

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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Phihong Technology Co., Ltd.

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Consolidated the Financial Statements section of our report. We are independent of Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The key audit matter identified in the audit of the Group's consolidated financial statements as of and for the year ended December 31, 2022 is as follows.

The accuracy of sales revenue from electric vehicle energy business

Description of the key audit matter

The group has shifted its operational focus to the electric vehicle energy market in recent years, and orders for electric vehicle energy have increased significantly this year. The electric vehicle charging market is booming rapidly with the popularity of electric vehicles, resulting in the percentage of revenue from electric vehicle energy increasing significantly. Therefore, the authenticity of the sales revenue from electric vehicle energy business is considered as a key audit matter in this year. Refer to Note 4 to the accompanying consolidated financial statements for the related disclosures.

Corresponding audit procedures

By performing tests of internal controls, we learned the design and execution of the internal controls related to the recognition of sales revenue of the group. Regarding the sales revenue of electric vehicle energy business, we performed sampled inspection regarding the sales revenue of electric vehicle energy business, issued letters of inquiry and reviewed significant sales returns after the period to ensure the actual occurrence of sales transactions.

Others Matters

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

We conducted the audit in accordance with auditing standards, using our professional judgment and professional skepticism. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ker-Chang Wu and Kuo-Tyan Hong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$2,990,883	20	\$3,590,920	26
Financial assets at amortized cost - current (Notes 4, 8 and 30)	541,072	4	224,588	2
Notes receivables (Notes 4 and 9)	16,159	-	16,886	-
Trade receivables (Notes 4 and 9)	2,664,733	18	2,229,231	16
Other receivables	41,934	-	21,905	-
Other receivables from related parties (Note 29)	3,654	-	-	-
Inventories (Notes 4 and 10)	3,296,580	23	3,204,432	24
Non-current assets held for sale (Note 11)	-	-	244,696	2
Other current assets	282,685	2	146,685	1
Total current assets	9,837,700	67	9,679,343	71
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	99,764	1	87,226	1
Financial assets at amortized cost - non-current (Notes 4, 8 and 30)	22,030	-	20,458	-
Investments accounted for using equity method (Notes 4 and 13)	112,871	1	111,326	1
Property, plant and equipment (Notes 4 and 14)	3,986,175	27	3,262,587	24
Right-of-use assets (Notes 4 and 15)	357,042	3	294,723	2
Other intangible assets (Notes 4 and 16)	41,098	-	30,540	-
Deferred tax assets (Notes 4 and 24)	57,493	-	53,114	-
Other non-current assets	75,304	1	73,343	1
Total non-current assets	4,751,777	33	3,933,317	29
TOTAL	\$14,589,477	100	\$13,612,660	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$1,328,070	9	\$962,781	7
Short-term notes and bills payable (Note 17)	69,740	-	-	-
Contract liabilities - current (Notes 22 and 29)	420,025	3	159,714	1
Trade payables	2,655,491	18	3,200,680	24
Trade payables to related parties (Note 29)	86,319	1	61,122	-
Other payables (Note 19)	898,467	6	613,750	5
Current tax liabilities (Notes 4 and 24)	136,533	1	23,612	-
Lease liabilities - current (Notes 4 and 15)	44,518	-	20,547	-
Current portion of long-term borrowings (Note 17)	398,592	3	832,930	6
Other current liabilities (Notes 12 and 19)	148,379	1	258,154	2
Total current liabilities	6,186,134	42	6,133,290	45
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 18)	698,688	5	698,283	5
long-term borrowings (Note 17)	1,333,583	9	766,108	6
Deferred tax liabilities (Notes 4 and 24)	44,649	-	56,520	-
Lease liabilities - non-current (Notes 4 and 15)	51,292	1	24,704	-
Net defined benefit liability - non-current (Notes 4 and 20)	49,017	-	87,092	1
Other non-current liabilities	10,697	-	9,305	-
Total non-current liabilities	2,187,926	15	1,642,012	12
Total liabilities	8,374,060	57	7,775,302	57
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21)				
Ordinary shares	3,752,084	26	3,752,084	28
Capital surplus	2,179,372	15	2,179,372	16
Retained earnings				
Legal reserve	295,992	2	612,916	4
Special reserve	230,859	1	230,859	2
Accumulated earnings (deficits)	91,273	1	(316,924)	(2)
Total retained earnings	618,124	4	526,851	4
Other equity				
Exchange differences on translating the financial statements of foreign operations	(244,171)	(2)	(523,866)	(4)
Unrealized loss on financial assets at fair value through other Comprehensive income	(80,339)	-	(88,412)	(1)
Total other equity	(324,510)	(2)	(612,278)	(5)
Total equity attributable to owners of the Company	6,225,070	43	5,846,029	43
NON-CONTROLLING INTERESTS (Note 21)				
	(9,653)	-	(8,671)	-
Total equity	6,215,417	43	5,837,358	43
TOTAL LIABILITIES AND EQUITY	\$14,589,477	100	\$13,612,660	100

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (NOTES 4 , 22, 29 AND 34)	\$14,017,575	100	\$12,284,041	100
OPERATING COST (NOTES 4, 10 AND 29)	11,875,937	85	10,810,739	88
OPERATING GROSS PROFIT	2,141,638	15	1,473,302	12
OPERATING EXPENSES				
Sales and marketing expenses	768,098	6	549,147	5
General and administration expenses	604,148	4	502,237	4
Research and development expenses	755,214	5	760,997	6
Excepted credit loss recognized	521	-	245	-
Total operating expenses	2,127,981	15	1,812,626	15
INCOME (LOSS) FROM OPERATIONS	13,657	-	(339,324)	(3)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	38,017	-	28,000	-
Other income (Note 23)	165,206	1	88,319	1
Other gains and losses (Note 23)	(55,720)	1	(26,496)	-
Finance costs (Note 23)	(77,918)	-	(40,297)	-
Share of profit or loss of from associates account for using the equity method (Note 13)	(6,542)	-	(8,152)	-
Total non-operating income and expenses	174,483	2	41,374	1
INCOME (LOSS) BEFORE INCOME TAX	\$188,140	2	(\$297,950)	(2)
INCOME TAX EXPENSE (Notes 4 and 24)	(116,834)	(1)	(14,668)	-
NET INCOME (LOSS) FOR THE YEAR	71,306	1	(312,618)	(2)

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	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	24,932	-	(5,405)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 21)	(862)	-	3,804	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Note 21)	8,935	-	(30,209)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	(4,986)	-	1,081	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 21)	278,734	2	(74,731)	(1)
Total other comprehensive income (loss) for the period	306,753	2	(105,460)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$378,059	3	(\$418,078)	(3)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the company	\$71,327	1	(\$312,600)	(3)
Non-controlling interests	(21)	-	(18)	-
Total	\$71,306	1	(\$312,618)	(3)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the company	\$379,041	3	(\$418,316)	(3)
Non-controlling interests	(982)	-	238	-
Total	\$378,059	3	(\$418,078)	(3)
EARNINGS (LOSS) PER SHARE (NOTE 25)				
Basic	\$0.19		(\$0.92)	
Diluted	\$0.19			

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						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 earnings (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
Capital increase (Note 21)	375,200	1,135,355	-	-	-	-	-	1,510,555	-	1,510,555
Legal reserve used to offset accumulated deficits (Note 21)	-	-	(154,744)	-	154,744	-	-	-	-	-
Net loss for the year ended December 31, 2021	-	-	-	-	(312,600)	-	-	(312,600)	(18)	(312,618)
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(4,324)	(74,987)	(26,405)	(105,716)	256	(105,460)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(316,924)	(74,987)	(26,405)	(418,316)	238	(418,078)
Balance at December 31, 2021	3,752,084	2,179,372	612,916	230,859	(316,924)	(523,866)	(88,412)	5,846,029	(8,671)	5,837,358
Legal reserve used to offset accumulated deficits (Note 21)	-	-	(316,924)	-	316,924	-	-	-	-	-
Net income (loss) for the year ended December 31, 2022	-	-	-	-	71,327	-	-	71,327	(21)	71,306
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	19,946	279,695	8,073	307,714	(961)	306,753
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	91,273	279,695	8,073	379,041	(982)	378,059
Balance at December 31, 2022	\$3,752,084	\$2,179,372	\$295,992	\$230,859	\$91,273	(\$244,171)	(\$80,339)	\$6,225,070	(\$9,653)	\$6,215,417

