terawins Inc. | - | Financial assets at fair value through profit or loss - noncurrent | 643 | - | 2 | - | Note 5 |
| | Airwave Technologies Inc. | - | Financial assets at fair value through profit or loss - noncurrent | 93 | - | 1 | - | Note 5 |

Note 1: The fair value was based on stock closing price as of December 31, 2022.

Note 2: The fair value was based on trading market in hundreds of new Taiwan dollars as of December 31, 2022.

Note 3: The fair value of ordinary shares was based on stock closing price, and the fair value of privately placed shares was determined using valuation techniques as of December 31, 2022.

Note 4: The fair value was based on the net asset value of the fund as of December 31, 2022.

Note 5: The fair value was based on the carrying value as of December 31, 2022.

Note 6: As of December 31, 2022, the above marketable securities had not been pledged or mortgaged.

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance (Note) | | Acquisition | | Disposal | | | | Ending Balance (Note) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Amount | Shares | Amount | Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Shares | Amount |
| Powertech Technology Inc. | Stock<br>Powertech Technology Inc. | Treasury stock | - | The Corporation | 10,412 | $ 1,018,166 | 9,588 | $ 943,589 | - | $ - | $ - | $ - | - | $ - |

Note: The treasury shares purchased by the Corporation have been registered for capital reduction on April 15, 2022, and the base date for capital reduction is March 14, 2022.

TABLE 4

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Buyer | Property | Transaction Date | Transaction Amount | Payment Status | Counterparty | Relationship | Information on Previous Title Transfer If Counterparty is a Related Party | | | | Pricing Reference | Purpose of Acquisition | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Property Owner | Relationship | Transaction Date | Amount | | | |
| Powertech Technology Inc. | Land | 2022.03.17 | $ 745,602 | $ 100,000 | Quan Asia Stone Co., Ltd. | None | Not applicable | Not applicable | Not applicable | Not applicable | After taking into account the current market price and negotiating with the seller | Plant expansion | None |
| Greatek Electronics Inc. | Building | 2022.04.18 | 414,000 | 248,400 | Jian Ming Contractor Co., Ltd. | None | Not applicable | Not applicable | Not applicable | Not applicable | Self build not applicable | Dormitory | None |
| | MEP systems of the dormitory | 2022.07.18 | 418,000 | 125,400 | Jiu Han Engineering System Co., Ltd. | None | Not applicable | Not applicable | Not applicable | Not applicable | The two sides agreed | Dormitory | None |

**TABLE 5**

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts (Payable) Receivable | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total | |
| Powertech Technology Inc. | Kioxia Corporation | Corporate director's parent company | Sale | $ 20,216,762 | 38 | Note 1 | $ - | - | $ 4,623,127 | 50 | - |
| | Kingston Solution, Inc. | The ultimate parent company of the related party is the juristic-person director of the Corporation. | Sale | 422,937 | 1 | Note 1 | - | - | 51,186 | 1 | - |
| | Kingston Technology International Ltd. | The ultimate parent company of the related party is the juristic-person director of the Corporation. | Sale | 255,993 | - | Note 1 | - | - | 50,472 | 1 | - |
| | Toshiba International Procurement Hong Kong, Ltd. | Corporate director's sister company. | Purchase | 880,205 | 4 | Note 1 | - | - | (11,936) | - | - |
| | Solid State Storage Technology Corporation | Corporate director's subsidiaries. | Purchase | 312,638 | 1 | Note 1 | - | - | (70,748) | (2) | - |
| Greatek Electronics Inc. | Realtek Semiconductor Corp. | Parent company of Greatek Electronics Inc.'s corporate director. | Sale | 680,952 | 4 | Net 60 days from monthly closing date | Note 2 | - | 86,769 | 4 | - |
| | Realtek Singapore Private Limited | Same parent company with Greatek Electronics Inc.'s corporate director. | Sale | 349,247 | 2 | Net 60 days from monthly closing date | Note 2 | - | 55,884 | 3 | - |
| | PowerTech Technology Inc. | Parent company of Greatek Electronics Inc. | Sale | 104,087 | 1 | Net 90 days from monthly closing date | Note 2 | - | 25,478 | 1 | - |
| TeraPower Technology Inc. | Kioxia Corporation | Parent company of corporate director of TeraPower Technology Inc.'s ultimate parent company. | Sale | 665,767 | 12 | Net 90 days from monthly closing date | - | - | 146,128 | 13 | - |

Note 1: 30 to 90 days after the end of the month of the invoice date.

Note 2: The sales price of Greatek Electronics Inc. sold to related parties is determined based on general trading practices.

