Stock code
2457

# Phihong Technology Co., Ltd.

# Year 2023

# Annual Report

**Websites for Annual Report Publication**
**Taiwan Stock Exchange Market Observation Post System:**
**https://mops.twse.com.tw**
**Company Website: https://www.phihong.com.tw**
**Published Date: May 8, 2024**

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**V. Overseas Securities Exchange:** None

**VI. Phihong Technology Co., Ltd. Website:**

https://www.phihong.com.tw/

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# One. Letter to Shareholders

**Dear shareholders, ladies and gentlemen,**

The world is eager to start a new chapter of post-epidemic healing and recovery efforts in 2023. But because of the U.S. Federal Reserve's decision to boost interest rates in order to combat inflation, the world market has become unstable, China and the United States have started an AI chip war, and geopolitical tensions have continued ever since. Instead, there is weak demand in the terminal market due to factors like the Chinese real estate crisis's effects on domestic consumption and its banking system. Economic growth has slowed down in conjunction with the effects of inventory adjustments in original industries.

The surge in sales of electric vehicles and the ongoing building of charging stations in several nations will help Zerova, the company that provides energy for electric vehicles, in 2023. As of right now, it has supplied to over 40 nations worldwide. Its operations have entered a phase of rapid expansion, contributing 37% of the group's sales growth and yielding significant revenue growth. The degradation of the industrial and economic environment indicated before has resulted in a major reduction in the revenue of the power supply sector. However, the gross profit has also improved as a result of operating cost control, a significant reduction in material costs, and product mix optimization. The impact was minimized by double-digit growth improvement in interest rates. All things considered, the group's gross profit margin will rise dramatically by around 70% from 15.3% to 26.1% in 2023, enabling profits to more than triple and establish a record for the biggest profit in 10 years, even though the group's sales in 2023 would be about 12% lower than in 2022.

2024 will still be a year full of challenges, and the management team will face all the challenges proactively. Regarding growth and prospects, Zerova is anticipated to have a continuous increase in revenue of over 50%. The company will persist in implementing proactive business tactics to secure its technological leadership position and increase its market share. The power supply industry will stick to the transformation plan in order to create GaN core technology and value, deepen the cultivation of niche markets and customers, expand the construction and sales of high-margin standard products, and finish the consolidation of the Dongguan production site and control operating costs. We value the sustainable development of the Group and will continue to growth the overall to operational efficiency to Shin Kong Commercial the interests of our shareholders.

## I. Financial Performance

(1) Implementation of Business Plan and Budget Execution

The Company's net operating income in 2023 was NT$12,332,397, a decrease of approximately 12.02% compared with the net operating income in 2022 of NT$14,017,575;the net profit after tax in 2023 was NT$262,514, compared with the net profit after tax in 2022 of NT$71,306, an increase of approximately 268.15% from the net income. 2023 The overall profit has achieved the set internal goal.

(2) Analysis of Financial Income and Expenditure and Profitability

1. Financial Income and Expenditure Analysis Unit: NT$1,000, %

| Year / Item | 2022 | 2023 | Changes %% |
|---|---|---|---|
| Non-operating income and expenses | 174,483 | 109,663 | (37.15) |

The Company’s increase in non-operating income and expenses in 2022 as compared to DECREASE was mainly due to the increase in exchange Losses as a result of Exchange Rate fluctuations and the increase in sample revenue in 2022.

2. Profitability Analysis

<table>
<tr><th colspan="3">Item \ Year</th><th>2022</th><th>2023</th></tr>
<tr><td rowspan="6">Profitability</td><td colspan="2">Return on assets (%)</td><td>0.95</td><td>2.43</td></tr>
<tr><td colspan="2">Return on equity (%)</td><td>1.18</td><td>3.36</td></tr>
<tr><td rowspan="2">As a percentage of paid-in capital (%)</td><td>Operating net profit</td><td>0.36</td><td>8.23</td></tr>
<tr><td>Net Profit before tax</td><td>5.01</td><td>10.77</td></tr>
<tr><td colspan="2">Net profit margin (%)</td><td>0.51</td><td>2.13</td></tr>
<tr><td colspan="2">Earnings per share(dollar)</td><td>0.19</td><td>0.68</td></tr>
</table>

## II. Research and Development Status

(1) Zerova Technologies Taiwan Limited Zerova Charging equipment Products

Zerova continues to innovate and expand its product applications in key verticals, and focuses on the research and development of high power and high margin charging equipment above 360kw. Its main products include the following:

- Single DC fast charging piles: A 480kW single DC fast charging station with four DC charging piles that can be freely combined with various screen configurations (7", 21.5", and 32") based on the demands of the client in order to improve the user experience for EV owners in various situations. DQ480 is suitable for urban parking places with limited land and quick charging requirements, such as gas stations, shopping malls, commercial centers, and commercial fleets, to maximize the rotation and use efficiency of operators’ charging stations for vehicles.
- V2X Two-Way Energy Storage System: V2X is a component of the smart grid’s energy infrastructure that has the ability to store energy in reverse from electric vehicles for usage in utility grids, homes, or commercial buildings during periods of high demand, emergencies, or natural disasters. V2X allows electric vehicles to be not only a means of transportation, but also a mobile energy storage device, which can be used as a backup power source for households and a virtual power plant in the city, optimizing the efficiency of energy use through flexible power scheduling, and facilitating the smart transformation of the power grid.
- ˙Electric bus charging station: A pantograph charging pile for charging electric buses, compatible with all standard charging technologies. Fully modular, no manual plugging or unplugging required.
- Large-scale charging system: A 3.84 MW system for commercial fleets, which can connect to 24 charging devices at the same time. Integrated in an electrical cabinet, the energy storage system can be upgraded.

(2) Power Supply Products

- Creating GaN’s core technology and value in order to provide high-efficiency, lightweight, and miniaturized products, ensuring technology leadership and market differentiation, and bringing tangible benefits to customers in terms of ESG energy saving and carbon reduction.
- ˙Making good use of simulation-assisted physical design integration experience and software/hardware integrated engineering design capabilities to ensure design feasibility, thereby shortening the product development cycle and winning the professional trust of customers.

- To make our products more competitive, we must constantly enhance the material cost structure of our current offerings and streamline manufacturing procedures to cut production expenses.
- USB PD 3.1 product and technology development: Comply with the maximum output power and maximum output voltage requirements under the new regulations, enabling applications of USD PD from consumer products to gaming laptops, electric tools, electric bicycles, network communications, etc.
- 300-1500W power supply product and technology development: Proactively enter high-end niche markets such as 5G communication, power battery charging, robotics and industrial control applications.

**III. Business Policies and Objectives**

(1) Company Development:

- Focusing on maximizing the efficiency of the Company and accelerating its transformation
- Strengthening emphasis on strategy capital allocation
- Enhancing corporate governance practices and ESG sustainable development
- Prioritizing shareholder return and value

(2)Zerova：

- Focusing on expanding its scale and increasing the global sales network
- Recruit and build international management team to accelerate growth
- Continuing research and development and innovation to ensure long-term competitiveness
- Strategically selecting the right markets to achieve healthy sustainable growth
- Pursuing high quality revenue
- Concentrating on quality, customer service and delivery capability
- Continuing establish a strong business model with diversified revenues

(3) Power Supply Products

- Focusing on cost structure improvements
- Reorganizing production layouts to reduce costs and improve competitiveness
- Deeply exploring strategic niche markets, customers, and product development
- Emphasizing high margin standard products and diversified business model
- Emphasizing high-quality profits and not blindly pursuing revenue growth
- Building GaN Core Technology and Value

**IV. Sales Policies**

We continue to work closely with our customers and supply chain to accelerate our global layout and capacity deployment, and actively adopt mutually beneficial solutions in the face of raw material shortages and price uncertainties.

The current production and marketing strategy is as follows:

- ˙Deeply cultivating international brand customers and establishing a multi-point production and marketing and after-sales service system;
- Establishing a lean supply chain and increasing production capacity, and dynamically adjusting production capacity to meet customer demand.
- Continuously improving the local supply chain in Vietnam to make it mature.

**IV. Effect of External Competition, Legal Environment, and Overall Business Environment**

In terms of the legal environment, with the rise of environmental sustainability awareness, customers of well-known international brands are setting high standards of supplier management code of conduct and requiring supply chain compliance. Our company upholds the spirit of sustainable development and incorporates this spirit into the research, development and mass production process to achieve the production goal of net-zero emissions. The Company continues to track changes in the legal environment and actively proposes contingency measures to reduce operational risks.

The global situation is undergoing rapid changes, including the COVID-19 pandemic, inflation, geopolitical conflicts and rivalries, monetary policy tightening, and the Federal Reserve's policy of raising/lowering interest rates, further deepening the degree risk of uncertainty. The Company will pay close attention to the general economic changes and formulate the best business strategy to cope with the changes in the international situation.

Looking ahead to 2024, we will uphold our business philosophy of “superior design, excellent quality, and accurate delivery” and use our strong core competitiveness to gain customers’ trust and provide high-quality services to move towards our goal of sustainable growth and profitability, creating higher value for our customers and shareholders. In view of the above products and business strategies, the product portfolio will be fine-tuned in 2024, with an estimated sales target of 41 million units.

Finally, I would like to express my sincere gratitude to all the staff and shareholders for your long-standing support and encouragement for the Company. Thank you very much.

Wish all our shareholders good health and all the best.

Chairman: Lin, Chung-Min    President: Lin, Yang-Hong    Head of accounting: Chen, Kuei-Chih

# Two. Company Introduction

## I. Date of Incorporation: December 12, 1972.

## II. Company History:

1972 Incorporated on December 12, 1972 with a registered capital of NT$200,000. Located in Taipei City, the Company is a limited Company. Initially, it mainly introduced high-tech instruments and equipment.

1973 Factories were set up to produce power transformers, autotransformers, linear power supplies, and other products.

1977 Increased capital to NT$3,000,000.

1980 Sold 800,000 CB power supplies to all over the world, hitting a record high.

1981 Changed to a Company Limited with the capital increasing to NT$20,000,000. The Company and the factory were relocated to Zhongzheng North Road, Sanchong City; the factory was expanded to 1,400 pings in area, producing switching-mode power supplies.

1983 Increased capital to NT$30,000,000.

1985 Increased capital to NT$40,000,000.

1986 Entered the era of computer management.

1987 Increased capital to NT$60,000,000 and established a marketing site in California.

1989 Increased cash capital by NT$68,000,000; conducted capitalization from earnings for NT$12,000,000; thus, capital increased to NT$140,000,000.

1990 Increased cash capital by NT$48,000,000; conducted capitalization from earnings for NT$16,800,000; reserve surplus to increase capital
NT$4,200,000 capital increased to NT$209,000,000.
In October of the same year, it was approved by the Financial Supervisory Commission of the Ministry of Finance and became a publicly issued company.

1991 Conducted capitalization from earnings for NT$20,900,000; increased capital to NT$229,900,000.

1994 Passed ISO-9001 certification, and the product quality was highly recognized by the market.
Increased the number of directors from 3 to 7 to strengthen the management team.

1995 Obtained Japanese T-MARK certification and ranked 881th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

1996 Japanese Nimiklanda Co., Ltd. joined the management team and established Phihong International Corp. and Phihong (Dongguan) Electronics Co., Ltd. to engage in the processing of power supplies.
(Dongguan) Electronics Co., Ltd. was established to engage in the processing of power supplies.
Set up an office in Japan for marketing.

1997 Increased cash capital by NT$100,000,000; conducted capitalization from earnings for NT$42,731,410; thus, increased capital to NT$372,631,410. Established a U.S. subsidiary responsible for marketing, R&D, and services.
The Dongguan factory passed ISO-9002 and Japanese T-MARK certifications.
The Sanzhong factory passed ISO-14001 certification.

1998 Won the 7th National Award of Outstanding SMEs from the Ministry of Economic Affairs.
Ranked 7th in China Credit Information Service, Ltd.'s (CRIF's) top 500 companies
Ranked 11th in CRIF's top 500 companies in terms of the comprehensive business performance indicators.
Conducted capitalization from earnings for NT$277,368,590;
increased capital to NT$650,000,000. The Dongguan factory passed
ISO-14001 certification.
Purchased IBM RS 6000 and updated the information system.

1999 Purchased 4,540 pings of land in the Hwa Ya Technology Park for the future factory expansion.
Conducted capitalization from earnings and employee bonuses for NT$420,000,000; increased capital to NT$1,070,000,000. Approved by the Securities and Futures Management Commission, Ministry of Finance.

Established Phitek International Co., Ltd. and Dongguan Phitek Electronics Co., Ltd. (PHP).

2000 Established Phihong Japan Co., Ltd.
Officially listed on February 15.
Conducted capitalization from earnings and employee bonuses for NT$464,000,000; increased capital to NT$1,534,600,000. Established Phihong Electronics (Shanghai) Co., Ltd.
Established Phihong Pwm Brasil Ltda. through a joint venture with Pwm Brasil Ltda.in Brazil.

2001 Established Phitek (Tianjin) Electronics Co., Ltd. (PHP)
Officially listed on September 17.
Conducted capitalization from earnings and employee bonuses for NT$425,900,000; increased capital to NT$1,960,500,000. Established Guang-Lai Investment Co., Ltd. (Guang-Lai)
Established Heng-Shen Investment Co., Ltd.
Invested in the establishment of Zhuohong Electronic Technology (Shenzhen) Co., Ltd.
Purchased an office building in the Hwa Ya Technology Park, with a land area of 1,499 pings and a factory building of 2,702 pings, as the operating center of the Phihong headquarters.

2002 Issued an euro-convertible bond of US$50 million and increased capital to NT$2,571,194,740.
Commenced construction of the operating center of the headquarters in Linkou.
Established Phihong Electronics (Suzhou) Co., Ltd. (PHZ).

2003 Issued an euro-convertible bond of US$30 million and increased paid-in capital to NT$2,923,815,630.
Relocated to the operating center of the headquarters in Linkou in May 2003.
Renamed Phihong Technology Co. Ltd. in June.2003.

2004 Conducted capitalization from earnings and employee bonuses for NT$171,823,340; increased paid-in capital to NT$3,103,389,870.
PHTJ and PHZ passed the environmental management system certification, while PHC and PHP obtained the renewed ISO14001 certification; integrated the original ISO14000 independent certificates of each factory into a new ISO14001:1996 five-in-one certificate in April 2004.

2005 Conducted capitalization from earnings and employee bonuses for NT$85,432,190; increased paid-in capital to NT$3,196,144,820.
Obtained renewed TL9000-HW R3.0/R3.5 and ISO9001: 2000 certificates (five-in-one certificate) in April 2005.
Passed Lloyd’s first periodic review and obtained renewed certificate (six-in-one certificate) in October 2005.
Approved the merger of Guang-Lai and Heng-Shen Investment Co., Ltd. in November 2005, with Guang-Lai as the surviving Company.

2006 Cancelled 5,565,000 treasury shares and registered for capital reduction in February 2006.
Established Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (PHE).
The group’s factories (PHT/PHC/PHP/PHTJ/PHZ) converted their environmental management system to a new version in June 2006.
Passed ISO14001:2004 review.
Conducted capitalization from earnings and employee bonuses for NT$258,343,470; increased paid-in capital to NT$3,398,838,290.
Cancelled 10,000,000 treasury shares and registered for paid-in capital reduction to 3,298,838,290 in December 2006.

2007 Transferred 10,000,000 treasury shares to employees in January.2007
Conducted capitalization from earnings and employee bonuses for NT$189,447,580; increased paid-in capital to NT$3,488,285,870.
Passed the review for the version conversion and renewal and obtained the new TL9000-HW R4.0/R4.0 five-in-one certificate in October 2007.
Established Yanghong Trade (Shanghai) Co., Ltd. in December 2007.
Issued employee share subscription warrants for 2007 in December 2007.

2008 Conducted capitalization from earnings and employee bonuses for NT$352,223,230; increased paid-in capital to NT$3,840,509,100.
The quality management system of each factory of the group passed the renewal successfully and obtained the new certificate of ISO9001:2000 in April 2008. Indirectly invested in its subsidiary N-Lighten (Shanghai) Trading Inc. through its subsidiaries Phihong International

Corp. and Guang-Lai.

2009 Cancelled 16,463,000 treasury shares and registered for paid-in capital reduction to 3,675,879,100 in June 2009.
Phihong (Dongguan) Electronics Co., Ltd. obtained the certificate of occupational safety and health management system OHSAS18001: 2007 in March.2009
Established Xin-Hui-Hong Electronics Co., Ltd. in Suzhou in May 2009.
The quality management system of each factory of the group passed the renewal successfully and obtained the new certificate of ISO9001:2008 in November 2009.

2010 Established Phihong Technology Japan Co., Ltd. (PHJ) in April 2010.
Employees exercised stock warrants for 4,167,000 shares with the paid-in capital increasing to NT$3,717,549,100 in May 2010.
Employees exercised stock warrants for 622,000 shares with the paid-in capital increasing to NT$3,723,769,100 in July 2010.
Reduced the cash capital by 100,000,000 shares, with the paid-in capital decreasing to NT$2,723,769,100 in August 2010.
The quality management system of each factory of the group passed the conversion and renewal review and obtained the new certificate of ISO9001:2008 in November 2010.

2011 Employees exercised stock warrants for 172,000 shares with the paid-in capital increasing to NT$2,725,489,100 in January 2011.
The Group passed the renewal of the ISO9001:2008 certificate and passed the quality management system certification for DLP HDTV products in April 2011.
Employees exercised stock warrants for 2,258,000 shares with the paid-in capital increasing to NT$2,748,709,100 in May 2011.
Employees exercised stock warrants for 64,000 shares with the paid-in capital increasing to NT$2,725,489,100 in July 2011.
Employees exercised stock warrants for 62,000 shares with the paid-in capital increasing to NT$2,749,329,100 in September 2011.
PHC and PHCJ obtained the ISO14064-1: 2006 greenhouse gas verification statement certificate in October 2011.

2012 PHC passed the renewal of the OHSAS18001certificate and PHCJ obtained the new certificate of OHSAS18001.
Employees exercised stock warrants for 1,926,000 shares with the paid-in capital increasing to NT$2,768,589,100 in April 2012.
Employees exercised stock warrants for 185,000 shares with the paid-in capital increasing to NT$2,770,439,100 in July 2012.
The Group passed the renewal of the ISO14001 certificate and obtained a new certificate in December 2012.

2013 Filed a change application to Lloyd’s to include the Company’s lighting products in the scope of ISO9001 certified products in April 2013.
Employees exercised stock warrants for 65,000 shares with the paid-in capital increasing to NT$2,771,089,100 in January 2013.
Employees exercised stock warrants for 55,000 shares with the paid-in capital increasing to NT$2,771,639,100 in April 2013.
Moved PHJ to Koto District, Tokyo, Japan, in June 2013.
Moved PHP to Tiesong Village, Qingxi Town, Dongguan City in October 2013.
PHP passed the OHSAS18001 occupational safety and health management system in December 2013.

2014 The Group passed the renewal of the ISO9001 certificate in March 2014.
PHE passed ISO9001 certification in March 2014.
Executed the first domestic convertible corporate bonds to convert 524,506 ordinary shares with the paid-in capital increasing to NT$2,776,884,160 in December 2014.
Dongguan Shuang-Ying Electronics Co., Ltd. (PHSY) passed ISO9001 certification in December 2014.

2015 The Group passed the renewal of the ISO14001 and OHSAS18001 certificates in February 2015.
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd., Factory (PHSY), passed ISO9001 certification in April 2015.

2016 Issued the first domestic secured ordinary corporate bond in April 2016.
The Taiwan head office and subsidiary Phihong Dongguan (Electronics) Co., Ltd. passed the

ISO13485 medical equipment quality management system certification in July 2016.
Dongguan Phitek Electronics Co., Ltd. passed ISO9001 manufacturing certification for the new product of electric vehicle chargers in December 2016.

2017 Conducted cash capital increase of NT$600,000,000 with paid-in capital increasing to NT$3,376,884,160 in 2017.
Obtained the new version of ISO9001: 2015 certificate in March 2017.
Won the Corporate Sustainability Report Award—Silver Award at the Taiwan Corporate Sustainability Awards (TCSA) in November 2017.

2018 Passed the renewal of the ISO14001 environmental management system and the OHSAS18001 occupational safety and health management system in February 2018.
Dongguan Phitek Electronics Co., Ltd. passed the IATF16949: 2016 automotive industry quality management system compliance statement in March 2018.
Won the Bronze Award of the Taipei AMPA Innovation Awards from the Taiwan External Trade Development Council in March 2018.
The Group passed the conversion and renewal of ISO14001:2015 environmental management system in September 2018.
Won the 2017 Gold Award of the 11th TCSA in November 2018.

2019 Passed the conversion and verification of the new version of ISO13485:2016 medical equipment quality management system in January 2019.
Established the subsidiary Phihong Vietnam Company Limited (PHV) in Vietnam in February 2019.
Awarded the 1111 Human Resources Bank's Happy Enterprise Golden Award in May 2019.
PHV passed the ISO9001 certification and obtained the certificate in July 2019.
Won the Silver Award of the 12th TCSA in November 2019.
Won the Annual Innovative Design Award at the 2019 Golden Torch Awards for the wall-mounted AC chargers in December 2019.

2020 The factories of the Group passed the review of the renewal of the three-year ISO9001:2015 certificate and obtained a new certificate in July 2020.
Won the Gold Award of the 13th "Taiwan Corporate Sustainability Awards" (TCSA) in November, 2020

2021 Issued the 1st guaranteed ordinary corporate bonds for 2021 on March 25, 2021.
The factories of the Group passed the review of the renewal of the three-year ISO9001:2015 certificate and obtained a new certificate in July, 2021.
Awarded the 1111 Human Resources Bank's Happy Enterprise Golden Award in November 2021.
Performed the private offering of ordinary shares, with a total of 37,520,000 shares; the total amount raised was NT$1,510,555,200 in December 2021

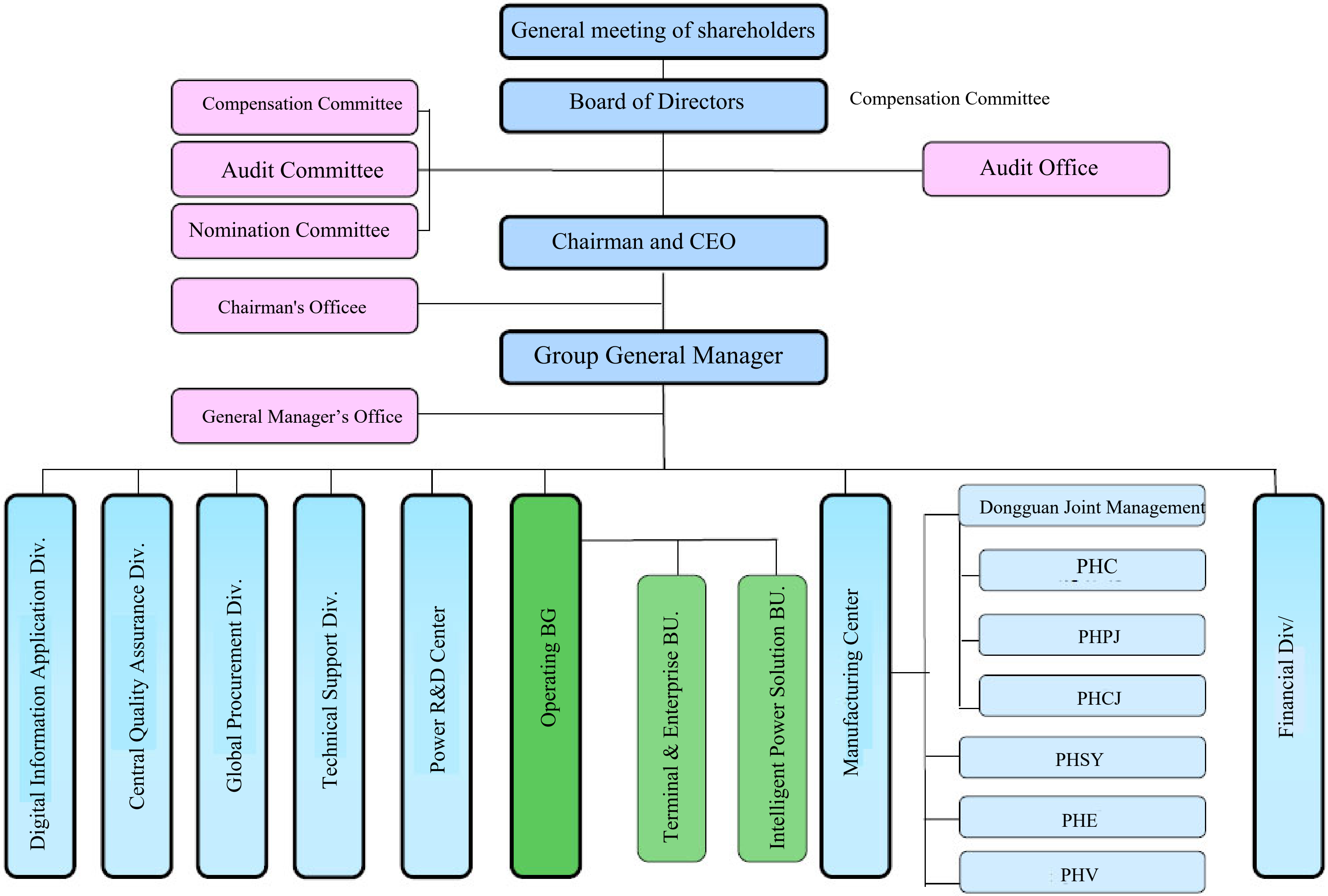
2022 PHN passed ISO9001:2015 certification and obtained the certificate in January 2022.
Established "Phehicle Co., Ltd," in March 2022.
PHPJ passed the review of the renewal of IATF16949:2016 in June 2022.
At the shareholders' meeting held in June, the Company's shareholders approved the transfer of the electric vehicle energy business group to the Company's 100% owned company, Phihong Technology Co., Ltd.
The Tainan City Government approved the name change of Phehicle Co., Ltd. to Zerova Technologies Taiwan Limited (ZTM), which is in charge of the design and manufacturing of electric vehicle chargers in June, 2022
Changed the name of PHN to Zerova Technologies Taiwan Limited Ltd in September, 2022.

2023 Zerova Technologies Taiwan Limited Ltd passed ISO9001:2015 certification and obtained the certificate in January 2023.
The Group passed the renewal of the ISO9001 2015 certificate and obtained a new certificate in April 2023.
Zerova Technologies Taiwan Limited Ltd (Dongguan) passed IATF16949:2016 certification and obtained the certificate in June 2023.
IECQ passed QC080000 renewal and new certificate in September 2023.
Conducted cash capital increase of NT$560,000,000 with paid-in capital increasing to NT$4,312,084,160 in November 2023

# Three. Corporate Governance Report

## I. Company Organization

(1) Organizational Chart



**(2) Responsibilities of Major Departments:**

| Department Names | Responsibilities |
|---|---|
| Chairman's Office | ■Implement important resolutions of the Board of Directors and lead managers to make important decisions of the Company. |
| General Manager's Office | ■Develop various business plans and development strategies based on market and competition conditions.<br>■Plan and promote the group's short-, medium-, and long-term goals/plans.<br>■Supervise and coordinate the achievement and tracking of the annual goals and work plans of each business group (division) of the Group.<br>■Responsible for the Company's cost management.<br>■ Promotion of ESG sustainable operations and corporate social responsibility business.<br>■Cultivate, develop, and manage the group's human resources.<br>■Integrate the group's information operations and various computers to improve work efficiency.<br>■Group information risk assessment, policy formulation, defense mechanism establishment and information security training planning. |
| Audit Office | ■Audit the implementation of the Company's various rules and regulations.<br>■Provide management and implementation units with improvement opinions and relevant matters. |
| Digital Information Application Div. | ■Responsible for the maintenance, technical development and management of all systems of the Group.<br>■Ensure the security and protection of the Company's system, network, and data information.<br>■Evaluate the risk of the Company's information system and formulate risk management strategies and plans.<br>■Responsible for the management and response of big data in each unit. |
| Central Quality Assurance Div. | ■Test and conduct assurance of new products.<br>■Establish reliability testing and verification standards.<br>Promote, maintain, supervise, and implement the ISO9001, ISO13485, and IATF16949 quality management systems.<br>■Manage hazardous substance free- (HSF-)related substances and analyze and handle relevant anomalies.<br>■Assist with the establishment (revision) and integration of the quality/environmental management systems of the various departments of the Group.<br>■Prevent, guarantee, and execute the quality of the products produced by the Company. |
| Global Procurement Div. | ■Manage suppliers.<br>■Purchase materials and components that meet quality regulations.<br>■Manage shipment and storage of materials and finished goods.<br>■Formulate and implement annual material price reduction strategies.<br>■Conduct comparative analyses of market prices.<br>■Participate in new product development and provide resources and negotiate prices. |
| Finance Div. | ■Supervise the implementation effectiveness of each functional organization of the Group and evaluate business performance.<br>■Obtain, use, and allocate short-, medium-, and long-term funds of the Group.<br>■Manage and control accounting matters and funds. |
| Terminal & Enterprise BU Intelligent Power Solution BU. | ■Design and develop various power products.<br>■Technology introduction and support for power products.<br>■Develop and improve existing products.<br>■Plan and design new technology products.<br>■Assist in solving engineering technical problems in the mass production stage.<br>■Collect and analyze product and market information.<br>■Develop new markets, new products, and new customers.<br>■Calculate, control, and assist in design/sample/molds/safety standards/manpower/equipment/materials/transportation/business travel/environmental protection/testing and other related costs. |

| Department Names | Responsi bilities |
|---|---|
| Power R&D Center | ■Solve manufacturing engineering technical and safety issues to enhance the mass production capability of the products.<br>■Responsible for software analysis, design, and programming.<br>■Responsible for mold design, mold opening, mold testing, and review and modification of mold heat transfer analysis/temperature measurement/solving problems of heat dissipation and familiar with the application of various heat sinks and heat dissipation products. |
| Technical Support Div. | ■Formulate product testing procedures and operating instructions.<br>■Responsible for safety certification of various products.<br>■Develop, modify, archive, and keep technical documents. |
| Manufacturing Center | ■Follow the plan to achieve the operating goals as instructed by the Company.<br>■Produce products that meet customers' requirements on time in accordance with production specifications and standard operating procedures.<br>■Maintain and plan for production machines and factory facilities.<br>■Implement the quality policy and work to achieve quality goals, and coordinate relevant departments to solve quality problems.<br>■Design processes and make improvements.<br>■Manage subcontractors.<br>■Manage after-sales service. |

# II. Information on Directors, General Manager, Vice Presidents, Assistant Vice Presidents, and Heads of All Departments and Branches

(1) Director

April 14, 2024 2024 ; Unit: share %

| Title | Nationality or Place of Registration | Name | Gender & Age | Date of Appointment | Term | Date of First Appointment | Shareholding at the Time of Appointment | | Current Shareholding | | Current Shareholding Held by Spouse & Minor Children | | Shareholding Held in the Name of Others | | Education and Work Experience () | Positions Concurrently Held at Other Companies | Executive, Director or Supervisor Who is Spouse or within the Second Degree of Kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | | | Title | Name | Relationship | |
| Chairman | R.O.C. | Lin, Chung-Min | Male 71~ 80 | 112.6.9 | 3 years | June 15, 1981 | 51,703,063 | 13.78 | 54,541,837 | 12.65 | 4,240,081 | 0.98 | 0 | 0 | Chairman of Phihong Technology Co. , Ltd. Sales Engineer of I Yu Electric Co. Ltd. Electronic Equipment Maintenance Department, National Chia-Yi Industrial Vocational High School | Note 1: | Director Director | Lin, Fei-Hong Lin, Yang-Hong | Father and son Father and son | Note 2 |
| Director | R.O.C. | Lin, Fei-Hong | Male 41~ 50 | 112.6.9 | 3 years | June 10, 2020 | 3,376,000 | 0.90 | 4,044,122 | 0.94 | 0 | 0 | 0 | 0 | Special Assistant to the Chairman of Phihong Technology Co. Ltd./ BU Head of Electric Vehicle Energy BG of Phihong Technology Co. Ltd. Executive Vice President, Spring City Resort Co., Ltd. Takushoku University | Note 3: | Chairman Director | Lin, Chung-Min Lin, Yang-Hong | Father, son and Sibling | None |
| Director | R.O.C. | Kuan Feng Investment Ltd. | Not applicable | June 9, 2023 | 3 years | June 15, 2011 | 3,034,905 | 0.81 | 3,374,625 | 0.78 | 0 | 0 | 0 | 0 | Chairman of Black Marble Capital Management Co., LTD. Master's in Business Management, National Chung Hsing University | Chairman of Black Marble Capital Management Co.LTD. Chairman of MegaPro Biomedical Co. ,Ltd. Director of Ritek Corporation Director of HT Precision Technologies, Inc. Director of Qbic Technology Co., Ltd. | None | None | None | None |
| | | Representative: Chiang Wei-Feng | Male 61~ 70 | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | |
| Director | R.O.C. | Kuan Feng Investment Ltd. | Not applicable | June 9, 2023 | 3 years | June 14, 2017 | 3,034,905 | 0.81 | 3,374,625 | 0.78 | 0 | 0 | 0 | 0 | None | None | None | None | None | None |
| | | Representative Lin, Yang-Hong | Male 41~ 50 | | | | 3,384,000 | 0.90 | 4,034,122 | 0.94 | 63 | 0 | 0 | 0 | General Manager of Phihong Technology Co., Ltd. San Jose State University Business Administration (Marketing) | Director (Representative of Juristic person) of Phihong(Dongguan) Electronics Co. Ltd. Director Representative of Dongguan Phitek Electronics Co., Ltd. Director Representative of Phihong (Suzhou) Electronics Co., Ltd. Director (Representative of Juristic Person) of Yanghong Trade (Shanghai) Co., Ltd. Director Representative of Jin-Sheng Hong (Jiangxi) Electronics Co., Ltd. Director (Representative of Juristic Person) of Guang-Lai Investment Co., Ltd. | Chairman Director | Lin, Chung-Min Lin, Fei-Hong | Father, son and Sibling | Note 2 |
| Director | R.O.C. | Taiwan Cement Corporation | Not applicable | June 9, 2023 | 3 years | June 9, 2023 | 37,520,000 | 10.00 | 41,719,905 | 9.68 | 0 | 0 | 0 | 0 | None | None | None | None | None | None |
| | | Representative: Yu Ming-Jen (Note 4) | Male 51~ 60 | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | CFO of Taiwan Cement Corporation Chief Financial Officer and Spokesperson of Taiguang Electronic Materials Co., Ltd. Chief Financial Officer/Business Group and Executive Director of Hong Kong FIH Group Director/General Manager of Hong Kong United Group NYU Stern School of Business MBA Department of Economics, NTU | CFO of Taiwan Cement Corporation Independent Director of GlobalWafers Co., Ltd | None | None | None | None |

| Title | Nationality or Place of Registration | Name | Gender & Age | Date of Appointment | Term | Date of First Appointment | Shareholding at the Time of Appointment | | Current Shareholding | | Current Shareholding Held by Spouse & Minor Children | | Shareholding Held in the Name of Others | | Education and Work Experience () | Positions Concurrently Held at Other Companies | Executive, Director or Supervisor Who is Spouse or within the Second Degree of Kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | | | Title | Name | Relationship | |
| Independent Director | R.O.C. | Hong, Yu-Yuan | Male 51~ 60 | June 9, 2023 | 3 years | June 14, 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Chairman of Sam Kuei Construction Co., Ltd. University of Sydney, Australia | Chairman of Sam Kuei Construction Co., Ltd.<br>Director of Shun-An Development and Construction Co., Ltd. Chairman of Hong-Cheng Development and Construction Co , Ltd. Chairman of Cai - Fa Development and Construction Co., Ltd. Chairman of Sam Kuei Holding Co., Ltd.<br>Chairman of Jinfa Development and Construction Co., Ltd. | None | None | None | None |
| Independent Director | R.O.C. | Lin, Kuei-Hong | Male 51~ 60 | June 9, 2023 | 3 years | June 14, 2017 | 20,578 | 0.01 | 20,578 | 0.00 | 0 | 0 | 0 | 0 | Head of LOHAS Outdoor Products Enterprise Department of Public Administration, Tamkang University | Head of LOHAS Outdoor Products Enterprise | None | None | None | None |
| Independent Director | R.O.C. | Wu, Chung-Shu (Note 4) | Male 61~ 70 | June 9, 2023 | 3 years | June 9, 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Chairman of the Taiwan Institute of Economic Research Chairman of the Taiwan Academy of Banking and Finance Chairman of the Chung-Hua Institution for Economic Research Ph.D. in Economics from Northwestern University | Chairman of the Taiwan Institute of Economic Research | None | None | None | None |
| Independent Director | R.O.C. | Fu, Tsu-Sheng (Note 5) | Male 61~ 70 | June 9, 2023 | 3 years | June 9, 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Attorney-at-Law at Joseph Fu Law Firm<br>Senior Adviser at Baker & McKenzie<br>Bachelor of Laws, Department of Law Program<br>NTU | Attorney-at-Law at Joseph Lu Law Firm | None | None | None | None |

Note 1: Chairman of Guang-Lai Investment Co., Ltd., Spring City Resort Co., Ltd., Phihong (Dongguan) Electronics Co., Ltd., Phihong Electronics (Suzhou) Co., Ltd., Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd., Dongguan Shuang-Ying Electronics Co., Ltd., N-LIGHTEN TECHNOLOGIES INC., General Manager of Phihong Vietname Co., Ltd., Director of Phihong International Corp., Representative of Director of Phitek International Co., Ltd., Representative of Director of ASCENT ALLIANCE LTD., Representative of Director of H&P Venture Capital Co., Ltd., Representative of Director of Han-Yu Venture Capital Co., Ltd., Representative of Director of Zhong-Xuan Venture Capital Co., Ltd., Supervisor (Representative of Juristic Person) of Taiwan Cultural & Creativity No. 1 Co., Ltd., Chairman of Pu-Jen Electronic Technology (Shanghai) Co.,Ltd., Representative of Director of BMC Venture Capital Investment Corporation, Representative of Director of BMD Venture Capital Investment Corporation.

Note 2: (1) Reason, reasonableness, and necessity for the Chairman and General Manager of the Company to be relatives within the first degree of kinship:

Lin, Yang-Hong, Group General Manager of the Company, graduated from the San Jose State University, U.S. During his studies in the U.S., he began to participate in the planning of the business of Phihong's subsidiary in the U.S.

After graduating, he returned to Taiwan (headquarters of Phihong), and started out as a salesperson at the grassroots level; he devoted himself to the field of business development, and, thus, accumulated extensive marketing experience in the electronic technology industry/domestic and overseas customer markets. In particular, he has many years of practical experience in the Power Supply business, the Company's main product. In the meager profit era, when the Company was facing rapid changes in the product environment, Mr. Lin, Yang-Hong took the initiative to take on the great responsibility as the Company's Executive Vice President. During this period, he faced tough challenges fearlessly despite all the hardships.

Phihong has a complete corporate governance and internal control system. A succession plan has been prepared by the Company. The successor must not only possess exceptional job skills but also possess a macro business philosophy and possess honesty, commitment, innovation, and a willingness to take on difficulties and gain the trust of clients. Mr. Lin, Fei-Hong was promoted to General Manager by the Board of Directors on October 1, 2019, and he also played his role to the fullest to lead Phihong to explore the unknown future while upholding the Company's mission of sustainable development.

(2) Countermeasures: The Company has re-elected 4 independent directors at the 2023 shareholders' meeting, of whom 1 independent director, Fu Zu-Sheng, resigned on August 31, 2023. One independent director will be re-elected at the 2024 shareholders' meeting, which will be planned for the election of over half of the directors who are not concurrently serving as employees or managers.

Note 3: Representative of Chairman of PHIHONG USA CORP, Representative Director of PHIHONG TECHNOLOGY JAPAN CO., LTD., Supervisor Representative of Phihong Electronics (Suzhou) Co., Ltd., Supervisor Representative of Yanghong Trade (Shanghai) Co., Ltd., Director Representative of Dongguan Shuang-Ying Electronics Co., Ltd., Director Representative of Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd., Director of JD Power Co., Ltd., Director of Zerova Technologies Holdings Limited, Director of Zerova Technologies SG Pte. Ltd., Chairman of Zerova Technologies Taiwan Limited, Representative of Zerova Technologies (Dongguan) Co., Ltd., Supervisor of Zerova Technologies (Dongguan) Co., Ltd., Representative Director of Zerova Technologies Japan Co., Ltd., Director of Zerova Technologies America Corporation, Director of Zerova Technologies USA LLC, Representative Director of Zerova Technologies Europe B.V.

Note 4: Director Yu Ming-Jen and independent director Wu, Chung-Shu were newly elected at the shareholders' regular meeting on June 9, 2023.

Note 5: Independent Director Fu Zu-Sheng was newly elected at the shareholders' regular meeting on June 9, 2023, but resigned on August 31, 2023.

1. Major Institutional Shareholders

April 14, 2024

| Name of Institutional Shareholder | Major Institutional Shareholders | Percentage of Ownership (%) |
|---|---|---|
| Kuan Feng Investment Ltd. | Lin, Kuan-Hong | 16.67% |
| | Lin, Chung-Min | 16.67% |
| | Chien, Shu-Nu | 16.67% |
| | Lin, Yang-Hong | 16.66% |
| | Lin, Fei-Hong | 16.67% |
| | Lin, Hsin-Yi | 16.66% |

The major shareholder of an institutional shareholder is a representative of the institutional shareholder: None.

2. Disclosure of Directors' Professional Qualification and Indendent Director's Independence Status April 14, 2024

| Qualifications / Name | | Professional Qualification and Experience (Note 1) | Independence Status (Note 2) | Number of Other Public Companies where the Individual Concurrently Serves as Independent Director |
|---|---|---|---|---|
| Chairman | Lin, Chung-Min | ●Professional qualification:<br>As the Chairman of the Company, he possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.<br>●Experience:<br>Founder of the Company; he has been Chairman of Phihong Technology for over 49 years. | Not applicable | None |
| Director | Lin, Fei-Hong | ●Professional qualification:<br>He is the Company's Director and the BU Head of the EV Energy Business of the Company, and he possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.<br>●Experience:<br>He held positions as the Executive Vice President of Spring City Resort Co., Ltd.<br>and the BU Head of the EV Energy Business of Phihong Technology for over five years. | Not applicable | None |
| Director<br>Representative | Kuan Feng Investment Ltd.<br>Chiang, Wei-Feng | ●Professional qualification:<br>He is the Company's Director and the Chairman of Black Marble Capital Management Co., Ltd., and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.<br>●Experience:<br>Chairman of MegaPro Biomedical Co., Ltd. etc.<br>and the BU Head of the EV Energy Business of Phihong Technology for over five years. | Not applicable | None |
| Director<br>Representative | Kuan Feng Investment Ltd.<br>Lin, Yang-Hong | ●Professional qualification:<br>He is the Company's Director, Group General Manager, and corporate governance officer, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.<br>●Experience:<br>He held positions as the Vice President and Group General Manager of Phihong Technology<br>for over five years. | Not applicable | None |
| Director<br>Representative | Taiwan Cement Corporation Co., Ltd.<br>Yu Ming-Jen | ●Professional qualification:<br>He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.<br>●Experience:<br>He held position Financial President of Taiwan Cement Corporation for over five years. | Not applicable | 1 company |
| Independent Director | Hong, Yu-Yuan | ●Professional qualification:<br>He is an Independent Director of, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.<br>●Experience:<br>Associate Professor and Chair of the Department of International Business, College of Management, Toko University.<br>He held positions as the Chairman of Sam Kuei Construction Co., Ltd. and Chairman of Hong-Cheng Development and Construction Co., Ltd. for over five years. | None of the circumstances stated in Paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" occurred two years prior to the election and during the term of office. | None |

| Name \ Qualifications | | Professional Qualification and Experience (Note 1) | Independence Status (Note 2) | Number of Other Public Companies where the Individual Concurrently Serves as Independent Director Number of Directors |
|---|---|---|---|---|
| Independent Director | Lin, Kuei-Hong | ●Professional qualification:<br>He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.<br>●Experience:<br>He held the position as the Head of LOHAS Outdoor Products Enterprise for over five years. | None of the circumstances stated in Paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" occurred two years prior to the election and during the term of office. | None |
| Independent Director | Wu, Chung-Shu | ●Professional qualification:<br>He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.<br>●Experience:<br>Chairman of the Taiwan Institute of Economic Research for over five years. | None of the circumstances stated in Paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" occurred two years prior to the election and during the term of office. | 1 company |

Note 1: None of the directors have been involved in any of the circumstances set forth in Article 30 of the Company Act.

Note 2: Independent directors should specify their independent status, including but not limited to whether oneself, relatives of Spouse, within the Second Degree of Kinship, etc. serve as directors, supervisors, or employees of the company or its affiliated companies; oneself, relatives of Spouse, within the Second Degree of Kinship, etc. (using the name of others) hold the number and proportion of shares of the company; whether they serve as directors, supervisors, or employees of companies with specific relationships with the company (refer to the Section 5 to 8, Paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"); provide the company or its affiliated companies with business, legal affairs, financial and accounting in the last 2 years The amount of remuneration obtained for accounting and other services.

3. Board Diversity and Independence:

(1) Diversity of the Board:

The Company’s Board of Directors has established the Corporate Governance Best Practice Principles, which describes the Board’s diversity policy. Paragraph 3, Article 20 of the Corporate Governance Best Practice Principles specifies that members of the Board of Directors should be diverse, such as having professional backgrounds (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Following the general election at the shareholders’ meeting on June 9, 2023, the Company’s Board of Directors is composed of 9 directors (5 directors and 4 independent directors). One independent director resigned on September 1, 2023, leaving a vacancy for one independent director, who will be re-elected on June 12, 2024, and appointed by the Board of Directors. One independent director will be by-elected at the regular shareholders’ meeting. The implementation of diversity on the board of directors is as follows:

- Professional knowledge and skills: Directors have abundant experience and expertise in finance, management, law, information technology, electronic technology and other fields. There are currently 8 directors, including 1 director who is currently the Chief Financial Officer and Industrial Director of Taiwan Cement Co., Ltd. The proportion of professional talents in finance and accounting reaches 12.5%.
- Age distribution of directors: one aged 71~80, two aged 61~70, three aged 51~60, and two aged 41~50.
- Gender diversity of directors: 1 female independent director will be by-elected at the 2024 shareholders’ meeting.

Implementation status of Board diversity of the company:

| Item / Name of Director | | Basic Information | | | | Industry Experience | | | | Expertise | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Gender** | **Nationality** | **Concurrent Employee** | **Age** | **Electronic Technology** | **Product Design** | **Assets Management** | **Others** | **Operations and Management** | **Accounting, Finance, Commerce** | **Law** | **Information Technology** |
| Director | Lin, Chung-Min | Male | R.O.C. | V | 71~ 80 | V | | | V | V | V | | V |
| | Lin, Fei-Hong | Male | R.O.C. | V | 41~ 50 | V | V | | V | V | V | | |
| | Chiang, Wei-Feng(Representative of Kuan Feng Investment Ltd.) | Male | R.O.C. | | 61~ 70 | V | | V | V | V | V | | V |
| | Lin, Yang-Hong (Representative of Kuan Feng Investment Ltd.) | Male | R.O.C. | V | 41~ 50 | V | | | V | V | V | | V |
| | Yu Ming-Jen (Representative of Taiwan Cement Corporation) | Male | R.O.C. | | 51~ 60 | | | V | V | V | V | | V |
| Independent Director | Hong, Yu-Yuan | Male | R.O.C. | | 51~ 60 | V | | | V | V | V | | V |
| | Lin, Kuei-Hong | Male | R.O.C. | | 51~ 60 | V | V | | V | V | V | | |
| | Wu, Chung-Shu | Male | R.O.C. | | 61~ 70 | | | | V | V | V | | |

(2) Independence of the Board:

The Company’s Board of Directors consists of 9 directors (5 directors and 4 independent directors). Currently, there is a lack of 1 independent director, with a total of 8 directors; 3 of them are independent directors (accounting for 37.5%); 5 non-employee directors seats (accounting for 62.5%), and 3 directors are related to each other within the second degree of kinship (accounting for 37.5%); there are no spouses or relatives within the second degree of kinship among independent directors or between directors,
which complies with Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act.

(2) General Manager, Vice Presidents, Assistant Vice Presidents, and Heads of All Departments and Branches

April 14, 2024 Unit:share; %

| Title | Nationality | Name | Gender | (of the) which will be adopted as Date Appointment | Shareholding | | Shareholding Held by Spouse & Minor Children | | Shareholding Held in the Name of Others | | Education and Work Experience | Positions Concurrently Held at Other Companies | Managerial Officer who Is Spouse or within the Second Degree of Kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of Shares | Shareholding (%) Ratio | Number of Shares | Shareholding (%) Ratio | Number of Shares | Shareholding (%) Ratio | | | Title | Name | Relationship | |
| Chairman and CEO | R.O.C. | Lin, Chung-Min | Male | June 15, 1981 | 54,541,837 | 12.65 | 4,240,081 | 0.98 | 0 | 0 | Chairman of Phihong Technology Co. , Ltd.<br>Sales Engineer of I Yu Electric Co. Ltd.<br>Electronic Equipment Maintenance Department, National Chia-Yi Industrial Vocational High School | Note 1: | Group General Manager | Lin, Yang-Hong | Father and son | Note 2 |
| Group General Manager | R.O.C. | Lin, Yang-Hong | Male | October 1, 2019 | 4,034,122 | 0.94 | 63 | 0 | 0 | 0 | General Manager of Phihong Technology Co., Ltd.<br>San Jose State University Business Administration (Marketing) | Director Representative of Phihong (Dongguan )Electronics Co. Ltd. Director Representative of Dongguan Dahong Electronics Co. Ltd Director Representative of Phihong (Suzhou) Electronics Co., Ltd. Director Representative of Jin-Sheng Hong (Jiangxi) Electronics Co., Ltd. Director Representative of Guang-Lai Investment Co., Ltd. | Chairman and CEO | Lin, Chung-Min | Father and son | Note 2 |
| Power R&D Center Vice President | R.O.C. | Chang, Yuan-Shun | Male | October 1, 2014 | 28,091 | 0.01 | 0 | 0 | 0 | 0 | Vice President of Phihong Technology Co., Ltd. Leader of Manufacturing Department, Lianli Machinery<br>Research Assistant of Manufacturing Department, Pan Yes Electronics Ltd.<br>Maintenance Engineer, Manufacturing Department, Hwa Fong Telecommunication Ind. Ltd.<br>Master's, University of North Alabama, USA | None | None | None | None | None |
| Marketing Planner and Vice President | R.O.C. | Chien, Wen-Sung | Male | September 1, 2020 | 0 | 0 | 0 | 0 | 0 | 0 | Vice President of Phihong Technology Co., Ltd.<br>Marketing Director of Zippy Technology Corp Deputy General Manager, R&D, Bestec Power Electronics Co., Ltd. Project Manager, HP<br>R&D Manager of Asian Power Devices Inc. R&D Manager of Skynet Electronic Co., Ltd.<br>Electrical Engineer of Formosa Petrochemical Corporation<br>Master's, Electrical and Computer Engineering, National Jiaotong University | None | None | None | None | None |
| Terminal & Enterprise BU. Assistant Vice President | R.O.C. | Liu, Jia-Xiang | Male | June 1, 2022 | 62,633 | 0.01 | 0 | 0 | 0 | 0 | Assistant Vice President of Phihong Technology Co., Ltd.<br>Senior Specialized Manager of Foxconn Sales Director of AVC<br>Aalto University school of Business EMBA | None | None | None | None | None |
| Head of finance | R.O.C. | Li, Pei-Yi | Female | September 6, 2020 | 3,000 | 0 | 0 | 0 | 0 | 0 | Financing Manager of Phihong Technology Co., Ltd.<br>Chief of a section, Wonderland Group<br>Senior Specialist, LITE-ON Technology Specialist, Citibank Taiwan<br>Bachelor's in Finance, National Chengchi University | Representative of Director of BMC Venture Capital Investment Corporation )<br>Representative of H&P Venture Capital Co., Ltd., Representative of Director of Paradigm Venture Capital Corporation) Supervisor of Spring City Resort Co., Ltd.<br>Representative of Director of BMD Venture Capital Investment Corporation | None | None | None | None |

| Title | Nationality | Name | Gender | (of the) which will be adopted as Date Appointment | Shareholding | | Shareholding Held by Spouse & Minor Children | | Shareholding Held in the Name of Others | | Education and Work Experience | Positions Concurrently Held at Other Companies | Managerial Officer who Is Spouse or within the Second Degree of Kinship | | | **Note** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of Shares | Shareholding (%) Ratio | Number of Shares | Shareholding (%) Ratio | Number of Shares | Shareholding (%) Ratio | | | Title | Name | Relationship | |
| Head of accounting | R.O.C. | Chen, Kuei-Chih | Female | September 6, 2020 | 0 | 0 | 0 | 0 | 0 | 0 | Accounting Manager of Phihong Technology Co., Ltd. Head of Auditing Team, Deloitte & Touche Department of Accounting Soochow University | None | None | None | None | None |

Note 1: Chairman of Guang-Lai Investment Co., Ltd., Spring City Resort Co., Ltd., Phihong (Dongguan) Electronics Co., Ltd., Phihong Electronics (Suzhou) Co., Ltd., Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd., Dongguan Shuang-Ying Electronics Co., Ltd., N-LIGHTEN TECHNOLOGIES INC., General Manager of Phihong Vietname Co., Ltd., Director of Phihong International Corp., Representative of Director of Phitek International Co., Ltd., Representative of Director of ASCENT ALLIANCE LTD., Representative of Director of H&P Venture Capital Co., Ltd., Representative of Director of Han-Yu Venture Capital Co., Ltd., Representative of Director of Zhong-Xuan Venture Capital Co., Ltd., Supervisor (Representative of Juristic Person) of Taiwan Cultural & Creativity No. 1 Co., Ltd., Chairman of Pu-Jen Electronic Technology (Shanghai) Co.,Ltd., Representative of Director of BMC Venture Capital Investment Corporation, Representative of Director of BMD Venture Capital Investment Corporation

Note2: (1) The Chairman and General Manager of the Company are relatives within the first degree of kinship. The reason, reasonableness, and necessity:

Lin, Yang-Hong, Group General Manager of the Company, graduated from the San Jose State University, U.S. During his studies in the U.S., he began to participate in the planning of the business of Phihong's subsidiary in the U.S. After graduating, he returned to Taiwan (headquarters of Phihong), and started out as a salesperson at the grassroots level; he devoted himself to the field of business development, and, thus, accumulated extensive marketing experience in the electronic technology industry/domestic and overseas customer markets. In particular, he has many years of practical experience in the Power Supply business, the Company's main product.

In the meager profit era, when the Company was facing rapid changes in the product environment, Mr. Lin, Yang-Hong took the initiative to take on the great responsibility as the Company's Executive Vice President. During this period, he faced tough challenges fearlessly despite all the hardships.

Phihong has a complete corporate governance and internal control system. A succession plan has been prepared by the Company. The successor must not only possess exceptional job skills but also possess a macro business philosophy and possess honesty, commitment, innovation, and a willingness to take on difficulties and gain the trust of clients. Mr. Lin, Fei-Hong was promoted to General Manager by the Board of Directors on October 1, 2019, and he also played his role to the fullest to lead Phihong to explore the unknown future while upholding the Company's mission of sustainable development.

(2) Countermeasures: The Company has re-elected 4 independent directors at the 2023 shareholders' meeting, of whom 1 independent director, Fu Zu-Sheng, resigned on August 31, 2023. One independent director will be re-elected at the 2024 shareholders' meeting, which will be planned for the election of over half of the directors who are not concurrently serving as employees or managers.

# III. Remuneration to Directors, General Manager, and Vice Presidents

## (1) Remuneration to Directors, General Manager, and Vice Presidents

### 1. Remuneration to General Directors and Independent Directors

Unit: NT$1,000; Thousand shares; %

| Title | Name | Remuneration paid to directors: Remuneration Received from Invested Companies Other than Subsidiaries or the Parent Company (A) (Note1) | | Retirement Pension (B)(Note 2) | | Director Compensation (C) (Note 3) | | Professional Practice Fee (D)(Note 4) | | Ratio of total remuneration (A+B+C+D) to after-tax net profit (%) (Note 7) | | Remuneration of concurrently as employee: Salary, Bonus, and Allowance etc. (E) (Note 5) | | Retirement Pension (F) (Note 2) | | Employee Compensation (G) (Note6) | | | | Ratio of total remuneration (A+B+C+D+E+F+G) to after-tax net profit (%) (Note 7) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All Companies in Financial Statements | The Company | All Companies in Financial Statements | The Company | All Companies in Financial Statements | The Company | All Companies in Financial Statements | The Company | All Companies in Financial Statements | The Company | All Companies in Financial | The Company | All Companies in Financial Statements | The Company: Cash Amount | The Company: Stock Amount | All Companies in Financial Statements: Cash Amount | All Companies in Financial Statements: Stock Amount | The Company | All Companies in Financial Statements | |
| Chairman | Lin, Chung-Min | 0 | 0 | 0 | 0 | 3,738 | 3,738 | 210 | 210 | 3,948<br>1.5037% | 3,948<br>1.5039% | 26,783 | 52,079 | 108 | 108 | 1,796 | 0 | 4,796 | 0 | 32,635<br>12.4300% | 60,931<br>23.2106% | None |
| Director | Lin, Fei-Hong | | | | | | | | | | | | | | | | | | | | | |
| Director | Wang, Chia-Kun (Note 8) | | | | | | | | | | | | | | | | | | | | | |
| Director | Chou, Ming-Chih (Note8) | | | | | | | | | | | | | | | | | | | | | |
| Director | Chiang, Wei-Feng(Note 8) | | | | | | | | | | | | | | | | | | | | | |
| Director | Chou, Ta-Jen (Note 8) | | | | | | | | | | | | | | | | | | | | | |
| Director | Kuan Feng Investment Ltd. | | | | | | | | | | | | | | | | | | | | | |
| | Representative Lin, Yang-Hong | | | | | | | | | | | | | | | | | | | | | |
| | Representative Yang, Shih-Hsiung (Note 8) | | | | | | | | | | | | | | | | | | | | | |
| | Representative Chiang, Wei-Feng (Note 9) | | | | | | | | | | | | | | | | | | | | | |
| Director | Taiwan Cement Corporation | | | | | | | | | | | | | | | | | | | | | |
| | Representative Wang, Chien-Chuan (Note 8) | | | | | | | | | | | | | | | | | | | | | |
| | Representative Yu Ming-Jen ( Note 9) | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Hong, Yu-Yuan | 0 | 0 | 0 | 0 | 2,002 | 2,002 | 390 | 390 | 2,392<br>0.9111% | 2,392<br>0.9112% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,392<br>0.9111% | 2,392<br>0.9112% | None |
| Independent Director | Lin, Kuei-Hong | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Chang, Hsien-Ta (Note 8) | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Wu, Chung-Shu (Note 9) | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | FU, TSU-SHENG (Note 10) | | | | | | | | | | | | | | | | | | | | | |

1. The policy, system, standard, and structure of remuneration paid to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: (1) Independent directors' remuneration paid is based on the provisions of the Company's Articles of Association and the actual period of serving as an independent director and the degree of responsibilities attached to the position.
(2) The performance appraisal and reasonableness of the remuneration to independent directors are reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system is reviewed based on the actual operating conditions and relevant laws and regulations to meet the Company's sustainable development and to ensure balance of risk control.
2. Except for the disclosures made in the above table, compensation received by Directors of the Company for the provision of services (such as being a consultant of the parent company/any company in the financial statements/investees) in 2023: None.

Note 1: Salary, duty allowances, severance pay, bonuses, and incentives paid to the directors in 2023.
Note 2: The amount of appropriation or contribution of post-employment pension expensed for directors in 2023; there was no post-employment pension actually paid in 2023.
Note 3: Handled in accordance with the provisions of the Company's Articles of Incorporation. These are proposed amounts and have not been reviewed by the Remuneration Committee and approved by the Board.
Note 4: Professional practice fees paid to the director in 2023 (including transportation expenses, special allowances, other allowances, accommodation, and company cars).
Note 5: The Salary, duty allowances, separation pay, bonuses, incentives, transportation expenses, special allowances, other allowances, accommodation, and company cars received by the director who concurrently serves as an employee (including the President, Vice President, managerial officer and employee etc.) in 2023. Any salary recognized under IFRS 2 Share-Based Payment, including employee share subscription warrants, new restricted employee shares, and share subscription for cash, should also be included in the remuneration.
Note 6: Directors who received employee compensation (including stocks and cash) for serving as employees concurrently (including concurrently serving general manager, vice president, or other managers and employees) in the most recent year, which was handled in accordance with the Articles of Incorporation. The proposed amount of employee compensation received by the directors who also serve as employees have not been approved by the Remuneration Committee and the Board of Directors.
Note 7: The information of "total remuneration" and the "ratio of total remuneration to net profit after tax" is set out respectively.
Note 8: The shareholders meeting re-elected the following retiring directors on June 9, 2023: Director Wang, Chia-Kun, Director Yang, Shih-Hsiung, Taiwan Cement Co., Ltd. Representative Director Wang, Chien-Chuan, Director Chiang, Wei-Feng, Director Chou, Ming-Chih, Director Chou, Ta-Jen, and Independent Director Chang, Hsien-Ta.
Note 9: The shareholders meeting re-elected the following retiring directors on June 9, 2023: Director Yu Ming-Jen, representative of Taiwan Cement Co., Ltd., director Chiang Wei-Feng, representative of Kuan Feng Investment Ltd., Ltd., and independent director Wu Chung-Shu.
Note 10: Independent Director Fu Zu-Sheng was re-elected at the shareholders' meeting on June 9 2023, and resigned on August 31, 2023.

## Range of Remuneration

| Range of Remuneration Paid to Directors | Name of Director | | | |
|---|---|---|---|---|
| | Total Remuneration (A+B+C+D) | | Total Remuneration (A+B+C+D+E+F+G) | |
| | The Company | All Companies in Financial Statements H | The Company | All Companies in Financial Statements I |
| Less than NT$1,000,000 | Lin, Chung Min<br>Lin, Fei-Hong<br>Wang, Chia-Kun<br>Chou, Ming-Chih<br>Chiang, Wei-Feng<br>Chou, Ta-Jen<br>Hong, Yu-Yuan<br>Lin, Kuei-Hong<br>Chang, Hsien-Ta<br>Wu, Chung-Shu<br>FU, TSU-SHENG<br>Representative of Kuan Feng Investment Ltd: Lin, Yang-Hong<br>Representative of Kuan Feng Investment Ltd.: Yang, Shih-Hsiung<br>Representative of Kuan Feng Investment Ltd.: Chiang, Wei-Feng,<br>Representative of Taiwan Cement Corporation: Wang, Jian-Quan<br>Representative of Taiwan Cement Corporation: Yu Ming-Jen | Lin, Chung Min<br>Lin, Fei-Hong<br>Wang, Chia-Kun<br>Chou, Ming-Chih<br>Chiang, Wei-Feng<br>Chou, Ta-Jen<br>Hong, Yu-Yuan<br>Lin, Kuei-Hong<br>Chang, Hsien-Ta<br>Wu, Chung-Shu<br>Fu, Tsu-Sheng<br>Representative of Kuan Feng Investment Ltd: Lin, Yang-Hong<br>Representative of Kuan Feng Investment Ltd.: Yang, Shih-Hsiung<br>Representative of Kuan Feng Investment Ltd.: Chiang, Wei-Feng,<br>Representative of Taiwan Cement Corporation: Wang, Jian-Quan<br>Representative of Taiwan Cement Corporation: Yu Ming-Jen | Lin,, Fei-Hong<br>Wang, Chia-Kun<br>Chou, Ming-Chih<br>Chiang, Wei-Feng<br>Chou, Ta-Jen<br>Hong, Yu-Yuan<br>Lin, Kuei-Hong<br>Chang, Hsien-Ta<br>Wu, Chung-Shu<br>Fu, Tsu-Sheng<br>Representative of Kuan Feng Investment Ltd.: Yang, Shih-Hsiung<br>Representative of Kuan Feng Investment Ltd.: Chiang, Wei-Feng,<br>Representative of Taiwan Cement Corporation: Wang, Jian-Quan<br>Representative of Taiwan Cement Corporation: Yu Ming-Jen | Wang, Chia-Kun<br>Chou, Ming-Chih<br>Chiang, Wei-Feng<br>Chou, Ta-Jen<br>Hong, Yu-Yuan<br>Lin, Kuei-Hong<br>Chang, Hsien-Ta<br>Wu, Chung-Shu<br>Fu, Tsu-Sheng<br>Representative of Kuan Feng Investment Ltd.: Yang, Shih-Hsiung<br>Representative of Kuan Feng Investment Ltd.: Chiang, Wei-Feng,<br>Representative of Taiwan Cement Corporation: Wang, Jian-Quan<br>Representative of Taiwan Cement Corporation: Yu Ming-Jen |
| NT$ 1,000,000 (inclusive) ~ NT$2,000,000 (excluded) | - | - | | |
| NT$2,000,000 (inclusive) ~ NT$3,500,000 (excluded) | - | - | | |
| NT$ 3,500,000 (inclusive) ~ NT$ 5,000,000 (excluded) | - | - | | |
| NT$ 5,000,000 (inclusive) ~ NT$ 10,000,000 | - | - | | |
| NT$10,000,000 (inclusive) ~ NT$15,000,000 (excluded) | - | - | Kuan Feng Investment Ltd. | Kuan Feng Investment Ltd. |

| | | | | |
|---|---|---|---|---|
| | | | Representative: Lin, Yang-Hong | Representative: Lin, Yang-Hong |
| NT$15,000,000 (inclusive) ~ NT$30,000,000 (excluded) | - | - | Lin, Chung-Min | Lin, Fei-Hong<br>Lin, Chung-Min |
| NT$30,000,000 (inclusive) ~ NT$50,000,000 (excluded) | - | - | | |
| NT$50,000,000 (inclusive) ~ NT$100,000,000 (excluded) | - | - | | |
| More than NT$100,000,000 | - | - | | |
| Total | 16 persons | 16 persons | 16 persons | 16 persons |

2. Remuneration to supervisors: N/A

3. Remuneration to General Manager and Vice Presidents

Unit: NT$1,000/1,000 shares

| Title | Name | Salary (A) (Note 1) | | Retirement Pension (B)(Note 2) | | Bonus, and Allowance etc. (C) (Note 3) | | Employee Compensation (D)(Note 4) | | | | Ratio of total remuneration (A+B+C+D) to after-tax net profit (%) (Note 5) | | Remuneration Received from Invested Companies Other than Subsidiaries or the Parent Company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All Companies in Financial Statements | The Company | All Companies in Financial Statements | The Company | All Companies in Financial Statements | The Company | | All Companies in Financial Statements | | The Company | All Companies in Financial Statements | |
| | | | | | | | | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | | |
| Chairman and CEO | Lin, Chung-Min | 22,888 | 35,323 | 324 | 324 | 11,245 | 11,245 | 2,269 | 0 | 3,269 | 0 | 36,726<br>13.99% | 50,161<br>19.11% | None |
| Group General Manager | Lin, Yang-Hong | | | | | | | | | | | | | |
| Power R&D Center Vice President | Chang, Yuan-Shun | | | | | | | | | | | | | |
| Marketing Planner and Vice President | Chien, Wen-Sung | | | | | | | | | | | | | |

Note 1: Salary, duty allowances, and severance pay paid to the Chairman and CEO, General Manager, and Vice President in 2023.

Note 2: The amount of appropriation or contribution of post-employment pension expensed for the Chairman and CEO, General Manager, and Vice President in 2023.

Note 3: Remuneration, including the bonuses, incentives, transportation expenses, special allowances, other allowances, accommodation, and Company cars, paid to the Chairman and CEO, General Manager, and Vice President in 2023. Any salary recognized under IFRS 2 Share-Based Payment, including employee share subscription warrants, new restricted employee shares, and share subscription for cash, should also be included in the remuneration.

Note 4: Handled in accordance with the provisions of Articles of Incorporation. The Company's net profit after tax for 2022 and the proposed amount of employee compensation received by the directors who also serve as employees have not been approved by the Remuneration Committee and the Board of Directors. Note 5: The information of "total remuneration" and the "ratio of total remuneration to net profit after tax" is set out respectively.

## Range of Remuneration

| Range of Remuneration Paid to General Manager and the Vice Presidents | Name of General Manager and Vice President | |
|---|---|---|
| | The Company | All Companies in Financial Statements |
| Less than NT$1,000,000 | | |
| NT$1,000,000 (inclusive) ~ NT$2,000,000 (excluded) | | |
| NT$2,000,000 (inclusive) ~ NT$3,500,000 (excluded) | Chang, Yuan-Shun | Chang, Yuan-Shun |
| NT$3,500,000 (inclusive) ~ NT$5,000,000 (excluded) | Chien, Wen-Sung | Chien, Wen-Sung |
| NT$5,000,000 (inclusive) ~ NT$10,000,000 (excluded) | | |
| NT$10,000,000 (inclusive) ~ NT$15,000,000 (excluded) | Lin, Yang-Hong | Lin, Yang-Hong |
| NT$15,000,000 (inclusive) ~ NT$30,000,000 (excluded) | Lin, Chung-Min | Lin, Chung-Min |
| NT$30,000,000 (inclusive) ~ NT$50,000,000 (excluded) | | |
| NT$50,000,000 (inclusive) ~ NT$100,000,000 (excluded) | | |
| More than NT$100,000,000 | | |
| Total | 4 persons | 4 persons |

4. If a listed public company falls under Item 3, A or E, Paragraph 1, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies, it should separately disclose the remuneration information of the top five executives with the highest remuneration: there is no such situation.

5. Employee compensation distributed to managerial officers

December 31, 2023; Unit: NT$1,000

| | Title | Name | Stock Amount | Cash Amount (Note 1) | Total | Ratio of total remuneration to net profit after tax |
|---|---|---|---|---|---|---|
| Managerial officers | Chairman and CEO | Lin, Chung-Min | 0 | 2,679 | 2,679 | 1.02% |
| | Group General Manager | Lin, Yang-Hong | | | | |
| | Power R&D Center Vice President | Chang, Yuan-Shun | | | | |
| | Marketing Planner Vice President | Chien, Wen-Sung | | | | |
| | Terminal & Enterprise BU. Assistant Vice President | Liu, Jia-Xiang | | | | |
| | Head of finance | Li, Pei-Yi | | | | |
| | Head of accounting | Chen, Kuei-Chih | | | | |

Note: Handled in accordance with the passed of Articles of Incorporation. These are proposed amounts and have not been reviewed by the Remuneration Committee and approved by the Board.

(2) Comparative analysis of the total remuneration, as a percentage of net profit after tax, paid by the Company and All Companies in Financial Statements during the past two fiscal years to Directors, General Manager, and Vice Presidents

Unit: NT$1,000, %

| Year | The Company | | All Companies in Consolidated Financial Statements | |
|---|---|---|---|---|
| | Total | As a Percentage of Net Income | Total | As a Percentage of Net Income |
| 2022 | 40,234 | 56.41 | 50,899 | 71.36 |
| 2023 | 43,066 | 16.40 | 71,362 | 27.18 |

Note: The increase in total remuneration of directors, general manager, and vice president in 2023 as compared to 2022 was due to the adjustment of remuneration of directors, general manager, and vice president as the Company turned from loss to profit in 2023.

(3) Remuneration Policies, Standards, and Packages, Procedures for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure

- Remuneration Policies, Standards, and Packages

1. In accordance with Article 21 of the Company's Articles of Incorporation, the remuneration of the directors for the performance of their duties shall be determined by the Board of Directors with reference to the usual standards in the industry according to the degree of participation and value of the contribution of individual directors. In addition, in accordance with Article 21 of the Company's Articles of Incorporation, not more than 2% of the Company's profit for the year shall be distributed as directors' remuneration.

   The remuneration of the general manager and vice president of the Company is a combination of fixed items, such as base salary, annual bonuses and benefits, and variable items, such as bonuses, remuneration (cash/stock), and stock options. Fixed items are based on the principle of maintaining the Company's average competitive level in the industry; variable items are distributed based on a combination of the Company's and individuals' operating performance, and the better the Company's and individuals' operating performance, the higher the ratio of variable to fixed items. The assessment indicators for the above variable items are as follows:

   A. A. Financial indicators: including turnover, profit margin, growth rate, achievement rate, etc.

   B. Non-financial indicators: including market, customer service indicators (e.g. Customer satisfaction), organization/internal processes (e.g. Quality management), etc.

The targets and their weights are determined at the beginning of the year based on the internal and external operating environment and consideration of future risks. The achievement of targets will be evaluated regularly. The variable bonus amount will be proposed according to the achievement rate of the targets and approved by the Remuneration Committee and the Board of Directors. The better the operating performance, the higher the variable bonus.

2. The Company's remuneration package, as defined by the Remuneration Committee Organizational Charter, includes cash compensation, stock options, stock dividends, retirement benefits or severance pay, allowances, and other tangible incentives. The scope is consistent with the Regulations Governing Information to be published in Annual Reports of Public Companies with respect to director and managerial officer remuneration.

- Procedures for Determining Remuneration:

1. The remuneration of the Chairman and General Manager is determined with reference to the operating performance indicators of the industry and related companies, and is reviewed by the Board of Directors. In order to fully demonstrate the achievement of the operating performance indicators, the Chairman's performance is measured based on the operating, governance, and financial results, and the evaluation scope includes the following indicators: net profit before tax, revenue growth rate, and customer satisfaction; the General Manager's performance measurement scope includes the following performance objectives: operating efficiency and effectiveness, supervising the implementation of financial targets, revenue management, and implementing quality assurance and management. The Company evaluates the performance of the directors and managerial officers regularly and uses the evaluation results as the basis for remuneration or adjustment.
2. The Company conducts regular performance appraisals of the directors and managerial officers and evaluates the reasonableness of their remuneration, taking into account not only the individual's performance achievement rate and contribution to the Company, but also the overall operational performance of the Company, future risks and development trends of the industry, as well as a timely review of the remuneration system in light of actual operating conditions and relevant Act and regulations. Adjustments to salary for management are reviewed by the Remuneration Committee and approved by the Board. The actual amount of remuneration for directors and managers for2023 will be distributed after being reviewed by the Remuneration Committee and approved by the Board.

- Linkage to operating performance and future risk exposure:

1. The Company's payment standards related to the remuneration policy and system are reviewed based on the overall operation of the Company, and the payment standards are approved based on the performance achievement rate and contribution, in order to enhance the effectiveness of the Board of Directors and managers. We also make reference to industry salary standards to ensure that our management's salaries are competitive in the industry in order to retain outstanding management control.
2. Based on the results of risk measurement, the Company sets performance targets for managers to ensure that possible risks within the scope of duties and responsibilities can be controlled and prevented, and links the results of performance appraisal with human resources and salary and remuneration policies. The important decisions made by the Company's management are based on the evaluation of various risk factors, and the performance of these decisions is reflected in the Company's profitability, therefore, the remuneration of the management is related to the performance of risk management.

# IV. Implementation of Corporate Governance:

## (I)Board of Directors

A total of 13 meetings of the Board of Directors (A) were held during the most recent year. The attendance of the directors is as follows:

| Title | Name | Times of Attendance in Person (B) | Times of Attendance by Proxy | Attendance Rate (%)(B/A) | Note |
|---|---|---|---|---|---|
| Chairman | Lin, Chung-Min | 7 | 6 | 53.85 | Elected at the re-election of the shareholders' meeting on June 9, 2023; attended 13 board meetings. |
| Director | Kuan Feng Investment Ltd. Representative: Lin, Yang-Hong | 12 | 1 | 92.31 | Elected at the re-election of the shareholders' meeting on June 9, 2023; attended 13 board meetings. |
| Director | Lin, Fei-Hong | 12 | 1 | 92.31 | Elected at the re-election of the shareholders' meeting on June 9, 2023; attended 13 board meetings. |
| Director | Chiang, Wei-Feng | 6 | 0 | 100.00 | Elected before the re-election of the shareholders' meeting on June 9, 2023; attended 6 board meetings. |
| Director | Representative of Kuan Feng Investment Ltd.: Chiang, Wei-Feng, | 7 | 0 | 100.00 | Elected after the re-election of the shareholders' meeting on June 9, 2023; shall serve as legal representative director and attend 7 board meetings. |
| Director | Representative of Taiwan Cement Corporation: Yu Ming-Jen | 6 | 0 | 85.71 | Appointed at the re-election of the shareholders' meeting on June 9, 2023; attended 7 board meetings. |
| Director | Representative of Taiwan Cement Corporation: Wang, Jian-Quan | 4 | 2 | 66.67 | Resigned after the re-election of the shareholders' meeting on June 9, 2023; attended 6 board meetings. |
| Director | Chou, Ming-Chih | 5 | 1 | 83.33 | Resigned after the re-election of the shareholders' meeting on June 9, 2023; attended 6 board meetings. |
| Director | Chou, Ta-Jen | 5 | 1 | 83.33 | Resigned after the re-election of the shareholders' meeting on June 9, 2023; attended 6 board meetings. |
| Director | Wang, Chia-Kun | 4 | 2 | 66.67 | Resigned after the re-election of the shareholders' meeting on June 9, 2023; attended 6 board meetings. |
| Director | Kuan Feng Investment Ltd. Representative: Yang, Shih-Hsiung | 0 | 6 | 0.00 | Resigned after the re-election of the shareholders' meeting on June 9, 2023; attended 6 board meetings. |
| Independent Director | Hong, Yu-Yuan | 13 | 0 | 100.00 | Elected at the re-election of the shareholders' meeting on June 9, 2023; attended 13 board meetings. |
| Independent Director | Lin, Kuei-Hong | 13 | 0 | 100.00 | Elected at the re-election of the shareholders' meeting on June 9, 2023;attended 13 board meetings. |
| Independent Director | Wu, Chung-Shu | 7 | 0 | 100.00 | Appointed at the re-election of the shareholders' meeting on June 9, 2023; attended 7 board meetings. |
| Independent Director | Fu, Tsu-Sheng | 4 | 0 | 100.00 | Appointed at the re-election of the shareholders' meeting on June 9, 2023; resigned on August 31, 2023, attended 4 meetings. |
| Independent Director | Chang, Hsien-Ta | 5 | 1 | 83.33 | Resigned after the re-election of the shareholders' meeting on June 9, 2023; attended 6 board meetings. |

Other matters to be recorded:

1. If any of the following circumstances occurs, the dates, terms of the Board meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions should be specified:
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable as the Company has established its Audit Committee; please refer to the operating status of the Audit Committee in the annual report.
   (2) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None.
2. Regarding recusals of directors from voting due to conflicts of interest, the names of the directors, contents of motions, reasons for recusal, and results of voting should be specified:

| Board of Directors Date | Content of Motion | Reason for Recusal and Results of Voting |
|---|---|---|
| January 13, 2023 | Company's 2022 year-end bonus distribution plan for managers. | Chairman Lin, Chung-Min, General Manager Lin, Yang-Hong, Director and Chairman of Zerova Technologies Taiwan Limited Lin, Fei-Hong, and Manager Li, Pei-Yi were interested parties of the proposal. Therefore, they recused themselves from the discussion and voting on this case, and Mr. Wang, Chia-Kun, Director, acted as the acting chairman of the meeting. This plan was passed after the acting chairman consulted the directors present and there was no objection. |
| | Company's 2022 year-end bonus distribution plan for Director and Zerova managers. | Chairman Lin, Chung-Min, General Manager Lin, Yang-Hong, Director and Chairman of Zerova Lin, Fei-Hong, and Pei-Yi were interested parties of the proposal. Therefore, they recused themselves from the discussion and voting on this case, and Mr. Wang, Chia-Kun, Director, acted as the acting chairman of the meeting. This plan was passed after the acting chairman consulted the directors present and there was no objection. |
| April 21, 2023 | Remuneration adjustment proposal of the Company' managers | Chairman Lin, Chung-Min, General Manager Lin, Yang-Hong, Director and Chairman of Zerova Lin, Fei-Hong, and Pei-Yi were interested parties of the proposal. Therefore, they recused themselves from the discussion and voting on this case, and Mr. Wang, Chia-Kun, Director, acted as the acting chairman of the meeting. This plan was passed after the acting chairman consulted the directors present and there was no objection. |
| | Remuneration adjustment proposal of the Company' 2022 Director managers | Chairman Lin, Chung-Min, General Manager Lin, Yang-Hong, Director and Chairman of Zerova Lin, Fei-Hong, and Pei- interested parties of the proposal. Therefore, they recused themselves from the discussion and voting on this case, and Director Wang, Chia-Kun acted as the acting chairman of the meeting.<br>This plan was passed after the acting chairman consulted the directors present and there was no objection. |
| August 11, 2023 | The Company's Director Remuneration Distribution Proposal for 2022 | (1) When discussing and voting on general director remuneration, Director Lin, Yang-Hong, Director Lin, Fei-Hong, and Director Chiang, Wei-Feng were interested parties. According to the interest avoidance system, they did not participate in the discussion and voting of this case. The acting chairman was Independent Director Hong Yu-Yuan, who consulted with the other directors in attendance, and the proposal was adopted without objections;<br>(2) When discussing and voting on independent director remuneration, Independent Director Hong Yu-Yuan, and Independent Director Lin, Kuei-Hong were interested parties. According to the interest avoidance system, they did not participate in the discussion and voting of this case. After the chairman consulted the directors present, the proposal was adopted without objections. |
| | Remuneration adjustment proposal of the Company' managers | Director Lin, Yang-Hong, Director Lin, Fei-Hong, and Manager Pei-Yi were interested parties of the proposal. Therefore, they recused themselves from the discussion and voting on this case, and Director Chiang, Wei-Feng acted as the acting chairman of the meeting. This plan was passed after the acting chairman consulted the directors present and there was no objection. |
| | Remuneration of the Company's managers for their part-time employment in Zerova. | Director Lin, Yang-Hong, Director Lin, Fei-Hong, and Manager Pei-Yi were interested parties of the proposal. Therefore, they recused themselves from the discussion and voting on this case, and Director Chiang, Wei-Feng acted as the acting chairman of the meeting.This plan was passed after the acting chairman consulted the directors present and there was no objection. |
| September 5, 2023 | The director of the company concurrently serves as the manager of Zerova and participated in the case of Phihong Technology's cash capital increase and subscription shares | Chairman Lin, Chung-Min, Director Lin, Yang-Hong, Director and Director Lin, Fei-Hong, and interested parties of the proposal. Therefore, they recused themselves from the discussion and voting on this case, and Director Chiang, Wei-Feng acted as the acting chairman of the meeting. This plan was passed after the acting chairman consulted the directors present and there was no objections. |

| Board of Directors Date | Content of Motion | Reason for Recusal and Results of Voting |
|---|---|---|
| | The company's managers can subscribe for shares through cash capital increase | Chairman Lin, Chung-Min, Director Lin, Yang-Hong, Director Lin, Fei-Hong, and Senior Manager Li, Pei-Yi were interested parties of the proposal. Therefore, they recused themselves from the discussion and voting on this case, and Director Chiang, Wei-Feng acted as the acting chairman of the meeting. This plan was passed after the acting chairman consulted the directors present and there was no objections. |
| November 9, 2023 | The Company's Employee Remuneration Distribution Proposal for Managerial Officers in 2022 | Chairman Lin, Chung-Min, Director Lin, Yang-Hong, Director Lin, Fei-Hong were interested parties of the proposal. Therefore, they recused themselves from the discussion and voting on this case, and Director Chiang, Wei-Feng acted as the acting chairman of the meeting. This plan was passed after the acting chairman consulted the directors present and there was no objections. |

3. Information on the cycle and period, scope, method, and content of the Board's self-evaluation of the Company.

| Evaluation Cycle | Evaluation Period | Scope of Evaluation | Evaluation Method | Content of Evaluation |
|---|---|---|---|---|
| At least once a year | January 01, 2023 - December 31, 2023 | Include the respective performances of the Board of Directors, individual directors, and functional committees. | Include the self-evaluation of the Board of Directors, the self evaluation of individual directors, and otherwise appropriately. | 1. Performance of the Board of Directors: participation in the operation of the Company, improvement of the quality of the Board of Directors' decision-making, composition and structure of the Board of Directors, election and continuing education of directors, and internal control.<br>2. Performance of individual directors: alignment of the goals and missions of the Company, awareness of the duties of directors, participation in the operation of the Company, management of internal relationship and communication, professionalism and continuing Purchase of Article of directors, and internal control.<br>3. Performance of functional committees: participation in the operation of the Company, awareness of the duties of functional committees, improvement of the products of functional committees' decision-making, composition of functional committees and election of members, and internal control. |

4. Measures taken to strengthen the functionality of the Board and results thereof in 2021 and the most recent year:

   The performance appraisal of the Board of Directors, individual directors, and functional committees is conducted once a year. The results of the performance appraisal of the Board for 2023 were reviewed by the Nomination Committee and reported to the Board on March 7, 2024, and were disclosed on the Company's website for investors' reference.