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before tax	\$188,140	(\$297,950)
Adjustments for:		
Depreciation expense	315,388	285,785
Amortization expense	15,113	13,380
Excepted credit loss recognized	521	245
Finance costs	77,918	40,297
Interest income	(38,017)	(28,000)
Dividend income	(2,995)	-
Share of loss from associates accounted for using the equity method	6,542	8,152
Loss on disposal of property, plant and equipment	9,063	3,279
Loss on disposal of intangible assets	44	8
Proceeds from disposal of non-current assets held for sale	(11,765)	-
Gain on disposal of investment	(3,334)	(795)
Allowance for inventory valuation and obsolescence loss	144,071	63,120
Net changes in operating assets and liabilities		
Notes receivables	727	(16,886)
Trade receivables	(436,165)	(210,023)
Other receivables	(16,510)	(13,487)
Other receivables from related parties	(3,654)	-
Inventories	(236,219)	(1,252,483)
Other current assets	(132,121)	(23,436)
Other non-current assets	242	-
Contract liabilities	260,311	137,548
Trade payables	(545,189)	353,948
Trade payables to related parties	25,197	(21,375)
Other payables	263,916	43,047
Other current liabilities	(109,775)	(10,793)
Net defined benefit liability	(13,143)	(12,381)
Cash used in from operations	(241,694)	(911,826)
Interest received	34,498	17,937
Interest paid	(69,287)	(39,575)
Income tax paid	(22,191)	(12,473)
Net cash used in from operating activities	(298,674)	(945,937)
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at fair value through other comprehensive income	(\$16,104)	(\$18,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	406
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	2,704	-
Purchase of financial assets at amortized cost	(300,634)	(485,788)
Proceeds from disposal of financial assets at amortized cost	949	265,124
Purchase of financial assets at fair value through profit or loss	(833,529)	(303,997)
Proceeds from disposal of financial assets at fair value through profit or loss	836,871	347,361
Proceeds from disposal of non-current assets held for sale	257,048	-
Purchase of property, plant and equipment	(832,436)	(841,816)
Proceeds from disposal of property, plant and equipment	3,579	833
Purchase of intangible assets	(25,167)	(15,886)
Increase in refundable deposits	(4,178)	(184)
Increase in prepayments for equipment	(57,815)	(63,599)
Dividends received	3,843	2,679
Receive government grants	4,057	-
Net cash used in investing activities	(960,812)	(1,112,867)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	352,325	706,461
Increase in short-term bills payable	69,740	-
Issuance of corporate bonds	-	700,000
Repayment of corporate bonds	-	(1,000,000)
Proceeds from long-term borrowings	3,365,461	2,251,960
Repayment of long-term borrowings	(3,232,887)	(1,023,399)
Increase in guarantee deposits received	1,392	8,676
Repayment of the principal portion of lease liabilities	(27,604)	(19,713)
Capital increase	-	1,510,555
Payment for the cost of ordinary corporate bonds issuance	-	(2,028)
Net cash generated from financing activities	528,427	3,132,512

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	<u>2022</u>	<u>2021</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	131,022	(28,592)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(\$600,037)	\$1,045,116
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,590,920</u>	<u>2,545,804</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$2,990,883</u>	<u>\$3,590,920</u>

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. COMPANY HISTORY

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. DATE AND PROCEDURE FOR APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 9, 2023.

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

- a. Initial application of the International Financial Reporting Standards (IFRS), 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 “IFRSs”).

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. IFRSs endorsed and issued into effect in 2023 by the FSC

New IFRSs	Effective Date Announced by IASB
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note1)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note2)
Amendment to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note3)

Note1: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2023.

Note2: 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.

Note3: Except for temporary differences of the deferred income tax recognized for lease and decommissioning obligations on January 1, 2022, the amendments also apply to transactions incurring after January 1, 2022.

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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Lease Liabilities under Sale-leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	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, 2024
Amendment to IAS 1 “Non-current Liabilities with Contractual Terms”	January 1, 2024

Note1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note2: The Selling Party as Lessee should apply the amendments to IFRS 16 retroactively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and 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. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the balance sheet date; and
- 3) Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the balance sheet date, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the release of the financial statements; and
- 3) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in the its settlement of the liabilities by issue of issuing equity instruments do not affect its classification.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company ("subsidiaries") 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 12, Table 7 and Table 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss in the current period. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When preparing the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures, and branches in other countries that adopt functional currencies different from the Company) are translated into New Taiwan dollar. Income and expense items are translated at the average exchange rates for the period. The resulting currency exchange differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests).

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in process. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date. The cost calculation is generally accounted for based on the standard cost, and the differences incurred at the end of the period are allocated to inventories and cost of sales at the end of the period.

g. Investments in associates:

An associate is an entity on which the Group has significant influence and is not a subsidiary.

The Group adopts the equity method to account for its investments in associates.

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

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

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

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

h. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Samples of these assets for testing before they reach their intended use are measured at the lower of cost or net realizable value when the assets are tested for proper functioning before they reach their intended use, and the sales price and cost are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment and depreciated when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The Group shall at least examine the estimated useful life, residual value, and depreciation method at the end of the year, with the effects of changes in the applicable accounting estimations accounted for on a prospective basis.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized using straight-line method over the useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, with the effects of changes in the applicable accounting estimations accounted for on a prospective basis. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

When derecognizing intangible assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in loss or profit.

j. Impairment of property, plant, and equipment as well as right-of-use and intangible assets

The Group assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets on each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit and loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or cash-generating unit, which was not recognized as impairment loss in prior years. The impairment loss reversed is recognized in profit or loss.

k. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The non-current assets that meet this condition must be available for immediate sale in their current condition, and the sale is highly probable. When the appropriate level of the management is committed to the plan to sell the asset, and the sale transaction is expected to be completed within one year from the date of classification, the sale will be considered highly probable.

Non-current assets classified as held for sale are measured by the carrying amount and the fair value less the cost of sale, whichever is lower, and the depreciation of such assets will cease.

l. Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1) Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

a) Measurement categories

Financial assets held by the Group are those measured at fair value through profit or loss (FVTPL) and at amortized cost, as well as investments in debt instruments measured at fair value through other comprehensive income (FVTOCI) and equity instruments at FVTOCI.

i. Financial assets at amortized cost

When the Group's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, notes receivable at amortized cost, trade receivables, other receivables, other receivables from related parties, and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of a financial asset.

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

ii. Investments in debt instruments at FVTOCI

When fulfilling the following conditions, investments in debt instruments by the Group is categorized as investments in debt instruments at FVTOCI:

- i) The instruments are held under an operating model, whose purpose of the model is achieved by collecting the contractual cash flows and the disposals of financial assets.
- ii) Cash flows on specified dates generating from the contractual terms. These cash flows are solely payments of principal and interest on the outstanding principal amount.

Investments in debt instruments at FVTOCI is measured at fair value. Among the changes in the carrying amount, interest income calculated with effective interest method, gains or loss from currency exchange, impairment losses, or reversal gains are recognized in profit or loss, The remaining changes are recognized in other comprehensive income, and are reclassified into profit or loss upon disposal.

iii. Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI)

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

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

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

b) Impairment of financial assets

The Group assesses the impairment loss of financial assets at amortized cost (including accounts receivable) based on the expected credit loss on each balance sheet date.

Loss allowance of trade receivables are recognized loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to lifetime ECLs.

The ECLs reflect to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Group, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

- i. Internal or external information indicates that it is impossible for the debtor to settle the debt.
- ii. It is overdue for more than 180 days, unless there is reasonable and corroborative information showing that a default date postponed default date is more appropriate.

The Group recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is recognized in profit or loss.

3) Financial liabilities

All of the Group's financial liabilities are at amortized cost in the effective interest method. The Group derecognizes financial liabilities only when the Company's obligations are discharged, canceled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Provision

Provision is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The warranty obligations of the Group under the sales contract are based on the management's best estimate of the expenditure required to settle the Group's obligations, and are recognized when the relevant revenue are recognized.

n. Revenue recognition

After the Group identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon satisfaction of performance obligations.

1) Revenue from sale of goods

- 2) Revenue from sale of goods comes from sales of power supply modules and other relevant products. Upon the delivery of the power supply modules and other relevant products to the location designated by customers, customers have the right to determine the price and usage while bearing the main responsibility for resale and the risk of obsolescence; thus, revenue and trade receivable are recognized concurrently.

In the case of transferring materials to contract manufacturers, control over the ownership of the processed products is not transferred and therefore revenue is not recognized.

3) Service Revenue

Service revenue is recognized when the services are provided. Revenue from services provided under a contract is recognized based on the degree of completion in accordance with the contract.

o. Leases

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

1) The Group as lessor

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

2) The Group as lessee

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

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

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

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

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

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

p. Borrowing costs

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

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

q. Government grants

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

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the relevant costs for which the grants are intended to compensate. Government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are deducted from the carrying amount of said assets and recognized in profit or loss over the useful lives of said assets by reducing the depreciation or amortization expenses of said assets.

If government grants are used to compensate expenses or losses incurred, or are given to the Group for the purpose of immediate financial support without relevant future costs, they can be recognized in profit or loss in the period the Group can receive said grants.

r. Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized as expenses during employees' service period.

The defined benefit costs (including service cost, net interest, and remeasurement) under the defined benefit pension plan are calculated based on the projected unit credit method. The service cost (including the service cost for the current period) and the net interest of net

defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

s. Taxation

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

1) Current income tax

The Group determines the income (loss) of the current year in accordance with the laws and regulations in each jurisdiction, and calculates the income tax payable (recoverable) accordingly.

A surtax is imposed on the undistributed earnings pursuant to the Income Tax Act of the Republic of China (R.O.C.) is recognized via the resolution at the annual shareholders' meeting.

Adjustments to income tax payable from prior years are recognized in the current income tax.

2) Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when it is probable that taxable income will be available against temporary differences, loss carryforwards, research and development expenditure.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

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

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

3) Current and deferred income tax

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

5. CRITICAL ACCOUNTING JUDGMENTS, ASSUMPTIONS, 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 management will review the estimates and underlying assumptions on an ongoing basis. 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 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>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$2,285	\$2,507
Checking accounts and demand deposits	2,978,598	3,566,243
Cash equivalent (investments with original maturities of less than 3 months)		
Time deposits	10,000	22,170
	<u>\$2,990,883</u>	<u>\$3,590,920</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposits and time deposits	0.001%~4.000%	0.001%~3.045%

7. FINANCIAL ASSETS AT FVTOCI

	<u>December 31, 2022</u>	<u>December 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	\$99,764	\$87,226

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.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Time deposits with original maturity more than 3 months	\$540,572	\$224,588
Restricted bank deposits	500	-
	<u>\$541,072</u>	<u>\$224,588</u>
<u>Non-current</u>		
Restricted bank deposits	\$20,030	\$20,458
Money Lodged at Courts	2,000	-
	<u>\$22,030</u>	<u>\$20,458</u>

On December 31, 2022 and 2021, the Group had a special account for principal repayment of corporate bonds, the project performance bond, a domestic guaranteed corporate bond, a pledge for a joint loan case, and money lodged at courts of \$22,530 thousand and \$20,458 thousand, please refer to Note 30.