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debt |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action Taken | | |
| Powertech Technology Inc. | Kioxia Corporation | Corporate director's parent company | $ 4,623,127 | 3.86 | $ - | - | $ 3,140,535 | $ - |
| TeraPower Technology Inc. | Kioxia Corporation | Parent company of corporate director of TeraPower Technology Inc.'s ultimate parent company | 146,128 | 4.65 | - | - | 112,120 | - |

**TABLE 7**

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR YEAR ENDED DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Counterparty | Transaction Flow | Intercompany Transactions | | | |
|---|---|---|---|---|---|---|
| | | | Financial Statement Item | Amount | Terms | Percentage to Consolidated Total Gross Sales or Total Assets |
| Powertech Technology Inc. | Powertech Technology (Suzhou) Ltd. | 1 | Sales | $ 49,232 | Note 3 | - |
| | TeraPower Technology Inc. | 1 | Sales | 34,266 | Note 3 | - |
| | Tera Probe, Inc. | 1 | Sales | 589 | Note 3 | - |
| | Greatek Electronics Inc. | 1 | Sales | 16,614 | Note 3 | - |
| | Powertech Technology (Suzhou) Ltd. | 1 | Purchase | 19,598 | Note 2 | - |
| | Powertech Technology (Xian) Ltd. | 1 | Purchase | 7,579 | Note 2 | - |
| | Powertech Technology (Suzhou) Ltd. | 1 | Subcontract costs | 474,859 | Note 2 | 1% |
| | Greatek Electronics Inc. | 1 | Subcontract costs | 110,757 | Note 2 | - |
| | TeraPower Technology Inc. | 1 | Subcontract costs | 294,442 | Note 2 | - |
| | Tera Probe, Inc. | 1 | Production overhead | 9,596 | Note 2 | - |
| | Powertech Technology (Suzhou) | 1 | Production overhead | 1,856 | Note 2 | - |
| | TeraPower Technology Inc | 1 | Rent income | 2.497 | Note 2 | - |
| | TeraPower Technology Inc. | 1 | Rent | 4,996 | Note 2 | - |
| | TeraPower Technology Inc | 1 | Other gains and losses | 4,813 | Note 2 | - |
| | Powertech Technology (Suzhou) Ltd. | 1 | Other gains and losses | 17,063 | Note 2 | - |
| | Greatek Electronics Inc. | 1 | Other gains and losses | 111,524 | Note 2 | - |
| | Powertech Technology (Suzhou) Ltd. | 1 | Interest income | 2,599 | Note 2 | - |
| | Greatek Electronics Inc. | 1 | Accounts receivable from related parties | 1,587 | Note 3 | - |
| | TeraPower Technology Inc. | 1 | Accounts receivable from related parties | 4,954 | Note 3 | - |
| | Powertech Technology (Suzhou) | 1 | Accounts receivable from related parties | 18,217 | Note 3 | - |
| | Powertech Technology (Xian) Ltd. | 1 | Other receivables from related parties | 3,128 | Note 2 | - |
| | TeraPower Technology Inc. | 1 | Other receivables from related parties | 504 | Note 2 | - |
| | Tera Probe, Inc. | 1 | Other receivables from related parties | 188 | Note 2 | - |
| | Powertech Technology (Suzhou) Ltd. | 1 | Other receivables from related parties | 3,218 | Note 2 | - |
| | Powertech Technology (Suzhou) Ltd. | 1 | Disposal of property, plant and equipment | 962 | Note 2 | - |
| | Powertech Technology (Xian) Ltd. | 1 | Purchase of property, plant and equipment | 127,060 | Note 2 | - |
| | Powertech Technology (Suzhou) Ltd | 1 | Purchase of property, plant and equipment | 84,453 | Note 2 | - |
| | Powertech Technology (Xian) Ltd. | 1 | Payable to equipment suppliers | 123,275 | Note 2 | - |
| | TeraPower Technology Inc. | 1 | Other payables to related parties | 106,322 | Note 2 | - |
| | Powertech Technology (Suzhou) Ltd. | 1 | Other payables to related parties | 73,699 | Note 2 | - |
| | Greatek Electronics Inc. | 1 | Other payables to related parties | 26,624 | Note 2 | - |
| | Powertech Technology (Japan) Ltd. | 1 | Other payables to related parties | 15,127 | Note 2 | - |
| | Powertech Technology Akita Inc. | 1 | Other payables to related parties | 33,402 | Note 2 | - |
| | Tera Probe, Inc. | 1 | Other payables to related parties | 263 | Note 2 | - |
| Tera Probe, Inc. | TeraPower Technology Inc. | 1 | Other receivables from related parties | 380 | Note 2 | - |
| | TeraPower Technology Inc. | 1 | Disposal of property, plant and equipment | 67,073 | Note 2 | - |
| | TeraPower Technology Inc. | 1 | Purchase of property, plant and equipment | 96,002 | Note 2 | - |

Note 1: No. 1 - from the parent company to the subsidiary. No. 2 - from the subsidiary to the subsidiary.

Note 2: The transactions for related parties were negotiated and thus not comparable with those in the market.

