

**Phihong Technology Co., Ltd. and Subsidiaries**

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

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders

Phihong Technology Co., Ltd.

### **Introduction**

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

### **Scope of Review**

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

### **The basis for Qualified Conclusion**

As disclosed in Note 14 to the consolidated financial statements, the carrying values of the Group's investments accounted for using the equity method of \$107,339 thousand and \$139,883 thousand as of March 31, 2022 and 2021, respectively, and the comprehensive loss from the investments of \$3,987 thousand and \$9,804 thousand for the three months ended March 31, 2022 and 2021, respectively, were based on these investees' unreviewed financial statements.

## **Qualified Conclusion**

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

The engagement partners on the reviews audit resulting in this independent auditors’ review report are Ker-Chang Wu and Kuo-Tien Hung.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 5, 2022

### Notice to Readers

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

**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

(In Thousands of New Taiwan Dollars)

	March 31, 2022 (Reviewed)		December 31, 2021 (Audited)		March 31, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$2,153,389	18	\$3,590,920	26	\$1,594,104	14
Financial assets at fair value through profit or loss - current (Note 7)	-	-	-	-	86,909	1
Financial assets at amortized cost - current (Notes 9 and 30)	231,895	2	224,588	2	1,472,555	13
Notes receivables (Note 10)	8,817	-	16,886	-	-	-
Trade receivables (Note 10)	2,300,067	19	2,229,231	16	2,096,990	18
Other receivables	12,510	-	21,905	-	21,681	-
Inventories (Note 11)	3,335,258	27	3,204,432	24	2,292,279	20
Non-current assets held for sale (Note 12)	-	-	244,696	2	244,893	2
Other current assets	151,882	1	146,685	1	111,128	1
Total current assets	<u>8,193,818</u>	<u>67</u>	<u>9,679,343</u>	<u>71</u>	<u>7,920,539</u>	<u>69</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	93,407	1	87,226	1	64,836	1
Financial assets at amortized cost - non-current (Notes 9 and 30)	20,009	-	20,458	-	37,684	-
Investments accounted for using equity method (Note 14)	107,339	1	111,326	1	139,883	1
Property, plant and equipment (Note 15)	3,429,174	28	3,262,587	24	2,904,161	25
Right-of-use assets (Note 16)	319,560	3	294,723	2	278,587	2
Intangible assets (Note 17)	28,967	-	30,540	-	24,597	-
Deferred tax asset	44,454	-	53,114	-	63,013	1
Other non-current assets	71,159	-	73,343	1	59,569	1
Total non-current assets	<u>4,114,069</u>	<u>33</u>	<u>3,933,317</u>	<u>29</u>	<u>3,572,330</u>	<u>31</u>
<b>TOTAL</b>	<u>\$12,307,887</u>	<u>100</u>	<u>\$13,612,660</u>	<u>100</u>	<u>\$11,492,869</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 18)	\$908,823	7	\$962,781	7	\$541,690	5
Contract liabilities – current (Notes 23)	19,112	-	-	-	-	-
Trade payables	2,834,597	23	3,200,680	24	2,775,206	24
Trade payables to related parties (Note 29)	64,409	1	61,122	-	89,377	1
Other payables (Note 20)	539,869	5	613,750	5	527,183	4
Current tax liabilities	29,010	-	23,612	-	21,750	-
Lease liabilities - current (Note 16)	23,491	-	20,547	-	7,174	-
Current portion of long-term borrowings (Notes 18 and 19)	215,554	2	832,930	6	1,247,500	11
Other current liabilities (Note 20)	260,328	2	417,868	3	309,589	3
Total current liabilities	<u>4,895,193</u>	<u>40</u>	<u>6,133,290</u>	<u>45</u>	<u>5,519,469</u>	<u>48</u>
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable (Note 19)	698,383	6	698,283	5	697,979	6
Long-term borrowings (Note 18)	612,734	5	766,108	6	550,609	5
Deferred tax liabilities	49,120	-	56,520	-	69,980	-
Lease liabilities - non-current (Note 16)	40,120	-	24,704	-	11,048	-
Net defined benefit liability - non-current	83,975	1	87,092	1	90,972	1
Other non-current liabilities	9,631	-	9,305	-	626	-
Total non-current liabilities	<u>1,493,963</u>	<u>12</u>	<u>1,642,012</u>	<u>12</u>	<u>1,421,214</u>	<u>12</u>
Total liabilities	<u>6,389,156</u>	<u>52</u>	<u>7,775,302</u>	<u>57</u>	<u>6,940,683</u>	<u>60</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)</b>						
Ordinary shares	<u>3,752,084</u>	<u>30</u>	<u>3,752,084</u>	<u>28</u>	<u>3,376,884</u>	<u>30</u>
Capital surplus	<u>2,179,372</u>	<u>18</u>	<u>2,179,372</u>	<u>16</u>	<u>1,044,017</u>	<u>9</u>
Retained earnings						
Legal reserve	612,916	5	612,916	4	767,660	7
Special reserve	230,859	2	230,859	2	230,859	2
Accumulated deficits	(397,334)	(3)	(316,924)	(2)	(325,279)	(3)
Total retained earnings	<u>446,441</u>	<u>4</u>	<u>526,851</u>	<u>4</u>	<u>673,240</u>	<u>6</u>
Other equity						
Exchange differences on translating the financial statements of foreign operations	(364,638)	(3)	(523,866)	(4)	(460,720)	(4)
Unrealized loss on financial assets at fair value through other comprehensive income	(85,572)	(1)	(88,412)	(1)	(72,313)	(1)
Total other equity	<u>(450,210)</u>	<u>(4)</u>	<u>(612,278)</u>	<u>(5)</u>	<u>(533,033)</u>	<u>(5)</u>
Total equity attributable to owners of the Company	<u>5,927,687</u>	<u>48</u>	<u>5,846,029</u>	<u>43</u>	<u>4,561,108</u>	<u>40</u>
<b>NON-CONTROLLING INTERESTS (Note 22)</b>	<u>(8,956)</u>	<u>-</u>	<u>(8,671)</u>	<u>-</u>	<u>(8,922)</u>	<u>-</u>
Total equity	<u>5,918,731</u>	<u>48</u>	<u>5,837,358</u>	<u>43</u>	<u>4,552,186</u>	<u>40</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$12,307,887</u>	<u>100</u>	<u>\$13,612,660</u>	<u>100</u>	<u>\$11,492,869</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche review report dated May 5, 2022)

**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

**(Reviewed, Not Audited)**

	<b>For the three months ended March 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE (Notes 23 and 34)	\$2,969,109	100	\$2,542,489	100
OPERATING COSTS (Notes 11 and 29)	2,631,475	89	2,300,180	91
OPERATING GROSS PROFIT	337,634	11	242,309	9
OPERATING EXPENSES				
Sales and marketing expenses	170,424	6	121,973	5
General and administration expenses	122,364	4	121,947	4
Research and development expenses	186,435	6	173,992	7
Expected credit impairment gain	(107)	-	(978)	-
Total operating expenses	479,116	16	416,934	16
LOSS FROM OPERATIONS	(141,482)	(5)	(174,625)	(7)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 24)	5,008	-	7,364	-
Other income (Note 24)	21,864	1	12,510	-
Other gains and losses (Note 24)	57,357	2	(6,232)	-
Finance costs (Note 24)	(13,229)	(1)	(7,643)	-
Share of loss of from associates account for using the equity method (Note 14)	(646)	-	(490)	-
Total non-operating income and expenses	70,354	2	5,509	-
LOSS BEFORE INCOME TAX	(71,128)	(3)	(169,116)	(7)
INCOME TAX EXPENSE (Note 25)	(9,285)	-	(1,422)	-
LOSS FOR THE PERIOD	(80,413)	(3)	(170,538)	(7)

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	<b>For the three months ended March 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that may not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 22)	\$6,181	-	(\$992)	-
Share of the other comprehensive loss of associates accounted for using the equity method (Note 22)	(3,341)	-	(9,314)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 22)	158,946	6	(11,851)	(1)
Total other comprehensive income (loss)	<u>161,786</u>	<u>6</u>	<u>(22,157)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<u>\$81,373</u>	<u>3</u>	<u>(\$192,695)</u>	<u>(8)</u>
<b>LOSS ATTRIBUTABLE TO:</b>				
Owners of the Company	(\$80,410)	(3)	(\$170,535)	(7)
Non-controlling interests	(3)	=	(3)	=
Total	<u>(\$80,413)</u>	<u>(3)</u>	<u>(\$170,538)</u>	<u>(7)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$81,658	3	(\$192,682)	(8)
Non-controlling interests	(285)	=	(13)	=
Total	<u>\$81,373</u>	<u>3</u>	<u>(\$192,695)</u>	<u>(8)</u>
Loss per share (Note 26)				
Basic	<u>(\$0.21)</u>		<u>(\$0.51)</u>	