9. ACCOUNTS RECEIVABLE

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivables</u>		
At amortized cost		
Gross carrying amount	\$16,159	\$16,886
Less: Allowance for impairment loss	-	-
	<u>16,159</u>	<u>16,886</u>

On December 31, 2022 and 2021, the Group set up a special account for the project performance bond, a domestic guaranteed corporate bond, and a pledge for a joint loan case with deposits of \$22,530 thousand and \$20,458 thousand, please refer to Note 30.

	<u>December, 2022</u>	<u>December 31, 2021</u>
<u>Trade receivables at amortized cost</u>		
At amortized cost		
Gross carrying amount	\$1,974,805	\$1,816,096
Less: Allowance for impairment loss	(3,672)	(3,009)
	<u>1,971,133</u>	<u>1,813,087</u>
FVTOCI	693,600	416,144
	<u>2,664,733</u>	<u>2,229,231</u>
	<u>\$2,680,892</u>	<u>\$2,246,117</u>

a. Notes receivables

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

December 31, 2022

	Not Past Due	Less than 60 Days	Less than 61 to 90 Days	Less than 91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00~0.01%	0~7.11%	2.90%	6.02~16.95%	15.01~100.00%	
Gross carrying amount	\$1,604,680	\$356,333	\$4,801	\$7,468	\$1,523	\$1,974,805
Loss allowance (Lifetime ECL)	(122)	(848)	(139)	(1,248)	(1,315)	(3,672)
Amortized cost	\$1,604,558	\$355,485	\$4,662	\$6,220	\$208	\$1,971,133

December 31, 2021

	Not Past Due	Less than 60 Days	Less than 61 to 90 Days	Less than 91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00~0.24%	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	\$1,681,862	\$119,763	\$8,288	\$2,938	\$236	\$1,813,087

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.

	For the Year	
	2022	2021
Balance at January 1	\$3,009	\$2,811
Add: impairment loss for the period	521	245
Foreign exchange gains and losses	142	(47)
Balance at December 31	\$3,672	\$3,009

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:

December 31, 2022

	Not Past Due	Less than 60 Days	Less than 61 to 90 Days	Less than 91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	
Gross carrying amount	\$683,160	\$5,998	\$3,553	\$167	\$722	\$693,600
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	\$683,160	\$5,998	\$3,553	\$167	\$722	\$693,600

December 31, 2021

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

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

Counterparty	Beginning Balance Amount	Amount for sale for the current period	Cash received in the current period	Amount for sale at the end of the period	Cash advance as of the end of the period	Annual rate of interest of cash advance (%)	Retention receivables for sale	Limit	Collaterals provided
December 31, 2022									
Citi Bank	\$1,482 (Note 1)	\$2,369,929 (Note 2)	\$2,371,411 (Note 3)	\$-	\$-	-	\$-	-	-
December 31, 2021									
Citi Bank	\$-	\$503,941 (Note4)	\$502,459 (Note5)	\$1,482 (Note1)	\$-	-	\$-	-	-

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 contract, the Group is only responsible for losses arising from business disputes.

Note 1: USD53,588

Note 2: USD77,128,231

Note 3: USD77,181,819

Note 4: USD18,219,118

Note 5: USD18,165,530

10. INVENTORIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$1,392,285	\$1,297,927
Work-in-process	391,007	376,003
Finished goods	1,513,288	1,530,502
	<u>\$3,296,580</u>	<u>\$3,204,432</u>

For the years 2022 and 2021, the cost of inventories recognized as cost of goods sold was 11,875,937 thousand and 10,810,739 thousand, respectively. For the years ended December 31, 2022 and 2021, the Group's cost of sales includes the allowance for inventory valuation and obsolescence loss of 144,071 thousand and 63,120 thousand, resulting from adjusting the cost of inventories to its net realizable value of 144,071 thousand and 63,120 thousand.

11. NON-CURRENT ASSETS HELD FOR SALE

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

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>
Land use rights	\$4,042
Buildings	258,005
Machinery and Equipment	1,244
Other Equipment	19,262
Less: Accumulated depreciation	<u>(39,850)</u>
	242,703
Effect of foreign currency exchange differences	<u>1,993</u>
	<u>\$244,696</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 completed the disposal process in Q1 of 2022 and recognized a total disposal gain of \$11,765 thousand, which was recorded under "Other gains and losses".

12.SUBSIDIARIES

Investor	Subsidiary	Main Business	Percentage of Ownership		Description
			December 31, 2022	December 31, 2021	
Phihong	Phihong International Corp. ("PHI")	Makes investments	100.00	100.00	Note1
Phihong	Phitek International Co., Ltd. ("PHK")	Makes investments	100.00	100.00	
Phihong	Ascent Alliance Ltd. ("PHQ")	Makes investments	100.00	100.00	
Phihong	Phihong USA Corp. ("PHA")	Sells various power supplies	100.00	100.00	
Phihong	Phihong Technology Japan Co., Ltd. ("PHJ")	Sells power components	100.00	100.00	
Phihong	Guang-Lai Investment Co., Ltd. ("Guang-Lai")	Makes investments	100.00	100.00	
Phihong	Phihong Vietnam Co., Ltd. ("PHV")	Manufactures and sells various power supplies	100.00	100.00	Note12
Phihong	Zerova Technologies Taiwan Limited ("ZTM") (formerly known as Phehicle Co., Ltd., The company name was changed on June 20, 2022)	Manufacture and sale of electrical equipment	100.00	-	Note3
Phihong	Zerova Technologies Holdings Limited ("ZKH")	Makes investments	100.00	-	Note4
PHI Company	Phihong Dongguan Electronics Co. Ltd. ("PHC")	Manufactures and sells various power supplies	100.00	100.00	
PHI Company	Phihong Electronics (Suzhou) Co., Ltd. ("PHZ")	Manufactures and sells various power supplies	100.00	100.00	
PHI Company	N-Lighten Technologies, Inc. ("N-Lighten")	Makes investments	58.45	58.45	
PHI Company	Yanghong Trade (Shanghai) Co., Ltd. ("Yanghong Trade")	Sells various lighting and power supplies	100.00	100.00	
PHK	Dongguan Phitek Electronics Co., Ltd. ("PHP")	Manufactures and sells various power supplies	100.00	100.00	Note2
PHQ	Dongguan Shuang-Ying Electronics Co., Ltd. ("PHSY")	Manufactures and sells electronic materials	100.00	100.00	
PHQ	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. ("PHE")	Manufactures and sells electronic materials	100.00	100.00	
Guang-Lai	N-Lighten	Makes investments	19.78	19.78	
ZKH	Zerova Technologies Europe B.V. ("ZNS")	Provide electric vehicle charging solutions	-	-	Note5
ZKH	Zerova Technologies SG Pte. Ltd. ("ZSH")	Investment in other businesses and sales of electrical equipment	100.00	-	Note 6
ZSH	Zerova Technologies (Dongguan) Co., Ltd. ("ZCM")	Manufactures and sells electrical equipment	100.00	-	Note7
ZSH	Zerova Trading Services (Dongguan) Co., Ltd. ("ZCS")	Provides electric vehicle charging solutions	100.00	-	Note8
ZSH	Zerova Technologies Japan Co., Ltd. ("ZJS")	Provides electric vehicle charging solutions	-	-	Note9
ZSH	Zerova Technologies America Corporation ("ZAH")	Makes investments	100.00	-	Note 10
ZAH	Zerova Technologies USA LLC ("ZAS")	Provides electric vehicle charging solutions	100.00	-	Note 11

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 (102,421 thousand); the base date for the capital reduction was January 6, 2022. The above capital reduction has been approved by the Investment Commission, MOEA Letter No.11100041120 on April 14, 2022.

Note 2: 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 injection of PHP through PHK in the amount of US\$8,640 thousand. The capital reduction was completed in March 2022.

Note 3: With the resolution made by the board of directors on January 20, 2022, the Company established the subsidiary Phehicle Co., Ltd with a registered capital of USD 1,000 thousand, of which the Company holds 100% of the shares. For reorganization and specialization, the shareholders' meeting of the Company approved the resolution on June 8, 2022, to split and transfer the EV energy business to Phehicle Co., Ltd., and to change Phehicle's name to Zerova Technologies Taiwan Limited. The approval letter was obtained on June 20, 2022, while the alteration registration was completed at the same date. The Company split and transferred its EV energy business to ZTM on September 1, 2022 (base date of the division). The Company transferred the EV energy business (including assets and liabilities), valued at its net book value, to ZTM Company in exchange for 59,900 thousand new shares with a par value of \$10 per share, for a total of \$599,000 thousand. The approval letter was obtained on October 12, 2022, and the alteration registration was completed at the same date.

Note 4: ZKH was established in March 2022 and registered in the Cayman Islands with a registered capital of USD12,000 thousand and the Company holds 100% of the shares.. As of December 31, 2022, the Company has invested \$365,580 thousand (or USD12,000 thousand).