   The Company's Board meets at least once a quarter to discuss important business strategy issues and review operational performance. The Company held a total of 13 Board meetings in 2023, with a Directors' attendance rate of 83.33%. Important resolutions would be announced immediately after the meeting to enhance information transparency.

   The Company established Audit Committee to strengthen the board functions and assist the board in monitoring the fair presentation of financial statements and the effectiveness of internal control systems. For information about the operating status of the Audit Committee, please refer to pages 29 to 33.

**(II) Operating Status of the Audit Committee**

The Audit Committee is composed the current of three members to assist the Board in supervising the quality and fairness of accounting, auditing, financial reporting procedures, and financial control.

**1.Items deliberated by the Audit Committee in 2023 include:**

- Formulation or amendment to the internal control system and important regulations.
- Evaluation of the effectiveness of the internal control system.
- Major investment cases.
- Major capital loans and endorsement guarantees.

- Appointment, remuneration, and independent evaluation of CPAs.
- Annual financial statements and quarterly financial statements.
- The Company's Annual Business Report and earnings distribution.
- Audit Plan.
- Business division.
- apital increase and issuance of new shares.

**2. Operating Status of the Audit Committee:**

A total of 9 meetings of the Audit Committee (A) were held during the most recent Year. The attendance of the independent directors is as follows:

| Title | Name | Times of Attendance in Person (B) | Times of Attendance by Proxy | Attendance Rate (%) 【B/A】 | Note |
|---|---|---|---|---|---|
| Independent Director | Hong, Yu-Yuan | 9 | 0 | 100.00 | March 9, 2023 Shareholders's Meeting comprehensive re-election of subsequent terms |
| Independent Director | Lin, Kuei-Hong | 9 | 0 | 100.00 | March 9, 2023 Shareholders's Meeting comprehensive re-election of subsequent terms |
| Independent Director | Wu, Chung-Shu | 5 | 0 | 100.00 | Appointed at the re-election of the shareholders' meeting on June 9, 2023; attended 5 board meetings. |
| Independent Director | Fu, Tsu-Sheng | 3 | 0 | 100.00 | Retired after the re-election of the shareholders' meeting on June 9, 2023; resigned on August 31, 2023, attended attended 3 meetings. |
| Independent Director | Chang, Hsien-Ta | 3 | 1 | 75.00 | Retired after the re-election of the shareholders' meeting on June 9, 2023; attended 4 board meetings. |

**Other matters to be recorded:**

1. The operation of the Audit Committee shall specify the dates, terms of the Audit Committee meetings, contents of motions, objections, reservations, or major recommendations of independent directors, resolutions of the Audit Committee, and the Company's handling of the Audit Committee's opinions should be specified:

| Date of the Audit Committee | Content of Motion | Matters referred to in Article 14-5 of the Securities and Exchange Act | Resolution | Handling of the Audit Committee's Opinions |
|---|---|---|---|---|
| March 9, 2023 | The Company's 2022 Annual Business Report and the Financial Statements,(including Consolidated and Standalone Financial Statements). | None | Passed without objection | Passed without objection |
| | The Company's Surplus earnings distribution proposal for 2022. | | | |
| | 2023 Budget and Capital Expenditures proposal | | | |
| | Tainan 3rd Plant Capital Expenditures proposal | | | |
| | The Company's 2022 "Statement of Internal Control System" | | | |
| | Proposal for assessment of the independence of Auditors and CPAs by Q1 of the year 2023 | | | |
| | The amendment to partial provisions of the "Articles of Incorporation" proposal. | | | |

| Date of the Audit Committee | Content of Motion | Matters referred to in Article 14-5 of the Securities and Exchange Act | Resolution | Handling of the Audit Committee's Opinions |
|---|---|---|---|---|
| | The amendment to partial provisions of the " procedures for the Management of Endorsements and Guarantees" of the Company and the group's subsidiaries proposal | | | |
| | Formulate the Company's "Norms for Financial Business Operations between Stakeholders" proposal | | | |
| | The amendment to partial provisions of the "Rules of Procedure for Shareholders Meetings" proposal. | | | |
| | The amendment to partial provisions of the Company's "accounting system " proposal | | | |
| | Amendment to the "Authorization Chart" proposal | | | |
| April 21, 2023 | Release of the non-competition restriction of newly elected directors | None | Passed without objection | Passed without objection |
| | Proposed appointment of the Company's certified accountant and remuneration case | | | |
| | Proposed Establishment of the Company's "General Principles for Pre-approval of Non-Assurance Services Policies" | | | |
| | The Company intends to appoint Deloitte & Touche and its affiliates to provide non-assurance services. | | | |
| | Letter of Guarantee/Letter of Credit between the Company and HSBC (Taiwan) Commercial Bank, Ltd. | | | |
| | The Company and Zerova Technologies, and Taiwan Shin Kong Commercial Bank, Shanghai Commercial & Savings Bank and Hua Nan Commercial Bank jointly sponsored the appointment and bridge loan case | | | |
| May 11, 2023 | The Company's Consolidated Financial Statements for the first quarter of 2023 Proposal | None | Passed without objection | Passed without objection |
| | Endorsement and Guarantee of Vietnam Phihong's Application for Consolidated Financing Facility from First Bank of Vietnam | | | |
| | Loan to Zerova Technologies USA LLC for US$12 Million | | | |
| | The Company intends to fund Phihong Technology Japan Co., Ltd. for JPY 700 million. | | | |
| | The Company intends to subscribe for the capital increase and issuance of new shares of its subsidiary Zerova Technologies Holdings Limited (hereinafter referred to as "Zerova KY"). | | | |
| June 2, 2023 | The Company intends to increase the capital of each of Zerova's subsidiaries. | None | Passed without objection | Passed without objection |
| | The Company intends to lend funds to each of Zerova's subsidiaries. | | | |
| June 26, 2023 | The company plans to sign a joint credit agreement worth NT$3 billion with a group of credit granting banks with Taiwan Shin Kong Commercial Bank, Shanghai Commercial & Savings Bank and Hua Nan Commercial Bank as the coordinating sponsor banks, providing guarantees | None | Passed without objection | Passed without objection |
| | The Company's subsidiaries have submitted financial documents to Shanghai Commercial Bank and KGI Bank Application for Short-term Financing Facilities and Endorsement Guarantees | | | |
| July 31, 2023 | Capital increase and issuance of new shares by the Company in 2023 | None | Passed without objection | Passed without objection |
| August 11, 2023 | The Company's Consolidated Financial Statements for the second quarter of 2023 Proposal | None | Passed without objection | Passed without objection |
| | Amendments to the Company's "Rules and Regulations Governing the Organization of the Audit Committee" | | | |
| | Assessment of Dongguan Phitek 's repayment ability | | | |

| Date of the Audit Committee | Content of Motion | Matters referred to in Article 14-5 of the Securities and Exchange Act | Resolution | Handling of the Audit Committee's Opinions |
|---|---|---|---|---|
| | Amendments to the Company’s “Procedures for Loans of Funds from Group Subsidiaries to Other Parties” | | | |
| November 9, 2023 | The Company’s Consolidated Financial Statements for the third quarter of 2023 Proposal | None | Passed without objection | Passed without objection |
| | The Company’s Audit Plan for 2024 Proposal | | | |
| | Amendments to the Company’s “Procedures for Loans of Funds to Other Parties” | | | |
| | Subsidiary “Dongguan Phitek Electronics Co. Ltd.” intends to apply for a loan and extension of funds from “Phihong Electronics Suzhou Co., Ltd.” | | | |
| | The Company and the its subsidiaries intend to apply for a financing line and financing endorsement and guarantee. Proposal | | | |
| December 20, 2023 | The Company’s Operating Budget for 2024 | None | Passed without objection | Passed without objection |
| | Proposed appointment of the Company’s certified accountant and remuneration for 2024 | | | |
| | Proposed Establishment of the Company’s 2024 “General Principles for Pre-approval of Non-Assurance Services Policies" | | | |
| | Appointment of Deloitte & Touche and its affiliates to provide non-assurance services. | | | |
| | Proposal for mid-term assessment of the funds loaned to the Group’s subsidiaries. | | | |

Note: In addition to the aforementioned items, other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee: None.

2. Attendance of independent directors at the 2023 meeting of the Board of Directors (Y: attendance in person; Δ: attendance by proxy)

| Board / Independent Director | January 13, 2023 | March 09, 2023 | April 21, 2023 | April 28, 2023 | May 11, 2023 | June 2, 2023 | June 9, 20239 |
|---|---|---|---|---|---|---|---|
| Hong, Yu-Yuan | Y | Y | Y | Y | Y | Y | Y |
| Lin, Kuei-Hong | Y | Y | Y | Y | Y | Y | Y |
| Wu, Chung-Shu | | | | | | | Y |
| Fu, Tsu-Sheng | | | | | | | Y |
| Chang, Hsien-Ta | Y | Y | Y | Y | Y | Δ | |

| Board / Independent Director | June 26, 2023 | July 31, 2023 | August 11, 2023 | September 5, 2023 | November 9, 2023 | December 20, 2023 | Note |
|---|---|---|---|---|---|---|---|
| Hong, Yu-Yuan | Y | Y | Y | Y | Y | Y | Re-appointment after the Shareholder's Meeting re-election of June 9, 2023 |
| Lin, Kuei-Hong | Y | Y | Y | Y | Y | Y | Re-appointment after the Shareholder's Meeting re-election of June 9, 2023 |
| Wu, Chung-Shu | Y | Y | Y | Y | Y | Y | Appointment after the Shareholder's Meeting re-election of June 9, 2023 |
| Fu, Tsu-Sheng | Y | Y | Y | | | | Appointment after the Shareholder's Meeting re-election of June 9, 2023, resigned on August 31, 2023 |
| Chang, Hsien-Ta | | | | | | | Retired after the Shareholder's Meeting re-election of June 9, 2023 |

3. Regarding recusals of independent directors from voting due to conflicts of interest, the names of the independent directors, contents of motions, reasons for recusal, and results of voting should be specified: None.

4. Communication between independent directors, the internal audit officer, and CPAs (including material issues, methods, and results of communication regarding the Company's finances and operations):

(1) Communication between independent directors, the internal audit officer, and CPAs:

A. The internal audit officer conducts audit business reporting and discussion regularly with the Audit Committee members on a quarterly basis. After the monthly audit report is released, the officer will also discuss and communicate with the Audit Committee members immediately should any questions arise.

B. CPAs communicate with the Audit Committee on the key audit issues of the quarterly financial statements in the quarterly Audit Committee meeting.

(2) Separate communication between independent directors, the internal audit officer, and CPAs: I. Communication principle between independent directors and internal audit supervisors:

1. Written report: After the monthly audit report and tracking report are submitted to the chairman of the board for approval, they will be delivered to each independent director before the end of the next month.
2. Audit committee report: The audit supervisor will report audit matters and internal control deficiencies discovered to the audit committee at least quarterly to the independent directors and accept instructions.
3. Email and phone communication: Occasionally send emails or make phone calls regarding audit business-related issues, or answer questions about audit matters from independent directors.

II. Separate communication between independent directors and CPAs in 2023:

| Date | Attending Personnel | Communication Matters | Communication Results |
|---|---|---|---|
| December 14, 2023 | Independent Director Hong, Yu-Yuan<br>Independent Director Lin, Kuei-Hong<br>Independent Director Wu, Chung-Shu<br>CPA Chang, Chih-I<br>CPA Huang Yi-Ding | 1. Report on Governance Issues Notified During the Planning Process for the 2023 Financial Statement Review.<br>2. International Financial Reporting Standards Sustainability Disclosure Standard (IFRS S1/S2) report.<br>3. Description of Pre-approval of Non-Assurance Services Policies. | Following their assessment, the independent directors expressed no comments. |

III. Separate communication between independent directors and the internal audit supervisors in 2023:

| **Date** | **Evaluation Method** | **Subject** | **Key points** | **Communication Results** |
|---|---|---|---|---|
| 112.03.09 | Audit Committee | Audit Officer | Report on the implementation of audit business from October to December 2022 | No comments |
| 112.05.11 | Audit Committee | Audit Officer | Report on the implementation of audit business from January to March 2023 | No comments |
| July 20, 2023 | e-mail | Audit Officer | Explain the BPM system audit report approval process to this year's new independent directors. The June 2023 audit report has been sent to your personal email inbox. Each audit report can be clicked<br>Open for approval | The audit report approval process has been completed in accordance with the BPM system process. |
| July 23, 2023 | e-mail | Audit Officer | The independent director instructs that the currency type of the audit report should be stated to avoid misunderstandings. | Response to follow instructions July 23, 2023 |
| August 11, 2023 | Audit Committee | Audit Officer | Report on the implementation of audit business from April to June 2023 | No comments |
| November 09, 2023 | Audit Committee | Audit Officer | Report on the implementation of audit business from July to September 2023 | No comments |

## (III) Implementation Status of Corporate Governance and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

| Evaluation Item | Implementation Status | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Does the Company follow the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies to establish and disclose its corporate governance best practice principles? | V | | The Company has followed the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies to establish and disclose its corporate governance best practice principles at the Market Observation Post System website. | In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. |
| II. Shareholding structure & shareholders' rights<br>(I)Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? Are such matters handled according to the internal operating procedures?<br>(II)Does the Company maintain a register of major shareholders with controlling power and a register of persons exercising ultimate control over those major shareholders?<br>(III)Does the Company establish and enforce risk control and firewall systems with its affiliates?<br>(IV)Does the Company establish internal rules to prohibit insiders from using information not disclosed to the market? | V<br>V V<br>V | | (I) The Company has spokespeople and dedicated personnel to deal with issues, such as shareholder suggestions or disputes.<br>(II) Major shareholders disclose their ownership and changes in pledge in accordance with regulations every month.<br>(III) The financial and business transactions between the Company and its affiliates are carried out in accordance with the relevant Act and regulations, the internal control system and the supervision of subsidiaries.<br>(IV) The Company has formulated the Operating Procedures for Handling Internal Material Information to prohibit insiders from using undisclosed information on the market to buy and sell securities. | (I)In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.<br>(II)In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.<br>(III)In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.<br>(IV)In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. |
| III. Composition and responsibility of the Board of Directors<br>(I)Does the Board of Directors establish and implement the diversification policy and specific management goals? | V | | (I) Enhanced diversity policy of directors and implementation of diversity :<br>• The Board members must have experience and expertise in finance, management, law, information technology, electronic technology and other fields. There are currently 8 directors, including 3 independent directors, including 1 director who is currently the Chief Financial Officer and Industrial Director of Taiwan Cement Co., Ltd. The proportion of professional talents in finance and accounting reaches 12.5%.<br>• Age distribution of directors: one aged 71~80, two aged 61~70, three aged 51~60, and two aged 41~50.<br>• Gender diversity of directors: 1 female independent director will be by-elected at the 2024 shareholders' meeting. | (I) Professional knowledge and skills in compliance with the Corporate Governance Principles for TWSE/TPEx Listed Companies. |
| (II)Does the Company set up other functional committees voluntarily in addition to the Remuneration Committee and the Audit Committee that had been established as required by the law? | V | | (II) In order to improve the functions of the Company's Board of Directors and strengthen the management mechanism, the Board of Directors elected four independent directors to form a Nomination Committee on June 26, 2023.<br>One of the independent directors resigned on August 31, 2023.<br>There are currently three nomination committee members.<br>The Nomination Committee faithfully performs the following responsibilities and powers and submits its suggestions to the Board of Directors for discussion:<br>1. Establish standards for the diversified background and independence of directors and independent directors, such as expertise, skills, experience, and gender, and seek, review, and nominate candidates for directors and independent directors accordingly.<br>2. Establish and develop the organizational structure of the Board of Directors and various committees, conduct performance evaluations of the Board of Directors and each director, and evaluate the independence of independent directors. | (II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. |

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(III) Does the Company formulate the regulations and method for the performance evaluation of the Board of Directors, conduct performance evaluations regularly every year, report the results of the performance evaluation to the Board of Directors, and take it as a reference for the remuneration, nomination and re-appointment of each director?</td><td>V</td><td></td><td>3. Establish or examine directors’ continuing education.<br>4. Establish the Corporate Governance Best Practice Principles of the Company.<br>(III) The Company has established the Board Performance Evaluation Rules and shall conduct a performance evaluation of the Board of Directors and individual directors at least once a year. The Company reports to the Board of Directors on the evaluation criteria of the performance evaluation indicators and the evaluation results for review and improvement<br>The responsible unit completed the internal performance evaluation of the Company’s Board of Directors for 2023 using questionnaires, and on January 31, 2024, it was completed.<br>On March 7, 2024, the Board of Directors received the results of the performance evaluation for report, review, and improvement.<br>The evaluation results were also made public on the Company’s website.<br>The results of the Board of Directors’ performance evaluation for 2023 are as follows:<br>(1)The overall average score of the board performance self-evaluation is 97.5 points.<br>(2) The overall average score of the performance self-evaluation of board members is 99.5 points.<br>(3) The overall average score of the performance self-evaluation of functional committees is 100 points.<br>(4) The performance evaluation of the Board of Directors in 2023 showed that the Company’s Board of Directors was operating well as a whole, which will be adopted as a reference for the remuneration to individual directors, nomination and renewal of director candidates.</td><td>(III) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>(IV) Does the Company evaluate the independence of CPAs on a regular basis?</td><td>V</td><td></td><td>(IV) The Board of Directors of the Company regularly (at least once a year) evaluates the independence of the CPAs in accordance with Article 29 the Code of Corporate Governance Practices for Listed OTC Companies. In addition to requesting CPAs to provide the “Statement of Auditing Standards” and the “Audit Quality Indicators (AQIs)”, the Company evaluates the criteria and the 13 AQIs according to the table below. It is confirmed that the CPAs have no other financial interests or business relationships with the Company except for visa and financial tax fees. The family members of the CPAs do not violate the independence requirements. The professionalism of the CPAs and the firm is confirmed with reference to the AQIs and is comparable to that of their industry counterparts. The most recent annual evaluation results have been discussed and approved by the Audit Committee on March 7, 2024, and reported to the Board of Directors on that day to pass the evaluation of the independence and suitability of the CPAs.
<table>
<tr><th></th><th>Evaluation Item</th><th>Evaluation Results</th><th>Whether it conforms to independence.</th></tr>
<tr><td>1</td><td>Whether the appointed CPA has any direct or indirect material financial interests in the Company.</td><td>No</td><td>Yes</td></tr>
<tr><td>2</td><td>Whether the CPA has a close business relationship with the Company and a potential employment relationship.</td><td>No</td><td>Yes</td></tr>
<tr><td>3</td><td>Whether the CPA has acted as the Company’s defender or represented the Company in conflict mediation with other third parties.</td><td>No</td><td>Yes</td></tr>
<tr><td>4</td><td>Whether the CPAs have acted as the Company’s defender or represented the Company in conflict mediation with other third</td><td>No</td><td>Yes</td></tr>
</table></td><td>(IV) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | parties. | | | |
| | | | 5 | Whether the CPAs have acted as the Company's defender or represented the Company in conflict mediation with other third parties. | No | Yes | |
| | | | 6 | Whether the CPAs have acted as the Company's defender or represented the Company in conflict mediation with other third parties. | No | Yes | |
| | | | 7 | Whether the CPA has brokered stocks or other securities issued by the Company. | No | Yes | |
| | | | 8 | Whether the CPA has provided non-audit services to the Company that may directly affect the audit. | No | Yes | |
| | | | 9 | Whether the CPA is engaged in any other business that may result in a loss of independence. | No | Yes | |
| | | | 10 | Whether the CPA receives any commission related to the Company's business. | No | Yes | |
| | | | 11 | Whether the CPA accepts gifts or presents of significant value from the company and its directors, supervisors, and managers (value exceeds general social etiquette standards). | No | Yes | |
| | | | 12 | Whether the appointment of a CPA is inconsistent with the regulations of the competent authority on business matters regarding the rotation of accountants, handling accounting matters on behalf of others, or any other norms that may affect the independence of the CPA. | No | Yes | |
| | | | 13 | Whether the CPA has any inappropriate relationship with the company other than the above. | No | Yes | |
| | | | 14 | Whether the CPA accepts gifts or presents of significant value from the company and its directors, supervisors, and managers (value exceeds general social etiquette standards). | No | Yes | |
| IV. Does the Company deploy an appropriate number of suitable corporate governance personnel and designate a corporate governance officer responsible for corporate governance-related matters (including but not limited to providing directors and supervisors information required to perform business, assisting directors and supervisors in complying with laws, handling matters related to | V | | The Company' concurrent corporate governance unit is the Finance Div., and the board of directors approved the appointment of General Manager Lin, Yang-Hong as the corporate governance manager on August 28, 2020.<br>The following matters are the joint responsibility of the corporate governance officer and the Finance Div.:<br>• Handled matters related to meetings of the Board of Directors and shareholders' meetings on the basis of law. | | | | In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. |

| | | | | |
|---|---|---|---|---|
| meetings of the Board of Directors and shareholders' meetings on the basis of law, and preparing the minutes of the Board meetings and shareholders' meetings, etc.)?<br><br>˙Conducted meetings of the Board of Directors and shareholders in accordance with the law etc.)? | | | • Conducted meetings of the Board of Directors and shareholders in accordance with the law.<br>• Assisted in the appointment and continuing education of directors and supervisors.<br>• Provided information necessary for directors and supervisors to carry out their business<br>• Assisted in the appointment and continuing education of directors and supervisors.<br>• Reported to the Board of Directors on whether the qualifications of the independent directors at the time of nomination, election, and during their term of office comply with the relevant laws and regulations. | |

| Evaluation Item | Implementation Status | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | **Yes** | **No** | **Summary** | |
| | | | Handled matters related to the changes of directors.<br>Other matters specified in the Articles of Incorporation or contracts. | |
| V. Does the Company establish a means of communication with its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and create a stakeholder section on the Company website to respond to stakeholders' questions about its corporate social responsibility? | V | | The Company values its stakeholders and respects their legitimate rights and interests. A special section for stakeholders has been set up on the Company's website, and relevant units have been set up to respond appropriately.<br>The Company has set up "Investor" and "CSR" sections on the website to provide relevant information to stakeholders, and has set up a "Stakeholder Service Center" on the website, with dedicated personnel responsible for responding to relevant issues.<br>The Company has disclosed the identity of the stakeholders identified, Negotiation of concern, communication channels, and response methods on the website and in ESG sustainable reports, and regularly reports to the Board of Directors on the communication with all stakeholders at least once a year; already reported to the Board of Directors August 11, 2023. | In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. |
| VI. Does the Company entrust a professional stock transfer agent to manage shareholders' meetings and other relevant affairs? | V | | The Company entrusts the Transfer Agency of CTBC Bank to manage relevant affairs of shareholders' meetings. | In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. |
| VII. Information disclosure<br>(I) Does the Company establish a company website to disclose information on its finances, business, and corporate governance?<br>(II) Does the Company use other channels of information disclosure (e.g., maintaining an English website, designating persons to handling information collection and disclosure, appointing a spokesperson, and webcasting investor conferences)?<br>(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the financial statements for the first, second and third quarters and the monthly operations before the prescribed period? | V V | V | (I) The Company's website (http://www.phihong.com.tw) has disclosed information on its finances, business, and corporate governance.<br>(II) The Company has set up an English website maintained by dedicated personnel, and the Company has also established a spokesperson system. Information about the shareholders' meeting and the investor conferences is updated immediately on the corporate website.<br>(III) The Company's annual and first, second, and third quarterly financial statements were announced by the deadline prescribed by law and were not published earlier than expected. The operating status of each month is also reported by the 10th of each month as required. | (I) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.<br>(II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.<br>(III) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. |

| Evaluation Item | Implementation Status | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| VIII. Does the Company have other important information that can facilitate the understanding of its operations of corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relationships, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)? | V | | (I) For information on employee rights and interests, employee care, investor relations, supplier relationships, and stakeholder rights, please refer to the description of “Corporate Sustainability” on pages 64 to 71of the annual report.<br>(II) Continuing education of directors of the Company: | In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. |

| Title | Name | Date | Organizer | Name of Class | Training Hours |
|---|---|---|---|---|---|
| Independent Director | Wu, Chung-Shu | October 5, 2023 | Taiwan Corporate Governance Association | Impact and response of the latest international tax law changes on business operations | 3 |
| | | September 1, 2023 | Taiwan Corporate Governance Association | Practice and development of corporate governance and legal compliance | 3 |
| | | August 31, 2023 | Taiwan Corporate Governance Association | How to create management and governance structures that remove the threat of corporate succession from long-term operations | 3 |
| | | August 10, 2023 | Taiwan Corporate Governance Association | Taiwan Green Power Trading System and Procurement Practices | 3 |
| | | July 4, 2023 | Taiwan Stock Exchange Corporation | Cathay Sustainable Finance and Climate Change Summit Forum | 3 |
| Director | Lin, Fei-Hong | October 6, 2023 | Taiwan Corporate Governance Association | Security Governance Strategies of Publicly Listed Companies from the Perspective of ESG Corporate Sustainability Development | 3 |
| | | October 5, 2023 | Taiwan Corporate Governance Association | Impact and response of the latest international tax law changes on business operations | 3 |
| Corporate representative appointed as the Director | Lin, Yang-Hong | October 6, 2023 | Taiwan Corporate Governance Association | Security Governance Strategies of Publicly Listed Companies from the Perspective of ESG Corporate Sustainability Development | 3 |
| | | October 5, 2023 | Taiwan Corporate Governance Association | Impact and response of the latest international tax law changes on business operations | 3 |
| | | September 1, 2023 | Taiwan Corporate Governance Association | Practice and development of corporate governance and legal compliance | 3 |
| | | August 31, 2023 | Taiwan Corporate Governance Association | How to create management and governance structures that remove the threat of corporate succession from long-term operations | 3 |
| Chairman | Lin, Chung-Min | October 6, 2023 | Taiwan Corporate Governance Association | Security Governance Strategies of Publicly Listed Companies from the Perspective of ESG Corporate Sustainability Development | 3 |
| | | August 31, 2023 | Taiwan Corporate Governance Association | How to create management and governance structures that remove the threat of corporate succession from long-term operations | 3 |
| Independent Director | Hong, Yu-Yuan | October 5, 2023 | Taiwan Corporate Governance Association | Impact and response of the latest international tax law changes on business operations | 3 |
| | | September 27, 2023 | Taiwan Investor Relations Institute | Empowering the board of directors to become the key force leading sustainable governance | 5 |

| Evaluation Item | Implementation Status | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |

| | | | | | |
|---|---|---|---|---|---|
| | | August 31, 2023 | Taiwan Corporate Governance Association | How to create management and governance structures that remove the threat of corporate succession from long-term operations | 3 |
| Independent Director | Lin, Kuei-Hong | October 5, 2023 | Taiwan Corporate Governance Association | Impact and response of the latest international tax law changes on business operations | 3 |
| | | August 31, 2023 | Taiwan Corporate Governance Association | How to create management and governance structures that remove the threat of corporate succession from long-term operations | 3 |
| Corporate representative appointed as the Director | Chiang, Wei-Feng | October 5, 2023 | Taiwan Corporate Governance Association | Impact and response of the latest international tax law changes on business operations | 3 |
| | | September 21, 2023 | Securities & Futures Institute | Latest development trends and response measures of international carbon tariffs | 3 |
| | | September 21, 2023 | Securities & Futures Institute | Discussion on post-merger integration issues and establishment of management mechanisms | 3 |
| Corporate representative appointed as the Director | Yu Ming-Jen | July 4, 2023 | Taiwan Stock Exchange Corporation | Cathay Sustainable Finance and Climate Change Summit Forum | 6 |

(III) Continuing Education of the "Corporate Governance Manager" of the Company:

| Title | Name | Date | Organizer | Name of Class | Training Hours |
|---|---|---|---|---|---|
| Corporate Governance Officer | Lin, Yang-Hong | October 6, 2023 | Taiwan Corporate Governance Association | Security Governance Strategies of Publicly Listed Companies from the Perspective of ESG Corporate Sustainability Development | 3 |
| | | October 5, 2023 | Taiwan Corporate Governance Association | Impact and response of the latest international tax law changes on business operations | 3 |
| | | September 1, 2023 | Taiwan Corporate Governance Association | Practice and development of corporate governance and legal compliance | 3 |
| | | August 31, 2023 | Taiwan Corporate Governance Association | How to create management and governance structures that remove the threat of corporate succession from long-term operations | 3 |

(VI) Implementation of risk management policies and risk evaluation standards:

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>(1) The Company has established internal controls in accordance with the law, and internal audits are conducted on a regular and irregular basis to check the implementation. The Company also took out relevant insurance to transfer the risks that may be faced by the development of the company to provide compensation for the company's financial losses in case of risks, eliminate the factors that may generate risks through systematic management mechanisms, vigilance and continuous monitoring, and effectively avoid and manage risks.<br>(2) Disclosures made on the corporate website of the Company: Risk management handbook, scope of risk management, organizational structure, and the operating status in 2023.<br>(3) The operating status for the risk management in 2023 was reported to the Board on August 11, 2023.<br><br>(V) Implementation of customer policy: The Company upholds the belief that customers come first and implements it in accordance with the Consumer Protection Act, the Company's internal regulations, and other Act and regulations.<br>(VI) Directors of the Company purchased liability insurance in 2023:<br>
<table>
<tr><th>Insured Party</th><th>Insurance Company</th><th>Investment Amount</th><th>Insurance Policy Period</th></tr>
<tr><td>Directors & Managers</td><td>Fubon Insurance Co., Ltd.</td><td>USD10,000,000</td><td>September 19, 2023~September 19, 2024</td></tr>
</table>
</td><td></td></tr>
<tr><td colspan="5">IX. Improvements made based on the result of the latest Corporate Governance Evaluation announced by Taiwan Stock Exchange Corporation and priorities and measures for improvement.<br>˙The Company was ranked among the top 51% to 65% in the 10th (2023) Corporate Governance Evaluation. Only the items that require improvement and prioritization are described:<br>(1) In order to diversify the company's Board of Directors, one female independent director will be elected at the 2024 regular Shareholder's Meeting.<br>(2) Directors are informed in advance and scheduled for the meetings with the aim of increasing their attendance at the Company's Board of Directors' and Shareholders' Meetings.<br>(3) Starting from 2024, the Company's Board of Directors will regularly (at least once a year) refer to the Audit Quality Indicators (AQIs) to evaluate the independence and competency of CPAs.<br>(4) The performance evaluation method of the Company's Board of Directors has been revised and approved by the Board of Directors to conduct external evaluation at least once every three years. This method is currently in use.</td></tr>
</table>

## (IV) Composition, Duties, and Operation of the Remuneration Committee: Composition of the Remuneration Committee

1. Composition of the Remuneration Committee

April 30, 2024

| Identity/ | Name (Qualifications) | Professional Qualification and Experience | Independence Status (Note 1) | Number of Other Public companies where the Individual Concurrently Serves as Independent Director |
|---|---|---|---|---|
| Independent Director (Convener) | Hong Yu-Yuan | ●Professional qualification:<br>He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.<br>●Experience:<br>Associate Professor and Chair of the Department of International Business, College of Management, Toko University.<br>He held positions as the Chairman of Sam Kuei Construction Co., Ltd. and Chairman of Hong-Cheng Development and Construction Co., Ltd. for over five years. | None of the circumstances stated in Paragraph 1, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" occurred two years prior to the election and during the term of office. | None |
| Independent Director | Lin, Kuei-Hong | ●Professional qualification:<br>He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.<br>●Experience:<br>He held the position as the Head of LOHAS Outdoor Products Enterprise for over five years. | | None |
| Independent Director | Wu, Chung-Shu (Note 2) | ●Professional qualification:<br>He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.<br>●Experience:<br>He has more than five years of working experience as the Chairman of the Chung-Hua Institution for Economic Research, an advisor for the Chung-Hua Institution for Economic Research, and Chairman of the Taiwan Academy of Banking and Finance. | | None |
| Independent Director | Fu, Tsu-Sheng (Note 3) | ●Professional qualification:<br>He is an Independent Director of the Company, and possesses expertise in law.<br>●Experience:<br>He has more than five years of working experience as an attorney-at-Law at Joseph Fu Law Firm and as a senior partner attorney at Baker & McKenzie. | | --<br>(Note 3) |
| Independent Director | Chang, Hsien-Ta (Note 4) | ●Professional qualification:<br>He has experience in finance or accounting and is a member of the Company's Remuneration Committee, Audit Committee and Nomination Committee.<br>●Experience:<br>More than five years of work experience as the president of "Tang Zhe Enterprise"and"Wei Dao Ltd." | | --<br>(Note 4) |

Note 1: **Independent status compliance**: should specify their independent status, including but not limited to whether oneself, relatives of Spouse, within the Second Degree of Kinship, etc. serve as directors, supervisors, or employees of the company or its affiliated companies; oneself, relatives of Spouse, within the Second Degree of Kinship, etc. (using the name of others) hold the number and proportion of shares of the company; whether they serve as directors, supervisors, or employees of companies with specific relationships with the company (refer to the Section 5 to 8, Paragraph 1, Article 6 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"); provide the company or its affiliated companies with business, legal affairs, financial and accounting in the last 2 years The amount of remuneration obtained for accounting and other services.
Note 2: Independent Director Wu, Chung-Shu was re-elected at the Shareholders' Meeting on June 9 2023.
Note 3: Independent Director Fu Zu-Sheng was re-elected at the Shareholders' Meeting on June 9 2023, and resigned on August 31, 2023.
Note 4: Independent Director Chang, Hsien-Ta, retired after the Shareholders' Meeting re-election on June 9, 2023.

2. Duties and Operation of the Remuneration Committee:

(1) Meetings of Remuneration Committee

The Committee shall, with great prudence, faithfully perform the following functions and powers, and submit the recommendations to the Board of Directors for discussion.

I. Review the regulations regularly and put forth amendments.
II. Formulate and regularly review the directors', and managers' annual performance evaluation and remuneration policies, systems, standards, and structures.
III. Regularly evaluate and determine the content and amount of remuneration to directors and managers.

When performing the functions and responsibilities mentioned in the preceding paragraph, the Committee shall follow the following principles:
I. The performance evaluation and remuneration to directors and managers shall be based on the general payment level in the industry, with the consideration for the reasonableness of the linkage with personal performance, responsibilities, the Company's operating performance, and future risks.
II. Shall not guide directors and managers to engage in behavior that exceeds the Company's risk appetite in pursuit of remuneration.
III. The percentage of the short-term performance bonus for directors and senior managers and the payment time of part of the variable pay shall be determined in consideration of the characteristics of the industry and the nature of the Company's business.
The salary and remuneration referred to in this paragraph include cash remuneration, stock options, dividends, pension benefits or severance payments, various allowances, and other measures with substantive incentives.
If a subsidiary's director and manager salary and remuneration matters must be approved by the Company's board of directors according to the subsidiary's hierarchy principle, the committee shall make suggestions first before submitting it to the Board of Directors for discussion.

(2) Operation of the Remuneration Committee
I. The Remuneration Committee consists of 3 members.
II. The term of office starts from June 26, 2023 and ends on June 8, 2026. A total of 3 meetings of the the Remuneration Committee (A) were held during the most recent year. The qualifications and attendance of the members are as follows:

| Title | Name | Times of Attendance in Person (B) | Times of Attendance by Proxy | Attendance Rate (%) (B/A)(Note) | Note |
|---|---|---|---|---|---|
| Convener | Hong, Yu-Yuan | 6 | 0 | 100 | Re-elected at the re-election of the shareholders' meeting on June 9, 2023; attended 6 board meetings. |
| Member | Lin, Kuei-Hong | 6 | 0 | 100 | Re-appointment after the Shareholder's Meeting re-election of June 9, 2023; attended 6 board meetings. |
| Member | Wu, Chung-Shu | 3 | 0 | 100 | Appointed at the re-election of the shareholders' meeting on June 9, 2023; attended 3 board meetings. |
| Member | Fu, Tsu-Sheng | 1 | 0 | 100 | Appointed after the Shareholder's Meeting re-election of June 9, 2023; resigned on August 31, 2023; attended 1 meeting. |
| Member | Chang, Hsien-Ta | 3 | 0 | 100 | Retired after the Shareholder's Meeting re-election of June 9, 2023; attended 3 board meetings. |

Note: The General Shareholders' Meeting will be fully re-elected on June 9, 2023. Before the re-election, it will be held 3 times, from January 1, 2023, to June 8, 2023. After the re-election, it will be held 3 times, from June 9, 2023, to December 31, 2023, for a total of 6 times. Other matters to be recorded:
I. If the Board of Directors rejects or amends the suggestions of the Remuneration Committee, the date and session of the Board meeting, contents of the proposal, and resolution of the Board of Directors as well as the Company's actions in response to the opinions of the Remuneration Committee (if remuneration approved by the Board is better than that proposed by the Remuneration Committee, for example) should be stated: None.
II. Regarding resolutions of the meeting of the Remuneration Committee, if there is any written record or statement pertaining to members' objections or reservations, the date and term of the Remuneration Committee meeting, contents of the proposal, the opinion of the said member, and the actions in response to the said opinion should be stated: None.

(3) Discussion and resolutions of the 2022 Remuneration Committee, and the Company's handling of members' opinions

| Meetings of Remuneration Committee | Important Motion Summary | Resolutions of the Remuneration Committee | Action in Response to the Remuneration Committee's Opinions |
|---|---|---|---|
| January 13, 2023<br>The 9th meeting of the 4th-term | • Reviewed the Company 2021's year-end bonus distribution plan for managers, and submitted it for approval.<br>• Reviewed the Company's 2022 year-end bonus distribution plan for Director and Zerova managers. | The directors and independent directors are the stakeholders of the case, and they left the meeting one by one in accordance with the conflict of interest system when deliberating on individual remunerations, and did not participate in the discussion and voting. After the Chairman consulted all the members present, the motion was passed without objection. | Passed without objection |
| March 9, 2023<br>The 10th meeting of the 4th-term | • Reviewed the distribution of employee compensation and the directors' remuneration proposal of 2022. | After the Chairman consulted all the members present, the motion was passed without objection. | Passed without objection |
| April 21, 2023<br>The 11th meeting of the 4th-term | • Reviewed the remuneration adjustment proposal for the Company' managers.<br>• Reviewed the remuneration adjustment proposal for the Company's directors and managers of Zerova. | The directors and independent directors are the stakeholders of the case, and they left the meeting one by one in accordance with the conflict of interest system when deliberating on individual remunerations, and did not participate in the discussion and voting. After the Chairman consulted all the members present, the motion was passed without objection. | Passed without objection |
| August 11, 2023<br>The 1st meeting of the 5th-term | • ˙Reviewed the Company's Director Remuneration Distribution Proposal for 2022.<br>• ˙Reviewed the remuneration adjustment proposal for the Company' managers.<br>• ˙Reviewed the amendments to the Company's "Rules and Regulations Governing the Organization of the Audit Committee".<br>• ˙Reviewed the remuneration of managers for their part-time employment in Zerova. | The directors and independent directors are the stakeholders of the case, and they left the meeting one by one in accordance with the conflict of interest system when deliberating on individual remunerations, and did not participate in the discussion and voting. After the Chairman consulted all the members present, the motion was passed without objection. | Passed without objection |
| 112.09.05<br>The 2nd meeting of the 5th-term | • ˙Reviewed whether directors of the Company who concurrently serve as managers of Zerova can participate in Phihong Technology's cash capital increase and subscription shares.<br>• ˙Reviewed whether the Company's managers can subscribe for shares through cash capital increase. | The directors and independent directors are the stakeholders of the case, and they left the meeting one by one in accordance with the conflict of interest system when deliberating on individual remunerations, and did not participate in the discussion and voting. After the Chairman consulted all the members present, the motion was passed without objection. | Passed without objection |
| November 09, 2023<br>The 3rd meeting of the 5th-term | • Reviewed the Company 2022's year-end bonus distribution plan for managers. | After the Chairman consulted all the members present, the motion was passed without objection. | Passed without objection |

**(V) Operating Status of the Audit Committee**

1. Qualifications and Responsibilities of

(1) Nomination Committee Members:

Qualifications for Appointment of Nomination Committee Members:
The committee is composed of at least three directors nominated by the Board of Directors, in which more than half of the independent directors shall participate.

(2) Duties of Nomination Committee Members:

Under the authorization of the Board of Directors, the committee shall, with great prudence, faithfully perform the following functions and powers, and submit the recommendations to the Board of Directors for discussion:

1. Set expertise, technology, experience, gender and other diversity and independent background standards required by directors and hunt independent directors, identify, review and nominate directors and independent director candidates accordingly.

II. Establish and develop the organizational structure of the Board of Directors and various committees, conduct performance evaluations of the Board of Directors and each director, and evaluate the independence of independent directors.

III. Establish or examine directors' continuing education.

IV. Establish the Corporate Governance Best Practice Principles of the Company.

2. Professional qualifications, experience and operation of members of the Nomination Committee:

I. The Company's Nomination Committee consists of three members.

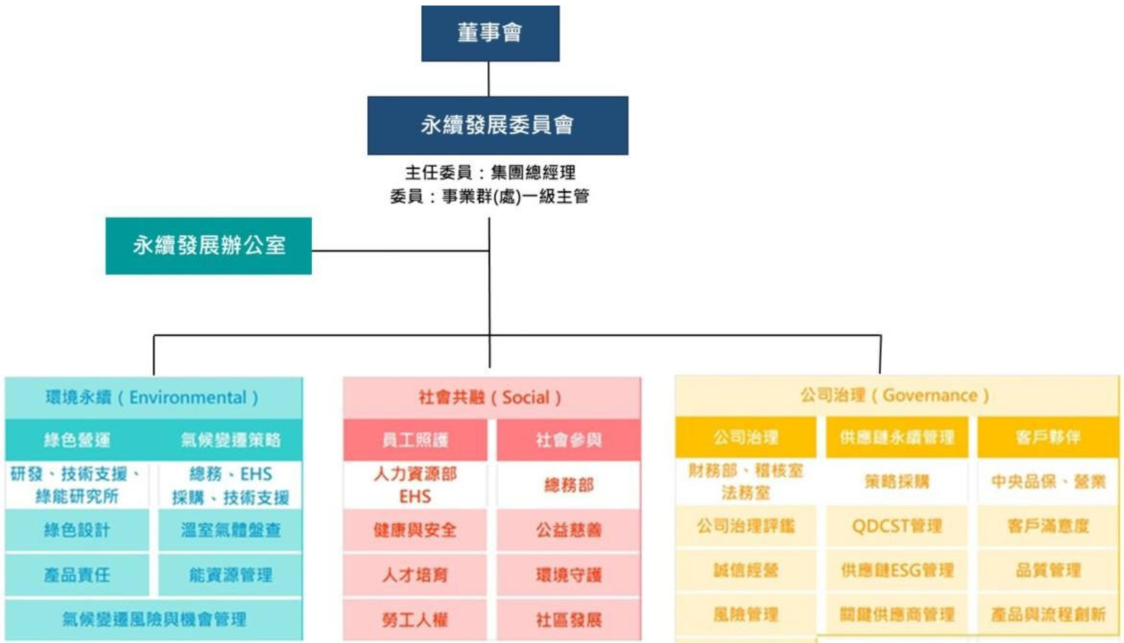
II/ The term of office starts from June 26, 2023 and ends on June 8, 2026. A total of 3 meetings of the Remuneration Committee (A) were held during the most recent year. The professional qualifications the experience, of the members are as and the Discussed follows:

| Title | Name | Professional Qualification and Experience | Times of Attendance in Person (B) | Times of Attendance by Proxy | Attendance Rate (B/A) | Note |
|---|---|---|---|---|---|---|
| Convener | Hong, Yu-Yuan | Education: PhD in Management, University of Sydney, Australia<br>Experience: Director of the News Department, Chiayi County Government; Associate Professor and Head of the Department of National Enterprises, Toko University. Current Position: Chairman of San Kuei Construction Co., Ltd. Professional qualifications: He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations. | 3 | 0 | 100% | Re-elected at the re-election of the general shareholders' meeting on June 9, 2023; attended 3 board meetings. |
| Member | Lin, Kuei-Hong | Education: Department of Public Administration, Tamkang University<br>Experience: Head of LOHAS Outdoor Products Enterprise. Current position: Head of LOHAS Outdoor Products Enterprise. Professional qualifications: He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations. | 3 | 0 | 100% | |
| Member | Wu, Chung-Shu | Education: PhD in Economics from Northwestern University, US<br>Experience: Chairman of the Taiwan Academy of Banking and Finance, Chairman of the Chung-Hua Institution for Economic Research<br>Current position: Chairman of the Taiwan Institute of Economic Research<br>Professional qualification: He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations. | 1 | 0 | 100% | Appointed at the re-election of the general shareholders' meeting on June 9, 2023; attended 1 board meetings. |
| Member | Chang, Hsien-Ta | Education: Taibei High School<br>Experience: Chairman of Wei Dao Ltd. and Head of Tang Zhe Enterprise<br>Professional qualification: He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations. | 2 | 0 | 100% | Retired after the re-election of the general shareholders' meeting on June 9, 2023; attended 2 board meetings. |
| Member | Fu, Tsu-Sheng | Education: Bachelor of Laws, Department of Law Program, NTU<br>Experience: He has more than five years of working experience as an attorney-at-Law at Joseph Fu Law Firm and as a senior partner attorney at Baker & McKenzie.<br>Professional qualification: He is an Independent Director of the Company, and possesses expertise in law. | - | - | - | Appointed after the Shareholder's Meeting re-election of June 9, 2023; resigned has August 31, 2023; attended 0 Comprehensive. |
| Other matters to be recorded:<br>The meeting date, period, and content of the main proposals of the Nomination Committee, the content of the proposals or objections of the members of the Nomination Committee, the results of the resolutions of the Nomination Committee,<br>and the Company's handling of the opinions of the Nomination Committee: None. | | | | | | |

3. Discussions and Resolutions of the Nomination Committee in 2023

| Meetings of Nomination Remuneration Committee | Important Motion Summary | Resolution |
|---|---|---|
| April 21, 2023 | The Company's Performance Proposal of the Board of Directors for 2022 | Passed without objection |
| | Nomination of Directors and Independent Director Candidates List | Passed without objection |
| April 28, 2023 | Adjustment of the list of director and independent director candidates proposed by the 21st meeting of the 14th Board of Directors on April 21, 2023 | Passed without objection |
| December 20, 2023 | Amendments to the Company's "Board of Directors Performance Evaluation Measures" | Passed without objection |

## (V) Implementation of the promotion of sustainable development and the differences and reasons for the rules of practice for sustainable development of TWSE/TPEx Listed Companies

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Does the Company establish a governance structure to promote sustainable development and set up an exclusively (concurrently) dedicated unit to implement sustainable development (operated by the senior management upon authorization by the Board of Directors) and supervised by the Board of Directors? | V | | **Sustainable Development Committee**<br>To execute ESG strategy promotion and foster cross-departmental communication for vertical and parallel cooperation, Phihong officially established the "Sustainable Development Committee" in 2014 and the "Sustainable Development Office" in 2021. To strengthen the Company's sustainable governance structure, the role of " Chief Sustainability Officer " was created in September 2023, held by a special assistant in the General Manager's office.<br>The "Sustainable Development Committee" is chaired by the General Manager of the Company and consists of seven functional groups. The committee structure is composed of first-level managers of each group (division). For operational matters, monthly meetings are held to confirm that the implementation of ESG goals and project development are in line with the Company's sustainable development policy. Starting from 2023, the Chief Sustainability Officer will report to the Board of Directors regularly every quarter. The contents of the four reports in 2023 include: planning for the inclusion of global locations in the greenhouse gas inventory in response to the request of the Financial Supervisory Commission; planning for convergence with the IFRS S1 and S2 standards for continuous disclosure of financial reports; and approval of the ESG material issues and reports, among other matters. | In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |
| | | | **[Phihong's Sustainable Development Committee]**<br> | |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | **Sustainability Policies**<br>In order to implement sustainable development, Phihong compiled the “Code of Practice for Sustainable Development” in 2022, which was approved by the Board of Directors. The four major policies of (1) implementing corporate governance, (2) developing a sustainable environment, (3) safeguarding social welfare, and (4) strengthening the disclosure of corporate social responsibility information are clearly defined as the highest guiding principles for Phihong to promote sustainable development. Meanwhile, the Company has also formulated the “Regulations on the Establishment of the Sustainable Development Committee”, “Corporate Governance Best Practice Principles”, “Code of Corporate Ethics and Business Conduct”, and “Ethical Corporate Management Best Practice Principles”, among other regulations. These can be updated at any time in line with international trends, recommendations from competent authorities, and the requirements of actual operations.<br><br>**Main Responsibilities of the Sustainable Development Committee**<br>• Develop and promote sustainable development policies and help integrate corporate sustainable development values into the Company’s business strategies.<br>• Review the goals, strategies, and action plans of the Company’s sustainable development policies, and review their effectiveness.<br>• Guide and track the progress and performance improvement of each sustainable development action plan.<br>• Responsible for the compilation and publication of the ESG sustainable report<br> | |

| Promoting items | Implementation: Yes | Implementation: No | Implementation: Summary | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| II. Does the Company conduct risk assessments of environmental, social, and corporate governance issues in relation to its operations in accordance with the materiality principles, and formulate relevant risk management policies or strategies? | V | | **Risk Management Policies**<br>Phihong is involved in the manufacturing of electrical components. Operations and finances may be negatively impacted by a variety of events, including natural disasters, accidents caused by humans, the introduction of new technology, shifts in the global political and economic situation, modifications to laws and regulations, or other factors.<br>With a comprehensive risk management organizational structure, cross-organizational collaboration, and a strong enterprise risk management (ERM) system, Phihong has strengthened the resilience and sustainable development of its stable operations. The Company's sustainable development and profitability may be impacted by a variety of strategic, operational, financial, and hazardous risks (such as earthquakes, fires, water and electricity supply disruptions, and climate change), which can be identified, integrated, managed, reduced, avoided, transferred, and so on. Potential risks can be managed within a reasonable range by using management strategies and procedures, which can even convert them into opportunities for operations.<br>**Risk Monitoring and Identification**<br>Phihong assesses and verifies potential risks and their impacts in both the exterior and internal environments. Eight hazards were discovered in 2023 and developed for several risk projects, focusing on the operations, technology, information security, facilities, supply chain, finance, and personnel of the company. To ensure operational sustainability, we have assigned specialized responsibilities for impact response and management and set protocols for early warning, response, crisis management, and recovery operations.<br>Operations and Management Risk Analysis Table (see below) | In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |

Operations and Management Risk Analysis Table

| Aspect | Risk Identification | Operational Impact | Countermeasures | Business Opportunities |
|---|---|---|---|---|
| Environment(E) | Eelctricity and Water Supply Disruptions | Disruptions in operations due to public facilities such as electricity and water resources being disrupted | • Develop emergency response plans to reduce the impact of electricity and water outages<br>• Set up generators, uninterruptible power supply systems, and evaluate the introduction of energy storage facilities, among other measures.<br>• Establish in-plant water storage and external water source support mechanisms; and implement water-saving and power-saving measures | Accelerate the improvement of energy and resource use efficiency, introduce the use of renewable energy, and establish an energy and resource emergency mechanism |
| | Environmental and climate change | Greenhouse gas emission<br>Energy Resources management<br>Management of air, water, hazardous waste and noise pollution | • Examine international environmental protection trend set environmental protection policy that meets operational demands<br>• Conduct disaster prevention monitoring and drills on emergency response and recovery ability<br>• For impact or threat and response strategy, please refer to the attached "Climate Change Risks and Opportunities" | For potential opportunities, please refer to the "Climate Change Response" section |

| Promoting items | Implementation | | | | | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Summary | | | | | |
| | | | Society(S) | The threat of major infectious diseases | Due to the spread of the infectious disease, the production line was suspended as employees of the Company were unable to arrive at work and materials could not be delivered to the Company, resulting in the Company being unable to meet customers' requirements. | •To guarantee the safety of personnel online and resume operations, implement the epidemic prevention organization and SOP mechanism.<br>•Employees work on alternate timing or work remotely for risk sharing<br>•Reinforce relationships with partners in the supply chain, share and respond to the supply chain pandemic control system. | Rapidly and carefully plan for the normal output, exerting our crisis management abilities, striving for customers' trust, and more business opportunities. | |
| | | | | Work safety risks | Work injury and public safety events impacting company's normal operations. Damage to personnel, property, and factory halting work due to serious differences | •Examination of occupational hazards and operations to avoid employee exposure to hazards<br>•Intensify everyday safety awareness and drills; when encountering disasters, public safety incidence, immediate activation of task team to perform rescue operations<br>•Enhance labor-capital negotiation channel, establish harmonious labor-capital relations<br>•Implement health checks for employees | Reduce and prevent the chance of work disaster from occurring; ensure the safety of personnel and property to promote the trust of the stakeholders in the Company's continued operations | |
| | | | | Information security risk | Due to leaks, theft, breakage, and other human factors or natural disaster damage, resulting in company or personal information loss and/or external/internal communication system malfunction that leads to company losses and even damage to company reputation | •Information system remote restoration drills are conducted twice a year to simulate any natural disaster (such as earthquake, fire, and flood), or loss of information due to human factors to ensure the fastest restoring method of the operations system<br>•Maintain two-carrier service at all times ensure normal external operations Enhance system encryption ability and password management<br>•Implement employee training and promotion, strengthen information security management and employees' awareness of legal compliance | Construct highly dependable information security management system to contain any possible communication disruption, data loss and leak in order to earn the trust and support of all the stakeholders in the Company | |
| | | | Corporate Governance (G) | Ethics risk | Violation of honesty and integrity principles of operation resulting in company's loss. After the corruption risk assessment was conducted regarding different fields of risks in each of Phihong's plants in 2021, material risks were identified as | •All new Phihong employees must receive "Code of Corporate Ethics and Business Conduct" training at the time of reporting to duty, and affix signature afterwards.<br>•Promote the importance and implementation of honesty and integrity through education at regular intervals | All employees must abide by the Code of Corporate Ethics and Business Conduct, and fully execute honesty and integrity of operations | |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |

| | | | | |
|---|---|---|---|---|
| | | accepting inappropriate gifts or money or using entertainment expenditures in exchange for returns from suppliers concerning items, services, and preferential treatment in tenders. | | |
| | Financial risk | •Interest rate, exchange rate fluctuations affect financial income and expenditure, impact financial leverage, inflation risk.<br>•Tax barriers inhibit ordering intentions of customers and results in increase in production cost, supply chain is impeded. | •Assess interest rate exposed to risk and the degree of impact of the floating interest rate.<br>•Exchange rate risk adopts natural risk avoidance. Investment of short-term funds is mainly in time deposit account and investment product that has liquidity and safety capital with good return. No high-risk, high-leverage investments.<br>•Applying loan quota cash flow from disposing of idle assets pay for operational funding and long-term capital expense.<br>•Actively deploy in Vietnam with effective flexibility to reduce the impact from trade tariffs. | •Manage the impact on asset and cash flow by interest rate and exchange rate for a stable financial operation.<br>•Enhance operations and production response capability; expand supply partnership and sustainability capability.<br>• Comply with the government investment benefit, continue to fortify research and development ability and technology talents in Taiwan's headquarters. Deploy production bases outside of China. |
| | Supplier risks | Suppliers are unable to provide raw materials as scheduled, affecting normal operations and shipments | •Review the inventory management mechanism and 'real-time material supply alert system'<br>•Replacement material supplier mechanism to ensure stable sources of materials without the risk of supply disruption.<br>•Regularly perform supplier BCP audits and assist suppliers in establishing risk management mechanisms. | Enhance sustainable partnerships with suppliers to achieve the demand and expectations of customers for mutual prosperity. |

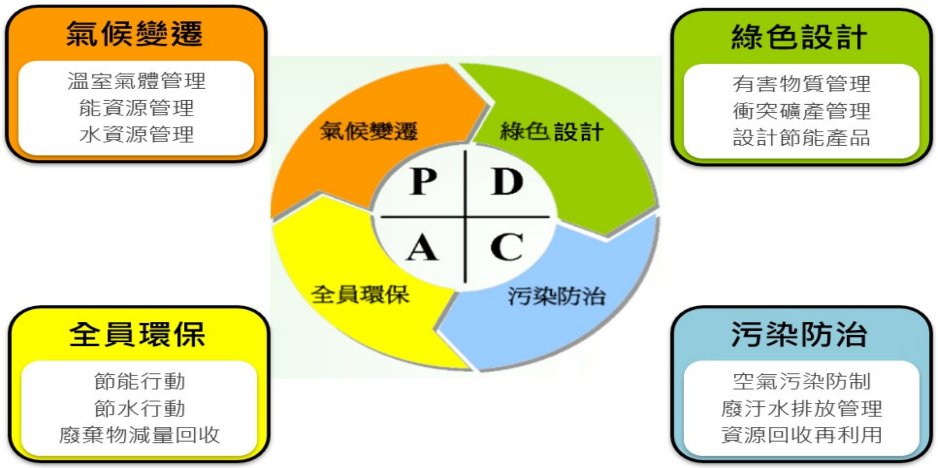
### Organization Risk Alert

Relevant Company units monitor changes and risks in both domestic and international business environments, make sure that company policies and government regulations are followed, and keep up the following effective risk control measures:

**Financial risk control**

No high-risk, high-leverage investments. Exchange rate risks are reduced through natural hedging and borrowing US dollar liabilities

Investment of short-term idle funds mainly in time deposit account and investment product that has liquidity and safety for capital with good return

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | Cash inflow from the capital increase through the private offering of ordinary shares and the issuance of five-year fixed-rate corporate bonds and the financing line applied for from financial institutions will be used to pay for operational funding and long-term capital expense<br>**Operational risk control**<br>Phihong Technology deeply understands the uncertain risks of natural disasters and accidents which can exert major impact on the company's production operations and personnel safety. Therefore, we face the scope of disaster risk management with active prevention management and also with a stringent risk management plan and safety regulations to achieve the highest standard of the power supply industry. To ensure that after the occurrence of a disaster (including fire, earthquake, typhoon, water breakage, power outage, war, political unrest, terrorist attack, food poisoning, legally infectious disease, environmental pollution) a quick recovery to normal operations, reduction of the Company's and customers' property loss, and upholding company reputation and employee safety are possible, we utilize insurance to manage and prevent risks, making sure that we can completely cover the risks of loss or damage to covered property brought on by unforeseen and sudden accidents within the insurance period. Operational risks are transferred and potential losses are reduced through insurance planning and fixed insurance premium costs. | |
| III. Environmental issues<br>(I) Does the Company establish a suitable environmental management system based on its industrial characteristics? | V | | With the goal of environmentally sustainable development, Phihong Technology actively promotes the research and development and manufacturing of green products, and strives to manage hazardous substances, improve the energy efficiency of power products, and increase the proportion of product recycling. Through the division of labor, we actively implement the management of various environmental protection measures and expect all colleagues to enhance their environmental awareness and identify with the promotion of environmental protection and setting goals while actively participating in our corporate culture of environmental sustainability.<br>**The Four Elements of Environment Management**<br> | In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | **Environment Policy and Commitments**<br>Phihong keeps up with global environmental trends and issues. We take a prudent approach to fully promoting environmental policies and related activities, implementing pollution prevention, creating a great working environment, and protecting the physical and mental health of employees. In addition to adhering to environmental laws and regulations in the areas where its global operations are located, we also fulfill our corporate responsibility of adhering to environmental protection laws.<br>**Environment Policy**<br>Combining the spirit of PLAN, DO, CHECK, ACTION (PDCA) and CONFIRM to promote environmental management, reduce and prevent the generation of environmental impact.<br>Systematic management for prompting environmental achievement for energy savings, continued improvement and pollution prevention.<br>Compliance with environmental laws and regulations and the requirements by customers in regard to waste (sewage) water, exhaust gas, waste, noise, chemicals, forbidden and toxic materials, and to promote and execute such compliance.<br>Regularly review the environmental targets and objects and disclose environmental results.<br>**Management system and certification**<br>Phihong is actively working with its suppliers to promote environmental and green product management systems in line with customer needs. Zerova received its ISO 14001 certification for the first time in 2023. 2015 Environmental management system certification The groupalso regularly conducts internal audits and third-party verification annually in order to guarantee compliance with ISO 14001 (latest validity period: 2024.2.23-2027.2.22), ISO 14064-1, and other relevant environmental standards.<br>To assess and improve environmental performance and enhance the environmental management system, adopt more sustainable international standards. Beginning with the four core elements of climate change, green products, pollution prevention and control, and safeguarding the environment for all workers, the product life cycle approach is applied, covering product design, raw material procurement, manufacturing processes, plant operations, final products, after-sale services, and waste management, among other aspects. Implement comprehensive management strategies to mitigate the adverse effects of climate change and environmental degradation over the whole life cycle of the product.<br><br>CERTIFICATE<br>ARES<br>特此授予:<br>馳諾瓦科技股份有限公司<br>台南市永康區正南一街95號<br>台南市永康區正南一街99號<br>管理體系符合<br>ISO 14001:2015<br>驗證範圍<br>研發、製造充電樁<br>證書編號: ARES/TW/I2312168E<br>證書簽發日期: 2023-12-28<br>證書有效日期: 2026-12-27<br>IAS ACCREDITED Management Systems Certification Body ACC NO. MSCB - 171<br>IAF<br>批准:<br>ARES International Certification Co., Ltd.<br>No.12-2, Ln. 187, Wenping Rd., Anping Dist., Tainan City 708, Taiwan<br>TEL / 06-295 9696 (Rep. Line) FAX / 06-295 9667<br>www.ares-registration.com<br><br>CERTIFICATE<br>ARES<br>The Governing Board of<br>ARES International Certification Co., Ltd.<br>Hereby Grants To:<br>Zerova Technologies Corp.<br>No. 95, Zhengnan 1st St., Yongkang Dist., Tainan City 710006, Taiwan<br>No. 99, Zhengnan 1st St., Yongkang Dist., Tainan City 710006, Taiwan<br>Has been assessed and found to be in accordance with the requirements of standard detailed below<br>ISO 14001:2015<br>Scope<br>Design and manufacture of EV (Electric Vehicle Charger)<br>Certificate No.: ARES/TW/I2312168E<br>Certificate Issue Date: 2023-12-28<br>Registration Expiration Date: 2026-12-27<br>The time interval between each surveillance audit and the last on-site audit shall not exceed 12 months, and the organization must obtain "surveillance audit approval notification" issued by ARES to ensure the validity of the certificate.<br>IAS ACCREDITED Management Systems Certification Body ACC NO. MSCB - 171<br>IAF<br>Authorized by :<br>ARES International Certification Co., Ltd.<br>No.12-2, Ln. 187, Wenping Rd., Anping Dist., Tainan City 708, Taiwan<br>TEL / 06-295 9696 (Rep. Line) FAX / 06-295 9667<br>www.ares-registration.com | |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | **CDP environmental information disclosure**<br>Carbon Disclosure Group (CDP) is the most internationally credible environmental sustainability assessment organization in the climate sector. Phihong has been participating in the CDP supply chain program for a long time. In 2023, the two questionnaire responses on “Climate Change” and “Water Security” were both rated C. Among them, the climate questionnaire evaluation result was one grade lower than the performance in 2022. Phihong will review and formulate items that need improvement based on the feedback from the CDP.<br>We are committed to adjusting and mitigating greenhouse gas emissions, and we will continue to pay attention to global climate change trends and international response directions while conducting analysis and control measures in the future. We will also consider climate change as a major issue for corporate sustainable development and one of the major risk projects. | |
| (II) Is the Company dedicated to improving the utilization efficiency of energy and using recycled materials with a minimal adverse impact on the environment? | V | | **Energy Saving and Carbon Reduction Carbon Neutrality Practices**<br>In response to the problem of climate change, nations and businesses everywhere are actively pledging to cut back on carbon emissions. In response to the movement toward net-zero emissions, Phihong chose high-energy-efficiency machinery for its plants in 2022 and upholds the principles of green production, circular economy, and environmental friendliness. 2020 saw the introduction of the ISO 50001 energy management system and intelligent management, which included everything from setting up an energy management system to tracking energy consumption. In 2023, system certification and construction were anticipated to be finished. We’re excited to use it in a variety of ways. It will help to achieve sustainable development and contribute to the protection of the environment. In 2023, we saved over 355,000 kWh of power usage at the Linkou headquarters compared to the base year, which was primarily due to the replacement of the 150RT AC machine chiller in 2023, which resulted in power savings. In 2023, each plant implemented energy-saving planning and carbon reduction-related projects as detailed in the table below: | In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |

| Plant | Energy saving type | Main implementation projects | Investment amount (NT$1.0 M) | Execution status | Expected benefits |
|---|---|---|---|---|---|
| Linkou headquarters | Air Conditioning System | Elimination of 150RT of energy consumption AC machine chiller | 430 | Construction will begin in Q2 of 2023, and it will be officially put into operation in June of the same year. | It is expected to save 20,000 kWh of electricity and reduce carbon emissions by 12.12 tons of CO2e annually. |
| | Air Conditioning System | Combines ice and water pipelines and regulates them | 180 | Construction will begin in Q2 of 2023, and it will be officially put into operation in May of the same year. | |
| | Energy saving software | Construction of energy management software at Linkou Headquarters | 200 | Construction will begin in Q2 of 2023, and it will be officially put into operation in July of the same year. | It is expected to save 10,000 kWh of electricity and reduce carbon emissions by 6.06 tons of CO2e annually. |

| Promoting items | Implementation: Yes | Implementation: No | Implementation: Summary | | | | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|---|---|---|---|---|
| | | | Zerova | | Construction of rooftop solar power generation systems for the first and third phases of the Tainan plant | 2,500 | The initial plant rooftop solar construction plan for 2023 has been revised based on the Tainan plant re-planning and plant building plan. The first phase is anticipated to be constructed in 2024, and the third phase is expected to be constructed in 2025. | Expected annual green power generation after completion: Phase I: 366,000 kWh of green power, with an annual carbon emissions reduction of 181 tons of CO2e. Phase III: 467,000 kWh of green power, with an annual carbon emissions reduction of 231 tons of CO2e: | |
| | | | | Energy Monitoring | Repaired energy management platform at Tainan plant; added energy monitoring function | 400 | Based on the re-planning of the Tainan plant, the original 2023 Phase I plant energy management system plan has been updated to 2024. | Data-based monitoring of energy management to improve energy usage management efficiency | |
| | | | Taiwan Dongguan | Air compressor | Energy-saving renovation plan for air compressors in the Tiesong plant | 264 | Construction in December 2023, operations begin in January 2024 | It is expected that the annual electricity saving can reach 400,000 kWh and the annual carbon emission reduction is 228 tons of CO2e. | |
| | | | | Electrical Equipment | Energy-saving renovation plan for cabinet centrifugal fans in the Tiesong plant | Shared Energy Savings Cooperation Model | Due to the relocation of part of the Tiesong plant area to increase production efficiency, the original planned renovation plan in 2023 has been delayed, and it is expected to be re-evaluated and planned in 2024 | The objective remains to reduce annual electricity use by 200,000 to 250,000 kWh. | |
| | | | | Green power System | Construction of solar power generation systems for first, second and third phases of the plant | Shared Energy Savings Cooperation Model | In 2023, the construction of solar power generation systems for the first, second and third phases of the plant was completed and connected to the grid for official power supply. | It is expected to generate 2 million kWh of green electricity annually. The actual total power generation in 2023 was 1.15 million kWh. The annual carbon reduction reached 949.92 tons of CO2e. | |
| | | | Haiphong Phihong | Air Conditioning System | Selection of magnetic levitating ice and water energy-saving air-conditioners for central air-conditioning in the plant | 2146.36 | In operational use | Compared with conventional equipment, it saves 1.26 million kWh of electricity and reduces carbon emissions by 909.8 tons of CO2e annually | |
| | | | | Heat Recovery | To recover heat energy for domestic hot water, choose an energy-efficient full heat recovery air conditioning system. | 395.35 | In operational use | Compared with conventional equipment, it saves 2.5 million kWh of electricity and reduces carbon emissions by 1,805 tons of CO2e annually | |

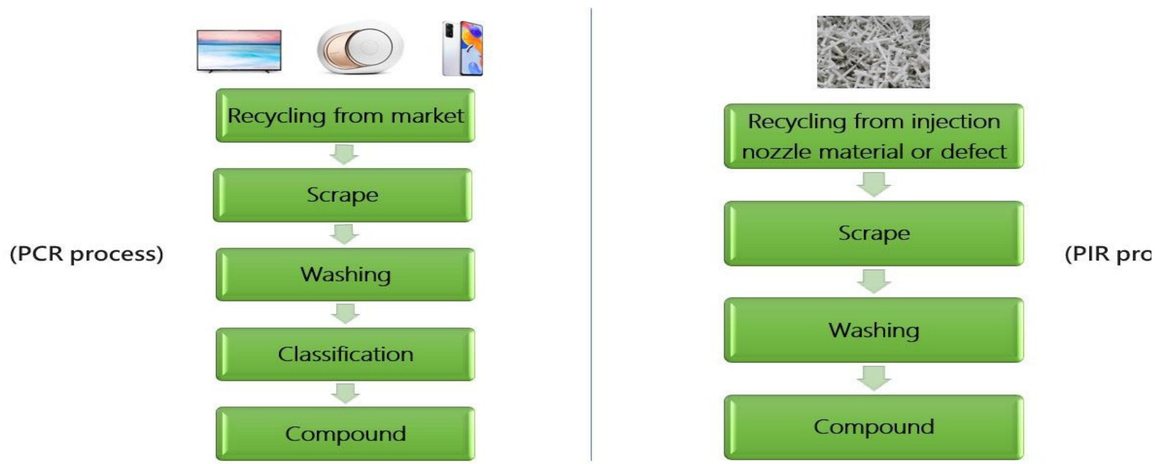
| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |

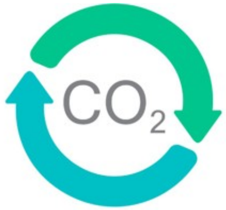
| | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| | Lighting equipment | LED lighting fixtures and solar-powered street lights are used throughout the plant | 206.17 | In operational use | Compared with conventional equipment, it saves 7.5 million kWh of electricity and reduces carbon emissions by 5,416 tons of CO2e annually |

**Plastic Cycle (PCR) Power Supply Design**

Post-Consumer Recycled materials (PCR) stands for "materials that can be reused after being processed through certain procedures"; recycled materials are another name for this kind of material. All of Phihong's current plastic products are composed of recyclable materials. In addition to costing more than current materials, PCR plastic—which meets requirements and has a particular percentage of plastic—will also be less reliable and impact-resistant. PCR materials are essentially composite materials, after all. The broad implementation of PCR is anticipated in the near future, and Phihong will persist in its pursuit of green technology as its purpose. The introduction of PCR ratio will be implemented in 3 phases. We will primarily introduce 30%–50% PCR products in 2024. Afterward, its horizontal expansion will be dependent upon the demands of our customers. The percentage of PCR will rise to 70% by 2026. More than 90% of PCR products will be introduced by 2028, progressively fulfilling our obligation to maintain environmental sustainability.

Plastic recycling, recycling (PCR) process



<table>
<tr><th rowspan="2">Promoting items</th><th colspan="3">Implementation</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>


(Carbon reduce)
<table>
<tr><th></th><th>kg CO2 eq. for 1kg resin material</th></tr>
<tr><td>PCR 30%</td><td>Reduce 0.5~1 kg</td></tr>
<tr><td>PCR 50%</td><td>Reduce 1.25~1.7 kg</td></tr>
<tr><td>PCR 70%</td><td>Reduce 2~2.3 kg</td></tr>
<tr><td>PCR 90%</td><td>Reduce 2.5~3kg</td></tr>
</table>

(Energy demand)
<table>
<tr><th></th><th>MJ(Mega joules) for 1kg resin material</th></tr>
<tr><td>PCR 30%</td><td>Reduce 23~30 MJ (Saving 6.4~8.4 kWh)</td></tr>
<tr><td>PCR 50%</td><td>Reduce 40~45 MJ (Saving 11.1~12.5 kWh)</td></tr>
<tr><td>PCR 70%</td><td>Reduce 60~65 MJ (Saving 16.6~18 kWh)</td></tr>
<tr><td>PCR 90%</td><td>Reduce 70~80 MJ (Saving 19.4~22.2 kWh)</td></tr>
<tr><td colspan="2">1 L Petrol=33~36 MJ<br>1 kWh=3.6 MJ</td></tr>
</table>
</td><td></td></tr>
<tr><td>(III) Does the Company assess the current and future potential risks and opportunities of climate change to the Company, and adopt corresponding measures?</td><td>V</td><td></td><td>
Enhancing climate resilience<br>
Climate change is causing a huge impact on the global environment, economy and society. Whether now or in the future, climate change will bring significant risks and opportunities to the financial aspects of business operations. Therefore, it is included as one of the key strategies for Phihong's sustainable development. In response to the challenges posed by climate change, Phihong formally signed the "Task Force on Climate-related Financial Disclosure (TCFD)" in 2022, which is in line with international standards. We can clearly understand the potential effects of climate change risks and opportunities on the company's operational processes and strategies through the establishment of a comprehensive process for identifying climate change risks and opportunities and the quantification of financial impacts. We can also effectively monitor, control, and respond to climate-related issues, grasp the opportunity for operational innovation and development, and implement various sustainable management measures to proactively move forward toward the low-carbon economy transformation's goals and visions.

</td><td>In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

<table>
<tr><th rowspan="2">Promoting items</th><th colspan="3">Implementation</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(IV) Does the Company count the greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and formulate policies on reduction of greenhouse gas and water consumption, or other waste management?</td><td>V</td><td></td><td>
<table>
<tr><th>Operational Impact Events</th><th>Risk type</th><th>Potential risk of property damage</th><th>Opportunity type</th><th>Potential opportunity for financial benefit</th><th>Management measures and actions</th></tr>
<tr><td>Requirements by regulations or agreements</td><td>Transformation Risks<br>-<br>Compulsory laws and regulations, agreements<br>-Technology Risks</td><td>Laws and regulations, policies, reduc tion targets:<br>Net Zero Emissions by 2050<br>Corporate Governance 3.0</td><td>Enhance company resilience</td><td>Improve company ESG performance and market investment value</td><td>1.Introducing an energy management system, installing an energy management platform and monitoring system, and constructing solar power generation facilities on the roof of our plant. In 2023, Dongguan Phihong constructed 2,000KWp of solar power generation facilities to be formally operated.<br>2.TCFD system constructs and continuously manages short, medium and long-term ESG performance (ESG reporting).<br>3.Actively cooperate with the Financial Supervisory Commission to enhance corporate governance.<br>4.Responding to and disclosing the sustainability disclosure indicators of the Taiwan Stock Exchange Corporation's " Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies".</td></tr>
<tr><td>Supply disruptions</td><td>Physical Risks<br>-Immediate /long-term</td><td>Supply chain management: the supply of raw materials is interrupted and the cost of sustainable energy in the supply chain increases</td><td>Resilience - supply chain risk reduction</td><td>Enhance supply chain reliability and resilience</td><td>Introduce Business Continuity Management (BCM)</td></tr>
<tr><td>Shifts in Market Preferences</td><td>Transformation Risks<br>-Market<br>-Technology</td><td>Shifts in Market Preferences:<br>Customer requirements for green designs</td><td>Revenue increase<br><br>Increased market share</td><td>Enhance customer trust, competitiveness and operating income</td><td>Increase the cost of green product research and development</td></tr>
<tr><td>Increased severity of extreme weather events such as typhoons and floods</td><td>Physical Risks<br>-<br>Immediate/long-term</td><td>Impact of extreme weather events: Flooding caused by heavy rainfall during extreme weather, typhoons, etc.</td><td>Enhance both self-resilience and supply chain resilience</td><td></td><td>Insure against related disasters.</td></tr>
</table>
</td><td>In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |

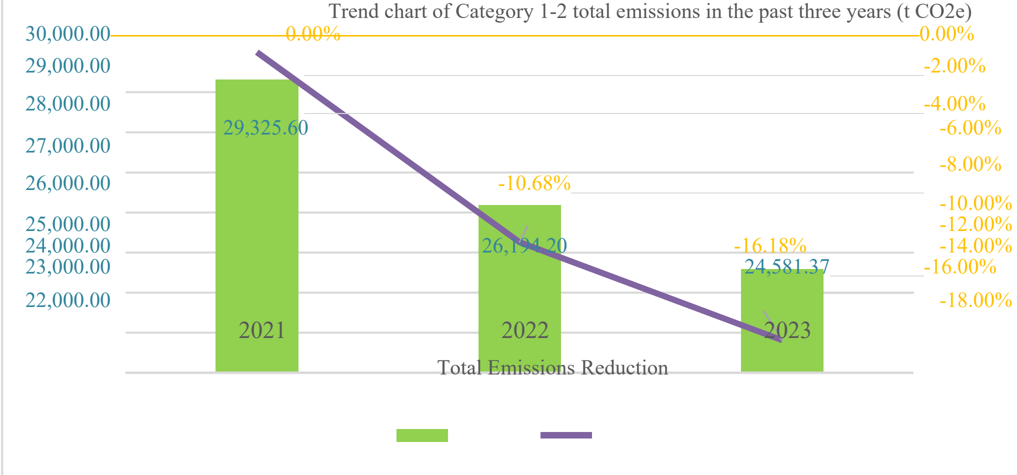
| | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| **Average Temperature Increase** | Physical Risks - Immediate/long-term | High Temperature Impact: Increased electricity consumption due to higher operating demand for air-conditioning in offices and factories as a result of high temperatures | | | To increase the efficiency of electricity use, implement an energy management system, specifically an energy monitoring system.<br>Energy equipment is updated to improve energy efficiency. |
| **Changes in rainfall (water) patterns and climate models** | Physical Risks -Immediate /long-term | Drought caused by extreme weather | | | No process water is used, and the impact is minimal. Purchase of potable water and air-conditioning water supply. |
| **Sea level Rise** | Physical Risks -Immediate /long-term | Flooding caused by rising sea levels | | | Insure against related disaster risks. |

**Greenhouse Gas Inventory**

Phihong conducted scope 1+2 greenhouse gas inventory work in accordance with ISO 14064-1:2018, set organizational boundaries in accordance with the Operational Control Law, and set 2021 as the benchmark year for calculating and verifying greenhouse gas emissions in order to implement energy conservation and carbon reduction and fully disclose corporate carbon emissions and carbon reduction information. In addition, in line with the requirements of the Financial Supervisory Commission, Phihong Group's subsidiaries, main production bases and offices will be included in the scope of inspections on annual basis. The goal is to complete 100% all-site inspections in 2025 and 100% verification in 2026. Furthermore, the results of the materiality identification process led to an expansion of the Category 3 inventory's scope. Apart from the established inventory categories like energy loss and waste, other items such as employee commute and business travel were also listed.