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

(With Deloitte & Touche review report dated May 5, 2022)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of The Company						Other Equity		Non-Controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total		
			Legal Reserve	Special Reserve	Accumulated Deficits					
Balance at January 1, 2021	\$3,376,884	\$1,044,017	\$767,660	\$230,859	(\$154,744)	(\$448,879)	(\$62,007)	\$4,753,790	(\$8,909)	\$4,744,881
Loss for the three months ended March 31, 2021	-	-	-	-	(170,535)	-	-	(170,535)	(3)	(170,538)
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	(11,841)	(10,306)	(22,147)	(10)	(22,157)
Total comprehensive income (loss) for the three months ended March 31, 2021	=	=	=	=	(170,535)	(11,841)	(10,306)	(192,682)	(13)	(192,695)
Balance on March 31, 2021	\$3,376,884	\$1,044,017	\$767,660	\$230,859	(\$325,279)	(\$460,720)	(\$72,313)	\$4,561,108	(\$8,922)	\$4,552,186
Balance on January 1, 2022	\$3,752,084	\$2,179,372	\$612,916	\$230,859	(\$316,924)	(\$523,866)	(\$88,412)	\$5,846,029	(\$8,671)	\$5,837,358
Loss for the three months ended March 31, 2022	-	-	-	-	(80,410)	-	-	(80,410)	(3)	(80,413)
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	159,228	2,840	162,068	(282)	161,786
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	(80,410)	159,228	2,840	81,658	(285)	81,373
Balance at March 31, 2022	\$3,752,084	\$2,179,372	\$612,916	\$230,859	(\$397,334)	(\$364,638)	(\$85,572)	\$5,927,687	(\$8,956)	\$5,918,731

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

(With Deloitte & Touche review report dated May 5, 2022)

**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**

**(In Thousands of New Taiwan Dollars)**

**(Reviewed, Not Audited)**

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(\$71,128)	(\$169,116)
Adjustments for:		
Depreciation expense	73,254	71,686
Amortization expense	3,436	3,080
Excepted credit impairment gain	(107)	(978)
Earnings on fair value change of financial assets designated as at fair value through profit	-	(43)
Finance costs	13,229	7,643
Interest income	(5,008)	(7,364)
Share of loss from associates accounted for using the equity method	646	490
Loss on disposal of property, plant and equipment	328	583
Loss on disposal of intangible assets	1	-
Gains from the disposal of non-current assets held for sale	(11,765)	-
Gain on disposal of investment	-	(296)
Allowance for inventory valuation and obsolescence loss	27,108	27,871
Net changes in operating assets and liabilities		
Notes receivables	8,069	-
Trade receivables	(70,771)	(76,604)
Other receivables	(816)	5,297
Inventories	(157,934)	(305,081)
Other current assets	(7,511)	(11,239)
Contract liabilities	19,112	-
Trade payables	(366,083)	(71,526)
Trade payables to related parties	3,287	6,880
Other payables	(87,958)	(36,738)
Other current liabilities	(157,540)	18,476
Net defined benefit liability	(3,117)	(3,096)
Cash used in from operations	(791,268)	(540,075)
Interest received	15,219	5,715
Interest paid	(15,213)	(13,508)
Income tax received (paid)	(199)	122
Net cash used in from operating activities	<u>(791,461)</u>	<u>(547,746)</u>

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	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(\$500)	(\$472,322)
Proceeds from disposal of financial assets at amortized cost	949	-
Purchase of financial assets at fair value through profit or loss	-	(130,916)
Proceeds from sale of financial assets at fair value through profit or loss	-	87,375
Proceeds from disposal of non-current assets held for sale	257,048	-
Payments for property, plant and equipment	(120,415)	(293,472)
Proceeds from disposal of property, plant and equipment	201	878
Payments for intangible assets	(1,253)	(35)
Decrease in refundable deposits	125	11
Increase in prepayments for equipment	(10,962)	(5,147)
Dividends received	-	2,679
Net cash (used in) generated from investing activities	<u>125,193</u>	<u>(810,949)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	285,370
Repayment of short-term borrowings	(64,980)	-
Issuance of corporate bonds	-	700,000
Proceeds from long-term borrowings	150,000	478,960
Repayment of long-term borrowings	(921,155)	(50,000)
Increase in guarantee deposits received	326	-
Decrease in guarantee deposits received	-	(3)
Repayment of the principal portion of lease liabilities	(6,094)	(2,335)
Payment for the cost of ordinary corporate bonds issuance	-	(2,028)
Special account for corporate bonds refunding	-	(1,000,000)
Net cash generated from (used in) financing activities	<u>(841,903)</u>	<u>409,964</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>70,640</u>	<u>(2,969)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(1,437,531)</u>	<u>(951,700)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>3,590,920</u>	<u>2,545,804</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><u>\$2,153,389</u></u>	<u><u>\$1,594,104</u></u>

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

(With Deloitte & Touche review report dated May 5, 2022)

## **PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**

**(In Thousands of New Taiwan Dollars, Except Per Share Data and Unless Stated Otherwise)**

**(Reviewed, Not Audited)**

#### **1. GENERAL INFORMATION**

Phihong Technology Co., Ltd. (“Phihong” or “the Company”), which was formerly known as Phihong Enterprise Co., Ltd. was incorporated on December 12, 1972 under the laws of the Republic of China (ROC). Under a resolution approved in the stockholders’ meeting in June 2003, Phihong changed its name to Phihong Technology Co., Ltd. Phihong primarily manufactures and sells AC/DC power adapters, charger bases, power supply modules, UPS (uninterruptible power supply) for computers, ballasts, etc.

In February 2000, Phihong was authorized to trade its stocks on the Taipei Exchange (TPEX) in Taiwan. In September 2001, Phihong’s stocks ceased to be traded on the TPEX, and Phihong later obtained the authorization to list its stocks on the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

#### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company’s board of directors on May 5, 2022.

#### **3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

Except for the following, whenever applied, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies.

- b. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

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

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

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The Group shall apply these amendments prospectively to the changes of accounting estimates and accounting policies for annual reporting periods beginning after January 1, 2023.

Note 4: Apart from recognizing deferred income tax based on the provisional differences of leases and decommissioning obligations, the amendments also apply to transactions occurred subsequently.

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

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

- a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for 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. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. 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 the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 13, Table 7 and Table 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, for the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefit costs

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

2) Other long-term employee benefits

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

3) Taxation

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

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

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

The Group includes the possible effects of the outbreak of COVID-19 on the development and economic environment around the world into consideration of major accounting estimates, including cash flow estimation, growth rate, discount rate, and profitability. Management will continue to monitor, make estimations, and provide basic assumptions. If the revision of the estimate only affects the current period, it will be recognized in the current period of the revision; if the revision of the accounting estimate affects both the current period and the future period, it will be recognized in the current period and the future period of the revision.

## 6. CASH AND CASH EQUIVALENTS

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand	\$2,618	\$2,507	\$2,530
Checking accounts and demand deposits	2,115,638	3,566,243	1,581,574
Cash equivalent (investments with original maturities of less than 3 months)			
Time deposits	35,133	22,170	10,000
	<u>\$2,153,389</u>	<u>\$3,590,920</u>	<u>\$1,594,104</u>

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Demand deposits and time deposits	0.001%~3.15%	0.001%~3.045%	0.001%~3.05%

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Financial assets at fair value through profit or loss (i.e. FVTPL) – current			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	\$-	\$-	\$86,909

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Non-current</u>			
Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI)			
Domestic unlisted ordinary shares	\$93,407	\$87,226	\$64,836

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Current</u>			
Time deposits with original maturity more than 3 months	\$231,895	\$224,588	\$472,555
Restricted bank deposits	-	-	1,000,000
	<u>\$231,895</u>	<u>\$224,588</u>	<u>\$1,472,555</u>
<u>Non-current</u>			
Restricted bank deposits	<u>\$20,009</u>	<u>\$20,458</u>	<u>\$37,684</u>

On March 31, 2022, December 31 and March 31, 2021, the Group set up a special account for the principal repayment of corporate bonds, a project performance bond, a domestic guaranteed corporate bond, and a pledge for a joint loan case with deposits of \$20,009 thousand, \$20,458 thousand and \$1,037,684 thousand, please refer to Note 30.