Note 5: ZNS was established in June 2022 and registered in the Netherlands. As of December 31, 2022, its parent company, ZKH, had not completed the capital injection.

Note 6: ZSH was established in July 2022 and registered in Singapore with a registered capital of USD11,900 thousand and ZKH holds 100% of the shares. As of December 31, 2022, ZKH has invested \$327,964 thousand (or USD11,900 thousand).

Note 7: ZCM was established in August 2022 and registered in China with a registered capital of USD20,000 thousand and ZSH holds 100% of the shares. As of December 31, 2022, ZSH has invested \$28,942 thousand (or USD950 thousand).

Note 8: ZCS was established in August 2022 and registered in China with a registered capital of USD900 thousand and ZSH holds 100% of the shares. As of December 31, 2022, ZSH has invested \$6,430 thousand (or USD200 thousand).

Note 9: ZJS was established in September 2022 and registered in Japan. As of December 31, 2022, the Company's parent company, ZSH, had not completed the capital injection.

Note 10: ZAH was established in July 2022 and registered in the United States with a registered capital of USD1,050 thousand and ZSH holds 100% of the shares. As of December 31, 2022, ZSH has invested \$32,692 thousand (or USD1,050 thousand).

Note 11: ZAS was established in the United States in July 2022 and ZAH holds 100% of the shares.

Note 12: The Company established PHV in Vietnam in 2019, with a registered capital of USD65,000 thousand, and the Company holds 100% of the shares. To coordinate with the group's capital needs, it is planned to process capital injections in stages according to the investment progress. For 2022, the Company injected capital 207,690 thousand (USD15,000 thousand) to PHV. As of December 31, 2022, the Company's had invested \$1,906,713 thousand (USD65,000 thousand) to PHV.

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

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates that are not individually material	\$112,871	\$111,326
<u>Associates that are not individually material</u>		
	<u>For the year</u>	
	<u>2022</u>	<u>2021</u>
The Group's share of:		
Net loss for the year	(\$6,542)	(\$8,152)
Other comprehensive income (loss)	8,935	(30,209)
Total comprehensive income (loss)	\$2,393	(\$38,361)

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

The investments accounted for by using the equity method and the Group's share of profit or loss and other comprehensive income shared by the Group therein are recognized according to the financial reports of its affiliates certified by the CPAs for the same period.

14. 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	20,824	132,620	154,335	18,786	517,025	843,590
Disposals	-	(12,837)	(130,127)	(16,522)	-	(159,486)
Effect of foreign currency exchange differences	4,952	52,228	46,580	5,654	54,202	163,616
Reclassification	-	765,594	45,561	11,263	(768,018)	54,400
Balance at December 31, 2022	\$547,188	\$3,366,507	\$2,470,190	\$692,500	\$429,822	\$7,506,207
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$-	\$902,028	\$1,901,348	\$538,124	\$-	\$3,341,500
Disposals	-	(9,792)	(121,106)	(15,946)	-	(146,844)
Depreciation expense	-	83,672	141,311	50,744	-	275,727
Effect of foreign currency exchange differences	-	14,642	31,813	3,194	-	49,649
Balance at December 31, 2022	\$-	\$990,550	\$1,953,366	\$576,116	\$-	\$3,520,032
Carrying amounts at December 31, 2022	\$547,188	\$2,375,957	\$516,824	\$116,384	\$429,822	\$3,986,175
<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	7,198	44,866	29,875	568,803	844,810
Disposals	-	(23,971)	(132,363)	(45,756)	-	(202,090)
Effect of foreign currency exchange differences	(3,211)	(18,677)	(13,155)	(1,962)	(4,418)	(41,423)
Reclassification	84,075	216	22,998	34,238	(24,061)	117,466
Balance at December 31, 2021	\$521,412	\$2,428,902	\$2,353,841	\$673,319	\$626,613	\$6,604,087
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$-	\$849,145	\$1,908,013	\$537,627	\$-	\$3,294,785
Disposals	-	(22,634)	(129,591)	(45,753)	-	(197,978)
Depreciation expense	-	80,837	131,751	47,623	-	260,211
Effect of foreign currency exchange differences	-	(5,320)	(8,825)	(1,373)	-	(15,518)
Balance at December 31, 2021	\$-	\$902,028	\$1,901,348	\$538,124	\$-	\$3,341,500
Carrying amounts at December 31, 2021	\$521,412	\$1,526,874	\$452,493	\$135,195	\$626,613	\$3,262,587

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 10 years

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Carrying amounts</u>		
Land (including land use rights)	\$287,488	\$251,830
Buildings	40,774	8,327
Machinery and Equipment	20,173	28,090
Transportation equipment	8,278	5,543
Other Equipment	329	933
	<u>\$357,042</u>	<u>\$294,723</u>
	<u>For the year</u>	
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$80,850</u>	<u>\$43,192</u>
<u>Depreciation expenses for right-of-use assets</u>		
Land (including land use rights)	\$11,021	\$8,875
Buildings	12,077	3,955
Machinery and Equipment	13,021	9,350
Transportation equipment	3,141	2,254
Other Equipment	401	1,140
	<u>\$39,661</u>	<u>\$25,574</u>

b. Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Carrying amounts</u>		
Current	<u>\$44,518</u>	<u>\$20,547</u>
Non-current	<u>\$51,292</u>	<u>\$24,704</u>
<u>Range of discount rate for lease liabilities</u>		
Freehold land	1.200%~1.250%	1.200%
Buildings	1.030%~4.875%	1.030%~4.875%
Machinery and Equipment	4.000%	4.000%
Transportation equipment	1.155%~5.007%	1.155%~4.000%
Other Equipment	1.030%~1.155%	1.030%~1.155%

c. Material lease-in activities and terms

The Group leases certain machinery, office, transportation, and other equipment for the use of manufacturing and R&D with lease terms of 2 to 9 years. At the end of the lease period, there is no renewal of the lease or right of acquisition under these lease agreements, except for the right of first refusal to lease the EV transportation equipment.

The Group also leases land and buildings for the use of plants, offices and parking lot with lease term of 2~50 years, except for the land in Tainan, whose contract is automatically renewed for one year upon the expiration and the Company has the right of first refusal, The Company has no preferential right for the other leased land upon the expiration of the lease term. The Company shall not sublease or assign all or any part of the subject of the lease without the lessor's consent.

d. Other lease information

	<u>For the year</u>	
	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$10,437</u>	<u>\$11,303</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$838</u>	<u>\$532</u>
Total cash (outflow) for leases	<u>(\$38,879)</u>	<u>(\$31,548)</u>

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.

16. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2022	\$124,250
Additions	25,167
Disposals	(11,435)
Reclassification	172
Effect of foreign currency exchange differences	1,359
Balance at December 31, 2022	<u>\$139,513</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$93,710
Amortization expense	15,113
Disposals	(11,391)
Effect of foreign currency exchange differences	983
Balance at December 31, 2022	<u>\$98,415</u>
Carrying amounts at December 31, 2022	<u>\$41,098</u>
	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$118,623
Additions	15,886
Disposals	(10,381)
Reclassification	475
Effect of foreign currency exchange differences	(353)
Balance at December 31, 2021	<u>\$124,250</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$90,944
Amortization expense	13,380
Disposals	(10,373)
Effect of foreign currency exchange differences	(241)
Balance at December 31, 2021	<u>\$93,710</u>
Carrying amounts at December 31, 2021	<u>\$30,540</u>

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

17. BORROWINGS

a. Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Unsecured loan</u>		
Phihong	\$832,900	\$636,180
PHV	495,170	182,959
	<u>1,328,070</u>	<u>819,139</u>
<u>Secured loan</u>		
PHC	-	143,642
	<u>\$1,333,583</u>	<u>\$962,781</u>
Interest rate range	1.70% ~ 6.35%	0.72% ~ 1.30%

b. Increase in short-term notes and bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper payable	\$70,000	\$-
Less: Discount on short-term notes and bills payable	(260)	-
	<u>\$69,740</u>	<u>\$-</u>

The undue short-term notes payable are as follows:

December 31, 2022

<u>Guarantee / Acceptance agency</u>	<u>Face value</u>	<u>Discount amount</u>	<u>Carrying amount</u>	<u>Interest rate range</u>
<u>Commercial paper payable</u>				
MEGA bills	\$70,000	\$260	\$69,740	1.232%

c. Long-term Borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Unsecured loan</u>		
Phihong	\$980,150	\$1,102,807
<u>Secured loan</u>		
Phihong	752,025	496,794
Less: Discount	-	(563)
Long-term loans payable - current portion	(398,592)	(832,930)
	<u>\$1,333,583</u>	<u>\$766,108</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Unsecured loan</u>		
Phihong	\$980,150	\$1,102,807
Interest rate range	1.274% ~ 2.545%	1.0500% ~ 1.9879%

- 1) The Company's short-term bank loan period for the years ended December 31, 2022 and 2021, were October 11, 2022 to March 21, 2023 and November 8, 2021 to March 11, 2022, respectively, with and the interest is paid on a monthly monthly.
- 2) The short-term bank loan period of PHV on December 31, 2022 and 2021 is from May 10, 2022 to October 10, 2023, and July 12, 2021 to August 3, 2022, respectively, with interest paid monthly.
- 3) As of December 31, 2021, the short-term bank loan period of PHC was from December 27, 2021 to June 24, 2022, with interest paid upon expiry.
- 4) The Company's long-term bank loan period borrowings for the years ended December 31, 2022 and 2021 were March 20, 2020 to April 7, 2036 and from August 22, 2019 to April 7, 2036, respectively, with interest paid monthly.
- 5) Phihong Technology Co., Ltd. signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank and co-sponsored by Yuanta Commercial Bank and Hua Nan Commercial Bank, along with 7 other banks 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, 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, Phihong Technology Co., Ltd shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial report certified by CPAs. The ratios are 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 NTD4.5 billion.