In 2023, Phihong implemented the systematic management of carbon emission information through the online carbon management platform, CarbonCloud, and the Sustainable Development Office coordinated the inventory data and verification standards of each site. In 2023, the direct GHG emissions of Category 1 were 727.7034 metric tons of CO2e, the indirect GHG emissions of energy sources of Category 2 (regional standard) were 23,853.6698 metric tons of CO2e, and the other indirect emissions of Categories 3-6 were 2,966.0199 metric tons of CO2e, all of which have passed the third-party verification of ISO 14064-1.

| Promoting items | Implementation | | | Deviations and Reasons from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |



Trend chart of Category 1-2 total emissions in the past three years (t CO2e)

Category 1-2 Greenhouse Gas Emissions by Plant (t CO2e)

| Item Category | Plant | Linkou headquarters | Zerova | Dongguan plant | Haiphong plant | **Total Emissions** |
|---|---|---|---|---|---|---|
| Category 1 (Direct) | Fixed Combustion | 0.0000 | 0.1737 | 0.0000 | 2.5998 | 2.7735 |
| | Mobile Combustion | 7.6923 | 7.8699 | 39.4186 | 11.7800 | 66.7608 |
| | Process Emissions | 0.0025 | 0.0001 | 0.3430 | 0.2659 | 0.6115 |
| | Fugitive Emissions | 31.5953 | 24.7574 | 391.8434 | 209.3615 | 657.5576 |
| | Total | 39.2901 | 32.8011 | 431.6050 | 224.0072 | 727.7034 |
| Category 2 (Indirect) | Purchased Electricity | 764.9948 | 917.0820 | 12,325.2945 | 9,846.2985 | 23,853.6698 |
| Emissions | | 804.2849 | 949.8831 | 12,756.8995 | 10,070.3057 | 24,581.3732 |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |

| Emission Category/Year | Phihong Group | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | Compared to the benchmark year (2021) |
| Category 1 - Direct emissions | 612.6 | 756.6 | 727.7 | 18.80% |
| Category 2 - Indirect emissions | 28,713.1 | 25,443.9 | 23,853.6698 | -16.92% |
| Total Emissions | 29,325.7 | 26,200.5 | 24,581.3732 | -16.60% |
| Emissions strength (T-CO2e／ million Revenue) | 2.39 | 1.87 | 1.9932 | -16.51% |

Note: The GWP value for 2023 is derived from IPCC AR6; the coefficients of electricity emission are derived from the Energy Administration of the Ministry of Economic Affairs for Taiwan Phihong (0.509 tCO2e/MWh), from the Ministry of Ecology and Environment of the People's Republic of China for Dongguan Phihong (0.5703 tCO2e/MWh), and from the Department of Climate Change of the Ministry of Natural Resources and Environment of the Socialist Republic of Viet Nam for Haiphong Phihong (0.7221 tCO2e/MWh).

Category 3-4 Greenhouse Gas Emissions (t CO2e)

| Emissions source | | Description | Emissions |
|---|---|---|---|
| Category 3 (Transportation) | Business Travel | Including automobiles, high-speed rail, planes | 201.4096 |
| | Employee commuting | Including motorcycle, automobile, bus, subway, etc. | 695.6473 |
| Category 4 (Organizational use) | Product Use | Including electricity, diesel, gasoline | 2,053.0052 |
| | Waste Removal | Including transportation and disposal | 15.9578 |
| Total Emissions | | | 2,966.0199 |

**Greenhouse gas reduction**

According to the greenhouse gas inventory results, Phihong's main source of greenhouse gas emissions is Category 2 purchased electricity, accounting for 86.59% of total greenhouse gas emissions. Therefore, the main measures to reduce greenhouse gases are to improve energy use efficiency and install renewable energy.

In 2023, the Group's total Category 1+2 emissions were reduced by 4,744 tons of CO2e, or 16.18%, compared to the benchmark year (2021), which translates to a reduction of 0.3968 tons of CO2e per million of revenue. This is mainly due to the installation of a solar power system and the use of green power, the replacement of old air conditioning and air chiller machines, and the adjustment of the product structure strategy, which have contributed to the Group's overall reduction in emission intensity of 16.60%, demonstrating Phihong's concern and proactive actions towards climate change and sustainability goals.

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |

**Water Resources Management**

Phihong's plant area is mostly used for product assembly processes. There is no large water demand and no wastewater is produced. Most of the water demand is for domestic use. Phihong's plants in Taiwan, China and Vietnam all use tap water. Phihong only constructed a rainwater collection and utilization system for recycling and reuse, mostly for irrigation and toilet flushing, in the first and second stages of Zerova's plant facilities. Water will be used in the future for heat dissipation and air cooling. Water resource management in other plants primarily promotes the improvement of water-use equipment (i.e., adding water-saving valves in bathrooms and introducing water-saving taps for measures of saving domestic water).

**Waste Water Management**

The wastewater from Phihong is generated by the daily consumption of water. To make sure that the wastewater complies with the park's sewage and sewer water quality management rules and discharge standards, the operation locations are equipped with discharge water monitoring equipment. Neither the water intake nor the discharge of water from Phihong's locations has a significant impact on water sources, and there have been no violations of wastewater discharge standards or penalties in 2023.

**Water Stress Assessment**

In order to understand the water source stress and water risks of each operation and production site, Phihong identifies potential impacts and risks on water resources at each production site to facilitate the development of water risk management strategies. In 2023, according to the Northern Region Water Resources Office, Water Resources Agency, Ministry of Economic Affairs, the daily demand for industrial water in the Linkou headquarters area is about 460 million cubic meters, and the domestic water consumption is about 1,565 million cubic meters.

According to the Southern Region Water Resources Office, Water Resources Agency, Zerova's daily demand for industrial water is about 634 million cubic meters, and the daily demand for domestic water is about 778 million cubic meters. Along with the Water Resources Agency, Ministry of Economic Affairs, we have confirmed that Zerova is not located in a water-scarce area. According to the Water Risk Filter of World Wide Fund for Nature (WWF), Taiwan is located in the low-risk area of water stress areas. Dongguan Phihong is a medium-risk area in the water stress area; Haiphong Phihong is a medium-low-risk area in the water stress area (Source: Water Resources Agency, Ministry of Economic Affairs/WWF).

| Energy type(unit) | 2021 | | | 2022 | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Taiwan Phihong | Taiwan Dongguan | Haiphong Phihong | Taiwan Phihong | Taiwan Dongguan | Haiphong Phihong | Linkou headquarters | Zerova | Taiwan Dongguan | Haiphong Phihong |
| Intake/Consume water (million liters) | 13.109 | 386.231 | 26.414 | 13.668 | 313.50 | 57.79 | 8.76 | 7.26 | 120.48 | 64.42 |
| Number of employees | 544 | 3,869 | 962 | 648 | 3,869 | 1,423 | 394 | 624 | 2,082 | 1,216 |
| Water usage strength (million liters/person) | 0.024 | 0.100 | 0.027 | 0.021 | 0.081 | 0.041 | 0.022 | 0.012 | 0.058 | 0.053 |
| ※ Waste water discharge (million liters) | 11.798 | 347.608 | 21.131 | 12.301 | 282.15 | 46.232 | 7.884 | 6.534 | 108.432 | 51.54 |

Note: The water emission coefficient of Dongguan Phihong is 0.9 times the amount of its water intake. (based on the evaluation coefficient in the environmental effect evaluation report reviewed by State Environmental Protection Administration of China). Taiwan also uses 0.9 times the amount of water intake as the coefficient for emission. The water emission coefficient for the Haiphong Phihong is 0.8 times the amount of its water intake (according to the waste emission charging standards of the local city government)

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |

### Waste Management

The main raw materials put into production by Phihong include electronic parts, mechanical parts, packaging materials, among others. Through waste reduction, carbon reduction and pollution prevention, we implement waste management in compliance with environmental regulations at our operation locations. To promote the five major aspects of air, water, waste, toxicity, and noise, each plant promotes the concept of “resource recycling and reduction” and implements waste reduction actions for all employees. Each year, environmental performance is verified annually through third parties, regularly reviewed and disclosed. At the same time, the amount of waste generated is reduced through methods of leftover acquisition and recycling, reuse, and paid cleaning. Wastes generated the during course of operations include “domestic waste” and “business waste,” which are all properly processed by outsourced legal manufacturers in accordance with local regulations. Domestic waste shall be incinerated or buried; business waste shall be recycled or otherwise disposed of according to its categories; and hazardous waste shall go through harmless treatment according to local regulations. In 2023, Phihong had no major leaks, major violations of environmental laws and regulations, or penalties or fines for environmental violations.

【Wastes Category Statistics Table】

| Waste Type (Tons) | 2021 | | | 2022 | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Taiwan Phihong | Taiwan Dongguan | Haiphong Phihong | Taiwan Phihong | Taiwan Dongguan | Haiphong Phihong | Linkou headquarters | Zerova | Taiwan Dongguan | Haiphong Phihong |
| Domestic waste (Tons) | 20.27 | 345.60 | 18.72 | 26.49 | 410.04 | 311.42 | 9.28 | 13.96 | 200.82 | 47.98 |
| Business waste (Tons) | 6.04 | 738.41 | 70.29 | 25.31 | 788.34 | 421.5 | 0.72 | 48.25 | 571.55 | 456.9 |
| Hazardous waste | 0.00 | 265.28 | 88.82 | - | 322.74 | 150.59 | - | - | 124.01 | 98.13 |
| Total weight (Tons) | 26.30 | 1,349.29 | 89.01 | 51.8 | 1521.12 | 883.52 | 10 | 62.21 | 896.38 | 603.01 |
| Density (total weight/number of people) | 0.06 | 1.36 | 0.43 | 0.1 | 0.40 | 0.60 | 0.02 | 0.2 | 0.37 | 0.46 |
| Per capita production of domestic waste | 0.05 | 0.35 | 0.09 | 0.05 | 0.11 | 0.21 | 0.02 | 0.04 | 0.08 | 0.04 |

【Waste Disposal Methods】

| Plant | General Waste | Business waste (Tons) | |
|---|---|---|---|
| | | General business waste (Tons) | Hazardous business waste |
| Linkou Headquarters | 100% Incinerated | 55% Incinerated<br>45% Scrap metal recycling | - |
| Zerova | 100% Incinerated | 20% Incinerated, 30% Landfill<br>40% Scrap metal recycling | - |
| Taiwan Dongguan | 100% Incinerated | 100% Recycle and re-use | 100% Harmless treatment |
| Haiphong Phihong | 100% Incinerated | 80% Recycled. 20% Incinerated | 100% Harmless treatment |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | **UL Zero Waste to Landfill (UL2799)**<br>Phihong Technology promotes green manufacturing, responds to global carbon reduction and net-zero actions, and actively implements sustainable resource management. Its core goal is to create a zero-waste factory, with “zero landfill” as an important development direction. In November 2022, Dongguan Phihong’s Dahong plant introduced zero waste to landfill for the first time with a conversion rate of 100%. In 2023, it officially obtained the highest level platinum certification of UL 2799 Zero Waste to Landfill, concretely implementing its commitment to environmental protection.<br><br>In September 2022, Phihong, with the assistance of UL, started to promote the zero-waste landfill plan for the Dahong plant, the main plant of Dongguan Phihong.<br>In December of the same year, a pre-review was conducted, allowing us to rethink the entire process, starting from the selection of raw materials at the front end. , manufacturing design, to reducing waste, amomg other measures, adopting a more proactive circular thinking. The project adopts UL Zero Waste to Landfill (UL ECVP 2799). This standard requires that all waste flows within the business be subject to compliance management, inspection and auditing to confirm that the waste has been properly recycled. Certification can only be obtained when the overall waste conversion rate reaches more than 80% to ensure that waste is properly recycled, reused and transformed rather than directly treated in landfills. Therefore, Phihong’s first priority will be to reduce waste. The effectiveness of zero waste to landfill is assessed from several aspects with reference to the UL standard, including: the proportion of waste reduced or reused inside the plant; the proportion of waste transferred to recycling, composting, anaerobic digestion, biofuel or energy conversion outside the plant; and the proportion of non-transferred waste to landfill or incineration, etc., so as to recognize the effectiveness of waste diversion.<br>The certified Dongguan Dahong plant mainly engages in production and manufacturing.<br>It has successfully achieved a “100% waste conversion rate, including 8% incineration heat recovery”, all of which comply with the highest verification standard of UL 2799.<br>It obtained Platinum certification for the first time, making it the Group’s first overseas certified plant. It is hoping to play a leading role and lead other plants to move towards zero-waste production and implement the United Nations’ sustainable development goals. | |
| IV. Social issues<br>(I) Does the Company formulate relevant management policies and procedures in accordance with related laws and regulations and international human rights conventions? | V | | **Human Rights Due Diligence**<br>Phihong is committed to upholding and protecting the basic human rights of its employees, abiding by labor-related laws and regulations in all operating locations around the world, and is committed to supporting and complying with the United Nations Universal Declaration of Human Rights, the United Nations Global Compact, the International Labor Organization Convention, and other internationally recognized human rights conventions and norms,<br>as well as to treating all of our colleagues fairly and reasonably, with dignity, and respect. | In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |

| Promoting items | Implementation Yes | No | Summary | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | | | **Human Rights Management Policies**<br>Responding to and following the United Nations' "Universal Declaration of Human Rights", "Guiding Principles on Business and Human Rights", "International Labor Organization" and "Responsible Business Alliance Code of Conduct" are the highest guiding principles for human rights protection.<br>The Group's operating locations will put an end to any infringement and violation of human rights and implement human rights protection.<br>We recognize and abide by the laws and regulations related to human rights protection in each of our plants in order to enhance the human rights awareness of our employees and stakeholders.<br>We respect the differences of individuals from all over the world and to treat all colleagues with dignity, without regard to race, gender, age, religion, nationality or political affiliation.<br>**Management Mechanism**<br>We use the Responsible Business Alliance (RBA) Code of Conduct as our management mechanism. Through the formulation of various management methods and the audit of internal control procedures, we regularly conduct internal and external audits of social responsibility in each plant to establish, implement and maintain a good social responsibility management system. In the future,we hope to extend the requirements to suppliers and contractors accordingly. | |
| (II) Does the Company formulate and implement reasonable employee benefits (including salary, leave and other benefits, etc.) and appropriately reflect the operating performance or results on the compensation of employees? | V | | **Performance-Based Compensation**<br>Phihong implements a performance management system based on annual operating strategies and personal goals. Through the e-performance management system, Phihong sets goals and discusses them with their direct supervisors to ensure that the target complies with strategic policies. We regularly examine and audit the target achieving status every six months and provide employees with immediate feedback from supervisors to provide them with counseling, encouragement, support, and career consultation, so as to objectively and realistically control the results of their work and to assist them in progressing towards their goals. The regular evaluations on employees' are used as important basis for employee cultivation, and career development, which also connects to promotion and position adjustment, matching employees with appropriate positions based on their talents for continual development. At the same time, we rationalize the distribution of rewards and remuneration and carry out three phases of performance assessment: probation period, mid-year, and final evaluation. We aim to inspire colleagues to enhance worker efficiency and attain better results, as well as to enhance the implementation of the performance management system. When the Company earns a profit, it will use its different bonus-issuing procedures along with the evaluation findings to give year-end bonuses, employee bonuses, or stocks to staff members who worked during the year. This will help to retain top talent and boost the Company's competitiveness. Phihong's Performance Evaluation Procedures:<br>1. Target management: Set target  Confirm by supervisors<br>2. Examination and maintenance: Examine targets  Maintain the progress<br>3. Annual audit: Mid-year audit  Year-end audit<br>**Wages, Remuneration and Benefits**<br>**Remuneration Policies**<br>●Salary by ability: Approve salaries according to the level of compliance of the employee's functions and in compliance with local laws and regulations and specifications. | In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | • Fairness and Reasonableness: Complying with the company's principle of equitability and considering the external market salary level.<br>• Annual Salary Adjustment: Based on the company's operating results, employee performance, market salary positioning, external competitiveness of talents, and annual consumer price index.<br>• Operations Feedback: Based on the previous year's overall target reaching rate and growth rate, determine appropriately this year's project bonus, dividend, and year-end bonus to the employees.<br><br><br>Phihong adheres to the belief that "excellent talents are the key factor for corporate growth" and is committed to providing competitive salary packages that are in line with local basic salary levels. Through this remuneration policy, we are able to attract and motivate outstanding talents, ensuring the competitiveness of the Company and achieving the goal of corporate sustainability. In 2023, Taiwan Phihong's indirect personnel salary levels will still be higher than local basic wages, while Dongguan Phihong and Haiphong Phihong's direct personnel salaries will be in line with local basic salary standards.<br>**Retention Bonuses**<br>Affected by severe shortages in the global supply chain, Phihong's overall revenue in 2023 declined from the previous year. Nevertheless, the well-being of our employees remains our primary concern. In addition to actively offering career development opportunities, we have developed an open and transparent promotion mechanism that actively promotes talent with development potential based on employee outstanding performance, giving them higher responsibilities and salaries in order to promote the positive development of the entire Company. | |
| (III) Does the Company provide a safe and healthy work environment for employees and regularly organize health and safety training for employees? | V | | Occupational Safety and Health Management<br>In order to maintain factory safety, working environment and employee health, Phihong has included occupational safety and health management as one of the key points of the Company's sustainable development strategy. We have formulated an "Environmental Safety and Health Policy" and established an "Occupational Safety and Health Committee" in accordance with the "Occupational Safety and Health Act" to promote an occupational safety and health management system. Phihong has also passed the Occupational Safety and Health Management System verification every year to create a healthy and safe workplace for employees. In order to prevent occupational injuries, we thoroughly review and monitor the safety of the work environment to comply with the the current in a government regulations and company policies in each plant. In 2021, Phihong Technology completed the Occupational Safety and Health Management System (ISO 45001:2018) conversion verification and obtained the certificate. In 2023, Zerova established a dedicated EHS unit responsible for promoting occupational safety and health management matters. In December of the same year, it conducted the first occupational safety and health management system (ISO45001) verification and obtained the certificate. The Dongguan Phihong EHS Occupational Safety and Health Department is a first-level unit responsible for professional safety and health, supervising and recommending occupational safety and health-related planning, and considering occupational safety-related issues.<br>The workers covered by the new management system are all employees of Dongguan Phihong and contractors, with a total of 3,995 participants. | In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | All operations are based on the contents of the occupational safety and health management system, hazard identification, risk assessment, operation auditing and accident investigation. In 2023, Phihong Technology did not have any occupational injuries that caused the death of workers or were judged to be occupational diseases or serious occupational injuries. We continue to provide a safe and carefree working environment for our employees, with the ultimate goal of achieving a zero-hazard workplace.<br><br><br>**Occupational Safety Education and Training**<br>Plants of Phihong both domestically and internationally conduct safety, health and firefighting lectures (demonstrations) each year.<br>In Taiwan, Phihong organized two 3-hour fire prevention drills and lectures in 2023 to enhance awareness of occupational safety and fire prevention management for increasing self-defense mechanisms against fire and fortifying the team fire training on-site in order to ensure the life and safety of all the people in case of fire.<br>In order to improve staff first aid knowledge and operation processes, as well as to raise staff comprehension of CPR operation exercises, a CPR first aid training course has been added. In addition, the course also provides guidance on the preparation of self-defense firefighting team training, including self-defense firefighting team training, disaster report, and evacuation drills. | |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | Dongguan Phihong completed a total of 19 safety and health training sessions in 2023, with a total of 4,849 participants and a total of 7,016 hours of training. Vietnam Phihong hires professional government functional units to conduct occupational safety and health education and training to ensure that it has qualified and sufficient professional safety and health management personnel to ensure production and life safety and avoid occupational injuries. It currently has 30 firefighter volunteers, 20 emergency health professional volunteers, and 15 EHS auditors. In 2023, Phihong did not have any fire or injury incidents.<br>   | |
| (IV) Does the Company establish effective career development and training plans for employees? | V | | **Cultivation and Development**<br>Phihong regards talent development as the key to the Company's core competitiveness. In order to encourage employees to continuously enrich their professional knowledge and demonstrate their personal growth potential, Phihong has included the number of learning hours as one of the promotion thresholds through the "Education, Training and Promotion System Framework". We hope to improve the learning atmosphere, create a learning environment for healthy development, and jointly create a learning-based organization. In terms of enhancing and improving the quality of education and training, Phihong follows the Talent Quality Management System (TTQS) of the Ministry of Labor, Executive Yuan, and has been awarded the TTQS Silver Certification after evaluation.<br><br>**Improvement of Training and Development System**<br>Phihong uses the PDDRO cycle as a solid framework to construct a complete training and development system to ensure the stability and accuracy of training quality and provides a variety of course categories, including professional functional training, new personnel-related training, supervisory management training, general courses, language training, and internal lecturer training, among other courses. Through our internal training development and knowledge management platform, we allow colleagues to flexibly conduct online and offline learning and promote the vigorous development of internal knowledge and creativity. At the same time, we actively provide diverse learning resources such as external training, micro-courses, reading clubs, and learning circles to comprehensively promote a learning-based organization. | In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | In 2023, we will pay more attention to the work-life balance of our employees by organizing a series of general education seminars on health, financial management, self-defense, public welfare, and legal infringement awareness, among others, so as to strengthen our employees' resilience in their daily lives and the workplace, which will not only contribute to their personal growth, but also infuse a more positive and healthy vitality into the overall workplace environment and create a harmonious and inclusive work atmosphere.<br><br> | |
| (V) Does the Company comply with relevant laws and regulations and international standards for the health and safety of customers, customer privacy, marketing and labeling of products and services, and formulate relevant consumer protection policies and complaint procedures? | V | | **Green Product Management**<br>**Restriction of Hazardous Substances**<br>In order to maintain health and environmental safety, Phihong complies with the relevant requirements of various countries and customers for chemical substances, and strictly requires suppliers to limit or prohibit the use of controlled hazardous chemical substances. In accordance with international environmental regulations, we refer to our customers' hazardous substance control standards, formulate green management standards and non-hazardous substance technical standards, establish an electronic green information platform, announce hazardous substance requirements and standards on the supplier management platform, and organize internal and external education and training.<br>The content of 'Environmental Management Substance Control Standards' includes RoHS, REACH, the prohibition of the addition of red phosphorus flame retardants, and halogen-free product specifications. The Directive (EU) 2015/863 amends EU RoHS to restrict 4 new phthalates: DEHP, BBP, DBP and DIBP. As for the REACH substances of very high concern (SVHC) as set by ECHA, new substances are added to the list each half a year. As of December 31, 2023, REACH has updated 29 batches of substances for a total of 235 controlled substances. We have already updated to the new standard and have executed accordingly. In addition, 28 new items of specific phosphophthalates were added: dioxotrilead [Phthalato(2-)]. Although Phihong has not been included in the IEC 62474 regulatory framework,<br>for IEC 62474 regulated substances, excluding some controlled substances whose use is not within the scope of application of the Company's products, halogen-free specification products can meet 100% of the IEC 62474 standard. | In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | In addition to controlling the renewal of hazardous substances, the Company complies with WEEE laws and regulations which have been used as the minimum standard for product development in order to ensure the reuse, recycle, and reclamation of the product after the life cycle. It not only meets the requirements and expectations of our clients and end users, but it also fulfills a duty that Phihong has as a global citizen.<br><br>**Customer Privacy**<br>Phihong's commitment to client privacy is to "abide by the principle of integrity and strictly guard customer confidentiality" in order to protect the company's competitive advantages, intellectual property, and customer information. We have established the "Procedures for the Handling of Company Information and the Protection of Customer Data" regarding the local laws and regulations of the countries in which the Company operates as well as the European Union's "General Data Protection Regulation", which serve as the highest guiding principles for the protection of privacy. It covers Phihong, subsidiaries and suppliers, contractors, external consultants and other third parties. Information security management follows this method in terms of protecting customer data. In order to raise employee security awareness, it is not only incorporated into the Company's operational processes but also consistently promoted. The following are the relevant operations and responsible units for implementing customer data protection.<br>• Head Office, Branch Offices and Plant Information Departments: Responsible for the maintenance and update of the Company's website. They also manage user accounts, data permissions, and system usage permissions for enterprise-related operating systems, emails, and data sharing platforms to ensure the security of customer information.<br>• Sales departments of each business unit: Responsible for the protection, maintenance and update of customer data. Only authorized personnel have access rights.<br>• Headquarter Legal Department: Responsible for customer procurement (sales) contract and review, signing of non-disclosure agreement and notification and reminding of the expiration thereof, and contract system update and maintenance.<br>• Headquarter DCC: Responsible to upload all the external documents by the customers from various business units to the system for processing. Login, list management, maintenance and update operations. | |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | Furthermore, all new employees must receive “Corporate Ethics and Business Code of Conduct” training and sign an “Intellectual Property and Non-Disclosure Agreement” so they assume the responsibility of confidentiality and information protection. As for customer orders and business-related confidential information and documents, except for internal circulation and transmission due to business needs, all businesses and relevant employees in contact with customers must strictly abide by the "Corporate Ethics and Business Code of Conduct" and shall not leak, disseminate, or pass it on to peers, business partners, suppliers, and unrelated third parties. The external documents, product technology information (such as product specs, wiring chart, graphs…etc.), software, and intellectual property (including paper format, CD, USB flash drive, and all forms of stored information and document) provided by the customer must be property registered, saved, stored, and updated and executed according to the “Technical Document Control Regulations” and “Document Processing Operating Procedures.” The protection, management and usage of electronic data in the Company are all based on the "Electronic Information Management Procedures". Phihong Technology adheres to stringent, complete protection mechanisms to manage the confidential information and privacy of the customers in order to establish a trust and long-term cooperation relationship with the customers, creating a win-win situation for both Phihong and the customers. Consider the 2021 incident involving the charging pile secrets leak. The employees of the information department discovered an irregularity in the computer firewall transmission records of the Company and submitted the company files to a remote server for storage. The primary Investigation Unit investigated the case after receiving information that suggested it was the result of insider trading or commercial espionage. The case was successfully resolved, and the two individuals involved were charged with violating the Trade Secrets Act in 2023.<br><br>In order to implement privacy protection and avoid recurrence, Phihong regularly conducts privacy protection training for all personnel and evaluates the effectiveness of the training. In addition to strengthening internal training and publicity for all employees and upgrading the protection of information security software and hardware equipment, the Company also has privacy feedback and reporting channels for the public. If there is any possibility of privacy damage or violation of the privacy policy, everyone can file a complaint or report through the privacy protection hotline at (03)327-7288, ext. 1340, or through the e-mail addressCharles_Wang@phihong.com.tw Phihong adopts a zero-tolerance policy for the protection of privacy rights. Anyone who violates this policy will be punished in accordance with the Company’s Code of Conduct. In 2023, there was not any incidence of customer complaint, privacy leak, or loss of customer data. | |

| Promoting items | Implementation Yes | Implementation No | Implementation Summary | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| (VI) Does the Company formulate a supplier management policy which requires suppliers to comply with the relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and disclose the suppliers' implementation? | V | | **Supply Chain Management Policies**<br>1. Supplier evaluation and risk management: New supplier operations review current supplier risk assessment.<br>2. Conflict-Free Minerals Statement: Use of conflict minerals from unknown sources that do not utilize RBA-certified smelters is strictly prohibited.<br>3. Local procurement: Procurement is localized, reducing the logistics and transportation process, and achieving cost reduction and carbon reduction benefits.<br>4. Green Procurement: Procurement of goods and services that comply with environmental laws and regulations to reduce the impact on the environment.<br>5. Supplier sustainability commitment: A commitment to declare that suppliers operate in compliance with local regulations and adhere to the RBA Business Code of Conduct.<br><br><br>Phihong values the importance of establishing a sustainable supply chain to regulate procedures of supplier management through relevant systems of "Procedures for Procurement Management." Meanwhile, we required suppliers to sign the "Integrity Commitment Agreement", "Non-Disclosure Agreement", "Environmental Protection and Social Responsibility Commitment," and "Conflict Minerals Reporting Template" to understand and control items of labor rights, environmental protection, ethical regulations, safety and health risks in the supply chain, reducing the operating risks and costs of both ourselves and the suppliers, so that we can jointly march toward the future with stable and sustainable growth. | In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies. |
| V. Does the Company refer to the reporting standards or guidelines which are accepted internationally for compiling reports on non-financial information of the Company such as the sustainable report? Does the previous report obtain the assurance or verification statement of a third-party verification unit? | V | | **Editorial Basis and Guarantees** | In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |

| Promoting items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | **Non-financial Information**<br>**<u>Compliance with standards organizations</u>** **<u>Verification</u>**<br>❒ GRI Sustainability Reporting Standard 2021 British Standards Institution (BSI)<br>❒ ISO 26000 Social Responsibility Guidance AA1000AS (v3) Assurance according to GRI Standards<br>❒ SASB Electrical and Electronic Equipment and Components Industry Verification of the Accountability Principles Standards indicators of this report<br>❒ TCFD Framework on Climate-Related Financial Disclosures<br>❒ Carbon Disclosure CDP Climate Change/Water Security<br>❒ United Nations Sustainable Development Goals (SDGs)<br>❒ Code of Practice for the Sustainable Development of Listed OTC Companies<br><br>**Financial Information**<br>**<u>Compliance with standards organizations</u>** **<u>Verification</u>**<br>❒ Authorized and published by the Financial Supervisory Commission IFRS standards effective at Deloitte & Touche<br>❒ Standards for Financial Statements prepared by Securities | |

VI. If the Company has formulated its sustainable development best practice principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies," any differences between the performance of sustainable development and the principles should be disclosed:
Phihong Technology formulated the Company's "Code of Practice for Corporate Social Responsibility" in April 2016, which was approved by the Board of Directors and implemented in May of the same year. The company has always followed and implemented the "Code of Practice for Corporate Social Responsibility of Listed OTC Companies" issued by the competent authority. After inspection, there is no difference between the actual operation of the company and the "Code of Practice for the Sustainable Development of Listed OTC Companies".
The Company revised the "Code of Practice for Corporate Social Responsibility" to "Code of Practice for Corporate Sustainable Development" in 2022, which reflected the content of the "Code of Practice for Sustainable Development of OTC Listed Companies", and was issued after being submitted to the Board of Directors for review and approval.

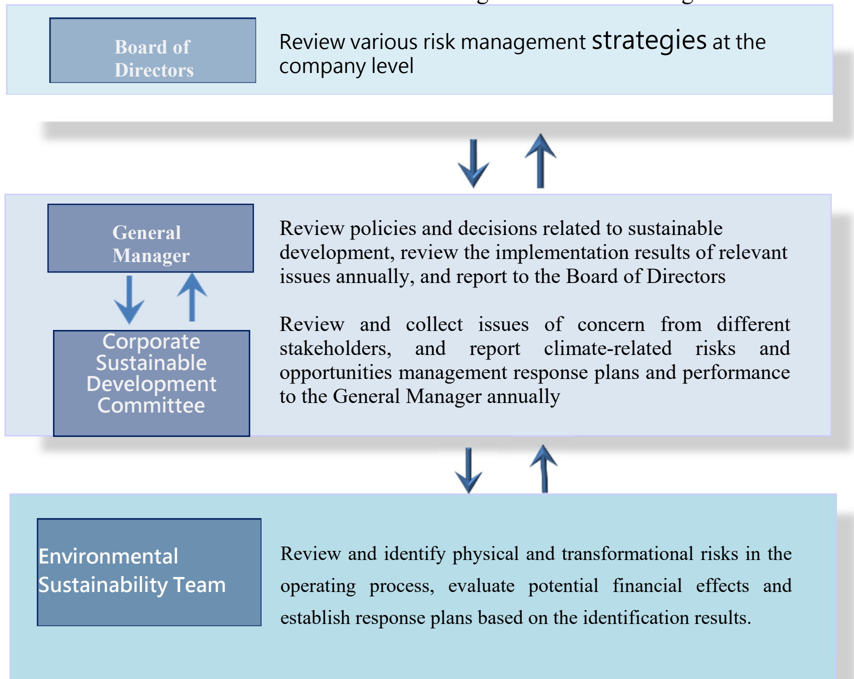
VII. Other important information that helps to understand the implementation status of sustainable development:
In addition to the latest financial information, major news, and related integrity management operations on the investment section of the official website of Phihong Company (www.phihong.com.tw), you can also find detailed disclosure of important information on integrity management in the "CSR Report" from previous years provided in the "Corporate Social Responsibility" section. In 2022, Phihong Technology also changed its name to the Corporate Sustainability ESG Report.

# Climate-related Information for TWSE/TPEx Listed Companies

## 1 Climate-related information implementation status

| Item | Implementation |
|---|---|
| 1. Describe Board of Directors' management oversight and governance of climate-related risks and opportunities.<br>2. Describe how the identified climate risks and opportunities impact the Company's business, strategy and finances (short-term, medium-term, long-term).<br>3. Describe the financial impact of extreme climate events and transformation actions.<br>4. Describe how climate risk identification, assessment and management processes are integrated into the overall risk management system.<br>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, factor analysis and main financial impacts used should be described.<br>6. If there is a transformation plan to manage climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical and transformation risks.<br>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.<br>8. If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning schedule, annual achievement progress and other information should be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, the source and quantity of the offset carbon reduction credits or the number of renewable energy certificates (RECs) should be stated.<br>9. Greenhouse Gas Inventory and Confirmation Status and Reduction Targets, Strategies and Specific Action Plans _(fill in 1-1 and 1-2 separately). | **Enhancing Climate Resilience**<br>Climate change is causing a huge impact on the global environment, economy and society. Whether now or in the future, climate change will bring significant risks and opportunities to the financial aspects of business operations. Therefore, it is included as one of the key strategies for Phihong's sustainable development. In response to the challenges posed by climate change, Phihong formally signed the "Task Force on Climate-related Financial Disclosure (TCFD)" in 2022, which is in line with international standards. We can clearly understand the potential effects of climate change risks and opportunities on the company's operational processes and strategies through the establishment of a comprehensive process for identifying climate change risks and opportunities and the quantification of financial impacts. We can also effectively monitor, control, and respond to climate-related issues, grasp the opportunity for operational innovation and development, and implement various sustainable management measures to proactively move forward toward the low-carbon economy transformation's goals and visions.<br><br><br>**Management**<br>**Board of Directors**<br>Approve policies and proposals related to sustainable development, which will be regularly reported to the Board of Directors by the Chief Sustainability Officer on a quarterly basis from 2023 onwards, including the sustainability report, carbon inventory and carbon reduction promotion and management, and major issues in energy resource management.<br>**Sustainable Development Committee**<br>The "Sustainable Development Committee" is chaired by the General Manager of the Company and consists of seven functional groups. The committee structure is composed of first-level managers of each group (division). For operational matters, the Chief Sustainability Officer holds monthly meetings to confirm that the implementation of ESG goals and project development are in line with the Company's sustainable development policy.<br>**Environmental Sustainability Team**<br>Follow the TCFD framework to identify physical and transformational risks in the operating process, comprehend issues related to climate change and develop strategies and measures for responding to them, including addressing major risks and business opportunities. Evaluate potential financial effects and establish response plans based on the identification results. Phihong's climate risk management structure is as follows. |

Phihong Climate Risk Management Framework




## Strategy

Following the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), Phihong conducts comprehensive climate risk management from four perspectives: governance, strategy, risk management, metrics, and targets, first identifying risks with significant potential impacts, evaluating the financial paths and impact sizes of each risk factor under different scenarios, taking stock of countermeasures, and setting metrics for regular monitoring and tracking.

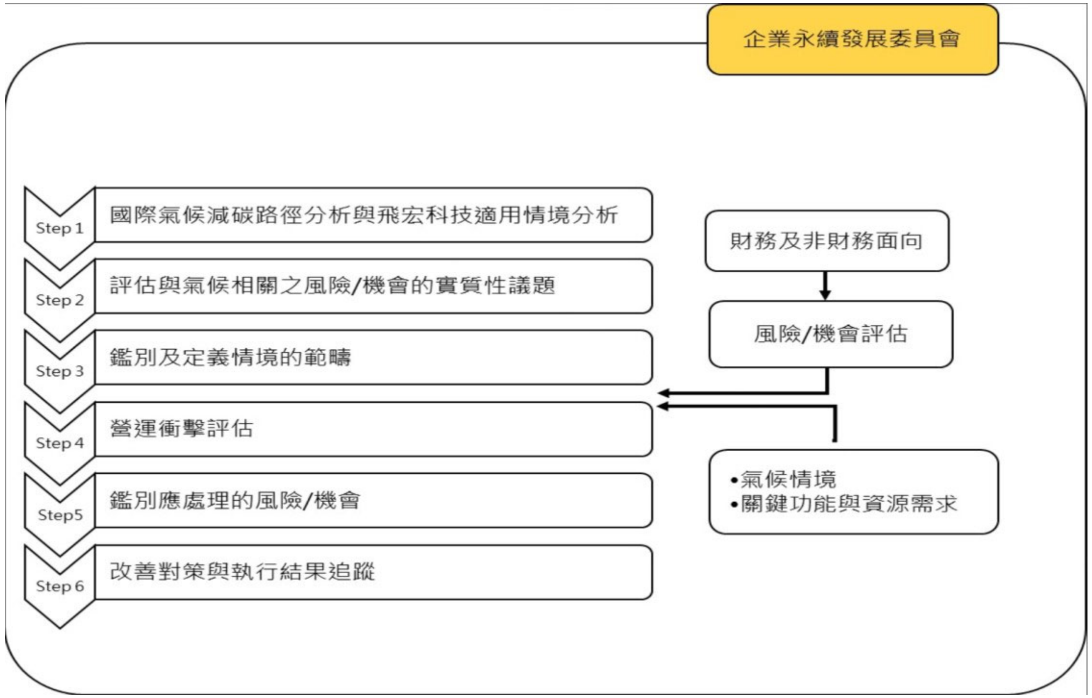
### Identification and assessment process of risks and opportunities

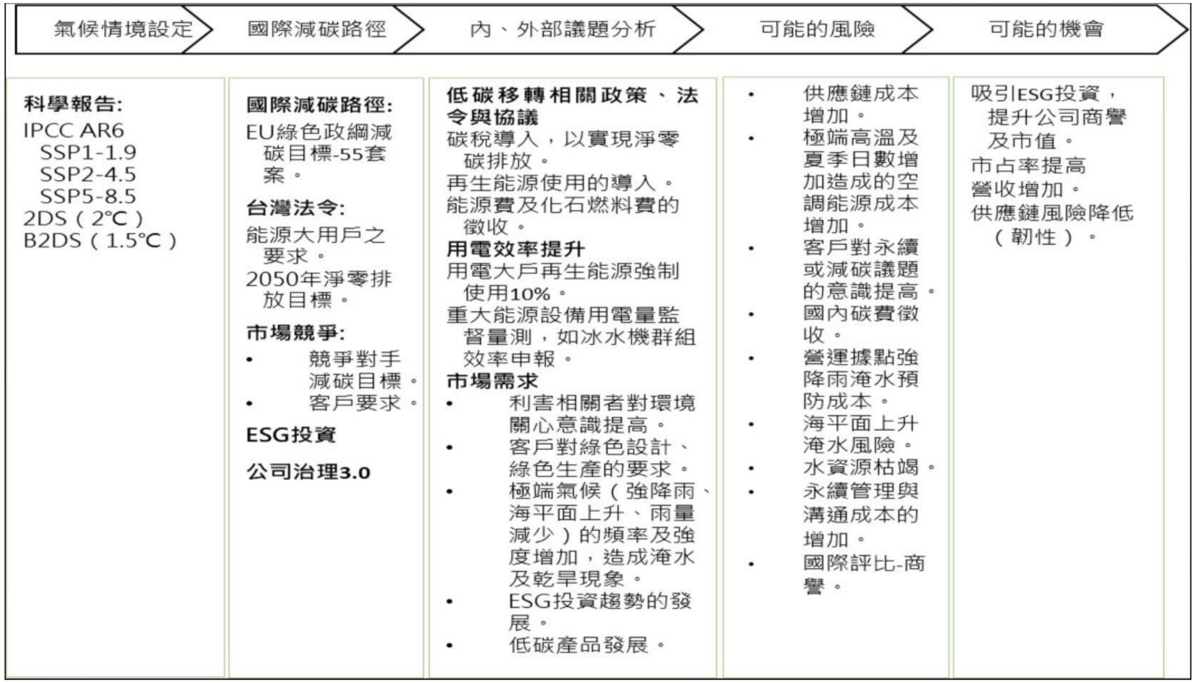
To successfully integrate management mechanisms, Phihong combines ISO 14001 procedures with the assessment of risks and opportunities related to climate challenges. The implementation process starts with collecting information on international carbon reduction pathways, scientific methods, and unique phenomena caused by climate change in recent years. It then categorizes and summarizes the information to identify possible issues related to Phihong and further evaluates and analyzes the possible risks and opportunities, as well as the degree of risk. The degree of risk establishes the opportunities and risks that need to be managed, along with the countermeasures and actions depending on the outcome of the product and the location on the risk matrix diagram. It takes into account the degree of impact and the frequency or chance of occurrence. The climate-related identification and assessment process is shown in the picture on page 71.

### Summary and assessment of climate issues

After cross-departmental discussions by the Sustainable Development Committee, we clarified existing measures, possible solutions, forms of obtaining financial quantitative data, feasibility and sources and other related issues, to compile the risks and opportunities of climate change for Phihong. The results were categorized according to the actual content of each issue with reference to the risks and opportunities categories recommended by the TCFD framework.

The climate risk assessment process is based on the impact of climate change on the company’s overall operations, and refers to the TCFD reporting framework and the Guidance on Climate-related Risks and Opportunities Scenarios 2.0 issued by the Ministry of the Environment of Japan in order to conduct project design. The first stage is identifying the essential units and equipment of Phihong’s internal operations, including energy consumption, legal obligations, and carbon reduction goals, and evaluating their possible impacts and influences.






**Summary and assessment of climate-related issues**

## Integration and management of climate risks and opportunities

Regarding the climate risks and opportunities that Phihong may encounter, the impact of the problem on operations and the likelihood that it will occur were taken into account and scored using the criteria established in the Impact and Probability Scale of the Company. The effect on operations was given precedence over the impact on financial aspects, and non-financial aspects were only taken into consideration when it was not practical to quantify them as financial. Refer to the "Guidance on Risks and Opportunities Level Grading Matrix" to further grade risks and opportunities based on their impact points, identify risks and opportunities that need to be addressed, and develop execution strategies after finishing the assessment of the degree of impact and probability of occurrence.

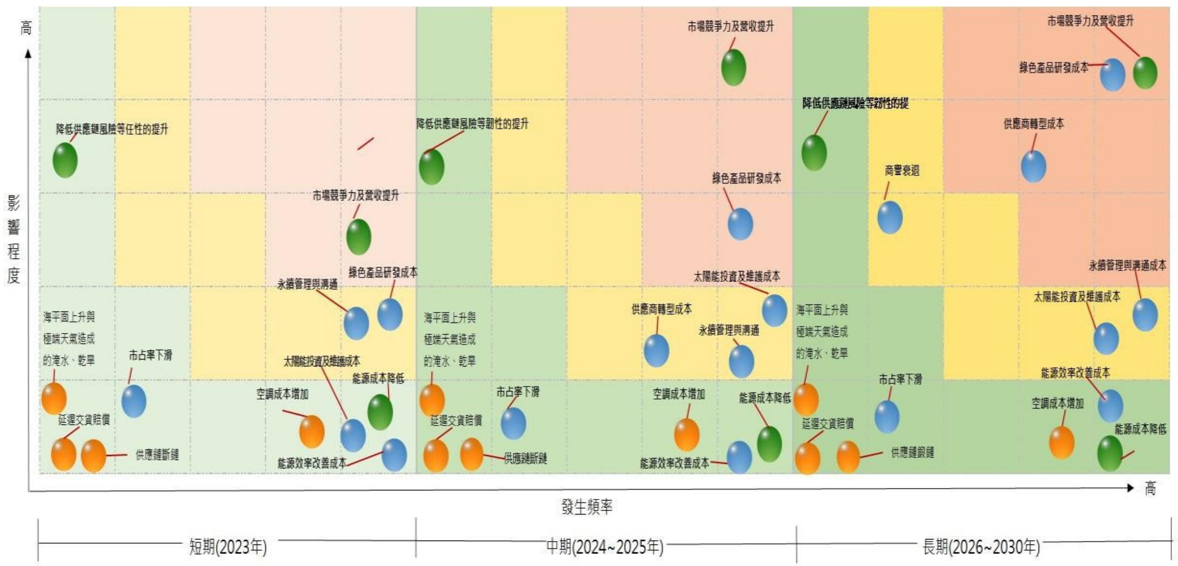
To successfully integrate management mechanisms, Phihong combines ISO 14001 procedures with the assessment of risks and opportunities related to climate challenges. The environmental sustainability team collaboratively reviews and evaluates each issue's relevance to the company's operational risk and the level of risk from different perspectives each year through the internal and external environmental concerns risk assessment process. Every year, the Sustainability Committee provides the General Manager with implementation content related to climate risks and opportunities. The General Manager then reports relevant performance to the Board of Directors in order to constantly enhance and implement various management operations.


## Risk Management

### Climate Scenario Simulation (1.5°C)

In 2023, Phihong TCFD adopted the latest Sixth Assessment Report (AR6) of the IPCC, which adopts a more detailed "Shared Socio-Economic Pathway (SSP)", which incorporates qualitative socio-economic conditions into an integrated assessment model, such as the real situation of basic elements and drivers such as population, human development, economy, lifestyle, policies and institutions, technology, environment, and natural resources. Therefore, five scenarios ranging from negative carbon to very high carbon emissions are generated: SSP1-1.9, SSP1.-2.6, SSP2-4.5, SSP2-7.0, and SSP5-8.5. Among the above five scenarios, SSP1-1.9 and SSP1.-2.6 and SSP2-7.0 and SSP5-8.5 do not have much difference in their impacts, so SSP1-1.9, SSP2-4.5, and SSP5-8.5, which are the three scenarios of climate scenarios that take into account the corresponding period of 1.5°C, are used for the analysis.

## Assessment of climate change operational impact issues




The climate change impact assessment is based on the degree and probability of operating impact on profits and losses, capital expenditures, and cash flow. However, since some risks and opportunities cannot be quantified into financial information, this topic considers the impact of non-financial aspects. Under different 1.5°C climate scenarios, the identification results of issues affecting operations are illustrated in the figure above. The impact under different scenarios is illustrated in the figure above.

**Short, medium and long-term climate risks and opportunities matrix**

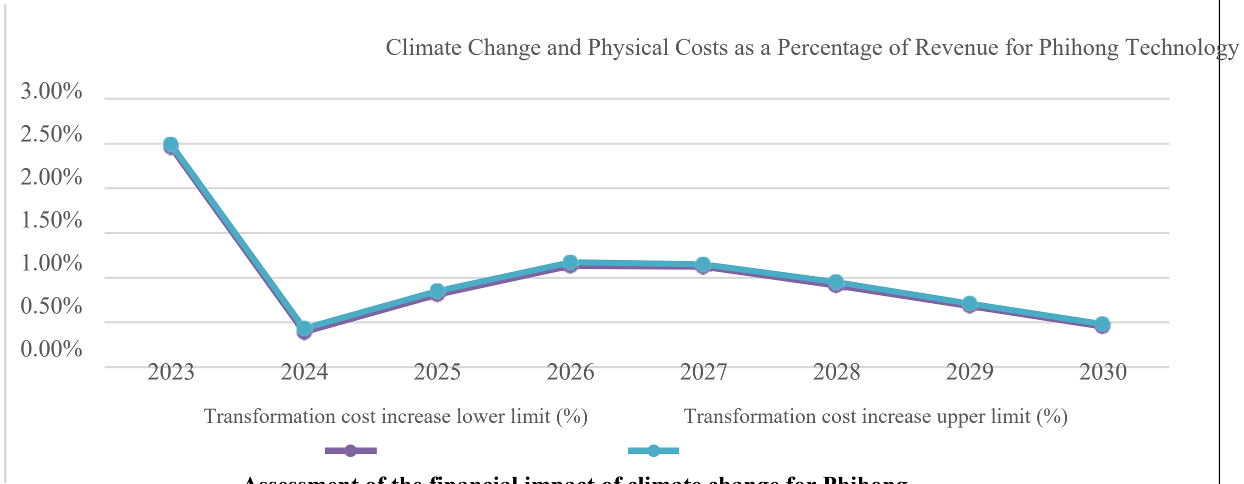
This assessment sets the short-term period as 2023, the medium-term period as 2024~2025, and the long-term period as 2026~2030. Regarding possible climate change risks and opportunities, we determined the degree of impact on operations and the probability of occurrence of the issue based on the existing measures, the simulation of the situation, and the intensity of the issue, and drew a matrix of risks and opportunities. The green area in the figure belongs to the low-risk area; the yellow area belongs to the medium-level area; and the pink-orange area belongs to the high-level area. Based on the score point and occurrence time limit of each issue, risks and opportunities response strategies are formulated.

Relevant issues that have a significant impact on finances: short-term: no major risk issues; mid-term: green product R&D cost investment; long-term: green product R&D cost investment and supplier transformation costs.

**Financial impact of climate risks and opportunities on organizations**

The financial impact of climate change issues: The mid- and long-term goal is to reduce emissions by 4.7% annually to achieve a temperature rise below 1.5°C. Phihong has invested in green product research and development, installed solar power generation systems, purchased green electricity, and replaced old air conditioners. Through proactive measures such as organizing and building green buildings and offices, the impact of various climate risk issues on operating income in the short, medium and long term is less than 1.5%.

Pathways for Financial Impact of Carbon Reduction: Phihong submitted its SBTi reduction target in 2023. Based on the climate risk identification results, issues that can be quantified into financial data are analyzed as a percentage of revenue.




**Assessment of the financial impact of climate change for Phihong**

| Climate risks/opportunities issues | Impact on operating income | | |
|---|---|---|---|
| | Short-term | Medium-term | Long-term |
| Increased revenue from low carbon products | <0.1% | <1.5% | <1% |
| Green product Research and Development costs | <0.2% | <0.5% | <0.1% |
| Air conditioning Cost | <0.01% | <0.01% | <0.01% |
| Upstream supplier transformation costs | / | <0.1% | <0.1% |
| Renewable Energy Investment-Solar Energy | <0.01% | <0.01% | <0.01% |
| Sustainability management and communication costs | <0.01% | <0.01% | <0.01% |
| Replacement of high energy-consuming equipment and installation of energy monitoring equipment | <0.01% | <0.01% | <0.01% |

In response to possible climate change risks and opportunities, based on existing measures, scenario simulations and issue correlations, and in accordance with the "Risk Management Guidelines", Phihong systematically identifies the climate risks that may be faced during operations. Climate risk types include both transformational and physical, which are subdivided into regulations, technology, market, and goodwill, as well as immediate and long-term. Opportunities are divided into five categories: resource efficiency, energy sources, products and services, markets, and resilience. We evaluate and draw a matrix of risks and opportunities by considering two factors: incidence and impact. After discussions with the environmental sustainability team, we determine the major risks and opportunities that Phihong may face and then adopt effective strategies and management measures to seize possible opportunities in order to enhance the Group's operating quality and competitiveness. In 2023, we used the TCFD method to identify 9 major risk projects and 3 major emerging opportunities brought about by climate change, and then distinguished the occurrence time. In the future, we will review the response to climate change as a way to build a resilient culture year by year. Climate change transformation risks, physical risks, opportunities, financial impacts and response options are described below:

氣候風險與機會分析與對應

| 衝擊影響事件 | 風險類型 | 潛在財物損害風險 | 機會類型 | 潛在財務效益機會 | 管理措施與作為 |
|---|---|---|---|---|---|
| 法規或協議要求 | 轉型風險<br>-強制法令、協議<br>-技術風險 | 法令、政策、減量目標：<br>• 2050 淨零排放<br>公司治理 3.0 | 提升公司韌性 | 提高公司 ESG 績效及市場投資價值 | 1.導入能源管理系統裝設能源管理平台與監測系統。及自有廠房屋頂建構太陽能發電設施，2023 年東莞飛宏建構 2,000KWp 正式運轉。<br>2.TCFD 系統建構並持動式管理短中長期 ESG 績效（ESG 報告）。<br>3.積極配合金管會強化公司治理之推動。<br>4.臺灣證券交易所「上市公司編製與申報永續報告書作業辦法」之永續揭露指標的應對與揭露。 |
| 供貨中斷 | 實體風險<br>-立即／長期性 | 供應鏈管理：原物料供應中斷供應鏈永續能源成本增加 | 韌性-供應鏈風險降低 | 提高供應鏈的可靠度及應變韌性 | 導入 BCM 管理。 |
| 市場偏好轉變 | 轉型風險<br>-市場<br>-技術 | 市場偏好改變：<br>客戶對綠色設計的要求 | • 營收提升<br>• 市占率提高 | 可提升客戶之信賴度，提升競爭力及營業收入 | 提高綠色產品研發成本。 |
| 颱風、洪水等極端天氣事件嚴重程度提高 | 實體風險<br>-立即／長期性 | 極端天氣事件影響：極端天氣強降雨、颱風等造成淹水 | 提高自身及供應鏈的應變韌性 | | 投保相關災害保險。 |
| 平均氣溫上升 | 實體風險<br>-立即／長期性 | 高溫影響：因高溫造成辦公室與工廠空調運轉需求增加，而提高用電量 | | | 導入能源管理系統即能源監控系統，提升用電效率。<br>能源設備更新，提升能源效率。 |
| 降雨（水）模式變化和氣候模式 | 實體風險<br>-立即／長期性 | 極端天氣造成乾旱 | | | 無製程用水，影響極小，購買飲用水及空調用水供應 |
| 海平面上升 | 實體風險<br>-立即／長期性 | 海平面上升造成的淹水 | | | 投保相關災害風險 |

## Indicators and Targets

**Climate-related risks and opportunities indicators**

In order to reduce the impact of climate change on our operations, Phihong has set green operation targets, carried out strategic planning and goal setting for energy conservation and carbon reduction, water conservation and waste management projects, and reviewed the achievement status each year to further develop improvement plans.

| | |
|---|---|
| | **Climate-related Indicators** |

### Climate-related Indicators

| | Performance in 2023 | Short-term (2024 to 2025) | Medium-term (2026 to 2030) |
|---|---|---|---|
| Energy saving rate (%) | 3.8% | -4.5% | -4.5% |
| Renewable energy construction (cumulative kW) | 2,000KW | 1,000KW | 6,000KW |
| Per capita water intake (million liters/person) | 0.0947 | 0.0900 | 0.0855 |
| Plant water saving rate (%) | 5% | 5% | 5% |
| Revenue generating unit of general business waste (tons/million) | 0.1415 | 0.1344 | 0.1277 |

1-1 Greenhouse Gas Inventory and Assurance Status of the Company in the last two years

1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO2e), intensity (metric tons CO2e/million yuan) and data coverage of greenhouse gases in the past two years.

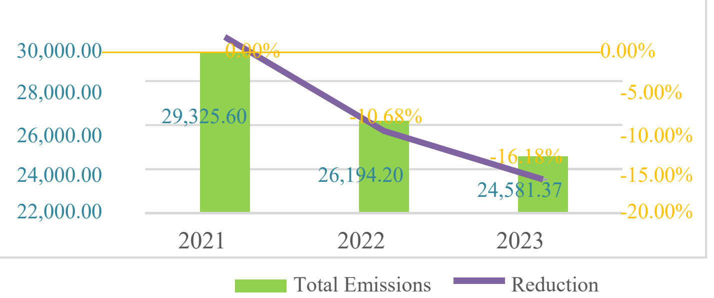
Phihong conducted scope 1+2 greenhouse gas inventory work in accordance with ISO 14064-1:2018, set organizational boundaries in accordance with the Operational Control Law, and set 2021 as the benchmark year for calculating and verifying greenhouse gas emissions in order to implement energy conservation and carbon reduction and fully disclose corporate carbon emissions and carbon reduction information. In addition, in line with the requirements of the Financial Supervisory Commission, Phihong Group's subsidiaries, main production bases and offices will be included in the scope of inspections on annual basis. The goal is to complete 100% all-site inspections in 2025 and 100% verification in 2026. Furthermore, the results of the materiality identification process led to an expansion of the Category 3 inventory's scope. Apart from the established inventory categories like energy loss and waste, other items such as employee commute and business travel were also listed.

In 2023, Phihong implemented the systematic management of carbon emission information through the online carbon management platform, CarbonCloud, and the Sustainable Development Office coordinated the inventory data and verification standards of each site. In 2023, the direct GHG emissions of Category 1 were 727.7034 metric tons of CO2e, the indirect GHG emissions of energy sources of Category 2 (regional standard) were 23,853.6698 metric tons of CO2e, and the other indirect emissions of Categories 3-6 were 2,966.0199 metric tons of CO2e, all of which have passed the third-party verification of ISO 14064-1. The results of the greenhouse gas inventory for the past three years are summarized in the table below.

類別 1-2 各廠溫室氣體排放量（t CO2e）

| 類別項目 \ 廠區 | | 林口總部 | 馳諾瓦 | 東莞廠區 | 海防廠 | 排放總量 |
|---|---|---|---|---|---|---|
| 類別 1（直接） | 固定燃燒 | 0.0000 | 0.1737 | 0.0000 | 2.5998 | 2.7735 |
| | 移動燃燒 | 7.6923 | 7.8699 | 39.4186 | 11.7800 | 66.7608 |
| | 製程排放 | 0.0025 | 0.0001 | 0.3430 | 0.2659 | 0.6115 |
| | 逸散排放 | 31.5953 | 24.7574 | 391.8434 | 209.3615 | 657.5576 |
| | 合　計 | 39.2901 | 32.8011 | 431.6050 | 224.0072 | 727.7034 |
| 類別 2（間接） | 外購電力 | 764.9948 | 917.0820 | 12,325.2945 | 9,846.2985 | 23,853.6698 |
| 排放量 | | 804.2849 | 949.8831 | 12,756.8995 | 10,070.3057 | 24,581.3732 |

Trend chart of Category 1-2 total emissions in the past three years (t CO2e)




近三年類別 1-2 溫室氣體排放量 (t $CO_2$e)

| 排放類別 / 年份 | 飛宏集團 | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 較基準年(2021) |
| 類別 1-直接排放 | 612.6 | 756.6 | 727.7034 | 18.80% |
| 類別 2-間接排放 | 28,713.1 | 25,443.9 | 23,853.6698 | -16.92% |
| 總排放 | 29,325.6 | 26,194.2 | 24,581.3732 | -16.18% |
| 排放強度（T-$CO_2$e / 百萬營收） | 2.39 | 1.87 | 1.9932 | -16.51% |

註：2023年度GWP值源自IPCC AR6；電力係數選用，台灣區使用經濟部能源局公告111年度電力係數0.4950 ton-$CO_2$e/千度。東莞地區使用中國環境氣候函(2023)43號電力係數0.5703ton-$CO_2$e/千度，越南飛宏使用越南資源環境部氣候變化司2021電力係數報告(p.18)電力係數0.7221 ton-$CO_2$e/千度。

Note 1: Direct emissions (Category 1, directly from emission sources owned or controlled by the company), indirect energy emissions (Category 2, indirect greenhouse gas emissions from the input of electricity, heat or steam) and other indirect emissions (Category 3, emissions generated by company activities that are not indirect emissions from energy, but come from emission sources owned or controlled by other companies).
Note 2: Coverage of direct emissions and energy indirect emissions data shall be handled in accordance with the timetable specified in the order stipulated in Paragraph 2, Article 10 of these Regulations. Other indirect emissions information may be disclosed voluntarily.
Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).
Note 4: Intensity of greenhouse gas emissions can be calculated per unit of product/service or turnover, but at least the data calculated in terms of turnover (NTD million) should be stated.

## 1-1-2 Greenhouse Gas Assurance Information

Describe the assurance situation in the last two years as of the publication date of the annual report, including the scope of the assurance, the organization of the assurance, the standards for the assurance and the opinion of the assurance.

| Verification year | Assurance scope | Assurance organization | Assurance standards | Assurance opinion |
|---|---|---|---|---|
| 2022 | Category 1 & Category 2: Reasonable guarantees<br>Category 3-4: Limited guarantees | LRQA Group Limited | ISO 14064 14064- 1: 2018 | •A small number of vehicles in the Vietnam plant have been using E5 gasoline since November 2022. Although the impacts on the amount of gasoline used and the amount of emissions are very low, it is still necessary to pay attention to and explain the possible biomass implications.<br>•Since there is no local calorific value data available for the gasoline and diesel calorific values of the Vietnam plant, the calorific value of Taiwan is referenced. |
| 2023 | Category 1 & Category 2: Reasonable guarantees<br>Category 3-4: Limited guarantees | AFNOR International | ISO 14064 14064- 1: 2018 | Pending certification of Verification Statement |

Note 1: It should be handled in accordance with the timetable specified in the order stipulated in Paragraph 2, Article 10 of these Regulations. If the company fails to obtain a complete greenhouse gas assurance opinion by the publication date of the annual report, it should state that "the complete assurance information will be included in the sustainability report". If the company does not prepare a sustainability report, it should indicate that "complete and reliable information will be disclosed in the Public Information Observatory" and disclose complete and reliable information in the next annual report.

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Note 2: Confirmed institutions should comply with the relevant requirements for certified institutions on sustainability reports stipulated by the Taiwan Stock Exchange Corporation and the Taipei Exchange of the Republic of China.
Note 3: The contents of the disclosure can be found in the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

## 1-2 Greenhouse gas reduction targets, strategies and specific action plans

Describe the benchmark year for greenhouse gas reduction and its data, reduction targets, strategies, specific action plans and achievement of reduction targets.

**Greenhouse gas reduction**

According to the greenhouse gas inventory results, Phihong's main source of greenhouse gas emissions is Category 2 purchased electricity, accounting for 86.59% of total greenhouse gas emissions. Therefore, the main measures to reduce greenhouse gases are to improve energy use efficiency and install renewable energy.
In 2023, the Group's total Category 1+2 emissions were reduced by 4,744 tons of $CO_2e$, or 16.18%, compared to the benchmark year (2021), which translates to a reduction of 0.3968 tons of $CO_2e$ per million of revenue. This is mainly due to the installation of a solar power system and the use of green power, the replacement of old air conditioning and air chiller machines, and the adjustment of the product structure strategy, which have contributed to the Group's overall reduction in emission intensity of 16.51%, demonstrating Phihong's concern and proactive actions towards climate change and sustainability goals.

**Science Based Targets initiative SBTi**

In order to respond to the risks of climate change and set a carbon reduction path for climate adjustment, so that the greenhouse gas reduction target can be consistent with the global 2050 net zero target, Phihong set an absolute greenhouse gas carbon reduction target in 2021 in accordance with the SBT standards: Submit a carbon reduction commitment letter to SBTi (Science Based Targets initiative, SBTi), complete the submission of the SBTi target application in November 2023, officially pass the carbon reduction target review in March 2024, and set the absolute greenhouse target in 2030 for categories one and two. Gas emissions decreased by 42% compared with the benchmark year of 2021, and absolute greenhouse gas emissions in Category 3 decreased by 51.6% compared with the benchmark year of 2022. Phihong assesses its own emission levels through the Group's greenhouse gas inventory and formulates effective emission reduction strategies to actively demonstrate our carbon reduction actions and achieve the 2050 net-zero emission target.


SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

APPROVED

NEAR-TERM SCIENCE-BASED TARGETS

The Science Based Targets initiative has validated that the science-based greenhouse gas emissions reductions target(s) submitted by Phihong Technology CO. LTD. conform with the SBTi Criteria and Recommendations (Criteria version 5.1).

**SBTi has classified your company's scope 1 and 2 target ambition as in line with a 1.5°C trajectory.**

The official near-term science-based target language:

Phihong Technology CO. LTD. commits to reduce absolute scope 1 and 2 GHG emissions 42% by 2030 from a 2021 base year*. Phihong Technology CO. LTD. also commits to reduce scope 3 GHG emissions 51.6% per Million NTD value added by 2030 from a 2022 base year. *The target boundary includes land-related emissions and removals from bioenergy feedstocks.

DATE OF APPROVAL

12 March 2024


Note 1: It should be handled in accordance with the timetable specified in the order stipulated in Paragraph 2, Article 10 of these Regulations.

Note 2: The benchmark year should be the year in which the consolidated financial statement is completed. For example, in accordance with the provisions of Paragraph 2, Article 10 of these Regulations, companies with capital over NT$10 billion should complete the 2024 consolidated financial statement in 2025. For the inventory, the benchmark year is 2024. If the Company has completed the inventory of the consolidated financial statement in advance, the earlier year can be used as the benchmark year. In addition, the data in the benchmark year can be calculated as a single year or the average of several years.

Note 3: The contents of the disclosure can be found in the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange.

## (VI) Implementation Status of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof

| Evaluation Item | Implementation Status | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Establishing ethical corporate management policies and measures<br>(I)Does the Company develop ethical corporate management policies approved by the Board of Directors and clearly state its policies and practices of ethical corporate management in the regulations and external documents? Are the Board of Directors and the senior management committed to implementing business policies? | V | | (1) Phihong's business philosophy is "integrity, innovation and challenge". Integrity is the Company's core corporate value and the central thinking when implementing all activities. We have formulated the Ethical Corporate Management Best Practice Principles approved by the Board of Directors. In order to motivate all employees (100%) to implement it, we offer training designed based on the content of the Code of Corporate Ethics and Business Conduct on their first day of work and sign for approval after their training is completed. | (1) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. |
| (II) Does the Company establish the assessment system for the risks of unethical machine and regularly analyze and assess the business activities with higher risks of unethical conduct within its business scope? Does the Company establish prevention programs against unethical conduct which at least cover the prevention measures for the conduct specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? | V | | (2) Phihong's Ethical Corporate Management Best Practice Principles cover the preventive measures against the unethical conduct mentioned in each paragraph of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies. In addition, according to said principles, we have conducted assessments of the ethical management risks, and the material risks identified are the inappropriate acceptance of gifts, the exchange of entertainment expense for suppliers' goods and services, and preferential treatment related to tenders in the field of procurement risks. Therefore, our company has designed a gift reporting mechanism in order to block the possibility of corruption, bribery, and extortion. Meanwhile, we have formulated anti-corruption and integrity clauses in the relevant contracts with suppliers/manufacturers, and required them to sign and return the Anti-corruption Commitment Letter. nsider trading is strictly prohibited, and opportunities for corruption are eliminated, so as to implement anti-corruption in daily management and business activities. | (2) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. |
| (III) Does the Company establish and implement operating procedures, code of conduct, penalties for violation and complaint system in the prevention programs against unethical conduct, and review and revise the said programs regularly? | V | | (3) We have formulated the "Ethical Corporate Management Best Practice Principles" and "Corporate Ethics and Business Code of Conduct" to establish a corporate culture of honesty and integrity and implement fully the moral honesty policy. In addition, result verification and reward/punishment regulations in the 'employee manual' are set so employees clearly understand the code of conduct and accept the reward and punishment as set in the regulations.<br>The Company has also formulated the Employee Grievance Management Regulations and the Illegal, Unethical, or Dishonest Conduct Reporting Regulations to clearly regulate internal and external grievance process management. Since 2020, we have sent letters to all employees and suppliers quarterly, reiterating the importance of compliance with ethics and integrity and the information on the grievance mailboxes, to promote and implement ethical management actively. | (3) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. |

| Evaluation Item | Implementation Status | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| II. Implementing ethical corporate management | | | | |
| (I) Does the Company evaluate the ethical records of transaction partners, and stipulate the clauses of ethical conduct in the contracts signed with the transaction partners? | V | | In the relevant contracts between the Company and suppliers, it is clearly stipulated that suppliers must follow and meet the requirements of the RBA (including the code of ethics), and that any damage to the Company's ethical management and clean corporate image is prohibited in order to eliminate any possible corruption. In addition, this is also one of the necessary items in the supplier review and audit. | (1) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. |
| (II) Does the Company establish an unit under the Board of Directors that is exclusive for the promotion of ethical corporate management and reports regularly (at least once a year) to the Board of Directors the supervision of ethical corporate management policies and prevention programs against unethical conduct? | V | | (II) The Company established the Corporate Sustainable Development Committee in 2014, chaired by the General Manager, with the executive assistant to the General Manager Office as the executive secretary, and the first-level supervisors of business groups as ex officio members, responsible for the seven corporate social responsibility issues of corporate governance, green R&D, supply chain management, environmental sustainability, customer service, employee care, and social participation. Ethical management is under the corporate governance promotion team and is implemented by the Audit Office. | (2) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. |
| (III) Does the Company adopt policies to prevent conflicts of interest and provide a proper appeal system and implement them thoroughly? | V | | (III) The company has established "regulations of the board meetings" to regulate any conflict of interest in the board operations, and has used "corporate ethics and business code of conduct" to regulate the employees to prevent conflict of interest. In addition, there is a grievance channel for stakeholders. Hsien-yi Wang, manager of the Audit Office of the Company, serves as the point of contact for acceptance of complaints from all stakeholders and to respond. | (3) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. |
| (IV) Does the Company have an effective accounting system and internal control system set up to facilitate ethical corporate management? Does the internal audit unit formulate audit plans based on risk assessment results of unethical conduct, and audit compliance with the unethical conduct prevention programs by itself or by the CPAs? | V | | (IV) The Audit Office under the Board of Directors timely discovers possible deficiencies in the internal control system through routine or ad-hoc audits and provides suggestions for improvement, while submitting audit reports to the Audit Committee and the Chairman and reporting on the implementation status and results to the Board of Directors, to implement the spirit of corporate governance. | (4) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. |
| (V) Does the Company organize internal and external training on ethical corporate management on a regular basis? | V | | (V) The Company organizes occasional ethical management education and training. In order to motivate all employees (100%) to implement it, we offer training on the Code of Corporate Ethics and Business Conduct on their warrants registration can day of work and sign for approval after their training is completed. In addition, in the subsequent new recruits training, the importance and implementation of ethical management will also be taught. | (5) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. |

| Evaluation Item | Implementation Status | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof |
|---|---|---|---|---|
| | Yes | No | Summary | |
| III. Implementing the whistle-blowing system<br>(I) Does the Company formulate a concrete whistle-blowing and reward system, build convenient grievance channels, and assign the appropriate personnel to investigate the reported parties?<br>(II) Does the Company establish standard operating procedures for the investigation on complaints and the follow-up measures to be adopted after the investigation is completed as well as the relevant confidentiality mechanisms?<br>(III) Does the Company take measures to protect whistle-blowers from inappropriate disciplinary actions? | V<br>V<br>V | | (1) Company has formulated the Employee Grievance Management Regulations and set up Employee Complaint Mailboxes to allow employees to express their opinions in a safe and confidential manner through a rigorous and safe reporting mechanism. There are also "Stakeholders Complaint Mailbox" and "Illegal and Unethical Employee Report holders can have channels for complaints. The Audit Office is responsible for verifying the content after receiving a report. If it is found to be illegal, line, or dishonest, it will give disciplinary actions based on the severity of the circumstances.<br>(2) The Employee Grievance Management Regulations and the Illegal, Unethical,or Dishonest Conduct Response Regulations established by the Company behavior defined the standard operating procedures, confidentiality mechanisms, and whistleblower protection mechanisms.<br>(3) Same as above. | (1) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.<br>(2) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.<br>(3) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. |
| IV. Enhancing disclosure of information<br>Does the Company disclose the content and performance of the Ethical Corporate Management Best Practice Principles on the company website and Market Observation Post System? | V | | Official website of Phihong (www.phihong.com.tw)：<br>˙"Investor" section: The latest financial information and material information are disclosed, and ethical management operations are included.<br>˙"CSR" section: All CSR reports from 2009 to the present are published. The contents include complete disclosure of the implementation of ethical management and the ethical code of conduct.<br>(https://www.phihong.com.tw/index.php?route=investors/investorsqiye)。 | In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies |

V. If the Company has formulated its ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," any differences between the performance of ethical corporate management and the principles should be disclosed:

In accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, the Company has formulated Phihong's Ethical Corporate Management Best Practice Principles to fully implement the requirements of ethical management in the operations of the Board of Directors and corporate governance.

Although there is a considerable degree of interest in the interaction between enterprises and governments and between enterprises and enterprises, in order to avoid affecting business integrity and eliminating the risk of corruption, we firmly oppose any behavior that undermines integrity, ethics, corporate image, and interests and define the reward and disciplinary action system in the Employee Code and the Code of Corporate Ethics and Business Conduct, aiming to eliminate any possible corruption.

We have designed a reporting mechanism for gifts given by suppliers/manufacturers to prevent the possibility of corruption, bribery, and extortion in the first place, and also included anti-corruption and integrity clauses in relevant contracts with cooperating suppliers/manufacturers for compliance. In order to abide by this together, we will never allow the opportunity for corruption to occur. Various measures have been taken to directly implement anti-corruption in daily management and business behaviors. Since its implementation, no corruption has ever occurred.

VI. Other significant information that helps to understand the implementation of ethical corporate management (e.g., review of and amendments to ethical corporate management policies):

In addition to Phihong's official website (www.phihong.com.tw): the latest financial information, material information, and relevant ethical management operations are available in the "Investor" section. The detailed important information about ethical management is also available in the CSR reports over the years in the "CSR" section on Phihong's official website.

**(VII) Access to the Corporate Governance Best Practice Principles and Related Bylaws:**

The Company has set up the “Corporate Governance” section under the “Investor” section on the Company’s Website (http://www.phihong.com.tw), and information such as “Corporate Governance Operation” and other important regulations is available for download by all investors and employees for reference.

**(VIII) Other Significant Information that Provides Better Understanding Implementation Status of Corporate Governance None.**

(IX) Implementation Status of Internal Control System
1. Statement of Internal Control

**Phihong Technology Co., Ltd.**
**Statement of Internal Control System**

Date: March 7, 2024

Based on the results of the self-assessment, the Company's internal control system of the Republic of China in 2023, is stated as follows:

I. The Company recognizes that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and the Managers of the Company, and that the Company has established such a system. The purpose is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and safety of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and relevant Act and regulations.

II. No matter how well designed, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism and once deficiencies are identified, the Company will take corrective action.

III. The Company determines the effectiveness of the design and implementation of the internal control system in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Regulations").
The judgments of the internal control system adopted in the Regulations are based on the process of management control, and the internal control system is divided into five components: 1. environmental control, 2. risk assessment, 3. operational control, 4. information and communication, and 5. operational supervision. Each component consists of several items. Please refer to the "Regulations" for the aforementioned items.

IV. The Company has adopted the items of internal control system judgment mentioned above to evaluate the effectiveness of the design and implementation of the internal control system. V. Based on the results of the preceding evaluation, the Company believes that the design and implementation of the Company's internal control system (including supervision and management of subsidiaries) on December 31, 2023, including the understanding of the extent to which operational effectiveness and efficiency objectives are achieved, the reliability of reporting, timeliness, transparency and compliance with relevant regulations and relevant Act and regulations are effective, and that they can reasonably ensure the achievement of the above objectives.

VI. This statement will be the main content of the Company's annual report and public explanatory statement and will be made available to the public. If the contents of the above-mentioned disclosures contain any misrepresentations or nondisclosures, the Company will be subject to legal liability in accordance with Article 20, Article 32, Article 171, and Article 174 under the Securities and Exchange Act.

VII. Hereby declare that this statement was approved by the board of directors at the board meeting held on March 07, 2024, and out of the 8 directors present, none of them filed an objection, and the rest agreed to the contents of this statement.

Phihong Technology Co., Ltd.

Chairman: Lin, Chung-Min (signature)

General Manager: Lin, Yang-Hong (signature)

2. If an accountant is appointed to review the internal control system, the accountant's review report should be disclosed: Not applicable.

(X) In the most recent year and as of the publication date of the annual report, the Company and its internal personnel have been punished according to law, or the Company has punished its internal personnel for violating the provisions of the internal control system, and the results of the punishment may have a significant impact on shareholders' rights and interests or securities prices. The content of the punishment, the main deficiencies and the improvement situation There were no such cases in the most recent year and up to the date of publication of the annual report.