## 10. NOTES AND TRADE RECEIVABLES

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Notes receivables</u>			
At amortized cost			
Gross carrying amount	\$8,817	\$16,886	\$-
Less: Allowance for impairment loss	-	-	-
	<u>8,817</u>	<u>16,886</u>	<u>-</u>
<u>Trade receivables at amortized cost</u>			
At amortized cost			
Gross carrying amount	\$1,606,817	\$1,816,096	\$2,098,821
Less: Allowance for impairment loss	(2,944)	(3,009)	(1,831)
	<u>1,603,873</u>	<u>1,813,087</u>	<u>2,096,990</u>
FVTOCI	696,194	416,144	-
	<u>2,300,067</u>	<u>2,229,231</u>	<u>2,096,990</u>
	<u>\$2,308,884</u>	<u>\$2,246,117</u>	<u>\$2,096,990</u>

### a. Notes receivables

The Group has no overdue notes receivables as of March 31, 2022 and December 31, 2021.

### b. Trade receivables

#### Trade receivables at amortized cost

For the Group's average credit period for the sale of goods, the statistics for the average credit period are prepared according to the experience of trade receivable collection regarding the non-related parties for the past five years, and no interest accrued for trade receivable during the credit period.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables 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 and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group'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 Group's different customer base.

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

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

March 31, 2022

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Expected credit loss rate	0~0.24%	0.11~2.92 %	3.70~12.92 %	4.39~21.19 %	100.00%	
Gross carrying amount	\$1,437,052	\$160,852	\$3,303	\$4,594	\$1,016	\$1,606,817
Loss allowance (Lifetime ECL)	(90)	(1,268)	(280)	(290)	(1,016)	(2,944)
Amortized cost	<u>\$1,436,962</u>	<u>\$159,584</u>	<u>\$3,023</u>	<u>\$4,304</u>	<u>\$-</u>	<u>\$1,603,873</u>

December 31, 2021

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Expected credit loss rate	0~0.24%	0.24~2.94 %	5.52~12.76 %	6.56~18.69 %	13.62~100.00 %	
Gross carrying amount	\$1,682,122	\$120,489	\$8,774	\$3,210	\$1,501	\$1,816,096
Loss allowance (Lifetime ECL)	(260)	(726)	(486)	(272)	(1,265)	(3,009)
Amortized cost	<u>\$1,681,862</u>	<u>\$119,763</u>	<u>\$8,288</u>	<u>\$2,938</u>	<u>\$236</u>	<u>\$1,813,087</u>

March 31, 2021

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Expected credit loss rate	0.01~0.24%	0.22~5.78 %	5.53~12.36 %	6.36~37.13 %	19.49~100 %	
Gross carrying amount	\$1,991,941	\$104,690	\$1,045	\$187	\$958	\$2,098,821
Loss allowance (Lifetime ECL)	(318)	(666)	(60)	(27)	(760)	(1,831)
Amortized cost	<u>\$1,991,623</u>	<u>\$104,024</u>	<u>\$985</u>	<u>\$160</u>	<u>\$198</u>	<u>\$2,096,990</u>

The above aging schedule was based on the number of past due days from end of credit term.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$3,009	\$2,811
Less: Current gain from price recovery	(107)	(978)
Foreign exchange gains and losses	42	(2)
Balance at March 31	<u>\$2,944</u>	<u>\$1,831</u>

c. Trade receivables at FVTOCI

The Group determined to transfer trade receivables from certain major customers to the bank without recourse based on the working capital conditions. The operating model of the Group for managing such trade receivables is to achieve the purpose through collecting the contractual cash flows and the disposals of financial assets. Therefore, such trade receivables are measured at FVTOCI.

The loss on allowances of trade receivables at FVTOCI measured by the Group by using the provision matrix is as follows:

March 31, 2022

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0%	-	-	
Gross carrying amount	\$688,396	\$5,083	\$2,715	\$-	\$-	\$696,194
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$688,396</u>	<u>\$5,083</u>	<u>\$2,715</u>	<u>\$-</u>	<u>\$-</u>	<u>\$696,194</u>

December 31, 2021

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	-	-	-	
Gross carrying amount	\$411,843	\$4,301	\$-	\$-	\$-	\$416,144
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$411,843</u>	<u>\$4,301</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$416,144</u>

Information related to the sales of trade receivables of the Group for the period is as follows:

(In Thousands of United States Dollars/New Taiwan Dollars)

<u>Related Party</u>	<u>Amount for sale at the beginning of the period</u>	<u>Amount for sale for the current period</u>	<u>Cash received in the current period</u>	<u>Amount for sale at the end of the period</u>	<u>Cash advance as of the end of the period</u>	<u>Annual rate of interest of cash advance (%)</u>	<u>Retention of trade receivables for sale</u>	<u>Limit</u>	<u>Items for security</u>
Citi Bank	<u>\$1,482</u>	<u>\$222,756</u>	<u>\$224,238</u>	<u>\$-</u>	<u>\$-</u>	-	<u>\$-</u>	-	-
	(Note 1)	(Note 2)	(Note 3)						

The Group has entered into a sales contract for trade receivables with Citi Bank. The purchasing bank has confirmed that the relevant conditions for the goods transacted is free of recourse, and the transaction is an outright sales of debt receivables. According to the requirements of the contract, the Group is only responsible for losses arising from business disputes.

Note 1: USD53,588

Note 2: USD7,799,573

Note 3: USD7,853,161

## 11. INVENTORIES

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Raw materials	\$1,423,327	\$1,297,927	\$837,641
Work-in-process	441,800	376,003	276,771
Finished goods	1,470,131	1,530,502	1,177,867
	<u>\$3,335,258</u>	<u>\$3,204,432</u>	<u>\$2,292,279</u>

For the three months ended March 31, 2022 and 2021, the cost of inventories recognized as cost of goods sold was \$2,631,475 thousand and \$2,300,180 thousand, respectively. The cost of sales for each period includes the allowance for inventory valuation and obsolescence loss recognized for offsetting the cost of inventories to its net realizable value of NT\$27,108 thousand and NT\$27,871 thousand.

## 12. NON-CURRENT ASSETS HELD FOR SALE

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Dongguan Phitek Electronics Co., Ltd. Land use rights, Buildings, Machinery and Equipment, etc.	\$-	\$244,696	\$244,893

On February 27, 2020, the board of directors decided to dispose of the land use rights, buildings, machinery, and equipment of Dongguan Phitek Electronics Co., Ltd. (hereinafter referred to as PHP), the subsidiary company, and these assets are reclassified as non-current assets held for sale based on their carrying amount on February 28, 2020 and expressed separately in the consolidated balance sheet.

The breakdown of PHP non-current assets held for sale is as follows:

	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Land use rights	\$4,042	\$4,042
Buildings	258,005	258,005
Machinery and Equipment	1,244	1,244
Other Equipment	19,262	19,262
Less: Accumulated depreciation	<u>(39,850)</u>	<u>(39,850)</u>
	242,703	242,703
Effect of foreign currency exchange differences	<u>1,993</u>	<u>2,190</u>
	<u>\$244,696</u>	<u>\$244,893</u>

After the contract for the disposal of the above-mentioned non-current assets held for sale was signed, the delivery procedures were completed as of January 26, 2022, and the control of the non-current assets disposed of is to be transferred to the purchaser. The Group had completed the disposal procedures in Q1, 2022, and recognized gains from the disposal of NT\$11,765 thousand, accounted for under “other gains and losses.”

## 13. SUBSIDIARIES

<u>Investor</u>	<u>Investee</u>	<u>Main Business</u>	<u>Percentage of Ownership</u>			<u>Description</u>
			<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	
Phihong	Phihong International Corp. (“PHI”)	Makes investments	100.00	100.00	100.00	Note 1
Phihong	Phitek International Co., Ltd. (“PHK”)	Makes investments	100.00	100.00	100.00	
Phihong	Ascent Alliance Ltd. (“PHQ”)	Makes investments	100.00	100.00	100.00	
Phihong	Phihong USA Corp. (“PHA”)	Sells various power supplies	100.00	100.00	100.00	
Phihong	Phihong Technology Japan Co., Ltd. (“PHJ”)	Sells power components	100.00	100.00	100.00	