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

- 6) 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.
- 7) 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 applied 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. As of December 31, 2022, the Company had not violated any of the above financial ratios and restrictions.

18. BONDS PAYABLE

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured domestic bonds	<u>\$698,688</u>	<u>\$698,283</u>

Secured domestic bonds

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.

19. OTHER LIABILITIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current		
Other payables		
Payables for salaries and bonuses	\$271,580	\$215,373
Payables for unused annual leaves	65,818	53,224
Payables for purchases of equipment	26,683	11,472
Payables for employee bonuses	13,462	-
Payables for directors' remuneration	2,692	-
Others	<u>518,232</u>	<u>333,681</u>
	<u>\$898,467</u>	<u>\$613,750</u>
Other current liabilities		
Temporary receipts	\$130,315	\$79,009
Advance payment for sale of plant land (Note 11)	-	164,945
Others	<u>18,064</u>	<u>14,387</u>
	<u>\$148,379</u>	<u>\$258,341</u>

20. POST-EMPLOYMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is the defined benefit plan under the management of the government (R.O.C.). Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes an amount, equals to 2% to 15% of each employee's monthly salary to the pension account in the name of the Pension Fund Monitoring Committee in Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company is required to make up the difference in a lump sum contribution by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment management strategy.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$101,474	\$141,424
Fair value of plan assets	<u>(52,457)</u>	<u>(54,332)</u>
Net defined benefit liability	<u>\$49,017</u>	<u>\$87,092</u>

Movements in net defined benefit liability (asset) are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance at January 1, 2022	\$141,424	(\$54,332)	\$87,092
Service cost			
Current service cost	332		332
Interest expense (income)	707	(305)	402
Recognized in profit or loss	<u>1,039</u>	<u>(305)</u>	<u>734</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,038)	(4,038)
Actuarial (gain) loss - changes in demographic assumptions	-	-	-
Actuarial (gain) loss - changes in financial assumptions	(8,485)	-	(8,485)
Actuarial (gain) loss - experience adjustments	<u>(12,410)</u>	<u>-</u>	<u>(12,410)</u>
Recognized in other comprehensive income	<u>(20,895)</u>	<u>(4,038)</u>	<u>(24,933)</u>
Contributions from the employer	-	(13,200)	(13,200)
Benefits paid	(16,985)	16,985	-
Settlement	(3,109)	2,433	(676)
Balance at December 31, 2022	<u>\$101,474</u>	<u>(\$52,457)</u>	<u>\$49,017</u>
Balance at January 1, 2021	\$139,331	(\$45,263)	\$94,068
Service cost			
Current service cost	381	-	381
Interest expense (income)	697	(259)	438
Recognized in profit or loss	<u>1,078</u>	<u>(259)</u>	<u>819</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(507)	(507)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Actuarial (gain) loss - changes in demographic assumptions	3,481	-	3,481
Actuarial (gain) loss - changes in financial assumptions	-	-	-
Actuarial (gain) loss - experience adjustments	2,431	-	2,431
Recognized in other comprehensive income	5,912	(507)	5,405
Contributions from the employer	-	(13,200)	(13,200)
Benefits paid	(4,897)	4,897	-
Balance at December 31, 2021	<u>\$141,424</u>	<u>(\$54,332)</u>	<u>\$87,092</u>

Due to the pension plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the amount distributed to the Group should not be below the return on investing plan assets in a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the interest rate will increase the present value of the defined benefit obligation. However, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the plan participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.50%	0.50%
Expected salary increase rate	3.75%	3.50%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
0.25% increase	(\$2,470)	(\$3,732)
0.25% decrease	\$2,561	\$3,881
Expected salary increase rate		
0.25% increase	\$2,464	\$3,708
0.25% decrease	(\$2,390)	(\$3,587)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected contributions to the plan for the following year	\$13,200	\$13,200
The average duration of the defined benefit obligation	9.9 years	11.2 years

21. EQUITY

a. Share Capital

Ordinary shares

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

Fully paid ordinary shares, which have a par value of NTD10, carry one vote per share and carry a right to dividends.

Considering the long-term cooperating relationships with strategic investors, and improvement in financial structure and operating efficacy, the Company's extraordinary shareholders meeting 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 price for the ordinary shares under the private was calculated from the following standards: (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 was completed of capital on March 23, 2022

b. Capital surplus

	<u>December 31, 2022</u>	<u>December 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
Conversion of bonds	667,058	667,058
Treasury share transactions	48,234	48,234
Interest payable on bond conversion	13,243	13,243
<u>May be used to offset a deficit only</u>		
Treasury share transactions	71,365	71,365
	<u>\$2,179,372</u>	<u>\$2,179,372</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 per 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 23-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.

The Company held shareholders' meetings on June 8, 2022 and July 30, 2021, where the deficit compensation for 2021 and 2020 respectively was passed as follows:

	<u>Deficit Compensation</u>	
	<u>2021</u>	<u>2020</u>
Legal reserve	\$316,924	\$154,744

On March 9, 2023, the Board of Directors proposed the distribution of earnings for 2022 as follows:

	<u>2022</u>
Legal reserve	\$9,127
Special reserve	<u>\$82,146</u>

The distribution for 2022 is pending resolution at the general meeting of shareholders to be held in June 2023.

d. Special reserve

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

e. Other equity

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

	For the year	
	2022	2021
Balance at January 1	(\$523,866)	(\$448,879)
Exchange differences arising on translating the financial statements of foreign operations	279,695	(74,987)
Balance at December 31	<u>(\$244,171)</u>	<u>(\$523,866)</u>

2) Unrealized gain (loss) on financial assets at fair value through other comprehensive income

	For the year	
	2022	2021
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	(862)	3,804
Share from associates accounted for using the equity method	8,935	(30,209)
Balance at December 31	<u>(\$80,339)</u>	<u>(\$88,412)</u>

f. NON-CONTROLLING INTERESTS

	For the year	
	2022	2021
Balance at January 1	(\$8,671)	(\$8,909)
Attributable to non-controlling interests:		
Loss for the year	(21)	(18)
Exchange differences on translating the financial statements of foreign operations	(961)	256
Balance at December 31	<u>(\$9,653)</u>	<u>(\$8,671)</u>

22. REVENUE

	For the year	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	\$13,920,213	\$12,211,713
Service Revenue	97,362	72,328
	<u>\$14,017,575</u>	<u>\$12,284,041</u>
<u>Contract balance</u>		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract liabilities		
Contract liabilities- current	<u>\$420,025</u>	<u>\$159,527</u>

23. NET PROFIT RELATING TO CONTINUING OPERATIONS

a. Interest income

	For the year	
	2022	2021
Bank deposits	\$37,686	\$27,064
Others	331	936
	<u>\$38,017</u>	<u>\$28,000</u>

b. Other income

	For the year	
	2022	2021
Sample revenue (Note 29)	\$69,865	\$-
Dividend income	2,995	-
Others	92,346	88,319
	<u>\$165,206</u>	<u>\$88,319</u>

c. Other gains and losses

	For the year	
	2022	2021
Net foreign exchange gains (losses)	\$56,942	(\$18,425)
Loss on disposal of property, plant and equipment	(9,063)	(3,279)
Loss on disposal of intangible assets	(44)	(8)
Gain on disposal of investment	3,334	795
Gain on disposal of non-current assets held for sale (Note 11)	11,765	-
Others	(7,214)	(5,579)
	<u>\$55,720</u>	<u>(\$26,496)</u>

d. Depreciation and amortization

	For the year	
	2022	2021
Property, plant and equipment	\$275,727	\$260,211
Right-of-use assets	39,661	25,574
Computer Software	15,113	13,380
	<u>\$330,501</u>	<u>\$299,165</u>
An analysis of depreciation by function		
Operating costs	\$151,706	\$138,095
Operating expenses	163,682	147,690
	<u>\$315,388</u>	<u>\$285,785</u>
An analysis of amortization expense by function		
Operating costs	\$4,161	\$3,834
Operating expenses	10,952	9,546
	<u>\$15,113</u>	<u>\$13,380</u>

e. Finance costs

	For the year	
	2022	2021
Bank loans interest	\$61,331	\$31,104
Bonds payable interest	9,094	6,022
Lease liabilities interest	2,073	1,684
Interest on the disposal of trade receivables	978	1,487
Other finance costs	4,442	-
	<u>\$77,918</u>	<u>\$40,297</u>

f. Employee benefits expense

	For the year	
	2022	2021
Short-term employee benefits	\$2,582,044	\$2,369,132
Post-employment benefits (Note 20)		
Defined contribution plans	21,419	22,232
Defined benefit plans	735	819
Total employee benefits expense	<u>\$2,604,198</u>	<u>\$2,392,183</u>
An analysis of employee benefits expense by function		
Operating costs	\$1,453,699	\$1,483,306
Operating expenses	1,150,499	908,877
	<u>\$2,604,198</u>	<u>\$2,392,183</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. The estimated employees' compensation and remuneration of directors and supervisors for 2022 is as follows:

Estimation ratio

	For the year	
	2022	2021
Employee Compensation	10%	-
Directors and supervisors compensation	2%	-

Amount

	For the year	
	2022	2021
Employee Compensation	\$13,462	\$-
Remuneration paid to directors and supervisors	2,692	-

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the year	
	2022	2021
Foreign exchange gains	\$204,315	\$42,273
Foreign exchange losses	(147,373)	(60,698)
Net gain (loss)	\$56,942	(\$18,425)

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Total income tax expense recognized in profit or loss

The major components of tax expense were as follows:

	For the year	
	2022	2021
Current income tax		
Generated in the year	\$132,392	\$19,823
Generated in the previous year	5,679	1,135
	138,071	20,958
Deferred income tax		
Generated in the year	(21,237)	(6,290)
Total income tax expense recognized in profit or loss	\$116,834	\$14,668

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

	For the year	
	2022	2021
Income (loss) before tax	\$188,140	(\$297,950)
Income (loss) before income tax expense at statutory tax rate	\$132,392	\$19,823
Current tax expenses from prior years	5,679	1,135
Current income tax	138,071	20,958
Deferred income tax		
Temporary differences	(21,237)	(6,290)
Total income tax expense recognized in profit or loss	\$116,834	\$14,668

b. Income tax recognized in other comprehensive income

	For the year	
	2022	2021
<u>Deferred income tax</u>		
Generated in the current year		
Actuarial gains and losses on defined benefit plan	\$4,986	(\$1,081)
Income tax recognized in other comprehensive income	\$4,986	(\$1,081)

c. Current income tax liabilities for the period

	December 31, 2022	December 31, 2021
	Current income tax liabilities	
Income tax payable	\$136,533	\$23,612

d. Deferred tax assets and liabilities

The changes of deferred tax assets and deferred tax liabilities are as follows:

2022

	Balance at the beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at the end of year
<u>Deferred tax asset</u>				
Temporary differences				
Unrealized inventory valuation losses	\$3,910	(\$2,964)	\$-	\$946
Unrealized gross profit	15,870	(8,036)	-	7,834
Unrealized pension expenses	16,670	2,492	-	19,162
Unrealized loss carry forwards	16	18,608	-	18,624
Others	16,648	(735)	(4,986)	10,927
	\$53,114	\$9,365	(\$4,986)	\$57,493
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized gain on investments	\$56,520	(\$11,871)	\$-	\$44,649

	<u>Balance at the beginning of year</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Balance at the end of year</u>
Deferred tax asset				
Temporary differences				
Unrealized inventory valuation losses	\$3,820	\$90	\$-	\$3,910
Unrealized gross profit	16,380	(510)	-	15,870
Unrealized pension expenses	14,190	2,480	-	16,670
Unrealized loss carry forwards	5,196	(5,180)	-	16
Others	17,457	(1,890)	1,081	16,648
	<u>\$57,043</u>	<u>(\$5,010)</u>	<u>\$1,081</u>	<u>\$53,114</u>
Deferred tax liabilities				
Temporary differences				
Unrealized gain on investments	\$67,820	(\$11,300)	\$-	\$56,520

- e. Unused loss carryforwards in income tax assets that were not recognized in the consolidated balance sheets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loss carryforwards	\$659,020	\$864,301

- f. Income tax assessments

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

25. EARNINGS (LOSS) PER SHARE

Unit: dollars per share

	<u>For the year</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings (loss) per share	\$0.19	(\$0.92)
Diluted Earnings Per Share	\$0.19	

The earnings (loss) per share and the weighted average number of ordinary shares used in the computation of earnings (loss) per share are as follows:

Net Profit (Loss) for the year

	<u>For the year</u>	
	<u>2022</u>	<u>2021</u>
Profit (loss) used in the computation of basic (loss) earnings per share	\$71,327	(\$312,600)
Profit (loss) used in the computation of diluted earnings per share	\$71,327	

Number of Shares

Unit: Thousands of shares

	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in computation of basic earnings (loss) per share	375,208	338,511
Effect of potential common stock with dilution:		
Employee Compensation	341	
Weighted average number of ordinary shares used in computation of basic earnings per share	<u>375,459</u>	

If the Company has the option to pay employees in shares or cash, the calculation of diluted earnings per share assumes that employee compensation will be paid in shares and is included in the weighted-average number of shares outstanding for the purpose of calculating diluted earnings per share when the potential common stock has a dilutive effect. The dilutive effect of these potential common shares are also considered in the calculation of diluted earnings per share before the resolution of the number of shares awarded to employees in the following year.

26. GOVERNMENT GRANTS

PHC received \$4,057 thousand in government grants for acquiring energy-saving equipment in 2022. Such amounts have been deducted from the carrying amounts of the relevant assets while recognized in profit or loss within the useful lives of the assets by reducing the depreciation expenses. In 2022, the depreciation expenses decreased by \$246 thousand.

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

1) Fair value hierarchy

December 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>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted equity	\$-	\$-	\$99,764	\$99,764

December 31, 2021

	<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

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

2) Conciliation of Financial Instruments Measures at Level 3 Fair Value

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Balance at January 1	\$87,226	\$65,828
Recognized in other comprehensive income (Unrealized gain (loss) on financial assets at FVTOCI)	(862)	3,804
Additions	16,104	18,000
Repayment from capital reduction	(2,704)	(406)
Balance at December 31	<u>\$99,764</u>	<u>\$87,226</u>

b. Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$6,308,002	\$6,114,809
Financial assets at FVTOCI		
Investments in equity instruments at FVTOCI	99,764	87,226
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	7,995,482	7,349,925

Note1: 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, other receivables from related parties, and refundable deposits.

Note2: The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term notes and bills payable, contract liabilities, trade payables, trade payables to related parties, other payables, bonds payable, long-term borrowings, lease liabilities and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, financial assets at amortized cost, investment in equity instruments, notes receivables, trade receivables, other receivables, other receivables from related parties, refundable deposits/guarantee deposits received, short-term borrowings, short-term notes and bills payable, 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

Several subsidiaries of the Company 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) 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.

	<u>For the year</u>	
	<u>2022</u>	<u>2021</u>
USD	\$11,494	(\$2,880)
CNY	(2,176)	36
VND	3,763	2,657

b) Interest rate risk

The Group was exposed to fair value interest rate risk and cash flow interest rate risk from long-term and short-term borrowings, short term notes and bills payable, 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>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk Financial liabilities	\$2,197,138	\$997,817
Cash flow interest rate risk Financial liabilities	1,727,345	2,307,536

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 December 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 maturity dates of the Group's remaining contractual maturity for its non-derivative financial liabilities was based on the undiscounted cash flows (including principal and estimated interest) 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.

December 31, 2022

	On Demand or Less than			Total
	1 Year	1 to 3 years	Over 3 years	
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$3,640,277	\$-	\$-	\$3,640,277
Lease liabilities	44,518	35,668	15,624	95,810
Variable interest rate instrument	1,061,762	509,483	156,100	1,727,345
Fixed interest rate instrument	734,640	668,000	698,688	2,101,328
	<u>\$5,481,197</u>	<u>\$1,213,151</u>	<u>\$870,412</u>	<u>\$7,564,760</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>\$44,518</u>	<u>\$43,461</u>	<u>\$7,831</u>

December 31, 2021

	On Demand or Less than			Total
	1 Year	1 to 3 years	Over 3 years	
<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>

b) Financing facilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank facilities:		
Amount used	\$2,377,690	\$1,943,174
Amount unused	1,578,635	1,357,046
	<u>\$3,956,325</u>	<u>\$3,300,220</u>
Secured bank facilities:		
Amount used	\$721,760	\$640,436
Amount unused	1,141,700	1,210,532
	<u>\$1,863,460</u>	<u>\$1,850,968</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 Quan Hong Metal Products Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
TCC Energy Storage Technology Corporation	Related Party
Spring City Resort Co., Ltd.	Associates
Peter Lin	Phihong's chairman
Shu-Nu Chien	Spouse of Phihong's chairman
Lin-Kuan Hung	Related Party
Hsin-I Lin	Related Party
Pei-Chi Wu	Related Party

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. Trading transactions

Financial Statement Account	Category of related parties	For the year	
		2022	2021
Operating revenue	Related Party	\$4,915	\$-
Operating costs	Other related parties	\$194,424	\$169,044

The sales prices and trading terms of the Group to related parties are based on contractual agreements.