(XI) Important resolutions of the shareholders' meeting and the Board of Directors in the most recent year and up to the date of publication of the annual report

1.Resolutions of the shareholders' meeting in 2023

| Summary of important proposals | Implementation |
|---|---|
| I. Recognizing Issues:<br>• Acknowledged the 2022's annual financial statement case.<br>• Acknowledged Deficit Compensation for 2022. II. Issues to be<br>II. Discussed:<br>• The amendment to "Articles of Incorporation."<br>• The amendment to partial provisions of " Procedures for the Endorsement and Guarantee of Funds."<br>• Amendments to partial provisions of the "Rules of Procedure for Shareholders' Meetings ".<br>III. Election matters: Proposal for the comprehensive re-election of Directors<br>IV. Other matters : Release of the non-competition restriction of newly elected Directors. | I.<br>• Resolution passed.<br>• Resolution passed.<br>II.<br>• In effect.<br>• In effect.<br>• In effect.<br>III. Completed the re-election.<br>IV. Resolution passed. |

2. Important resolutions of the Board of Directors:

Important resolutions for the year 2023 and up to the end of March 2024 are as follows:

| Date | Summary | Implementation |
|---|---|---|
| January 13, 2023 | Company's 2022 year-end bonus distribution plan for managers. | Carried out in accordance with the resolution |
| | Company's 2022 year-end bonus distribution plan for Director and Managers of Zerova | Carried out in accordance with the resolution |
| | Proposed to apply for a line of credit case with various banks | Carried out in accordance with the resolution |
| March 9, 2023 | The Company's 2022 Annual Business Report and the Financial Statements,(including Consolidated Financial Statements). | Report to the 2023 shareholders' meeting for submit |
| | The Company's Surplus earnings distribution proposal for 2022. | Report to the 2023 shareholders' meeting for submit |
| | The distribution of employee compensation and the directors' remuneration proposal of 2022. | Report to the 2023 shareholders' meeting for submit |
| | Comprehensive re-election of directors proposal | Report to the 2023 shareholders' meeting for submit |
| | The company convened the 2023 ordinary general meeting of shareholders related matters | Already announced |
| | Accepting shareholder proposals and Nomination-related at the 2023 Annual General Meeting. | Already announced |
| | 2023 Budget and Capital Expenditures proposal | ˙In effect |
| | Tainan 3rd Plant Capital Expenditures proposal | Implement according to the plan |
| | The Company's 2022 "Statement of Internal Control System" | Already announced |
| | Proposal for assessment of the independence of Auditors and CPAs by Q1 of the year 2023 | ˙In effect |
| | The amendment to partial provisions of the "Articles of Incorporation" proposal. | Report to the 2023 shareholders' meeting discussion submit |
| | The amendment to partial provisions of the " procedures for the Management of Endorsements and Guarantees" of the Company and the group's subsidiaries proposal | Report to the 2023 shareholders' meeting discussion submit |
| | Formulate the Company's "Norms for Financial Business Operations between Stakeholders" proposal | ˙In effect |
| | The amendment to partial provisions of the "Rules of Procedure for Shareholders Meetings" proposal. | Report to the 2023 shareholders' meeting discussion submit |
| | The amendment to partial provisions of the Company's "accounting system " proposal | ˙In effect |
| | Amendment to the "Authorization Chart" proposal | ˙In effect |
| April 21, 2023 | Nomination of Directors and Independent Director Candidates List | Public announcement and report to the 2023 shareholders' meeting election |

| Date | Sum<br>mary | Implementation |
|---|---|---|
| | Release of the non-competition restriction of newly elected directors | Report to the 2023 shareholders' meeting discussion submit |
| | Proposed appointment of the Company's certified accountant and remuneration case | ˙In effect |
| | Proposed Establishment of the Company's "General Principles for Pre-approval of Non-Assurance Services Policies" | In effect |
| | The Company intends to appoint Deloitte & Touche and its affiliates to provide non-assurance services. | In effect |
| | Remuneration adjustment proposal of the Company' managers | Carried out in accordance with the resolution |
| | Remuneration adjustment proposal of the Company' 2022 Director managers | Carried out in accordance with the resolution |
| | The Company intends to increase the financial credit line with HSBC Bank (Taiwan) Ltd. | Carried out in accordance with the resolution |
| | Letter of Guarantee/Letter of Credit between the Company and HSBC (Taiwan) Commercial Bank, Ltd. | Carried out in accordance with the resolution |
| | The Company and Zerova Technologies, and Taiwan Shin Kong Commercial Bank, Shanghai Commercial & Savings Bank and Hua Nan Commercial Bank jointly sponsored the appointment and bridge loan case | Carried out in accordance with the resolution |
| April 28, 2023 | Adjustment of the list of director and independent director candidates proposed by the 21st meeting of the 14th Board of Directors on April 21, 2023 | Public announcement and report to the 2023 shareholders' meeting election |
| May 11, 2023 | The Company's Consolidated Financial Statements for the first quarter of 2023 Proposal | Already announced |
| | The Company and its subsidiaries applied for comprehensive financing lines from KGI Bank, First Bank, and Taipei Fubon Bank | Carried out in accordance with the resolution |
| | Loan to Zerova Technologies USA LLC for US$12 million | Already announced |
| | The Company intends to increase funds to Phihong Technology Japan Co., Ltd. for JPY 700 million | Carried out in accordance with the resolution |
| | The Company intends to subscribe for the capital increase and issuance of new Co., Ltd. its subsidiary Zerova Technologies Holdings Limited (hereinafter referred to as "Zerova KY"). | Already announced |
| June 2, 2023 | The Company intends to increase the capital in each of Zerova's subsidiaries | Already announced |
| | The Company intends to loan funds to various subsidiaries of Zerova | Already announced |
| June 9, 2023 | Election of the 15th Chairman of the Board | Already announced |
| June 26, 2023 | The company plans to sign a joint credit agreement worth NT$3 billion with a group of credit granting banks with Taiwan Shin Kong Commercial Bank, Shanghai Commercial & Savings Bank and Hua Nan Commercial Bank as the coordinating sponsor banks, providing guarantees | Already announced |
| | Appointment of the 5th Remuneration Committee | Already announced |
| | Appointment of the 3rd Nomination Committee | Already announced |
| | The Company's subsidiaries have applied for short-term financing lines and endorsement guarantees from Shanghai Commercial Bank and KGI Bank | Already announced |
| July 31, 2023 | Capital increase and issuance of new shares by the Company in 2023 | Already announced |
| August 11, 2023 | The Company's Consolidated Financial Statements for the second quarter of 2023 Proposal | Already announced |
| | Amendments to the Company's "Rules and Regulations Governing the Organization of the Audit Committee" | ˙In effect |
| | Assessment of Dongguan Phitek 's repayment ability | ˙In effect |
| | Amendments to the Company's "Procedures for Loans of Funds from Group Subsidiaries to Other Parties" | ˙In effect |
| | The Company has applied for short-term financing lines from Shanghai Commercial Bank and EnTie Bank | ˙In effect |
| | Amendments to the Company's "Rules Regulations Governing the Organization of the Audit Committee" | ˙In effect |
| | The Company's Director Remuneration Distribution Plan for 2022 | ˙In effect |
| | Remuneration adjustment proposal of the Company' managers | ˙In effect |
| | Remuneration of the Company's managers for their part-time employment in Zerova. | ˙In effect |

| Date | Summary | Implementation |
|---|---|---|
| September 5, 2023 | The director of the company concurrently serves as the manager of Zerova and participated in the case of Phihong Technology's cash capital increase and subscription shares | ˙In effect |
| | The Company's managers can subscribe for shares through cash capital increase | ˙In effect |
| November 9, 2023 | The Company's Consolidated Financial Statements for the third quarter of 2023 Proposal | Already announced |
| | The Company's Audit Plan for 2024 | ˙In effect |
| | Amendments to the Company's "Procedures for Loans of Funds to Other Parties" | ˙In effect |
| | Subsidiary "Dongguan Phitek Electronics Co. Ltd." intends to apply for a loan and extension of funds from "Phihong Electronics Suzhou Co., Ltd." | ˙In effect |
| | The Company and its subsidiaries intend to apply for a financing line and financing endorsement and guarantee | ˙In effect |
| | The Company's Employee Remuneration Distribution Proposal for Managerial Officers in 2022 | ˙In effect |
| December 20, 2023 | The Company's Operating Budget for 2024 | ˙In effect |
| | Proposed appointment of the Company's CPA and remuneration for 2024 | ˙In effect |
| | Proposed Establishment of the Company's 2024 "General Principles for Pre-approval of Non-Assurance Services Policies" | ˙In effect |
| | Appointment of Deloitte & Touche and its affiliates to provide non-assurance services. | ˙In effect |
| | Amendments to the Company's "Board of Directors Performance Evaluation Measures" | ˙In effect |
| | Proposal for mid-term assessment of the funds loaned to the Group's subsidiaries. | ˙In effect |
| January 26, 2024 | Proposed to apply for a line of credit case with various banks | The relevant operations have been carried out in accordance with the resolution. |
| | Company's 2023 year-end bonus distribution plan for managers. | The relevant operations have been carried out in accordance with the resolution. |
| | Distribution plan of year-end bonus in 2023 to the Company's Directors and Managers concurrently serving as Managers in Zerova | The relevant operations have been carried out in accordance with the resolution. |
| March 07, 2024 | The Company's 2023 Annual Business Report and the Financial Statements,(including Consolidated and Standalone Financial Statements). | The company's has submit on the Market Observation Post System Website and the Acknowledged to the 2024 ordinary general meeting of shareholders have been carried out. |
| | The Company's Surplus earnings distribution proposal for 2023. | It has been announced on the Market Observation Post System and proposed to the 2024 General Meeting of Shareholders for recognition. |
| | Distribution of remuneration to employees and directors of the Company for 2023. | Submit for discussion at the 2024 General Meeting of Shareholders in accordance with the law |
| | Assessment of Independence and Suitability of the Company's CPAs | The relevant operations have been carried out in accordance with the resolution. |
| | The Company's 2023 "Statement of Internal Control System". | It has been announced on Market Observation Post System Website. |
| | By-election of an independent director | It has been announced on Market Observation Post System Website |
| | Nomination of candidates list for one independent director seat | It has been announced on Market Observation Post System Website |
| | Accepting shareholder proposals and Nomination-related at the 2024 General Meeting of Shareholders. | It has been announced on Market Observation Post System Website |
| | Release of the non-competition restriction of directors | Proposed for discussion at the 2024 ordinary General Meeting of Shareholders in accordance with the law. |
| | Matters relating to the convening of the 2024 General Meeting of Shareholders of the Company | It has been announced on Market Observation Post System Website |
| | Formulated the Company's "Remuneration Measures for Directors and Managers" | ˙In effect |
| | Amendments to certain provisions of the Company's "Rules and Regulations Governing the Organization of the Audit Committee" | ˙In effect |
| | Amendments to certain provisions of the Company's "Code of Conduct for Meetings of the Board of Directors" | Proposed for discussion at the 2024 ordinary General Meeting of Shareholders in accordance with the law. |
| April 8, 2024 | By-election of two independent directors | It has been announced on Market Observation Post System Website |

| Date | Summary | Implementation |
|---|---|---|
| | Nomination of candidates list for two independent director seats | It has been announced on Market Observation Post System Website |
| | Alterations to the acceptance of nominations for independent director candidates and the acceptance period | It has been announced on Market Observation Post System Website |
| | Alterations to the reasons for convening the 2024 General Meeting of Shareholders of the Company | It has been announced on Market Observation Post System Website |
| April 11, 2024 | Alterations to the independent director seats in the case of a by-election | It has been announced on Market Observation Post System Website |
| | Alterations to the nomination of independent director candidates | It has been announced on Market Observation Post System Website |
| | Alterations to the acceptance of nominations for independent director candidates and the acceptance period | It has been announced on Market Observation Post System Website |
| | Alterations to the reasons for convening the 2024 General Meeting of Shareholders of the Company | It has been announced on Market Observation Post System Website |

(XII) In the most recent year and as of the date of publication of the annual report, if the directors or supervisors have different opinions on important resolutions passed by the board of directors and have records or written statements, the main content: None.

(XIII) A Summary of Resignations and Dismissals of Chairman, General Manager, Accounting Manager, Financial Manager, Internal Audit Officer, Corporate Governance Officer, or Research and Development Officer during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

# V. Information on CPA Professional Fees

(I) CPA Professional Fees

<table>
<tr><th>Name of the public accounting firm</th><th>Name of CPA</th><th>Audit Period</th><th>Audit Fees</th><th>Non-audit Fees</th><th>Total</th><th>Note</th></tr>
<tr><td rowspan="2">Deloitte & Touche</td><td>Chang, Chih-I</td><td>January.01, 2023-December 31, 2023</td><td rowspan="2">6,650</td><td rowspan="2">3,420</td><td rowspan="2">10,070</td><td rowspan="2">Containing a public fee of NT$ 160,000 for cash capital increase, a public fee of NT$ 380,000 for transfer pricing report services provided by the tax department of the firm, a business tax deduction visa fee of NT$ 150,000, a public fee of NT$ 800,000 for mutual funds, fees for handling maintenance of overseas companies, economic substance reports, review reports, and director authority certificates amounting to NT$ 1,365,000, a public fee of NT$ 530,000 for filing services with the Investment Commission, and handling fees for Fenghong amendment and director election changes totaling NT$ 35,000.</td></tr>
<tr><td>Hong, Kuo-Tien</td><td>January.01, 2023-December 31, 2023</td></tr>
</table>

Please provide specific details of non-audit fee services (such as tax advisory services, assurance services, or other financial consulting services):

Note: If the company changes auditors or audit firms during the fiscal year, please separately list the audit periods and explain the reasons for the change in the remarks column. Disclose in sequence the audit and non-audit fees paid. Non-audit fees should also be accompanied by explanations of the services provided.

(III) If the accounting firm is replaced and the Audit Fee paid in the replacement year is reduced compared to the Audit Fee in the previous year, the amount and reason of the audit public fee before and after the replacement shall be disclosed: None. ◦

(IV)If audit fees decrease by more than ten percent compared to the previous fiscal year, the amount, percentage, and reasons for the decrease in audit fees should be disclosed.

1. Audit fee reduction amount: NT$ 1,680,000.
2. Audit fee reduction percentage: 20.17%.
3. Reasons: (1) The parent company spun off its EV business, reducing audit costs, resulting in a decrease in fees by NT$ 430,000 yuan. (2) There was a spin-off of EV matters in the subsidiary company in Vietnam, increasing audit costs; while audit matters in other subsidiary companies decreased, leading to a relative adjustment in fees, resulting in a decrease in fees by NT$ 400,000.

# VI. Information on Replacement of CPAs

(I) Previous Accountant

<table>
<tr><td>Replacement Date</td><td colspan="3">March 9, 2023</td></tr>
<tr><td>Reason for Replacement and Explanation</td><td colspan="3">To comply with the maintenance of auditor independence by Deloitte Touche Tohmatsu Certified Public Accountants, and to implement the rotation mechanism for internal auditors within the firm.</td></tr>
<tr><td rowspan="3">Indicate that the appointer or accountant has terminated or refused to accept the appointment.</td><td>Parties involved / Situation</td><td>Accountant</td><td>Appointed person</td></tr>
<tr><td>Voluntary termination of appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>No longer accept (continue) appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Audit opinions and reasons issued other than unqualified opinions within the last two years.</td><td colspan="3">No</td></tr>
<tr><td rowspan="2">Whether there have been differing opinions between the auditor and the issuer</td><td rowspan="2">YES</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial statements</td></tr>
</table>

| | | | |
|---|---|---|---|
| | | | Scope or steps of audit |
| | | | Others |
| | No | V | |
| | Explanation | | |
| Other disclosure items (to be disclosed in accordance with Article 10, Paragraph 6, Subparagraph 1, Items 4 to 7 of this Guidelines). | No | | |

(II) Successor Accountant

| | |
|---|---|
| Name of the public accounting firm | Deloitte & Touche |
| Name of CPA | Chang, Chih-I, Hong, Kuo-Tien CPA |
| Date of appointment | March 9, 2023 |
| Consultation and results regarding accounting treatment methods or principles for specific transactions prior to appointment and potential opinions on the issuance of financial statements. | Not applicable |
| Written opinions of successor accountants on matters where they differ from predecessor accountants | Not applicable |

(III) The company should send letters regarding the three specified matters in the first item and the preceding item to the former accountant, and notify the former accountant that if there are any differing opinions, they should respond within ten days. The company should disclose the former accountant's response: Not applicable.

## VII. Chairman, President, or Any Managerial Officer in Charge of Financial or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the CPAs' Accounting Firm or at an Affiliate of Such Accounting Firm

There were no such cases in the most recent year and up to the date of publication of the annual report.

## VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (in the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report) by Directors, Managerial Officers, or Shareholders with a Stake of More than 10%

(I) Change in Equity Interests by Directors, Managerial Officers, or Major Shareholders:

Unit: share

| Title | Name | Year of 2023 | | For the year of 2024, ending on April 14th. | |
|---|---|---|---|---|---|
| | | Number of shares held Increase (decrease) in number | Number of pledged shares Increase (decrease) in number | Number of shares held Increase (decrease) in number | Number of pledged shares Increase (decrease) in number |
| Chairman and CEO | Lin, Chung-Min | 2,838,774 | 15,050,000<br>(15,500,000) | 0 | 0 |
| Director | Lin, Fei-Hong | 668,122 | 1,350,000 | 0 | 0 |
| Director | Kuan Feng Investment Ltd. | 339,720 | 700,000<br>(700,000) | 0 | 0 |
| | Representative：Chiang, Wei-Feng, (Note 1) | 0 | 0 | 0 | 0 |
| Director | Kuan Feng Investment Ltd.: | 339,720 | 700,000<br>(700,000) | 0 | 0 |
| | Representative：Lin, Yang-Hong | 650,122 | 1,350,000 | 0 | 0 |
| Director | Taiwan Cement Corporation: | 4,199,905 | 0 | 0 | 0 |
| | Representative：Yu Ming-Jen (Note 2) | 0 | 0 | 0 | 0 |
| Independent Director | Hong, Yu-Yuan | 0 | 0 | 0 | 0 |

| Title | Name | Year of 2023 | | For the year of 2024, ending on April 14th. | |
|---|---|---|---|---|---|
| | | Number of shares held Increase (decrease) in number | Number of pledged shares Increase (decrease) in number | Number of shares held Increase (decrease) in number | Number of pledged shares Increase (decrease) in number |
| Independent Director | Lin, Kuei-Hong | 0 | 0 | 0 | 0 |
| Independent Director | Wu, Chung-Shu (Note 2) | 0 | 0 | 0 | 0 |
| Independent Director | Fu, Tsu-Sheng (Note 4) | 0 | 0 | 0 | 0 |
| Independent Director | Chang, Hsien-Ta (Note 3) | 0 | 0 | 0 | 0 |
| Director | Wang, Chia-Kun(Note 3) | 0 | 0 | 0 | 0 |
| Director | Chou, Ming-Chih (Note 3) | 0 | 0 | 0 | 0 |
| Director | Chou, Ta-Jen (Note 3) | 0 | 0 | 0 | 0 |
| Director | Kuan Feng Investment Ltd.: | 339,720 | 700,000<br>(700,000) | 0 | 0 |
| | Representative：Yang, Shih-Hsiung (Note 3) | 0 | 0 | 0 | 0 |
| Director | Taiwan Cement Corporation: | 4,199,905 | 0 | 0 | 0 |
| | Representative：Wang, Chien-Chuan (註3) | 0 | 0 | 0 | 0 |
| Group General Manager | Lin, Yang-Hong | 650,122 | 1,350,000 | 0 | 0 |
| Vice Presidents | Chang, Yuan-Shun | (10,000) | 0 | 0 | 0 |
| Vice Presidents | Chien, Wen-Sung | 75,000<br>(30,000) | 0 | 0<br>(45,000) | 0 |
| Assistant Vice Presidents | Liu, Jia-Xiang | 62,633 | 0 | 0 | 0 |
| Head of finance | Li, Pei-Yi | 43,000<br>0 | 0 | 0<br>(40,000) | 0 |
| Head of accounting | Chen, Kuei-Chih | 37,548<br>(37,548) | 0 | 0 | 0 |

Note 1: Director Chiang, Wei-Feng was originally a natural person director and was appointed as the legal representative director of Kuan Feng Investment Ltd. after the full re-election of the shareholders' meeting on June 9, 2023.

Note 2: Director Yu: Ming-Jen and Independent Director Wu, Chung-Shu were newly appointed after the full re-election of the shareholders' meeting on June 9, 2023.

Note 3: Directors Wu, Chung-Shu, Chou, Ming-Chih, Chou Ta-Jen, Yang, Shih-Hsiung, Wang, Chia-Kun, and Independent Director Chang, Hsien-Ta resigned after the full re-election of the shareholders' meeting on June 9, 2023.

Note 4: Independent Director Fu, Tsu-Sheng was newly appointed after the full re-election of the shareholders' meeting on June 9, 2023, and resigned on August 31, 2023.

## (II) Information on the counterparty of equity interests transferred or pledged where the counterparty is a related party:

Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by Directors, Managerial Officers, or Shareholders with a Stake of More than 10%.

## IX. Information of Shareholder Being a Related Party, Spouse, or Relative within the Second Degree of Kinship of Another, with number of shareholding ranked in top 10.

April 14, 2024; Unit: share; %

| Name | Shares held by the individual | | Shareholding Held by Spouse & Minor Children | | Shares held under another person's name | | NAMES AND RELATIONSHIPS OF THE TOP 10 SHAREHOLDERS WHO HAVE RELATED PARTIES OR ARE SPOUSES OR RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP. | | Note |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Number of Shares | Shareholding (%) | Title (or Name) | Relationship | |
| Lin, Chung Min | 54,541,837 | 12.65 | 4,240,081 | 0.98 | None | None | Chien, Shu-Nu | Spouse | None |
| | | | | | | | Lin, Fei-Hong | Paternity | |
| | | | | | | | Lin, Yang-Hong | Paternity | |
| | | | | | | | Lin, Kuan-Hong | Paternity | |
| Taiwan Cement Co., Ltd. | 41,719,905 | 9.68 | None | None | None | None | None | None | None |
| Taiwan Cement Co., Ltd. Representative:Yu Ming-Jen | None | None | None | None | None | None | None | None | None |
| Citibank (Taiwan) Ltd. in Custody for Norges Bank | 7,269,659 | 1.69 | None | None | None | None | None | None | None |
| Wang, Ming-Chieh | 5,538,637 | 1.28 | None | None | None | None | None | None | None |
| Chien, Shu-Nu | 4,240,081 | 0.98 | 54,541,837 | 12.65 | None | None | Lin, Chung Min | Spouse | None |
| | | | | | | | Lin, Fei-Hong | Mother-child | |
| | | | | | | | Lin, Yang-Hong | Mother-child | |
| | | | | | | | Lin, Kuan-Hong | Mother-child | |
| Lin, Fei-Hong | 4,044,122 | 0.94 | None | None | None | None | Lin, Chung Min | Paternity | None |
| | | | | | | | Chien, Shu-Nu | Mother-child | |
| | | | | | | | Lin, Kuan-Hong | Brotherhood | |
| | | | | | | | Lin, Yang-Hong | Brotherhood | |
| Lin, Yang-Hong | 4,034,122 | 0.94 | 63 | 0 | None | None | Lin, Chung Min | Paternity | None |
| | | | | | | | Chien, Shu-Nu | Mother-child | |
| | | | | | | | Lin, Fei-Hong | Brotherhood | |
| | | | | | | | Lin, Kuan-Hong | Brotherhood | |
| Lin, Kuan-Hong | 4,019,122 | 0.93 | None | None | None | None | Lin, Chung Min | Paternity | None |
| | | | | | | | Chien, Shu-Nu | Mother-child | |
| | | | | | | | Lin, Fei-Hong | Brotherhood | |
| | | | | | | | Lin, Yang-Hong | Brotherhood | |
| Kuan Feng Investment Ltd. | 3,374,625 | 0.78 | None | None | None | None | None | None | None |
| Kuan Feng Investment Ltd. Representative: Chiang, Wei-Feng | None | None | None | None | None | None | None | None | None |
| Kuan Feng Investment Ltd. Representative: Lin, Yang-Hong | 4,034,122 | 0.94 | 63 | 0 | None | None | Lin, Chung Min | Paternity | None |
| | | | | | | | Chien, Shu-Nu | Mother-child | |
| | | | | | | | Lin, Fei-Hong | Brotherhood | |
| | | | | | | | Lin, Kuan-Hong | Brotherhood | |
| Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 2,812,768 | 0.65 | None | None | None | None | None | None | None |

## X.The number of shares held by the company, directors, executives, and businesses directly or indirectly controlled by the company, in the same invested enterprise, and the comprehensive shareholding ratio calculated by consolidation.

December 31, 2023；Unit: NTD1,000 share

| Reinvestment Business (Note) | Investments by the Company | | Investments by Directors, Supervisors, Managers and Direct or Indirect Control Business | | Comprehensive Investments | |
|---|---|---|---|---|---|---|
| | Number of Shares | Percentage of Ownership (%) | Number of Shares | Percentage of Ownership (%) | Number of Shares | Percentage of Ownership (%) |
| PHIHONG INTERNATIONAL CORP. | 102,421,351 | 100% | － | － | 102,421,351 | 100% |
| PHIHONG USA CORP. | 3,100,000 | 100% | － | － | 3,100,000 | 100% |
| PHITEK INTERNATIONAL CO.,LTD. | 18,840,000 | 100% | － | － | 18,840,000 | 100% |
| ASCENT ALLIANCE LTD | 12,012,600 | 100% | － | － | 12,012,600 | 100% |
| PHIHONG TECHNOLOGY JAPAN CO.,LTD. | 25,000 | 100% | － | － | 25,000 | 100% |
| PHIHONG VIETNAM CO.,LTD | 65,000,000 | 100% | － | － | 65,000,000 | 100% |
| Guang-Lai Investment Co., Ltd. | 13,975,828 | 100% | － | － | 13,975,828 | 100% |
| Zhong-Xuan Venture Capital Co., Ltd. | 686,901 | 32.26% | 228,967 | 10.75% | 915,868 | 43.01% |
| Zerova Technologies Taiwan Limited | 60,000,000 | 100% | | | 60,000,000 | 100% |
| Zerova Technologies Holdings Limited | 699,272,603 | 100% | － | － | 699,272,603 | 100% |

Note: Refers to investments accounted for using the equity method by the company.

# Four Information on Capital Raising Activities

## I. Capital and Shares

(I) Source of Capital

1. Capital Formation Process    Unit: NT$1000; share

| Year/ Month | Issue price | Authorized Capital | | Paid-in Capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of Shares | Amount | Number of Shares | Amount | Source of Capital | For those who paid for shares with property other than cash | Others |
| 12, 1972 | 100 | 2,000 | 200 | 2,000 | 200 | Company founded | None | – |
| 07, 1977 | 100 | 30,000 | 3,000 | 30,000 | 3,000 | Cash capital increase 2,800 | None | – |
| 07, 1977 | 100 | 200,000 | 20,000 | 200,000 | 20,000 | Cash capital increase 17,000 | None | – |
| 10, 1983 | 100 | 300,000 | 30,000 | 300,000 | 30,000 | Cash capital increase 10,000 | None | – |
| 09, 1985 | 100 | 400,000 | 40,000 | 400,000 | 40,000 | Cash capital increase 10,000 | None | – |
| 12, 1987 | 100 | 600,000 | 60,000 | 600,000 | 60,000 | Cash capital increase 20,000 | None | – |
| 12, 1989 | 10 | 14,000,000 | 140,000 | 14,000,000 | 140,000 | Cash capital increase 68,000<br>Capital increase from surplus 12,000 | None | – |
| 12, 1990 | 10 | 40,000,000 | 400,000 | 20,900,000 | 209,000 | Cash capital increase 48,000<br>Surplus capital increase 16,800<br>Capital reserve 4,200 | None | Securities and Exchange Commission of the Ministry of Finance Order (79)-Tai-Cai-Zheng-(Yi) No. 02636 issued on October 15, 1990 |
| 10, 1991 | 10 | 40,000,000 | 400,000 | 22,990,000 | 229,900 | Capital increase from surplus 20,9000 | None | Securities and Exchange Commission of the Ministry of Finance Order (80)-Tai-Cai-Zheng-(Yi) No. 01608 issued on July 19, 1991 |
| 10, 1997 | 10 | 40,000,000 | 400,000 | 32,163,141 | 321,631 | Cash capital increase 49,000<br>Surplus capital increase 41,382<br>Employee bonus 1,349 | None | Securities and Futures Commission of the Ministry of Finance Order (86)-Tai-Cai-Zheng-(Yi) No. 52641 issued on July 4, 1997 |
| 01,1998 | 10 | 40,000,000 | 400,000 | 37,263,141 | 372,631 | Cash capital increase 51,000 | None | Securities and Futures Commission of the Ministry of Finance Order (86)-Tai-Cai-Zheng-(Yi) No. 82966 issued on November 13, 1997 |
| 07, 1998 | 10 | 140,000,000 | 1,400,000 | 65,000,000 | 650,000 | Surplus capital increase 68,610<br>Employee bonus 8,759 | None | Securities and Futures Commission of the Ministry of Finance Order (87)-Tai-Cai-Zheng-(Yi) No. 58899 issued on July 9, 1998 |
| 06, 1999 | 10 | 140,000,000 | 1,400,000 | 107,000,000 | 1,070,000 | Surplus capital increase 393,474<br>Employee bonus 26,526 | None | Securities and Futures Commission of the Ministry of Finance Order (88)-Tai-Cai-Zheng-(Yi) No. 56307 issued on June 21, 1999 |
| 05, 2000 | 10 | 180,000,000 | 1,800,000 | 153,460,000 | 1,534,600 | Surplus capital increase 482,000<br>Employee bonus 36,600 | None | Securities and Futures Commission of the Ministry of Finance Order (89)-Tai-Cai-Zheng-(Yi) No. 41689 issued on May 12, 2000 |
| 05, 2001 | 10 | 280,000,000 | 2,800,000 | 196,050,000 | 1,960,500 | Surplus capital increase 383,650<br>Employee bonus 42,250 | None | Securities and Futures Commission of the Ministry of Finance Order (90)-Tai-Cai-Zheng-(Yi) No. 129627 issued on May 15, 2001 |
| 06, 2002 | 10 | 430,000,000 | 4,300,000 | 257,119,474 | 2,571,195 | Surplus capital increase 352,890<br>Employee bonus 42,010<br>ECB conversion 215,795 | None | Securities and Futures Commission of the Ministry of Finance Order (90)-Tai-Cai-Zheng-(Yi) No. 129627 issued on May 15, 2001<br>Securities and Futures Commission of the Ministry of Finance Letter Tai-Cai-Zheng-Yi-Zi No. 0910135864 issued on July 1, 2002 |
| 06, 2004 | 10 | 520,000,000 | 5,200,000 | 292,381,563 | 2,923,816 | Surplus capital increase 308,543<br>Employee bonus 44,078 | None | Financial Supervisory Commission of the Executive Yuan, June 25, 1997, Financial Management Certificate-I-No. 0970031683 |
| 03, 2004 | 10 | 520,000,000 | 5,200,000 | 293,156,653 | 2,931,567 | ECB conversion 7,751 | None | Securities and Futures Commission of the Ministry of Finance Letter Tai-Cai-Zheng-Yi-Zi No. 0920151091 issued on November 26, 2003 |
| 06, 2004 | 10 | 520,000,000 | 5,200,000 | 310,338,987 | 3,103,390 | Surplus capital increase 146,678<br>Employee bonus 25,145 | None | Securities and Futures Commission of the Ministry of Finance Letter Tai-Cai-Zheng-Yi-Zi No. 0930124323 issued on June 1, 2004 |
| 08, 2005 | 10 | 520,000,000 | 5,200,000 | 319,614,482 | 3,196,145 | Surplus capital increase 85,432<br>Employee bonus 7,323 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0940126807 issued on July 4, 2005 |
| 02, 2006 | 10 | 520,000,000 | 5,200,000 | 314,049,482 | 3,140,495 | Capital reduction in treasury shares 5,650 | None | Securities and Futures Commission of the Ministry of Finance Letter Tai-Cai-Zheng-Yi-Zi No. 0920107679 issued on March 5, 2003 |
| 08, 2006 | 10 | 520,000,000 | 5,200,000 | 339,883,829 | 3,398,838 | Surplus capital increase 220,537<br>Employee bonus 37,806 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0950126931 issued on June 28, 2006 |
| 12, 2006 | 10 | 520,000,000 | 5,200,000 | 329,883,829 | 3,298,838 | Capital reduction of treasury shares by 100,000 | None | Securities and Futures Commission of the Ministry of Finance Letter Tai-Cai-Zheng-Yi-Zi No. 0920160062 issued on December 18, 2003 |
| 08, 2007 | 10 | 520,000,000 | 5,200,000 | 348,828,587 | 3,488,286 | Surplus capital increase 148,448<br>Employee bonus 41,000 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960032161 issued on June 26, 2007 |
| 08, 2008 | 10 | 600,000,000 | 6,000,000 | 384,050,910 | 3,840,509 | Surplus capital increase 303,481<br>Employee bonus 48,742 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0970031683 issued on June 25, 2008 |
| 06, 2009 | 10 | 600,000,000 | 6,000,000 | 367,587,910 | 3,675,879 | Capital reduction of treasury shares 16,463 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-San-Zi No. 0980018409 issued on April 27, 2009 |
| 05, 2010 | 10 | 600,000,000 | 6,000,000 | 371,754,910 | 3,717,549 | Employee stock options 41,670 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007 |
| 07, 2010 | 10 | 600,000,000 | 6,000,000 | 372,376,910 | 3,723,769 | Employee stock options 6,220 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007 |
| 08, 2020 | 10 | 600,000,000 | 6,000,000 | 272,376,910 | 2,723,769 | Cash capital reduction 1,000,000 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Fa-Zi No. 0990033560 issued on July 9, 2010 |
| 01,2011 | 10 | 600,000,000 | 6,000,000 | 272,548,910 | 2,725,489 | Employee stock options 1,720 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007 |
| 05,2011 | 10 | 600,000,000 | 6,000,000 | 274,806,910 | 2,748,069 | Employee stock options 22,580 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007 |
| 07,2011 | 10 | 600,000,000 | 6,000,000 | 274,870,910 | 2,748,709 | Employee stock options 640 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007 |
| 09,2011 | 10 | 600,000,000 | 6,000,000 | 274,932,910 | 2,749,329 | Employee stock options 620 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007 |
| 04,2012 | 10 | 600,000,000 | 6,000,000 | 276,858,910 | 2,768,589 | Employee stock options 19,260 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007 |

| Year/ Month | Issue price | Authorized Capital | | Paid-in Capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of Shares | Amount | Number of Shares | Amount | Source of Capital | For those who paid for shares with property other than cash | Others |
| 07,2012 | 10 | 600,000,000 | 6,000,000 | 277,043,910 | 2,770,439 | Employee stock options 1,850 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007 |
| 01,2013 | 10 | 600,000,000 | 6,000,000 | 277,108,910 | 2,771,089 | Employee stock options 650 | None | Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007 |
| 04,2014 | 10 | 600,000,000 | 6,000,000 | 277,163,910 | 2,771,639 | Employee stock options 550 | None | Financial Supervision and Administration Commission of the Executive Yuan on December 11, 2007 Financial Management Certificate-I- No. 0960069508 |
| 12,2014 | 10 | 600,000,000 | 6,000,000 | 277,688,416 | 2,776,884 | CB conversion 5,245 | None | Ministry of Economic Affairs and Commerce Department No. 0301242790 issued on December 25, 2014 |
| 03,1017 | 10 | 600,000,000 | 6,000,000 | 337,688,416 | 3,376,884 | Cash capital increase 600,000 | None | Ministry of Economic Affairs and Commerce Department No. 10601037870 issued on March 24, 2017 |
| 03,2022 | 10 | 600,000,000 | 6,000,000 | 375,208,416 | 3,752,084 | Private equity capital increase 375,200 | None | Ministry of Economic Affairs and Commerce Department No. 11101045330 issued on March 23, 2022 |
| 11,2023 | 10 | 600,000,000 | 6,000,000 | 431,208,416 | 4,312,084 | Cash capital increase 560,000 | None | Department of Commerce, Ministry of Economic Affairs, No. 11230214220 issued on November 24, 2023 |

2.Share type

April 14, 2024 Unit: Share

| Share Type | Approved share capital | | | | Remark |
|---|---|---|---|---|---|
| | Outstanding shares | | Unissued shares | Total | |
| | Listed | Privately Offered | | | |
| Ordinary Shares | 393,688,416 | 37,520,000 | 168,791,584 | 600,000,000 | |

3. Information on the Consolidated Filing System: None.

(II) Shareholder structure

April 14, 2024 Unit: Share; %

| Shareholder structure / Quantity | Government agencies | Financial Institutions | Other legal persons | **Personal** | Foreign institutions and foreigners | Total |
|---|---|---|---|---|---|---|
| Number of people | 1 | 6 | 270 | 96,493 | 184 | 96,954 |
| Number of shares held | 3 | 932,214 | 48,827,328 | 350,007,299 | 31,441,572 | 431,208,416 |
| Holding ratio | 0.00 | 0.22 | 11.32 | 81.17 | 7.29 | 100.00 |

(V)Equity dispersion

1. Dispersion of common stock equity:

April 14, 2024 Unit: people, share, %

| Shareholding (%) | Number of Shareholders | Number of Shares | Percentage of Ownership (%) |
|---|---|---|---|
| 1 to 999 | 45,457 | 3,181,581 | 0.74 |
| 1,000 to 5,000 | 41,470 | 82,825,253 | 19.21 |
| 5,001 to 10,000 | 5,459 | 41,537,334 | 9.63 |
| 10,001 to 15,000 | 1,755 | 21,849,371 | 5.07 |
| 15,001 to 20,000 | 912 | 16,578,405 | 3.84 |
| 20,001 to 30,000 | 806 | 20,037,103 | 4.65 |
| 30,001 to 40,000 | 325 | 11,485,336 | 2.66 |
| 40,001 to 50,000 | 197 | 9,042,905 | 2.10 |
| 50,001 to 100,000 | 332 | 23,417,120 | 5.43 |
| 100,001 to 200,000 | 139 | 18,965,087 | 4.40 |
| 200,001 to 400,000 | 57 | 16,178,744 | 3.75 |
| 400,001 to 600,000 | 12 | 5,691,712 | 1.32 |
| 600,001 to 800,000 | 7 | 4,813,079 | 1.12 |
| 800,001 to 1,000,000 | 3 | 2,620,339 | 0.61 |
| Over 1,000,001 | 23 | 152,985,047 | 35.47 |
| Total | 96,954 | 431,208,416 | 100.00 |

2. Situation of dispersion of special shares: no such situation

(IV) List of major shareholders: The top ten shareholders holding more than 5% of the total shares or accounting for the proportion of equity

April 14, 2024; Unit: Share, %

| Shares / Name of Major Shareholder Shares | Number of Shares | Percentage of Ownership (%) |
|---|---|---|
| Lin, Chung Min | 54,541,837 | 12.65 |
| Taiwan Cement Corporation | 41,719,905 | 9.68 |
| Citibank (Taiwan) Ltd. in Custody for Norges Bank | 7,269,659 | 1.69 |
| Wang, Ming-Chieh | 5,538,637 | 1.28 |
| Chien, Shu-Nu | 4,240,081 | 0.98 |
| Lin, Fei-Hong | 4,044,122 | 0.94 |
| Lin, Yang-Hong | 4,034,122 | 0.94 |
| Lin, Kuan-Hong | 4,019,122 | 0.93 |
| Kuan Feng Investment Ltd. | 3,374,625 | 0.78 |
| Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 2,812,768 | 0.65 |

(V) Recent Two-Year Data for Market Price, Net Asset Value, Earnings, Dividends, and Related Information

Unit: NTD, Thousand Shares

| Item | | | 2022 | 2023 | January 1 to March 31, 2024 |
|---|---|---|---|---|---|
| Market price per share | Highest | | 53.00 | 87.00 | 63.20 |
| | Lowest | | 30.05 | 37.70 | 52.80 |
| | Average | | 39.88 | 62.54 | 58.61 |
| Net asset value per share (Note 1) | Before Distribution | | 16.59 | 24.47 | 22.62 |
| | After Distribution | | 16.59 | 24.47 | 22.62 |
| Earnings per Share | Weighted Average Number of Shares | | 375,208 | 384,567 | 431,208 |
| | Earnings per Shar | Before Adjustment | 0.19 | 0.68 | 0.16 |
| | | After Adjustment | 0.19 | 0.68 | 0.16 |
| Dividend per Share | Cash Dividends | | 0 | 0 | 0 |
| | Bonus Shares | Earnings Distribution Bonus Shares | 0 | 0 | 0 |
| | | Capital Reserve Bonus Shares | 0 | 0 | 0 |
| | Cumulative Unpaid Dividends | | 0 | 0 | 0 |
| Investment Return Analysis | Price-Earnings Ratio (Note 2) | | 209.89 | 91.97 | 91.58 |
| | Price-to-Book Ratio (Note 3) | | — | — | — |
| | Cash Dividend Yield (Note 4) | | — | — | — |

Note 1: Please refer to the number of shares issued at the end of the year and fill in the information based on the distribution resolution of the board of directors or the shareholders' meeting of the following year.

Note 2: Price-to-earnings ratio = average closing price per share for the year/earnings per share.

Note 3: Cost-to-interest ratio = average closing price per share for the year/cash dividend per share.

Note 4: Cash dividend yield = cash dividend per share / average closing price per share for the year.

## (VI) Company Dividend Policy and Execution Status

1.Dividend Policy:

If there is a surplus after the annual final accounts of the Company, the Company shall pay taxes in accordance with the law and make up for accumulated losses. Then, 10% of the remaining surplus will be allocated as statutory earnings reserve. If the statutory earnings reserve has reached the Company's paid-in capital, no further allocation is required. The remaining surplus will be appropriated or reversed into special earnings reserves according to the regulations. If there is still a balance, it will be combined with the accumulated undistributed earnings, and the board of directors will draft a proposal for surplus distribution and submit it to the shareholders' meeting for a resolution on dividend distribution.

The Company's dividend policy considers future capital needs and long-term financial planning. If the distributable earnings for the year do not reach 15% of the paid-in capital, no dividends will be distributed. If the distributable earnings for the year exceed 15% of the paid-in capital, at least 10% of the distributable earnings will be allocated as shareholder dividends, with cash dividends accounting for no less than 10% of the total dividends distributed annually.

2.Proposed Dividend Distribution at the Current Shareholders' Meeting:

The Company's net profit after tax for 2023 is NTD262,551,178, with an opening accumulated loss of zero. Adding a re-measurement of the defined benefit plan of NTD5,295,204, and in accordance with the Company's articles of incorporation and relevant laws and regulations, 10% has been allocated as a legal reserve (NTD26,784,638) and a special earnings reserve of NTD54,513,623. The distributable surplus amounts to NTD186,548,121.

According to the Company's Articles of Incorporation, if the distributable earnings for the current year do not reach 15% of the paid-in capital, no dividends will be distributed. For 2023, the distributable surplus is NTD186,548,121, which is less than 15% of the paid-in capital. Therefore, it is proposed that no dividends be distributed.

(VII) Impact of Proposed Bonus Share Distribution at the Current Shareholders' Meeting on Company Business Performance and Earnings per Share:

This shareholders' meeting has not proposed any bonus share distribution, and the Company is not required to disclose its financial forecast for 2024 according to regulations. Therefore, annual forecast information does not need to be disclosed.

(VIII) This shareholders' meeting has not proposed any bonus share distribution, and the Company is not required to disclose its financial forecast for 2024 according to regulations. Therefore, annual forecast information does not need to be disclosed.

1.Percentage or Range of Employee and Director Compensation as Stated in the Articles of Incorporation:

If the Company has profits for the year, it shall allocate at least 10% for employee remuneration. The distribution, either in shares or cash, will be decided by the Board of Directors, and may include employees of subsidiaries who meet certain criteria. The Company may also allocate up to 2% of the profit for directors remuneration, as decided by the Board of Directors. The employee and directors compensation distribution plan should be reported at the shareholders' meeting. However, if the Company still has accumulated losses, the amount required to cover these losses should be retained first, before allocating employee and director remuneration according to the aforementioned percentages.

2. The basis for estimating the amount of employee and director remuneration for this period, the calculation basis for the number of shares allocated as employee compensation, and accounting treatment if the actual distributed amount differs from the estimate:

(1) Basis for Estimating Employee and Director Remuneration for This Period: The estimate is based on the annual profit and is calculated according to the percentage specified in the Company's articles of incorporation.

(2) The Number of Shares Allocated as Stock Dividends: Not applicable.

(3) Any difference between the actual distributed amount and the estimated amount will be carried over to the profit and loss of the following fiscal year.

3.Remuneration Distribution Approved by the Board of Directors:

- On March 7, 2024, the Company's Board of Directors approved the distribution of 2023 earnings as follows:

  Proposed Employee Remuneration: NTD28,702,358, all to be paid in cash.

  Proposed Director Remuneration: NTD5,740,472, all to be paid in cash.

  Accounting Treatment of Differences between Board-Approved Director Remuneration and Estimated Expense Amounts: No differences.

- Proportion of Employee Remuneration Distributed as Stock to Current Period Individual

Financial Report Net Profit and Total Employee Remuneration: Not applicable.

4. Actual Distribution of Employee and Director Remuneration in the Previous Year:

In 2022, the Company paid employee remuneration of NTD13,462,466 and director remuneration of NTD2,692,493, with no difference from the recorded employee and director remuneration amounts.

(IX) Company's Repurchase of Its Own Shares: No such occurrence.

# II. Corporate Bonds

(I) Corporate Bonds

<table>
<tr><th colspan="2">Types of Corporate Bonds</th><th>The 1st Secured Ordinary Corporate Bond Issuance of 2021:</th></tr>
<tr><td colspan="2">Issue (Handle) Date</td><td>March 25, 2021</td></tr>
<tr><td colspan="2">Value</td><td>Issue Amount NT$10,000,000元</td></tr>
<tr><td colspan="2">Issuance & Conversion Location</td><td>Trading Location: Taipei Exchange</td></tr>
<tr><td colspan="2">Offering Price</td><td>Issuance Terms: Fully issued at par value</td></tr>
<tr><td colspan="2">Total Value</td><td>Total Issue Amount: NTD700,000,000</td></tr>
<tr><td colspan="2">Interest rate</td><td>Coupon Rate: 0.60% per annum</td></tr>
<tr><td colspan="2">Term</td><td>Maturity: 5-year term, maturing on March 25, 2026</td></tr>
<tr><td colspan="2">Guarantee Agency</td><td>The guarantor of this corporate bond is as follows:<br>Hua Nan Commercial Bank, Ltd.<br>Total issue amount: NTD700 million</td></tr>
<tr><td colspan="2">Trustee</td><td>Bank Sinopac Co., Ltd.</td></tr>
<tr><td colspan="2">Underwriting Agency</td><td>KGI Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certification Attorney</td><td>Yicheng United Law Firm, Attorney Guo, Hui-Ji</td></tr>
<tr><td colspan="2">CPA</td><td>Deloitte & Touche CPAs</td></tr>
<tr><td colspan="2">Repayment Method</td><td>The principal of the corporate bonds will be repaid in one lump sum on the maturity date from the date of issuance</td></tr>
<tr><td colspan="2">Outstanding principal as at the date of publication of the annual report</td><td>NTD700,000,000</td></tr>
<tr><td colspan="2">Terms of redemption or prepayment</td><td>None</td></tr>
<tr><td colspan="2">Restrictive Clause</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating agency, rating date, corporate bond rating results</td><td>Agency name: Taiwan Ratings Corporation<br>Rating level: ：<table><tr><th>Guarantee Agency</th><th>Rating level:</th><th>Rating date</th></tr><tr><td>Hua Nan Commercial Bank</td><td>twAA+</td><td>June 19, 2020</td></tr></table></td></tr>
<tr><td rowspan="2">Other rights</td><td>Amount of ordinary shares, overseas depositary receipts, or other marketable securities converted (exchanged or subscribed) up to the date of publication of the annual report</td><td>None</td></tr>
<tr><td>Issuance and Conversion (Exchange or Subscription) Method</td><td>Measures for the Issuance of the 1st Secured Ordinary Corporate Bonds of Phihong Technology (Stock) Company in 2021</td></tr>
<tr><td colspan="2">Issuance and conversion, or share subscription method, issuance conditions may dilute the equity and the impact on existing shareholders' rights and interests</td><td>None</td></tr>
<tr><td colspan="2">The name of the custodian institution for the subject of the exchange</td><td>None</td></tr>
</table>

(II) Converting corporate bond information: None.

## III. Preferred Shares

There were no such cases in the most recent year and up to the date of publication of the annual report.

## IV. Global Depository Shares

There were no such cases in the most recent year and up to the date of publication of the annual report.

## V. Employee share subscription warrants

There were no such cases in the most recent year and up to the date of publication of the annual report.

## VI. New Restricted Employee Shares

There were no such cases in the most recent year and up to the date of publication of the annual report.

## VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies

(I)Consolidated Group Restructuring on April 17, 2023

Basic Information Table of Acquired and Transferred Companies

Date: Dec. 31, 2023

| Unit: NT$ | | Target Company | Transferee Company |
|---|---|---|---|
| Name | | Zerova Technologies Taiwan Limited Ltd. (ZTM) | Zerova Technologies SG Pte. （hereinafter referred to as Zerova ZSH） |
| Address | | No. 99, Zhengnan 1st St., Yongkang Dist., Tainan City | 111 NORTH BRIDGE ROAD #06-20 PENINSULA PLAZA SINGAPORE (179098) |
| Representative | | Lin, Fei-Hong | Lin, Fei-Hong |
| Paid-in Capital | | NT$600,000,000 | USD 65,872,407.8 |
| Main Businesses and Product | | Manufactures and sells electronic equipment | Makes reinvestments and sells electronic equipment |
| Main Product | | EV charging station | EV charging station |
| Recent annual financial information | Total Assets | 1,558,477,611 | 3,107,597,716 |
| | Total Liabilities | 508,253,471 | 410,763,085 |
| | Shareholders' Equity | 1,050,224,140 | 2,696,834,631 |
| | Operating revenue | 1,781,809,513 | 3,173,327,757 |
| | Gross profit | 1,154,859,132 | 812,439,169 |
| | Operating Profits | 427,391,193 | 50,369,178 |
| | Total income (loss) for the year | 347,703,946 | 584,620,001 |
| | Earnings per share | Note | Note |

Note: As Prominova Technology Co., Ltd. is a privately held company, there is no requirement to disclose earnings per share information in the financial statements.

1. Restructuring Reason: Prior to the restructuring, ZTM was a wholly-owned subsidiary of our Company. ZSH is a subsidiary of our Company that holds 100% of the shares of Zerova Technologies Holdings Limited, a Cayman Islands company (hereinafter referred to as "ZKH"), through another wholly-owned subsidiary. To meet the operational needs of the group, both parties intend to proceed with a share conversion in accordance with Article 29 of the Company Act, with ZSH issuing new shares to our Company as consideration to acquire all issued and outstanding shares of ZTM. This share conversion is considered an organizational adjustment. After the share conversion, ZSH will be directly held by our Company through ZKH and indirectly held by 100%, and ZTM will be indirectly held by our Company through ZKH and ZSH by 100%. It is anticipated that there will be no impact on the equity of our Company's shareholders after the share conversion.

2. Execution and Impact on Shareholders' Equity:

・ Execution: Our Company completed the transfer of all issued and outstanding shares of ZTM held by our Company to ZSH on April 17, 2023. 。

・ Impact on Shareholders' Equity: This share conversion is considered an organizational adjustment. After the share conversion, ZSH will be directly held by our Company through ZKH and indirectly held by 100%, and ZTM will be indirectly held by our Company through ZKH and ZSH by 100%. It is anticipated that there will be no impact on the equity of our Company's shareholders after the share conversion.

・ Auditor's Assessment: The calculation of the exchange ratio for this share conversion is based on the book value of ZSH and ZTM as of September 30, 2022. The accounting treatment follows the relevant FAQs and interpretation letters issued by the Accounting Research and Development Foundation of the Republic of China. Therefore, it is reasonable for ZSH to issue 19,749,780 common shares to our Company to acquire 100% equity of ZTM.

・ Execution Status for the Most Recent Quarter: Our Company completed the transfer of all issued and outstanding shares of ZTM held by our Company to ZSH on April 17, 2023.

(II)XIII.Consolidated Group Restructuring on May 11, 2023

Basic Information Table of Acquired and Transferred Companies

Date: Dec.31, 2023

| Unit: NT$ | | Target Company | Target Company |
|---|---|---|---|
| Name | | Zerova Technologies Holdings Limited（hereinafter referred to as「ZKH」） | Zerova Technologies SG Pte.（hereinafter referred to as Zerova ZSH ） |
| Address | | Suite 102,Cannon Place,P.O.Box 712, North Sound Rd.,George Town, Grand Cayman,KY1-9006 Cayman Islands | 111 NORTH BRIDGE ROAD #06-20 PENINSULA PLAZA SINGAPORE (179098) |
| Representative | | Lin, Fei-Hong | Lin, Fei-Hong |
| Paid-in Capital | | US$ 69,927,260 | US$65,872,407.8 |
| Main Businesses and Product | | Manufactures and sells electronic equipment | Makes reinvestments and sells electronic equipment |
| Main Product | | Reinvestments | EV Charging post |
| Recent annual financial information | Total Assets | 2,594,858,407 | 3,107,597,716 |
| | Total Liabilities | 1,527,451 | 410,763,085 |
| | Shareholders' Equity | 2,593,330,956 | 2,696,834,631 |
| | Operating revenue | - | 3,173,327,757 |
| | Gross profit | - | 812,439,169 |
| | Operating Profits | (3,103,143) | 50,369,178 |
| | Total income (loss) for the year | 550,301,987 | 584,620,001 |
| | Earnings per share | 註 | 註 |

Note: Since ZEROVA Technologies is a non-public company, the financial statements do not need to disclose earnings per share information.

1. Restructuring Reason:

Our Company subscribed for new shares issued by subsidiary ZKH as consideration by using all of its equity interest in ZSH as the transaction price. This share conversion is considered an organizational adjustment. After the share conversion, ZSH will be held by our Company through ZKH by 100%, and ZKH will continue to be held by our Company by 100%. It is anticipated that there will be no impact on the equity of our Company's shareholders after the share conversion.

2. Execution Status and Impact on Shareholders' Equity:

・ Execution Status: Our Company completed the subscription for new shares issued by subsidiary ZKH by using all of its equity interest in ZSH as the transaction price on May 11, 2023.

・ Impact on Shareholders' Equity: This share conversion is considered an organizational adjustment. After the share conversion, ZSH will be held by our Company through ZKH by

100%, and ZKH will continue to be held by our Company by 100%. It is anticipated that there will be no impact on the equity of our Company's shareholders after the share conversion.

- Auditor's Assessment: As ZKH and ZSH were originally subsidiaries under the same joint control, our Company used its ownership of 19,749,780 shares of common stock in ZSH as consideration to fully subscribe for the new shares issued by ZKH in this capital increase. Our Company still holds 100% of the shares in ZKH and indirectly holds 100% of the shares in ZSH through ZKH, with no substantial transfer of operating rights or control rights. This transaction is considered a restructuring under joint control. The calculation of the consideration, using 19,749,780 shares of common stock in ZSH to offset the subscription price of 215,272,602 shares of common stock issued by ZKH (at a price of USD 0.1 per share), is based on the book value of ZSH as of April 17, 2023. The accounting treatment follows the relevant FAQs and interpretation letters issued by the Accounting Research and Development Foundation of the Republic of China, and is considered reasonable.
- Execution Status for the Most Recent Quarter: Our Company completed the subscription for new shares issued by ZKH by using its ownership of 19,749,780 shares of common stock in ZSH as consideration on May 11, 2023.

## VIII. Execution Status of Fund Utilization Plan

- 2023 Fiscal Year Cash Capital Increase Plan Contents

(I) Funding Sources, Project Plan, Expected Progress, and Expected Benefits of this Plan:

1. Total funding required for this plan: NT$ 2,788,800 million.
2. Approval Date and Document Number by Regulatory Authority: Approved by the Financial Supervisory Commission on August 25, 2023, under Letter No. 1120351377; Approved by the Taiwan Stock Exchange Corporation to list the capital increase certificates for subscription starting from November 1, 2023, and for trading starting from December 5, 2023. The original capital increase certificates were also delisted from trading simultaneously.
3. Information Input Station Date: August 28, 2023.
4. Funding Sources:
   Issuance of 56 million new shares for cash capital increase, with a par value of NT$10 per share and an issuance price of NT$49.8 per share at a premium, raising a total of NT$2.7888 billion. Due to fluctuations in market prices, the actual issuance price per share resulted in actual fundraising lower than the projected amount by NT$571.2 million, which will reduce the amount of bank loans to be repaid.

5 Project Items and Planned Fund Utilization Progress:

Unit: New Taiwan Dollar Thousands (NT$1,000)

| Project Item | Scheduled Completion Date | Total Required Funds | Planned Funding Progress |
|---|---|---|---|
| Repay Bank Loan | The 4th quarter of 2023 | 2,788,800 | The 4th quarter of 2023 |
| | | | 2,788,800 |
| Total | | 2,788,800 | 2,788,800 |

6. The 4th quarter of 2023
   The funds raised in this round will be entirely used to repay bank loans, which will strengthen the financial structure and reduce operational risk. It will also increase the flexibility of capital allocation and reduce the interest burden caused by the need for operational cash flow to borrow from banks. Based on the planned repayment amount and a financing interest rate of 1.90% to 6.93%, it is calculated that in fiscal year 2023, an interest expense of NT$13,754,000 can be saved, and in subsequent years, annual interest expenses can be reduced by NT$81,001,000. This can moderately alleviate the Company's financial burden and enhance its debt repayment capability.
7. Changes in the plan content, reasons for changes, benefits before and after changes, the date of reporting the changed plan to the shareholders' meeting, and the date of publishing the changed plan on the Market Observation Station System (MOPS): There are no such circumstances.

(II) Execution Status Unit: NT$1,000

| Project | Execution status | | Cumulative as of the 4th Quarter of Fiscal Year 2023 | Ahead or behind schedule Reason and improvement plan |
|---|---|---|---|---|
| Payment of Bank borrowings | Payment progress | Plan | 2,788,800 | None |
| | | Actual | 2,788,800 | |
| | Execution progress | Plan | 100.00% | |
| | | Actual | 100.00% | |

(III) If the plan content e.g. is to increase working capital and repay debts, it should explain the increase and decrease of current assets, current liabilities and total liabilities, interest expenses, operating income and other items as well as earnings per share, and analyze the financial structure.

Unit: NT$1,000

| Item / Year | | Year of 2022 | Year of 2023 | Changes Increase or Decrease (%) |
|---|---|---|---|---|
| Current Assets | | 9,837,700 | 10,784,626 | 9.63 |
| Current Liabilities | | 6,186,134 | 5,191,949 | (16.07) |
| Total Liabilities | | 8,374,060 | 6,178,310 | (26.22) |
| Interest expenses | | 77,918 | 130,483 | 67.46 |
| Operating revenue | | 14,017,575 | 12,332,397 | (12.02) |
| Earnings per share | | 0.19 | 0.68 | 257.89 |
| Financial Structure | Debt to Total Assets(%) | 57.40 | 39.66 | (30.91) |
| | Long term funds /Fixed assets (%) | 210.81 | 271.68 | 28.87 |

Descriptions:
Total Debt Decreased: This is due to the successive repayment of long-term and short-term loans in the fourth quarter of fiscal year 2023.
Interest Expense Increased: This is due to an increase in long-term and short-term borrowing during the first three quarters of fiscal year 2023.
Earnings Per Share Increased: This is because the net profit for this period increased compared to the previous period.
Debt-to-Asset Ratio Decreased and Long-term Capital to Property, Plant, and Equipment Ratio Increased: This is due to the early repayment of the syndicated loan during this period.

# Five. Overview of Operations

## 1. Description of Business

(I) Scope of business:

1、The main contents of the business and the percentages of respective business

Unit: NT$1,000；%

| Main Product Category | Consolidated Operating revenue of 2023 | |
|---|---|---|
| | Amount | Percentage % |
| Power supply unit | 7,572,407 | 61.40% |
| Electric Vehicle Energy | 4,740,789 | 38.44% |
| Others | 19,201 | 0.16% |
| Total | 12,332,397 | 100% |

2.The scope of business of the Company

1.CC01010 Power Generation, Transmission and Distribution Machinery Manufacturing.
2.CC01020 Electric Wires and Cables Manufacturing.
3.CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
4.CC01060 Wired Communication Equipment and Apparatus Manufacturing.
5.CC01080 Electronics Components Manufacturing.
6.CC01110 Computer and Peripheral Equipment Manufacturing.
7.CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
8.CD01030 Motor Vehicles and Parts Manufacturing.
9.CD01040 Motorcycles and Parts Manufacturing.
10.F113020 Wholesale of Household Appliances.
11.F113070 Wholesale of Telecom Instruments.
12.F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories..
13.F119010 Wholesale of Electronic Materials.
14.F401010 International Trade.
15.F213060 Retail Sale of Telecommunication Apparatus.
16.IG03010 Energy Technical Services.
17.ZZ99999 All business items that are not prohibited or restricted by the Act, except those that are subject to special approval.

3.The Company's main products and services: Research and development, design, production, and sales of the charging post for power supplies and electric vehicles (EVs).

4. New products planned for research and development in the future.

4.1 Power Supply Products:：

| The research and development direction for future | Products and applications related to future research and development |
|---|---|
| (1) The application development of wide bandgap semiconductor GaN in power supplies | Power supply products of high-frequency, miniaturization, and high-efficiency |
| (2) Development and applications of active bridge circuit architecture | Power supply products of high-frequency, miniaturization, and high-efficiency |
| (3)Development and applications of bridgeless totem pole PFC circuit architecture | Power supply products of high-frequency, miniaturization, and high-efficiency |
| (4) Development and applications of soft switching ACF/ ACF/LLC circuit architecture | Power supply products of high-frequency, miniaturization, and high-efficiency |
| (5) Development and applications of planarized magnetic elements | Power supply products of high-frequency, miniaturization, and high-efficiency |
| (6) Power supply technologies of low leakage current | Power supplies for medical, mobile phone, NB, netcom applications, etc. |
| (7) Development of high-wattage AC/DC power supply platforms and power supplies | Power supplies for industrial, netcom, and automation equipment |
| (8) Development of high-wattage DC/AC power supply platforms and power supplies | Uninterruptible power supplies/Inverters |

| The research and development direction for future | Products and applications related to future research and development |
|---|---|
| (9) Development of technologies and products related to Ethernet power supply | POE Midspan Adapter, Open Frame Substrate Power Supply and CRPS Redundant Module. |
| (10) 18W-240W USB PD 3.1 adapters | Applications such as express charging of mobile phones, NBs, tablets, power tools, netcoms, POSes and other Type C interfaces |
| (11) 30W-500W adapters of high power density | Netcoms, micro projectors, consumer electronics , gaming NBs, AIO PCs, etc. |
| (12) The research and development of software/hardware technologies associated with 60W-2000W power battery charging | Applications such as electric vehicles, power tools, service/industrial robots, etc. |
| (13) The research and development of software/hardware technologies associated with robust audio applications | Audio products for construction sites |
| (14) Developments and applications of water-cooled bidirectional charging technologies | EV charger |
| (15) Developments and applications of grid-balance charging technology | EV charger |
| (16) Developments and applications of ESS energy-storage charging technology | EV charger |

4.2 Charging station：

| Expected Development Products | | | |
|---|---|---|---|
| AC EVSE | Bi-directional AX32 | 1P/32A | CE/UL |
| | Bi-directional AX48 | 1P/48A | CE/UL/CNS |
| | Bi-directional AX80 | 1P/80A | CE/UL |
| DC EVSE | G4 360(liquid cooling) | 360kW | CE/UL |
| | G4 480+ Pantograph | 480kW | CE/UL |
| | G4 480 x N + G4 MCS | 480kWxN | CE/UL |
| | Bi-directional DDDO360 | 360kW | CE/UL |
| | Bi-directional DW/DM 10/22 | 10/22kW | CE/UL |
| PSU | Bi-directional small power | 10~15kW | CE/UL |
| (H)EMS | EEBUS/IEEE 2030.5/Echonet-lite | 1.Interface between BESS,EVSE and backend<br>2. Smart home energy management | |
| Micro-grid | OpenADR/IEC 61850-90-8 | It can be implemented in EVSE or EMS | |
| Artificial Intelligence | CNN/DRL | 1. Plate recognition<br>2. Charge routing and minimize power cost | |

(2) Industry Overview

1.Industry overview and development

The power supply unit (PSU) function is to receive unstable power from the outside and convert it into the stable voltage and current for electronic products after voltage stabilization and frequency conversion. Therefore, most electronic products have built-in power supplies or are externally connected to convert AC mains power into DC power of various voltages, so power supplies can be said to be the heart of electronic products. According to its function and basic structure, it can be divided into Linear Power Supply (LPS) and Switched-mode Power Supply (SMPS). The advantages of the SMPS are that the product is small in size, light in weight, and has a wide range of external input voltages, coupled with high power density/conversion efficiency, which contributes to the expansion of the application scope. SMPS is the basic product of power electronic technology. It is relatively mature in technology, has low barriers to entry, and has diversified and a wide variety of products. According to the data from the Industrial Technology Information Service (ITIS)Taiwan's large SMPS suppliers mainly focus on power supplies for information communication and are mostly ODM

In the product segment of charging stations, with the global green industry revolution triggering concerns about global warming, the development of electric vehicles (EVs) has become an irreversible trend. Currently, various modes of transportation, including buses, passenger cars, logistics vehicles, as well as ships and aircraft, are rapidly adopting charging infrastructure. Our Company, originally a supplier of power supply units, has developed power supply products for many years, and its reputation has been recognized and acclaimed internationally. With the expansion of the electric vehicle market, this has also led to the booming development of related industries such as electric vehicles, batteries, and infrastructure. Recognizing the rising issues of energy conservation and environmental protection in the electric vehicle trend, the global electric vehicle market is expected to grow at a compound annual growth rate of 29% over the next decade. Electric vehicle sales are expected to grow from 2.7 million units in 2020 to 12 million units by 2025. In other words, the electric vehicle charging market is also expected to grow. After market analysis, it has been determined that the number of charging stations must rapidly exceed the proliferation of electric vehicles to service public charging for EVs. Therefore, we have decided to establish a subsidiary company for the electric vehicle energy business group, dedicated to expanding the electric vehicle charging business landscape, focusing on the EV charging market. This includes considering various charging measures for charging applications in residential, commercial, and fleet settings, enhancing flexibility and adaptability for the charging experience of vehicle owners.

2.Product forms and application fields

| Type of Input/Output | Category | Purpose |
|---|---|---|
| AC/DC | Demand for chargers for consumer electronics | The main feature is the high efficiency, high density, constant voltage, and constant current charging function, which meets the needs for lightweight, thin, small, and portable. The power is between 5W and 330W. It is mostly used in electronic products, such as mobile phones, tablets, NBs, and AR/VR helmets. |
| AC/DC | Demand for chargers for power batteries | It is mostly customized design, and the wattage in the application is also higher. Because of the use condition, the dustproof and waterproof requirements are stricter. For medium-sized chargers applied to machine tools, robots, and general electric vehicles, the typical wattage ranges from 40 watts to kilowatt levels. For large chargers used for electric cars or buses, the typical wattage ranges from 30 kW to 720 kW. |
| AC/DC | Medical adapter | The medical external power supply is covered by a plastic case, with stricter safety requirements, such as low current leakage. It is mostly used in respirators, medical testing, or cosmetic equipment, and the power is between 5W and 100W. |
| AC/DC | General adapter | The main features are high efficiency, high reliability, and constant voltage output (mainly12/19/24/48V), and it is mostly standard products, with power between 6W and 500W.<br>It is mostly used in electronic products or industrial control applications, such as POS, network communication, displays, and printers. |
| AC/DC | Open-Frame | The main features are high efficiency, high reliability, natural heat dissipation, and single or multiple sets of constant voltage output. It is mostly standard products, with power between 30W and 1000W. It is mostly used in electronic products or industrial control applications, such as network communication, TV, general household appliances, and multifunction printers. |
| DC/DC | Battery balance and management module | When a battery pack is being charged, it can balance a single battery capacity for charging control to avoid overheating and overloading of the single battery. |
| DC/AC | Inverter | It is used in LCD monitors or TV backlight modules, boosting DC to 600 volts in AC to provide power to cold cathode fluorescent lamp (CCFL). |
| DC/AC | Battery Inverter | These are AC input function or solar panels to charge a battery, and a button can be pressed to convert DC of the battery into AC output (concept of AC mobile power). |
| AC/AC | UPS | Uninterruptible Power Supply (UPS) is generally divided into On-line and off-line operating modes. It is usually connected to AC mains to charge the built-in battery module. When the power is cut off, it converts the battery power into AC to output power to computers and other electronic products. |
| MCU/Firmware | Battery pack control | With the design of the battery management system software, the charging, detection, protection, and voltage and current feedback is realized in the form of software, and built into the MCU, based on the concept of modularized design. |

Source: Basic information on power supply manufacturing from Taiwan Institute of Economic Research

3. Current state and development

3.1.The global power supply industry is marching toward integration after undergoing consolidation and fierce market competition. Now, Taiwanese power supply businesses dominate the global market share and competition, including domestic first-tier companies, such as Delta, Lite-On, AcBel, Chicony Power, and second-tier companies, including FSP, Mean Well, and Zippy. Delta has the largest scale, covering more than half of the global market share. Each competitor in the power supply industry has different conditions. Therefore, due to differences in product positioning, companies of medium-size and above in the market focus on operating specific application areas and developing their competitive advantage through technology and customer relationships.
Our country has been a major producer of global IT and many consumer electronic products for many years. Our country's power supply industry is very competitive. In terms of the scale of the global SMPS market (see the figure below), the estimated scale of the global SMPS market in 2022 was US$50.617 billion, a slight increase of 5.25% from 2021.


**Global SMPS market scale**

Source:：Micro-Tech Consultants

As the future of technology development will focus on cloud computing, the Internet of Things (IoT), wireless communication, AI, 5G, High Performance Computing (HPC), energy storage, EV charging, smart grids, smart devices, energy conservation, and carbon reduction, power supply technology not only integrates high-frequency/high-efficiency techniques for energy processing, but also aims for design characteristics such as "compactness, high efficiency, high reliability, intelligent control, and the use of environmentally friendly recycled materials." This approach emphasizes the minimal use of raw materials, the lowest carbon emissions, and the highest energy use efficiency to meet various environmental regulations. Applications are becoming more widespread, and integration with systems is increasingly tight, turning this into an interdisciplinary field of knowledge and technology. Therefore, the current applications actively pursued by our company include:

(1) Power supply for cloud information network
The primary focus of our company is to provide power supplies for various types of equipment such as servers, switches, Point of Sale (POS) systems, hubs, routers, and other similar devices.

(2) Power supply for battery energy storage
Provide power conversion and energy supply for all kinds of lead-acid batteries, NiMH, Li-ion, solar cells, and energy storage systems.

(3)UPS uninterruptible power supply system
Uninterruptible power supply systems are connected to Windows/NAS/4G or 5G mobile communications networks for the management of power supply status of devices, abnormal alerts, and power.

(4) Power supply for wearable products and portable consumer electronic products. Provides various power supplies for Tablet, MP3, PDA, PSX, DVD, Smart Phone, Digital camera, GPS, SET TOP BOX, etc.

(5)USB PD Adaptor
Our company continues to adapt to the latest USB PD 3.1 specifications by developing technology for a new product that is more compact, cost-effective, and capable of automatically adjusting output voltage and current to meet the needs of various end devices. This new power supply can support a wide range of products including smartphones, tablets, laptops, monitors, E-bikes, networking devices, power tools, and AR/VR headsets. By reducing the number of power supply products used, we aim to decrease the consumption of raw materials. This initiative aligns with the EU's implementation of a common charger standard for electronic devices in September 2021, as well as contributes to reducing carbon emissions.

(6) Wide-bandgap semiconductor
Wide-bandgap semiconductors such as GaN/SiC can further improve the efficiency of power supply products in high-power density and high-efficiency applications, achieve better energy-saving effects, and reduce the size and consumption of raw materials.

(7) Electric vehicle charging solutions
Provide complete software and hardware charging solutions for various EVs, such as electric

buses, electric vehicles, electric motorcycles, electric bicycles, electric tricycles, and electric wheelchairs

(8) Power supply for power tools

Provide electric tools with intelligent charging management for batteries to improve battery safety and service life.

The capacity of lithium batteries used in machine tools is gradually increasing, so the output power of chargers dedicated to machine tools is also getting higher and higher.

(9) Medical instrument power supply

Provide power supplies for household medical instruments that meet medical grade safety requirements IEC 60601.

(10) Lithium battery charger for robots

In response to Industry 4.0 and smart factories, home care in an aging society, labor shortage with a declining birthrate, non-contact protection and services during the pandemic, etc., the demand for various industrial and service robots such as AGV/AMR/Drone/anthropomorphic robots has increased. Therefore, Lithium battery chargers are showing a positive growth trend.

(11) POE Injector

It has become a trend to reduce wiring costs and bring convenience when deploying network and monitoring equipment through simultaneous power supply and data transmission through Ethernet lines. In addition to early Internet phone, security monitor, and video system applications, 5G Applications such as FWA/small base stations, low-orbit satellite communications, Smart Pole and AIOT will cause its demand to increase day by day.

(12) POE switch Open-frame power supply and POE CRPS Redundant module

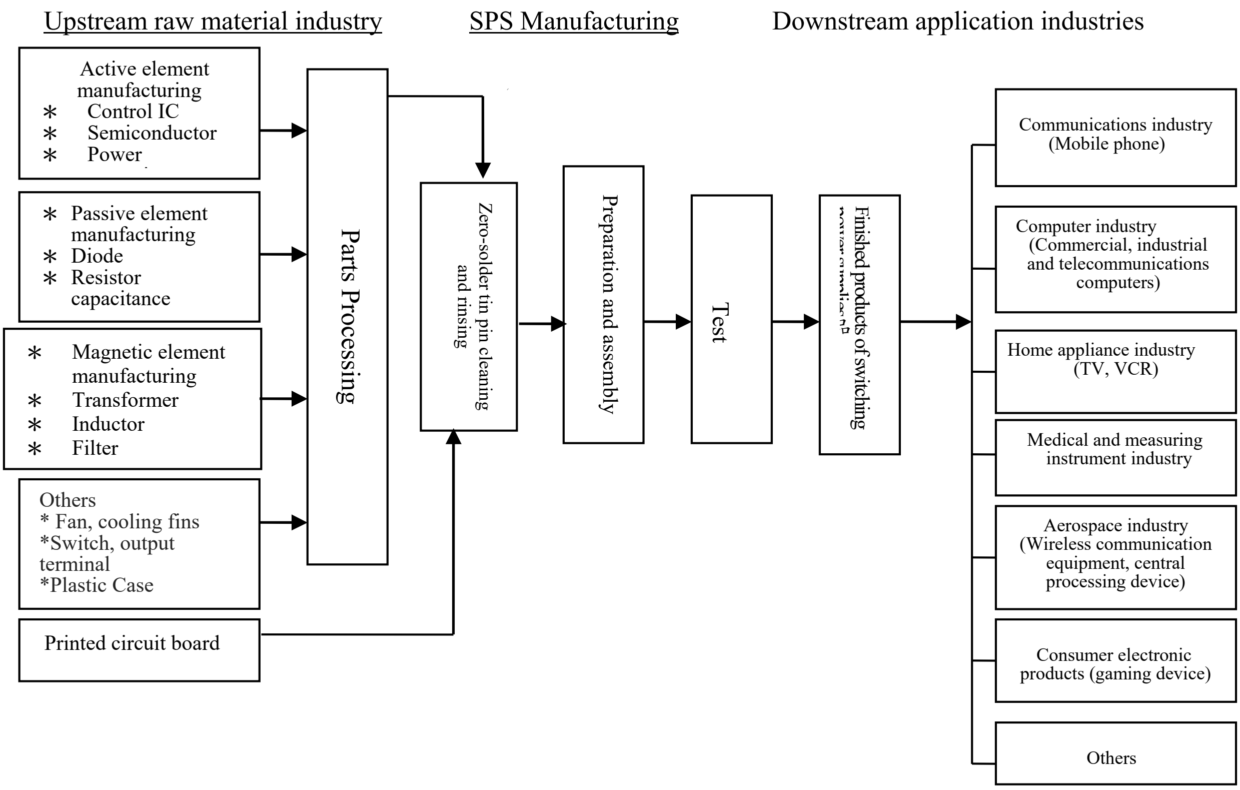
In response to the continuous construction of large-scale data centers and various application network platforms, the demand for network switches has been increasing in recent years. In addition, due to the increasing number of connected devices and data transmission volume, high-power requirements for POE Open-frame power supplies and POE CRPS Redundant modules have become indispensable.

3.2 The correlation between the upstream, midstream and downstream of the power supply industry

(1) The correlation between upstream raw materials and industry

The main raw materials of switching power supplies can be roughly divided into active components, passive components, magnetic components, and printed circuit boards (Figure 1). Among them, the quality and stability requirements required for active components are strict, so the main material control IC can already be produced in Taiwan. Either make your own or use foreign brands. Passive components including transformer cores, magnetic components, diodes, switches, and output terminals can all be made domestically. The domestic electronics industry is an industry with a very high self-made rate.

Figure 1 diagram of structure of the switching power supply industry



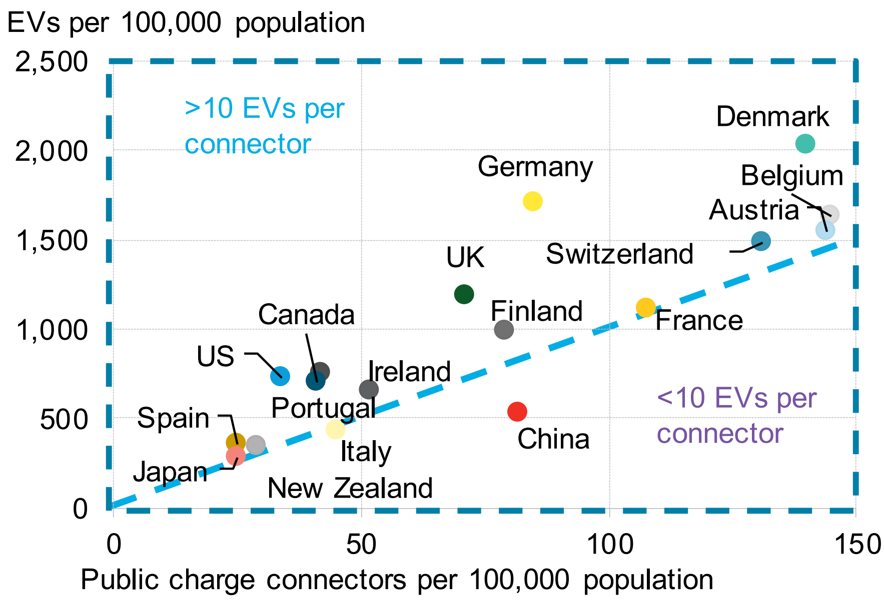
(2)The relevance of downstream application products to switched power supplies

The domestically produced SMPS are mainly used in communication products, computers, and their peripheral products. With the thriving development of the cloud information industry, there are currently many domestic information products ranking first in terms of the world's Volume, and SMPS is one. SMPS supply is an indispensable component for downstream communication products and computer peripherals, network cloud equipment, consumer electronics, and industrial equipment. Thus, it has created tremendous business opportunities for the power supply industry.

3.3. The electric vehicle market is advancing rapidly, spurred by government support, which has accelerated the rapid development of the electric vehicle industry and a surge in demand for charging infrastructure. Governments around the world have had to prioritize the establishment of charging facilities, considering them as critical infrastructure projects. According to statistics from the International Energy Agency (IEA), the United States, China, and Europe, the three major electric vehicle markets, have a charging station concentration rate of up to 90%. Consumer surveys also indicate that the first consideration for consumers when purchasing an electric vehicle is the convenience of charging. Therefore, in regions with higher sales of electric vehicles, the market share of charging posts is also higher (International Energy Agency, IEA, 2022).

Starting in 2022, the US federal government will allocate $5 billion to each state over five years to establish a nationwide fast charging network. The aim is to address the uneven distribution of charging posts across states, and increase the installation of charging posts in rural and agricultural areas. In 2021, EU countries formulated the "Oil Abandonment to Electricity" plan, which requires all 27 member states to comply with related measures for electric vehicle charging stations. The plan sets the number of charging posts to increase to 1 million by 2023 and 2.8 million by 2025. To alleviate public anxiety about electric vehicle range, public charging stations in Europe must be within 60 kilometers of each other, and the minimum charging power of charging post equipment at public charging stations must provide at least 150 kW.

The ratio of new energy vehicles to public charging posts varies by country




Source：Bloomberg NEF (2023)

3.4. The relationship between the upstream, midstream, and downstream sectors of the charging post industry

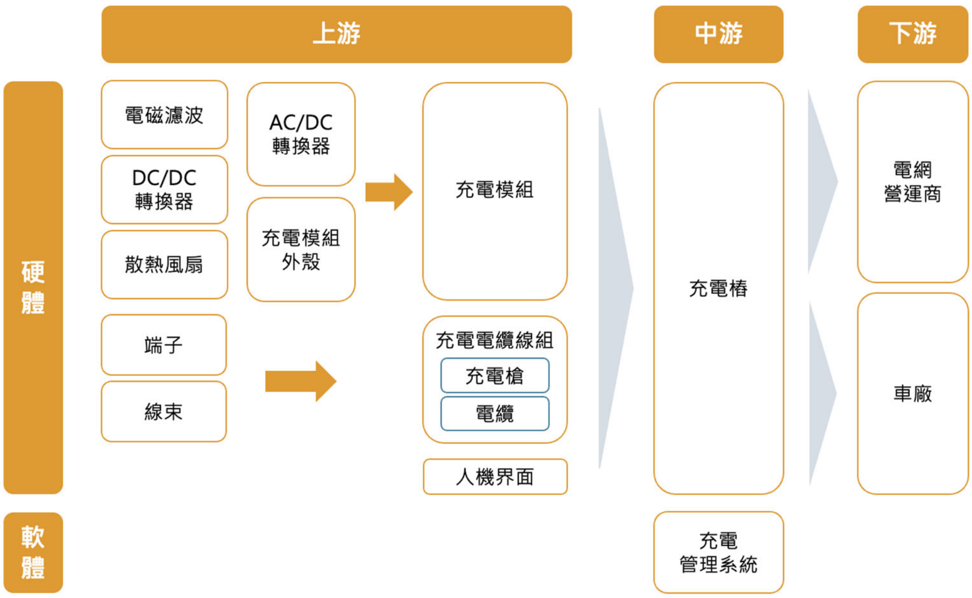
In the past, public charging posts mainly utilized slow charging technology. However, with increasing consumer anxiety about range and shifts in subsidy policies worldwide, the future trend is moving towards fast direct current (DC) charging. The focus of this transition lies in the reform of charging modules (including semiconductor components), charging cables, and charging guns.

(1) Silicon-based and silicon carbide (SiC)-based power semiconductors will be indispensable

Charging posts mainly consist of charging modules, cables, charging guns, and human-machine interfaces (displays). Among these components, charging modules account for approximately 45% to 55% of the total cost and are considered critical technological cores. The semiconductor components in the charging modules directly impact the performance of the charging post. Currently, direct current fast charging posts mainly utilize silicon-based insulated-gate bipolar transistor (IGBT) or silicon carbide (SiC) technology. With the acceleration of charging post construction and the increasing demand for high-power rapid charging, the usage of power semiconductors will also significantly increase.