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<b>Investor</b>	<b>Investee</b>	<b>Main Business</b>	<b>Percentage of Ownership</b>			<b>Description</b>
			<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>	
Phihong	Guang-Lai Investment Co., Ltd. (“Guang-Lai”)	Makes investments	100.00	100.00	100.00	
Phihong	Phihong Vietnam Co., Ltd. (“PHV”)	Manufactures and sells various power supplies	100.00	100.00	100.00	
Phihong	Phehicle Co., Ltd. (the “Phehicle”)	Manufactures and sells various power supplies	100.00	-	-	Note 3
PHI Company	Phihong Dongguan Electronics Co. Ltd. (“PHC”)	Manufactures and sells various power supplies	100.00	100.00	100.00	
PHI Company	Phihong Electronics (Suzhou) Co., Ltd. (“PHZ”)	Manufactures and sells various power supplies	100.00	100.00	100.00	
PHI Company	N-Lighten Technologies, Inc. (“N-Lighten”)	Makes investments	58.45	58.45	58.45	
PHI Company	Yanghong Trade (Shanghai) Co., Ltd. (“Yanghong”)	Sells various lighting and power supplies	100.00	100.00	100.00	
PHK Company	Dongguan Phitek Electronics Co., Ltd. (“PHP”)	Manufactures and sells various power supplies	100.00	100.00	100.00	Note 2
PHQ Company	Dongguan Shuang-Ying Electronics Co., Ltd. (“PHSY”)	Manufactures and sells electronic materials	100.00	100.00	100.00	
PHQ Company	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (“PHE”)	Manufactures and sells electronic materials	100.00	100.00	100.00	
Guang-Lai Investment Co., Ltd.	N-Lighten	Makes investments	19.78	19.78	19.78	

Note 1: In response to the operating requirements of the Group, in December 2021, the board of directors of the Company approved the resolution for the capital reduction of PHI in the amount of US\$8,640 thousand. After the capital reduction, the capital of PHI became \$3,209,288 thousand (US\$102,421 thousand); the base date for the capital reduction was January 6, 2022.

Note 2: In response to the adjustments to the Group’s operating requirements, Phihong Company, through the resolution made by the Board, determined to perform the capital increase of Dongguan Phitek Electronics Co., Ltd. in the amount of US\$8,640 thousand through subsidiary Phitek International Co., Ltd. in December 2021, and the capital increase was completed in March 2022.

Note 3: Phihong Company, through the resolution made by the Board, approved to establish the Pehicle Co., Ltd. in January 20, 2022, and the approval letter for the establishment was obtained on March 4, 2022, with a registered capital of NT\$1,000 thousand, and a shareholding of 100%.

See Tables 7 and 8 for the information on places of incorporation and principal places of business.

#### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

##### Investments in associates:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Associates that are not individually material	\$107,339	\$111,326	\$139,883

##### Associates that are not individually material

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
The Group's share of:		
Loss for the year	(\$646)	(\$490)
Other comprehensive loss	(3,341)	(9,314)
Total comprehensive loss	<u>(\$3,987)</u>	<u>(\$9,804)</u>

Refer to Table 7 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of the Group are calculated based on the financial statements before the review of CPAs.

## 15. PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2022	\$521,412	\$2,428,902	\$2,353,841	\$673,319	\$626,613	\$6,604,087
Additions	-	5,256	39,721	3,303	89,154	137,434
Disposals	-	(112)	(12,438)	(6,021)	-	(18,571)
Effect of foreign currency exchange differences	958	60,893	60,151	9,018	23,636	154,656
Reclassification	-	1,698	13,956	210	(1,698)	14,166
Balance at March 31, 2022	<u>\$522,370</u>	<u>\$ 2,496,637</u>	<u>\$2,455,231</u>	<u>\$679,829</u>	<u>\$737,705</u>	<u>\$6,891,772</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$-	\$902,028	\$1,901,348	\$538,124	\$-	\$3,341,500
Disposals	-	(112)	(12,099)	(5,831)	-	(18,042)
Depreciation expense	-	19,990	33,299	12,520	-	65,809
Effect of foreign currency exchange differences	-	21,894	45,091	6,346	-	73,331
Balance at March 31, 2022	<u>\$-</u>	<u>\$943,800</u>	<u>\$ 1,967,639</u>	<u>\$551,159</u>	<u>\$-</u>	<u>\$3,462,598</u>
Carrying amounts at December 31, 2021 and January 1, 2022	<u>\$521,412</u>	<u>\$ 1,526,874</u>	<u>\$ 452,493</u>	<u>\$135,195</u>	<u>\$626,613</u>	<u>\$3,262,587</u>
Carrying amounts at March 31, 2022	<u>\$522,370</u>	<u>\$ 1,552,837</u>	<u>\$ 487,592</u>	<u>\$128,670</u>	<u>\$737,705</u>	<u>\$3,429,174</u>
<u>Cost</u>						
Balance at January 1, 2021	\$246,480	\$2,464,136	\$2,431,495	\$656,924	\$86,289	\$5,885,324
Additions	194,068	6,882	14,927	4,128	73,973	293,978
Disposals	-	-	(37,266)	(8,519)	-	(45,785)
Effect of foreign currency exchange differences	(809)	(7,225)	(5,730)	(917)	(756)	(15,437)
Reclassification	84,075	137	10,277	2,200	(137)	96,552
Balance at March 31, 2021	<u>\$523,814</u>	<u>\$2,463,930</u>	<u>\$2,413,703</u>	<u>\$653,816</u>	<u>\$159,369</u>	<u>\$6,214,632</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$-	\$849,145	\$1,908,013	\$537,627	\$-	\$3,294,785
Disposals	-	-	(35,805)	(8,519)	-	(44,324)
Depreciation expense	-	20,385	35,190	12,132	-	67,707
Effect of foreign currency exchange differences	-	(2,505)	(4,384)	(808)	-	(7,697)
Balance at March 31, 2021	<u>\$-</u>	<u>\$867,025</u>	<u>\$1,903,014</u>	<u>\$540,432</u>	<u>\$-</u>	<u>\$3,310,471</u>
Carrying amounts at March 31, 2021	<u>\$523,814</u>	<u>\$1,596,905</u>	<u>\$510,689</u>	<u>\$113,384</u>	<u>\$159,369</u>	<u>\$2,904,161</u>

The Groups' items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful life:

Buildings	
Main building	50 years
Engineering system	10 years
Machinery and equipment	3 to 10 years
Other equipment	3 to 5 years

Property, plant and equipment used by the Group and pledged as secure long-term borrowings are set out in Note 30.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Carrying amounts			
Land (including land use rights)	\$280,026	\$251,830	\$263,644
Buildings	7,560	8,327	10,109
Machinery and Equipment	25,847	28,090	-
Office equipment	-	-	202
Transportation equipment	4,999	5,543	3,024
Computer Software	422	-	-
Other Equipment	706	933	1,608
	<u>\$319,560</u>	<u>\$294,723</u>	<u>\$278,587</u>

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$22,691</u>	<u>\$-</u>
<u>Depreciation charge for right-of- use assets</u>		
Land (including land use rights)	\$2,397	\$2,238
Buildings	1,017	873
Machinery and Equipment	3,172	-
Office equipment	-	121
Transportation equipment	657	539
Other Equipment	202	208
	<u>\$7,445</u>	<u>\$3,979</u>
<u>Amortization expense for right-of- use assets</u>		
Computer Software	<u>\$38</u>	<u>\$-</u>

### b. Lease liabilities

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Carrying amounts			
Current	<u>\$23,491</u>	<u>\$20,547</u>	<u>\$7,174</u>
Non-current	<u>\$40,120</u>	<u>\$24,704</u>	<u>\$11,048</u>

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Land	1.200%~1.250%	1.200%	1.200%
Buildings	1.030%~4.875%	1.030%~4.875%	1.030%~5.220%
Machinery and equipment	4.000%	4.000%	-
Office equipment	-	-	4.875%
Transportation equipment	1.155%~4.000%	1.155%~4.000%	1.155%~5.220%
Computer software	0.6%	-	-
Other equipment	1.030%~1.155%	1.030%~1.160%	1.030%

c. Material lease-in activities and terms

The Group leases certain machinery, office, transportation, computer software, and other equipment for the use of product manufacturing and R&D with lease terms of 2 to 9 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

The Group also leases land and buildings for the use of plants, offices and parking lot with lease terms of 2 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	\$1,897	\$5,054
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$143	\$147
Total cash (outflow) for leases	(\$8,134)	(\$7,536)

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

## 17. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2022	\$124,250
Additions	1,253
Reclassification	172
Disposals	(6)
Effect of foreign currency exchange differences	1,364
Balance at March 31, 2022	<u>\$127,033</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$93,710
Amortization expense	3,398
Disposals	(5)
Effect of foreign currency exchange differences	963
Balance at March 31, 2022	<u>\$98,066</u>
Carrying amounts at December 31, 2021 and January 1, 2022	<u>\$30,540</u>

	<u>Computer Software</u>
Carrying amounts at March 31, 2022	<u>\$28,967</u>
<u>Cost</u>	
Balance at January 1, 2021	\$118,623
Additions	35
Disposals	(4,454)
Effect of foreign currency exchange differences	(106)
Balance at March 31, 2021	<u>\$114,098</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$90,944
Amortization expense	3,080
Disposals	(4,454)
Effect of foreign currency exchange differences	(69)
Balance at March 31, 2021	<u>\$89,501</u>
Carrying amounts at March 31, 2021	<u>\$24,597</u>

The above items of intangible assets are amortized on a straight-line basis over estimated useful life of 2 to 5 years.