Note 3: The selling prices with subsidiaries were negotiated and thus not comparable with those in the market, and the collection period with subsidiaries was same as common customer.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

**INFORMATION OF INVESTEES**
**DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Investor | Investee | Location | Main Businesses and Products | Investment Amount | | Balance as of December 31, 2022 | | | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2022 | December 31, 2021 | Number of Shares (In Thousands) | % of Ownership | Carrying Value | | | |
| Powertech Technology Inc. | TeraPower Technology Inc. | Hsinchu | Wafer probing test services | $ 1,153,964 | $ 1,153,964 | 73,386 | 49 | $ 3,328,736 | $ 1,344,078 | $ 680,385 | Notes 1 and 2 |
| | Powertech Holding (BVI) Inc. | British Virgin Islands | Investment business | 1,679,370 | 1,679,370 | 50 | 100 | 1,209,428 | 1,663 | 5,985 | Notes 1 and 2 |
| | Greatek Electronics Inc. | Miaoli | Semiconductor assembly and testing services | 6,169,948 | 6,169,948 | 244,064 | 43 | 9,581,046 | 3,158,170 | 1,349,261 | Notes 1 and 2 |
| | Powertech Technology (Singapore) Pte. Ltd. | Singapore | Investment business | USD 69,000 | USD 85,000 | 69,000 | 100 | 1,990,623 | 368,864 | 369,985 | Notes 1 and 2 |
| | Powertech Technology Japan Ltd. | Japan | Investment business | USD 103,052 | USD 103,052 | - | 100 | 3,374,567 | 327,197 | 525,269 | Note 1 |
| | Tera Probe, Inc. | Japan | Wafer probing test services | $ 230,616 | $ 230,616 | 1,077 | 12 | 415,688 | 739,085 | 58,681 | Notes 1 and 2 |
| Greatek Electronics Inc. | Get-Team Tech Corporation | Hsinchu | Metal plating on semiconductor lead frame | 171,523 | - | 7,796 | 97.46 | 164,386 | (368) | (7,137) | Note 1 |
| Powertech Holding (BVI) Inc. | PTI Technology (Singapore) Pte. Ltd. | Singapore | Investment business | USD 51,000 | USD 51,000 | 103 | 100 | USD 38,720 | USD 97 | USD 97 | Note 1 |
| Powertech Technology Japan Ltd. | Tera Probe, Inc. | Japan | Wafer probing test services | USD 43,963 | USD 43,963 | 4,440 | 49 | USD 99,345 | USD 24,610 | USD 12,012 | Note 1 |
| | Powertech Technology Akita Inc. | Japan | Semiconductor assembly and testing services | USD 58,329 | USD 58,329 | 6 | 100 | USD 8,698 | USD (990) | USD (990) | Note 1 |
| Tera Probe, Inc. | TeraPower Technology Inc. | Hsinchu | Wafer probing test services | JPY 4,348,056 | JPY 4,348,056 | 76,381 | 51 | JPY 4,348,056 | JPY 5,930,206 | JPY 3,024,405 | Note 1 |
| | Tera Probe Aizu, Inc. | Japan | Wafer probing test services | JPY - | JPY 221,616 | - | - | JPY - | JPY (202,081) | JPY (202,081) | Note 1 |

Note 1: Amount was recognized on the basis of reviewed financial statements.

Note 2: Including unrealized intercompany gains (losses).

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**DECEMBER 31, 2022**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company Accounted for Using the Equity Method | Main Businesses and Products | Total Amount of Paid-in Capital | Investment Type | Accumulated Outflow of Investments from Taiwan as of January 1, 2022 | Investment Flows | | Accumulated Outflow of Investments from Taiwan as of December 31, 2022 | Net Income (Loss) of the Investee | Percentage of Ownership in Investment | Investment Gain (Loss) (Note 2) | Carrying Value as of December 31, 2022 (Note 2) | Accumulated Inward Remittance of Earnings as of December 31, 2022 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| Powertech Technology (Suzhou) Ltd. | Semiconductor testing and assembly services | $ 3,070,800 (US$ 100,000) | Note 1 | $ 1,566,108 (US$ 51,000) | $ - | $ - | $ 1,566,108 (US$ 51,000) | $ 2,350 (US$ 135) | 100% | $ 9,173 (US$ 364) | $ 1,716,736 (US$ 55,905) | $ - | - |
| Powertech Technology (Xian) Ltd. | Semiconductor testing and assembly services | 2,149,560 (US$ 70,000) | Note 1 | 1,861,058 (US$ 60,605) | - | 191,710 (US$ 6,243) | 1,669,348 (US$ 54,362) | 620,931 (US$ 20,825) | 100% | 620,931 (US$ 20,825) | 3,050,248 (US$ 99,331) | 480,212 (US$ 15,638) | - |

| Investee Company Accounted for Using the Equity Method | Accumulated Investment in Mainland China as of December 31, 2022 (In Thousands of USD) | Investment Amounts Authorized by the Investment Commission, MOEA (In Thousands of USD) | Ceiling Amount on of the Corporation's Investment in Mainland China |
|---|---|---|---|
| Powertech Technology (Suzhou) Ltd | US$ 51,000 | US$ 79,000 | $ 31,373,374 |
| Powertech Technology (Xian) Ltd | US$ 54,362 | US$ 70,000 | |

Note 1: Indirect investments through Powertech Holding (BVI) Inc., the Corporation's 100%-owned subsidiary.

Note 2: Amount was recognized on the basis of reviewed financial statements.

Note 3: Based on the exchange rate as of December 31, 2022.