(2) High thermal requirements for cables necessitate the use of liquid-cooled cable assemblies (including cables and charging guns)

In addition to upgrading semiconductor components in charging modules, high-power charging posts also need to address the thermal issues of cables and charging guns due to the high requirements for heat dissipation at the charging end. As the current of direct current fast charging posts exceeds 400A (400 times that of a mobile phone charger), a significant amount of waste heat is generated when passing through the conductor. High temperatures not only decrease the charging current, thus reducing charging efficiency, but also shorten the lifespan of peripheral insulation materials such as cables and charging guns. Therefore, overall thermal specifications also need to be enhanced.




4. Product development trend

(1) The trend of product miniaturization and refinement

Due to the thriving development of consumer electronics products in the downstream sector, the demand for light, thin and short, and portable features with an exquisite appearance has become the focus in mainstream design. In response, power supplies must be developed towards miniaturization and exquisiteness. Therefore, components in the upstream sector are also moving towards miniaturization and multi-function features, such as multi-function, high-tech, or high value-added chip-type components.

(2) The trend of product and technology improvement

Driven by factors such as the rapid launch of information and communication products, high efficiency and thinness of products, and the reduction of gross margin due to the maturity of the existing standard product market, manufacturers have begun to develop and learn new technologies to strengthen their ability to develop and design high value added products, to obtain new orders. For example, power supplies are being developed featuring high output power, high efficiency, as well as high dust and water resistance, to be used in communication products, gaming NBs, power battery chargers, and servers with stricter requirements.

(3) Trend of using energy-efficient and recycled materials

To mitigate the impact on the earth's ecological environment and current extreme climate caused by greenhouse gas emissions, in recent years, an array of brand factories and governments have put forward various commitments such as net zero, carbon neutrality, or low carbon emission reduction, etc. As an important part of the energy conversion process, power supplies play a crucial role in helping mitigate such impact. The European Union, the United

States, and other countries have formulated regulations on the efficiency and standby power of power supply, such as requirements for the effectiveness of DoE/Erp/CoC, which have become the basic threshold in the market. To this end, and to meet the increasingly stringent energy-saving and environmental protection requirements, the management at the technical level and of the product life cycle for power supplies has become more important. In addition, how to improve the efficiency of energy use in the production process, the use of clean renewable energy, and the introduction of PCR recycled materials are also questions for future product design.

(4) Automated production trend

On the one hand, due to the maturity of the standard product market, coupled with the enterprises in mainland China joining this industry, the price competition is fierce. However, in recent years, the prices of raw materials have continued to rise, labor costs in mainland China have increased significantly, and the labor force has declined, making it difficult to recruit workers and lead to personnel's high mobility. Thus, the cost of power supplies and the pressure on quality control has increased year by year. The only way to increase the economic scale is through automated production, which will lead to a decline in product prices and the need for manpower. Thus, product design in line with automated production, and the investment in automated production lines are inevitable.

(5) Digital power supply trend

With the increasingly stringent energy-saving standards and requirements for product miniaturization and intelligent communication for systems, digital power supply design has gradually replaced the traditional analog circuit design method. The number of parts used can be reduced through efficiency optimization parameter design and function integration to achieve miniaturization. In addition, digital power supplies have the following advantages:

A. Less affected by component error, characteristic drift, and aging.

B. The parameters set can be changed at any time in response to changes in different environments.

C. The operating status can be recorded for reference and debugging.

D. Product differentiation can be achieved through program settings without hardware replacement, to reduce inventory.

E. It can self-monitor the software, enhance the efficiency of product testing, and even replace functions to reduce the defective rate of production.

F. Product identification, operating records, and follow-up tracking can all be stored in memory for future management and debugging.

(6) USB PD 3.1 EPR Adaptor/Charger

The market has begun to develop products according to the USB PD 3.1 EPR 140/180/240W specifications to meet the increasing demands of brand manufacturers. The focus is primarily on various products, including gaming/creator laptops, gaming monitors, projector equipment, E-bikes, networking devices, electric tools, etc. This development aims to comply with the EU's 2021.09 regulation on universal chargers for electronic devices, and address the call for carbon emission reduction.

(7) Trend of high-power express charging and bidirectional charging for EVs

One of the important factors in the popularization of electric vehicles is solving the problem of EV charging. In this regard, a DC high-power charging post that can charge 80% of the power within 20 minutes is what product design aims for. Moreover, the research and development and integration of related future software and hardware technologies lies in having the power of electric vehicles fed back to the grid or energy storage system for the formation of a smart electric network in response to the requirements of the CCS regulations on bidirectional charging systems in 2025, so as to serve the purposes of improving the use of green energy, dispatching the peak/off-peak electric power to increase the efficiency of power use, and responding to needs of emergency power supply needs, etc.

(8) High-power integrated charging trend

In response to the trend of high-power charging, the focus is on the development of DC high-power electric vehicle charging posts to enhance advantages such as high efficiency, fast charging, and safety. To achieve this goal, the research and development team utilizes a modular 480kW power module to convert AC power to DC power, and provides high-power DC to electric vehicles through charging posts and charging guns. The modular design allows for more flexible space planning. Additionally, this 480 power cabinet can be parallel connected to 960kW, providing up to 6 sets of simultaneous charging output functions. With the most advanced power dynamic allocation technology, it can effectively utilize charging efficiency to meet compact charging demands. It represents the world's highest-power commercial single DC fast charging connector, catering to future scenarios such as commercial heavy-duty vehicles, electric ships, etc., leading the innovation and development of electric vehicle (EV) charging technology.

5、Situations of product competition:

(1) External competitors

Our Company was established in 1972, initially focusing on importing high-tech instruments and equipment. In 1973, we started manufacturing self-transformers and linear power supplies. Our product line gradually expanded to include various types of power supplies and adapters. In recent years, we have successfully developed energy storage systems and electric vehicle charging products. Our product applications have begun to expand into industries such as green energy and electric vehicles. However, consumer electronic products paired with power supplies remain our main focus. Due to a large number of power supply manufacturers at home and abroad, and the wide variety of products, the Company’s exports account for over 90% over the years, so its main competitors are all over the world.

**Major power supply suppliers in the world**

| Name of suppliers | |
|---|---|
| EU, US, Japan | Emerson、Schneider、SMA、Eaton、Power-one、Flextronics、Eltek Valere、Murata、TDK-Lambda、AEG、Friwo、ABB、SIEMENZ |
| Mainland China, HK | Dongguan Aohai, Chi-Yi, TEN PAO, HONOR, Gospower, Megmeet, YADA, Great Wall , Salcomp |
| Taiwan | Delta, LITE-ON, Chicony Power, FSP, AcBel, MEAN WELL, Phihong |

(2) Product substitutability

Most electronic products have built-in or externally connected power supplies of various forms to convert AC power into DC power of various voltages or enable normal operation of electronic products through DC power supply technology. Thus, power supplies can be said to be the heart of electronic products, one of the indispensable components of electronic products. Overall, no matter what form of supply of power it is, there is no other component that can completely replace this kind of analog power model.

(3) External competitors in the charging post industry

| Company Name | |
|---|---|
| EU, US, Japan | 1. EVgo Services LLC<br>2. PlugShare Inc.<br>3. Electrify America LLC<br>4. Greenlots Networks Inc.<br>5. Blink Charging Co.<br>6. Autel Intelligent Technology Corp., Ltd.<br>7. ChargePoint Holdings Inc.<br>8. Tesla Supercharger Network<br>9. SIEMENZ<br>10. Panasonic<br>11. Nichicon<br>12. Omoron |
| Mainland China, HK | 1. EasyMile<br>2. State Grid Corporation of China NARI Technology Development Co., Ltd.)<br>3. eradyne, Inc.<br>4. Kstar New Energy Co., Ltd.<br>5. Xuji Group Corporation<br>6. Sungrow Power Supply Co., Ltd.<br>7. ZTE Corporation<br>8. CHINT Electric Co., Ltd.<br>9. COSLIGHT Group<br>10. Star Charge<br>11. Teld New Energy Co., Ltd.<br>12. State Grid Corporation of China<br>13.ZhiChong Technology Co., Ltd. |
| Taiwan | 1. Delta Electronics<br>2. Shihlin Electric & Engineering Corporation |

| | |
|---|---|
| | 3. Pegatron Corporation<br>4. Fortune Electric Co. Ltd.<br>5. eTreego<br>6. LITEON Technology<br>7. Chung Hsin Electric & Machinery Manufacturing Corporation |

(III) Overview of Technologies and Research and Development Works

1、The Company's technological capabilities

The current product applications cover a wide range, from low-power smart phones and consumer electronics to medium and high-power applications such as gaming laptops, power battery chargers, PoE for network switches, AIoT, smart security monitoring, 5G small base stations/LEO/GEO/FWA, industrial and automation equipment, EV charging posts, etc. Our products possess multidimensional design capabilities, including:

High Efficiency and Energy Saving: Our products achieve a maximum full load efficiency of over 96% and an average efficiency of over 93%, far exceeding the latest regulations such as DoE 6.0 and CoC tier 2 (>89%).

Power Density: While typical 30 to 420W natural convection adapters in the market have a power density of 7~12 W/in3, our technology has surpassed 16 W/in3 and continues to break barriers through innovations.

Type-C Fast Charging Design: Our products comply with USB PD 3.1, QC 4.0, 3.3V~21V PPS (Programmable Power Supply), and multi-port product active power sharing specifications. They are compatible with battery packs for bidirectional charging/discharging and meet the requirements of terminal market applications. Currently, our product range covers 18W to 240W.

Lightning Protection and ESD Capability: Our lightning protection design can withstand outdoor applications with over 6KV, while our ESD prevention capability can withstand contactless air discharge modes of over 15KV. During these tests, our power supplies consistently meet Class A requirements for maintaining normal output.

Numerical Control Integration: We have a comprehensive software/firmware engineering team and collaborate closely with MCU manufacturers to significantly enhance our integration capabilities in software/hardware development. This, in turn, increases our design competitiveness in related industries.

Mechanical Design: Our designs feature IP67 waterproof and dustproof capabilities, undergo over 500 drum tests, and incorporate various patented AC interchangeable heads and foldable pins.

Safety Standard Compliance: In addition to general IT/communication UL/EN 62368 compliances, our products meet medical UL/EN 60601, household and industrial EN60335, UL1310, and UL1012 standards, as well as automotive charging post UL2594/2202, IEC61851, CNS15511/15700, GB/T18487/34657 standards and more.

EV/DC fast charging design: While most charging posts in the market are of the typical AC slow charging design, manufacturers offering DC fast charging posts are few, with many capped at 180KW. Flytek Technology currently reaches 480KW, continuously pushing forward with innovations and aiming for 720KW.

2. R&D expenditures

Unit: NT$1,000

| Year / Item | Consolidated Financial Statements | |
|---|---|---|
| | **Year of 2022** | **Year of 2023** |
| R&D Expenditures | 755,214 | 1,034,425 |
| Operating revenue | 14,017,575 | 12,332,397 |
| As a percentage of operating revenue | 5.39% | 8.39% |

3、Results achieved in the most recent year and before the date of publication of the Annual Report

| Year | Products under R&D |
|---|---|
| 2023 | 1. Various gallium nitride (GaN) power supply units for gaming laptops, including 240W/20V, 330W/20V products<br>2. Various chargers for electric vehicles and power batteries, including compact 168W, 218/252W products<br>3. Customized 65W gallium nitride 2C1A PD smart fast charger products for the retail market<br>4. Customized 65W gallium nitride 2C1A PD smart fast charger products for the retail market<br>5. Customized 65W gallium nitride 2C1A PD smart fast charger products for the retail market<br>6. Various type C power supply units for laptops and other electronic devices, including compact standard 45W/65W PD products.<br>7. Various type C chargers for mobile phones, including standard and compact gallium nitride 44W/80W/120W PD products.<br>8. Multi-purpose slim power supplies, including 180W adapters.<br>9. Second generation POE outdoor 75W adapter product<br>10. Customized low Earth orbit satellite communication power supply 60W adapter products.<br>11. Power modules for electric vehicle charging posts, including 30KW DC/DC modules, 40KW AC/DC modules, 60KW PFC water-cooled modules, 30KW DC water-cooled module products, integrated V2H (Vehicle-to-Home) solutions, high-power 480kW energy cabinets, and 480kW integrated charging posts.<br>12. 360KW Water-cooled charging posts for electric vehicles |

(IV) Long-term and short-term business development plans

1. Power Short-term development plan:

(1) To eliminate deficits and strengthen the overall system to turn losses into profits.。To refine the human system and product technical capabilities of the product business group in order to increase the number of new customers, new applications and development cases.。To deepen supply chain management, manage the price fluctuations of raw materials in the market, and integrate the standardization of materials for designs in order to reduce product costs and strengthen competitiveness of product prices. Effectively manage the inventory of products and materials through digital platforms, and strike a balance between the operational risks and the ability to secure orders.

(2) Marketing strategy:
Formulate cost optimization measures and pricing strategies to enhance the gross profit of the top 5 customers/20 major models for each product division. Reduce the order share for low-power/low-margin power supply units, and focus on developing high-power/fast-charging/high-margin/emerging industry/niche market applications.

(3) Production Strategy:
Implement automated production equipment for mass production models, and introduce Cell Line production lines for small-volume, diversified models, aligning with customer product demands and services. Actively improve manufacturing processes to enhance production efficiency, planning, and management, and continuously undertake quality improvements, employing standardized management to ensure quality. To reduce production and processing costs to improve competitiveness of the product price; and to introduce automated precision production equipment, robotic arms, commonly shared production jigs and tools, and to develop new processes, in order to expand production capacity and increase output value.

2.Short-term development plan for charging posts:

(1) Strategic Partnerships: ZEROVA Technologies is working closely with multiple charging station operators such as U-power, EVGallop Mobility System Corporation, EVOASIS, Noodoe, and YES CHARGING SERVICE CO., LTD. The collaboration aims to expand the charging infrastructure and continuously cooperate with public transportation operators and government agencies, participating in public and government charging projects to expand the charging ecosystem. Additionally, partnerships with automakers like Porsche and Audi Taiwan are underway to establish charging locations in Taiwan.

(2) Charging Post Certification: ZEROVA Technologies aims to obtain VPC certification for the DW30kW wall mounted, and DS60kW public and commercial charging posts by the first quarter of 2024. As more products pass VPC certification, it will inject greater momentum into Taiwan's electric vehicle charging infrastructure. While expanding its market presence, ZEROVA Technologies maintains excellent quality and meets international safety standards. In addition to the VPC safety certification from the Bureau of Standards, Metrology, and Inspection, M.O.E.A. it has also achieved certifications from the US Energy Star, UL, Intertek, and European CE, CB, EV Ready, as well as Japan's JARI.

(3) Production Expansion: To meet the global demand for charging posts and expand into the global market, ZEROVA Technologies is not only producing in Dongguan and Vietnam but also continuing the expansion projects of its second and third factories in Tainan to increase global charging post production capacity. Additionally, to expand into the Japanese market, ZEROVA Technologies purchased a factory in Chiba, Japan at the beginning of the year, actively preparing to expand its business in Japan.

3. Long-term development plan:

(1) R&D strategy:

Power Supply Products:：

A. Make good use of simulation-assisted physical design integration experience and software/hardware integration engineering design capabilities to ensure design feasibility, thereby shortening the product development cycle and winning the professional trust of customers.
B. Make good use of simulation-assisted physical design integration experience and software/hardware integration engineering design capabilities to ensure design feasibility, thereby shortening the product development cycle and winning the professional trust of customers.
C. Continuously improve the material cost structure of existing products and optimize processes to reduce production costs and thereby strengthen product competitiveness.
D. USB PD 3.1 product and technology development: Complying with the maximum output power and maximum output voltage requirements of the new regulations, the USD PD power supply application field has expanded from consumer products to e-sports laptops, power tools, electric bicycles, and the Internet Communication and other applications.
E. 300-1500W power supply product and technology development: Actively enter high-end niche markets such as 5G communications, power battery charging, robotics, and industrial control applications.

Charging Post Equipment Products:
Continuously carry out technological innovation and expand product application areas in key vertical fields, and focus on the research and development of high-power, high margin, charging equipment above 360kW. The main products are as follows:

A. Standalone DC Fast Charging Post: The DQ480 standalone DC charging post, equipped with four DC charging guns, offers customizable screen options including 7-inch, 21.5-inch, and 32-inch displays, providing electric vehicle owners with a better user experience in various settings. The DQ480 is ideal for urban parking areas with limited space and a need for rapid charging, such as commercial fleets, gas stations, business centers, and shopping malls, enhancing the turnover and usage efficiency of operators' charging facilities.
B. V2X Bidirectional Energy Storage System: V2X is a component of smart grid energy infrastructure. During peak electricity usage, disasters, or emergencies, it can reverse the flow of electricity from electric vehicles back to residential buildings, commercial office buildings, or the municipal power grid. V2X transforms electric vehicles from merely transportation tools into mobile energy storage units, also serving as backup power sources for homes and virtual power plants in cities. This system allows for flexible power dispatch to optimize energy use efficiency and promote the intelligent transformation of the power grid.
C. Electric Bus Charging Station: This is a pantograph charging post for electric buses, compatible with all standard charging technologies. Fully modular, it does not require manual plugging and unplugging.
D. Large Charging System: A 3.84 megawatt system designed for commercial fleets, capable of connecting 24 charging devices simultaneously. Integrated into a single cabinet, the energy storage system is upgradable.

(2) Marketing strategy:
Power Supply Products:
A. Focusing on cost structure improvements
B. Reorganizing production layouts to reduce costs and improve competitiveness，
C. Deeply exploring strategic niche markets, customers, and product development
D. Emphasizing high margin standard products and diversified business models
E. Emphasizing high-quality profits and not blindly pursuing revenue growth
F. Building GaN Core Technology and Value
Charging Equipment Products:
A. Focus on expanding scale and increasing the global sales network.
B. Recruit and establish an international management team to accelerate growth.
C. Continue research, development, and innovation to ensure long-term competitiveness.
D. Strategically select appropriate markets to achieve healthy and sustainable growth.
E. Pursue high-quality revenue.
F. Focus on quality, customer service, and delivery capabilities.
G. Continue to build a robust business model with diversified revenue streams.

(3) Regarding production strategy:
Stay current with customers’ demands and fluctuation in the market supply chain during low and peak seasons, and establish a comprehensive production and sales platform to minimize the risk of labor shortage in mainland China, in the hope of achieving production stability. In response to the threats of the US-China trade war and the avoidance of risks related to the concentration in the Dongguan area, actively strengthen the ratio of production capacity and orders for the production base in Vietnam. Meanwhile, combine the production resources in the Dongguan area to improve utilization and output value, benefiting our asset activation.

Optimize supply chain management and establish local supply chains to accurately understand the fluctuation of raw material prices in the market, supply and demand, and the delivery risks in the hope of minimizing the procurement costs and establishing and executing stocking plans in due course, as well as strengthening the product price and delivery competitiveness.

(4) Strategic Partnerships:

As a global leader in charging equipment, ChinoTech provides its partners with a comprehensive service model that includes design, production, validation, and service. ZEROVA Tech continues to capitalize on the business opportunities in the full development of electric vehicles, actively expanding into international markets to meet the global demand for charging equipment. Currently, our expansion markets include Japan, Thailand, Singapore, Malaysia, Europe, and the United States, which are also the main markets for charging post expansion. We have established partnerships with local hotels, apartment buildings, parking lots, gas stations, and heavy vehicle fleets, building a solid business foundation in a competitive market. Simultaneously, we are actively expanding the Taiwanese market through deep localization, and have established strategic partnerships with several third-party partners to ensure fast and reliable service. This approach perfectly aligns with the latest technologies from electric vehicle manufacturers to achieve optimal charging results.

# II. Analysis of Market as well as Production and Marketing Situation

(I) Analysis of Market

1.Percentages and areas of domestic and foreign sales of the main products in the last two years:

(1) Sales percentage Unit: %

| Year / Main Product | Year of 2022 | Year of 2023 |
|---|---|---|
| Power supply | 99.90% | 61.40% |
| Electric Vehicle Energy | - | 38.44% |
| Others | 0.10% | 0.16% |
| Total | 100.00% | 100% |

(2) Region of Sales Unit：NTD1000

| Year / Region of Sales | Year of 2022 | Year of 2023 |
|---|---|---|
| Domestic sales revenue | 322,798 | 396,658 |
| Asia | 9,570,107 | 4,778,399 |
| America | 2,331,342 | 5,367,868 |
| Europe | 1,622,631 | 1,666,411 |
| Others | 170,697 | 123,061 |

2. With the current thriving development of cloud information networks, optoelectronic applications, smart device applications (such as wearable devices), automotive electronics, and green energy concepts, the application range of power supplies is expanding. Industrial applications continue to increase, including personal computers, communications, networking, optoelectronic, precision instruments, automobiles, and information appliances. About 85% of them are concentrated in consumer electronics, mobile communications products, personal computers, and peripheral products. The industrial demand is mainly linked to the fluctuations of the overall economy and the information, communication, and electronics industries, particularly their subindustries.

(1) Supply side

According to research data from Micro-Tech Consultants (MTC), the switching power supply market in the world reached 50.617 billion US dollars in 2022. As the market scale continues to expand on the applications side, it is estimated that such market will reach 59.686 billion by 2025. As the market scale continues to expand on the application side, it shows a growing trend of the switching power supply year by year.

(2) Demand side

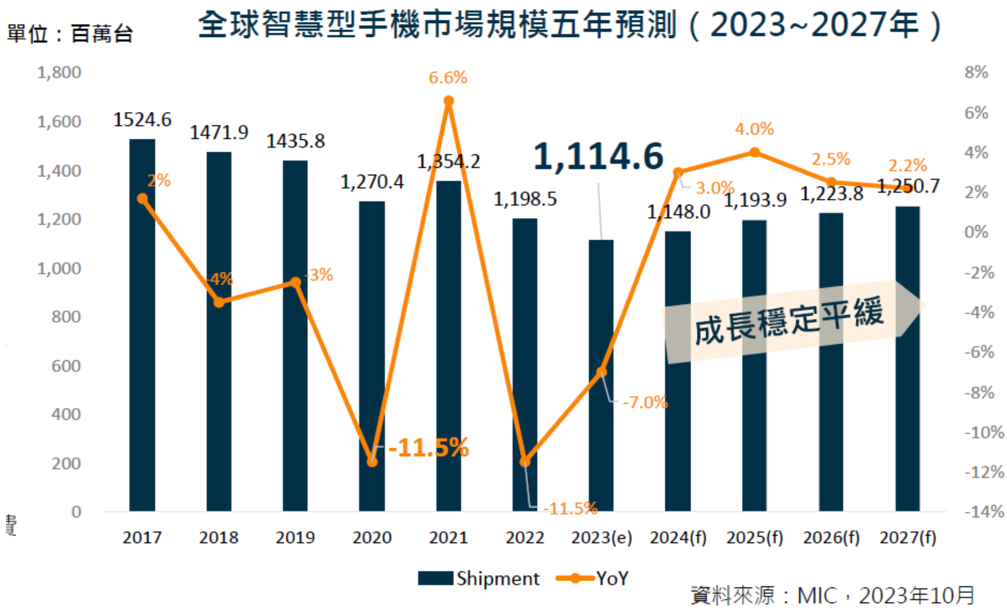
Although the power supply has a wide range of applications, since 85% of the products are used in consumer electronics, mobile communications, personal computers, and peripheral devices, the industrial demand is deeply affected by changes in the information, communications, and electronics industries. At present, the industrial applications engaged in and operated by the Company are as follows:

A. Smartphone Market:

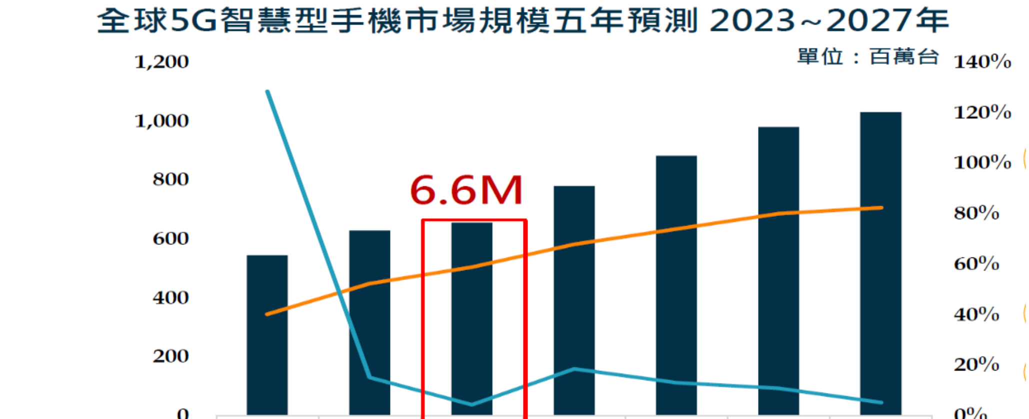
According to MIC statistics and forecasts, global smartphone shipments in 2023 are as follows:

A Decade Low: Inventory destocking in 2023 is expected to conclude in Q3, with the new device releases from Apple and Huawei fermenting and slightly boosting market confidence. It is estimated that global smartphone shipments will reach about 1.12 billion units in 2023, marking a year-on-year decline of 7%. The top five brands have all seen a decline in shipments due to weak demand, with Apple experiencing the smallest decrease. The market in Mainland China is expected to gradually recover in the second half of the year.

Cautiously Conservative Outlook for 2024: The revival of demand and the extent of market recovery in 2024 will still depend on the global economy. Brands continue to monitor market demand and are conservative with project initiations, estimating that shipments will reach about 1.15 billion units in 2024, a year-on-year growth of 3%. Looking ahead to 2024, brand manufacturers are concerned about insufficient demand stimulation, are conservative in placing orders, and are managing inventory levels cautiously. They often opt for shorter/urgent orders, presenting challenges for supply chain scheduling and production. Planning ahead is essential to avoid the risk of supply shortages.




The penetration rate of 5G smartphones continues to increase in 2023, though the growth rate has slowed due to poor market conditions, with Apple remaining a key player and having the highest 5G penetration rate among major brands. Chip manufacturers continue to compete in the mid-to-low-end 5G smartphone chip market, driving shipments. Looking forward to 2027, it is projected that 5G smartphone shipments will reach 1.03 billion units, with a Compound Annual Growth Rate (CAGR) of 9.4%.




| | 2021 | 2022 | 2023(e) | 2024(f) | 2025(f) | 2026(f) | 2027(f) |
|---|---|---|---|---|---|---|---|
| Shipments | 545.8 | 629.2 | 657.6 | 780.7 | 883.5 | 980.3 | 1,031.8 |
| Penetration | 40.3% | 52.5% | 59.0% | 68.0% | 74.0% | 80.1% | 82.5% |
| Shipment YoY | 128.5% | 15.3% | 4.5% | 18.7% | 13.2% | 10.9% | 5.30% |

資料來源：MIC，2023年10月

In 2023, affordable folding phones (USD $600~$900) have emerged, and it is expected that their shipment volumes and penetration rates will continue to increase in 2024. It is essential for Tier 1 and Tier 2 providers to push forward with folding phone models, potentially adopting a multi-supplier strategy combined with compromises on specifications to meet production volumes and price demands.

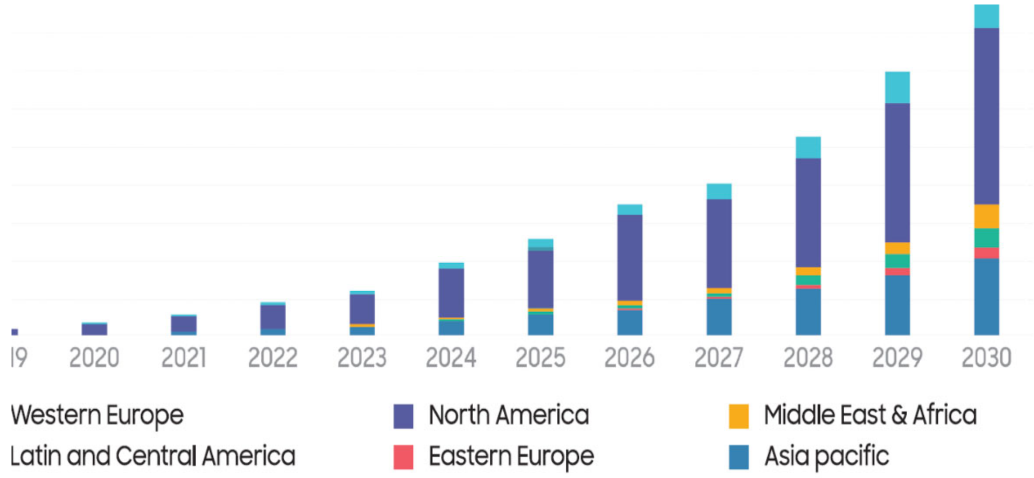
B. 5G Fixed Wireless Access (FWA) Market

Telecom operators are actively deploying 5G, and by 2021, global 5G commercial networks will become more widespread. Without the need for building dedicated enterprise networks, 5G FWA allows for the rapid establishment of internal networks at different branches, serving as a potential replacement for the last mile of traditional wired networks. FWA utilizes mobile network-supported user devices to provide broadband access. Entering the era of 5G, which theoretically offers speeds up to ten times faster than 4G, 5G download speeds can reach gigabit levels, comparable to fiber optic networks. The industry is optimistic about 5G driving a new wave of FWA applications, using 5G's high-speed wireless transmission to break the constraints of wired network deployment.

Ericsson notes that the demand for home fixed broadband has increased, which in turn has significantly boosted the traffic for operators providing Fixed Wireless Access (FWA). Ericsson predicts that by 2026, the global FWA user base will grow more than threefold, exceeding 180 million users, and will account for one-quarter of all mobile data traffic. As of July 2020, there were 37 commercial 5G FWA telecom operators globally, primarily in the US and Europe.

1. United States: To reduce the digital divide between urban and rural areas, since 2015 the FCC has continually subsidized telecom operators to provide network and voice services in rural areas. Most operators use FWA to reduce costs and rapidly expand coverage, achieving the FCC's targets; subsequent developments are expected to transition from 4G or unlicensed spectrum FWA to 5G to enhance connectivity quality.
2. Several US telecom operators, originally providing only fixed network services, have successfully bid for CBRS spectrum to offer FWA services.

3. Europe: 4G FWA, already popular in many European countries, is expected to be upgraded to 5G.
   Besides global players like Nokia and Ericsson, local firms such as Foxconn, Compal, Zyxel Communications, Arcadyan, Askey, Wistron, Alpha, Accton, SERCOMM and Cameo Technologies have also launched related 5G FWA products, including indoor and outdoor 5G FWA products.



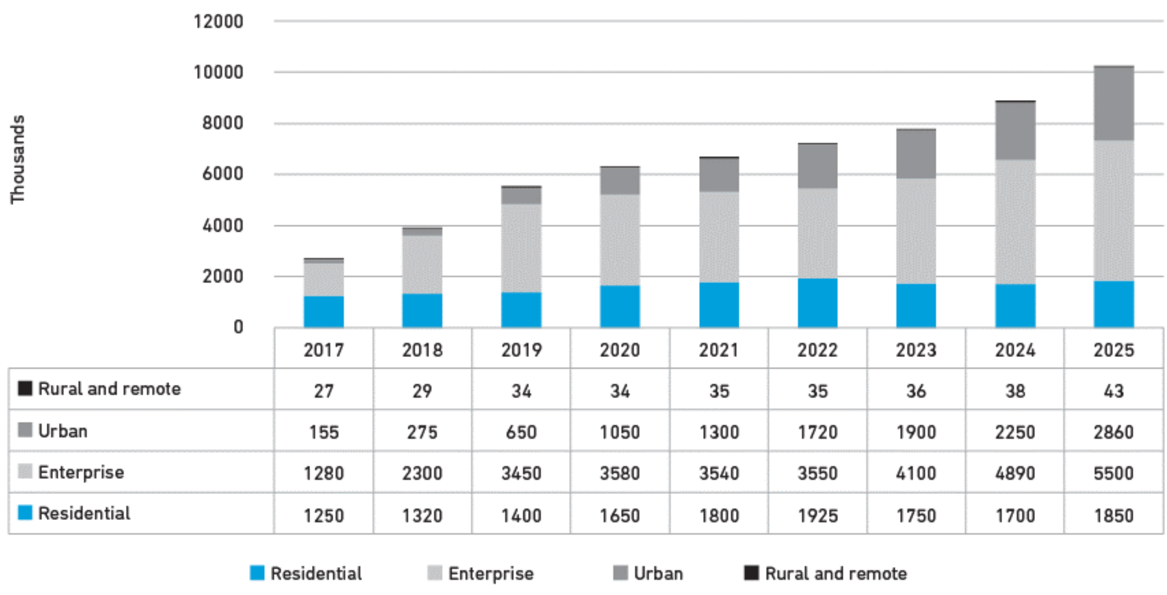

(Source : SNS Telecom)

C. 5G Small Cell and Private Network Market

According to the Market Intelligence & Consulting Institute (MIC), global telecom operators are expected to spend $1.1 trillion on network construction from 2020 to 2025, with nearly 80% of this investment focused on 5G, indicating that telecom operators are optimistic about 5G business opportunities. Additionally, the relaxation of regulations in Europe and the United States, along with the development of private networks, will improve mobile operators' willingness to build networks. Small cell deployments are expected to grow significantly in 2022 and 2023. However, global telecom operators first build large base stations and then use small base stations to improve indoor or building communication quality. Therefore, MIC predicts that the small cell business opportunities will not see significant growth until 2022-2023. By 2026, 5G small cells are expected to account for over 90% of the global market.

With an optimistic view of the global 5G market, the three major international public cloud providers are also entering this market to offer related services, leveraging cloud-native technologies to provide flexible deployment solutions. Microsoft, targeting edge computing requirements for enterprise 5G private networks, partnered with Verizon in September 2021 to launch a 5G enterprise private network edge computing solution using Azure Stack Edge to structure 5G private networks in the mmWave spectrum. In October 2021, Google Cloud launched Distributed Cloud, which can be deployed in enterprise data centers. This service can deploy base stations and edge computing facilities in a host mode to meet enterprise needs for building private networks. At its 2021 product conference, AWS unveiled a preview version of AWS Private 5G to simplify the complexity of deploying private networks. Enterprises only need to specify the area and bandwidth needed for the 5G private network, and AWS provides the necessary components, including small base stations, 5G core and RAN software, and SIM cards. AWS emphasizes flexible device scaling and deployment within a few days, with usage-based billing. Although licenses for private spectrum bands won't be issued until 2022, many 5G private network or 5G commercial frequency private network pilot projects are already in place locally, including those in industrial manufacturing, tourism, transportation, cultural exhibitions, disaster prevention and rescue, manufacturing, healthcare, and education.

## Small cell deployments and upgrades by environment 2017-2025



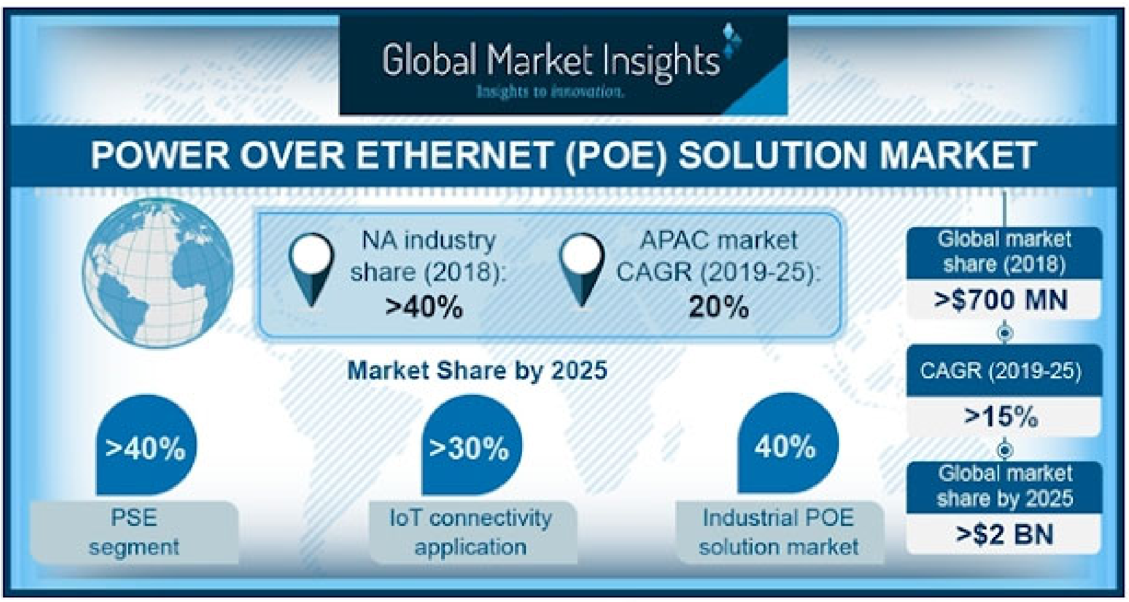

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|
| Rural and remote | 27 | 29 | 34 | 34 | 35 | 35 | 36 | 38 | 43 |
| Urban | 155 | 275 | 650 | 1050 | 1300 | 1720 | 1900 | 2250 | 2860 |
| Enterprise | 1280 | 2300 | 3450 | 3580 | 3540 | 3550 | 4100 | 4890 | 5500 |
| Residential | 1250 | 1320 | 1400 | 1650 | 1800 | 1925 | 1750 | 1700 | 1850 |

D. PoE power supply market

The Power over Ethernet (PoE) solutions market surpassed $700 million in 2018 and is expected to grow at a compound annual growth rate of over 15% from 2019 to 2025. PoE technology is widely used to support IoT projects, such as smart cities, smart grids, and smart buildings. IoT communication networks use PoE to power smart infrastructure, meeting the requirements of various IoT use cases. By 2025, the power sourcing equipment (PSE) segment is expected to account for over 40% of the PoE solutions market, because these devices are widely used to meet the power needs of powered devices, including wireless access points, cameras, VoIP phones, and POS terminals.

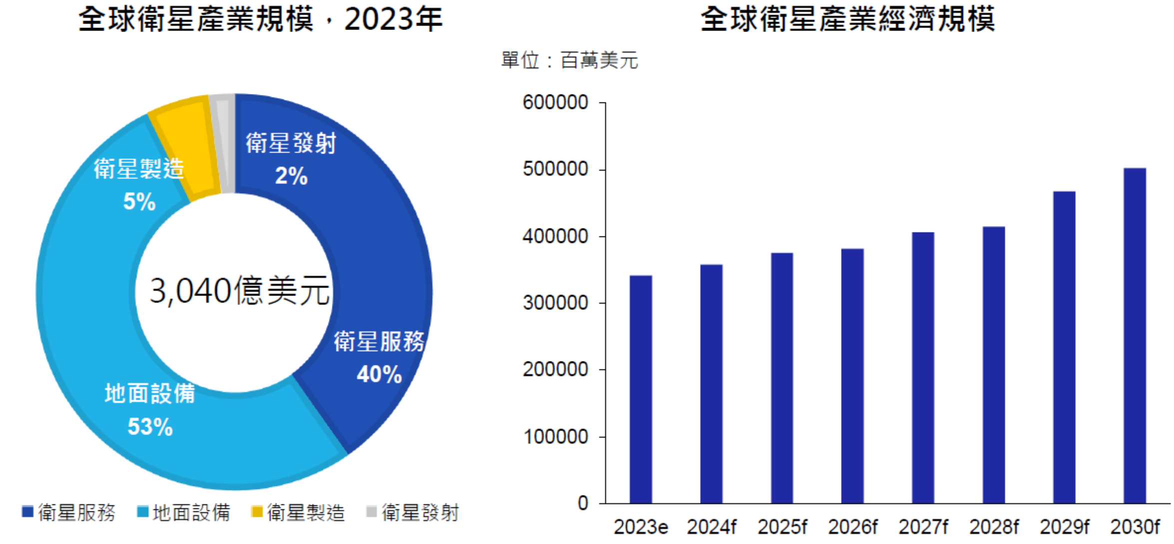
With the increasing use of IoT technology in manufacturing, retail, healthcare, and transportation verticals, the deployment of PoE-enabled switches and routers (which provide gigabit speeds to connected devices) will also surge. Various government initiatives, such as Industry 4.0 and smart city development, will further promote the adoption of PoE solutions by enabling power and data sharing through the same Ethernet cable infrastructure, improving energy efficiency.

North American Power over Ethernet (PoE) solutions market held over 40% of the industry's share in 2018 and is expected to maintain its dominance from 2019 to 2025.



E. LEO Low-Earth Orbit Satellite Communication Market

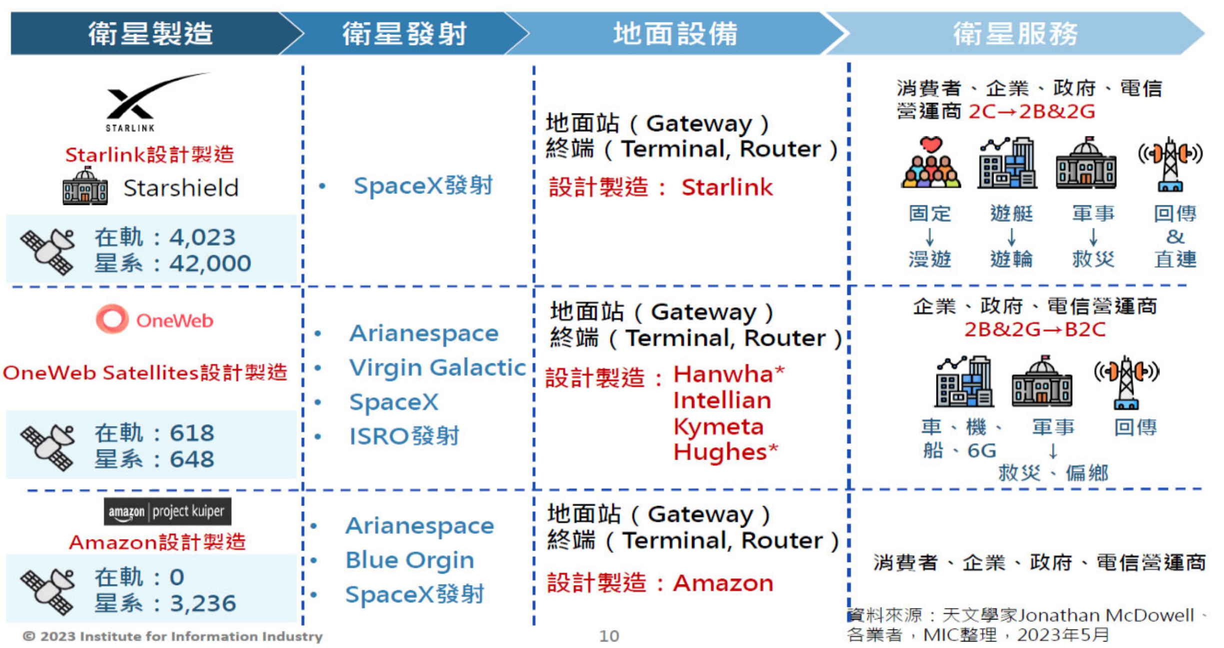
The MIC predicts that the global satellite industry will reach $304 billion in 2023. Ground equipment production will reach $154.4 billion, accounting for 53%, and satellite services will reach $118.4 billion, accounting for 40%. As major countries develop sovereign satellites and commercialize Low-Earth orbit satellites, the global satellite industry is expected to grow to $502.2 billion by 2030.

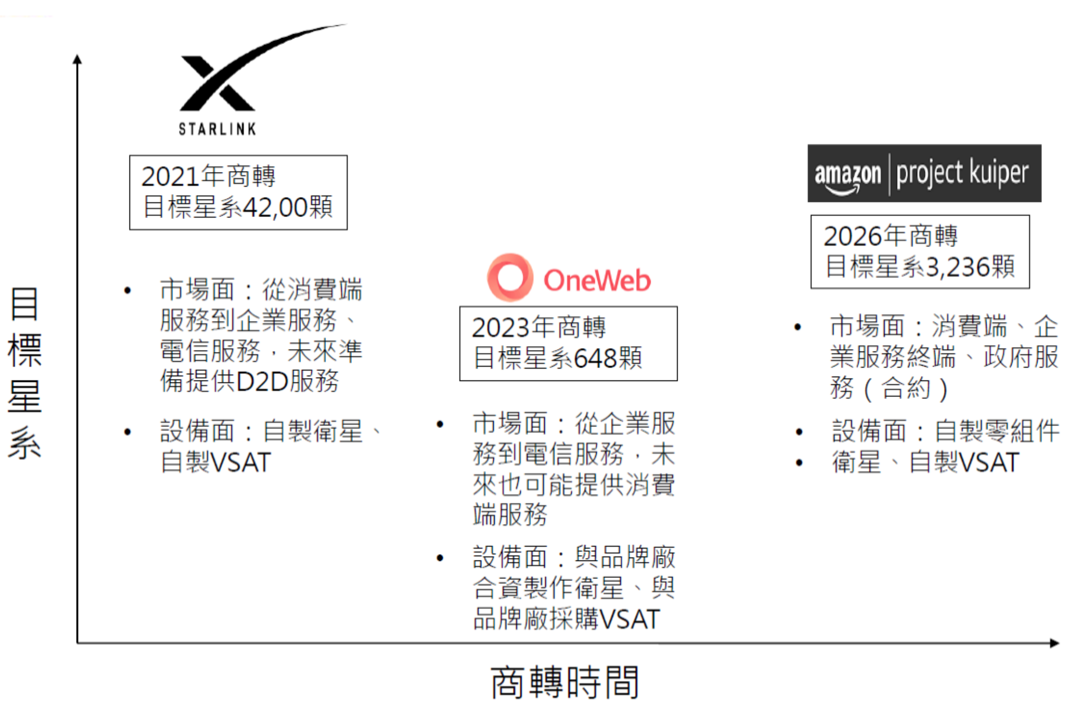


資料來源：Morgan Stanley 、MIC、MIC整理，2023年5月

After 2017, the speed of satellite launches accelerated, with 1,673 satellites launched in 2021. By 2022, out of the total 5,465 global satellites, 4,700 were low-Earth orbit satellites used for communications, remote sensing, science, and other applications. MIC predicts that from 2023 to 2030, the number of low-Earth orbit satellites will grow from 7,500 to 17,350.

SpaceX's Starlink and Europe's OneWeb satellite network service providers are hastening the deployment of their low-Earth orbit (LEO) satellite constellations to provide broadband connectivity to the ground. Some analysts believe that while satellite communication has traditionally been used in regions like maritime and high-altitude areas, where standard network services are unavailable, the rise of private satellite companies like Starlink, OneWeb, and Amazon's Project Kuiper will not only provide household wireless network services, but will also expand into mobile satellite broadband services. This may capture a share of the emerging 5G mobile communication market.





資料來源：MIC，2023年5月

F. General NB and Chrome Book Market

DIGITIMES Research stated global notebook (NB) shipments in 2022 reached 189 million units, marking a 24.3% year-on-year decline. Shipments are expected to continue decreasing in 2023, reaching 165 million units, down 11.77%. However, there is potential for a rebound in 2024, with an estimated shipment of 169 million units, representing a 2.61% year-on-year increase. Despite a potential recovery in 2024, dispersed production locations will intensify cost pressures felt by ODMs. The gradual transfer of orders by American brands remains in its initial warming phase, and the majority of the supply chain is still based in China. Transportation and production management impose additional costs, and brands are reluctant to absorb these new expenses, leaving the supply chain to shoulder the burden.

The DIGITIMES Research Center forecasts that the global notebook (NB) market will have a compound annual growth rate (CAGR) of 3% from 2023 to 2028. In 2024, market growth is expected to increase by 4.7%, driven by inflation easing and new product launches, marking the end of a two-year decline. In 2025, the market is expected to grow by 6%, benefiting from the new economic expansion cycle, and projected to be the strongest growth year in the next five years. A slight contraction is expected in 2027, as South Korean panel manufacturers gradually expand flexible OLED capacity, influenced by Apple's adoption.

資料來源：DIGITIMES Research，2023/8

Additionally, AI PCs were a spotlight at the 2024 CES consumer electronics show. Intel (INTC-US) and AMD (AMD-US) were quick to collaborate with laptop brands to launch a series of new products with built-in AI acceleration engines. By integrating a Neural Processing Unit (NPU), personal computers are no longer solely reliant on CPUs or GPUs for performance. Instead, they can use AI features to accurately manage workloads and distribute system power consumption. Paired with the Windows 11 operating system's Copilot shortcut key, users can enjoy a high-performance and energy-efficient experience.

TrendForce further indicates that killer applications for AI PCs have not yet been identified, and the penetration rate is expected to remain low this year, limiting growth potential. Therefore, innovative software applications will be the key factor in determining whether AI PCs can drive global laptop shipments in the next two to three years and lead to a new wave of device upgrades.

Affected by the pandemic, the remote working and work-from-home policy have greatly increased the demand for computers, while driving the diversified use scenarios of gaming notebooks. A gaming product that combines both entertainment and office needs can meet the expectations of different consumers in different applications; for example, the enhancement of work efficiency with strong effectiveness for business people; the satisfaction of leisure and entertainment needs of gaming players; and meeting the needs for both schoolwork and entertainment of the students.
In an IDC survey report, the total global shipment of gaming PC devices in 2020 is estimated to grow by 16.2% compared to last year's nearly 41.6 million units, reaching a record high of 49.6 million units. By 2024, it is expected to increase to 61.9 million units, with a compound annual growth rate of 5.7%.

2020～2024年電競PC裝置市場預估

| 年度 | 2020年 | | 2024年 | | 年複合成長率（%） |
|---|---|---|---|---|---|
| 產品 | 出貨量（萬台） | ASP（美元） | 出貨量（萬台） | ASP（美元） | |
| 電競桌機 | 1,480 | 699 | 1,580 | 671 | 1.6 |
| 電競螢幕 | 1,240 | 348 | 1,600 | 341 | 6.4 |
| 電競筆電 | 2,230 | 967 | 3,020 | 955 | 7.9 |
| 總量 | 4,960 | － | 6,190 | － | 5.7 |

資料來源：IDC，2020/9　　整理：翁毓嵐

G.E-Bike Market

With the rising awareness of environmental protection and the popularization of fitness concepts, e-bikes have become a new “green transportation tool” with the advantages of power conservation, free of pollution, and low noise. As the technology has becomes more sophisticated, and the unit price dropped, the market scale has grown substantially. By 2024, global demand for electric bicycles is expected to grow at an annual rate of 3.7%, reaching 28.7 million units. However, the global COVID-19 pandemic disrupted the electric bicycle supply chain, shut down many retailers, and significantly reduced consumer spending, causing electric bicycle sales in 2020 to drop to just over 23 million units.

The global electric bicycle market is primarily dominated by China, which accounted for 76% of global sales in 2019. As many of e-bikes are already used in China, and the motor vehicle retention rate continues to rise, China’s prospects for growth are quite limited. In addition, internal combustion engine scooters, scooters, and mopeds are still very popular. Outside China, the demand for e-bikes is expected to grow 8.5% annually, more than twice the global average. Multiple trends are expected to drive growth, including:
1.More consumers regard e-bikes as a safer alternative to public transportation.
2.The growth of personal income is from consumer spending in developing countries.
3.Cycling and mountain biking are becoming more popular all over the world.
4.Introduction of more powerful e-bikes helps narrow the performance gap between scooters and mopeds.
5.The development of professional models (such as freight electric bicycles and bike

motocross) will stimulate consumer interest.

6. After the pandemic, people's concerns about the use of public transportation have increased, and concerns about climate change and air pollution have also increased, which have motivated the government to introduce policies and subsidies for expanding the use of e-bikes.

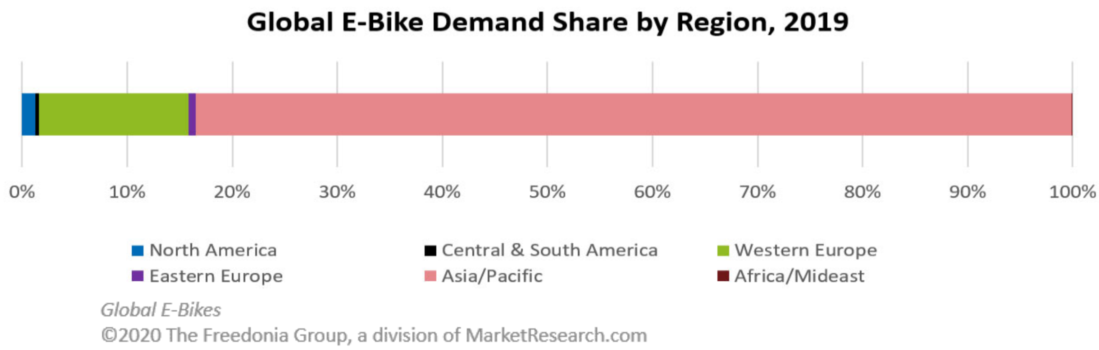
7.Governments around the world (including Italy, the U.K the U.S., and India) will encourage the use of e-bikes through regulatory changes and subsidies.

8.Global demand in the e-bike industry.

Global demand in the e-bike industry.

**Global E-Bike Demand by Region, 2009 – 2024 (thousand units)**

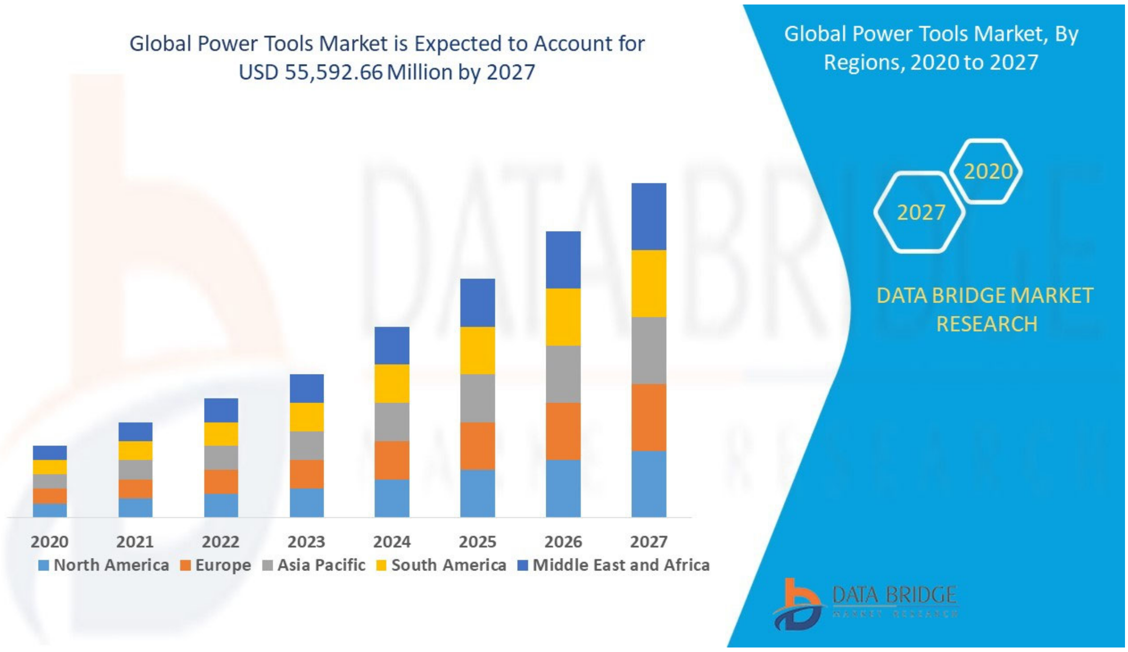
| Item | 2009 | 2014 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | % compound annual change '09-'14 | '14-'19 | '19-'24 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| E-Bike Demand | 15663 | 20443 | 23922 | 23026 | 24662 | 26372 | 27751 | 28742 | 5.5 % | 3.2 % | 3.7 % |
| North America | 110 | 180 | 318 | 293 | 359 | 413 | 467 | 512 | 10.4 % | 12.1 % | 10.0 % |
| Central & S America | 35 | 59 | 69 | 60 | 65 | 80 | 100 | 115 | 11.0 % | 3.2 % | 10.8 % |
| Western Europe | 573 | 1293 | 3410 | 3355 | 3680 | 4160 | 4610 | 5065 | 17.7 % | 21.4 % | 8.2 % |
| Eastern Europe | 35 | 90 | 165 | 155 | 165 | 195 | 230 | 270 | 20.8 % | 12.9 % | 10.4 % |
| Asia/Pacific | 14895 | 18796 | 19925 | 19133 | 20358 | 21483 | 22298 | 22730 | 4.8 % | 1.2 % | 2.7 % |
| Africa/Mideast | 15 | 25 | 35 | 30 | 35 | 41 | 46 | 50 | 10.8 % | 7.0 % | 7.4 % |




H. Power tool industry

As the global economic development has become sluggish, it has also tightened individuals' and families' budgets for personal consumption and residential maintenance costs, unexpectedly driving the do-it-yourself maintenance trend.但However, the current specifications in this market tend to be more customized, and there are many competitors. Therefore, most customers demand flexibility and quick response in the model design and sample schedule, and the price margin is relatively large.

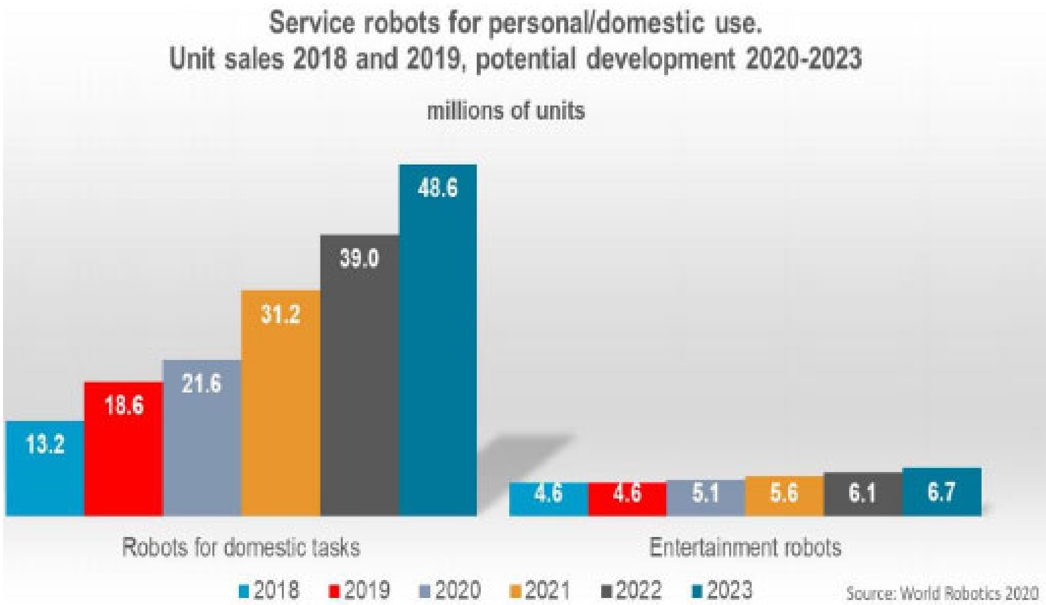
With the introduction of new lithium batteries, power tools are growing rapidly in the global hand tool market; particularly in recent years, major tool manufacturers have been devoted to wireless hand-held automatic machine tools. Bosch President Henk Becker mentioned, "The cordless tool market will grow rapidly in the next five years. Its market share in the tools segment will increase from 40% to 60%, and our investment in battery systems will absolutely be worth it." According to market research firmData Bridge, the global power tools market size was approximately $41.2 billion in 2020, and it is projected to reach $55.6 billion by 2027, with a compound annual growth rate (CAGR) of 4.7%. Among them, cordless power tools account for more than 50%, and they are the star of power tools. Products are constantly being developed toward high wattage, light weight, and low charging hours.




I. Service robot industry

Different from industrial robots, professional service robots are mainly used in industries other than manufacturing, such as logistics, retail, food and beverages, and healthcare, and are usually used to assist rather than replace humans. Most service robots have wheels, so they have maneuverability or semi-maneuverability.

Deloitte's industry research team further predicts that the professional service robot market will experience double-digit growth in 2020 and the coming years, becoming a rapidly emerging product in the market. This optimistic forecast is based on the influence of two major technological advancements: the enhancement of wireless connectivity capabilities through 5G network technology and the continued price reduction and advancement of Edge AI (Artificial Intelligence) chips. According to a recent report from World Robotics, it is estimated that 21.6 million service robots will be sold in 2020, with annual growth rates ranging from 25% to 44% until 2023, reaching 48.6 million units.



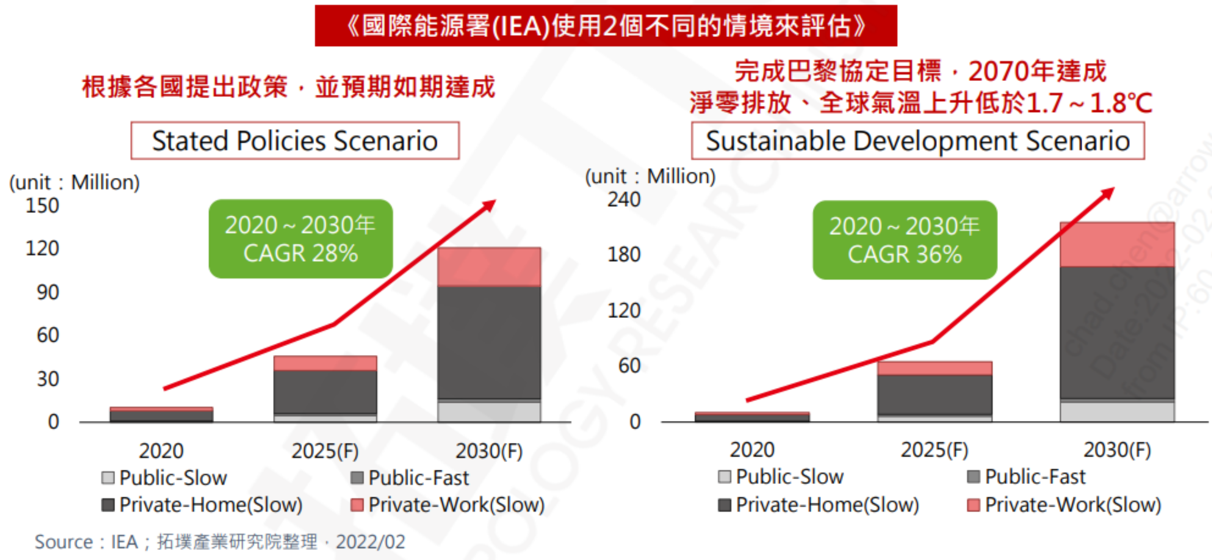

J. Medical Grade Respirator Application Power Supply

The global aging population continues to rise, and the increasing focus on personal health drives the development of the global medical materials market, which is expected to reach approximately $517.4 billion in 2021, with a compound annual growth rate (CAGR) of 4.78% from 2016 to 2021. Among them, the demand for lightweight and portable medical devices, especially for home healthcare applications, has grown significantly. Due to Covid-19 causing pulmonary complications, which may be irreversible, the increasing global population affected by the virus may lead to a subsequent trend in post-recovery care. The demand for home respiratory devices is increasing, coupled with the fast pace of life and various stressors, the population suffering from insomnia is increasing year by year, emphasizing the importance of sleep quality, leading to a visible demand for sleep respiratory devices. The global sleep apnea device market is expected to expand from $14 billion in 2020 to $25 billion by 2028. The market is predicted to grow at a compound annual growth rate (CAGR) of 8.65% from 2020 to 2028.

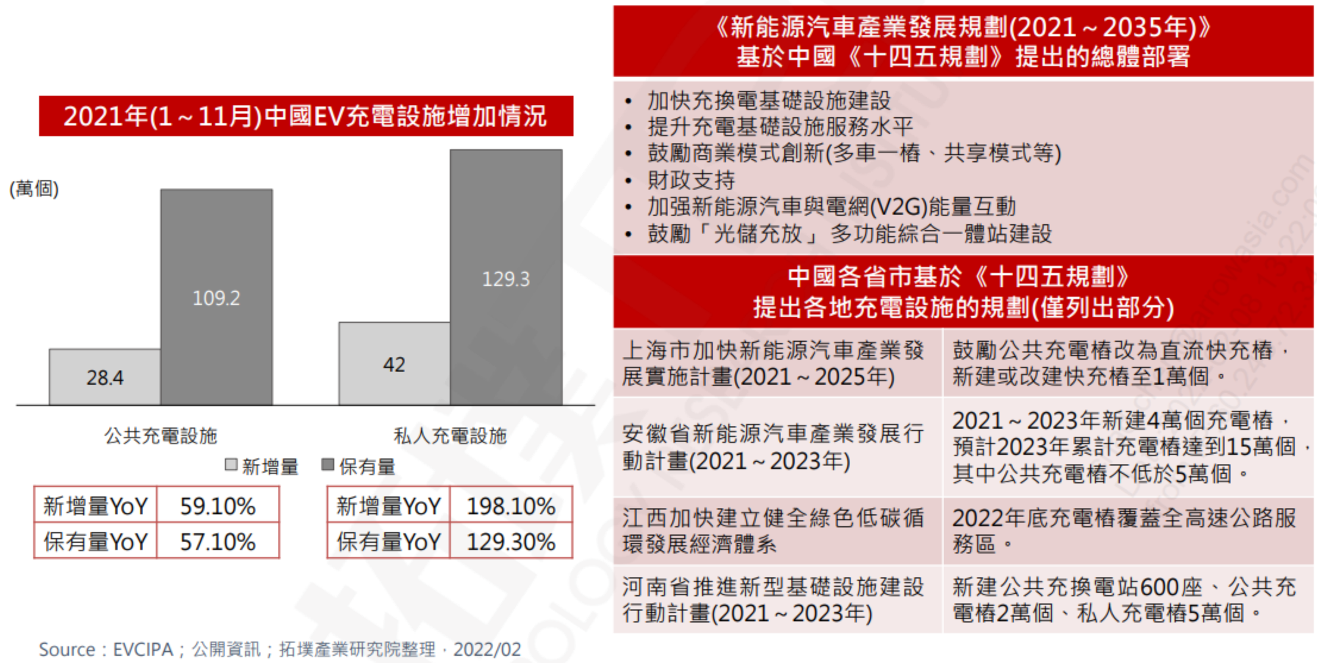

K. Electric Vehicle Charging Station Market

Looking ahead to the global electric vehicle (EV) market until 2025, DIGITIMES Research remains optimistic about the growth momentum of electric vehicles. As the phase-out schedules for internal combustion engine vehicles (ICEVs) draw closer, car manufacturers continue to invest heavily in their electric vehicle divisions to avoid paying carbon taxes and hefty fines. Many individual car manufacturers are investing upwards of billions of dollars. DIGITIMES Research estimates that by 2025, global electric vehicle sales will reach 28.5 million units, with a penetration rate exceeding 30%. The compound annual growth rate (CAGR) of the electric vehicle market from 2020 to 2025 is projected to reach 55.4%, far exceeding the overall automotive market performance of 4.7%.

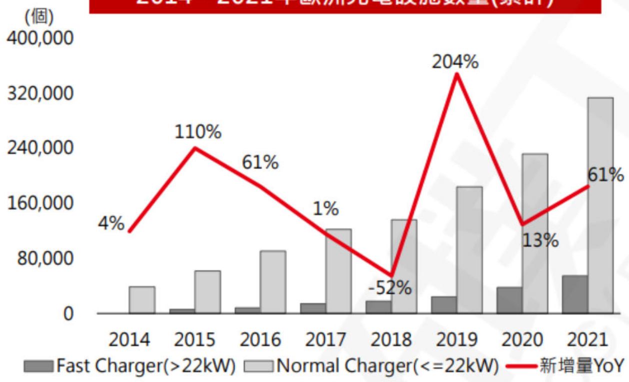
According to statistics from various national automotive associations and the International Energy Agency (IEA), regions with higher electric vehicle sales tend to have more charging stations, indicating a positive correlation between the two. The concentration of charging stations in the three major electric vehicle regions—China, Europe, and the United States—is as high as 90%. China has the highest number of electric vehicles in circulation, with nearly 4.6 million units in 2020, and also the highest number of charging stations, reaching 807,000, accounting for over 60% of the global total. In terms of the ratio of vehicles to charging stations, China has the closest ratio at 6:1, while Europe and the United States have ratios of 11:1 and 16:1, respectively, meaning that Chinese EV owners experience shorter waiting times for charging. Furthermore, China also has the highest proportion of fast charging stations, reaching 38%.




The future deployment of charging stations in the three major electric vehicle regions will develop in two directions: first, there will be a continuous increase in the number of charging stations, including both AC charging stations and DC fast charging posts, with the goal of achieving an ideal ratio of one charging station per vehicle (i.e., a 1:1 ratio of vehicles to charging posts). Second, to increase the proportion of express charging posts, with the purpose of reducing the waiting time for vehicle owners to charge their vehicles. The development plans of charging posts in each regional market are shown in the following figures:



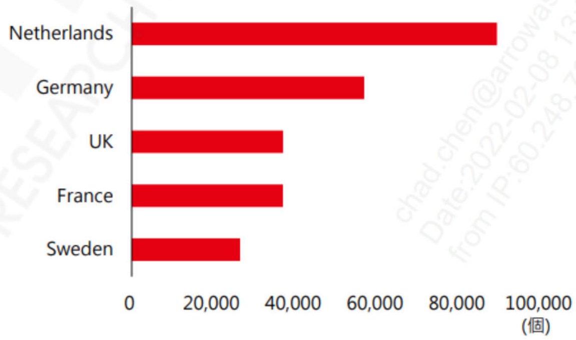
2014～2021年歐洲充電設施數量(累計)




註：(1)包含歐盟、英國、EFTA、土耳其；(2)統計至2021年12月。

Source：EAFO；拓墣產業研究院整理，2022/02

2021年歐洲國家公共充電站點數量Top5

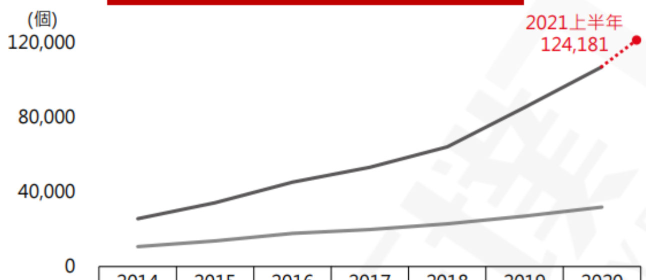





◆ 美國2019年電動車充電設施(EVSE)新增速度加快，2021上半年即增加超過17,000個EVSE。

◆ Biden政府甫宣布將撥75億美元建立全球電動車網絡，且每個州市政府也都有充電設施相關補助或獎勵措施，充電設施的設立多於城市的潔淨計畫有關。

2014～2020年
美國公共與私人充電設施數量(累計)




| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| EVSE Port | 25,602 | 34,151 | 45,124 | 53,117 | 64,037 | 85,079 | 106,814 |
| Station Location | 10,712 | 13,696 | 17,723 | 19,792 | 22,826 | 26,959 | 31,738 |

Source：U.S. Department of Energy；拓墣產業研究院整理，2022/02

**Infrastructure Investment and Jobs Act of 2021**

- 75億美元建立全國電動車充電網絡。
- 資助的EVSE(電動車充電設施)需為公共使用。
- 成立EV Working Group，負責EVSE許可與監管問題。
- 成立能源與交通聯合辦公室，研究EVSE和氫能源基礎設施部署的聯合問題。
- 向各州提供資金，部署EVSE和聯網裝置。

**Executive Order 14057**

- 政府採購車輛目標於2035年達100%購買零排放車輛、2027年達100%購買零排放輕型車。

**美國各州充電基礎設施激勵措施**

| | |
|---|---|
| 加州長灘市 | 擁有或租賃電動車並符合條件或獲得許可的居民可免費安裝EVSE(充電設施)。 |
| 華盛頓州西雅圖市 | 作為支持Seattle's Drive Clean計畫，西雅圖市在所有公用事業服務場所建立直流快充EVSE。 |
| 紐約州紐約市 | 作為紐約市City's Clean Fleet Transition Plan一環<br>1. 將安裝80個DC EVSE。<br>2. 2025年前20%市府停車區域要有Level 2 EVSE、2030年前要達到40%。<br>3. 2025年前建立1,000個路邊Level 2 EVSE、2030年前達到10,000個。<br>4. 用戶充電系統與街道基礎設施結合。 |

3. Advantages, disadvantages and countermeasures of competitive niche and development prospects

(1) Master key technologies

To maintain their competitive advantages, power supply manufacturers must continue to improve their manufacturing technologies and production capacity to effectively reduce production costs and consolidate leadership positions in the industry. Therefore, power supply manufacturers must first develop and obtain relevant safety certificates around the world from commissioned agencies, in response to market demand, while surpassing other competitors to distribute products in the market via their retail/wholesale customers in the shortest time, to gain the sales opportunities. Therefore, through a strong R&D team and a complete and rapid product manufacturing system, the Company collaborates with major customers, actively develops high precision industrial power applications, and develops energy conservation and energy storage conversion solutions, while advancing the technology for high stability, lightweight, thin, short, small, and high-tech intensive power supply systems. In addition to possessing advanced products and manufacturing technologies, automated and computerized management is adopted in production scheduling and product quality for real-time control and tracking, to maximize the production efficiency of an entire plant.

(2) Product environmental protection and good quality

At the source of self-developed design, various regulations are incorporated to ensure that products comply with the requirements of RoHS, Pb-free, Halogen-free, and HSF. Through systematic "source management," RoHS is controlled to comprehensively monitor progress in manufacturing processes and material management. By obtaining certifications such as ISO9001, ISO14001, OHSAS18000, ISO13485, IATF16949, the Company implements comprehensive management in product quality, environmental protection, and occupational health and safety, ensuring that all products not only pass relevant safety certifications but also comply with the requirements of the EU RoHS directive. Additionally, new designs are gradually introduced to comply with the Energy Star specifications. Furthermore, the Company is dedicated to promoting and implementing the EU WEEE directive and EuP directive (product energy efficiency standards) to provide customers with more environmentally friendly and higher quality products.

(3) Close customer relationship

In addition to providing good quality, accurate delivery, and reasonable prices, the Company keeps abreast of market trends through the overseas subsidiaries' proximity to the export markets, while serving customers and learning about customers' needs in its overseas locations close to the customers to provide excellent products to enable customers to obtain advantages in competition. Thus, we can maintain long-term and close partnerships.

(4) High degree of automation

Under the trend of power supply miniaturization, the profit margin continues to be squeezed. Only with the increase in production yield can we reduce manufacturers' unit production cost and increase profitability. In addition, consumer electronic power supplies must be mass produced to some extent to minimize production costs and increase competitiveness. Therefore, a high degree of automation is a characteristic of this industry, which will create certain barriers to entry for other competitors.

(5)Manage Raw Material Sources

The Company has established a stable supply relationship with major raw material suppliers, and there are several core suppliers of the same type of materials to choose from, so the supply source is stable, the quality is good, and the delivery time and the price can be managed effectively. Moreover, the Company will pay attention to the supply and demand of key components in the market at all times, and maintain close relations with its manufacturers to maintain the stability of the supply. The Company also reduces inventory costs through computerized management of the procurement system, to strictly control the delivery date and quantity of raw materials, and obtains bargaining positions through large purchases, and even engages in joint purchases with major Japanese manufacturers to reduce purchase costs.

4. Advantages and disadvantages of the development prospects and countermeasures

(1) Favorable factors:

A. Tight product relevancy with wide application scope

Since the power supply is an indispensable main component of all electronic products, as electronic products are integrated with current and advanced technologies to create more terminal applications, the demand for power supplies for electronic products will increase accordingly. Furthermore, electronic products will continue to be innovated and changed in line with consumers' preferences, which will enhance the competitiveness of the products themselves and prolong the life cycle of the products, thereby continuing to generate demand for power supplies.

B. Continuous growth in the information and communications industry

Due to the vigorous development and continuous innovation of various information/ communications and semiconductor process technologies, many new technological developments and application trends have been formed, including cloud information networks and service platforms, AI+ Internet of Things (IOT), 5G + Wi-Fi communications, AI + 5G + HPC financial technology (fintech), energy storage + EV charging + smart grid, smart home, and smart city, robots, non-contact remote business opportunities, etc., thus promoting the continuous innovation and growth of the required industry of intelligent hardware devices, which in turn brings about new demand for power supply manufacturers.

C. An expanding array of safety regulations, with high thresholds in competition:

In terms of safety regulations, the Company has introduced ways to identify various regulations from the source of R&D design, so that products can comply with the provisions of RoHS, Pb-free, Halogen-free, HSF, etc. In terms of safety specifications, the products also comply with continuously updated standards, such as UL/IEC62368, UL/IEC60601, UL1012/1310, IEC60335, UL2594/2202, IEC61851, CNS15511, GB/T18487/34657, etc. In addition, the Company has passed quality certification of ISO9001, ISO14001, ISO13485, OHSAS18000, IATF16949, etc.

(2) Unfavorable factors:

A. A. In recent years, due to labor shortages and a rapid increase in wage costs, plus difficulty in training R&D and technical personnel, the operating costs are relatively higher.

<u>Response measures:</u>

In addition to reducing workforce needs through outsourcing processing projects and adding automation equipment, the Company will adopt vertical integration to set up production-oriented subsidiaries overseas by means of international division of labor.

Meanwhile, it will strengthen employees' education and training in each factory, and improve employee benefits, to reduce employee turnover, improve employees' commitment to the Company, and attract outstanding talent to join and stay, to improve the competitiveness in the industry.

B. High-tech products feature a short life cycle and rapid market changes. In addition, emerging countries have successively invested in the development of this industry, so competition among manufacturers is fierce, and a price war is expected.

Response measures:

a. Company will accelerate the pace of global layout and internationalization, while building world-class factories and further upgrading production manufacturing services, with customer satisfaction as the top priority. It will also make full use of the advantages of existing overseas subsidiaries' sales bases to quickly respond to market demands and trends, to enhance the competitiveness and profitability of the Company.

b. From a global perspective, the Company's respective departments, suppliers and customers are integrated, data operation and management is strengthened, and data analysis platform is introduced to grasp changes in market conditions in a timely manner, make timely decisions and responses, and complete the production and marketing management of the global supply chain, so that production and marketing costs can be maintained at an appropriate level. It will regard customers as partners and participate in the development and design of their products, thereby improving the Company's technology R&D capabilities and reducing production costs, to expand its market share and increase the barriers to entry for other competitors.

c. Through a complete global R&D layout, the Company will set up R&D centers in New York, California, Dongguan, and other places, and establish a R&D center in Tainan to directly undertake design projects, shorten the product development timeline, and at the same time introduce outstanding talent from different backgrounds in the R&D center at the headquarters in Taiwan to provide customers with more real-time services.

d. Production automation is introduced and optimized to reduce the number of direct operators and increase unit production capacity, improve supply chain management and establish local supply chains, and to accurately grasp customer demands in peak/ offpeak seasons. Also to monitor price fluctuations of raw materials in the market, as well as supply and demand conditions and delivery risks, to reduce procurement costs and formulate and implement strategic material preparation plans in a timely manner. This will strengthen product pricing and delivery competitiveness and reduce quality risks.

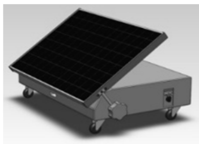
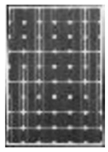
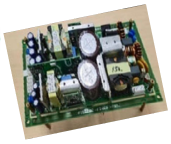
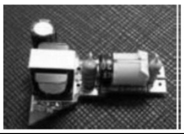
e. The Company actively invests in the development of green, energy-saving products. Not only does it aim to obtain patents, but also new technologies and designs must meet global energy-saving standards to upgrade the product level and enhance the brand image, thereby attracting more international companies and raising the barriers to entry.

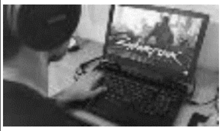
f. Since the beginning of R&D and design, investments have been made in researching applications of new materials and new technologies, the study of relevant laws and regulations, and the collection of application requirements for products in emerging or niche markets, to ensure the correctness of the R&D direction and a leading position for technical capabilities.