## 18. BORROWINGS

### Short-term borrowings

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Unsecured loan</u>			
Phihong	\$571,200	\$636,180	\$541,690
PHV	188,912	182,959	-
	<u>760,112</u>	<u>819,139</u>	<u>541,690</u>
<u>Secured loan</u>			
PHC	148,711	143,642	-
	<u>\$908,823</u>	<u>\$962,781</u>	<u>\$541,690</u>
Interest rate range	0.87%~1.39%	0.72%~1.30%	0.80%~0.90%

### Long-term Borrowings

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Unsecured loan</u>			
Phihong	\$375,320	\$1,102,807	\$520,000
<u>Secured loan</u>			
Phihong	453,126	496,794	280,000
Less: discount	(158)	(563)	(1,891)
Long-term loans payable - current portion	(215,554)	(832,930)	(247,500)
	<u>\$612,734</u>	<u>\$766,108</u>	<u>\$550,609</u>
Interest rate range	1.2740%~1.9878%	1.0500%~1.9879%	1.2740%~1.9870%

- a. As of March 31, 2022, December 31 and March 31, 2021, the Company had short-term bank borrowings with the contract term from March 31, 2022 to May 9, 2022, November 8, 2021 to March 11, 2022 and from February 19, 2020 to April 29, 2021, the interest to be paid monthly.
- b. As of March 31, 2022 and December 31, 2021, the term for the short-term bank borrowings of PHV was from July 12, 2021 to August 3, 2022, with interest paid monthly.
- c. As of March 31, 2022 and December 31, 2021, the term for the short-term bank borrowings of PHC was from December 27, 2021 to June 24, 2022, with interest paid upon expiry.
- d. As of March 31, 2022, December 31 and March 31, 2021, the Company had long-term bank borrowings with the contract term from August 22, 2019 to April 7, 2036, August 22, 2019 to April 7, 2036 and from August 22, 2019 to September 10, 2023, the interest to be paid monthly.
- e. Pihong Technology Co., Ltd. signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank and co-sponsored by Yuanta Commercial Bank along with 7 other banks participating in the loan, on April 30, 2019. The contract period is 3 years with the total credit limit of NTD\$ 1 billion, including NTD \$450 million of item A loan limit and NTD \$550 million for item B loan limit, which will be used by the parent company to support the factory investment plan of the Vietnamese subsidiary and enrich the group operating turnover fund. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, Pihong Technology Co., Ltd shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial report with an accountant's visa which is to be reviewed every half year):
  - a) The current ratio (current assets/current liabilities) shall not be less than 100%.
  - b) The net debt ratio (total debt/net tangible value) shall not be higher than 150%.
  - c) The interest protection multiples [(pre-tax profit + depreciation + amortization + interest expense)/interest expense] shall be maintained at more than two times (inclusive).
  - d) Net tangible value (net value minus intangible assets) shall not be less than NTD \$4.5 billion.For information on pledged properties and endorsements/guarantees, refer to Notes 29 and 30.
- f. On December 15, 2021, the Company submitted an application to the syndicate banks regarding the contract dated April 30, 2019 for the amendment that the borrowing limit shall be extended to July 30, 2024 from July 30, 2022, and the syndicated banks approved the application on March 1, 2022. The financial ratios and restrictive agreements above are reviewed based on the annual and interim consolidated financial reports certified by CPAs recognized by the bank managing the limits.
- g. As of December 31, 2021, the borrowing amount from the syndicated loan was \$882,500 thousand, and the times interest earned ratio failed to comply with the requirements above. Therefore, the

period from the submission date of the Q2 consolidated financial statements in 2021 to the submission date of the consolidated financial statements for the year ended 2021 shall be the improvement period; during the improvement period, such condition shall not be deemed as a default, and the Company pays service charges calculated at 0.1% of the credit loan's balances per annum to the managing bank. However, on December 30, 2021, the Company has submitted an application to the syndicated banks for exemption from the requirement regarding the violation of the times interest earned ratio, and the exemption application was approved by the syndicated banks on March 1, 2022.

## 19. BONDS PAYABLE

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Secured domestic bonds	\$698,383	\$698,283	\$1,697,979
Less: Long-term loans payable - current portion	-	-	(1,000,000)
	<u>\$698,383</u>	<u>\$698,283</u>	<u>\$697,979</u>

### Secured domestic bonds

On April 1, 2016, the Company issued 100 units of \$10,000 thousand, 0.95% secured bonds in Taiwan, with an aggregate principal of \$1,000,000 thousand, and it has been liquidated on April 1, 2021.

On March 25, 2021, the Company issued 70 units of \$10,000 thousand, 0.60% secured bonds in Taiwan, with an aggregate principal of \$700,000 thousand.

For information on pledged properties and endorsements/guarantees, refer to Notes 29 and 30.

## 20. OTHER LIABILITIES

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Current</u>			
Other payables			
Payables for salaries and bonuses	\$158,082	\$215,373	\$159,763
Payables for annual leave	53,321	53,224	46,903
Payables for purchases of equipment	28,492	11,472	8,127
Others	299,974	333,681	312,390
	<u>\$539,869</u>	<u>\$613,750</u>	<u>\$527,183</u>
Other liabilities			
Temporary receipts	\$105,621	\$79,009	\$68,339
Advance payment for sale of plant land (Note 12)	-	164,945	169,824
Others	154,707	173,914	71,426
	<u>\$260,328</u>	<u>\$417,868</u>	<u>\$309,589</u>

## 21. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2022 and 2021, employee benefit expenses in respect of the Group's defined benefit retirement plans were \$184 thousand and \$205 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2021 and 2020.

## 22. EQUITY

### a. Share Capital

#### Ordinary shares

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Number of shares authorized (in thousands)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$6,000,000</u>	<u>\$6,000,000</u>	<u>\$6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>375,208</u>	<u>375,208</u>	<u>337,688</u>
Shares issued	<u>\$3,752,084</u>	<u>\$3,752,084</u>	<u>\$3,376,884</u>

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

Considering the long-term cooperating relationships with strategic investors, healthy financial structure, and improvement in operating efficacy, the Company passed the resolution for the private offering of ordinary shares at the extraordinary shareholders' meeting on December 16, 2021 to, within the limit of 37,520 thousand shares, authorize the board of directors to organize the private offering of ordinary shares in two batches within one year from the date of the resolution made at the extraordinary shareholders' meeting. The Company approved the communication with particular subscribers at the board meeting on December 22, 2021, and set December 24, 2021 as the base date for the capital increase to issue 37,520 thousand ordinary shares under private offering. The establishment of the price for the ordinary shares under the private offering adopted the following standards for calculation: (a) the calculation of the simple average closing price of the ordinary shares for either the 1, 3, or 5 business days before the pricing date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; or (b) the calculation of the simple average closing price of the ordinary shares for the 30 business days before the pricing date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction; with the higher of the two as the reference price, the reference price for the private offering is \$44.73 per share; the subscription price payable of \$40.26 per share was established based on 90% of the reference price. The capital increase through the private

offering of ordinary shares mentioned above was completed on December 24, 2021, and the alteration registration for the capital was completed on March 23, 2022.

b. Capital Surplus

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u>			
Issuance of common shares	\$1,379,472	\$1,379,472	\$244,117
Conversion of bonds	667,058	667,058	667,058
Treasury share transactions	48,234	48,234	48,234
Interest payable on bond conversion	13,243	13,243	13,243
<u>May be used to offset a deficit only</u>			
Treasury share transactions	71,365	71,365	71,365
	<u>\$2,179,372</u>	<u>\$2,179,372</u>	<u>\$1,044,017</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, conversion of bonds and treasury share transactions) and donations, may be used to offset a deficit. In addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained Earnings and Dividend Policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 24-g.