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. Contract liabilities

Category of related parties	December 31, 2022	December 31, 2021
Related Party	\$20,526	\$-

d. Receivables from related parties

Financial Statement Account	Category of related parties	December 31, 2022	December 31, 2021
Other receivables	Related Party	\$3,654	\$-

e. Payables to related parties

Financial Statement Account	Category of related parties	December 31, 2022	December 31, 2021
Trade payables	Other related parties	\$86,319	\$61,122

f. Operating expenses

Financial Statement Account	Category of related parties	For the year	
		2022	2021
Service expense	Related Party	\$5,417	\$-
Service expense	Spouse of Pihong's chairman	3,973	-
		\$9,390	\$-
Salary	Related Party	\$13,222	\$8,263

g. Compensation of key management personnel

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

	For the year	
	2022	2021
Short-term employee benefits	\$61,496	\$38,665
Post-employment benefits	806	432
	\$62,302	\$39,097

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

h. Other transactions with related parties

The Company's chairman served as the joint guarantor for the Company's short-term borrowings, bonds payable and long-term borrowings. As of December 31, 2022 and 2021, the amounts of the borrowings were \$3,333,504 thousand and \$2,822,861 thousand, respectively.

i. Others

Financial Statement Account	Category of related parties	2022	2021
Non-operating income sample revenue	Related Party	\$29,580	\$-

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:

	December 31, 2022	December 31, 2021
Financial assets at amortized cost - current (Note 8)	\$500	\$-
Financial assets at amortized cost - non-current (Note 8)	22,030	20,458
Freehold land	463,345	463,345
Right-of-use assets - land use right	67,404	35,966
Buildings	423,816	458,358
	\$977,095	\$978,127

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payments for property, plant and equipment		
Signed amount	\$1,500,991	\$1,187,289
Unpaid amount	190,172	433,621

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:

December 31, 2022

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$90,458	30.72500	\$2,779,316
CNY	9,068	4.40230	39,919
VND	393,378,124	0.00130	511,392
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	53,050	30.72500	1,629,965
CNY	58,489	4.40230	257,484
VND	103,942,821	0.00130	135,126

December 31, 2021

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	<u>Foreign Currencies</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

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. 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 NTD300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NTD300 million or 20% of the paid-in capital. (None)
- 6) Disposal of property at prices of at least NTD300 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) Other: Intercompany relationships and significant intercompany transactions. (Table 6)
- 11) Information on investees. (Table 7)

c. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the 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.
- 3) 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, manufacturing, sales, and after-sales service 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 Group's revenues and operating results by segments for 2022 and 2021 are as follows:

	<u>Power Supply</u>	<u>Electric Vehicles</u>	<u>Total</u>
<u>2022</u>			
Revenues from external customers	\$ 12,140,910	\$ 1,876,665	\$ 14,017,575
Segment income (loss)	<u>\$38,472</u>	<u>(\$24,815)</u>	\$ 13,657
Interest income			38,017
Other income			165,206
Other gains and losses			55,720
Finance costs			(77,918)
Share of loss of associates			(6,542)
Net profit before tax			<u>\$188,140</u>
<u>2021</u>			
Revenues from external customers	\$11,959,236	\$324,805	\$12,284,041
Segment income (loss)	<u>\$38,734</u>	<u>(\$378,058)</u>	(\$339,324)
Interest income			28,000
Other income			88,319
Other gains and losses			(26,496)
Finance costs			(40,297)
Share of loss of associates			(8,152)
Loss before income tax			<u>(\$297,950)</u>

c. Revenue from major products and services

The Group's revenue from continuing operations by its major products and services:

	<u>For the year</u>	
	<u>2022</u>	<u>2021</u>
Power supply products	\$12,140,910	\$11,959,236
EV products	1,876,665	324,805
	<u>\$14,017,575</u>	<u>\$12,284,041</u>

d. Region-specific information

The Group operates in three major geographical regions: Asia, the Americas, and Europe.

The Group's revenue from continuing operations' external customers by region and non-current assets by region are detailed below.

	<u>Revenues from external customers</u>		<u>Non-current assets</u>	
	<u>2022</u>	<u>2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Asia	\$9,892,905	\$10,435,398	\$4,317,508	\$3,552,628
Americas	2,331,342	980,923	142,110	108,565
Europe	1,622,631	800,649	-	-
Others	170,697	67,071	-	-
	<u>\$14,017,575</u>	<u>\$12,284,041</u>	<u>\$4,459,618</u>	<u>\$3,661,193</u>

e. Information on major customers

Of the sales revenue of \$14,017,575 thousand and \$12,284,041 thousand in 2022 and 2021, respectively, \$6,530,995 thousand and \$7,659,554 thousand were derived from the sales to the Group's major customers, respectively.

Single customers, contributing 10% or more to the Group's total revenue, were as follows:

	For the year	
	2022	2021
Customer A	\$2,645,962	\$2,624,333
Customer B	2,334,051	2,577,949
Customer C	1,550,982	2,457,272
	<u>\$6,530,995</u>	<u>\$7,659,554</u>

There were no other single customers contributing 10% or more to the Group's total revenue for both 2022 and 2021.

TABLE 1

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2022

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related parties	Highest Balance for the Period	Balance at December 31	Actual Borrowing Amount	Interest rate range	Financing Nature (Note 2)	Business Transaction Amount	Reasons for Short-term financing	Allowance for impairment loss	Collateral		Financing Limit for Each Borrower (Note 3 and Note 4)	Aggregate Financing Limit (Note 3 and Note 4)	Note
													Item	Value			
0	PHT	ZSH	Other receivables from related parties	Yes	\$ 537,688 USD 17,500,000	\$ 537,688 USD 17,500,000	\$-	3.00%	2	\$-	Capital movement	\$-			\$ 1,245,014	\$ 2,490,028	
0	PHT	ZCM	"	"	460,875 USD 15,000,000	460,875 USD 15,000,000	-	3.00%	"	-	"	-	-	-	1,245,014	2,490,028	
0	PHT	ZCS	"	"	153,625 USD 5,000,000	153,625 USD 5,000,000	-	3.00%	"	-	"	-	-	-	1,245,014	2,490,028	
0	PHT	ZAS	"	"	153,625 USD 5,000,000	153,625 USD 5,000,000	-	3.00%	"	-	"	-	-	-	1,245,014	2,490,028	
0	PHT	ZNS	"	"	153,625 USD 5,000,000	153,625 USD 5,000,000	30,725	3.00%	"	-	"	-	-	-	1,245,014	2,490,028	
0	PHT	ZJS	"	"	76,813 USD 2,500,000	76,813 USD 2,500,000	-	3.00%	"	-	"	-	-	-	1,245,014	2,490,028	
0	PHT	PHJ	"	"	68,838 JPY 300,000,000	68,838 JPY 300,000,000	-	1.50%	"	-	"	-	-	-	1,245,014	2,490,028	
1	PHC	PHP	"	"	660,345 RMB 150,000,000	220,115 RMB 50,000,000	-	4.35%	"	-	"	-	-	-	2,198,632	2,198,632	
2	PHZ	PHP	"	"	1,364,714 RMB 310,000,000	1,210,633 RMB 275,000,000	1,210,633	4.35%~ 4.75%	"	-	"	-	-	-	1,946,938	1,946,938	
1	PHC	PHE	"	"	44,023 RMB 10,000,000	44,023 RMB 10,000,000	44,023	4.90%	"	-	"	-	-	-	2,198,632	2,198,632	
3	ZTM	ZSH	"	"	64,523 USD 2,100,000	64,523 USD 2,100,000	-	5.00%	"	-	"	-	-	-	944,793	944,793	
3	ZTM	ZCM	"	"	64,523 USD 2,100,000	64,523 USD 2,100,000	-	5.00%	"	-	"	-	-	-	944,793	944,793	
3	ZTM	ZCS	"	"	21,508 USD 700,000	21,508 USD 700,000	-	5.00%	"	-	"	-	-	-	944,793	944,793	
3	ZTM	ZAS	"	"	21,508 USD 700,000	21,508 USD 700,000	-	5.00%	"	-	"	-	-	-	944,793	944,793	
3	ZTM	ZNS	"	"	21,508 USD 700,000	21,508 USD 700,000	-	5.00%	"	-	"	-	-	-	944,793	944,793	
3	ZTM	ZJS	"	"	21,508 USD 700,000	21,508 USD 700,000	-	5.00%	"	-	"	-	-	-	944,793	944,793	

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

1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Reasons for financing are as follows:

1. Business relationship
2. 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:

1. 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.
2. 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.

Table 2

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 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/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (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	\$ 1,867,521	\$ 61,450	\$ 61,450	\$ 61,450	\$ -	0.99	\$ 3,112,535	Y	N	N	
0	Phihong	ZTM	Subsidiary of the Company	1,867,521	USD 2,000,000	USD 2,000,000	USD 2,000,000	-	9.65	3,112,535	Y	N	N	

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

1. The Company is coded "0".
2. 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 latest 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.

Note 5: On August 4, 2022, the board of directors approved that the Company's endorsements/guarantees amount to ZTM is NTD 600 million.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the issuer	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying amount	Percentage of Ownership (%)	Fair value	
Phihong	Ordinary shares Pao- Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	229,980	\$3,084	10.49	\$3,084	
	Zhong-Xuan Venture Capital Co., Ltd.	"	"	2,488,276	19,666	8.62	19,666	
	BMC Venture Capital Investment Corporation	"	"	6,000,000	69,018	9.84	69,018	
	RFIC Technology Corporation	"	"	1,000,000	4,502	3.50	4,502	
Guang-Lai	Ordinary shares Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non-current	3,000,000	3,390	10.83	3,390	
PHJ	Ordinary shares ENECHANGE EV Labs Ltd.	None	Financial assets at FVTOCI - non-current	45	104	5.00	104	

Note 1: The marketable securities stated here are 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 YEAR ENDED DECEMBER 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	(\$ 3,478,124)	(31.05)	To be agreed by both parties	-	-	\$ 345,636	25.07	
"	PHJ	"	"	(151,203)	(1.35)	"	-	-	16,205	1.18	
"	PHC	"	Purchase	6,886,450	68.69	"	-	-	-	-	
"	PHP	"	"	818,395	8.16	"	-	-	69	0.01	
"	PHV	"	"	1,841,334	18.37	"	-	-	21,679	1.57	
"	ZSH	"	"	359,948	3.59	"	-	-	(123,354)	(96.34)	

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTD100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2022