(II) The important uses and production processes of the main products

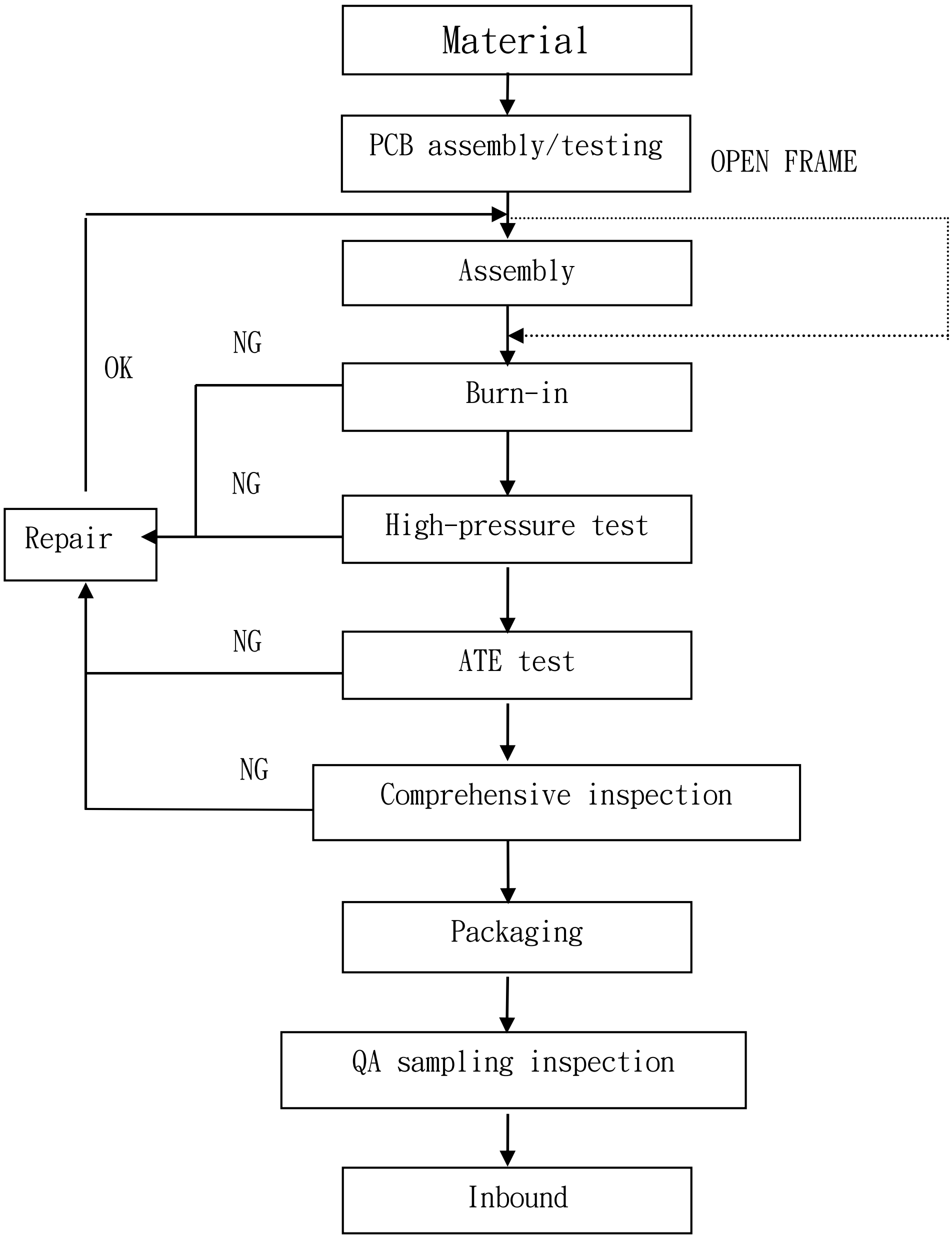
1、Important uses of the products:

| Main Product | Main purpose or function |
|---|---|
| Adapter / Charge r/Cable  | Smart Phone / NB / AR&VR / Networking / POS / Smart home appliance/ Medical device    |
| Battery Charger  | Ni-Cd / Ni-MH/ Li-ion   |

| Main Product | Main purpose or function |
|---|---|
| Car charger  | Phone / GPS / Digital camera   |
| EV Charger    | Bus /Car / Bike / Trailer / Wheelchair   |
| PV-Inverter  | Solar on grid products.    |
| Open frame power   | Industrial, Printers, POE switch   |
| POE (Power Over Ethernet)   | Security / Telecommunication / IP phone/LEO  |
| LED DRIVER  | LED Bulbs   |
| Wireless Charger  | Smart Phone, Tablets   |
| Energy Storage System   | AC Charging, DC Charging (USB), Solar      |
| High power Battery Charger  | Battery charging   |

| Main Product | Main purpose or function |
|---|---|
| Battery inverter   | AC Charge/Discharge  |
| E-bike charger   | E-bikes  |
| Gaming charger  | Gaming laptops  |

2. Main Product Production Flow Chart




(III) Supply status of main raw materials:

The raw materials used by the Company are very accessible on the market, and the relationship with raw material suppliers has been positive for many years. Currently, the supply of raw materials is stable and sound, and the price can be flexibly determined at any time based on market conditions in the Information and electronics industry at the time, so the supply of the Company's primary raw materials is great.

(4)The names of customers who have accounted for more than 10% of the total purchases (sales) in any of the last two years, their purchases (sales) amounts and proportions, and the reasons for the increase or decrease.

1 Information of major suppliers in the last two years Unit: NT$1,000, %

| Item | Year 2022 | | | | Year 2023 | | | | As of first quarter of 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Amount | Percentage of Annual Net Purchases 〔%〕 | Relationship with Issuer | Name | Amount | Percentage of Annual Net Purchases〔%〕 | Relationship with Issuer | Name | Amount | "The purchase net amount ratio as of the end of the previous quarter of the current fiscal year [%] | Relationship with Issuer |
| | | | | | | | | | A | 194,570 | 15 | N/A |
| | Others | 9,493,371 | 100 | NA | Others | 6,296,843 | 100 | NA | Others | 1,064,462 | 85 | NA |
| | Net purchase amounts | 9,493,371 | 100 | - | Net purchase amounts | 6,296,843 | 100 | | Net purchase amounts | 1,259,032 | 100 | - |

Note 1: List the names of suppliers that accounted for over 10% of total purchases in the last two years, along with their purchase amounts and ratios. If contracts prohibit disclosing supplier names, or if the transaction involves individuals who are not related parties, a code should be used instead.

Note 2: Reasons for changes in purchase amounts: This was due to a significant reduction in purchases resulting from changes in the product structure proportion this period.

2.Major Sales Client in recent 2 years Unit: NT$1,000, %

| Item | Year 2022 | | | | Year 2023 | | | | As of first quarter of 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Amount | Percentage of Annual Net Sales (%) | Item | Name | Amount | Percentage of Annual Net Sales (%) | Relationship with Issuer | Name | Amount | The sales net amount ratio as of the end of the previous quarter of the current fiscal year [%] | Relationship with Issuer |
| 1 | A | 2,645,962 | 19 | NA | A | 1,624,039 | 13 | NA | A | 283,094 | 12 | N/A |
| 2 | B | 2,334,051 | 17 | NA | B | 1,607,820 | 13 | NA | | | | |
| 3 | C | 1,550,982 | 11 | NA | B | 1,308,381 | 11 | NA | | | | |
| | Others | 7,486,580 | 53 | | Others | 7,792,157 | 63 | | Others | 2,058,205 | 88 | |
| | Net sale amount | 14,017,575 | 100 | | Net sales | 12,332,397 | 100 | | Net sales | 2,342,299 | 100 | |

Note 1: List the names of customers that accounted for over 10% of total sales in the last two years, along with their sales amounts and ratios. If contracts prohibit disclosing customer names, or if the transaction involves individuals who are not related parties, a code may be used instead.

Note 2: Reasons for changes in revenue amounts: This was due to a significant reduction in sales resulting from changes in the product structure proportion during this period.

(5) Production value table for the last two years

Unit: NT$1,000, %

| Year / Sales value / Major Products | Year 2022 | | | Year 2023 | | |
|---|---|---|---|---|---|---|
| | Capacity | Yield | Production value | Capacity | Yield | Production value |
| Power Supplier | 96,265,731 | 77,976,942 | 9,487,541 | 52,000,000 | 51,329,945 | 5,547,394 |
| Electric vehicle energy | 157,236 | 127,364 | 1,383,974 | 66,000 | 65,433 | 2,005,370 |
| Total | 96,422,967 | 78,104,306 | 10,871,515 | 52,066,000 | 51,395,378 | 7,552,764 |

(6) Sales volume table for the past two years

Unit: NT$1,000, %

| Year / Sales value / Major Products | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic sales | | Export sales | | Domestic sales | | Export sales | |
| | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Power Supplier | 1,736,141 | 161,490 | 84,048,138 | 11,967,416 | 1,449,187 | 372,640 | 54,338,963 | 7,199,767 |
| Electric vehicle energy | 1,781 | 149,304 | 35,108 | 1,727,361 | 8,363 | 309,955 | 472,942 | 4,430,834 |
| Other | 91 | 12,004 | - | - | 430 | 19,201 | - | - |
| Total | 1,738,013 | 322,798 | 84,083,246 | 13,694,777 | 1,457,980 | 701,796 | 54,811,905 | 11,630,601 |

## III.Information on Employees for the Two Most Recent Fiscal Years and during the Current Fiscal Year Up to the Date of Publication of the Annual Report

March 31, 2024

| Year | | 2022 | 2023 | As of March 31, 2024 |
|---|---|---|---|---|
| Number of Employees | Direct Labor | 2,539 | 2,498 | 2,690 |
| | Indirect Labor | 2,227 | 2,247 | 2,254 |
| | Total | 4,766 | 4,745 | 4,944 |
| Average Age | | 33.70 | 33.96 | 33.82 |
| Average Years of Service | | 3.81 | 4.14 | 4.06 |
| Education Distribution Ratio | PhD | 0.08% | 0.08% | 0.08% |
| | Masters | 3.46% | 4.30% | 4.25% |
| | College and Above | 20.40% | 23.18% | 22.41% |
| | High School | 21.40% | 19.75% | 21.30% |
| | Below High School | 54.66% | 52.69% | 51.96% |

## IV. Disbursements for Environmental Protection

(1) Description of application, payment, or establishment of polluting facility settings:
The Company has always attached great importance to environmental protection work, and it is not necessary to apply for a polluting facility permit or a polluting discharge permit in accordance with relevant regulations.

(2) The usage and possible benefits of investing in pollution prevention equipment:
Although the Company is not required to apply for a pollution facility permit or a pollution discharge permit according to relevant regulations, in order to ensure the maintenance of the surrounding environment and ensure the health of employees, relevant pollution prevention equipment includes a central exhaust system, central air conditioning system, mobile vacuum cleaner machine, sedimentation tank, simple sewage treatment equipment, etc..

(3) The process of improving environmental pollution in the most recent year and up to the date of publication of

the annual report: None.

(4) In the most recent year and as of the publication date of the annual report, the losses suffered by the Company due to environmental pollution (including the violation of environmental protection laws and regulations as a result of compensation and environmental protection audit results that shall list the date of punishment, the sanction number, the clause breached, the provisions of the violated laws and regulations, the content of violated laws and regulations, and disposition content), and disclose the estimated amount and countermeasures that may occur at present and in the future: None.

(5) The impact of the current pollution situation and its improvement on the Company's earnings, competitive position and capital expenditures, and its projected major environmental protection capital expenditures in the next three years: None.

(6) In the most recent year, environmental expenditures totaled NTD8,815,864. At the same time, an environmental management system (ISO 14001 certificate valid from February 23, 2024, to February 22, 2027) was implemented to establish environmental audit management procedures and ensure effective execution. Improvements and follow-ups are carried out for identified deficiencies.

**2023 Environmental Protection Ex** Unit: NT$

| Environmental protection cost categories | Description | Expenses |
|---|---|---|
| 1. The direct cost of reducing the environmental burden | | |
| (1) Pollution prevention cost | Prevention costs of air pollution prevention, water pollution, and other pollutions | 0 |
| (2) Cost of saving resource consumption | The cost spent on saving energy (such as water, electricity resources) | 8,400,000 |
| (3) Business waste and normal office waste processing and recycling cost | The cost of processing business waste (sludge cleaning and transportation, waste solvents, waste water, normal garbage processing) | 390,864 |
| 2.The indirect cost of alleviating the environmental burden (Environmental protection related management cost) | (1) Environmental protection education expenses<br>(2) Environmental management system and certification cost | 0 |
| | (3) Cost of monitoring environmental burden<br>(4) Environmental protection organization personnel cost | 19,000 |
| | (5) Added cost from procuring environmental protection products | 0 |
| 3. Other environmental protection related costs | (1) Soil remediation and natural environment restoration costs | 0 |
| | (2) Environmental pollution damage insurance and environmental tax levied by the government | 0 |
| | (3) Environmental problem settlement, compensation, fines, and litigation fees | 6,000 |
| Total | | 8,815,864 |

# V. Labor Relations

(I) The Company's various employee benefits measures, continuing education, training, and retirement systems and their implementation status, as well as the agreements between labor and management and various employee rights protection measures:

1. Employee Benefits Measures:

The Company values its employees' physical and mental health, dedicating efforts to improving and optimizing the work environment, organizing recreational activities, providing friendly facilities, and enhancing health and insurance services. To show care for employees' daily lives, the Company not only provides a clean and comfortable work environment and diversified recreational facilities, but also organizes a Christmas tea party to bring joy to all employees. Additionally, the Company hosts various sports competitions and recreational activities and arranges various events through the Welfare Committee. These activities allow employees to relax and relieve work-related stress, making their lives more fulfilling and comfortable.

(1) Welfare Measures Directly Organized by the Company:

A. Employee profit sharing, performance bonuses, holiday bonuses, and employee stock ownership trust.
B. Annual health check-ups, including follow-up exams and consultation services.
C. Celebrating Christmas, with refreshments
D. Celebrating Christmas, with refreshments
E. Professional training and further education subsidies for employees.
F. Allowances for weddings, funerals, and special celebrations.
G. Recreational facilities (e.g., gym, indoor basketball court, employee lounge).
H. Stress relief massages for employees.
I. Family day, sports day, year-end parties, and raffle activities.
J. Free books, newspapers, and magazines.
K. Labor insurance.
L. National health insurance.
M. Group life insurance, accident insurance, medical insurance, cancer insurance, and travel insurance, to offer multiple protections to employees.
N. Leave for social welfare volunteers.
O. Birthday Leave

Group Insurance Plan: Depending on job grade and assigned personnel, the plan is divided into the following four categories, detailed as follows:

| Item | Grade 3 and Above | Long-term Personnel | Grades 4 to 7 | Below Grade 8 |
|---|---|---|---|---|
| Category | A | B | C | D |
| Life Insurance Coverage | NTD1,500,000 | NTD1,000,000 | NTD750,000 | NTD500,000 |
| Accident Insurance Coverage | NTD3,000,000 | NTD2,000,000 | NTD1,500,000 | NTD1,000,000 |
| Hospital Medical Coverage | Daily room fee of NTD1,000/day | | | |
| Occupational Injury Insurance | Compensation for the difference between insured salary and labor insurance | | | |
| Cancer Insurance | Daily room fee of NTD1,500/day | | | |
| Accident Medical | NTD30,000 | | | |

(2) Benefits measures handled by the Company's Employee Benefits Committee (Benefits Committee):

A、Domestic travel.
B、Plan and execute annual celebrations
C、Club activities and various competitions.
D、Monthly birthday party and festival activities.
E、Marriage, funeral, and celebration subsidies, and hospitalization condolence allowance.

(3) The Company provides transportation shuttles, indoor/outdoor parking lots, an employee cafeteria, a gym, and an indoor basketball court as part of its employee benefits.

(4) 2023 Employee Benefits and Salary Information

| Item | Person/NTD Thousand |
|---|---|
| Number of Full-Time Employees Not in Supervisory Roles - Weighted Average (A) | 382 people |
| Total Salaries for Full-Time Employees Not in Supervisory Roles (B): | 385,933 |
| "Average Salary" for Full-Time Employees Not in Supervisory Roles (C = B/A): | 1,010 |

(5)Employee Training：

In recent years, businesses have needed to improve product and service quality to adapt to a highly competitive market environment, making education and training indispensable. Since its inception, FSP Technology has placed a strong emphasis on talent development to improve overall quality standards within the Company. In 2023, PHIHONG particularly emphasized work-life balance, offering employees various professional courses and training programs alongside diverse lifestyle seminars and book club activities. These initiatives help employees find balance in a fast-paced work environment, and promote physical and mental well-being.

PHIHONG is highly focused on employees' career development, actively promoting education and training by providing a comprehensive training system and learning platform. This system combines foundational training with specialized courses to enable continuous learning and growth, while meeting the diverse needs of different employee levels. Furthermore, the Company has reinforced ESG-related courses to guide employees in understanding corporate social responsibility, environmental protection, and social welfare. This training helps employees develop a deeper understanding of ESG, which drives more sustainable corporate growth.

We've also upgraded our digital learning platform, offering a wide range of digital learning resources that employees can access anytime, anywhere. During the pandemic, digital learning became essential for continuous education. We firmly believe that fostering a culture of learning where employees share and learn from each other is key to maintaining competitiveness and fulfilling corporate development needs. In the future, PHIHONG will continue to improve employees' professional skills and competencies, achieving corporate goals through continuous learning and growth.

2023 PHIHONG Talent Training Statistics for Education and Training Hours

| Item | First Quarte | Second Quarter | Third Quarter | Third Quarter | Total Accumulated Hours for the Year |
|---|---|---|---|---|---|
| Internal Training | 2,975.5 | 3,555 | 4,508.3 | 3,211 | 14,069.8 |
| External Training | 193 | 198.5 | 387 | 112.5 | 891 |
| Digital Learning | 1,848.4 | 1,878.7 | 1,427.3 | 510.6 | 5,301 |
| Total | 4,472.9 | 5,632.2 | 6,322.6 | 3,834.1 | 20,261.8 |

2.Pension Contributions: The Company makes monthly pension contributions according to the relevant pension system. Employees can freely choose their own contribution percentages, which are combined with company contributions and deposited into individual employee accounts.

(1) Old System: Employees who joined the Company before June 30, 2005, can choose between the old and new systems. According to the Labor Standards Act, the Company has established retirement guidelines for regular employees. Retirement payments are calculated based on years of service and the average salary of the last six months before retirement. The Company makes monthly contributions to the pension reserve fund, which is managed by the Supervisory Committee of Business Entities' Labor Retirement Reserve and deposited in the bank under the committee's name.

(2) New System: Employees who joined after July 1, 2005, are subject to the new pension system, as are employees who opted for the new system after joining before July 1. The Company contributes 6% of an employee's monthly salary to the employee's personal pension account. Employees can also choose to contribute 0% to 6% of their monthly salary to their personal pension accounts, and the Company deducts these amounts monthly from their salaries.

3. Labor-Management Agreements and Employee Rights Protection Measures:

(1) Labor-Management Agreements:

The Company is dedicated to fostering a harmonious atmosphere of mutual trust between labor and management. It promotes an open and proactive management approach, providing multiple channels to facilitate communication and agreements between both parties. These include quarterly labor-management meetings and the establishment of employee suggestion boxes. Additionally, the Company offers counseling services and organizes relevant talks and seminars periodically to strengthen communication and build consensus. Since its establishment, the Company has maintained harmonious labor relations and has not experienced any losses resulting from labor-management disputes.

(2) Measures to Protect Employee Rights:

Work Environment and Employee Safety Measures: Recognizing the importance of a safe work environment for employee safety, the Company follows the guidelines and policies of the ISO 45001:2018 management system. The Company controls risks associated with the entire environment and occupational health and safety behavior, demonstrating its overall direction and core commitment to protecting the environment and occupational health and safety. The Company provides employees with a safe, healthy, and comfortable work environment and prioritizes the review and improvement of risk assessments. In addition, dedicated occupational safety and health management personnel are stationed at each facility to handle the planning, implementation, and inspection of safety and health management tasks.

A. Occupational Safety and Health Policy:

Continuous transformation and growth are the driving forces behind PHIHONG Technology's progress. The company is committed to simultaneously improving product quality and the work environment. With a cautious approach to occupational safety and health, it strives to achieve specialization, diversification, and internationalization, adhering to the following principles as its highest decision-making guidelines. Our occupational safety and health policy is as follows:

1.Comply with all safety and health requirements and strengthen internal and external management communication.

2.Continuously improve the work and living environment and prevent various safety risk incidents from occurring.

3.Reduce occupational safety and health risks and make every effort to protect employees' health and safety.

B. Policy Explanation:

1.The company's operations and production must adhere to the provisions of labor safety and health laws and regulations, as well as the requirements of customers and other organizations.

2.Strengthen education and training to enhance awareness of occupational safety and health. This ensures the thorough implementation of safety and health responsibilities and the effective operation of various management activities related to occupational safety and health.

3.Continuously improve the work and living environment to provide employees with a better environment, thereby reducing various risks detrimental to employee health and safety. This aims to prevent the occurrence of various labor safety incidents.

4.Ensure and Enhance Company Image: Ensure and enhance the company's excellent image to achieve the goal of sustainable operation.

These policies emphasize the company's commitment to legal compliance, employee education and training, environmental improvement, and maintaining a positive company image to ensure the safety, health, and well-being of its employees while promoting sustainable business practices.

C. Occupational Safety and Health Commitment:

Phihong Technology is committed to complying with regulations and other relevant requirements in the processes of research and development, manufacturing, testing, and sales to prevent occupational hazards and continuously improve the operation of management systems to align with international standards. In line with our corporate responsibility to protect employees and the environment, we pledge to:

1.Safeguard the safety and health of employees as the primary responsibility and obligation of all levels of management in the company.
2.Take measures to prevent injuries, illnesses, and accidents related to work, to protect all personnel within the premises.
3.Adhere to legal regulations to reduce environmental pollution impacts and develop standard operating procedures and methods.
4.Communicate policies to employees, suppliers, customers, contractors, and other stakeholders, and provide necessary education and training to ensure awareness of environmental and occupational safety and health practices.
5.Continuously improve the operation of management systems and enhance performance.
6.Encourage employees to provide suggestions, and establish and maintain effective communication channels between company management and employees.
7.Produce green products, promote waste reduction initiatives, and continuously organize and tidy up to create a safe and healthy environment.
8.Commit to using international and domestic environmental safety and health standards as benchmarks for self-improvement.

D. Environmental Health and Safety Management Organization:

Health and Safety (EHS) organization assists in planning and supervising the improvement of our company's workplace environmental facilities to comply with relevant legal standards. We place a strong emphasis on fostering a culture of workplace safety and health awareness among all employees to ensure the safety of everyone. Our aim is to establish a comprehensive workplace safety and health management system to ensure the safety of our workplaces and to achieve the Company's sustainable development goals.

E. Environmental Health and Safety Certification and Training:

In addition to implementing the ISO 14001:2015 Environmental Management System at each of our facilities, which has been externally certified, our overseas facilities have also obtained certification for the ISO 45001:2018 Occupational Health and Safety Management System. We conduct regular internal audits, management reviews, as well as periodic external audits and customer audits each year, to verify the effectiveness and implementation of our management systems. These audit activities help assess the extent to which our management systems are implemented and effective and serve as a guide for continuous improvement in the future.

F. Work Environment Safety:

Creating a safe and hazard-free work environment for employees is one of the key commitments of PHIHONG Technology. Currently, our main manufacturing facilities have obtained certification for the ISO 45001:2018 Occupational Health and Safety Management System. This certification ensures that our colleagues can operate in a safe and secure work environment, allowing them to fully dedicate themselves to their work and unleash their potential.

(3) Employee Code of Ethics and Conduct: “PHIHONG Employee Code of Ethics and Conduct" outlines the expectations of PHIHONG Corporation for all employees within the group. It delineates the ethical and behavioral standards that all employees are expected to adhere to, and requires a commitment to upholding PHIHONG Corporation's assets, interests, and image in accordance with legal and ethical principles.

A. All records must be honest and complete: Regardless of location in Taiwan, China, or any other country, general accounting principles must be followed. All transactions must be executed in accordance with PHIHONG's regulations and procedures, with absolutely no undisclosed or unrecorded company funds or assets permitted.

B. Improper or illegal use of PHIHONG’s resources is strictly prohibited.

C. Gift giving and entertainment must be appropriate: Gifts to vendors or customers and entertainment provided should adhere to general business practices and ethical standards. Employees are not permitted to request or accept any gifts, special treatment, or entertainment from vendors or customers of the company.

D Employees are prohibited from engaging in activities that conflict with company interests: Employees may not engage in activities outside the company that conflict with its interests, nor may they allow such activities to interfere with their responsibilities to PHIHONG. Employees may not personally benefit from or receive favors in transactions related to PHIHONG.

E. All employees must comply with copyright regulations.

F. Company-owned information must be kept confidential: All important internal information of the company must be kept confidential. Employees, regardless of personal gain, may not disclose such information to third parties.

G. Protect intellectual property rights: Protect the company's intellectual property rights (including inventions, technical data, product designs, and other company interests protected by law).

Each employee is responsible for upholding the reputation of PHIHONG to the highest ethical standards, and any violation of this code will be deemed inappropriate conduct. We will enforce the requirement for all employees to adhere to this standard to ensure the rights and interests of PHIHONG and all stakeholders.

(2) In the recent fiscal year and up to the date of printing of this annual report, any losses incurred by the Company due to labor disputes (including violations of labor standards as per labor inspection results, specifying the date of disciplinary action, reference number, violated legal provisions, nature of violations, and disciplinary measures), along with disclosure of current and estimated future amounts and mitigation measures: There have been no losses incurred due to labor disputes in the recent fiscal year and up to the date of printing of this annual report, and the Company maintains good labor relations with its employees.

## VI. Information Security Management

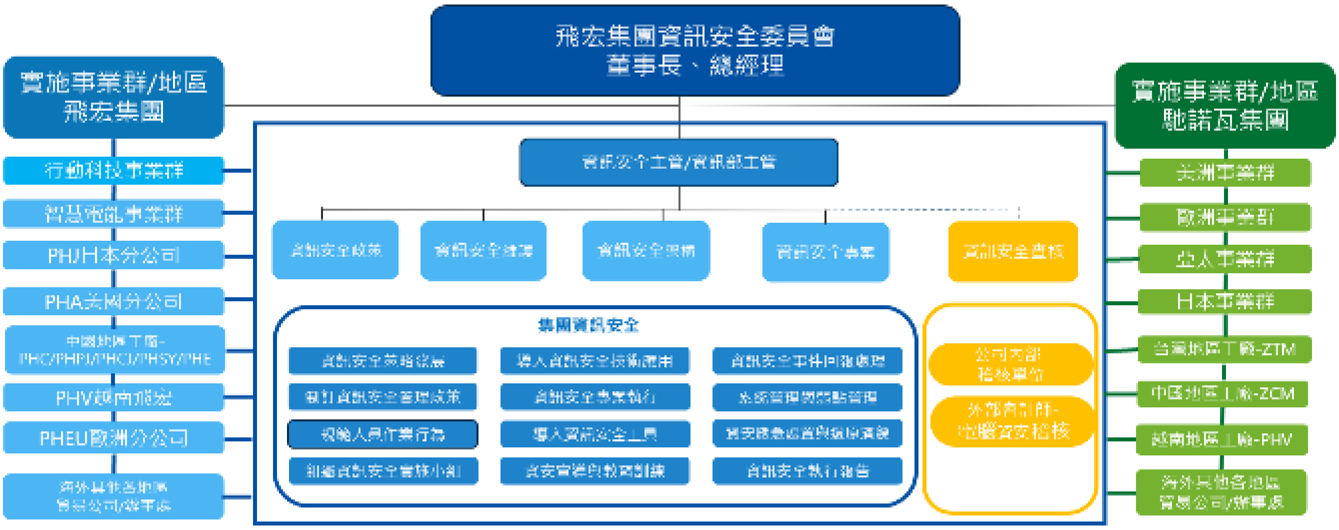
(1) Description of the Information Security Risk Management Framework, Information Security Policy, specific management plans, and resources allocated to Information Security Management.

1.Information Security Risk Management Framework:

The responsible unit for information security within our Company is the Information Department, which comprises an Information Security Supervisor and dedicated IT professionals. They are tasked with planning, formulating, and executing information security strategies, as well as regularly reviewing information security policies.

Regarding the implementation of information security management operations, if any deficiencies are found during the inspection, the inspected unit will be immediately required to propose relevant improvement plans and specific actions, and the improvement results will be tracked regularly to reduce internal information security risks. In addition, the external accounting firm that the company cooperates with will regularly send personnel to conduct information security-related audits on information units every year and track the improvement results. The organizational operation model adopts regular audits and cyclical management to ensure that reliability goals are achieved and continuously improved.

2. Information security organizational structure:




3. Information security organizational structure:

(1) Definition:

Information (tangible or intangible) is an asset of the company, including information assets, physical assets, software assets, service assets, documents, personnel, etc. Security involves the use of proactive or reactive measures to protect or maintain an environment so that its operations are not disrupted. Therefore, information security entails the use of a set of appropriate control measures, including policies, practices, procedures, organizational structures, and software features, to mitigate risks arising from human error, intentional actions, or natural disasters, ensuring that the company's assets are adequately protected.

(2)Purpose:

To ensure the confidentiality (information is only accessible to authorized individuals), integrity (ensure the accuracy and completeness of information and its processing methods), and availability (ensure authorized users can access information and utilize relevant information when needed) of information. To protect company information assets from unauthorized use, disclosure, alteration, destruction, etc., ensuring the security of information collection, processing, transmission, storage, and circulation.

(3) Scope: Covering relevant areas of computer technology and personnel management.

A. Participants: Including company employees, contracting personnel, and outsourcing supplier personnel who use company information resources.

B. Application Systems

a. ERP software suites

b. Application software and software required for research and development.

c. Email systems

d. Various systems such as APS, B2B, MES, WMS, HR, CRM, BI, PDM systems, and various systems required for research and development

e. Internet applications

C. Hardware Equipment: Various servers, personal computers, laptops, USB drives, etc.

D. Networks and their facilities and management software: LANs in company headquarters, factories, and branch offices, wireless APs, as well as network facilities and management software related to connecting offices, internet lines, and data.

(4) Content:

A. Establish an Information Security Committee to be responsible for promoting the company’s information security work.

B. Relevant personnel should sign confidentiality documents when hired and resigning, and their information assets should be returned when there is a change or resignation. Both new and current colleagues must participate in information security education and training to enhance their awareness of information security protection.

C. Establish a custody system for information assets and effectively allocate, utilize, and manage the company's information resources.

D. Consider the damage prevention and anti-theft design of buildings, and strengthen controls on important facilities and special places.

E. Improve computer network defense technology in a timely manner to prevent external intrusions and destruction.

F. Evaluate the security level of information assets and grant appropriate access rights only to relevant personnel.

G. A control system should be established for new additions or changes to various computer systems and be fully recorded for reference.

H. Establish an emergency response mechanism for information security incidents and a post-disaster reconstruction plan, and conduct repeated drills and tests.

I. Establish an information security audit system to conduct regular and random audits on the security of various computer systems in the company's computer main room, factories, and branches, and it is strictly prohibited to delete or modify various audit record files.

J. Comply with the company’s operating specifications and related information regulations.

K. Prevent the leakage of important company confidential documents.

4. Specific management plans and resources invested in information security management:

(1) Information security management mechanism:

A. System Standards: Develop the company's information security management system and standardize personnel's work behavior.

B. Technology application:

a. Build information security management equipment and implement information security management measures.

b. Build various information security protection systems to enhance the security of the overall information environment.

c.To ensure that the operating behavior of internal personnel complies with the company's system regulations, information security system tools are also introduced to implement personnel information security management measures.

C. Personnel training:

a. Conduct information security education and training to enhance the information security awareness of internal colleagues.

b. Regularly implement practical information security education and training courses for internal staff every year, and establish several online learning (E-Learning) information security courses to enhance information security knowledge and professional skills of internal staff.

D. Policy review: Promote continuous improvement of information security to ensure sustainable business operations.

5. Specific measures for information security management:

| | | |
|---|---|---|
| Authority management | Management measures for personnel accounts, authority management, and system operation behaviors | Internal personnel account permission management and review |
| Access control | Control measures for personnel access to internal and external systems and data | Internal/external access control measures Control measures for data leakage |

| | | |
|---|---|---|
| | transmission channels | pipelines<br>Operational behavior track record analysis |
| External threats | Potential weaknesses of internal systems, poisoning pipelines and protective measures | Host/Computer Vulnerability Detection and Update Measures Virus Protection and Malicious Program Detection |
| Weakness analysis | Scanning, checking, and patching measures for PC and server system vulnerabilities | Regular drills |
| Social engineering drill | Enhanced security measures for personnel accessing external email messages | Regular drills |
| Education Training | Regularly promote information security concepts to fellow users | Regular drills |

6. Information security management plan

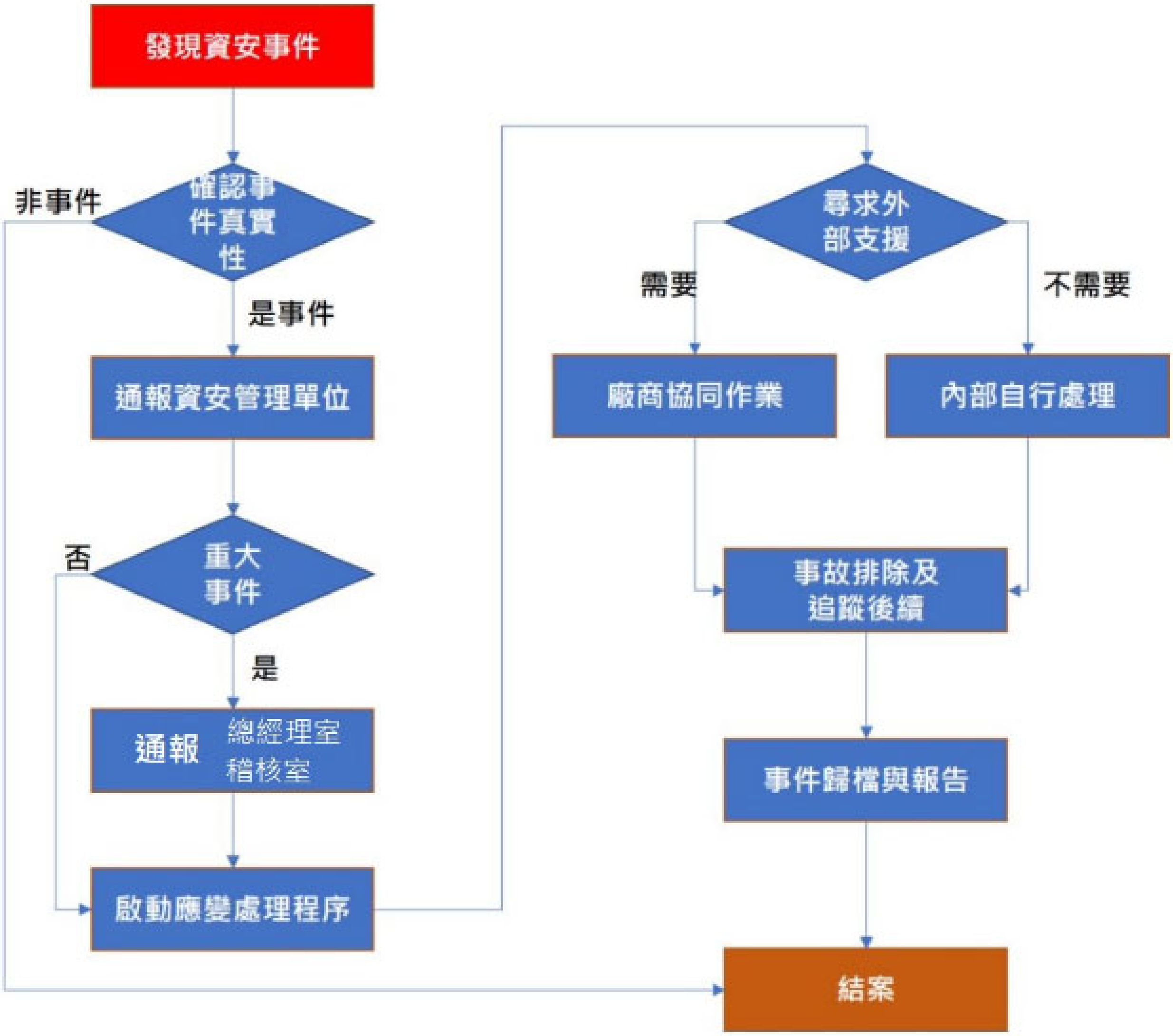
Adopt the PDCA (Plan-Do-Check-Act) cycle process management model to ensure the achievement of reliability goals and continuous improvement.

| | |
|---|---|
| Plan | Information security management: formulating company information policies and security operating procedures |
| Do | Promote implementation: information security promotion, personnel education and training, and introduction of information security measures |
| Check | Risk Assessment: Information Asset Risk Assessment |
| Act | Risk improvement: improve internal operating procedures and introduce external resources |

(VII)List the losses, possible impacts and response measures suffered due to major information security incidents in the most recent year and up to the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be stated:

- Major information security incidents:
- A network information security incident occurred in our company in February 2023. The Company reported the information security incident in accordance with the Information Security Incident Reporting Procedures (please refer to the figure below), and released a major information statement on the Public Information Observation Station on February 13.
- Response measures: To strengthen information security defense, our company's information team immediately cooperated with a leading external information security consulting company to jointly respond to this information security incident, and comprehensively strengthened related defense mechanisms and recovery operations. It also notified the government inspection and investigation units. We continue to maintain close contact to this day.
- Estimated possible losses or impacts: The current assessment has no significant impact on the company's operations.
- Improvement situation and future countermeasures: The company strengthened information security defense as soon as possible and conducted a comprehensive forensic analysis. All affected system services have resumed operation. We simultaneously review and strengthen existing information security policies, system architecture security, and employee information security implementation, and comprehensively upgrade network security levels to protect data security and integrity.

˙Information Security Incident Reporting Procedures:




## VII. Important Contracts

(I) Important contracts:

| Nature of the contract | Parties | Commencement and end date of the contract | Main contents | Restrictive clauses |
|---|---|---|---|---|
| Financing Purpose | Phihong Technology Co., Ltd.<br>ZEROVA Technologies<br>Zerova Technologies SG Pte. Ltd.<br>Taishin International Commercial Bank Corporation<br>Taipei Fubon Commercial Bank Co., Ltd.<br>EnTie Commercial Bank, Ltd.<br>First Commercial Bank, Ltd.<br>Chang Hwa Commercial Bank, Ltd. | Effective date: June 28, 2023 | To repay company loans, financial liabilities, and enhance mid-term operational liquidity, the company is seeking a loan from a consortium of banks.<br><br>Amount: NTD 3,000,000,000 | None |
| Financial and Accounting Purposes | Zerova Technologies USA LLC | Effective date: April 21, 2023 | Loans to supplement working capital and purchase raw materials Amount: USD5,000,000 | None |
| Financial and Accounting Purposes | Phihong Technology Japan Co.,LTD | Effective date: June 8, 2023 | Loans to supplement working capital and purchase raw materials Amount: JPY 300,000,000 | None |
| Information Purpose | Systex Software & Service Corporation | Effective date: April 1, 2023 | Microsoft Standard Edition Software License Subscription Amount: NTD 53,214,000. | None |

(II)Intellectual Property Management Plan and Implementation Status:

1.Intellectual Property Management Plan:

To strengthen our industry leadership position and safeguard the fruits of our R&D efforts in advanced technology, our Company has formulated an intellectual property strategy that integrates with our operational objectives and R&D resources. This strategy aims to establish a framework for creating company value through intellectual property rights. By leveraging intellectual property rights, we not only protect our operational freedom and assess operational risks, but also enhance our competitive advantage. Moreover, it can be utilized to support profit generation for the enterprise.

(1) Patent Protection Measures:

Our Company's intellectual property management strategy primarily includes the deployment strategy of patent technology landscape, the planned expansion of systematic and international patent application landscape, as well as the review and compilation of patent landscape files. Through the implementation of review mechanisms, incentive systems, advocacy education, and talent training, we aim to protect the company's R&D achievements and technological leadership position.

Our Company aims to build a solid intellectual property portfolio:

- Internally: The Company designs diverse mechanisms to encourage innovation, continually motivating employees to submit invention applications. Simultaneously, we establish a systematic patent intellectual property management system and evaluation process, balancing the quantity and quality of employee patent applications.
- Externally: We maintain close contact and technical exchanges with patent technical personnel and regulatory authorities in both local and major overseas markets. This collaboration assists patent examiners in gaining a better understanding of our company's technical content, thereby enhancing examination efficiency and obtaining high-quality patent protection.

(2)Trademark and Copyright Protection Measures:

Trademarks serve as recognition of products or services and represent customers' trust and identification of the quality of products developed, manufactured, and produced. To safeguard the global sales of our products and understand the opportunities and trends in products or services in major domestic and international markets, our company strategically plans trademark registrations in global sales markets. Simultaneously, to fulfill our responsibility to protect the continuous trust of global customers in our company's products and services, we have established comprehensive trademark registrations. These registrations enable us to withstand situations where competitors may infringe on our trademarks through imitation, theft, or attaching to our reputation, thereby continuously enhancing our competitiveness.

Our Company implements copyright management to protect the software programs developed and written by our company or software obtained through licensing from other companies. In the face of globalization and competition in the digital and technological era, or to protect employee-created output transformed into operational management data for the company, safeguarding our core competitiveness relies on the management and maintenance of copyrights.

(3) Protection of Trade Secrets

Trade secrets are crucial for maintaining our company's technological edge, manufacturing excellence, and customer trust, among other competitive advantages. They are not solely focused on protecting specific intellectual assets. To comprehensively and effectively manage trade secret innovations, our company has established a trade secret management mechanism to record and integrate the use of trade secrets that confer competitive advantages to the company. This is aimed at minimizing potential losses to shareholder interests resulting from claims and litigation related to intellectual property rights. These measures include strategically acquiring necessary authorizations, promptly obtaining defensive and/or aggressive intellectual property protection for the company's technology and business, and actively defending against frivolous patent litigation.

Regarding the management of trade secrets concerning employees, the provisions in the employee code of conduct and employment contracts are as follows:

- Employees have an obligation to maintain the confidentiality of personal and company business matters.
- Employees are prohibited from disclosing any business secrets after leaving their positions. Any breach may result in dismissal, and the company reserves the right to pursue legal action and seek compensation for damages.
- Employees hired by our company are also prohibited from disclosing or using trade secrets belonging to their former employers.

In recent years, our company has been actively expanding overseas and accelerating market penetration globally. To prudently plan our overseas deployment strategy and business development, important execution items such as overseas intellectual property layout analysis, compliance with intellectual property laws and regulations, establishment of systems, and integration of intellectual property management systems are regularly reviewed through relevant company meetings to monitor progress and effectively address potential operational risks.

2. Execution Status

Currently, the inventory and achievements of intellectual property rights are as follows:

(1) Patents:

- Our Company has accumulated a total of 350 patent applications worldwide as of the end of 2023, with over 188 patents granted globally. In 2023 alone, we obtained 9 foreign patents and 2 Taiwanese patents.
- ZEROVA Technologies has accumulated over 38 patents granted globally as of the end of 2023, with 27 foreign patents granted and 11 Taiwanese patents.

(2)Trademarks:

- As of the end of 2023, our company has accumulated a total of 100 trademark applications worldwide, with 94 trademarks granted globally. Among them, 74 are foreign trademarks, and 20 are Taiwanese trademarks, serving as a strong support for sales and global market deployment.
- ZEROVA Technologies has accumulated a total of 51 trademark applications worldwide as of the end of 2023, with 20 trademarks granted globally. Among them, 17 are foreign trademarks, and 3 are Taiwanese trademarks, serving as a strong support for sales and global market deployment.

# SIX. Financial Overview

## I. Simplified Balance Sheet and Comprehensive Income Statement for the Last Five Years

(I) Simplified Balance Sheet and Comprehensive Income Statement

1. Simplified Balance Sheet - International Financial Reporting Standards (Consolidated)

Unit: NTD 1000

| Item \ Year | | Financial Data for the Last Five Fiscal Years | | | | | Financial Data as of March 31, Year 2024 |
|---|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Current assets | | 5,994,332 | 6,997,934 | 9,679,343 | 9,837,700 | 10,784,626 | 9,997,366 |
| Property, Plant and Equipment | | 2,853,417 | 2,590,539 | 3,262,587 | 3,986,175 | 3,823,140 | 3,918,622 |
| Intangible assets | | 33,216 | 27,679 | 30,540 | 41,098 | 46,835 | 60,318 |
| Other assets | | 651,211 | 746,519 | 640,190 | 724,504 | 923,945 | 949,813 |
| Total assets | | 9,532,176 | 10,362,671 | 13,612,660 | 14,589,477 | 15,578,546 | 14,926,119 |
| Current liabilities | Before allocation | 3,125,121 | 5,138,664 | 6,133,290 | 6,186,134 | 5,191,949 | 4,190,555 |
| | After allocation | 3,125,121 | 5,138,664 | 6,133,290 | 6,186,134 | 5,191,949 | 4,190,555 |
| Non-current liabilities | | 1,492,754 | 479,126 | 1,642,012 | 2,187,926 | 986,361 | 991,554 |
| Total liabilities | Before allocation | 4,617,875 | 5,617,790 | 7,775,302 | 8,374,060 | 6,178,310 | 5,182,109 |
| | After allocation | 4,617,875 | 5,617,790 | 7,775,302 | 8,374,060 | 6,178,310 | 5,182,109 |
| Equity attributable to owners of the parent company | | 4,923,673 | 4,753,790 | 5,846,029 | 6,225,070 | 9,409,919 | 9,754,098 |
| Share capital | | 3,376,884 | 3,376,884 | 3,752,084 | 3,752,084 | 4,312,084 | 4,312,084 |
| Capital reserve | | 1,044,017 | 1,044,017 | 2,179,372 | 2,179,372 | 4,579,383 | 4,579,383 |
| Retained earnings | Before allocation | 998,519 | 843,775 | 526,851 | 618,124 | 885,970 | 953,107 |
| | After allocation | 998,519 | 843,775 | 526,851 | 618,124 | 885,970 | 953,107 |
| Other rights and interests | | (495,747) | (510,886) | (612,278) | (324,510) | (367,518) | (90,476) |
| Treasury stocks | | - | - | - | - | - | - |
| Non-controlling interest | | (9,372) | (8,909) | (8,671) | (9,653) | (9,683) | (10,088) |
| Total equity | Before allocation | 4,914,301 | 4,744,881 | 5,837,358 | 6,215,417 | 9,400,236 | 9,744,010 |
| | After allocation | 4,914,301 | 4,744,881 | 5,837,358 | 6,215,417 | 9,400,236 | 9,744,010 |

Note 1: The financial data for the fiscal years 2019 to 2023 has been audited and certified by certified public accountants.

Note 2: The dividends per share for each fiscal year are distributed in the following year. For the fiscal year 2023, after deducting taxes and allocating statutory and special surplus reserves according to the company's articles of association and relevant regulations, it is proposed not to distribute dividends.

Note 3: Treasury Stock: There are no such instances.

Note 4: The figures labeled as "after distribution" are filled based on resolutions made by the Board of Directors or the shareholders' meeting of the subsequent year.

2. Simplified Balance Sheet - International Financial Reporting Standards (Individual)

Unit: NTD1000

| Item / Year | | Financial Data for the Last Five Fiscal Years | | | | |
|---|---|---|---|---|---|---|
| | | **2019** | **2020** | **2021** | **2022** | **2023** |
| Current assets | | 2,357,532 | 2,980,082 | 5,059,353 | 4,750,137 | 3,550,789 |
| Property, Plant and Equipment | | 731,883 | 671,666 | 912,712 | 670,682 | 533,385 |
| Intangible assets | | 17,691 | 12,361 | 18,641 | 26,895 | 28,747 |
| Other assets | | 4,882,675 | 5,082,695 | 5,596,897 | 6,846,353 | 8,612,311 |
| Total assets | | 7,989,781 | 8,746,804 | 11,587,603 | 12,294,067 | 12,725,232 |
| Current liabilities | Before allocation | 1,441,330 | 3,280,081 | 3,738,742 | 3,617,241 | 1,995,869 |
| | After allocation | 1,441,330 | 3,280,081 | 3,738,742 | 3,617,241 | 1,995,869 |
| Non-current liabilities | | 1,624,778 | 712,933 | 2,002,832 | 2,451,756 | 1,319,444 |
| Total liabilities | Before allocation | 3,066,108 | 3,993,014 | 5,741,574 | 6,068,997 | 3,315,313 |
| | After allocation | 3,066,108 | 3,993,014 | 5,741,574 | 6,068,997 | 3,315,313 |
| Equity attributable to owners of the parent company | | 4,923,673 | 4,753,790 | 5,846,029 | 6,225,070 | 9,409,919 |
| Share capital | | 3,376,884 | 3,376,884 | 3,752,084 | 3,752,084 | 4,312,084 |
| Capital reserve | | 1,044,017 | 1,044,017 | 2,179,372 | 2,179,372 | 4,579,383 |
| Retained earnings | Before allocation | 998,519 | 843,775 | 526,851 | 618,124 | 885,970 |
| | After allocation | 998,519 | 843,775 | 526,851 | 618,124 | 885,970 |
| Other rights and interests | | (495,747) | (510,886) | (612,278) | (324,510) | (367,518) |
| Treasury stocks | | - | - | - | - | - |
| Non-controlling interest | | - | - | - | - | - |
| Total equity | Before allocation | 4,923,673 | 4,753,790 | 5,846,029 | 6,225,070 | 9,409,919 |
| | After allocation | 4,923,673 | 4,753,790 | 5,846,029 | 6,225,070 | 9,409,919 |

Note 1: The financial data for the fiscal years 2019 to 2023 has been audited and certified by certified public accountants.

Note 2: Dividends per share for each fiscal year are distributed in the following year. For the fiscal year 2023, after deducting taxes and allocating statutory and special surplus reserves according to the company's articles of association and relevant regulations, it is proposed not to distribute dividends.

Note 3: Treasury Stock: There are no such instances.

Note 4: The figures labeled as "after distribution" are filled based on resolutions made by the Board of Directors or the shareholders' meeting of the subsequent year.

3. Simplified Consolidated Statement of Comprehensive Income - International Financial Reporting Standards

Unit: Except for earnings per share in New Taiwan Dollars, all amounts are in thousands of New Taiwan Dollar

| Year / Item | Financial Data for the Last Five Fiscal Years (Note) | | | | | Financial Data as of March 31, Year 2024 |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Revenue | 10,694,604 | 9,243,618 | 12,284,041 | 14,017,575 | 12,332,397 | 2,342,299 |
| Gross Profit | 1,525,648 | 1,177,196 | 1,473,302 | 2,141,638 | 3,212,756 | 713,529 |
| Operating Income (Loss) | (78,450) | (372,631) | (339,324) | 13,657 | 354,743 | 875 |
| Non-operating Income and Expenses | 36,311 | 219,189 | 41,374 | 174,483 | 109,663 | 110,517 |
| Profit (Loss) Before Tax | (42,139) | (153,442) | (297,950) | 188,140 | 464,406 | 111,392 |
| Continuing Operations Net Profit (Loss) for the Period | (38,157) | (154,613) | (312,618) | 71,306 | 262,514 | 67,137 |
| Net Profit (Loss) for the Period | (38,157) | (154,613) | (312,618) | 71,306 | 262,514 | 67,137 |
| Other Comprehensive Income for the Period (Net of Tax) | (138,644) | (14,807) | (105,460) | 306,753 | (37,706) | 276,637 |
| Total Comprehensive Income for the Period | (176,801) | (169,420) | (418,078) | 378,059 | 224,808 | 343,774 |
| Net Profit (Loss) Attributable to Owners of the Parent Company | (38,136) | (154,594) | (312,600) | 71,327 | 262,551 | 67,137 |
| Net Loss Attributable to Non-Controlling Interests | (21) | (19) | (18) | (21) | (37) | - |
| Total Comprehensive Income Attributable to Owners of the Parent Company | (177,020) | (169,883) | (418,316) | 379,041 | 224,838 | 344,179 |
| Total Comprehensive Income Attributable to Non-Controlling Interests | 219 | 463 | 238 | (982) | (30) | (405) |
| Earnings (Loss) Per Share | (0.11) | (0.46) | (0.92) | 0.19 | 0.68 | 0.16 |

Note: The financial data for the fiscal years 2019 to 2023 has been audited and certified by certified public accountants.

4. Note: The financial data for the fiscal years 2019 to 2023 has been audited and certified by certified public accountants.

Unit: Except for earnings per share in New Taiwan Dollars, all amounts are in thousands of New Taiwan Dollars

| Year / Item | Financial Data for the Last Five Fiscal Years (Note) | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating Revenue | 7,032,682 | 6,805,700 | 9,450,799 | 11,202,956 | 6,098,143 |
| Gross Profit | 823,953 | 742,527 | 962,405 | 1,357,688 | 582,080 |
| Operating Profit (Loss) | (56,638) | (130,750) | (95,935) | 332,537 | (285,138) |
| Non-operating Income and Expenses | 11,966 | (54,918 ) | (222,945) | (197,913) | 537,719 |
| Profit (Loss) Before Tax | (44,672) | (185,668) | (318,880) | 134,624 | 252,581 |
| Net Profit (Loss) from Continuing Operations for the Period | (38,136) | (154,594) | (312,600) | 71,327 | 262,551 |
| Net Profit (Loss) for the Period | (38,136) | (154,594) | (312,600) | 71,327 | 262,551 |
| Other Comprehensive Income for the Period (Net of Tax) | (138,884) | (15,289 ) | (105,716) | 307,714 | (37,713) |
| Total Comprehensive Income for the Period | (177,020) | (169,883) | (418,316) | 379,041 | 224,838 |
| Net Profit Attributable to Owners of the Parent Company | - | - | - | - | - |
| Net Loss Attributable to Non-Controlling Interests | - | - | - | - | - |
| Total Comprehensive Income Attributable to Owners of the Parent Company | - | - | - | - | - |
| Total Comprehensive Income Attributable to Non-Controlling Interests | - | - | - | - | - |
| Earnings (Loss) Per Share | (0.11) | (0.46) | (0.92) | 0.19 | 0.68 |

Note: The financial data for the fiscal years 2019 to 2023 has been audited and certified by certified public accountants.

(VIII) Name of the Certified Public Accountant and Audit Opinions for the Last Five Fiscal Years

| Item / Year of Certification | Name of the Accounting Firm | Name of the Certified Public Accountant | Audit Opinion |
|---|---|---|---|
| 2019 | Deloitte Touche Tohmatsu Limited | Wu, Ke-Chang, Huang, Yi-Min | Unqualified opinion |
| 2020 | Deloitte Touche Tohmatsu Limited | Huang, Yi-Min, Wu, Ke-Chang | Unqualified opinion |
| 2021 | Deloitte Touche Tohmatsu Limited | Wu, Ke-Chang, Hong, Kuo-Tien | Unqualified opinion |
| 2022 | Deloitte Touche Tohmatsu Limited | Wu, Ke-Chang, Hong, Kuo-Tien | Unqualified opinion |
| 2023 | Deloitte Touche Tohmatsu Limited | Chang, Chih-I,, Hong, Kuo-Tien | Unqualified opinion |

## II. Financial Analysis for the Last Five Fiscal Years

1. Financial Analysis - International Financial Reporting Standards (Consolidated)

Unit: Times; %

| Analytic Item | Year | 2019 | 2020 | 2021 | 2022 | 2023 | Financial Data as of March 31, Year 2024 |
|---|---|---|---|---|---|---|---|
| | | Financial Analysis for the Last Five Fiscal Years (Note) | | | | | |
| Financial Structure (%) | Debt-to-Asset Ratio | 48.45 | 54.21 | 57.12 | 57.40 | 39.66 | 34.72 |
| | Long-Term Funds to Property, Plant, and Equipment Ratio | 224.54 | 201.66 | 229.25 | 210.81 | 271.68 | 273.96 |
| Debt Repayment Ability (%) | Current Ratio | 191.81 | 136.18 | 157.82 | 159.03 | 207.72 | 238.57 |
| | Quick Ratio | 147.81 | 96.05 | 104.41 | 104.78 | 154.94 | 182.14 |
| | Interest Coverage Ratio | (0.82) | (5.81) | (6.39) | 3.41 | 4.56 | 8.45 |
| Operating Capability | Accounts Receivable Turnover (Times) | 5.03 | 4.55 | 5.75 | 5.69 | 5.61 | 5.54 |
| | Average Collection Period (Days) | 73 | 80 | 63 | 64 | 65 | 66 |
| | Inventory Turnover (Times) | 5.29 | 4.78 | 4.14 | 3.65 | 3.09 | 2.70 |
| | Accounts Payable Turnover (Times) | 3.44 | 3.09 | 3.49 | 3.95 | 3.89 | 3.36 |
| | Average Payment Period (Days) | 69 | 76 | 88 | 100 | 118 | 135 |
| | Property, Plant, and Equipment Turnover (Times) | 3.76 | 3.40 | 4.20 | 3.87 | 3.16 | 2.42 |
| | Total Asset Turnover (Times) | 1.07 | 0.93 | 1.02 | 0.99 | 0.82 | 0.61 |
| Profitability | Return on Assets (%) | (0.20) | (1.37) | (2.34) | 0.95 | 2.43 | 2.07 |
| | Return on Equity (%) | (0.76) | (3.20) | (5.91) | 1.18 | 3.36 | 2.81 |
| | Profit Before Tax to Paid-up Capital Ratio (%) | (1.25) | (4.54) | (7.94) | 5.01 | 10.77 | 10.33 |
| | Net Profit Margin (%) | (0.36) | (1.67) | (2.54) | 0.51 | 2.13 | 2.87 |
| | Earnings (Loss) Per Share (NTD) | (0.11) | (0.46) | (0.92) | 0.19 | 0.68 | 0.16 |
| Cash Flow | Cash Flow Ratio (%) | 16.36 | 3.58 | (15.42) | (4.83) | 42.87 | (4.33) |
| | Cash Flow Adequacy Ratio (%) | 8.21 | 27.90 | (11.44) | (13.32) | 31.35 | 19.97 |
| | Cash Reinvestment Ratio (%) | 5.53 | 2.27 | (9.08) | (2.61) | 16.64 | (1.31) |
| Leverage Ratio | Operating Leverage Ratio | (26.28) | (4.67) | (6.04) | 191.46 | 9.06 | 807.77 |
| | Financial Leverage Ratio | 0.77 | 0.94 | 0.89 | (0.21) | 1.58 | (0.06) |

Explanation of Changes in Financial Ratios for the Last Two Fiscal Years (If the changes in ratios are less than 20%, no analysis is required):

(1) The decrease in the debt-to-asset ratio and the increase in the long-term funds to property, plant, and equipment ratio were due to the early repayment of loans under the syndicated loan agreement in the current period.

(2) The increase in the current ratio and quick ratio was caused by the repayment of short-term loans in the current period.

(3) The increase in the interest coverage ratio, return on assets, return on equity, profit before tax to paid-up capital ratio, net profit margin, and earnings per share was due to the higher net profit in the current period compared to the previous period.

(4) The increase in the cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio was a result of the higher net cash flow from operating activities in the current period compared to the previous period.

(5) The decrease in the operating leverage ratio was due to the higher operating profit in the current period compared to the previous period.

(6) The increase in the financial leverage ratio was caused by the higher interest expenses in the current period compared to the previous period.

Note: The financial data for the fiscal years 2019 to 2023 has been audited and certified by certified public accountants.

2. Financial Analysis - International Financial Reporting Standards (Individual)

Unit: Times; %

| Analytic Item | Year | Financial Analysis for the Last Five Fiscal Years (Note) | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial Structure (%) | Debt-to-Asset Ratio | 38.38 | 45.65 | 49.55 | 49.37 | 26.05 |
| | Long-Term Funds to Property, Plant, and Equipment Ratio | 894.74 | 813.90 | 859.95 | 1,293.73 | 2,011.56 |
| Debt Repayment Ability (%) | Current Ratio | 163.57 | 90.85 | 135.32 | 131.32 | 177.91 |
| | Quick Ratio | 160.23 | 88.71 | 131.45 | 130.40 | 175.63 |
| | Interest Coverage Ratio | (1.00) | (7.65) | (8.08) | 3.34 | 4.18 |
| Operating Capability | Accounts Receivable Turnover (Times) | 8.16 | 7.46 | 7.10 | 7.48 | 5.57 |
| | Average Collection Period (Days) | 45 | 49 | 51 | 49 | 66 |
| | Inventory Turnover (Times) | 86.18 | 132.84 | 102.81 | 155.86 | 399.10 |
| | Accounts Payable Turnover (Times) | 533.06 | 491.21 | 348.48 | 234.13 | 165.82 |
| | Average Payment Period (Days) | 4 | 3 | 4 | 2 | 1 |
| | Property, Plant, and Equipment Turnover (Times) | 9.57 | 9.70 | 11.93 | 14.15 | 10.13 |
| | Total Asset Turnover (Times) | 0.85 | 0.81 | 0.93 | 0.94 | 0.49 |
| Profitability | Return on Assets (%) | (0.25) | (1.64) | (2.80) | 0.98 | 2.61 |
| | Return on Equity (%) | (0.76) | (3.19) | (5.90) | 1.18 | 3.36 |
| | Profit Before Tax to Paid-up Capital Ratio (%) | (1.32) | (5.50) | (8.50) | 3.59 | 5.86 |
| | Net Profit Margin (%) | (0.54) | (2.27) | (3.31) | 0.64 | 4.31 |
| | Earnings (Loss) Per Share (NTD) | (0.11) | (0.46) | (0.92) | 0.19 | 0.68 |
| Cash Flow | Cash Flow Ratio (%) | (5.96) | 2.32 | (12.85) | 12.62 | 59.24 |
| | Cash Flow Adequacy Ratio (%) | 60.27 | 144.16 | 0.70 | 18.94 | 136.55 |
| | Cash Reinvestment Ratio (%) | (1.20) | 1.25 | (5.64) | 5.02 | 10.66 |
| Leverage Ratio | Operating Leverage Ratio | (8.33) | (3.30) | (4.64) | 2.59 | (0.97) |
| | Financial Leverage Ratio | 0.72 | 0.86 | 0.73 | 1.21 | 0.78 |

Explanation for the Changes in Financial Ratios in the Last Two Fiscal Years (if changes are less than 20%, no analysis is required):

1. The decrease in the debt-to-assets ratio and the increase in the long-term funds to property, plant, and equipment ratio are due to early repayment of loans in this period.
2. The increase in the current ratio and quick ratio is attributed to the repayment of short-term loans in this period.
3. The increase in interest coverage ratio, return on assets, return on equity, ratio of pre-tax profit to subscribed capital, profit margin, and earnings per share is due to the higher net profit in this period compared to the previous period.
4. The decrease in accounts receivable turnover ratio, property, plant, and equipment turnover ratio, and total asset turnover ratio, along with the increase in average collection days, is due to the decrease in net sales in this period compared to the previous period.
5. The increase in inventory turnover ratio and decrease in average days of inventory are attributed to the decrease in average inventory in this period compared to the previous period.
6. The decrease in accounts payable turnover ratio is due to the increase in average accounts payable balance in

this period compared to the previous period.

7. The increase in cash ratio and cash reinvestment ratio is due to the increase in net cash flow from operating activities in this period compared to the previous period.
8. The increase in cash adequacy ratio is attributed to the increase in net cash flow from operating activities over the last five years.
9. The decrease in operating leverage is due to the decrease in operating income in this period compared to the previous period.
10. The decrease in financial leverage is attributed to the decrease in operating profit and increase in interest expenses in this period compared to the previous period.

Note 1: Financial data for the years 2019 to 2023 has been audited and certified by the accountant.

Note 2: At the end of the annual report, the following calculation formulas should be presented:

1. Financial Structure

(1) Debt to Asset Ratio = Total Liabilities / Total Assets.

(2) Long-Term Funds to Property, Plant, and Equipment Ratio = (Total Equity + Non-current Liabilities) / Net Property, Plant, and Equipment.

2. Debt Serving Ability

(1) Current Ratio = Current Assets / Current Liabilities.

(2) Quick Ratio = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities.

(3) Interest Coverage Ratio = Earnings before Interest and Taxes (EBIT) / Interest Expense.

3. Operating Capability

(1) Accounts Receivable Turnover Ratio = Net Sales / Average Accounts Receivable.

(2) Average Collection Period = 365 / Accounts Receivable Turnover Ratio.

(3) Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory.

(4) Accounts Payable Turnover Ratio = Cost of Goods Sold / Average Accounts Payable.

(5) Average Sales Period = 365 / Inventory Turnover Ratio.

(6) Property, Plant, and Equipment Turnover Ratio = Net Sales / Average Net Property, Plant, and Equipment.

(7) Total Asset Turnover Ratio = Net Sales / Average Total Assets.

4. Profitability

(1) Return on Assets (ROA) = (Net Income + Interest Expense × (1 - Tax Rate)) / Average Total Assets.

(2) Return on Equity (ROE) = Net Income / Average Total Equity.

(3) Net Profit Margin = Net Income / Net Sales.

(4) Earnings Per Share (EPS) = (Net Income attributable to common shareholders - Preferred dividends) / Weighted Average Number of Common Shares Outstanding. (Note 3)

5. Cash Flow

(1) Cash Flow Ratio = Operating Cash Flow / Current Liabilities.

(2) Net Cash Flow Adequacy Ratio = Operating Cash Flow over the Last Five Years / (Capital Expenditures + Increase in Inventory + Cash Dividends over the Last Five Years).

(3) Cash Reinvestment Ratio = (Operating Cash Flow - Cash Dividends) / (Gross Property, Plant, and Equipment + Long-term Investments + Other Non-current Assets + Working Capital). (Note 4)

6, Leverage:

(1) Operating Leverage = (Net Sales Revenue - Variable Operating Costs and Expenses) / Operating Income. (Note 5)

(2) Financial Leverage = Operating Income / (Operating Income - Interest Expense).

Note 3: When calculating earnings per share (EPS), the following considerations should be taken into account:

1. Use the weighted average number of common shares outstanding, not the year-end issued shares.
2. For shares issued through rights offerings or treasury stock transactions, consider their duration of circulation when calculating the weighted average shares.
3. For earnings converted into capital increases or capital surplus, adjust the EPS of past fiscal years

and interim periods retrospectively according to the increase ratio, without considering the issuance period of the increase.

4. If preferred shares are non-convertible cumulative preferred shares, their dividends for the year (regardless of whether paid) should be deducted from or added to post-tax net income. For non-cumulative preferred shares, deduct preferred dividends from post-tax net income if there is profit; if there is a loss, no adjustment is needed.

Note 4: When analyzing cash flow, the following considerations should be taken into account:

1. Operating cash flow refers to the net cash flow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow for capital investments.
3. Inventory increase is only included when the year-end balance is greater than the beginning balance. If inventory decreases at year-end, it is calculated as zero.
4. Cash dividends include dividends for both common and preferred shares.
5. Gross fixed assets refer to the total amount of fixed assets before accumulated depreciation.

Note 5: The issuer should classify all operating costs and expenses as fixed or variable according to their nature. If there are estimates or subjective judgments involved, their reasonableness should be considered, and consistency should be maintained.

Note 6: If the company's shares are non-par value or have a per share value other than NT$10, the calculation of the ratio of pre-tax net profit to paid-in capital shall be based on the equity attributable to the owners of the parent company in the balance sheet.

## III. Audit Committee Review Report

Phihong Technology Co., Ltd.
Audit Committee Review Report

The Board of Directors has prepared the Company's operating report for the year 2023, the individual and consolidated financial statements for the year 2023, and the distribution of earnings. The individual and consolidated financial statements for the year 2023 have been audited and completed by Deloitte Touche Tohmatsu Limited. After review by the Audit Committee, it is confirmed that there are no discrepancies. Therefore, in accordance with the relevant provisions of the Securities and Exchange Act and the Company Act, we hereby report as above for your reference.

Yours sincerely,

PHIHONG Technology Co., Ltd. Regular Shareholders Meeting in 113 of the Republic of China

Audit Committee Convener: **Hong, Yu-Yuan**

March 7, 113 of the Republic of China

## IV. Standalone Financial Report for 2023

Please refer to pages 181~274 of this annual report.

## V. Consolidated Financial Report for 2023

Please refer to pages 275-347 of this annual report.

## VI. If the Company and its affiliated enterprises have financial difficulties in the most recent year and as of the date of publication of the annual report, their impact on the company's financial status should be listed.

There was no such situation in the most recent year and as of the publication date of the annual report.

# Seven. Financial Condition and Performance Review and Risk Factors

## I. Financial Condition

Unit: NTD1000, %

| Year / Item | 2022 | 2023 | Variation | |
|---|---|---|---|---|
| | | | Amount | % |
| Current Assets | 9,837,700 | 10,784,626 | 946,926 | 9.63 |
| Fixed Assets | 3,986,175 | 3,823,140 | (163,035) | (4.09) |
| Intangible Assets | 41,098 | 46,835 | 5,737 | 13.96 |
| Other Assets | 724,504 | 923,945 | 199,441 | 27.53 |
| Total Assets | 14,589,477 | 15,578,546 | 989,069 | 6.78 |
| Current Liabilities | 6,186,134 | 5,191,949 | (994,185) | (16.07) |
| Non-current Liabilities | 2,187,926 | 986,361 | (1,201,565) | (54.92) |
| Long-term Liabilities | 2,032,271 | 870,059 | (1,162,212) | (57.19) |
| Total Liabilities | 8,374,060 | 6,178,310 | (2,195,750) | (26.22) |
| Share Capital (including Paid-in Capital) | 3,752,084 | 4,312,084 | 560,000 | 14.93 |
| Capital Surplus | 2,179,372 | 4,579,383 | 2,400,011 | 110.12 |
| Retained Earnings | 91,273 | 267,846 | 176,573 | 193.46 |
| Other Equity | (324,510) | (367,518) | (43,008) | (13.25) |
| Total Shareholders' Equity | 6,215,417 | 9,400,236 | 3,184,819 | 51.24 |

The main reasons for the significant changes in the company's assets, liabilities and shareholders' equity in the past two years (changes in the previous and subsequent periods of more than 20%, and the amount of changes amounted to NT$10 million) and their impact and future response plans.

1. Other assets: Mainly due to the increase in investment real estate in the current period.
2. Non-current liabilities, long-term liabilities and total liabilities: due to the repayment of long-term and short-term borrowings in the current period.
3. Capital reserve: due to the cash capital increase in this period, the share capital and share premium increased.
4. Undistributed earnings: due to the net profit generated from operations in the current period.
5. Total shareholders' equity: due to the cash capital increase in the current period, the share capital and share premium increased.
6. Future response plan: Not applicable.

## II. Financial Performance Comparison Analysis Table

Financial Performance Comparison Analysis Table
Unit: NTD1000, %

| Year / Iten | 2022 | 2023 | Increase (Decrease) Amount | Changes % | Change analysis |
|---|---|---|---|---|---|
| Net operating income | 14,017,575 | 12,332,397 | (1,685,178) | (12.02) | |
| Operating cost | 11,875,937 | 9,119,641 | (2,756,296) | (23.21) | (1) |
| Operating profit | 2,141,638 | 3,212,756 | 1,071,118 | 50.01 | (2) |
| Operating expenses | 2,127,981 | 2,858,013 | 730,032 | 34.31 | (3) |

| Year / Iten | 2022 | 2023 | Increase (Decrease) Amount | Changes % | Change analysis |
|---|---|---|---|---|---|
| net operating profit | 13,657 | 354,743 | 341,086 | 2,497.52 | (2) |
| Non-operating income and expenses | 174,483 | 109,663 | (64,820) | (37.15) | (4) |
| Net profit before tax | 188,140 | 464,406 | 276,266 | 146.84 | (2) |
| Income tax expense | (116,834) | (201,892) | (85,058) | 72.80 | (5) |
| Net profit for the current period of continuing operations | 71,306 | 262,514 | 191,208 | 268.15 | (2) |
| Net profit for this period | 71,306 | 262,514 | 191,208 | 268.15 | (2) |
| Other comprehensive gains and losses for the period (net after tax) | 306,753 | (37,706) | (344,459) | (112.29) | (6) |
| Total comprehensive profit and loss for the period | 378,059 | 224,808 | (153,251) | (40.54) | (6) |
| Net profit belongs to the owners of the parent company | 71,327 | 262,551 | 191,224 | 268.09 | (2) |
| Net loss attributable to non-controlling interests | (21) | (37) | (16) | 76.19 | (7) |
| The total comprehensive profit and loss belongs to the owners of the parent company | 379,041 | 224,838 | (154,203) | (40.68) | (6) |
| Total comprehensive profit and loss attributable to non-controlling interests | (982) | (30) | 952 | (96.95) | (8) |

Explanation:

1.Explanation of Changes in the Percentage Change Analysis for the Last Two Years: (Analysis is provided only for changes exceeding 20%)

(1) The decrease in cost of goods sold compared to the previous period is due to a significant reduction in production costs resulting from changes in the product structure proportion in this period.

(2) The increase in gross profit, operating profit, profit before tax, net profit for the period from continuing operations, net profit for the period, and net profit attributable to equity holders of the company compared to the previous period is attributed to the growth in the electric vehicle charging post business in this period, leading to a substantial increase in orders and consequently an increase in operating revenue and gross profit.

(3) The increase in operating expenses compared to the previous period is due to the increase in group employees compared to the previous period, leading to a rise in personnel expenses.

(4) The decrease in non-operating income and expenses compared to the previous period is due to an increase in exchange losses caused by exchange rate fluctuations and an increase in interest expenses in this period.

(5) The increase in income tax expense compared to the previous period is due to the increase in profit before tax in this period.

(6) The decrease in other comprehensive income for the period (net of tax), total comprehensive income for the period, and total comprehensive income attributable to equity holders of the company compared to the previous period is due to an increase in exchange losses on the financial statements translation of overseas operating entities in this period compared to the previous period.

(7) The increase in net loss attributable to non-controlling interests compared to the previous period is due to an increase in losses incurred by investee companies in this period compared to the previous period.

(8) The increase in total comprehensive income attributable to non-controlling interests compared to the previous period is due to a decrease in exchange losses on the financial statements translation of overseas operating entities, which are part of the non-controlling interests, in this period compared to the previous period.

2. Explanation of Significant Changes in Revenue or Costs: There are no significant changes

3. Expected Sales Volume and Basis, Possible Impact on Company's Future Financial Operations, and Response Plans:
Our Company sells products ranging from power supply components to complete charging post solutions, with significant differences in selling prices. Therefore, it is not suitable to base the assessment solely on sales volume. However, our company continually improves processes by introducing automation to enhance production capacity and yield rates, in order to meet the demand of future sales orders.

## III. Cash Flow

1. Cash flow analysis

Unit: NTD,1000

| Year | Beginning Cash Balance | Net Cash Flow from Operating Activities for the Year | Total Cash Inflows (Outflows) for the Year | Cash Surplus (Deficit) | Remedial Measures for Cash Deficiency | |
|---|---|---|---|---|---|---|
| | | | | | Investment Plans | Financial Planning |
| 112 | 2,990,883 | 2,225,917 | 2,860,922 | 5,851,805 | - | - |

1. Analysis of Cash Flow Changes for the Current Year:
(1) Net Cash Inflow from Operating Activities: This is due to the collection of accounts receivable and other receivables from related parties.
(2) Net Cash Outflow from Investing Activities: This is due to the purchase of property, plant, and equipment.
(3) Net Cash Inflow from Financing Activities: This is due to the cash raised from the issuance of new shares during the current period.

2. Remedial Measures for Cash Shortages and Liquidity Analysis: Not applicable.
3. Cash Flow Liquidity Analysis for the Coming Year:

Unit: NTD,1000

| Initial Cash Balance | Annual Net Cash Flow from Operating Activities | Annual Cash Inflows (Outflows) | Cash Surplus (Shortage) Amount | Remedial Measures for Cash Shortages | |
|---|---|---|---|---|---|
| | | | | Investment Plans | Financial Planning |
| 5,851,805 | 1,154,000 | (644,306) | 5,207,499 | - | - |

1. Analysis of Future Cash Flow Changes for the Next Year:
(1) Net Cash Inflow from Operating Activities: Mainly attributed to increased pre-tax profit and destocking efforts.
(2) Cash Outflows: Primarily due to capital expenditures such as building construction and equipment purchases, as well as repayment of bank loans.
2. Remedial Measures for Expected Cash Shortages and Liquidity Analysis:
The company anticipates sufficient cash flow for the next year without any foreseeable shortages.

## IV. The impact of significant capital expenditures on financial operations in the latest fiscal year.

Unit: NTD, 1000

| Project | Source of Funds | Use of Funds as of December 2023 End | Financial Business Impact |
|---|---|---|---|
| Land and factory buildings in Tainan. | Working capital Own funds | 241,577 | The company built a factory in Tainan to address issues such as inadequate production assembly space, reliability testing areas, and floor load-bearing capacity at the Tainan Plant. Additionally, this initiative helps attract Taiwanese investments back to Taiwan and enhances the competitiveness of business development. |
| Subsidiary and its factory buildings in Vietnam. | Working capital Own funds | 905,402 | The company invested in constructing a new factory in Haiphong, Vietnam, not only to expand the group's production capacity but also to address tariff issues arising from the US-China trade war, thereby enhancing the competitiveness of the group's products. |
| Factory buildings in Phase III of Tiesong, Dongguan. | Working capital Own funds | 297,410 | The company invested in constructing the third-phase factory in Tiesong, Dongguan, to integrate its production base in mainland China. |
| Phase I factory buildings of the subsidiary in Japan. | Working capital Own funds | 17,651 | The company invested in constructing Phase A of a factory in Chiba, Japan, to integrate its production base in Japan. |

## V. The most recent annual reinvestment policy, the main reasons for its profits or losses, improvement plans and investment plans for the next year

Unit: NTD, 1000

| **Investment conversion** | **Recognition of investment gains or losses in 2023** | **Policy on investment conversion** | **Main reasons for profit or loss** | **Improvement plan for the coming year** |
|---|---|---|---|---|
| PHIHONG INTERNATIONAL CORP. | (33,889) | Investment in Other Businesses | Attributed to the recognition of investment losses from affiliated companies. | Keep track of the operational status of the invested companies at all times. |
| PHIHONG USA CORP. | 35,336 | Sale of Power Supply Products | Attributed to the continuous expansion of business operations. | - |
| PHITEK INTERNATIONAL CO., LTD. | (83,567) | Investment in Other Businesses | Attributed to the recognition of investment losses from affiliated companies. | Keep track of the operational status of the invested companies at all times. |
| ASCENT ALLIANCE LTD. | (9,102) | Investment in Other Businesses | Attributed to the recognition of investment losses from affiliated companies. | Keep track of the operational status of the invested companies at all times. |

| Investment conversion | Recognition of investment gains or losses in 2023 | Policy on investment conversion | Main reasons for profit or loss | Improvement plan for the coming year |
|---|---|---|---|---|
| Guang-Lai Investment Co., Ltd. | (3,643) | General Investment Activities | Attributed to the recognition of investment losses from affiliated companies. | Keep track of the operational status of the invested companies at all times. |
| Hong Xuan Entrepreneurial Investment Co., Ltd. | (1,717) | General Investment Activities | Due to investment losses. | Keep track of the operational status of the invested companies at all times. |
| PHIHONG TECHNOLOGY JAPAN CO., LTD. | 2,263 | Sale of Power Components | Attributed to the continuous expansion of business. | - |
| PHIHONG VIETNAM CO., LTD | (41,356) | Manufacture and Sale of Power Supplies | Not reaching the economic scale. | Continuously manage operational costs. |
| ZEROVA Technology Co., Ltd. | 345,109 | Manufacture and Sale of Electrical Equipment | Due to the continuous expansion of business. | - |
| ZEROVA Technology Holdings Co., Ltd. | 556,647 | Investment in Other Businesses | Due to the continuous expansion of business | - |
| N-LIGHTEN TECHNOLOGIES, INC. | (131) | General Investment Business | Attributed to necessary expenses generated by operations. | Awaiting the commencement of the liquidation process. |
| SPRING CITY RESORT CO., LTD. | (1,248) | Operation of Hotels with Attached Restaurants and General Bathhouse Business | Attributed to investment losses. | Keep track of the operational status of the invested companies at all times. |
| Grand Cathay Venture Capital Co.,Ltd. | (2,369) | General Investment Business | Attributed to investment losses. | Keep track of the operational status of the invested companies at all times. |
| Zerova Technologies Europe B.V. | 6,434 | Providing Electric Vehicle Charging Solutions | Due to the continuous expansion of business. | - |
| Zerova Technologies SG Pte. Ltd. | 574,151 | Investment in Other Businesses and Sale of Electric Machinery Equipment | Due to the continuous expansion of business. | - |
| Zerova Technologies Japan Co., Ltd | 5,832 | Providing Electric Vehicle Charging Solutions | Due to the continuous expansion of business. | - |
| Zerova Technologies America Corporation | 161,602 | Investment in Other Businesses | Due to the continuous expansion of business. | - |
| Zerova Technologies USA LLC | 162,343 | Providing Electric Vehicle Charging Solutions | Due to the continuous expansion of business. | - |
| PHIHONG Electronics (Dongguan) Co., Ltd. | (79,808) | Manufacturing and Selling Power Supplies | Not reaching the economies of scale. | Continuously manage operational costs. |
| PHIHONG Electronics (Suzhou) Co., Ltd. | 38,226 | Manufacturing and Selling Power Supplies | Attributed to interest income. | - |
| Zerova (Shanghai) Trading Service Co., Ltd. (formerly Yanghong Trading (Shanghai) Co., Ltd. renamed on April 7, 113) | 3,915 | Selling Lighting and Power Supplies | Continuous business expansion. | - |
| Dongguan Phitek Electronics Co., Ltd. | (84,762) | Manufacturing and Selling Power Supplies | Not reaching economies of scale. | Continuously manage operational costs. |

| Investment conversion | Recognition of investment gains or losses in 2023 | Policy on investment conversion | Main reasons for profit or loss | Improvement plan for the coming year |
|---|---|---|---|---|
| Dongguan ShuangYing Electronics Co., Ltd. | 1,932 | Manufacturing and Selling Electronic Materials | Continuous business expansion. | - |
| Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. | (12,358) | Manufacturing and Selling Electronic Materials | Not reaching economies of scale. | Continuously manage operational costs. |
| Zerova Technology (Dongguan) Co., Ltd. | 29,141 | Manufacturing and Selling Electrical Equipment | Not reaching economies of scale. | Continuously manage operational costs. |
| Zerova Trading Service (Dongguan) Co., Ltd. | (14,424) | Providing Electric Vehicle Charging Solutions | Not reaching economies of scale. | Continuously manage operational costs. |

## VI. Risks and Evaluations for the Most Recent Fiscal Year and Up to the Printing Date of the Annual Report

(I) Impact of Interest Rates, Exchange Rate Fluctuations, and Inflation on the Company's Profit and Loss, and Future Response Measures:

The impact of interest income and expenses and foreign exchange gains and losses on the company's financial statements for the year 2023:

Unit: NTD, 1000, %

| Item | Net Amount for the Year 2023 | As a Proportion of the Net Revenue for the Year 2023 | Percentage of Net Amount as a Proportion of the Pre-Tax Net Profit for the Year 2023 |
|---|---|---|---|
| Net Interest Income (Expense) | (9,391) | (0.08) | (2.02) |
| Net Exchange Gains (Losses) | (26,359) | (0.21) | (5.68) |

1. Regarding Interest Rates:
   (1) Impact on Company's Profit and Loss: The proportion of interest expense to net revenue in the year 2023 is quite low, thus not significantly affecting the company's finances, operations, and profitability.
   (2) Future Response Measures: The financial department of the company closely monitors trends in interest rate fluctuations and assesses the allocation of long- and short-term borrowings to mitigate adverse impacts on profitability during interest rate fluctuations. Additionally, the cash position on the balance sheet primarily consists of secure fixed deposits or principal-protected financial products to enhance overall fund utilization and investment returns.
2. Regarding Exchange Rates:
   (1) Impact on Company's Profit and Loss: The proportion of exchange gains and losses to net revenue in the year 2023 is quite low, thus not significantly affecting the company's finances, operations, or profitability.
   (2) Future Response Measures: The company's procurement and sales are mainly denominated in US dollars, and the exposure to net positions is low. Therefore, the exchange rate policy primarily focuses on mitigating risks associated with foreign exchange income, expenses, assets, or liabilities generated by the company's business

operations. Currently, the company adopts natural hedging through asset and liability offsetting to reduce the impact of exchange rate fluctuations on profitability.