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

If undistributed earnings in the previous period are insufficient to set aside the special reserve, the Company shall include income after tax for the current period, plus items other than income after tax, in the undistributed earnings for the current period.

d. Special Reserves

On the first-time adoption of IFRSs, the Company transferred to retained earnings unrealized revaluation increment and cumulative translation differences in the amounts of \$10,968 thousand and \$250,296 thousand, respectively. The increase in retained earnings that resulted from all IFRSs adjustments was smaller than the total revaluation and translation differences; therefore, the Company appropriated to the special reserve the amount of \$230,859 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

e. Other Equity Items

1) Exchange difference on translating the financial statements of foreign operations

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	(\$523,866)	(\$448,879)
Exchange differences arising on translating the financial statements of foreign operations	159,228	(11,841)
Balance at March 31	<u>(\$364,638)</u>	<u>(\$460,720)</u>

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

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	(\$88,412)	(\$62,007)
Generated in current period		
Unrealized gain or loss in equity instruments at fair value through other comprehensive income	6,181	(992)
Share from associates accounted for using the equity method	(3,341)	(9,314)
Balance at March 31	<u>(\$85,572)</u>	<u>(\$72,313)</u>

f. Non-Controlling Interests

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	(\$8,671)	(\$8,909)
Attributable to non-controlling interests:		
Loss for the year	(3)	(3)
Exchange differences on translating the financial statements of foreign operations	(282)	(10)
Balance at March 31	<u>(\$8,956)</u>	<u>(\$8,922)</u>

**23. REVENUE**

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$2,946,555	\$2,542,489
Other operating revenue		
Other revenue	22,554	-
	<u>\$2,969,109</u>	<u>\$2,542,489</u>
Contract balances		
	<b>March 31, 2022</b>	<b>March 31, 2021</b>
Contract liabilities		
Contract liabilities - current	<u>\$19,112</u>	<u>\$-</u>

**24. NET PROFIT RELATING TO CONTINUING OPERATIONS**

a. Interest income

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Bank deposits	\$4,823	\$7,004
Others	185	360
	<u>\$5,008</u>	<u>\$7,364</u>

b. Other income

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Others	<u>\$21,864</u>	<u>\$12,510</u>

c. Other gains and losses

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Net foreign exchange gains (losses)	\$47,873	(\$4,695)
Loss on disposal of property, plant and equipment	(328)	(583)
Gain on disposal of investment	-	296

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Gain on disposal of non-current assets held for sale (Note 12)	11,765	-
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	-	43
Others	(1,953)	(1,293)
	<u>\$57,357</u>	<u>(\$6,232)</u>

d. Depreciation and amortization

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$65,809	\$67,707
Right-of-use assets	7,483	3,979
Computer software	3,398	3,080
	<u>\$76,690</u>	<u>\$74,766</u>
An analysis of depreciation by function		
Operating costs	\$34,112	\$34,358
Operating expenses	39,142	37,328
	<u>\$73,254</u>	<u>\$71,686</u>
An analysis of amortization expense by function		
Operating costs	\$1,033	\$934
Operating expenses	2,403	2,146
	<u>\$3,436</u>	<u>\$3,080</u>

e. Finance costs

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Bank loans interest	\$8,209	\$4,910
Bonds payable	1,082	2,567
Lease liabilities	454	166
Disposal of trade receivables	967	-
Other finance costs	2,517	-
	<u>\$13,229</u>	<u>\$7,643</u>

f. Employee benefits expense

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$591,240	\$558,302
Post-employment benefits (Note 21)		
Defined contribution plans	5,965	5,404
Defined benefit plans	184	205
Total employee benefits expense	<u>\$597,389</u>	<u>\$563,911</u>
An analysis of employee benefits expense by function		

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$347,820	\$342,833
Operating expenses	249,569	221,078
	<u>\$597,389</u>	<u>\$563,911</u>

- g. Employees' compensation and remuneration to directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 10% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months ended March 31, 2022 and 2021, because of operation loss and accumulated deficits, the Company did not estimate the bonus to employees and the remuneration to directors and supervisors.

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

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

- h. Gain or loss on foreign currency exchange

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Foreign exchange gains	\$59,750	\$19,262
Foreign exchange losses	(11,877)	(23,957)
Net gains or losses	<u>\$47,873</u>	<u>(\$4,695)</u>

## 25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Current income tax		
In respect of the current period	\$8,025	\$7,235
Generated in the previous period	-	(2,003)
	<u>8,025</u>	<u>5,232</u>
Deferred income tax		
In respect of the current period	1,260	(3,810)
Total income tax expense recognized in profit or loss	<u>\$9,285</u>	<u>\$1,422</u>

b. Income tax assessments

The Company's income tax returns through 2019 have been assessed by the tax authorities.

**26. LOSS PER SHARE**

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Basic loss per share	<u>(\$0.21)</u>	<u>(\$0.51)</u>
<u>Loss for the period</u>		
	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Loss used in the computation of basic loss per share	<u>(\$80,413)</u>	<u>(\$170,538)</u>
Number of Shares		
	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in computation of basic loss per share	<u>375,208</u>	<u>337,688</u>

**27. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

**28. FINANCIAL INSTRUMENTS**

a. Fair value of financial instruments measured at fair value

Fair value hierarchy

March 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

(Continued)

(Continued from previous page)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
- Domestic unlisted equity	\$-	\$-	\$93,407	\$93,407
 <u>December 31, 2021</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds				
	\$-	\$-	\$-	\$-
 <u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
- Domestic unlisted equity	\$-	\$-	\$87,226	\$87,226
 <u>March 31, 2021</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds				
	\$86,909	\$-	\$-	\$86,909
 <u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
- Domestic unlisted equity	\$-	\$-	\$64,836	\$64,836

There were no transfers between Levels 1 and 2 in the current and prior periods.

Conciliation of financial instruments measures at level 3 fair value

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
Balance, beginning of period	\$87,226	\$65,828	\$65,828
Recognized in other comprehensive income (Unrealized gain [loss] on financial assets at FVTOCI)	6,181	3,804	(992)
Additions	-	18,000	-
Disposals	-	(406)	-
Balance, end of period	<u>\$93,407</u>	<u>\$87,226</u>	<u>\$64,836</u>

b. Categories of financial instruments

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
FVTPL			
Mandatorily at FVTPL	\$-	\$-	\$86,909
Financial assets at amortized cost (Note 1)	4,749,921	6,127,348	5,246,178
Financial assets at FVTOCI			
Investments in equity instruments at FVTOCI	93,407	87,226	64,836
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	5,903,112	7,144,959	6,430,170

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

Note 2: The balances include financial liabilities at amortized costs, which comprise short-term borrowings, contract liabilities, trade payables, trade payables to related parties, other payables, bonds payable, long-term borrowings, and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, financial assets at amortized costs, investment in equity instruments, notes receivables, trade receivables, other receivables, refundable deposits/guarantee deposits received, short-term borrowings, contract liabilities, trade payables, trade payables to related parties, other payables, long-term borrowings, bonds payable and lease liabilities. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's operating activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see a) below) and interest rates (see b) below).

a) Foreign currency risk

The Company and its subsidiaries had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group believed that its foreign currency assets and liabilities were not significantly exposed to foreign currency risk; thus, after assessing its balance of foreign currency assets and liabilities, it did not hedge the risk and did not adopt hedge accounting.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the USD, CNY, and VND.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis is for a 1% change in foreign currency rates and included only outstanding foreign currency denominated monetary items at the end of the reporting period. A positive number below indicates a decrease in pre-tax profit (loss) when New Taiwan dollars strengthen by 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit (loss) and the balances below would be negative.

	<b>For the three months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
USD	\$2,171	(\$4,916)
CNY	35	36
VND	2,769	1,958

b) Interest rate risk

The Group was exposed to fair value interest rate risk and cash flow interest rate risk from long-term, short term borrowings, bonds payable, and lease liabilities at both fixed and floating interest rates.

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Fair value interest rate risk			
Financial liabilities	\$910,705	\$997,817	\$2,086,831
Cash flow interest rate risk			
Financial liabilities	1,588,400	2,307,536	969,169

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk approximates the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of customers in view of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

## 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2022 and 2021, the Group had available unutilized bank loan facilities set out in (b) below.