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

Company Name	Related Party	Relationship	Receivables from related parties ending balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance Amount Actions Taken for Impairment Loss
					Amount	Actions Taken		
Phihong	PHA	Subsidiary of the Company	Trade receivables	9.65	\$ -	-	\$ 333,877	\$ -
"	PHA	"	Other receivables	-	-	-	18,996	-
"	PHC	"	Other receivables	-	-	-	550,063	-
"	PHV	"	Other receivables	-	-	-	162,177	-
"	ZTM	"	Other receivables	-	-	-	164,912	-
ZSH	Phihong	The Ultimate Parent Entity	Other receivables	-	-	-	-	-
PHZ	PHP	Sister company	Other receivables	-	-	-	-	-
ZTM	ZSH	Sister company	Trade receivables	5.25	-	-	33,076	-

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 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	Sales revenue	\$3,478,124	To be agreed by both parties	24.81%
"	"	PHJ	"	"	151,203	"	1.08%
"	"	ZSH	"	Service Revenue	72,818	"	0.52%
"	"	PHC	"	Purchase	6,886,450	No significant difference	49.13%
"	"	PHP	"	"	818,395	"	5.84%
"	"	PHV	"	"	1,841,334	"	13.14%
"	"	ZSH	"	"	359,948	"	2.57%
"	"	PHA	"	Trade receivables	345,633	—	2.37%
"	"	PHA	"	Other receivables	110,906	—	0.76%
"	"	PHC	"	"	550,063	—	3.77%
"	"	PHV	"	"	473,790	—	3.25%
"	"	ZTM	"	"	167,447	—	1.15%
"	"	ZSH	"	Trade payables	44,008	—	0.30%
2	PHZ	PHP	3	Other receivables	1,210,633	—	8.30%
"	ZTM	ZSH	"	Service Revenue	155,776	To be agreed by both parties	1.11%
"	ZTM	PHA	"	Other income	30,792	"	0.22%
"	ZAS	PHA	"	Service Revenue	21,440	"	0.15%
"	"	ZSH	"	"	25,335	"	0.18%
"	ZNS	ZSH	"	"	18,502	"	0.13%

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

1. Parent company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Between subsidiaries

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of December 31, 2022. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2022.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investor	Investee Company	Location	Main Businesses and Product	Original Investment Amount		As of December 31, 2022			Investee Net gain (loss) for the period	Share of profit (loss) recognized	Note	
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying amount				
Pihong	PHI Company	British Virgin Islands	Makes investments	\$ 3,209,288	\$ 3,448,270	102,421,351	100	\$ 2,731,172	(\$30,785)	(\$29,766)		
	PHA	The United States	Sells various power supplies	207,203	207,203	3,100,000	100	1,143,436	51,888	51,888		
	PHK	British Virgin Islands	Makes investments	554,154	314,956	18,840,000	100	(300,541)	(124,752)	(139,751)		
	PHQ	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100	67,000	8,614	7,759		
	Guang-Lai	Taiwan	Makes investments	139,758	139,758	13,975,828	100	112,828	(1,073)	(1,073)		
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	13,738	13,738	1,373,801	32.26	11,021	(16,978)	(5,479)		
	PHJ	Japan	Sells power components	137,436	137,436	3,000	100	78,226	9,961	9,961		
	PHV	Vietnam	Manufactures and sells various power supplies	JPY 150,000,000	JPY 150,000,000	65,000,000	100	1,609,716	(246,407)	(246,358)		
	ZTM	Taiwan	Manufactures and sells of electrical equipment	USD 65,000,000	USD 50,000,000	60,000,000	100	629,797	29,862	29,797	Note 2	
	ZKH	Cayman Islands	Makes investments	600,000	-	120,000,001	100	215,579	(141,687)	(148,537)	Note 3	
PHI Company	N-Lighten	The United States	Makes investments	USD 12,000,000	409,851	409,851	110,834,223	58.45	(25,918)	(98)	(57)	Pihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%
Guang-Lai	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	2,788	1,179	458		
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	99,062	(6,873)	(1,521)		
	N-Lighten	The United States	Makes investments	206,084	206,084	37,498,870	19.78	(8,771)	(98)	(19)	Pihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%	
ZKH	ZNS	Netherlands	Provides electric vehicle charging solutions	-	-	100	-	(330)	624	360	Note 4	
	ZSH	Singapore	Investment in other businesses and sales of electrical equipment	362,534	-	11,900,000	100	220,903	(56,701)	(139,880)	Note 5	
ZSH	ZJS	Japan	Provides electric vehicle charging solutions	-	-	8,000	-	(1,000)	(963)	(963)	Note 6	
	ZAH	The United States	Makes investments	32,692	-	1,050,000	100	33,206	917	917	Note 7	
ZAH	ZAS	The United States	Provides electric vehicle charging solutions	USD 1,050,000	31,620	-	1,000,000	100	31,683	930	930	Note 8
				USD 1,000,000	1,000,000							

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

Note 2: Approved to be established on March 4, 2022. Under a resolution approved in the stockholders' meeting on June 8, 2022, Phehicle Co., Ltd was renamed Zerova Technologies Taiwan Limited., and the change of registration was approved under the Letter No. 11100125130 from Tainan city government on June 20, 2022.

Note 3: ZKH was established in March 2022 and registered in the Cayman Islands with a registered capital of USD12,000 thousand and the Company holds 100% of its shares. As of December 31, 2022, the Company has invested \$365,580 thousand (or USD12,000 thousand).

Note 4: ZNS was established in June 2022 and registered in the Netherlands. As of December 31, 2022, the Company's parent company, ZKH, had not completed the capital injection.

Note 5: ZSH was established in July 2022 and registered in Singapore with a registered capital of USD11,900 thousand and ZKH holds 100% of its shares. As of December 31, 2022, ZKH has invested \$327,964 thousand (or USD11,900 thousand).

Note 6: ZJS was established in September 2022 and registered in Japan. As of December 31, 2022, ZSH, the parent company of ZJS, had not completed the capital injection.

Note 7: ZAH was established in July 2022 and registered in the United States with a registered capital of USD1,050 thousand and ZSH holds 100% of its shares. As of December 31, 2022, ZSH has invested \$32,692 thousand (or USD1,050 thousand).

Note 8: ZAS was established in July 2022 and registered in the United States with ZAH holding 100% of its shares.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2022

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

1. Information on investees in Mainland China, including the name, principal business activities, paid-up capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment gain or loss, carrying of the investment, and repatriation of investment income:

Investee Company	Main Businesses and Product	Paid-in Capital	Method of Investment	Accumulated investment amount Remitted from Taiwan as of January 1, 2021	Remittance of Funds For the Period		Accumulated investment amount Remitted from Taiwan as of December 31, 2022	Investee Net gain and loss for the period	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) Recognized (Note 4)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of investment income as of December 31, 2022	Note
					Outward	Inward							
PHC	Manufactures and sells various power supplies	\$ 1,988,018 HKD 495,450,000	Indirect investment in mainland China through PHI	\$ 1,677,679 HKD 419,000,000	\$ -	\$ -	\$ 1,677,679 HKD 419,000,000	(\$ 65,739)	100.00	(\$65,739)	\$ 1,465,755	\$-	
PHZ	Manufactures and sells various power supplies	1,097,139 USD 31,960,000	"	1,343,033 USD 40,600,000	-	USD 245,894 8,640,000	1,097,139 USD 31,960,000	38,832	100.00	38,832	1,297,959	-	
Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	26,291 USD 880,000	"	63,934 USD 2,865,000	-	-	63,934 USD 2,865,000	(3,935)	100.00	(3,935)	4,284	-	
PHP	Manufactures and sells various power supplies	604,135 USD 20,140,000	Indirect investment in mainland China through PHK	315,258 USD 10,000,000	USD 239,198 8,640,000	-	554,456 USD 18,640,000	(127,845)	100.00	(127,845)	(286,429)	-	
PHSY	Manufactures and sells electronic materials	39,678 HKD 9,000,000	Indirect investment in mainland China through PHQ	39,678 HKD 9,000,000	-	-	39,678 HKD 9,000,000	10,210	100.00	10,210	72,248	-	
PHE	Manufactures and sells electronic materials	360,124 USD 11,500,000	"	360,124 USD 11,500,000	-	-	360,124 USD 11,500,000	(1,529)	100.00	(1,529)	(5,012)	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 USD 12,366,400	-	-	387,406 USD 12,366,400	-	-	-	-	-	Note 1
ZCM	Manufactures and sells of electrical equipment	28,942 USD 950,000	Indirect investment in mainland China through ZSH	-	USD 28,942 950,000	-	28,942 USD 950,000	(61,242)	100.00	(61,242)	(34,709)	-	
ZCS	Provide electric vehicle charging solutions	6,145 USD 200,000	"	-	USD 6,145 200,000	-	6,145 USD 200,000	(606)	-	(606)	5,771	-	

Note 1: N-Lighten (Shanghai) Trading Inc. was dissolved on June 18, 2015.

Note 2: The amount was recognized based on audited financial statements.

Note 3: 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.

2. Limit on investment amount in Mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$4,234,685	\$5,131,983	Note 1

Note 1: In accordance with the Article 3 of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area", the Company acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs on June 18, 2021, which exempts the Company from the limitation of the amount of investment amount 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 YEAR ENDED DECEMBER 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	\$6,886,450	68.69%	To be agreed by both parties	To be agreed by both parties	—	\$-	-	\$-	
PHP	"	818,395	8.16%	"	"	—	69	0.01%	-	

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDER

December 31, 2022

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

Note1: 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.