3.Regarding Inflation:

The Directorate-General of Budget, Accounting and Statistics (DGBAS) announced that the Consumer Price Index (CPI) for the year 2023 was 105.51, with an annual inflation rate of 2.49%. The inflation risk remains within an acceptable range, and this inflation rate has no significant impact on the company's operations.

(II) Policies regarding high-risk, high-leverage investments, lending funds to others, endorsements, guarantees, and derivative transactions, or the main reasons for losses and future response measures:

1. In the year 2023, the company did not engage in high-risk, high-leverage investments, and all investments were carried out in accordance with the company's " Operation Procedure for Loaning Funds to others " after careful evaluation.
2. The recipients of funds lending and endorsements and guarantees by the company and its subsidiaries are all subsidiaries. The financial business conditions are normal, and relevant laws and regulations of the Financial Supervisory Commission are followed, along with the company's " Procedure for Lending Funds to Other Parties and or Guarantees " and " Operating Procedures of Endorsement / Guarantees." Therefore, there is no possibility of incurring losses.
3. The company engages in derivative transactions in accordance with the "Asset Acquisition or Disposal Procedures" and mainly for hedging purposes. The selection of trading commodities should primarily focus on mitigating risks associated with foreign exchange income, expenses, assets, or liabilities generated by the company's business operations. The company did not engage in derivative transactions in the year 2023.

(III) Future R&D Plans and Estimated R&D Expenses:

1. To meet the demands of information technology, household appliances, optoelectronics, and energy sectors, the company aims to develop intelligent power supply technology with high power, high density, and low voltage, while also complying with various environmental regulations. This will be the goal of future R&D projects.

(1) 2024 R&D Plan:

- Various gallium nitride (GaN) power supplies dedicated to gaming laptops, including 140W/180W PD 3.1, and 180W/240W/280W/330W 20V products.
- Various chargers for electric vehicles and power batteries, including 164W/168W/252W/273W, GaN miniaturized chargers, 1KW Fanless with IP67 waterproof and dustproof features.
- Industrial power supplies, including open-frame 100W/150W/240W/300W products with moisture-proof and dust-proof features.
- Wireless power tool lithium battery chargers, 21.6W/single-port and 43.2W/dual-port chargers, 1KW charger products.
- Retail market-specific 65W/100W GaN 2C1A PD smart fast charger products
- Various types of type C chargers for mobile phones, including general and GaN miniaturized 15W/35W/44W/80W/120W PD products
- Second-generation POE 30W/60W/90W adapter products
- Open-frame 530W/950W products for POE switches
- Power modules for electric vehicle charging posts, including 30KW DC/DC modules, 40KW AC/DC modules, 60KW PFC water-cooled modules, and 30KW DC water-cooled module products.
- 480KW water-cooled electric vehicle charging post products.

(2) The estimated R&D expenses for the year 2024 are approximately NTD 176,800,000.

(IV) Impact of Domestic and International Policy and Legal Changes on Company Financial Operations and Response Measures:

The management team closely monitors important policies and laws domestically and internationally. Through various subsidiary companies and global locations, risk management is conducted, and response strategies are formulated. As of the printing date of the annual report for the year 2023, there have been no significant impacts on the company's financial operations due to policy or legal changes.

(V) Impact of Technological Changes (including Information Security Risks) and Industry Changes on Company Financial Operations and Response Measures:

- Currently, technological developments include cloud computing, the Internet of Things (IoT), optoelectronic applications, and smart device applications (such as wearable devices). Industries such as automotive electronics, 5G, gaming laptops, foldable smartphones, electric vehicle charging posts, and E-bikes are thriving. The application scope of power supplies is expanding. In response to the trend of energy conservation and carbon reduction, the company's power supply designs aim for "compactness, high efficiency, and high reliability," emphasizing minimal use of raw materials to maximize efficiency and comply with various environmental regulations. These power supplies are widely used in various electronic products, reflected in revenue and profitability.
- Furthermore, with the advancement of technology, global information security threats are increasing. In response to these challenges, the company established an Information Security Committee in the year 2022. In addition, in the year 2023, the company recruited full-time information security managers and personnel to implement various information security policies, strengthen employee information security education and training, and engage external professional information security teams to provide optimal information security protection solutions and vulnerability scanning and assessment services. This is aimed at enhancing the overall information and communication security of the company and reducing operational and financial risks.

(VI) Changes in corporate image can significantly impact crisis management:

The company's solid and steady operation has always maintained a good corporate image. In recent years, the company has strengthened corporate governance and financial transparency. It adheres to the business philosophy of "excellent design, excellent quality, accurate delivery, reasonable price, and satisfactory service." The growth momentum will continue to expand steadily, which is sufficient to cope with various potential corporate crises and maintain a good corporate image.

(VII) Expected benefits, potential risks, and response measures for mergers and acquisitions: None.

(VIII) Expansion of factory premises' anticipated benefits, potential risks, and response measures:

The company aims to seize the opportunity of the explosive growth in the EV market and meet the continuous influx of orders. This expansion also aims to increase production capacity while reducing reliance on the supply chain in China, ensuring the protection of core technologies and capabilities. The board of directors has approved the capital expenditure plan for the Tainan Plant III.

- ˙Expected benefits: Due to the limited production capacity of Tainan Plants 1 and 2, the company plans ahead for medium to long-term order demands, expecting to increase the production capacity of AC/DC charging posts.
- ˙Potential risks: Market downturn, slowing end-user demand, market demand falling short of expectations.
- ˙Response measures: By leveraging innovative R&D capabilities, providing high-quality after-sales service, and offering comprehensive solutions to customers, the company aims to mitigate the impact of a slowdown in market demand by increasing market share.

(IX) Risk and Response Measures for Concentrated Purchasing or Sales: The company's main sources of procurement and sales targets are disclosed in relevant sections of this annual report. Considering the company's operations, industry growth trends, and rapid changes in market supply and demand, the company focuses on purchasing from multiple brands and diversifying procurement sources. It also diversifies its sales targets to balance risks and maintain stable operations. Additionally, the company has strengthened credit management for sales customers and conducts monthly tracking and management of accounts receivable to reduce the risk of bad debts.

(X) The impact, risks, and response measures regarding significant transfers or replacements of directors, supervisors, or shareholders holding ten percent or more shares: As of the printing date of the annual report, there have been no instances of significant transfer of shares for directors or shareholders holding ten percent or more shares.

(XI) Impact, risks, and response measures for changes in management control: As of the printing date of the annual report, there have been no changes in management control.

(XII) Litigation and Non-Litigation:

1. Significant litigation, non-litigation, or administrative disputes currently pending:
Defendants Zhang ○○ and Ruan ○○ are being prosecuted by the Taoyuan District Prosecutors Office for violating the Trade Secrets Act and other related matters involving infringement of the company's trade secrets. The criminal litigation is currently under trial pursuant to Article 251, Paragraph 1 of the Code of Criminal Procedure.

2. Directors, general managers, substantial controlling shareholders holding more than ten percent of shares, and subsidiary companies, in the past two fiscal years, there have been no significant litigation, non-litigation, or administrative disputes that have been adjudicated or are currently pending.

(XIII) Other Important Risk Response Measures:

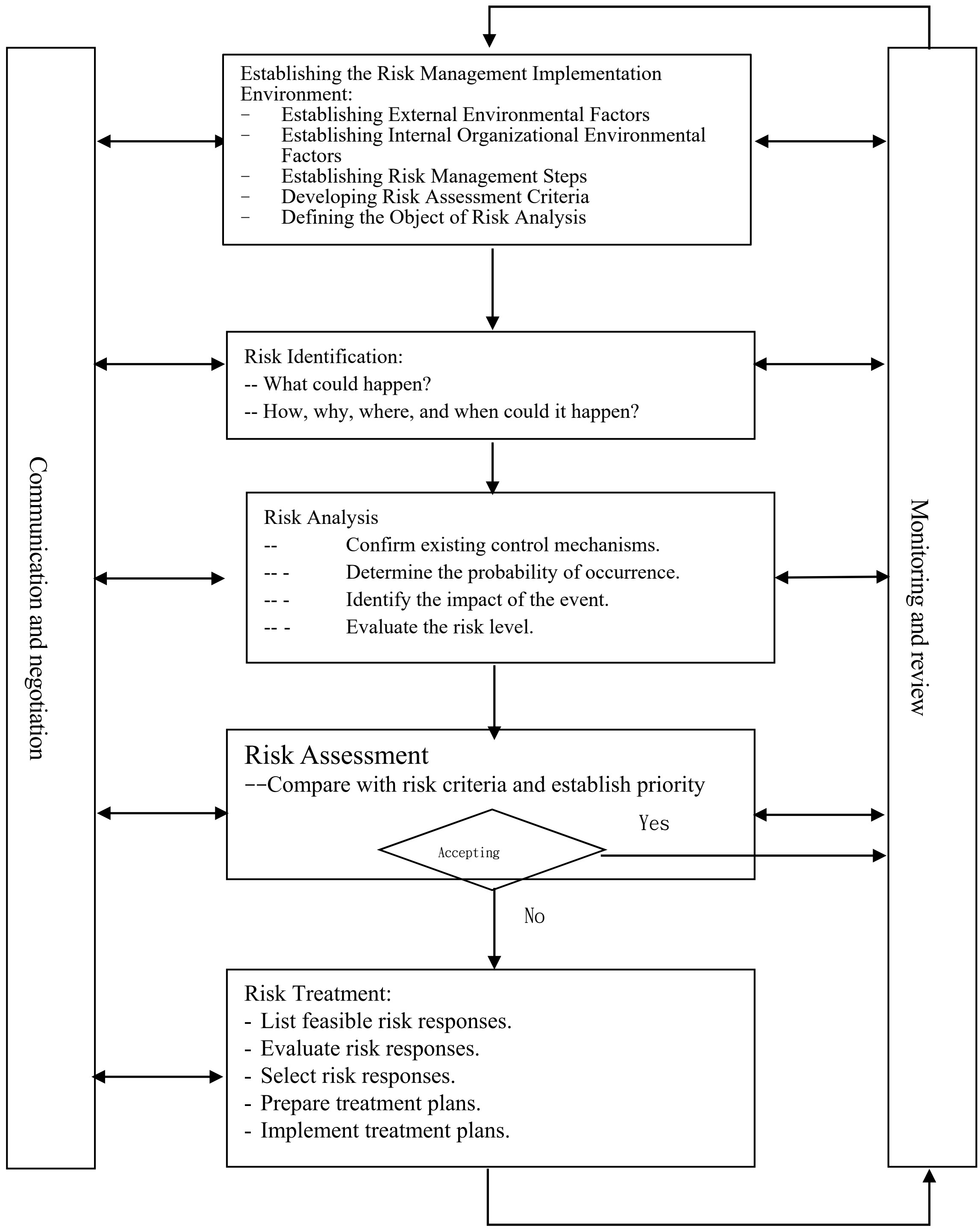
1. Risk Management Organizational Structure:

| Organization Chart | Authority and Responsibility |
|---|---|
| Group General Manager | 1. Commitment and support for risk management<br>2. Serve as or designate risk management executive officer<br>3. Design risk management strategies and guidelines<br>4. Communicate and decide risk priorities and tolerances<br>5. Ensure appropriate human participation and resource allocation<br>6. Continued participation and appropriate rewards |
| Risk Management Executive<br>Executive Secretary | 1. Improve supervisors' awareness of risk management<br>2. Develop risk images<br>3. Provide implementation methods and change management strategy suggestions<br>4. Promote the formulation of organizational risk policies<br>5. Ensure education and training meet needs<br>6. Supervise and review the implementation performance of risk countermeasures |
| Heads of Various Groups<br>Heads of Various Departments | 1. Participate in assessing organizational readiness and recognizing organizational risks<br>2. Assess internal risk management capabilities<br>3. Examine the environment and recognize opportunities and threats<br>4. Understand and communicate the organization's risk management policies and suggestions from the organization's employees<br>5. Provide strategic suggestions<br>6. Systematically identify and manage risks and ensure the implementation of risk management<br>7. Implement necessary training and activities to achieve learning results<br>8. Implement or formulate relevant risk management measures according to the responsibilities of each unit<br>9. Submit risk treatment plan execution report |
| All Employees | 1. Understand and implement personal risk management responsibilities<br>2. Pay attention to risk issues<br>3.Understand organizational policies and provide suggestions<br>4. Provide risk management contributions |

2. Risk Management Scope:
The company is committed to integrating and managing all potential risks that may affect operations and profitability in a proactive and cost-effective manner. This includes various strategic, operational, financial, and hazard-related risks. The aim is to provide appropriate risk management for all stakeholders. Risk events are assessed using a Risk Matrix (Risk MAP) to evaluate the frequency of occurrence and

severity of impact on company operations. Risks are then prioritized and classified based on their severity, and corresponding risk management strategies are implemented. The company's risk management covers eight major areas: "Power and Water Interruptions," "Environmental and Climate Change," "Threats of Major Infectious Diseases," "Occupational Safety Risks," "Information Security Risks," "Ethical Risks," "Financial Risks," and "Supplier Risks."

3. Risk Management Execution Strategy




4. Risk management operation:

The risk management execution team is subordinate to the Group General Manager's Office, with the General Manager serving as or appointing the Chief Risk Management Officer. Each business unit regularly identifies and manages risk factors to facilitate more efficient command, self-assessment, and execution of the risk management organization.

The significant information on cybersecurity events released by the company on February 13, 2023, was effectively managed by the risk management execution team according to risk management strategies. A

report on the response to and improvement plan for cybersecurity events was presented to the Board of Directors on March 9, 2023. The execution status of information security management was reported to the Board of Directors on November 9, 2023.
The overall risk management situation of the company was reported to the Board of Directors on August 11, 2023, covering the assessment of risks and the operation of risk management.

## VII. Other important matters:

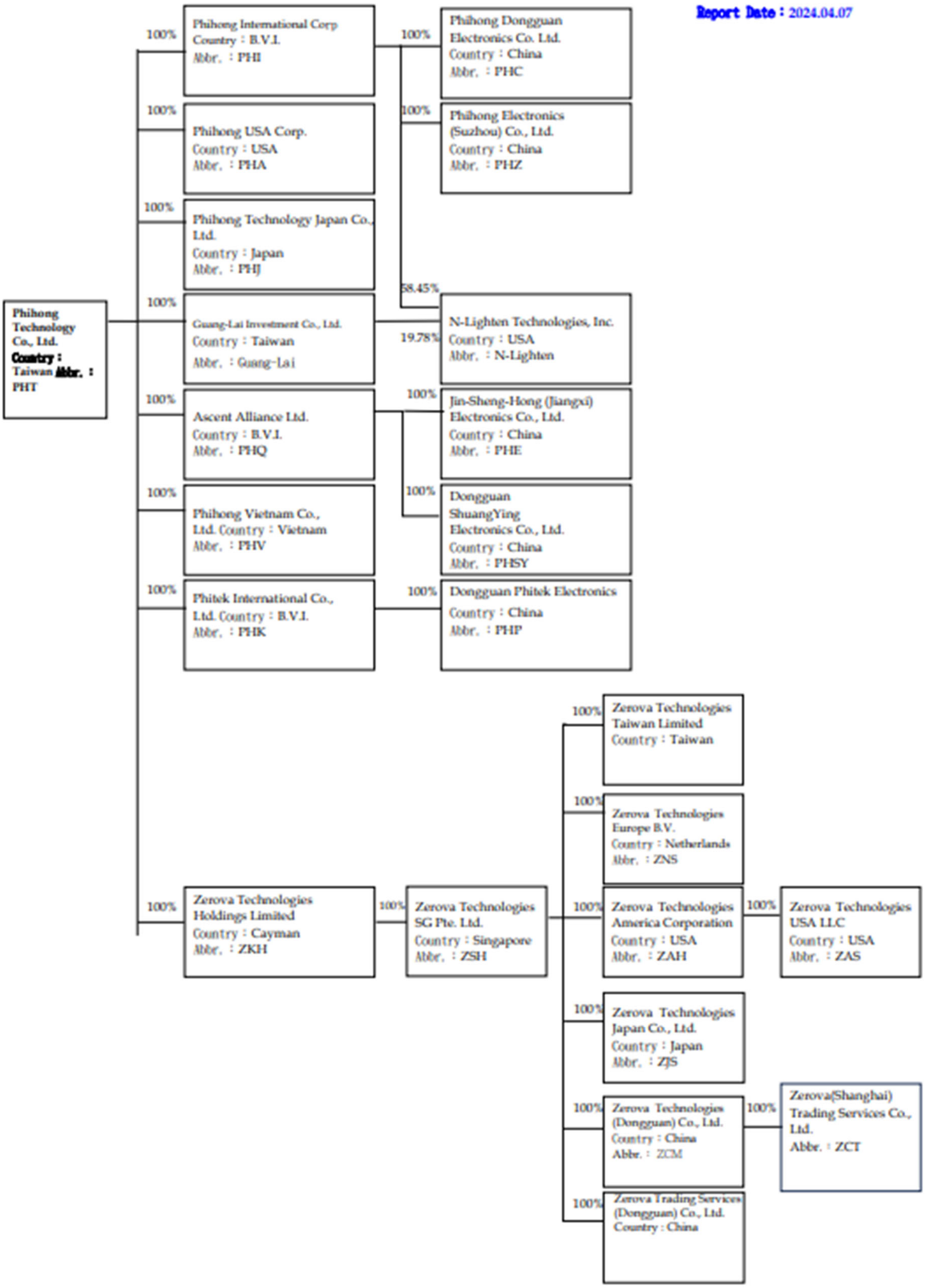
There are no such events in the latest fiscal year and up to the date of printing of this annual report.

# Eight. Special Disclosure

## 1. Information on Affiliates:

(1) Organizational chart of Phihong Technology Co., Ltd.'s related companies.

Date: April 7, 2024



(2) Basic Information of Related Companies

Unit: NTD1000/Foreign Currency

| Company Name | Date of Establishment | Address | Paid-in Capital | | Main Business or Production Items |
|---|---|---|---|---|---|
| PHIHONG INTERNATIONAL CORP. | 85.05 | PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS | USD | 102,421,351 | Investment in Other Businesses |
| PHITEK INTERNATIONAL CO., LTD. | 88.08 | PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS | USD | 18,840,000 | Investment in Other Businesses |
| ASCENT ALLIANCE LTD. | 93.06 | PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS | USD | 12,012,600 | Investment in Other Businesses |
| PHIHONG USA CORP. | 86.04 | 47800 FREMONT BLVD, FREMONT, CA 94538, USA | USD | 6,200,000 | Sales of Power Supply Products |
| PHIHONG TECHNOLOGY JAPAN CO., LTD. | 99.04 | 5F, VORT Toyocho Building, 3-23-24 Toyo, Koto-ku, Tokyo | JPY | 500,000,000 | Selling Power Supply Components |
| PHIHONG VIETNAM CO., LTD. | 108.02 | Thửa đất B34, B35, B36 và B37 thuộc lô CN5, Khu công nghiệp An Dương, Huyện An Dương, Thành phố Hải Phòng, Việt Nam. | USD | 65,000,000 | Manufacturing and Selling Power Supply Units |
| Guang-Lai Investment Co., Ltd. | 90.10 | 10th Floor, No. 172, Section 2, Minsheng East Road, Zhongshan District, Taipei City | | 139,758 | General Investment Business |
| Phihong (Dongguan) Electronics Co., Ltd. | 85.03 | Science and Technology Road, Yinhu Industrial Zone, Qingxi Town, Dongguan City, Guangdong Province | HKD | 495,450,000 | Manufacturing and Selling Power Supply Units |
| Phihong Electronics (Suzhou) Co., Ltd. | 92.03 | Room 1407, Building 8, Block A, Longhu Times, Lion Mountain Road, Suzhou New District, Jiangsu Province. | USD | 31,960,000 | Manufacturing and Selling Power Supply Units |
| Zerova (Shanghai) Trading Service Co., Ltd. (formerly known as Yanghong Trading (Shanghai) Co., Ltd. since April 7th, 2024) | 96.12 | 6th Floor, Blocks A-C, Fugun Business Building, No. 3089, Hechuan Road, Minhang District, Shanghai | RMB 10,835,202 | | Selling Charging Stations and Electronic Products |
| Phitek Electronics Co., Ltd. (Dongguan) | 88.11 | Room 101, Building 5, No. 133-1, Tiesong Road, Qingxi Town, Dongguan City, Guangdong Province | USD | 20,140,000 | Manufacturing and Selling Power Supply Units |
| Dongguan ShuangYing Electronics Co., Ltd | 93.06 | Room 101, Building 6, No. 133-1, Tiesong Road, Qingxi Town, Dongguan City, Guangdong Province | HKD | 9,000,000 | Manufacturing and Selling Electronic Materials |
| Jin-Sheng-Hong Electronics (Jiangxi) Co., Ltd. | 95.01 | No. 18, Fengyuan Avenue, Xincheng Industrial Park, Fengcheng City, Jiangxi Province | USD | 11,500,000 | Manufacturing and Selling Electronic Materials |
| N-Lighten Technologies, Inc. | 93.04 | 47800 FREMONT BLVD, FREMONT, CA 94538, USA | USD | 26,565,698 | General Investment Business |
| Zerova Technology Holdings Limited | 111.03 | Suite 102,Cannon Place,P.O.Box 712, North Sound Rd.,George Town, Grand Cayman,KY1-9006 Cayman Islands | USD | 69,927,260 | Investment in Other Businesses |
| Zerova Technology Co., Ltd. | 111.03 | 99 Zhongsan 1st St, Yongkang District, Tainan City | | 600,000 | Manufacturing and Selling Electrical Equipment |
| Zerova Technologies SG Pte. Ltd. | 111.07 | 111 NORTH BRIDGE ROAD #06-20 PENINSULA PLAZA SINGAPORE (179098) | USD | 65,872,407.8 | Investment in Other Businesses and Selling Electrical Equipment |
| Zerova Technologies Europe B.V. | 111.06 | Barbara Strozzilaan 101, Amsterdam 1083 HN, The Netherlands | EUR | 3,000,000 | Providing Electric Vehicle Charging Solutions |
| Zerova Technologies Japan Co., Ltd | 111.09 | 5F, VORT Toyocho Building, 3-23-24 Toyo, Koto-ku, Tokyo | JPY | 80,000,000 | Providing Electric Vehicle Charging Solutions |
| Zerova Technology (Dongguan) Co., Ltd. | 111.08 | Room 201, 5th Floor, No. 133-1, Tiesong Road, Qingxi Town, Dongguan City, Guangdong Province | USD | 950,000 | Manufacturing and Selling Electrical Equipment |
| Zerova Trading Service (Dongguan) Co., Ltd. | 111.08 | Room 401, 5th Floor, No. 133-1, Tiesong Road, Qingxi Town, Dongguan City, Guangdong Province | USD | 200,000 | Providing Electric Vehicle Charging Solutions |
| Zerova Technologies America Corporation | 111.07 | 401 RYLAND ST STE 200-A, RENO, NV 89502, USA | USD | 3,050,000 | Investment in Other Businesses |
| Zerova Technologies USA LLC | 111.07 | 47800 FREMONT BLVD., FREMONT, CA 94538, USA | USD | 3,000,000 | Providing Electric Vehicle Charging Solutions |

(III) Shareholder Information of Presumed Controlled and Affiliated Entities: None.

(IV) The main industries covered by the overall related companies' operations include:

1.Core Business: Manufacturing and selling various products such as power transformers, inverters, converters, power supplies, and electronic stabilizers.

2.General Investment Business.

3. Research and development, sales, and manufacturing of electrical equipment.

## (V) Information of Directors, Supervisors, and General Managers of Related Companies

| Company Name | Position | Name or Representative | Shareholding Held | |
|---|---|---|---|---|
| | | | Number of Shares | Percentage of Ownership % |
| PHIHONG INTERNATIONAL CORP. | Director | Lin, Chung Min | 102,421,351 | 100.00 |
| PHITEK INTERNATIONAL CO., LTD. | Director | Phihong Technology Co., Ltd<br>Representative: Lin, Chung Min | 18,840,000 | 100.00 |
| ASCENT ALLIANCE LTD. | Director | Phihong Technology Co., Ltd<br>Representative: Lin, Chung Min | 12,012,600 | 100.00 |
| PHIHONG USA CORP. | Chairman | Phihong Technology Co., Ltd<br>Representative: Lin, Fei-Hong | 3,100,000 | 100.00 |
| | Director | Lin, Fei-Hong | - | - |
| | General Manager | Tai, Tsui-E | - | - |
| PHIHONG TECHNOLOGY JAPAN CO., LTD. | Representative Director | Phihong Technology Co., Ltd.<br>Representative: Lin, Fei-Hong | 25,000 | 100.00 |
| | Director | Phihong Technology Co., Ltd.<br>Representative: Lin, Fei-Hong | 25,000 | 100.00 |
| PHIHONG VIETNAM CO., LTD. | General Manager | Phihong Technology Co., Ltd.<br>Representative: Lin, Chung Min | 65,000,000 | 100.00 |
| Guang-Lai Investment Co., Ltd. | Chairman | Phihong Technology Co., Ltd.<br>Representative: Lin, Chung Min | 13,975,828 | 100.00 |
| | Director | Phihong Technology Co., Ltd.<br>Representative: Lin, Kuan-Hong | 13,975,828 | 100.00 |
| | Director | Phihong Technology Co., Ltd.<br>Representative: ALLAN LIN | 13,975,828 | 100.00 |
| | Supervisors | Phihong Technology Co., Ltd.<br>Representative: Chien, Shu-Nu | 13,975,828 | 100.00 |
| Phihong Dongguan Electronics Co. Ltd. | Chairman | PHIHONG INTERNATIONAL CORP.<br>Representative: Lin, Chung Min | - | - |
| | Director | PHIHONG INTERNATIONAL CORP.<br>Representative: Chien, Shu-Nu | - | - |
| | Director | PHIHONG INTERNATIONAL CORP.<br>Representative: Lin, Yang-Hong | - | - |

| Company Name | Position | Name or Representative | Shareholding Held | |
|---|---|---|---|---|
| | | | Number of Shares | Percentage of Ownership % |
| Phihong Electronics (Suzhou) Co., Ltd. | Chairman | PHIHONG INTERNATIONAL CORP.<br>Representative: Lin, Chung Min | - | - |
| | Director | PHIHONG INTERNATIONAL CORP.<br>Representative: Lin, Kuan-Hong | - | - |
| | Director | PHIHONG INTERNATIONAL CORP.<br>Representative: Lin, Yang-Hong | - | - |
| | Supervisors | PHIHONG INTERNATIONAL CORP.<br>Representative: Lin, Fei-Hong | - | - |
| Zerova (Shanghai) Trading Service Co., Ltd. (formerly known as Yanghong Trading (Shanghai) Co., Ltd. since April 7th, 2024) | Chairman | Zerova Technologies (Dongguan) Co., Ltd.<br>Representative: Chen, Chun-Cheng | - | - |
| | Supervisors | Zerova Technologies (Dongguan) Co., Ltd.<br>Representative: Lin, Fei-Hong | - | - |
| Dongguan Phitek Electronics Co., Ltd. | Chairman | PHITEK INTERNATIONAL CO., LTD.<br>Representative: Lin, Kuan-Hong | - | - |
| | Director | PHITEK INTERNATIONAL CO., LTD.<br>Representative: Lin, Yang-Hong | - | - |
| | Director | PHITEK INTERNATIONAL CO., LTD.<br>Representative: Chien, Shu-Nu | - | - |

| Company Name | Position | Name or Representative | Shareholding Held | |
|---|---|---|---|---|
| | | | Number of Shares | Percentage of Ownership % |
| Dongguan ShuangYing Electronics Co., Ltd. | Chairman | ASCENT ALLIANCE LTD.<br>Representative: Lin, Chung Min | - | - |
| | Director | ASCENT ALLIANCE LTD.<br>Representative: Lin, Fei-Hong | - | - |
| | Director | ASCENT ALLIANCE LTD.<br>Representative: Lin, Kuan-Hong | - | - |
| Jin-Sheng-Hong Electronics (Jiangxi) Co., Ltd. | Chairman | ASCENT ALLIANCE LTD.<br>Representative: Lin, Chung Min | - | - |
| | Director | ASCENT ALLIANCE LTD.<br>Representative: Lin, Fei-Hong | - | - |
| | Director | ASCENT ALLIANCE LTD.<br>Representative: Lin, Yang-Hong | - | - |
| N-Lighten Technologies, Inc. | Chairman | Guang-Lai Investment Co., Ltd.<br>Representative: Lin, Chung Min | 37,498,870 | 19.78 |
| | Director | PHIHONG INTERNATIONAL CORP.<br>Representative: Chen, Chiu-Chin | 110,834,223 | 58.45 |
| | Director | Hsueh, Hsiao-Lu | - | - |
| | Director | Chou, Ta-Jen | - | - |

| Company Name | Position | Name or Representative | Shareholding Held | |
|---|---|---|---|---|
| | | | Number of Shares | Percentage of Ownership % |
| Zerova Technology Holdings Limited | Director | Phihong Technology Co.,LTD.<br>Representative: Lin, Fei-Hong | 699,272,603 | 100.00 |
| | Director | Phihong Technology Co.,LTD.<br>Representative: Yang, Wei-Jie | 699,272,603 | 100.00 |
| | Director | Phihong Technology Co.,LTD.<br>Representative: Chen, Chun-Cheng | 699,272,603 | 100.00 |
| Zerova Technologies SG Pte. Ltd. | Director | Zerova Technologies Holdings Limited<br>Representative: Lin, Fei-Hong | 67,649,888 | 100.00 |
| | Director | Zerova Technologies Holdings Limited<br>Representative:Yang, Wei-Jie | 67,649,888 | 100.00 |
| | Director | Zerova Technologies Holdings Limited<br>Representative:Chen, Chun-Cheng | 67,649,888 | 100.00 |
| | Director | Zerova Technologies Holdings Limited<br>Representative:Wong Yong Fei | 67,649,888 | 100.00 |
| Zerova Technology Co., Ltd. | Chairman | Zerova Technologies SG Pte. Ltd.<br>Representative: Lin, Fei-Hong | 60,000,000 | 100.00 |
| | Director | Zerova Technologies SG Pte. Ltd.<br>Representative: Yang, Wei-Jie | 60,000,000 | 100.00 |
| | Director | Zerova Technologies SG Pte. Ltd.<br>Representative: Chen, Chun-Cheng | 60,000,000 | 100.00 |

| Company Name | Position | Name or Representative | Shareholding Held | |
|---|---|---|---|---|
| | | | Number of Shares | Percentage of Ownership % |
| Zerova Technology (Dongguan) Co., Ltd. | Director | Zerova Technologies SG Pte. Ltd.<br>Representative: Lin, Fei-Hong | 950,000 | 100.00 |
| | Supervisors | Zerova Technologies SG Pte. Ltd.<br>Representative: Chen, Chun-Cheng | 950,000 | 100.00 |
| Zerova Trading Service (Dongguan) Co., Ltd. | Director | Zerova Technologies SG Pte. Ltd.<br>Representative: Chen, Chun-Cheng | 200,000 | 100.00 |
| | Director | Zerova Technologies SG Pte. Ltd.<br>Representative: Lin, Fei-Hong | 200,000 | 100.00 |
| Zerova Technologies Japan Co., Ltd. | Representative Director | Zerova Technologies SG Pte. Ltd.<br>Representative: Lin, Fei-Hong | 8,000 | 100.00 |
| Zerova Technologies America Corporation | Director | Zerova Technologies SG Pte. Ltd.<br>Representative: Lin, Fei-Hong | 3,050,000 | 100.00 |
| | Director | Zerova Technologies SG Pte. Ltd.<br>Representative:: Yang, Wei-Jie | 3,050,000 | 100.00 |
| Zerova Technologies USA LLC | Director | Zerova Technologies America Corporation<br>Representative: Lin, Fei-Hong | 3,000,000 | 100.00 |
| | Director | Zerova Technologies America Corporation<br>Representative: Yang, Wei-Jie | 3,000,000 | 100.00 |
| Zerova Technologies Europe B.V. | Director | Zerova Technologies SG Pte. Ltd.<br>Representative: Lin, Fei-Hong | 100 | 100.00 |
| | Director | Smith, Stephen Paul | - | - |
| | Director | Hung, Chien-Yung | - | - |

(6) Overview of business operations of affiliates

Unit: NT$1,000 except for earnings (loss) per share which is NT$

| Company Name | Capital | Total Assets | Total liabilities | Net Value | Operating income | Operating gains (Loss) | Net Profit (Loss) for the Year(after tax) | Profit per share(loss)(dollar) (after tax |
|---|---|---|---|---|---|---|---|---|
| PHIHONG INTERNATIONAL CORP. | 102,421,351 | $ 2,688,073 | $ 25,998 | $ 2,662,075 | - | ($ 127) | ($ 37,889) | N/A |
| PHITEK INTERNATIONAL CO., LTD. | 18,840,000 | 3,603 | 364,761 | ( 361,158) | - | ( 132) | ( 84,843) | N/A |
| ASCENT ALLIANCE LTD. | 12,012,600 | 73,261 | 17,049 | 56,212 | - | ( 111) | ( 10,534) | N/A |
| PHIHONG USA CORP. | USD 6,200,000 | 1,381,123 | 165,108 | 1,216,015 | 2,895,915 | 40,404 | 35,336 | N/A |
| PHIHONG TECHNOLOGY JAPAN CO., LTD. | JPY 500,000,000 | 407,064 | 179,993 | 227,071 | 468,851 | 1,179 | 2,263 | N/A |
| PHIHONG VIETNAM CO., LTD. | USD 65,000,000 | 2,448,571 | 879,746 | 1,568,825 | 2,619,342 | ( 26,818) | ( 41,270) | N/A |
| Guang-Lai Investment Co., Ltd. | 139,758 | 116,813 | 8,878 | 107,935 | - | ( 100) | ( 3,643) | N/A |
| Phihong (Dongguan) Electronics Co., Ltd. | HKD 495,450,000 | 2,749,483 | 1,386,358 | 1,363,125 | 2,631,562 | ( 138,833) | ( 79,808) | N/A |
| Phihong Electronics (Suzhou) Co., Ltd. | USD 31,960,000 | 1,319,614 | 6,461 | 1,313,153 | - | ( 1,969) | 38,226 | N/A |
| Zerova (Shanghai) Trading Service Co., Ltd. (formerly known as Yanghong Trading (Shanghai) Co., Ltd. since April 7th, 2024) | RMB 10,835,202 | 73,428 | 65,357 | 8,071 | 97,186 | 2,288 | 3,915 | N/A |
| Phitek Electronics Co., Ltd. (Dongguan) | USD 20,140,000 | 1,165,243 | 1,529,989 | (364,746) | 1,746,589 | ( 39,135) | ( 84,762) | N/A |
| Dongguan ShuangYing Electronics Co., Ltd. | HKD 9,000,000 | 107,322 | 34,376 | 72,946 | 167,520 | ( 8,700) | 1,932 | N/A |
| Jin-Sheng-Hong Electronics (Jiangxi) Co., Ltd. | USD 11,500,000 | 71,019 | 88,067 | (17,048) | 161,376 | ( 12,487) | ( 12,358) | N/A |
| N-Lighten Technologies, Inc. | USD 26,565,698 | 4,065 | 48,544 | (44,479) | - | ( 143) | ( 168) | N/A |
| Zerova Technology Holdings Limited | USD 69,927,260 | 2,594,858 | 1,527 | 2,593,331 | - | ( 3,103) | 557,029 | N/A |

| Company Name | Capital | Total Assets | Total liabilities | Net Value | Operating income | Operating gains (Loss) | Net Profit (Loss) for the Year(after tax) | Profit per share(loss)(dollar) (after tax |
|---|---|---|---|---|---|---|---|---|
| Zerova Technology Co., Ltd. | 600,000 | 1,558,478 | 508,254 | 1,050,224 | 1,781,810 | 427,391 | 347,704 | N/A |
| Zerova Technologies SG Pte. Ltd. | USD 65,872,407.8 | 3,107,598 | 410,763 | 2,696,835 | 3,173,328 | 50,369 | 584,620 | N/A |
| Zerova Technologies Europe B.V. | EUR 3,000,000 | 160,439 | 53,993 | 106,446 | 281,474 | 3,494 | 4,253 | N/A |
| Zerova Technologies Japan Co., Ltd | JPY 80,000,000 | 266,535 | 244,415 | 22,120 | 71,458 | ( 8,469) | 5,832 | N/A |
| Zerova Technology (Dongguan) Co., Ltd. | USD 950,000 | 785,358 | 790,279 | (4,921) | 1,768,851 | 11,557 | 29,141 | N/A |
| Zerova Trading Service (Dongguan) Co., Ltd. | USD 200,000 | 15,766 | 24,245 | (8,479) | 1 | (15,349) | ( 14,424) | N/A |
| Zerova Technologies America Corporation | USD 3,050,000 | 253,858 | - | 253,858 | - | ( 238) | 161,602 | N/A |
| Zerova Technologies USA LLC | USD 3,000,000 | 709,656 | 457,191 | 252,465 | 3,323,828 | 229,376 | 161,734 | N/A |

## II. Private Placement of Securities during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

In the most recent year and as of the publication date of the annual report, no private placement of securities has been conducted.

## III. Holding or Disposal of Shares in the Company by Subsidiaries during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

There was no such situation in the most recent year and as of the publication date of the annual report.

## IV. Other Supplementary Information

The evaluation basis and basis for the presentation of assets and liabilities evaluation accounts in financial statements

| Item | Assets and liabilities evaluation account | Basis for evaluation | Assessment basis |
|---|---|---|---|
| 1 | Prepare for bad debts | Expected credit losses by duration | Calculated using a readiness matrix, which considers the customer's past default record and current financial condition and other forward-looking information. |
| 2 | Prepare for sluggish inventory losses | Lower of cost or net realizable value method | The lower of cost and net realizable value method is used for evaluation using the item-by-item comparison method. |

## V. Matters of Significant Effects on Shareholders' Interests or Securities Price Stipulated in Subparagraph 2, Paragraph 3, and Article 36 of the Securities and Exchange Act

There was no such situation in the most recent year and as of the publication date of the annual report.

# NINE Financial Report

## Phihong Technology Co., Ltd.

**Standalone Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report**

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders
Phihong Technology Co., Ltd.

**Opinion**

We have audited the accompanying parent company only financial statements of Phihong Technology Co., Ltd. (the "Company") which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies information (collectively referred to as the "parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only 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 Company's parent company only financial statements for the year ended December 31, 2023 are stated as follows.

The Authenticity of Sales Revenue of Subsidiaries Accounted for Using Equity Method

Description of the key audit matter:

According to our assessment on the revenues from the products regarding electric vehicle energy, the revenues generating from the subsidiaries accounted for using equity method are highly increasing in this year. Thus, we have identified the authenticity of the revenues as a key audit matter for the audit of the Company's parent company only financial statements for the year ended December 31, 2023.

Audit procedures performed in response to the key audit matter:

Corresponding the key audit matter, we have performed the procedures to understand the subsidiaries' internal controls related to the sales process and examined the effectiveness of the design and implementation of the controls. In addition, we have sampled the revenues to review external documents and payment receipts of the samples and implemented the procedures regarding the group audit to verify the authenticity of the revenues.

**Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Other Matter**

For the year ended December 31, 2023, the financial statements of Zerova Technologies Holdings Limited (ZKH), an associate accounted for using the equity method, were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the accompanying parent company only financial statements for ZKH, is based solely on the reports of other auditors. As of December 31, 2023, the aggregate carrying amount of the equity-method investments in ZKH was NT$2,596,528 thousand, representing 20.40% of the total assets. For the year ended December 31, 2023, the share of profit of ZKH was NT$556,647 thousand, representing 220.38% of the profit before income tax.

**Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 7, 2024

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

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 2,237,594 | 18 | $ 1,721,093 | 14 |
| Financial assets at amortized cost - current (Notes 4, 8 and 29) | - | - | 61,450 | 1 |
| Trade receivables (Notes 4 and 9) | 508,469 | 4 | 1,127,924 | 9 |
| Trade receivables from related parties (Notes 4, 9 and 28) | 154,152 | 1 | 395,597 | 3 |
| Other receivables (Note 9) | 1,088 | - | 14,143 | - |
| Other receivables from related parties (Notes 9 and 28) | 500,623 | 4 | 1,336,759 | 11 |
| Current tax assets (Notes 4 and 23) | 49,057 | - | - | - |
| Inventories (Notes 4 and 10) | 13,625 | - | 14,032 | - |
| Other current assets | 86,181 | 1 | 79,139 | 1 |
| Total current assets | 3,550,789 | 28 | 4,750,137 | 39 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7) | 120,132 | 1 | 96,270 | 1 |
| Financial assets at amortized cost - non-current (Notes 4, 8 and 29) | 10,500 | - | 22,030 | - |
| Investments accounted for using equity method (Notes 4 and 11) | 8,390,943 | 66 | 6,598,775 | 54 |
| Property, plant and equipment (Notes 4 and 12) | 533,385 | 4 | 670,682 | 5 |
| Right-of-use assets (Notes 4 and 13) | 13,835 | - | 28,823 | - |
| Investment property (Notes 4 and 14) | 22,429 | - | 23,168 | - |
| Other intangible assets (Notes 4 and 15) | 28,747 | - | 26,895 | - |
| Deferred tax assets (Notes 4 and 23) | 41,951 | 1 | 57,493 | 1 |
| Other non-current assets | 12,521 | - | 19,794 | - |
| Total non-current assets | 9,174,443 | 72 | 7,543,930 | 61 |
| TOTAL | $ 12,725,232 | 100 | $ 12,294,067 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 16) | $ - | - | $ 832,900 | 7 |
| Short-term bills payable (Note 16) | - | - | 69,740 | 1 |
| Contract liabilities - current (Notes 21 and 28) | 29,937 | - | 148,483 | 1 |
| Trade payables | 5,075 | - | 4,125 | - |
| Trade payables to related parties (Note 28) | 12,802 | - | 44,565 | - |
| Other payables (Notes 18 and 28) | 1,744,731 | 14 | 1,880,840 | 15 |
| Current tax liabilities (Notes 4 and 23) | - | - | 83,393 | 1 |
| Lease liabilities - current (Notes 4 and 13) | 5,790 | - | 5,048 | - |
| Current portion of long-term borrowings (Note 16) | 117,417 | 1 | 398,592 | 3 |
| Other current liabilities | 80,117 | 1 | 149,555 | 1 |
| Total current liabilities | 1,995,869 | 16 | 3,617,241 | 29 |
| NON-CURRENT LIABILITIES | | | | |
| Bonds payable (Note 17) | 699,092 | 6 | 698,688 | 6 |
| Long-term borrowings (Note 16) | 170,967 | 1 | 1,333,583 | 11 |
| Deferred tax liabilities (Notes 4 and 23) | 30,265 | - | 44,649 | - |
| Lease liabilities - non-current (Notes 4 and 13) | 8,179 | - | 23,980 | - |
| Net defined benefit liability - non-current (Notes 4 and 19) | 32,019 | - | 49,017 | - |
| Other non-current liabilities (Notes 4 and 11) | 378,922 | 3 | 301,839 | 3 |
| Total non-current liabilities | 1,319,444 | 10 | 2,451,756 | 20 |
| Total liabilities | 3,315,313 | 26 | 6,068,997 | 49 |
| EQUITY (Notes 4, 20 and 24) | | | | |
| Ordinary shares | 4,312,084 | 34 | 3,752,084 | 31 |
| Capital surplus | 4,579,383 | 36 | 2,179,372 | 18 |
| Retained earnings | | | | |
| Legal reserve | 305,119 | 2 | 295,992 | 2 |
| Special reserve | 313,005 | 3 | 230,859 | 2 |
| Accumulated earnings | 267,846 | 2 | 91,273 | 1 |
| Total retained earnings | 885,970 | 7 | 618,124 | 5 |
| Other equity | | | | |
| Exchange differences on translating the financial statements of foreign operations | (293,466) | (2) | (244,171) | (2) |
| Unrealized loss on financial assets at fair value through other comprehensive income | (74,052) | (1) | (80,339) | (1) |
| Total other equity | (367,518) | (3) | (324,510) | (3) |
| Total equity | 9,409,919 | 74 | 6,225,070 | 51 |
| TOTAL LIABILITIES AND EQUITY | $ 12,725,232 | 100 | $ 12,294,067 | 100 |

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

(With Deloitte & Touche auditors' report dated March 7, 2024)

## PHIHONG TECHNOLOGY CO., LTD.

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OPERATING REVENUE (Notes 4, 21 and 28) | $ 6,098,143 | 100 | $ 11,202,956 | 100 |
| OPERATING COST (Notes 4, 10 and 28) | 5,519,084 | 91 | 9,885,426 | 88 |
| OPERATING GROSS PROFIT | 579,059 | 9 | 1,317,530 | 12 |
| REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES (Note 4) | 3,021 | - | 40,158 | - |
| REALIZED GROSS PROFIT | 582,080 | 9 | 1,357,688 | 12 |
| OPERATING EXPENSES | | | | |
| Sales and marketing expenses | 243,211 | 4 | 356,737 | 3 |
| General and administration expenses | 228,840 | 4 | 207,023 | 2 |
| Research and development expenses | 388,333 | 6 | 462,133 | 4 |
| Expected credit loss (gain) recognized (Note 9) | 6,834 | - | (742) | - |
| Total operating expenses | 867,218 | 14 | 1,025,151 | 9 |
| (LOSS) PROFIT FROM OPERATIONS | (285,138) | (5) | 332,537 | 3 |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income (Notes 22 and 28) | 45,051 | 1 | 12,271 | - |
| Other income (Notes 22 and 28) | 164,654 | 3 | 197,157 | 2 |
| Other gains and losses (Note 22) | (13,622) | - | 121,767 | 1 |
| Finance costs (Note 22) | (79,336) | (2) | (57,547) | (1) |
| Share of profit or loss of subsidiaries associates and joint ventures (Notes 4 and 11) | 420,972 | 7 | (471,561) | (4) |
| Total non-operating income and expenses | 537,719 | 9 | (197,913) | (2) |
| PROFIT BEFORE INCOME TAX | 252,581 | 4 | 134,624 | 1 |
| INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 23) | 9,970 | - | (63,297) | (1) |
| NET PROFIT FOR THE YEAR | 262,551 | 4 | 71,327 | - |

(Continued)

## PHIHONG TECHNOLOGY CO., LTD.

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OTHER COMPREHENSIVE (LOSS) INCOME | | | | |
| Items that may not reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Note 19) | $ 6,619 | - | $ 24,932 | - |
| Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 20) | 7,604 | - | 743 | - |
| Share of other comprehensive (loss) income of associates accounted for using the equity method (Note 20) | (1,317) | - | 7,330 | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23) | (1,324) | - | (4,986) | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating of the financial statements of foreign operations (Note 20) | (49,295) | - | 279,695 | 3 |
| Total other comprehensive income (loss) for the period | (37,713) | - | 307,714 | 3 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 224,838 | 4 | $ 379,041 | 3 |
| EARNINGS PER SHARE (Note 25) | | | | |
| Basic earnings per share | $ 0.68 | | $ 0.19 | |
| Diluted earnings per share | $ 0.68 | | $ 0.19 | |

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

(With Deloitte & Touche auditors’ report dated March 7, 2024) (Concluded)

## PHIHONG TECHNOLOGY CO., LTD.

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

| | | | Retained Earnings | | | Other Equity | | |
|---|---|---|---|---|---|---|---|---|
| | Ordinary Shares | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings (Accumulated Deficits) | Exchange Differences on Translating of the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Total Equity |
| BALANCE AT JANUARY 1, 2022 | $ 3,752,084 | $ 2,179,372 | $ 612,916 | $ 230,859 | $ (316,924) | $ (523,866) | $ (88,412) | $ 5,846,029 |
| Legal reserve used to offset accumulated deficits (Note 20) | - | - | (316,924) | - | 316,924 | - | - | - |
| Net profit for the year ended December 31, 2022 | - | - | - | - | 71,327 | - | - | 71,327 |
| Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax | - | - | - | - | 19,946 | 279,695 | 8,073 | 307,714 |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | 91,273 | 279,695 | 8,073 | 379,041 |
| BALANCE AT DECEMBER 31, 2022 | 3,752,084 | 2,179,372 | 295,992 | 230,859 | 91,273 | (244,171) | (80,339) | 6,225,070 |
| Appropriation of 2022 earnings | | | | | | | | |
| Legal reserve (Note 20) | - | - | 9,127 | - | (9,127) | - | - | - |
| Special reserve (Note 20) | - | - | - | 82,146 | (82,146) | - | - | - |
| Adjustments to share of changes in equity of associates | - | 61 | - | - | - | - | - | 61 |
| Share-based payment arrangements (Note 24) | - | 176,400 | - | - | - | - | - | 176,400 |
| Issuance of ordinary share for cash | 560,000 | 2,223,550 | - | - | - | - | - | 2,783,550 |
| Net profit for the year ended December 31, 2023 | - | - | - | - | 262,551 | - | - | 262,551 |
| Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax | - | - | - | - | 5,295 | (49,295) | 6,287 | (37,713) |
| Total comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | - | 267,846 | (49,295) | 6,287 | 224,838 |
| BALANCE AT DECEMBER 31, 2023 | $ 4,312,084 | $ 4,579,383 | $ 305,119 | $ 313,005 | $ 267,846 | $ (293,466) | $ (74,052) | $ 9,409,919 |

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

(With Deloitte & Touche auditors' report dated March 7, 2024)

# PHIHONG TECHNOLOGY CO., LTD.

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

| | 2023 | 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before tax | $ 252,581 | $ 134,624 |
| Adjustments for: | | |
| Depreciation expense | 29,905 | 58,536 |
| Amortization expense | 11,020 | 9,109 |
| Expected credit loss recognized (reversed) | 6,834 | (742) |
| Finance costs | 79,336 | 57,547 |
| Interest income | (45,051) | (12,271) |
| Dividend income | (7,477) | (2,995) |
| Gain on lease modification | (287) | - |
| Compensation cost of share-based payments | 106,995 | - |
| Share of loss of associates | (420,972) | 471,561 |
| Loss (gain) on disposal of property, plant and equipment | (841) | 2,706 |
| Write-down of inventories (reversed) | (1,036) | 36,943 |
| Realized gain on transactions with subsidiaries | (3,021) | (40,158) |
| Net changes in operating assets and liabilities | | |
| Notes receivables | - | 3,056 |
| Trade receivables | 612,621 | (51,577) |
| Trade receivables from related parties | 241,445 | (4,341) |
| Other receivables | 13,152 | (10,923) |
| Other receivables from related parties | 836,136 | (293,865) |
| Inventories | 1,443 | (73,149) |
| Other current assets | (7,039) | 830 |
| Contract liabilities | (118,546) | 61,713 |
| Trade payables | 950 | (31,130) |
| Trade payables to related parties | (31,763) | 93,852 |
| Other payables | (135,152) | 35,096 |
| Other current liabilities | (69,438) | 67,843 |
| Net defined benefit liability | (10,379) | (13,143) |
| Cash generated from operations | 1,341,416 | 499,122 |
| Interest received | 44,954 | 12,200 |
| Interest paid | (81,415) | (54,171) |
| Income tax paid | (122,646) | (620) |
| Net cash generated from operating activities | 1,182,309 | 456,531 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | (21,000) | (16,000) |
| Capital reduction of financial assets at fair value through other comprehensive income | 4,742 | 2,704 |
| Purchase of financial assets at amortized cost | (10,120) | (63,971) |
| Proceeds from sale of financial assets at amortized cost | 83,100 | 949 |
| Acquisition of investment accounted for using equity method | (1,272,199) | (824,885) |
| Purchase of property, plant and equipment | (120,671) | (212,526) |

(Continued)

# PHIHONG TECHNOLOGY CO., LTD.

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

| | 2023 | 2022 |
|---|---|---|
| Proceeds from disposal of property, plant and equipment | $ 243,964 | $ 3,425 |
| Payment for intangible assets | (11,925) | (18,943) |
| Proceeds from disposal of intangible assets | 6 | - |
| Increase in refundable deposits | - | (2,229) |
| Decrease in refundable deposits | 7,274 | - |
| Increase in prepayments for equipment | (7,130) | (2,608) |
| Dividends received | 7,477 | 2,995 |
| Cash outflow from divestiture | - | (358,670) |
| Net cash used in investing activities | (1,096,482) | (1,489,759) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (Decrease) increase in short-term borrowings | (832,900) | 196,720 |
| (Decrease) increase in Short-term bills payable | (69,740) | 69,740 |
| Proceeds from long-term borrowings | 4,197,188 | 3,365,461 |
| Repayment of long-term borrowings | (5,640,979) | (3,232,887) |
| Increase in guarantee deposits received | - | 1,258 |
| Decrease in guarantee deposits received | (40) | - |
| Repayment of the principal portion of lease liabilities | (6,405) | (5,485) |
| Capital increase | 2,783,550 | - |
| Net cash generated from financing activities | 430,674 | 394,807 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 516,501 | (638,421) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 1,721,093 | 2,359,514 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 2,237,594 | $ 1,721,093 |

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

(With Deloitte & Touche auditors' report dated March 7, 2024) (Concluded)

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

## 1. GENERAL INFORMATION

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

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

Under a resolution approved in the shareholders' meeting on June 8, 2022, the Company's electric vehicle energy segment would be spun off and transferred to Zerova Technologies Taiwan Limited (hereinafter referred to as ZTM), where the Company has a 100% shareholding, on September 1, 2022 (the reference date of the spin-off).

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

## 2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company's board of directors on March 7, 2024.

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

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

   The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Company's accounting policies.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

| New, Amended and Revised Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback" | January 1, 2024 (Note 2) |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements" | January 1, 2024 (Note 3) |

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

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

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

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

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

| New, Amended and Revised Standards and Interpretations | 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 |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information" | January 1, 2023 |
| Amendments to IAS 21 "Lack of Exchangeability" | January 1, 2025 (Note 2) |

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

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

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

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuer.

b. Basis of preparation

The parent company only 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.

When preparing the parent company only financial statements, the Company account for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

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

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting parent company only financial statements, the financial statements of the Company's foreign operations (including subsidiaries and associates) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investment in subsidiaries

The Company use the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investments in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiaries. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, forms part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is not a subsidiary.

The Company use the equity method to account for its investments in associates.

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

When the Company's share of losses of an associate equals or exceeds its interest in the associate (which includes any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of 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 parent company only financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

j. Intangible assets

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

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

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

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at amortized cost

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

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

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

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

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

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 equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable).

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

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

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

i. Internal or external information shows that the debtor is unliked to pay its credit.

ii. Financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company’s own equity instruments.

3) Financial liabilities

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

m. Provision

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provision for the expected cost of warranty obligations is recognized at the date of sale of the relevant products at the best estimate by the management of the Company of the expenditure required to settle the Company’s obligations.

n. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of power supply modules and other relevant products. Sales of power supply modules and other relevant products are recognized as revenue when the goods are delivered to the customer’s specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2) Revenue from the rendering of service

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 Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

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

2) The Company as lessee

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

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

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

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

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

p. Borrowing costs

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

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 Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized as a reduction of the related costs and in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

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) Retirement benefits

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

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

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

s. Share-based payment arrangements

Employee share options granted to employees and others providing similar services.

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of treasury shares transferred to employees is the date on which the number of shares that the employees purchase is confirmed.

The grant by the Company of its equity instruments to the employees of a subsidiary under employee share options is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

t. Income tax

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

1) Current tax

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences, unused loss carryforwards or research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes

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.

u. Spin-off

The Company acquires equity in a subsidiary by spinning off its assets, liabilities and operations to the subsidiary. The accounting treatment for the acquisition of equity in the subsidiary is based on the net of the carrying value of the Company’s assets less liabilities transferred to the subsidiary, and no exchange gain is recognized.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Cash on hand | $ 239 | $ 203 |
| Checking accounts and demand deposits | 1,937,231 | 1,720,890 |
| Cash equivalent (investments with original maturities of 3 months or less) | | |
| Repurchase agreements collateralized by bonds | 300,124 | - |
| | $ 2,237,594 | $ 1,721,093 |

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Demand deposits | 0.001%-5.400% | 0.001%-4.000% |

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Non-current | | |
| Investments in equity instruments at fair value through other comprehensive income (FVTOCI) | | |
| Domestic non-publicly trade equity investments | $ 120,132 | $ 96,270 |

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

## 8. FINANCIAL ASSETS AT AMORTIZED COST

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current | | |
| Time deposits with original maturities of more than 3 months | $ - | $ 61,450 |
| Non-current | | |
| Restricted bank deposits | $ 10,500 | $ 20,030 |
| Courts deposits | - | 2,000 |
| | $ 10,500 | $ 22,030 |

The Company offered the bank deposits of $10,500 thousand and $22,030 thousand as of December 31, 2023 and 2022, respectively as performance bonds for specific business projects, bank borrowings, domestic guaranteed corporate bonds and adoption of customs clearance, release before duty. Refer to Note 29 to the parent company only financial statements.

## 9. TRADE RECEIVABLE AND OTHER RECEIVABLES

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Trade receivables | | |
| At amortized cost | | |
| Gross carrying amount from unrelated parties | $ 515,570 | $ 1,128,430 |
| Less: Allowance for impairment loss | (7,101) | (506) |
| | 508,469 | 1,127,924 |
| Gross carrying amount from related parties | 154,152 | 395,597 |
| Less: Allowance for impairment loss | - | - |
| | 154,152 | 395,597 |
| | $ 662,621 | $ 1,523,521 |
| Other receivables | | |
| At amortized cost | | |
| Carrying amount from unrelated parties | $ 1,088 | $ 14,143 |
| Less: Allowance for impairment loss | - | - |
| | 1,088 | 14,143 |
| Carrying amount from related parties | 500,623 | 1,336,759 |
| Less: Allowance for impairment loss | - | - |
| | 500,623 | 1,336,759 |
| | $ 501,711 | $ 1,350,902 |

Trade receivable

Trade receivable at amortized cost

The Company evaluates the average credit period of sales of goods based on the experience of trade receivable collection from the non-related parties in the past five years. No interest is charged on trade receivables. The Company 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 Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

The Company 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 prepared by reference to the past default experience of the customer and the customer's current financial position, and other related information. As the Company'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 Company's different customer base.

The Company 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 Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2023

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0%-0.05% | 1.08%-7.77% | - | - | 24.22%-100% | |
| Gross carrying amount | $ 617,259 | $ 46,316 | $ - | $ - | $ 6,147 | $ 669,722 |
| Loss allowance (Lifetime ECL) | (244) | (1,336) | - | - | (5,521) | (7,101) |
| Amortized cost | $ 617,015 | $ 44,980 | $ - | $ - | $ 626 | $ 662,621 |

December 31, 2022

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0%-0.05% | 0.14%-2.63% | - | 6.02% | 8.57%-100% | |
| Gross carrying amount | $ 1,411,806 | $ 111,808 | $ - | $ 168 | $ 245 | $ 1,524,027 |
| Loss allowance (Lifetime ECL) | (63) | (396) | - | (10) | (37) | (506) |
| Amortized cost | $ 1,411,743 | $ 111,412 | $ - | $ 158 | $ 208 | $ 1,523,521 |

The above aging schedule was based on overdue days.

The movements of the allowance for doubtful trade receivables were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Balance, beginning of period | $ 506 | $ 1,248 |
| Net remeasurement of loss allowance (reversed) | 6,834 | (742) |
| Amounts written off | (239) | - |
| Balance, end of period | $ 7,101 | $ 506 |

## 10. INVENTORIES

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Raw materials | $ 2,060 | $ 2,476 |
| Finished goods | 11,565 | 11,556 |
| | $ 13,625 | $ 14,032 |

For the years ended December 31, 2023 and 2022, the cost of inventories recognized as cost of goods sold was $5,519,084 thousand and $9,885,426 thousand, respectively. (Reversal) write-down of inventories to net realizable value of $1,036 thousand and $(36,943) thousand were respectively included in the cost of goods sold during reporting period in 2023 and 2022.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Investment in subsidiaries | $ 8,388,508 | $ 6,587,754 |
| Investments in associates | 2,435 | 11,021 |
| | $ 8,390,943 | $ 6,598,775 |

a. Investment in subsidiaries

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Phihong International Corp. ("PHI") | $ 2,651,317 | $ 2,731,172 |
| Phitek International Co., Ltd. ("PHK") | (377,663) | (300,541) |
| Ascent Alliance Ltd. ("PHQ") | 56,985 | 67,000 |
| Phihong USA Corp. ("PHA") | 1,181,641 | 1,143,436 |
| Phihong Technology Japan Co., Ltd. ("PHJ") | 225,296 | 78,226 |
| Phihong Vietnam Co., Ltd. ("PHV") | 1,568,806 | 1,609,716 |
| Guang-Lai Investment Co., Ltd. ("Guang-Lai") | 107,935 | 112,828 |
| Zerova Technologies Taiwan Limited ("hereinafter referred to as ZTM") (formerly known as Phehicle Co., Ltd., which changed its company name on June 20, 2022) | - | 629,797 |
| Zerova Technologies Holdings Limited ("ZKH") | 2,596,528 | 215,579 |
| | 8,010,845 | 6,287,213 |
| Add: Reclassified to other non-current liabilities | 377,663 | 300,541 |
| | $ 8,388,508 | $ 6,587,754 |

As of December 31, 2023 and 2022, the Company's accumulated losses recognized on the investments in PHK had exceeded the original investment amount, resulting credit balance of $377,663 thousand and $300,541 thousand in the long-term equity investments, respectively, which have been reclassified in "Other non-current liabilities."

| | Percentage of Ownership and Voting Rights | | |
|---|---|---|---|
| | December 31 | | |
| **Subsidiary** | **2023** | **2022** | **Note** |
| PHI | 100.00% | 100.00% | Note 1 |
| PHK | 100.00% | 100.00% | Note 2 |
| PHQ | 100.00% | 100.00% | |
| PHA | 100.00% | 100.00% | |
| PHJ | 100.00% | 100.00% | |
| PHV | 100.00% | 100.00% | Note 3 |
| Guang-Lai | 100.00% | 100.00% | |
| ZTM | - | 100.00% | Note 4 |
| ZKH | 100.00% | 100.00% | Note 5 |

Note 1: In response to the operating requirements of the Company, in December 2021, the board of directors of Phihong 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 (or US$102,421 thousand); the base date for the capital reduction was January 6, 2022. The above capital reduction has been approved on April 14, 2022.

Note 2: In response to the operating requirements of the Company, in December 2021, the board of directors of Phihong approved the resolution for the capital injection of PHP through PHK in the amount of US$8,640 thousand. The capital increase was completed in March 2022.

Note 3: The Company established a subsidiary, PHV, in Vietnam in 2019, with a registered capital of US$65,000 thousand, and the Company's shareholding ratio is 100%. 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 has performed a capital increase of 207,690 thousand (US$15,000 thousand). As of December 31, 2022, the Company's capital injected amounted to $1,906,713 thousand (US$65,000 thousand).

Note 4: 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 $1,000 thousand, of which the Company holds 100% of the shares. For reorganization and specialization, the shareholders of the Company resolved in their meeting 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, and the alteration registration was completed at the same date. The Company split and transferred its EV energy business to ZTM on September 1, 2022 (the reference date of the spin-off). 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. ZTM has completed the reorganisation in the second quarter of 2023 and all of its shares originally held by The Company are now held by ZSH.

Note 5: ZKH was established in March 2022 and registered in the Cayman Islands with a registered capital of US$12,000 thousand and a 100% shareholding. As of December 31, 2022, the Company has invested $2,083,650 thousand (or US$69,927 thousand).

On September 1, 2022, which was the reference date of the spin-off, the Company has spun off the operations related to the electric vehicle energy segment and issued 59,900 thousand shares for each ordinary share with a par value of approximately NT$10 for the net assets spun off by ZTM. ZTM received the change of registration letter from the Tainan City Government on October 12, 2022. The carrying amounts of the assets and liabilities of ZTM transferred by the spin-off are as follows:

| | **Amount** |
|---|---|
| Assets | |
| Notes receivable - related parties | $ 358,670 |
| Inventories (deducting allowances for impairment loss of $57,665 thousand) | 134,987 |
| Other current assets | 7,735 |
| Property, plant and equipment | 367,994 |
| Right-of-use assets | 348 |
| Other intangible assets | 1,580 |
| Liabilities | |
| Trade payables from related parties | (49,785) |
| Other payables from related parties | (222,879) |
| Other current liabilities | (104) |
| Lease liabilities | (355) |
| Net assets | $ 599,000 |

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2023 and 2022 were based on the subsidiaries' financial statements audited by auditors for the same years.

b. Investments in associates:

| | **December 31** | |
|---|---|---|
| | **2023** | **2022** |
| Associates that are not individually material | $ 2,435 | $ 11,021 |

Aggregate information of associates that are not individually material:

| | **For the Year Ended December 31** | |
|---|---|---|
| | **2023** | **2022** |
| The Company's share of | | |
| Net loss for the year | $ (1,717) | $ (5,828) |
| Total comprehensive loss for the year | $ (1,717) | $ (5,828) |

The associate "Hongxuan Venture Capital Co., Ltd." invested by the Company was dissolved and liquidated in 2023 in accordance with the resolution made at the shareholders' meeting. The relevant liquidation procedures are still in progress.

Refer to Table 6 to the parent company only financial statements "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Buildings | Machinery and Equipment | Other Equipment | Property under Construction | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance at January 1, 2023 | $ 390,593 | $ 233,327 | $ 98,738 | $ 387,157 | $ 143,589 | $ 1,253,404 |
| Additions | - | 4,445 | 5,956 | 8,602 | 103,662 | 122,665 |
| Disposals | - | - | (4,409) | (7,111) | (240,378) | (251,898) |
| Reclassification | - | 3,197 | - | 3,084 | (108) | 6,173 |
| Balance at December 31, 2023 | $ 390,593 | $ 240,969 | $ 100,285 | $ 391,732 | $ 6,765 | $ 1,130,344 |
| Accumulated depreciation | | | | | | |
| Balance at January 1, 2023 | $ - | $ 133,730 | $ 90,714 | $ 358,278 | $ - | $ 582,722 |
| Disposals | - | - | (1,664) | (7,111) | - | (8,775) |
| Depreciation expenses | - | 4,155 | 2,974 | 15,883 | - | 23,012 |
| Balance at December 31, 2023 | $ - | $ 137,885 | $ 92,024 | $ 367,050 | $ - | $ 596,959 |
| Carrying amounts at December 31, 2023 | $ 390,593 | $ 103,084 | $ 8,261 | $ 24,682 | $ 6,765 | $ 533,385 |
| Cost | | | | | | |
| Balance at January 1, 2022 | $ 463,345 | $ 632,905 | $ 165,290 | $ 410,175 | $ 657 | $ 1,672,372 |
| Additions | - | 6,426 | 41,288 | 7,473 | 143,545 | 198,732 |
| Disposals | - | (4,331) | (21,014) | (7,144) | - | (32,489) |
| Reclassification | - | 443 | 9,327 | 580 | (613) | 9,737 |
| Transfers to investment property | - | (56,112) | - | - | - | (56,112) |
| Split and transfer | (72,752) | (346,004) | (96,153) | (23,927) | - | (538,836) |
| Balance at December 31, 2022 | $ 390,593 | $ 233,327 | $ 98,738 | $ 387,157 | $ 143,589 | $ 1,253,404 |
| Accumulated depreciation | | | | | | |
| Balance at January 1, 2022 | $ - | $ 268,906 | $ 135,057 | $ 355,697 | $ - | $ 759,660 |
| Disposals | - | (3,707) | (15,766) | (6,885) | - | (26,358) |
| Depreciation expenses | - | 15,104 | 14,472 | 23,384 | - | 52,960 |
| Transfers to investment property | - | (32,698) | - | - | - | (32,698) |
| Split and transfer | - | (113,875) | (43,049) | (13,918) | - | (170,842) |
| Balance at December 31, 2022 | $ - | $ 133,730 | $ 90,714 | $ 358,278 | $ - | $ 582,722 |
| Carrying amounts at December 31, 2022 | $ 390,593 | $ 99,597 | $ 8,024 | $ 28,878 | $ 143,589 | $ 670,682 |

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

| | |
|---|---|
| Buildings | |
| Main building | 50 years |
| Engineering system | 10 years |
| Machinery and equipment | 3-10 years |
| Other equipment | 3-10 years |

Property, plant and equipment pledged by the Company as collateral for long-term borrowings are set out in Note 29 to the parent company only financial statement.

## 13. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Carrying amount | | |
| Land | $ 7,165 | $ 24,828 |
| Transportation equipment | 3,507 | 3,995 |
| Computer equipment | 3,163 | - |
| | $ 13,835 | $ 28,823 |

| | For the Year Ended December 31 2023 | For the Year Ended December 31 2022 |
|---|---|---|
| Additions to right-of-use assets | $ 10,296 | $ 31,153 |
| Depreciation charge for right-of-use assets | | |
| Land | $ 3,712 | $ 3,690 |
| Transportation equipment | 1,991 | 1,442 |
| Other equipment | - | 198 |
| Computer equipment | 451 | - |
| | $ 6,154 | $ 5,330 |

b. Lease liabilities

Carrying amounts

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Current | $ 5,790 | $ 5,048 |
| Non-current | $ 8,179 | $ 23,980 |

Range of discount rate for lease liabilities was as follows:

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Current | 0.6%-5.007% | 1.200%-5.007% |
| Non-current | 0.6%-5.007% | 1.200%-5.007% |

c. Material lease-in activities and terms

The Company leases certain land for the use of expanding of its plants and parking with lease terms of 2 to 10 years. Except the Company has the preferential rights to acquire the land leased in Tainan, which is automatically renewed for one year upon the termination of the lease term, it does not have preferential rights to acquire the remaining land leased upon the termination of the lease term. The Company shall not sublease or transfer all or any part of the underlying asset without the lessor’s consent.

The Company leases transportation, computer equipment and other equipment for the use of manufacturing and R&D with lease terms of 2 to 5 years. There agreement do not contain renewal or purchase options at the end of these lease period.

d. Other lease information

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Expenses relating to short-term leases | $ 3,495 | $ 5,614 |
| Total cash (outflow) for leases | $ (9,900) | $ (11,099) |

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

For the years ended December 31, 2023 and 2022, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2023 and 2022 and for which the recognition exemption is applied.

## 14. INVESTMENT PROPERTIES

| | Investment Properties |
|---|---|
| Cost | |
| Balance at January 1, 2023 | $ 56,112 |
| Balance at December 31, 2023 | $ 56,112 |
| Accumulated amortization | |
| Balance at January 1, 2023 | $ 32,944 |
| Amortization expense | 739 |
| Balance at December 31, 2023 | $ 33,683 |
| Carrying amounts at December 31, 2023 | $ 22,429 |
| Cost | |
| Balance at January 1, 2022 | $ - |
| Transfers from property, plant and equipment | 56,112 |
| Balance at December 31, 2022 | $ 56,112 |
| Accumulated amortization | |
| Balance at January 1, 2022 | $ - |
| Transfers from property, plant and equipment | 32,698 |
| Depreciation expense | 246 |
| Balance at December 31, 2022 | $ 32,944 |
| Carrying amount at December 31, 2022 | $ 23,168 |

The lease term for investment properties is 1 year. The lessee has a preferential right to acquire the investment properties at the end of the lease.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Year 1 | $ 5,183 | $ 4,467 |

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 50 years |

Investment properties pledged by the Company as collateral for long-term borrowings are set out in Note 29 to the parent company only financial statement.

## 15. OTHER INTANGIBLE ASSETS

| | Computer Software |
|---|---|
| Cost | |
| Balance at January 1, 2023 | $ 91,326 |
| Additions | 11,925 |
| Disposals | (3,645) |
| Reclassified | 953 |
| Balance at December 31, 2023 | $ 100,559 |
| Accumulated amortization | |
| Balance at January 1, 2023 | $ 64,431 |
| Amortization expense | 11,020 |
| Disposals | (3,639) |
| Balance at December 31, 2023 | $ 71,812 |
| Carrying amounts at December 31, 2023 | $ 28,747 |
| Cost | |
| Balance at January 1, 2022 | $ 85,167 |
| Additions | 18,943 |
| Disposals | (6,389) |
| Split and transfer | (6,395) |
| Balance at December 31, 2022 | $ 91,326 |

(Continued)

| | Computer Software |
|---|---|
| Accumulated amortization | |
| Balance at January 1, 2022 | $ 66,526 |
| Amortization expense | 9,109 |
| Disposals | (6,389) |
| Split and transfer | (4,815) |
| Balance at December 31, 2022 | $ 64,431 |
| Carrying amount at December 31, 2022 | $ 26,895 |

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

## 16. BORROWINGS

a. Short-term borrowings

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Unsecured borrowings | | |
| Bank borrowings | $ - | $ 832,900 |
| The range of interest rates | - | 1.70%-4.95% |

b. Short-term bills payable

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Commercial paper | $ - | $ 70,000 |
| Less: Unamortized discounts on bills payable | - | (260) |
| | $ - | $ 69,740 |

c. Long-term borrowings

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Unsecured borrowings | | |
| Bank borrowings | $ 102,550 | $ 980,150 |
| Secured borrowings | | |
| Bank borrowings | 185,834 | 752,025 |
| Less: Discount long-term loans payable - current portion | (117,417) | (398,592) |
| | $ 170,967 | $ 1,333,583 |
| The range of interest rates | 2.000%-2.7950% | 1.2500%-2.6978% |

1) On December 31, 2022, the Company had the short-term, bank borrowings with contract terms from October 11, 2022 to March 21, 2023 with and the interest is paid monthly.

2) On December 31, 2023 and 2022, the Company had the long-term bank borrowings with contract terms from April 7, 2021 to April 7, 2036, March 20, 2020 to April 7, 2036, respectively, with and the interest is paid monthly.

3) The Company 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 agreement, on April 30, 2019. The contract period is 3 years with the total credit limit of NT$1 billion, including NT$450 million of item A loan limit and NT$550 million for item B loan limit, which will be used by Phihong to support the factory investment plan of PHV and enrich the Company operating turnover fund. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, Phihong 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 on a semi-annual basis):

   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 NT$4.5 billion.

   On December 15, 2021, Phihong applied to extend the credit line of the loan agreement, which was signed on April 30, 2019, from July 30, 2022 to July 30, 2024. The application has been approved by the participating banks on March 1, 2022. The financial ratios and requirements above are reviewed based on the annual and semi-annual consolidated financial statements audited by the independent auditors, who the loan arranger recognized.

As of December 31, 2021, the amount drawn down from the syndicated loan was $882,500 thousand, and Phihong failed to comply with the requirement regarding the times interest earned ratio. Therefore, the period within the announcement dates of the second quarterly and annual consolidated financial statements in 2021 was seen as the improvement period. During the period, the violation regarding the requirement of the ratio above was not deemed as a default. In addition, Phihong has paid the loan arranger service charges at the annual rate of 0.1% of the unused credit line, based on the loan contract. However, on December 30, 2021, Phihong has applied for exemption from the violation regarding the requirement of the ratios by reviewing the figures of the consolidated financial statements for the year ended 2021 and received the approval of the participating banks on March 1, 2022. As of December 31, 2023, Phihong has not violated the aforementioned financial ratios and covenants.

As of June 30, 2023, Phihong failed to comply with the requirement of the loan agreement, signed on April 30, 2019, regarding net debt ratio. The period within the announcement dates of the second quarterly and annual consolidated financial statements in 2023 was seen as an improvement period. During the period, the violation regarding the requirement of the ratio above was not deemed a default. In addition, Phihong has paid the loan arranger service charges at the annual rate of 0.1% of the unused credit line, based on the loan contract. As of December 31, 2023, Phihong has not violated the aforementioned financial ratios and covenants.

For information on pledged properties and endorsements/guarans, refer to Notes 27 and 28 to the parent company only financial statement.

4) Phihong signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank, Shanghai Commercial and Savings Bank and Hua Nan Commercial Bank, and co-sponsored by Taishin International Bank, Taipei Fubon Bank, Entie Commercial Bank, First Commercial Bank and Chang Hwa Commercial Bank, total of 10 banks participating in the loan, on June 28, 2023. The contract period is 3 years with a total credit limit of NT$3 billion, including NT$1.5 billion of item A loan limit, NT$1 billion of item B loan limit and US$45 million of item C loan limit, which will be used to repay outstanding financial liabilities and enrich medium-term working capital for Phihong, ZTM and ZSH. As of December 31, 2023, the credit limit has not been used yet. According to the loan contract in the joint loan case, Phihong Technology Co., Ltd. shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial statements with an accountant's audit or review, which is to be reviewed every half year):

   a) The current ratio (current assets/current liabilities) shall not be less than 100%.

   b) The net debt ratio (total debt/net tangible value) shall not be higher than 200%.

   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 NT$4.5 billion.

   For information on pledged properties and endorsements/guarantees, refer to Notes 27 and 28 to the parent company only financial statement.

## 17. BONDS PAYABLE

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Secured domestic bonds | $ 699,092 | $ 698,688 |

**Secured Domestic Bonds**

On March 25, 2021, the Company issued 70 units of $10,000 thousand, A 5-year New Taiwan dollar-denominated secured general corporate bond with a coupon rate of 0.6%, with an aggregate principal of $700,000 thousand.

For information on pledged properties and endorsements/guarantees, refer to Notes 27 and 28 to the parent company only financial statement.