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

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

March 31, 2022

	<b>On Demand or Less than 1 Year</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$3,438,875	\$-	\$-	\$3,438,875
Lease liabilities	23,491	25,954	14,166	63,611
Variable interest rate instrument	975,666	445,483	167,251	1,588,400
Fixed interest rate instrument	148,711	-	698,383	847,094
	<u>\$4,586,743</u>	<u>\$471,437</u>	<u>\$879,800</u>	<u>\$5,937,980</u>

Further information on the lease liability maturity analysis is as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	<u>\$23,491</u>	<u>\$32,797</u>	<u>\$7,323</u>

December 31, 2021

	<b>On Demand or Less than 1 Year</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$3,875,552	\$-	\$-	\$3,875,552
Lease liabilities	20,547	24,614	90	45,251
Variable interest rate instrument	1,541,428	595,141	170,967	2,307,536
Fixed interest rate instrument	254,283	-	698,283	952,566
	<u>\$5,691,810</u>	<u>\$619,755</u>	<u>\$869,340</u>	<u>\$7,180,905</u>

Further information on the lease liability maturity analysis is as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	<u>\$20,547</u>	<u>\$24,704</u>	<u>\$-</u>

March 31, 2021

	<b>On Demand or Less than</b>			
	<b>1 Year</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$3,391,766	\$-	\$-	\$3,391,766
Lease liabilities	7,174	10,154	894	18,222
Variable interest rate instrument	418,560	550,609	-	969,169
Fixed interest rate instrument	1,370,630	-	697,979	2,068,609
	<u>\$5,188,130</u>	<u>\$560,763</u>	<u>\$698,873</u>	<u>\$6,447,766</u>

Further information on the lease liability maturity analysis is as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	<u>\$7,174</u>	<u>\$11,048</u>	<u>\$-</u>

b) Financing facilities

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Unsecured bank facilities:			
Amount used	\$1,175,106	\$1,943,174	\$1,061,690
Amount unused	2,139,914	1,357,046	2,315,530
	<u>\$3,315,020</u>	<u>\$3,300,220</u>	<u>\$3,377,220</u>
Secured bank facilities:			
Amount used	\$601,837	\$640,436	\$280,000
Amount unused	1,279,757	1,210,532	473,550
	<u>\$1,881,594</u>	<u>\$1,850,968</u>	<u>\$753,550</u>

## 29. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Group</u>
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Dongguan Song Xiang Quanhong Products Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Spring City Resort Co., Ltd.	Associates
Peter Lin	Phihong's chairman

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

b. Purchase of goods

<u>Category of related parties</u>	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Other related parties	<u>\$37,408</u>	<u>\$41,614</u>

The purchase price of the Group from the above-mentioned related parties is based on factors such as product type, cost, market price, and market competition, and is not significantly different from that of ordinary manufacturers.

c. Accounts payable due from related parties

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Category of related parties</u>			
Other related parties	\$64,409	\$61,122	\$89,377

d. Compensation of key management personnel

The types and amounts of the remuneration of directors and other members of key management personnel were as follows:

	<b>For the three months ended March 31</b>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$6,994	\$6,719
Post-employment benefits	108	108
	<u>\$7,102</u>	<u>\$6,827</u>

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

e. Other transactions with related parties

The Company's chairman had provided guarantee for bonds payable, short-term borrowings and long-term borrowings of the Group. As of March 31, 2022, December 31 and March 31, 2021, the amounts of the borrowings were \$2,097,871 thousand, \$2,822,861 thousand and \$3,037,778 thousand, respectively.

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Group have been provided as collateral for the project performance bond, bank loan, and domestic secured corporate bonds:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Financial assets at amortized cost - current (Note 9)	\$-	\$-	\$1,000,000
Financial assets at amortized cost - non-current (Note 9)	20,009	20,458	37,684
Freehold land	463,345	463,345	463,345
Right-of-use assets - land use right	37,235	35,966	15,282
Buildings	480,991	458,358	433,068
	<u>\$1,001,580</u>	<u>\$978,127</u>	<u>\$1,949,379</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Payments for property, plant and equipment			
Signed amount	\$1,242,279	\$1,187,289	\$353,321
Unpaid amount	546,564	433,621	199,423

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

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

March 31, 2022

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$83,363	28.56	\$2,380,854
CNY	772	4.49297	3,467
VND	242,469,056	0.00125	303,086
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	75,763	28.56	2,163,804
VND	20,968,152	0.00125	26,210

December 31, 2021

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$77,516	27.66000	\$2,144,098
CNY	828	4.33984	3,595
VND	231,784,803	0.00121	280,460
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	87,929	27.66000	2,432,104
VND	12,215,432	0.00121	14,781

March 31, 2021

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$59,836	28.5100	\$1,705,925
CNY	818	4.34332	3,552
VND	192,984,590	0.00124	239,301
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	77,079	28.5100	2,197,522
VND	35,093,599	0.00124	43,516

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 9)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- c. Information of major shareholders: the names of shareholders with a shareholding ratio of 5% or more, their shareholding amount, and their proportional shareholdings. (Table 10)

#### **34. SEGMENT INFORMATION**

##### a. Basic Information of Operation Segments

##### 1) Classification of operating segments

The segments of the Group to be reported are as follows:

- a) Power Supply Products Segment: Mainly responsible for the R&D, design, manufacturing, sales, and after-sales service of power supply products.
- b) EV Energy Products Segment: Mainly responsible for the R&D, design, manufacture, sales, and after-sale services of EV energy products.

##### 2) Principles for measuring profit and loss of the operating segment

The accounting policies of each operating segment are the same as the important accounting policies described in Note 4. The profit and loss of the operating segment of the Group are measured by the operating profit and loss that can be controlled by the segment manager, and are used as the basis for management performance evaluations.

b. Segment revenues and results

The following was an analysis of the Group's revenue and results by reportable segment:

	<u>Power Supply</u>	<u>EV Energy</u>	<u>Total</u>
<u>For the three months ended</u>			
<u>March 31, 2022</u>			
Revenues from external customers	<u>\$2,807,624</u>	<u>\$161,485</u>	<u>\$2,969,109</u>
Segment losses	<u>(\$60,403)</u>	<u>(\$81,079)</u>	(\$141,482)
Interest income			5,008
Other income			21,864
Other gains and losses			57,357
Finance costs			(13,229)
Share of loss of associates			<u>(646)</u>
Loss before income tax			<u>(\$71,128)</u>
<u>For the three months ended</u>			
<u>March 31, 2021</u>			
Revenues from external customers	<u>\$2,497,703</u>	<u>\$44,786</u>	<u>\$2,542,489</u>
Segment losses	<u>(\$92,696)</u>	<u>(\$81,929)</u>	(\$174,625)
Interest income			7,364
Other income			12,510
Other gains and losses			(6,232)
Finance costs			(7,643)
Share of loss of associates			<u>(490)</u>
Loss before income tax			<u>(\$169,116)</u>

**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Balance at March 31	Actual Borrowing Amount	Interest rate range	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Item Financing Limit for Each Borrower (Note 3 and Note 4)	Aggregate Financing Limit (Note 3 and Note 4)	Note
													Item	Value			
1	PHC	PHP	Other receivables from related parties	Yes	\$449,297	\$-	\$-	4.35%	2		\$- Capital movement	\$-	-	\$-	\$2,369,226	\$2,369,226	
2	PHZ	PHP	Other receivables from related parties	Yes	RMB100,000,000 1,235,567	RMB- 1,235,567	1,235,567	4.35%~4.75%	2		- Capital movement	-	-	-	1,942,814	1,942,814	
1	PHC	PHE	Other receivables from related parties	Yes	RMB275,000,000 44,930	RMB275,000,000 44,930	44,930	4.90%	2		- Capital movement	-	-	-	2,369,226	2,369,226	
					RMB10,000,000	RMB10,000,000											

Note 1: The parent company and its subsidiaries are coded as follows:

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

Note 2: Reasons for financing are as follows:

- a. Business relationship
- b. The need for short-term financing

Note 3: According to the Company's policy, the aggregated financing amounts provided to others shall not exceed 40% of its net worth, which is based on the latest audited or reviewed parent-company-only financial statements. The maximum amount permitted to a single borrower is listed based on the types of financing reasons as follow:

- a. Business relationship: Each of the financing amounts shall not exceed the higher amount of the total purchases from or sales to a borrower in the most recent year or in the current year.
- b. The need for short-term financing: Each of the financing amounts shall not exceed 20% of the Company's net worth, which is based on the latest audited or reviewed parent-company-only financial statements.

Note 4: According to the operating procedures for loans to others of the subsidiary of the Group, the aggregate amount of loans provided to others between subsidiaries shall not exceed 150% of its net worth based on the latest financial statements of the subsidiary.

**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED**

**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

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

No. (Note 1)	Endorser/Guarantor Name	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2 and Note 3)	Maximum Amount Endorsed/Guarantee d During the Period	Ending Balance Amount Endorsed/Guarantee d During the Period	Actual Borrowing Amount	Amount Endorsed/Guarantee d by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Limit on Endorsement/ Guarantee (Note 2 and Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong	PHV	Subsidiary of the Company	\$1,778,306	\$57,120 USD2,000,000	\$57,120 USD2,000,000	\$-	\$-	0.96	\$2,963,843	Y	N	N	

Note 1: The parent company and its subsidiaries are coded as follows:

- a. The parent company is coded “0.”
- b. The subsidiaries are coded consecutively beginning from “1” in the order presented in the table above.

Note 2: According to the Company’s procedures for the Management of Endorsements and Guarantees, the aggregate amount of endorsements/guarantees provided by the Company shall not exceed 50% of endorser/guarantor’s net worth. Additionally, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 30% of the Company’s net worth. The net worth is based on the Company’s latest parent-company-only financial statements.

Note 3: In accordance with the operating procedures of the Group’s subsidiaries, the total amount of endorsements between subsidiaries shall not exceed the net value of the most recent financial statement.

Note 4: On March 10, 2022, the board of directors approved that the Company’s endorsements/guarantees amount to PHV is USD 2 million.

**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**March 31, 2022**

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair value	
Pihong	Ordinary shares Pao- Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	229,980	\$3,342	10.49	\$3,342	
	Zhong-Xuan Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,758,621	24,229	8.62	24,229	
	BMC Venture Capital Investment Corporation	None	Financial assets at FVTOCI - non-current	5,400,000	60,792	9.84	60,792	
Guang-Lai	Ordinary shares Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non-current	3,000,000	5,044	10.83	5,044	

Note 1: The marketable securities stated here is related to shares, debentures and beneficiary certificates and the derivative products caused by those of “IFRS 9 Financial Instruments.”

Note 2: For information on the investments in subsidiaries and associates, refer to Tables 7 and 8.

**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2022**

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

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Trade Receivable (Payable)		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Phihong	PHA	Subsidiary of the Company	Sale	(\$804,691)	(35.00)	To be agreed by both parties	-	-	\$476,892	32.51	
Phihong	PHC	Subsidiary of the Company	Purchase	1,695,270	78.76	To be agreed by both parties	-	-	-	-	
Phihong	PHP	Subsidiary of the Company	Purchase	113,635	5.28	To be agreed by both parties	-	-	-	-	
Phihong	PHV	Subsidiary of the Company	Purchase	329,060	15.29	To be agreed by both parties	-	-	-	-	

**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**March 31, 2022**

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

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Phihong	PHA	Subsidiary of the Company	Trade receivables \$476,892	5.82	\$-	-	\$207,830	\$-
Phihong	PHC	Subsidiary of the Company	Other receivables 477,960	-	-	-	218,284	-
Phihong	PHV	Subsidiary of the Company	Other receivables 245,391	-	-	-	72,783	-
PHZ	PHP	Sister company	Other receivables 1,250,499	-	-	-	-	-

**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Transaction Details	% to Total Sales or Assets (Note 3)
0	Phihong	PHA	1	Sale	\$804,691	To be agreed by both parties	27%
0	Phihong	PHJ	1	Sale	18,277	To be agreed by both parties	1%
0	Phihong	PHC	1	Purchase	1,695,270	No significant difference	57%
0	Phihong	PHP	1	Purchase	113,635	No significant difference	4%
0	Phihong	PHV	1	Purchase	329,060	No significant difference	11%
0	Phihong	PHA	1	Trade receivables	476,892	-	4%
0	Phihong	PHC	1	Other receivables	477,960	-	4%
0	Phihong	PHV	1	Other receivables	245,391	-	2%
1	PHC	PHP	3	Other receivables	8,571	-	-
2	PHZ	PHP	3	Other receivables	1,250,499	-	10%

Note 1: The Company and its subsidiaries are coded as follows:

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

Note 2: Nature of relationship is as follows:

- a. Parent company to subsidiary
- b. Subsidiary to parent company
- c. Between subsidiaries

Note 3: Regarding the transaction amount as a percentage of the total consolidated revenue or assets, if it is recognized in the balance sheet account, it is shown with the ending balance as a percentage of the total consolidated assets; if it is in the profit or loss account, it is shown with the cumulative amount throughout the period as a percentage of the total consolidated revenue.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE THREE MONTHS ENDED MARCH 31, 2022

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

Investor	Investee Company	Location	Main Businesses and Product	Original Investment Amount		As of March 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	
				March 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount				
Phihong	PHI	British Virgin Islands	Makes investments	\$3,209,288	\$3,448,270	102,421,351	100.00	\$2,846,917	\$25,712	\$26,573		
	PHA	California, USA	Sells various power supplies	207,203	207,203	3,100,000	100.00	997,811	12,684	12,684		
	PHK	British Virgin Islands	Makes investments	554,154	314,956	18,840,000	100.00	(206,323)	(43,946)	(40,746)		
	PHQ	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100.00	58,252	(3,284)	(2,275)		
	Guang-Lai	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	103,790	(107)	(107)		
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	13,738	13,738	1,373,801	32.26	15,943	(1,719)	(557)		
	PHJ	Japan	Sells power components	137,436	137,436	3,000	100.00	68,548	(118)	(118)		
					JPY150,000,000	JPY150,000,000						
		PHV	Vietnam	Manufactures and sells various power supplies	1,448,623	1,448,623	50,000,000	100.00	1,255,009	(46,660)	(45,646)	
	Phehicle	Taiwan	Manufactures and sells various power supplies	1,000	-	100,000	100.00	1,000	-	-	The establishment was approved on March 4, 2022	
PHI	N-Lighten	California, USA	Makes investments	409,851	409,851	110,834,223	58.45	(24,047)	(16)	(10)	PHI and Guang-Lai holds 78.23%	
Guang-Lai	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	2,847	1,411	517		
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	88,549	(2,754)	(606)		
	N-Lighten	California, USA	Makes investments	206,084	206,084	37,498,870	19.78	(8,138)	(16)	(3)	PHI and Guang-Lai holds 78.23%	

Note 1: Information on investees in mainland China, refer to Table 8.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

Investee Company	Main Businesses and Product	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of March 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
PHC	Manufactures and sells various power supplies	\$1,988,018 HKD495,450,000	Indirect investment in mainland China through PHI	\$1,677,679 HKD419,000,000	\$-	\$-	\$1,677,679 HKD419,000,000	\$16,840	100.00	\$16,840	\$1,579,485	\$-	
Phitek (Tianjin) Electronics Co., Ltd.	Manufactures and sells various power supplies	-	Indirect investment in mainland China through PHI	25,327 USD255,127	-	-	25,327 USD255,127	-	-	-	-	-	Note 1
PHZ	Manufactures and sells various power supplies	1,097,139 USD31,960,000	Indirect investment in mainland China through PHI	1,343,033 USD40,600,000	-	245,894 USD8,640,000	1,097,139 USD31,960,000	9,782	100.00	9,782	1,295,210	-	
Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	26,291 USD880,000	Indirect investment in mainland China through PHI	63,934 USD2,865,000	-	-	63,934 USD2,865,000	(1,009)	100.00	(1,009)	7,340	-	
PHP	Manufactures and sells various power supplies	604,135 USD20,140,000	Indirect investment in mainland China through PHK	315,258 USD10,000,000	239,198 USD8,640,000	-	554,456 USD18,640,000	(46,852)	100.00	(46,852)	(210,223)	-	
PHSY	Manufactures and sells electronic materials	39,678 HKD9,000,000	Indirect investment in mainland China through PHQ	39,678 HKD9,000,000	-	-	39,678 HKD9,000,000	(1,532)	100.00	(1,532)	61,852	-	
PHE	Manufactures and sells electronic materials	360,124 USD11,500,000	Indirect investment in mainland China through PHQ	360,124 USD11,500,000	-	-	360,124 USD11,500,000	(1,769)	100.00	(1,769)	(5,311)	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 USD12,366,400	-	-	387,406 USD12,366,400	-	-	-	-	-	Note 2

Note 1: Phitek (Tianjin) Electronics Co., Ltd. was put into liquidation on March 24, 2017.

Note 2: N-Lighten (Shanghai) Trading Inc. was put into liquidation on June 18, 2015.

Note 3: The amount was recognized based on audited financial statements.

Note 4: The foreign currencies in this table are converted into New Taiwan dollars using exchange rates of the investment date, except for income and expense items which are translated at the average exchange rates for the period.

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2022	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,205,743	\$4,570,873	Note 1

Note 1: In accordance with the provisions of the “Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area” passed on June 18, 2021, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount of investment in mainland China.

**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES**

**FOR THE THREE MONTHS ENDED MARCH 31, 2022**

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Trade Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Amount	%		
PHC	Purchase	\$1,695,270	78.26%	To be agreed by both parties	To be agreed by both parties	-	\$-	-	\$-	
PHP	Purchase	113,635	5.28%	To be agreed by both parties	To be agreed by both parties	-	-	-	-	

**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDER****March 31, 2022**

<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
Peter Lin	51,703,063	13.77%
Taiwan Cement Corporation	37,520,000	9.99%

Note 1: The information on major shareholders in this table is based on the last business day at the end of the quarter, including the data of the shareholders holding more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the company's consolidated financial report and the actual number of shares delivered without physical registration may be different due to the difference of calculation basis.