## 18. OTHER PAYABLES

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Payables for salaries and bonuses | $ 98,440 | $ 99,155 |
| Payables for annual leaves | 28,868 | 27,977 |
| Employee compensation payable | 28,702 | 13,462 |
| Director compensation payable | 5,741 | 2,692 |
| Material purchased payable | 812,829 | 1,439,233 |
| Trade payables to related parties (Note 27) | 84,245 | 93,154 |
| Others | 685,906 | 205,167 |
| | $ 1,744,731 | $ 1,880,840 |

## 19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2-15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Present value of funded defined benefit obligation | $ 93,833 | $ 101,474 |
| Fair value of plan assets | (61,814) | (52,457) |
| Net defined benefit liability | $ 32,019 | $ 49,017 |

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

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|---|---|---|---|
| Balance at January 1, 2023 | $ 101,474 | $ (52,457) | $ 49,017 |
| Service cost | | | |
| Current service cost | - | - | - |
| Past service cost and loss on settlements | (1,333) | 998 | (335) |
| Net interest expense (income) | 1,522 | (886) | 636 |
| Recognized in profit or loss | 189 | 112 | 301 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (288) | (288) |
| Actuarial (gain) loss | | | |
| Changes in demographic assumptions | - | - | - |
| Changes in financial assumptions | 2,437 | - | 2,437 |
| Experience adjustments | (8,768) | - | (8,768) |
| Recognized in other comprehensive income | (6,331) | (288) | (6,619) |
| Contributions from the employer | - | (10,680) | (10,680) |
| Benefits paid | (1,499) | 1,499 | - |
| Balance at December 31, 2023 | $ 93,833 | $ (61,814) | $ 32,019 |
| Balance at January 1, 2022 | $ 141,424 | $ (54,332) | $ 87,092 |
| Service cost | | | |
| Current service cost | 332 | - | 332 |
| Past service cost and loss on settlements | (3,110) | 2,433 | (677) |
| Net interest expense (income) | 707 | (305) | 402 |
| Recognized in profit or loss | (2,071) | 2,128 | 57 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (4,038) | (4,038) |
| Actuarial (gain) loss | | | |
| Changes in demographic assumptions | - | - | - |
| Changes in financial assumptions | (8,485) | - | (8,485) |
| Experience adjustments | (12,409) | - | (12,409) |
| Recognized in other comprehensive income | (20,894) | (4,038) | (24,932) |
| Contributions from the employer | - | (13,200) | (13,200) |
| Benefits paid | (16,985) | 16,985 | - |
| Balance at December 31, 2022 | $ 101,474 | $ (52,457) | $ 49,017 |

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

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

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

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

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Discount rate | 1.250% | 1.50% |
| Expected rate(s) of salary increase | 3.75% | 3.75% |

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Discount rate | | |
| 0.25% increase | $ (2,391) | $ (2,470) |
| 0.25% decrease | $ 2,478 | $ 2,561 |
| Expected rate of salary increase | | |
| 0.25% increase | $ 2,378 | $ 2,464 |
| 0.25% decrease | $ (2,308) | $ (2,390) |

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Expected contributions to the plan for the next year | $ 10,680 | $ 13,200 |
| Average duration of the defined benefit obligation | 10.4 years | 9.9 years |

## 20. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| 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) | 431,208 | 375,208 |
| Shares issued | $ 4,312,084 | $ 3,752,084 |

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

Considering the long-term cooperation with strategic investors, improvement in financial structure and enhancement of operational efficiency, the Company held the special meeting of shareholders for the private placement of its ordinary shares on December 16, 2021. In the meeting, the shareholders of the Company resolved the proposal and authorized the board of the directors to carry out the non-public offering twice, of which the shares to be issued should not exceed 37,520 thousand shares in total, within one year from the resolution date of the special meeting of shareholders.

On December 22, 2021, the board of directors resolved the specific subscriber for the offering of 37,520 thousand shares and the date, December 24, 2021, as the subscription base date. The share price of the private placement is determined by the highest price determined based on two pricing models, (a) one of simple arithmetic means of the closing prices of 1, 3, and 5 business days before the pricing date, after the adjustments for any distribution of stock dividends and cash dividends and capital reduction, (b) simple arithmetic means of the closing prices of 30 business days before the pricing date, after the adjustments for any distribution of stock dividends, cash dividends and capital reduction. Thus, the reference price for the private placement is $44.73 per share. Then, the subscription price is determined as $40.26 per share, 90 percent of the reference price. The private placement has been completed on December 24, 2021, and legally registered on March 23, 2022.

In accordance with Article 43-8 of the Securities and Exchange Act, the above ordinary shares of the private placement can be publicly traded after 3 years from the acquisition date and applying for the public offering. Except for the prohibition an public trade, those who shares have the same rights and obligations as those who own the outstanding shares.

To enrich working capital, the board of directors resolved to issue 56 million shares each with a par value of NT$10, at NT$49.8 per share during the meeting on July 31, 2023. The above transaction was approved by the authorities and the subscription base date was determined to be October 27, 2023. On October 26, 2023, the full amount has been collected. Moreover, the capital change registration was completed on November 24, 2023.

b. Capital surplus

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital | | |
| Issuance of common shares | $ 3,745,633 | $ 1,379,472 |
| Conversion of bonds | 667,058 | 667,058 |
| Treasury share transactions | 48,234 | 48,234 |
| Expired employee stock warrants | 33,789 | - |
| Interest payable on bond conversion | 13,243 | 13,243 |
| Adjustment to share of change in equity of associates | 61 | - |
| May be used to offset a deficit only | | |
| Treasury share transactions | 71,365 | 71,365 |
| | $ 4,579,383 | $ 2,179,372 |

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 22-g to the parent company only financial statement.

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.

When a special reserve is appropriated, the special reserve is only appropriated from the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient.

The appropriations of earnings for 2022 and the deficit compensation for 2021 that had been resolved by the shareholders in their meeting on June 9, 2023 and June 8, 2022, were as follows:

| | Appropriation of Earnings | Deficit Compensation |
|---|---|---|
| | For the Year Ended December 31, 2022 | For the Year Ended December 31, 2021 |
| Legal reserve | $ 9,127 | $ 316,824 |
| Special reserve | $ 82,146 | |

The appropriation of earning for 2023, which were proposed by the Company's board of directors on March 7, 2024, were as follows:

| | For the Year Ended December 31, 2023 |
|---|---|
| Legal reserve | $ 26,785 |
| Special reserve | $ 54,514 |

The appropriation of earning for 2023 will be resolved by the shareholders in their meeting to be held on June 12, 2024.

d. Special reserves

On the first-time adoption of IFRS Accounting Standards, the Company transferred $10,968 thousand and $250,296 thousand of unrealized revaluation increment and cumulative translation exchange differences on translating the financial statements of foreign operations to retained earnings, respectively. Because the increase in the retained earnings resulting from the firs-time adoption of IFRS Accounting Standards could not fulfill the appropriation for the special reserves generated from the revaluation and translation differences, Phihong appropriated the amount of $230,859 thousand, the increase in retained earnings from all IFRS Accounting Standards adjustments to the special reserve.

e. Other equity items

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Balance, beginning of period | $ (244,171) | $ (523,866) |
| Exchange differences on the translating of the financial statements of foreign operations | (49,295) | 279,695 |
| Balance, end of period | $ (293,466) | $ (244,171) |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Balance, beginning of period | $ (80,339) | $ (88,412) |
| Current generation | | |
| Unrealized loss - equity instruments | 7,604 | 743 |
| Share from subsidiaries accounted for using the equity method | (1,317) | 7,330 |
| Balance, end of period | $ (74,052) | $ (80,339) |

## 21. REVENUE

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from contracts with customers | | |
| Revenue from the sale of goods (Note 28) | $ 6,098,140 | $ 11,202,956 |

Contract balances

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Contract liabilities | | |
| Contract liabilities - current (Note 28) | $ 29,937 | $ 148,483 |

## 22. NET PROFIT (LOSS) CONTINUING OPERATIONS

a. Interest income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Bank deposits | $ 43,566 | $ 11,906 |
| Loans interest from related parties | 1,485 | 177 |
| Others | - | 188 |
| | $ 45,051 | $ 12,271 |

b. Other income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Sample revenue (Note 28) | $ 15,454 | $ 70,438 |
| Rental income (Note 28) | 7,059 | 2,233 |
| Dividend income | 7,477 | 2,995 |
| Others | 134,664 | 121,491 |
| | $ 164,654 | $ 197,157 |

c. Other gains and losses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Net foreign exchange (losses) gains | $ (14,749) | $ 125,058 |
| Gain (loss) on disposal of property, plant and equipment | 841 | (2,706) |
| Gain on lease modification | 287 | - |
| Others | (1) | (585) |
| | $ (13,622) | $ 121,767 |

d. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Property, plant and equipment | $ 23,012 | $ 52,960 |
| Investment properties | 739 | 246 |
| Right-of-use assets | 6,154 | 5,330 |
| Computer software | 11,020 | 9,109 |
| | $ 40,925 | $ 67,645 |
| An analysis of depreciation by | | |
| Operating costs | $ 824 | $ 5,163 |
| Operating expenses | 29,081 | 53,373 |
| | $ 29,905 | $ 58,536 |
| An analysis of amortization by | | |
| Operating costs | $ 186 | $ 93 |
| Operating expenses | 10,834 | 9,016 |
| | $ 11,020 | $ 9,109 |

e. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Bank loans interest | $ 66,731 | $ 45,817 |
| Bonds payable interest | 10,590 | 9,094 |
| Lease liabilities interest | 467 | 327 |
| Others | 1,548 | 2,309 |
| | $ 79,336 | $ 57,547 |

f. Employee benefits expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Short-term employee benefits | $ 575,619 | $ 569,592 |
| Post-employment benefits (Note 19) | | |
| Defined contribution plans | 17,737 | 22,168 |
| Defined benefit plans | 301 | 58 |
| Total employee benefits expense | $ 593,657 | $ 591,818 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 36,388 | $ 54,945 |
| Operating expenses | 557,269 | 536,873 |
| | $ 593,657 | $ 591,818 |

g. Employees' compensation and remuneration to directors

The Company's accrued employees' compensation and remuneration of directors 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. The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022 are as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Compensation of employees | 10% | 10% |
| Remuneration of directors | 2% | 2% |
| Compensation of employees | $ 28,702 | $ 13,462 |
| Remuneration of directors | 5,741 | 2,692 |

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

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2023 and 2022 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 Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Foreign exchange gains | $ - | $ 125,058 |
| Foreign exchange losses | (14,749) | - |
| Net (loss) gain | $ (14,749) | $ 125,058 |

## 23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current tax | | |
| In respect of the current period | $ 8,819 | $ 84,553 |
| Adjustments for prior year | (18,623) | (19) |
| Deferred tax | | |
| In respect of the current period | (166) | (21,237) |
| Income tax expense (benefit) recognized in profit or loss | $ (9,970) | $ 63,297 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Profit before tax from continuing operations | $ 252,581 | $ 134,624 |
| Income tax expense calculated at the statutory tax rate | $ 50,516 | $ 26,925 |
| Share of profit or loss of subsidiaries associates and joint ventures | (84,195) | 94,312 |
| Nondeductible expenses in determining taxable income | 6,359 | 5,824 |
| Tax-exempt income | (1,495) | - |
| Land value increment tax | 8,819 | - |
| Unrecognized loss carryforwards and deductible temporary differences | 20,612 | (42,508) |
| Other income tax adjustments | 8,203 | - |
| Adjustments for prior years' tax | (18,623) | (19) |
| Deductible temporary differences | (166) | (21,237) |
| Income tax (gain) expense recognized in profit or loss | $ (9,970) | $ 63,297 |

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Deferred tax | | |
| In respect of the current year | | |
| Remeasurement of defined benefit plans | $ 1,324 | $ 4,986 |
| Total income tax recognized in other comprehensive income | $ 1,324 | $ 4,986 |

c. Current tax assets and liabilities

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current tax assets | | |
| Tax refund receivable | $ 49,057 | $ - |
| Current tax liabilities | | |
| Income tax payable | $ - | $ 83,393 |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

| | Balance, Beginning of Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Balance, End of Year |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary differences | | | | |
| Allowance to reduce inventory to market | $ 946 | $ (207) | $ - | $ 739 |
| Gross profit | 7,834 | (604) | - | 7,230 |
| Pension cost | 19,162 | 2,009 | - | 21,171 |
| Loss carryforwards | 18,624 | (18,624) | - | - |
| Others | 10,927 | 3,208 | (1,324) | 12,811 |
| | $ 57,493 | $(14,218) | $ (1,324) | $ 41,951 |
| Deferred tax liabilities | | | | |
| Temporary differences | | | | |
| Unrealized investment gains | $ 44,649 | $(14,384) | $ - | $ 30,265 |

For the year ended December 31, 2022

| | Balance, Beginning of Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Balance, End of Year |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary differences | | | | |
| Allowance for inventory valuation | $ 3,910 | $ (2,964) | $ - | $ 946 |
| Unrealized gross profit | 15,870 | (8,036) | - | 7,834 |
| pension cost | 16,670 | 2,492 | - | 19,162 |
| Tax Loss | 16 | 18,608 | - | 18,624 |
| Others | 16,648 | (735) | (4,986) | 10,927 |
| | $ 53,114 | $ 9,365 | $ (4,986) | $ 57,493 |

(Continued)

| | Balance, Beginning of year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Balance, End of Year |
|---|---|---|---|---|
| Deferred tax liabilities | | | | |
| Temporary differences | | | | |
| Unrealized investment gains | $ 56,520 | $(11,871) | $ - | $ 44,649 |

e. Deductible temporary differences, unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Loss carryforwards | $ - | $ 110,007 |

f. Income tax assessments

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

## 24. SHARE-BASED PAYMENT

On August 25, 2023, the Company obtained approval from the Financial Supervisory Commission to issue 56,000 thousand shares for capital increase by cash. As per decision of the board of directors, 15% of the new shares were reserved for employee subscription. On September 5, 2023, the Company confirmed the number of shares subscribed by employees. The date is seemed as the grant date for recognizing the fair value of share-based compensation expense by the Black-Scholes option pricing model, and accordingly, increased the capital surplus by NT$176,400 thousand.

## 25. EARNINGS PER SHARE

**Unit: NT$ Per Share**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Basic earnings per share | $ 0.68 | $ 0.19 |
| Diluted earnings per share | $ 0.68 | $ 0.19 |

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

**Net Profit for the Year**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Profit used in the computation of basic earnings per share | $ 262,551 | $ 71,327 |
| Profit used in the computation of diluted earnings per share | $ 262,551 | $ 71,327 |

**Ordinary Shares Outstanding**

**Unit: In Thousands of Shares**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Weighted average number of ordinary shares used in computation of basic earnings per share | 384,567 | 375,208 |
| Effect of potentially dilutive ordinary shares | | |
| Compensation of employee | 477 | 341 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 385,044 | 375,549 |

## 26. CAPITAL MANAGEMENT

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

The capital structure of the Company 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 Company is not subject to any externally imposed capital requirements.

## 27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2023

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic unlisted equity | $ - | $ - | $ 120,132 | $ 120,132 |

December 31, 2022

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic unlisted equity | $ - | $ - | $ 96,270 | $ 96,270 |

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Financial assets | | |
| Balance, beginning of period | $ 96,270 | $ 82,231 |
| Recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOCI) | 7,604 | 743 |
| Additions | 21,000 | 16,000 |
| Repayment from capital reduction | (4,742) | (2,704) |
| Balance, end of period | $ 120,132 | $ 96,270 |

b. Categories of financial instruments

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Financial assets | | |
| Financial assets at amortized cost (1) | $ 3,414,446 | $ 4,698,790 |
| Financial assets at FVTOCI | | |
| Equity instruments | 120,132 | 96,270 |
| Financial liabilities | | |
| Financial liabilities at amortized cost (2) | 2,798,826 | 5,441,842 |

1) The balances included cash and cash equivalents, financial assets measured at amortized cost, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties and refundable deposits.

2) The balances included short-term borrowings, short 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 Company's major financial instruments included cash and cash equivalents, financial assets measured at amortized cost, equity instruments, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties, refundable deposits/guarantee deposits received, short-term borrowings, short bills payable, contract liabilities, trade payables, trade payables to related parties, other payables, long-term borrowings, bonds payable and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports 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 Company's operating activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see a) below) and interest rates (see b) below).

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The Company 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 Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31 to the parent company only financial statements.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

The following table details the Company'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.

| | **For the Year Ended December 31** | |
|---|---|---|
| | **2023** | **2022** |
| USD | $ 17,435 | $ 23,164 |
| RMB | 4 | 4 |

b) Interest rate risk

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

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

| | **December 31** | |
|---|---|---|
| | **2023** | **2022** |
| Fair value interest rate risk | | |
| Financial liabilities | $ 713,061 | $ 2,130,357 |
| Cash flow interest rate risk | | |
| Financial liabilities | 288,384 | 1,232,176 |

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. At the end of the reporting period, the Company's maximum exposure to credit risk could be equal to the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

According to the Company's policy, the Company only transacts with creditworthy counterparties. In the case that overdue receivables may result to the risks on financial losses, the Company usually obtains the collateral to mitigate the risks. The Company continuously monitors the risk exposure and the credit ratings of the counterparties. In addition, to control the credit risk exposure, the Company transacts with many creditworthy customers and assigns personnel to annually review and approve their credit limits.

Trade receivables generate from a large number of customers, who vary from the industries and geographical areas. The Company continuously evaluate the customers' financial performances to ensure the collection of the trade receivables. In addition, if necessary, the Company purchases the insurance to secure the trade receivables.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company had available unutilized bank loan facilities set out in (b) below.

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

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2023

| | On Demand or Less than 1 Year | 1 to 3 Years | Over 3 Years | Total |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Non-interest bearing | $ 1,180,692 | $ - | $ - | $ 1,180,692 |
| Lease liabilities | 5,790 | 7,016 | 1,163 | 13,969 |
| Variable interest rate instrument | 117,417 | 29,733 | 141,234 | 288,384 |
| Fixed interest rate instrument | - | - | 699,092 | 699,092 |
| | $ 1,303,899 | $ 36,749 | $ 841,489 | $ 2,182,137 |

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

| | Less than 1 Year | 1 to 5 Years |
|---|---|---|
| Lease liabilities | $ 5,790 | $ 8,179 |

December 31, 2022

| | On Demand or Less than 1 Year | 1 to 3 Years | Over 3 Years | Total |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Non-interest bearing | $ 1,810,053 | $ - | $ - | $ 1,810,053 |
| Lease liabilities | 5,048 | 8,356 | 15,624 | 29,028 |
| Variable interest rate instrument | 566,592 | 509,483 | 156,101 | 1,232,176 |
| Fixed interest rate instrument | 734,640 | 668,000 | 698,688 | 2,101,328 |
| | $ 3,116,333 | $ 1,185,839 | $ 870,413 | $ 5,172,585 |

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

| | Less than 1 Year | 1 to 5 Years |
|---|---|---|
| Lease liabilities | $ 5,048 | $ 23,980 |

b) Financing facilities

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Unsecured bank facilities: | | |
| Amount used | $ 120,996 | $ 1,882,520 |
| Amount unused | 4,430,269 | 1,520,755 |
| | $ 4,551,265 | $ 3,403,275 |
| Secured bank facilities: | | |
| Amount used | $ 185,833 | $ 721,760 |
| Amount unused | 537,167 | 261,240 |
| | $ 723,000 | $ 983,000 |

## 28. RELATED-PARTY TRANSACTIONS

a. The Company's related parties and relationship

| Related Party | Relationship with the Company |
|---|---|
| Phihong USA Corp. (PHA) | Subsidiaries |
| Phihong Technology Japan Co., Ltd. (PHJ) | Subsidiaries |
| Phihong Vietnam Co., Ltd. (PHV) | Subsidiaries |
| Dongguan Phitek Electronics Co., Ltd. (PHP) | Subsidiaries |
| Phihong Electronics (Suzhou) Co., Ltd. (PHZ) | Subsidiaries |
| Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (PHE) | Subsidiaries |
| Dongguan Shuang-Ying Electronics Co., Ltd. (PHSY) | Subsidiaries |
| Yanghong Trade (Shanghai) Co., Ltd. (PHYL) | Subsidiaries |
| Zerova Technologies Taiwan Limited. (ZTM) | Subsidiaries |
| Zerova Technologies SG Pte. Ltd. (ZSH) | Subsidiaries |
| Zerova Technologies Europe B.V. (ZNS) | Subsidiaries |
| Spring City Resort Co., Ltd. | Associates |
| Hua Jung Components Co., Ltd. | Other related parties |
| Heng Hui Co., Ltd. (Note) | Other related parties |
| TCC Energy Storage Technology Corporation | Related party |
| Peter Lin | Phihong's chairman |
| Kevin Lin | Related party |
| Jayce Lin | Related party |
| Peggy Wu | Related party |

Note: There are no related persons since the fourth quarter of 2023.

b. Sales of goods

| Item | Related Parties Category/ Name | For the Year Ended December 31 2023 | 2022 |
|---|---|---|---|
| Operating revenue | Subsidiaries | | |
| | PHA | $ 2,364,693 | $ 3,478,124 |
| | Others | 239,204 | 270,016 |
| | | $ 2,603,897 | $ 3,748,140 |
| Service revenue | Subsidiaries | | |
| | ZSH | $ 2,950 | $ 72,818 |

The prices of finished goods sold by the Company to related parties were determined by the product type, cost, market price, market competition, etc., while based on mutual agreement.

c. Purchase of goods

| Related Parties Category | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| Subsidiaries | | |
| PHC | $ 2,650,049 | $ 6,886,450 |
| PHV | 2,210,514 | 1,841,334 |
| Others | 662,517 | 1,191,709 |
| | $ 5,523,080 | $ 9,919,493 |

The purchase price of the Company 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.

d. Contract liabilities

| Related Parties Category/Name | December 31 2023 | 2022 |
|---|---|---|
| Related party | $ 12,606 | $ 20,526 |

e. Receivables from related parties

| Item | Related Parties Category/ Name | December 31 2023 | 2022 |
|---|---|---|---|
| Trade receivables | Subsidiaries | | |
| | PHA | $ 102,716 | $ 345,633 |
| | Others | 51,436 | 49,964 |
| | | $ 154,152 | $ 395,597 |
| Other receivables | Subsidiaries | | |
| | PHC | $ 237,299 | $ 550,063 |
| | PHV | 257,631 | 473,790 |
| | ZTM | - | 167,447 |
| | Others | 5,693 | 145,459 |
| | | $ 500,623 | $ 1,336,759 |

No allowance for impairment loss has been recognized from related parties as of December 31, 2023 and 2022. Other receivables from related parties are primarily loans to related parties and receivables from related parties for the purchase of materials on their behalf.

f. Payables to related parties

| Item | Related Parties Category/ Name | December 31 2023 | December 31 2022 |
|---|---|---|---|
| Trade payables | Subsidiaries | | |
| | ZSH | $ - | $ 44,008 |
| | ZTM | 12,583 | - |
| | Others | 196 | 174 |
| | | 12,779 | 44,182 |
| | Other related parties | 23 | 383 |
| | | $ 12,802 | $ 44,565 |
| Other payables | Subsidiaries | | |
| | PHP | $ 73,299 | $ 16,201 |
| | PHSY | 6,587 | 15,831 |
| | Others | 3,543 | 2,990 |
| | | 83,429 | 35,022 |
| | Other related parties | | |
| | Heng Hui Co., Ltd. | - | 56,274 |
| | Others | 920 | 1,858 |
| | | 920 | 58,132 |
| | | $ 84,349 | $ 93,154 |

The abovementioned other payables to related parties are primarily payables to related parties for the purchase of materials on our behalf.

g. Operating expenses

| Item | Related Parties Category | For the Year Ended December 31 2023 | For the Year Ended December 31 2022 |
|---|---|---|---|
| Operating expenses | Related party | $ 9,861 | $ 8,752 |

h. Rental agreement

Operating lease

The Company leases buildings to its subsidiary ZTM under an operating lease for a period of one year at a fixed monthly rental payment based on the lease agreement with reference to the rental rate of similar assets. The total amount of lease payments to be received in the future is $5,183 thousand. The lease income recognized in 2023 was $7,059 thousand.

i. Loans to related parties

| Related Parties Category | December 31 2023 | December 31 2022 |
|---|---|---|
| ZNS | $ - | $ 30,899 |

Interest income

| Related Parties Category | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| ZNS | $ - | $ 177 |

The Company provides long-term unsecured loans to the subsidiary, ZNS, at interest rates similar to market rates.

j. Endorsements and guarantees

| Related Parties Category | December 31 2023 | 2022 |
|---|---|---|
| Subsidiaries | | |
| PHV | | |
| Amount endorsed | $ 276,345 | $ 61,450 |
| Amount utilized | $ 61,410 | $ 61,450 |
| ZTM | | |
| Amount endorsed | $ 1,700,000 | $ 600,000 |
| Amount utilized | $ - | $ - |
| ZSH | | |
| Amount endorsed | $ 1,581,308 | $ - |
| Amount utilized | $ - | $ - |

k Other transactions with related parties

The Company's chairman served as the joint guarantor for the Company's short-term borrowings, short bills payable, bonds payable and long-term borrowings. As of December 31, 2023 and 2022, the amounts of the borrowings were $987,476 thousand and $3,333,504 thousand, respectively.

l. Others

| Item | Related Parties Category | December 31 2023 | 2022 |
|---|---|---|---|
| Non-operating income sample revenue | Related party | $ - | $ 29,580 |

m. Remuneration 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 Ended December 31 2023 | 2022 |
|---|---|---|
| Short-term benefits | $ 29,625 | $ 43,981 |
| Post-employment benefits | 324 | 806 |
| | $ 29,949 | $ 44,788 |

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

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company have been provided as collateral for the project performance bond, bank loan, domestic secured corporate bonds, and money lodged at courts:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Financial assets at amortized cost - non-current (Note 8) | $ 10,500 | $ 22,030 |
| Land | 390,593 | 390,593 |
| Buildings | 103,084 | 99,597 |
| Investment properties | 22,429 | 23,168 |
| | $ 526,606 | $ 535,388 |

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company's unrecognized commitments were as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Acquisition for property, plant and equipment | | |
| The amount of signed contract | $ 1,216,885 | $ 226,547 |
| Unpaid amount | 975,308 | 58,409 |

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

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

December 31, 2023

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 84,582 | 30.70500 | $ 2,597,034 |
| RMB | 101 | 4.32623 | 438 |
| Non-monetary items | | | |
| Investments accounted for using equity method | | | |
| USD | 262,344 | 30.70500 | 8,055,277 |
| JPY | 1,046,670 | 0.21525 | 225,296 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 27,932 | 30.70500 | 853,511 |

December 31, 2022

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 134,776 | 30.72500 | $ 4,140,997 |
| RMB | 101 | 4.40230 | 446 |
| Non-monetary items | | | |
| Investments accounted for using equity method | | | |
| USD | 188,232 | 30.72500 | 5,783,421 |
| JPY | 340,912 | 0.22946 | 78,226 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 59,385 | 30.725 | 1,824,593 |

Note: The exchange rate is the amount per unit of foreign currency converted into New Taiwan dollars.

## 32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others (Table 1)

2) Endorsements/Guarantees Provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of property at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

9) Trading in derivative instruments. (None)

10) Information on investees. (Table 6)

b. Information on investments in mainland China

   1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

   2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 8)

      a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

      b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

      c) The amount of property transactions and the amount of the resultant gains or losses.

      d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

      e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

      f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

## 33. SEGMENT INFORMATION

The Company has disclosed the segment information in the consolidated financial statements, and does not disclose relevant information in the parent company only financial statements.

# PHIHONG TECHNOLOGY CO., LTD.

**FINANCING PROVIDED TO OTHERS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (Note 1) | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing (Note 2) | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Notes 3 and 4) | Aggregate Financing Limit (Notes 3 and 4) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | PHT | ZSH | Other receivables from related parties | Yes | $ 844,388<br>(US$ 27,500,000) | $ 307,050<br>(US$ 10,000,000) | $ - | 3.00%-6.50% | 2 | $ - | Capital movement | $ - | - | $ - | $ 1,881,983 | $ 3,763,967 | |
| | | ZCM | 〃 | 〃 | 921,150<br>(US$ 30,000,000) | 460,575<br>(US$ 15,000,000) | - | 3.00%-6.50% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| | | ZCS | 〃 | 〃 | 153,525<br>(US$ 5,000,000) | -<br>(US$ -) | - | 3.00% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| | | ZAS | 〃 | 〃 | 245,640<br>(US$ 8,000,000) | 92,115<br>(US$ 3,000,000) | - | 3.00%-6.50% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| | | ZNS | 〃 | 〃 | 199,583<br>(US$ 6,500,000) | 46,058<br>(US$ 1,500,000) | - | 3.00%-6.50% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| | | ZJS | 〃 | 〃 | 153,526<br>(US$ 5,000,000) | 76,763<br>(US$ 2,500,000) | - | 3.00%-6.50% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| | | PHJ | 〃 | 〃 | 64,575<br>(JPY 300,000,000) | -<br>(JPY -) | - | 1.50% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| 1 | PHC | PHP | 〃 | 〃 | 216,312<br>(RMB 50,000,000) | -<br>(RMB -) | - | 4.35% | 〃 | - | 〃 | - | - | - | 2,044,688 | 2,044,688 | |
| | | PHE | 〃 | 〃 | 43,262<br>(RMB 10,000,000) | 43,262<br>(RMB 10,000,000) | 43,262 | 4.90% | 〃 | - | 〃 | - | - | - | 2,044,688 | 2,044,688 | |
| 2 | PHZ | PHP | 〃 | 〃 | 2,011,697<br>(RMB 465,000,000) | 973,402<br>(RMB 225,000,000) | 973,402 | 4.75% | 〃 | - | 〃 | - | - | - | 1,969,728 | 1,969,728 | |
| 3 | ZTM | ZSH | 〃 | 〃 | 64,481<br>(US$ 2,100,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| | | ZCM | 〃 | 〃 | 64,481<br>(US$ 2,100,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| | | ZCS | 〃 | 〃 | 21,494<br>(US$ 700,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| | | ZAS | 〃 | 〃 | 21,494<br>(US$ 700,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| | | ZNS | 〃 | 〃 | 21,494<br>(US$ 700,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| | | ZJS | 〃 | 〃 | 21,494<br>(US$ 700,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| 4 | PHA | ZAS | 〃 | 〃 | 368,460<br>(US$ 12,000,000) | 368,460<br>(US$ 12,000,000) | - | 6.50% | 〃 | - | 〃 | - | - | - | 1,824,022 | 1,824,022 | |

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

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

Note 2: Reasons for financing are as follows:

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

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

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

Note 4: According to loans between foreign subsidiaries in which the Company holds 100% of direct or indirect the operating procedures for loans to other subsidiaries of the Group, the aggregate amount of loans between subsidiaries shall not exceed 150% of the net worth of the lending subsidiary based on the latest financial statements.

# PHIHONG TECHNOLOGY CO., LTD.

**ENDORSEMENTS/GUARANTEES PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (Note 1) | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 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 (Notes 2 and 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 | $ 7,057,439 | $ 337,755<br>(US$ 11,000,000) | $ 276,345<br>(US$ 9,000,000) | $ 61,410<br>(US$ 2,000,000) | $ - | 3.89 | $ 9,409,919 | Y | N | N | 6 and 9 |
| | | ZTM | 〃 | 7,057,439 | 2,900,000 | 1,700,000 | - | - | 23.94 | 9,409,919 | Y | N | N | 4, 7 and 10 |
| | | ZSH | 〃 | 7,057,439 | 1,581,308<br>(US$ 51,500,000) | 1,581,308<br>(US$ 51,500,000) | -<br>(US$ -) | - | 22.27 | 9,409,919 | Y | N | N | 5, 8 and 11 |

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

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

Note 2: According to the Company’s procedures for the Management of Endorsements and Guarantees, the aggregate amount of endorsements/guarantees provided by the Company shall not exceed 100% of endorser/guarantor’s net worth. Additionally, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 75% 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 August 4, 2022, the board of directors approved that the Company’s endorsements/guarantees amount to ZTM is NT$600 million.

Note 5: On April 21, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to ZSH is US$3 million.

Note 6: On May 11, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to PHV is US$7 million.

Note 7: On June 26, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to ZTM is NT$1 billion.

Note 8: On June 26, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to ZSH is US$45 million.

Note 9: On June 26, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to PHV is US$2 million.

Note 10: On June 26, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to ZTM is NT$100 million.

Note 11: On November 9, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to ZSH is US$3.5 million.

# PHIHONG TECHNOLOGY CO., LTD.

**MARKETABLE SECURITIES HELD**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Phihong | Ordinary shares | | | | | | | |
| | Pao-Dian Venture Capital Co., Ltd. | None | Financial assets at FVTOCI - non-current | 229,980 | $ 3,023 | 10.49 | $ 3,023 | |
| | Zhong-Xuan Venture Capital Co., Ltd. | 〃 | Financial assets at FVTOCI - non-current | 2,314,097 | 18,633 | 8.62 | 18,633 | |
| | BMC Venture Capital Investment Corporation | 〃 | Financial assets at FVTOCI - non-current | 5,700,000 | 74,730 | 9.84 | 74,730 | |
| | RFIC Technology Corporation | 〃 | Financial assets at FVTOCI - non-current | 1,000,000 | 3,922 | 3.50 | 3,922 | |
| | BMD Venture Capital Investment Corporation | 〃 | Financial assets at FVTOCI - non-current | 2,100,000 | 19,824 | 9.31 | 19,824 | |
| Guang-Lai | Ordinary shares | | | | | | | |
| | Taiwan Cultural & Creativity No. 1 Co., Ltd. | None | Financial assets at FVTOCI - non-current | 3,000,000 | 2,379 | 10.83 | 2,379 | |
| PHJ | Ordinary shares | | | | | | | |
| | ENECHANGE EV Labs Ltd. | None | Financial assets at FVTOCI - non-current | 45 | 97 | 5.00 | 97 | |

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.

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

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts 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 | $ (2,364,693) | (38.81) | To be agreed by both parties | - | - | $ 102,716 | 14.01 | |
| | PHJ | 〃 | 〃 | (213,436) | (3.50) | 〃 | - | - | 50,441 | 6.88 | |
| | PHC | 〃 | Purchase | 2,650,049 | 47.98 | 〃 | - | - | - | - | |
| | PHP | 〃 | 〃 | 514,413 | 9.31 | 〃 | - | - | 122 | 0.02 | |
| | PHV | 〃 | 〃 | 2,210,514 | 40.02 | 〃 | - | - | - | - | |
| PHC | PHT | Subsidiary of PHT | Sale | (2,650,049) | (100.00) | To be agreed by both parties | - | - | 200,840 | - | |
| PHP | PHT | Subsidiary of PHT | Sale | (514,413) | (29.45) | To be agreed by both parties | - | - | 110,423 | - | |
| PHV | PHT | Subsidiary of PHT | Sale | (2,210,514) | (82.55) | To be agreed by both parties | - | - | 194,441 | - | |
| PHA | PHT | Subsidiary of PHT | Purchase | 2,364,693 | 95.98 | To be agreed by both parties | - | - | (102,716) | (92.57) | |
| PHJ | PHT | Subsidiary of PHT | Purchase | 213,436 | 58.19 | To be agreed by both parties | - | - | (50,441) | (37.72) | |
| ZTM | PHT | Subsidiary of PHT | Sale | (119,868) | (6.73) | To be agreed by both parties | - | - | 21,962 | 7.70 | |
| | ZSH | Between subsidiaries | 〃 | (860,890) | (48.33) | 〃 | - | - | 85,743 | 30.08 | |
| | ZAS | 〃 | 〃 | (582,843) | (38.21) | 〃 | - | - | 171,229 | 37.53 | |
| | ZSH | 〃 | Purchase | 160,786 | 36.35 | 〃 | - | - | - | - | |
| ZAS | ZCM | 〃 | Sale | (115,581) | (3.47) | To be agreed by both parties | - | - | - | - | |
| | ZSH | 〃 | Purchase | 1,812,620 | 91.61 | 〃 | - | - | (69,029) | (93.14) | |
| ZCM | ZSH | 〃 | Sale | (1,617,499) | (91.35) | To be agreed by both parties | - | - | 128,955 | 57.32 | |
| | ZAS | 〃 | Purchase | 115,581 | 7.96 | 〃 | - | - | - | - | |
| ZSH | ZTM | 〃 | Sale | (160,786) | (5.15) | To be agreed by both parties | - | - | 38,541 | 11.31 | |
| | ZAS | 〃 | 〃 | (1,812,620) | (58.06) | 〃 | - | - | 69,029 | 20.26 | |
| | ZNS | 〃 | 〃 | (194,274) | (6.22) | 〃 | | | 35,667 | 10.47 | |
| | PHJ | 〃 | 〃 | (144,594) | (4.63) | 〃 | - | - | 84,720 | 24.86 | |
| | ZTM | 〃 | Purchase | 180,249 | 8.04 | 〃 | - | - | (2,539) | (1.66) | |
| | ZCM | 〃 | 〃 | 1,617,499 | 72.17 | 〃 | - | - | (128,952) | (84.09) | |
| PHJ | ZSH | 〃 | Purchase | 144,594 | 39.42 | To be agreed by both parties | - | - | (83,357) | (62.34) | |
| ZNS | ZSH | 〃 | Purchase | 194,274 | 96.48 | To be agreed by both parties | - | - | (35,667) | (85.32) | |

TABLE 5

## PHIHONG TECHNOLOGY CO., LTD.

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship | Financial Statement Account and Ending Balance | | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Impairment Loss |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Amount | Actions Taken | | |
| Phihong | PHA | Subsidiary of the Company | Trade receivables | $ 102,716 | 10.55% | $ - | - | $ 101,555 | $ - |
| | PHC | 〃 | Other receivables | 237,299 | - | - | - | 149,566 | - |
| | PHV | 〃 | Other receivables | 257,631 | - | - | - | 222,553 | - |
| PHZ | PHP | Fellow subsidiaries | Other receivables | 973,402 | - | - | - | - | - |
| ZTM | ZAS | Fellow subsidiaries | Trade receivables | 171,229 | 6.81% | - | - | 1,216 | - |
| PHC | PHT | Subsidiary of PHT | Trade receivables | 200,840 | 26.39% | - | - | 200,824 | - |
| PHP | PHT | Subsidiary of PHT | Trade receivables | 110,423 | 9.73% | - | - | 70,263 | - |
| PHV | PHT | Subsidiary of PHT | Trade receivables | 194,441 | 14.80% | - | - | 194,441 | - |
| ZCM | ZSH | Subsidiary of PHT | Trade receivables | 128,955 | 9.50% | - | - | 128,955 | - |

**TABLE 6**

## PHIHONG TECHNOLOGY CO., LTD.

**INFORMATION ON INVESTEES**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2023 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Shares | % | Carrying Amount | | | |
| PHT | PHI | British Virgin Islands | Makes investments | $ 3,209,288 | $ 3,209,288 | 102,421,351 | 100.00 | $ 2,651,317 | $ (37,889) | $ (33,889) | |
| | PHA | The United States | Sells various power supplies | 207,203 | 207,203 | 3,100,000 | 100.00 | 1,181,641 | 35,336 | 35,336 | |
| | PHK | British Virgin Islands | Makes investments | 554,154 | 554,154 | 18,840,000 | 100.00 | (377,663) | (84,843) | (83,567) | |
| | PHQ | British Virgin Islands | Makes investments | 352,043 | 352,043 | 12,012,600 | 100.00 | 56,985 | (10,534) | (9,102) | |
| | Guang-Lai | Taiwan | Makes investments | 139,758 | 139,758 | 13,975,828 | 100.00 | 107,935 | (3,643) | (3,643) | |
| | H&P Venture Capital Co., Ltd. | Taiwan | Makes investments | 6,869 | 13,738 | 686,901 | 32.26 | 2,435 | (5,323) | (1,717) | |
| | PHJ | Japan | Sells power components | 295,181<br>(JPY 500,000,000) | 137,436<br>(JPY 150,000,000) | 25,000 | 100.00 | 225,296 | 2,263 | 2,263 | |
| | PHV | Vietnam | Manufactures and sells various power supplies | 1,906,713<br>(US$ 65,000,000) | 1,906,713<br>(US$ 65,000,000) | 65,000,000 | 100.00 | 1,568,806 | (41,270) | (41,356) | |
| | ZKH | Cayman Islands | Makes investments | 2,083,650<br>(US$ 69,927,260) | 365,580<br>(US$ 12,000,000) | 699,272,603 | 100.00 | 2,596,528 | 557,029 | 556,647 | |
| PHI | N-Lighten | The United States | Makes investments | 409,851 | 409,851 | 110,834,223 | 58.45 | (25,998) | (168) | (98) | PHI and Guang-Laiholds 78.23% |
| Guang-Lai | Spring City Resort Co., Ltd. | Taiwan | Hotel and attached restaurant and the general bathroom industry | 196,250 | 190,000 | 3,462,343 | 25.27 | 7,852 | (5,026) | (1,248) | |
| | Han-Yu Venture Capital Co., Ltd. | Taiwan | Makes investments | 100,000 | 100,000 | 8,000,000 | 22.22 | 76,387 | (10,615) | (2,369) | |
| | N-Lighten | The United States | Makes investments | 206,084 | 206,084 | 37,498,870 | 19.78 | (8,798) | (168) | (33) | PHI and Guang-Laiholds 78.23% |
| ZKH | ZSH | Singapore | Makes investments and sells of electrical equipment | 2,175,576<br>(US$ 67,649,888) | 362,534<br>(US$ 11,900,000) | 67,649,888 | 100.00 | 2,587,218 | 584,620 | 574,151 | |
| ZSH | ZJS | Japan | Provides electric vehicle charging solutions | 16,848<br>(JPY 80,000,000) | - | 8,000 | 100.00 | 22,119 | 5,832 | 5,832 | |
| | ZAH | The United States | Makes investments | 95,482<br>(US$ 3,050,000) | 32,692<br>(US$ 1,050,000) | 3,050,000 | 100.00 | 253,858 | 161,602 | 161,602 | |
| | ZTM | Taiwan | Manufactures and sells of electrical equipment | 1,293,748 | 600,000 | 60,000,000 | 100.00 | 1,050,289 | 339,482 | 345,109 | The ZTM organization structure was transferred to ZSH ownership on April 17, 2023. |
| | ZNS | Netherlands | Provides electric vehicle charging solutions | 104,056<br>(EUR 3,000,000) | - | 100 | 100.00 | 106,446 | 4,253 | 6,434 | |
| ZAH | ZAS | The United States | Provides electric vehicle charging solutions | 95,150<br>(US$ 3,000,000) | 31,620<br>(US$ 1,000,000) | 3,000,000 | 100.00 | 253,065 | 161,734 | 162,343 | |

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

# PHIHONG TECHNOLOGY CO., LTD.

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(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 Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 4) | Carrying Amount as of December 31, 2023 | Accumulated Repatriation of Investment Income as of December 31, 2023 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | | |
| PHC | Manufactures and sells various power supplies | $ 1,988,018 (HK$ 495,450,000) | Indirect investment in mainland China through PHI | $ 1,677,679 (HK$ 419,000,000) | $ - | $ - | $ 1,677,679 (HK$ 419,000,000) | $ (79,808) | 100 | $ (79,808) | $ 1,363,126 | $ - | |
| PHZ | Manufactures and sells various power supplies | 1,097,139 (US$ 31,960,000) | 〃 | 1,097,139 (US$ 31,960,000) | - | - | 1,097,139 (US$ 31,960,000) | 38,226 | 100 | 38,226 | 1,313,153 | - | |
| PHYL | Sells various lighting and power supplies | 49,027 (US$ 1,605,000) | 〃 | 63,934 (US$ 2,865,000) | - | - | 63,934 (US$ 2,865,000) | 3,915 | 100 | 3,915 | 8,071 | - | |
| PHP | Manufactures and sells various power supplies | 604,135 (US$ 20,140,000) | Indirect investment in mainland China through PHK | 554,456 (US$ 18,640,000) | - | - | 554,456 (US$ 18,640,000) | (84,762) | 100 | (84,762) | (367,747) | - | |
| PHSY | Manufactures and sells electronic materials | 39,678 (HK$ 9,000,000) | Indirect investment in mainland China through PHQ | 39,678 (HK$ 9,000,000) | - | - | 39,678 (HK$ 9,000,000) | 1,932 | 100 | 1,932 | 72,946 | - | |
| PHE | Manufactures and sells electronic materials | 360,124 (US$ 11,500,000) | 〃 | 360,124 (US$ 11,500,000) | - | - | 360,124 (US$ 11,500,000) | (12,358) | 100 | (12,358) | (17,049) | - | |
| N-Lighten (Shanghai) Trading Inc. | Develops, manufactures and sells various equipment and monitors | - | Indirect investment in mainland China through N-Lighten | 387,406 (US$ 12,366,400) | - | - | 387,406 (US$ 12,366,400) | - | - | - | - | - | Note 1 |
| ZCM | Manufactures and sells of electrical equipment | 28,942 (US$ 950,000) | Indirect investment in mainland China through ZSH | 28,942 (US$ 950,000) | - | - | 28,942 (US$ 950,000) | 29,141 | 100 | 29,141 | (4,921) | - | |
| ZCS | Provide electric vehicle charging solutions | 6,430 (US$ 200,000) | 〃 | 6,430 (US$ 200,000) | - | - | 6,430 (US$ 200,000) | (14,424) | 100 | (14,424) | (8,479) | - | |

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, 2023 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|---|---|
| $3,829,285 | $4,688,443 | Note |

Note: 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.

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

| Investee Company | Transaction Type | Purchase/Sale | | Price | Transaction Details | | Notes/Accounts Receivable (Payable) | | Unrealized (Gain) Loss | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount | % | | Payment Term | Comparison with Normal Transaction | Ending Balance | % | | |
| PHC | Purchase | $ 2,650,049 | 47.98 | To be agreed by both parties | To be agreed by both parties | - | $ - | - | $ - | |
| PHP | 〃 | 514,413 | 9.31 | 〃 | 〃 | - | 122 | - | - | |
| ZCM | 〃 | 115,581 | 7.96 | 〃 | 〃 | - | - | - | - | |
| | Sale | (1,617,499) | (91.35) | 〃 | 〃 | - | (128,955) | 57.32 | - | |

TABLE 9

# PHIHONG TECHNOLOGY CO., LTD.

## INFORMATION OF MAJOR SHAREHOLDERS
## DECEMBER 31, 2023

| Name of Major Shareholder | Shares | |
|---|---|---|
| | Number of Shares | Percentage of Ownership (%) |
| Peter Lin | 54,541,837 | 12.64 |
| Taiwan Cement Corporation | 41,719,905 | 9.67 |

Note: 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 parent company only financial report and the actual number of shares delivered without physical registration may be different due to the difference of calculation basis.

## PHIHONG TECHNOLOGY CO., LTD.

### THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

**EXHIBIT 1**

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF CASH AND CASH EQUIVALENTS
## DECEMBER 31, 2023
## (In Thousands of New Taiwan Dollars, $1 for Foreign Currencies)

| Item | Description | Amount |
|---|---|---|
| Cash on hand | | $ 51 |
| Petty cash | | 188 |
| Check deposit | | 3,895 |
| Demand deposit | | 433,450 |
| Foreign currency deposit | US$48,300,934, JPY22,806,330, HK$155,994, EUR319,213, RMB101,276 | 1,499,886 |
| Repurchase agreements collateralized by bonds | | 300,124 |
| | | $ 2,237,594 |

Note: The exchange rate at the end of December 31, 2023:
USD:NTD = 1:30.705
JPY:NTD = 1:0.21525
HKD:NTD = 1:3.93086
EUR:NTD = 1:33.97508
RMB:NTD = 1:4.32623

**EXHIBIT 2**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF TRADE RECEIVABLES**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Customer's Name | Description | Amount |
|---|---|---|
| Customer A | Supply payment from non-related parties | $ 66,272 |
| Customer B | 〃 | 37,230 |
| Customer C | 〃 | 36,076 |
| Customer D | 〃 | 33,208 |
| Customer E | 〃 | 24,799 |
| Others (Note) | 〃 | 317,985 |
| | | 515,570 |
| Less: Allowance for impairment loss | | (7,101) |
| | | $ 508,469 |

Note: The amount of each item in others does not exceed 5% of the account balance.

**EXHIBIT 3**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Customer's Name | Description | Amount |
|---|---|---|
| Phihong USA Corp. | Supply payment from related parties | $ 102,716 |
| Others (Note) | 〃 | 51,436 |
| | | $ 154,152 |

Note: The amount of each item in others does not exceed 5% of the account balance.

**EXHIBIT 4**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF OTHER RECEIVABLES**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Item | Description | Amount |
|---|---|---|
| Other receivables | Interest receivable | $ 178 |
| Tax refund receivables | Tax refund for the business tax | 32 |
| Others | | 878 |
| | | $ 1,088 |

**EXHIBIT 5**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Item | Description | Amount |
|---|---|---|
| Phihong (Dongguan) Electronics Co., Ltd. | Payment for material purchases | $ 237,299 |
| Phihong Vietnam Co., Ltd. | 〃 | 257,631 |
| Phihong Technology Japan, Co., Ltd. | 〃 | 4,010 |
| Others (Note) | | 1,683 |
| | | $ 500,623 |

Note: The amount of each item in others does not exceed 5% of the account balance.

**EXHIBIT 6**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF INVENTORIES**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Item | Cost | Market Price |
|---|---|---|
| Raw materials | $ 2,130 | $ 2,059 |
| Finished goods | 15,188 | 11,566 |
| Less: Allowances for impairment losses | (3,693) | - |
| | $ 13,625 | $ 13,625 |

**EXHIBIT 7**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF OTHER CURRENT ASSETS**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Item | Summary | Amount |
|---|---|---|
| Prepayments | Prepayment for goods and tax credits | $ 49,267 |
| Prepaid expenses | Prepaid rentals and insurance premium | 27,543 |
| Suspense payment | Suspense payment for TV and EV project, etc. | 9,371 |
| | | $ 86,181 |

EXHIBIT 8

## PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| | Balance at January 1, 2023 | | Additions | | Decrease | | Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income | Balance at December 31, 2023 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Item | Shares | Amount | Shares | Amount | Shares | Amount | Income | Shares | Amount | Collateral |
| Pao-Dian Venture Capital Co., Ltd. | 229,980 | $ 3,084 | - | $ - | - | $ - | $ (61) | 229,980 | $ 3,023 | None |
| Zhong-Xuan Venture Capital Co., Ltd. | 2,488,276 | 19,666 | - | - | (174,179) | (1,742) | 709 | 2,314,097 | 18,633 | 〃 |
| BMC Venture Capital Investment Corporation | 6,000,000 | 69,018 | - | - | (300,000) | (3,000) | 8,712 | 5,700,000 | 74,730 | 〃 |
| RFIC Technology Corporation | 1,000,000 | 4,502 | - | - | - | - | (580) | 1,000,000 | 3,922 | 〃 |
| BMD Venture Capital Investment Corporation | - | - | 2,100,000 | 21,000 | - | - | (1,176) | 2,100,000 | 19,824 | 〃 |
| | | $ 96,270 | | $ 21,000 | | $ (4,742) | $ 7,604 | | $ 120,132 | |

**EXHIBIT 9**

## PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| | Balance at January 1, 2023 | | Additions (Note 1) | | Decrease (Note 2) | | Balance at December 31, 2023 | | | Market Value or Net Assets Value | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee | Shares | Amount | Shares | Amount | Shares | Amount | Shares | (%) | Amount | Unit Price (NT$) | Total | Valuation Basis | Collateral |
| Phihong International Corp. | 102,421,351 | $ 2,731,172 | - | $ - | - | $ 79,855 | 102,421,351 | 100.00 | $ 2,651,317 | | $ 2,662,075 | Equity method | None |
| Phitek International Co., Ltd. | 18,840,000 | (300,541) | - | - | - | 77,122 | 18,840,000 | 100.00 | (377,663) | | (361,158) | Equity method | 〃 |
| Ascent Alliance Ltd. | 12,012,600 | 67,000 | - | - | - | 10,015 | 12,012,600 | 100.00 | 56,985 | | 56,212 | Equity method | 〃 |
| Phihong USA Corp. | 3,100,000 | 1,143,436 | - | 38,205 | - | - | 3,100,000 | 100.00 | 1,181,641 | | 1,216,015 | Equity method | 〃 |
| Phihong Technology Japan Co., Ltd. | 3,000 | 78,226 | 22,000 | 147,070 | - | - | 25,000 | 100.00 | 225,296 | | 227,071 | Equity method | 〃 |
| Guang-Lai Investment Co., Ltd. | 13,975,828 | 112,828 | - | - | - | 4,893 | 13,975,828 | 100.00 | 107,935 | | 107,935 | Equity method | 〃 |
| H&P Venture Capital Co., Ltd. | 1,373,801 | 11,021 | - | - | 686,900 | 8,586 | 686,901 | 32.26 | 2,435 | | 2,435 | Equity method | 〃 |
| Phihong Vietnam Co., Ltd. | 65,000,000 | 1,609,716 | - | - | - | 40,910 | 65,000,000 | 100.00 | 1,568,806 | | 1,568,825 | Equity method | 〃 |
| Zerova Technologies Taiwan Limited | 60,000,000 | 629,797 | - | - | 60,000,000 | 629,797 | - | - | - | | - | Equity method | 〃 |
| Zerova Technologies Holdings LTD | 120,000,000 | 215,579 | 579,272,603 | 2,380,949 | - | - | 699,272,603 | 100.00 | 2,596,528 | | 2,598,306 | Equity method | 〃 |
| | | 6,298,234 | | $ 2,566,224 | | $ 851,178 | | | 8,013,280 | | $ 8,077,716 | | |
| Reclassified in other non-current liabilities | | 300,541 | | | | | | | 377,663 | | | | |
| | | $ 6,598,775 | | | | | | | $ 8,390,943 | | | | |

Note 1: The increase in the current period included capital increase in the investees, the recognition of investment income under the equity method, and the cumulative conversion adjustments.

Note 2: The decrease in the current period included the surplus distribution of the investees, recognition of investment losses under the equity method, cumulative conversion adjustments, and unrealized loss on financial assets at FVTOCT.

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
## DECEMBER 31, 2023
## (In Thousands of New Taiwan Dollars)

| | Land | Transportation Equipment | Computer Equipment | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance at January 1, 2023 | $ 30,437 | $ 5,972 | $ - | $ 36,409 |
| Additions | 5,179 | 1,504 | 3,614 | 10,297 |
| Disposals | (25,545) | (2,253) | - | (27,798) |
| Balance at December 31, 2023 | $ 10,071 | $ 5,223 | $ 3,614 | $ 18,908 |
| Accumulated depreciation | | | | |
| Balance at January 1, 2023 | $ 5,609 | $ 1,977 | $ - | $ 7,586 |
| Depreciation expenses | 3,712 | 1,991 | 451 | 6,154 |
| Disposals | (6,415) | (2,252) | - | (8,667) |
| Balance at December 31, 2023 | $ 2,906 | $ 1,716 | $ 451 | $ 5,073 |
| Carrying amounts at December 31, 2023 | $ 7,165 | $ 3,507 | $ 3,163 | $ 13,835 |

**EXHIBIT 11**

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF OTHER NON-CURRENT ASSETS
## DECEMBER 31, 2023
## (In Thousands of New Taiwan Dollars)

| Item | Description | Amount |
|---|---|---|
| Refundable deposits | Engineering warranty, guarantee for renting offices, guarantee for parking space, and guarantee for renting company car | $ 12,521 |

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF TRADE PAYABLES**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Item | Description | Amount |
|---|---|---|
| Supplier A | Supply payment from non-related parties | $ 2,061 |
| Supplier B | 〃 | 291 |
| Supplier C | 〃 | 248 |
| Others (Note) | 〃 | 2,475 |
| | | $ 5,075 |

Note: The amount of each item in others does not exceed 5% of the account balance.

**EXHIBIT 13**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF TRADE PAYABLE TO RELATED PARTIES**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Item | Description | Amount |
|---|---|---|
| Zerova Technologies SG Pte. Ltd. | Supply payment from related parties | $ 12,583 |
| Others (Note) | 〃 | 219 |
| | | $ 12,802 |

Note: The amount of each item in others does not exceed 5% of the account balance.

**EXHIBIT 14**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF OTHER CURRENT LIABILITIES**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Item | Description | Amount |
|---|---|---|
| Temporary receipts | Amount receipt and payment | $ 74,411 |
| Other short-term provision | Warranty provision | 4,763 |
| Others | | 943 |
| | | $ 80,117 |

**EXHIBIT 15**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF LONG-TERM BORROWINGS**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Creditor | Description | Amount: Maturity within One Year | Amount: Maturity in More than One Year | Amount: Total | Contract Period | Annual Rate of Interest (%) | Collateral or Guarantee |
|---|---|---|---|---|---|---|---|
| Long-term bank borrowings | | | | | | | |
| Syndicated loan | | | | | | | |
| Bank SinoPac | Unsecured loan | $ 102,550 | $ - | $ 102,550 | 2022.12.14-2025.12.14 | 2.54500 | Peter Lin, the Chairman |
| First Bank | Secured loan | 14,867 | 170,967 | 185,834 | 2021.04.07-2036.04.07 | 1.25000 | Peter Lin, the Chairman; land and buildings |
| | | $ 117,417 | $ 170,967 | $ 288,384 | | | |

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF LEASE LIABILITIES**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Item | Description | Period | Discount Rate (%) | Amount | Note |
|---|---|---|---|---|---|
| Land | Parking space land | 2020.02.01-2023.01.31 | 1.2000 | $ 4,265 | None |
| 〃 | Parking space land | 2022.01.01-2026.12.31 | 1.2000 | 2,953 | 〃 |
| Transportation equipment | Electric vehicle renting | 2020.11.24-2023.11.23 | 1.9872 | 1,443 | 〃 |
| 〃 | Vehicle renting | 2022.08.15-2025.08.14 | 5.0070 | 2,135 | 〃 |
| Computer equipment | Security equipment | 2023.10.01-2025.09.30 | 0.60 | 3,173 | 〃 |
| Less: Lease liabilities due within one year | | | | (5,790) | 〃 |
| | | | | $ 8,179 | |

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF BONDS PAYABLE**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Name of Bond | Trustee | Period | Interest Payment Date and Repayment Method | Annual Rate of Interest (%) | Amount | | | | | Collateral |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Total Amount of Issue | Amount Repaid | Balance at the End of Year | Unamortized Premium (Discount) | Carrying Amount | |
| Secured domestic bonds | Hua Nan Bank | 2021.03-2026.03 | Principal is repaid in a lump sum upon maturity, and interest is paid once a year | 0.6 | $ 700,000 | $ - | $ 700,000 | $ (908) | $ 699,092 | Peter Lin, the Chairman; bank deposits, land and buildings |

**EXHIBIT 18**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF OPERATING REVENUE**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Item | Number | Amount |
|---|---|---|
| Power supply unit | 68,492 thousand | $ 6,078,942 |
| Others | | 19,201 |
| | | $ 6,098,143 |

**EXHIBIT 19**

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF OPERATING COSTS
## FOR THE YEAR ENDED DECEMBER 31, 2023
## (In Thousands of New Taiwan Dollars)

| Item | Amount |
|---|---|
| Raw materials | |
| Balance, beginning of year | $ 2,545 |
| Add: Raw materials purchased | 33,350 |
| Less: Raw materials, end of year | (2,130) |
| Raw material sold | (9,589) |
| Transfer to operating expenses | (5) |
| Consumption of raw material of the year | 24,171 |
| Direct labor | - |
| Manufacturing expenses | 49,209 |
| Manufacturing costs | 73,380 |
| Add: Work in progress, beginning of year | - |
| Purchases of work in progress | - |
| Less: Work in progress, end of year | - |
| Cost of finished goods for the year | 73,380 |
| Add: Finished goods, end of year | 16,216 |
| Purchases of finished goods | 5,481,086 |
| Less: Finished goods, end of year | (15,188) |
| Transfer to operating expenses | (1,360) |
| Cost of sales of finished goods | 5,554,134 |
| Add: Cost of sales of raw materials | 9,589 |
| Add: Transferred from operating expenses | - |
| Less: Transferred to operating costs | - |
| Less: Cost of sales - others | (43,603) |
| Add: Allowance for inventory valuation and obsolescence loss | (1,036) |
| | $ 5,519,084 |

**EXHIBIT 20**

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF SALES AND MARKETING EXPENSES
## FOR THE YEAR ENDED DECEMBER 31, 2023
## (In Thousands of New Taiwan Dollars)

| Item | Description | Amount |
|---|---|---|
| Salary and wages | | $ 128,342 |
| Freight | | 37,509 |
| Commissions expense | | 15,260 |
| Other expenses (Note) | Sample fees and supplies fees | 62,100 |
| | | $ 243,211 |

Note: The amount of each item in others does not exceed 5% of the account balance.

**EXHIBIT 21**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF GENERAL AND ADMINISTRATION EXPENSES**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Item | Description | Amount |
|---|---|---|
| Salary and wages | | $ 132,259 |
| Labor service expense | | 33,520 |
| Other expenses (Note) | Repair fees and depreciation expenses | 63,061 |
| | | $ 228,840 |

Note: The amount of each item in others does not exceed 5% of the account balance.

**EXHIBIT 22**

# PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| Item | Description | Amount |
|---|---|---|
| Salary and wages | | $ 240,657 |
| Safety regulation - related expense | | 22,685 |
| Software maintenance fee | | 20,576 |
| Depreciation | | 18,626 |
| Other expenses (Note) | Insurance premium and repair fees | 85,789 |
| | | $ 388,333 |

Note: The amount of each item in others does not exceed 5% of the account balance.

# PHIHONG TECHNOLOGY CO., LTD.

**TABLE OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION, AND AMORTIZATION EXPENSES BY FUNCTION**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars)**

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Operating Costs | Operating Expenses | Non-operating Expenses and Losses | Total | Operating Costs | Operating Expenses and Losses | Non-operating Expenses | Total |
| Employee benefits expense | | | | | | | | |
| Salary and wages expenses | $ 31,922 | $ 501,822 | $ - | $ 533,744 | $ 45,617 | $ 450,956 | $ - | $ 496,573 |
| Labor and health insurance | $ 2,631 | $ 31,712 | $ - | $ 34,343 | $ 4,281 | $ 38,000 | $ - | $ 42,281 |
| Pension expenses | $ 1,246 | $ 16,860 | $ - | $ 18,106 | $ 2,088 | $ 20,138 | $ - | $ 22,226 |
| Directors' remuneration | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Other employee benefits | $ 589 | $ 6,875 | $ - | $ 7,464 | $ 2,959 | $ 27,779 | $ - | $ 30,738 |
| Depreciation expense | | | | | | | | |
| Property, plant and equipment | $ 651 | $ 22,361 | $ - | $ 23,012 | $ 4,988 | $ 47,972 | $ - | $ 52,960 |
| Investment properties | - | 739 | - | 739 | - | 246 | - | 246 |
| Right-of-use assets | 173 | 5,981 | - | 6,154 | 175 | 5,155 | - | 5,330 |
| | $ 824 | $ 29,081 | $ - | $ 29,905 | $ 5,163 | $ 53,373 | $ - | $ 58,536 |
| Amortization expense | $ 186 | $ 10,834 | $ - | $ 11,020 | $ 93 | $ 9,016 | $ - | $ 9,109 |

Note:

1. The number of employees for the years ended December 31, 2023 and 2022 was 395 and 498, respectively. The number of directors who did not serve concurrently as employees was 8 and 9, respectively.

2. In 2023, the average employees' benefits expense was NT$1,534 thousand; in 2022, the average employees' benefits expense was NT$1,210 thousand. In 2023, the average salary expenses for employees was NT$1,379 thousand; in 2022, the average salary expenses for employees was NT$1,015 thousand.

3. The changes in the average salary expenses for employees were 36%.

4. In 2023 and 2022, the Company had no supervisor; therefore, there was no remuneration related to supervisors.

5. Remuneration policy of the Company:

   a. The Company provides remunerations more favorable than the market standard to attract and retain talent:

      1) Remuneration system:

         a) Payment based on ability: Pay reasonable and competitive overall salaries based on the market value of professional functions and the contributions of employees regarding their duties.

         b) Fairness and reasonableness: Employees' salaries and compensations are subject to their educational background, expertise, skills, years of professional experience, and personal performance, in compliance with the internal fairness, taking into account the balances of the external salary payment. The Company does not treat employees differently due to their gender, ethnicity, religion, political party, marital status, or labor union membership.

(Continued)

c) Annual salary adjustment: Subject to the annual profits of the Company, the price index, employees' performances, and the results of the market salary survey, the Company performs its salary adjustment planning and execution.

d) Operational feedback: The Company distributes annual product awards, bonuses, and year-end bonuses based on the overall operational achievement rate, growth rate, group target achievement, and personal performances of employees.

e) Provide salaries and benefits more favorable than laws and regulations to freshmen and foreign workers.

f) Comply with relevant local labor laws and regulations, create harmonious labor-management relationships, and lay a healthy foundation for employee relationships.

2) Incentive plan: Regarding the incentive plan, the Company is deeply convinced that the achievements of its corporate operations result from all of its employees, and that the Company shall share such achievements with employees. To provide incentives to employees with outstanding performances, the Company distributes year-end bonuses and project bonuses based on the operating performances of the Company, achievements of the target, and the personal performances, and distribute employees' bonuses subject to our profit status.

3) The Company has established its Remuneration Committee to ensure that the remuneration arrangements comply with relevant laws and regulations and are sufficient for attracting outstanding talent.

4) In accordance with the first and second Articles of Employee Stock Ownership Plans, it is agreed that the members shall deliver a portion of their annual incentive payments and monthly incentive payments from the member's company to the Trust for the purpose of managing and applying the funds for the benefit of all members, assisting them in accumulating wealth, and ensuring their retirement or post-employment stability.

b. Employees' compensation and remuneration to directors and supervisors:

According to the ratio or scope regarding remuneration of employees and Directors stated in Article 21 of the Articles of Incorporate, when the Company records any profits for the year, it shall appropriate no less than 10% as remuneration of employees and no more than 2% as remuneration of directors; the actual appropriation amount shall be subject to consent of more than half of the attending directors at a Board meeting with more than two thirds of directors attending and the report to the shareholders' meeting. However, when the Company still has accumulated deficits, it shall preserve the amount for compensation.

c. Remuneration of directors and supervisors:

Independent directors and directors who are authorized to regularly participate in the operations of the Company may collect compensation. The amount shall be discussed and determined by the Board based on the level of participation in the Company's operations and the value of contributions considered by the Remuneration Committee, with reference to the domestic and foreign standards within the industry.

(Concluded)

# Phihong Technology Co., Ltd. and Subsidiaries

## Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

## DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as prepared in International Financial Reporting Standard 10 "Consolidated Financial Statements" Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

PHIHONG TECHNOLOGY CO., LTD.

By

________________________________________

March 7, 2024

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Phihong Technology Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Phihong Technology Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, based on our audits and the report of other auditors (refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2023 is stated 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. In addition, the orders for electric vehicle energy have increased significantly in 2023. As the electric vehicle charging market is booming rapidly with rising popularity of electric vehicles, the percentage of the Group's revenue from electric vehicle energy increases significantly. Therefore, the accuracy of the sales revenue from electric vehicle energy business is considered as a key audit matter for the year ended December 31, 2023. Refer to Note 4 to the accompanying consolidated financial statements for the related disclosures.

Audit procedures performed in response to the key audit matter:

Corresponding the key audit matter, we have performed the procedures to understand internal controls related to the sales process and examined the effectiveness of the design and implementation of the controls. In addition, we have sampled the revenues to review external documents and payment receipts of the samples and implemented the procedures regarding the group audit to verify the accuracy of the revenues.

**Other Matter**

In the consolidated financial statements of the Group, the financial statements of Zerova Group were audited by other auditors. Our opinion, insofar as it relates to the amounts included for Zerova Group, is based solely on the report of other auditors. The total assets of Zerova Group constituted 24.72% of consolidated total assets as of December 31, 2023; and total revenue constituted 35.41% of consolidated total revenue for the year then ended.

**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, 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 the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 7, 2024

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

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

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

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2023 AND 2022**
**(In New Taiwan Dollars)**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 5,851,805 | 38 | $ 2,990,883 | 20 |
| Financial assets at amortized cost - current (Notes 4, 8 and 31) | 235,014 | 1 | 541,072 | 4 |
| Notes receivables (Notes 4 and 9) | - | - | 16,159 | - |
| Trade receivables (Notes 4 and 9) | 1,708,500 | 11 | 2,664,733 | 18 |
| Trade receivables from related parties (Notes 10 and 30) | 873 | - | - | - |
| Other receivables | 36,210 | - | 45,588 | - |
| Current tax assets | 49,059 | - | - | - |
| Inventories (Notes 4 and 10) | 2,602,895 | 17 | 3,296,580 | 23 |
| Other current assets | 300,270 | 2 | 282,685 | 2 |
| Total current assets | 10,784,626 | 69 | 9,837,700 | 67 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7) | 122,608 | 1 | 99,764 | 1 |
| Financial assets at amortized cost - non-current (Notes 4. 8 and 31) | 10,500 | - | 22,030 | - |
| Investments accounted for using the equity method (Notes 4 and 12) | 86,674 | 1 | 112,871 | 1 |
| Property, plant and equipment (Notes 4 and 13) | 3,823,140 | 25 | 3,986,175 | 27 |
| Right-of-use assets (Note 4 and 14) | 308,023 | 2 | 357,042 | 3 |
| Investment property (Note 15) | 271,958 | 2 | - | - |
| Other intangible assets (Notes 4 and 16) | 46,835 | - | 41,098 | - |
| Deferred tax assets (Notes 4 and 24) | 54,542 | - | 57,493 | - |
| Other non-current assets | 69,640 | - | 75,304 | 1 |
| Total non-current assets | 4,793,920 | 31 | 4,751,777 | 33 |
| TOTAL | $ 15,578,546 | 100 | $ 14,589,477 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 17) | $ 878,851 | 6 | $ 1,328,070 | 9 |
| Short-term bills payable (Note 17) | - | - | 69,740 | - |
| Contract liabilities - current (Notes 22 and 30) | 423,831 | 3 | 300,547 | 2 |
| Trade payables | 1,933,927 | 12 | 2,655,491 | 18 |
| Trade payables to related parties (Note 30) | 4,788 | - | 86,319 | 1 |
| Other payables (Note 19) | 1,465,281 | 9 | 1,017,945 | 7 |
| Current tax liabilities (Notes 4 and 24) | 146,078 | 1 | 136,533 | 1 |
| Lease liabilities - current (Notes 4 and 14) | 31,088 | - | 44,518 | - |
| Current portion of long-term borrowings (Note 17) | 117,417 | 1 | 398,592 | 3 |
| Other current liabilities (Notes 12 and 19) | 190,688 | 1 | 148,379 | 1 |
| Total current liabilities | 5,191,949 | 33 | 6,186,134 | 42 |
| NON-CURRENT LIABILITIES | | | | |
| Bonds payable (Notes 4 and 18) | 699,092 | 5 | 698,688 | 5 |
| Long-term borrowings (Note 17) | 170,967 | 1 | 1,333,583 | 9 |
| Deferred tax liabilities (Notes 4 and 24) | 30,265 | - | 44,649 | - |
| Lease liabilities - non-current (Notes 4 and 15) | 23,855 | - | 51,292 | 1 |
| Net defined benefit liabilities - non-current (Notes 4 and 20) | 32,019 | 1 | 49,017 | - |
| Other non-current liabilities | 30,163 | - | 10,697 | - |
| Total non-current liabilities | 986,361 | 7 | 2,187,926 | 15 |
| Total liabilities | 6,178,310 | 40 | 8,374,060 | 57 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21) | | | | |
| Ordinary shares | 4,312,084 | 28 | 3,752,084 | 26 |
| Capital surplus | 4,579,383 | 29 | 2,179,372 | 15 |
| Retained earnings | | | | |
| Legal reserve | 305,119 | 2 | 295,992 | 2 |
| Special reserve | 313,005 | 2 | 230,859 | 1 |
| Unappropriated earnings | 267,846 | 2 | 91,273 | 1 |
| Total retained earnings | 885,970 | 6 | 618,124 | 4 |
| Other equity | | | | |
| Exchange differences on translating of the financial statements of foreign operations | (293,466) | (2) | (244,171) | (2) |
| Unrealized valuation loss on financial assets at fair value through other comprehensive income | (74,052) | (1) | (80,339) | - |
| Total other equity | (367,518) | (3) | (324,510) | (2) |
| Total equity attributable to owners of the Company | 9,409,919 | 60 | 6,225,070 | 43 |
| NON-CONTROLLING INTERESTS (Note 21) | (9,683) | - | (9,653) | - |
| Total equity | 9,400,236 | 60 | 6,215,417 | 43 |
| TOTAL | $ 15,578,546 | 100 | $ 14,589,477 | 100 |

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

(With Deloitte & Touche auditors' report dated March 7, 2024)

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

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| OPERATING REVENUES (Notes 4, 22, 30 and 35) | $ 12,332,397 | 100 | $ 14,017,575 | 100 |
| OPERATING COSTS (Notes 4, 10 and 30) | 9,119,641 | 74 | 11,875,937 | 85 |
| GROSS PROFIT | 3,212,756 | 26 | 2,141,638 | 15 |
| OPERATING EXPENSES | | | | |
| Selling and marketing expenses | 944,647 | 8 | 768,098 | 6 |
| General and administrative expenses | 855,240 | 7 | 604,148 | 4 |
| Research and development expenses | 1,034,425 | 8 | 755,214 | 5 |
| Expected credit loss | 23,701 | - | 521 | - |
| Total operating expenses | 2,858,013 | 23 | 2,127,981 | 15 |
| PROFIT FROM OPERATIONS | 354,743 | 3 | 13,657 | - |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income (Note 23) | 121,092 | 1 | 38,017 | - |
| Other income (Note 23) | 156,719 | 1 | 165,206 | 1 |
| Other gains and losses (Note 23) | (32,332) | - | 55,720 | 1 |
| Finance costs (Note 23) | (130,483) | (1) | (77,918) | - |
| Share of profit or loss of associates (Note 12) | (5,333) | - | (6,542) | - |
| Total non-operating income and expenses | 109,663 | 1 | 174,483 | 2 |
| PROFIT BEFORE INCOME TAX | 464,406 | 4 | 188,140 | 2 |
| INCOME TAX EXPENSE (Notes 4 and 24) | (201,892) | (2) | (116,834) | (1) |
| NET PROFIT FOR THE YEAR | 262,514 | 2 | 71,306 | 1 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Note 20) | 6,619 | - | 24,932 | - |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 21) | 6,593 | - | (862) | - |

(Continued)

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| Share of other comprehensive (loss) income of associates accounted for using the equity method (Note 21) | $ (306) | - | $ 8,935 | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24) | (1,324) | - | (4,986) | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating of the financial statements of foreign operations (Note 21) | (49,288) | - | 278,734 | 2 |
| Total other comprehensive (loss) income for the year | (37,706) | - | 306,753 | 2 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 224,808 | 2 | $ 378,059 | 3 |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 262,551 | 2 | $ 71,327 | 1 |
| Non-controlling interests | (37) | - | (21) | - |
| Total | $ 262,514 | 2 | $ 71,306 | 1 |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 224,838 | 2 | $ 379,041 | 3 |
| Non-controlling interests | (30) | - | (982) | - |
| Total | $ 224,808 | 2 | $ 378,059 | 3 |
| EARNINGS PER SHARE (Note 26) | | | | |
| Basic earnings per share | $ 0.68 | | $ 0.19 | |
| Diluted earnings per share | $ 0.68 | | $ 0.19 | |

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

(With Deloitte & Touche auditors' report dated March 7, 2024) (Concluded)

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

| | Equity Attributable to Owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings | | | Other Equity | | | | |
| | Ordinary Shares | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings (Accumulated Deficits) | Exchange Differences on Translating of the Financial Statements of Foreign Operations | Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2022 | $ 3,752,084 | $ 2,179,372 | $ 612,916 | $ 230,859 | $ (316,924) | $ (523,866) | $ (88,412) | $ 5,846,029 | $ (8,671) | $ 5,837,358 |
| Legal reserve used to offset accumulated losses (Note 21) | - | - | (316,924) | - | 316,924 | - | - | - | - | - |
| Net profit 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 |
| Appropriation of 2022 earnings | | | | | | | | | | |
| Legal reserve (Note 21) | - | - | 9,127 | - | (9,127) | - | - | - | - | - |
| Special reserve (Note 21) | - | - | - | 82,146 | (82,146) | - | - | - | - | - |
| Adjustments to share of changes in equity of associates | - | 61 | - | - | - | - | - | 61 | - | 61 |
| Share-based payment arrangements (Note 25) | - | 176,400 | - | - | - | - | - | 176,400 | - | 176,400 |
| Issuance of ordinary shares for cash (Note 21) | 560,000 | 2,223,550 | - | - | - | - | - | 2,783,550 | - | 2,783,550 |
| Net profit for the year ended December 31, 2023 | - | - | - | - | 262,551 | - | - | 262,551 | (37) | 262,514 |
| Other comprehensive income (loss) for the year ended December 31, net of income tax | - | - | - | - | 5,295 | (49,295) | 6,287 | (37,713) | 7 | (37,706) |
| Total comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | - | 267,846 | (49,295) | 6,287 | 224,838 | (30) | 224,808 |
| BALANCE AT DECEMBER 31, 2023 | $ 4,312,084 | $ 4,579,383 | $ 305,119 | $ 313,005 | $ 267,846 | $ (293,466) | $ (74,052) | $ 9,409,919 | $ (9,683) | $ 9,400,236 |

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

(With Deloitte & Touche auditors' report dated March 7, 2024)

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

| | 2023 | 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before tax | $ 464,406 | $ 188,140 |
| Adjustments for: | | |
| Depreciation expense | 348,556 | 315,388 |
| Amortization expense | 18,944 | 15,113 |
| Expected credit loss recognized | 23,701 | 521 |
| Finance costs | 130,483 | 77,918 |
| Interest income | (121,092) | (38,017) |
| Dividend income | (7,477) | (2,995) |
| Compensation cost of share-based payments | 176,400 | - |
| Share of loss of associates | 5,333 | 6,542 |
| Loss on disposal of property, plant and equipment | 2,345 | 9,063 |
| Loss on disposal of intangible assets | 262 | 44 |
| Proceeds from disposal of non-current assets held for sale | - | (11,765) |
| Gain on disposal of investments | - | (3,334) |
| Write-down of inventories | 144,057 | 144,071 |
| Gain on lease modification | (540) | - |
| Net changes in operating assets and liabilities | | |
| Notes receivables | 16,159 | 727 |
| Trade receivables | 932,834 | (436,165) |
| Trade receivables from related parties | (873) | - |
| Other receivables | 9,663 | (16,510) |
| Other receivables from related parties | 3,654 | (3,654) |
| Inventories | 549,628 | (236,219) |
| Other current assets | (13,019) | (132,121) |
| Other non-current assets | 5,595 | 242 |
| Contract liabilities | 123,284 | 140,833 |
| Trade payables | (721,564) | (545,189) |
| Trade payables to related parties | (81,531) | 25,197 |
| Other payables | 447,038 | 383,394 |
| Other current liabilities | 42,309 | (109,775) |
| Net defined benefit liabilities | (10,379) | (13,143) |
| Cash generated from (used in) operating activities | 2,488,176 | (241,694) |
| Interest received | 117,153 | 34,498 |
| Interest paid | (125,249) | (69,287) |
| Income tax paid | (254,163) | (22,191) |
| Net cash generated from (used in) operating activities | 2,225,917 | (298,674) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | (21,000) | (16,104) |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 4,742 | 2,704 |

(Continued)

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

| | 2023 | 2022 |
|---|---|---|
| Purchase of financial assets at amortized cost | $ (15,215) | $ (300,634) |
| Proceeds from sale of financial assets at amortized cost | 324,051 | 949 |
| Purchase of initial recognition of finance assets designated as at fair value through profit or loss | - | (833,529) |
| Proceeds from disposal of financial assets at fair value through profit or loss | - | 836,871 |
| Capital reduction of investments accounted for using equity method. | 26,869 | - |
| Acquisition of investment accounted for using equity method. | (6,250) | - |
| Proceeds from disposal of non-current assets held for sale | - | 257,048 |
| Payments for property, plant and equipment | (412,748) | (832,436) |
| Proceeds from disposal of property, plant and equipment | 18,683 | 3,579 |
| Increase in refundable deposits | - | (4,178) |
| Decrease in refundable deposits | 4,769 | - |
| Payment for intangible assets | (24,086) | (25,167) |
| Proceeds from disposal of intangible assets | 6 | - |
| Increase in prepayments for equipment | (65,031) | (57,815) |
| Dividends received | 7,477 | 3,843 |
| Receive government grants | - | 4,057 |
| Net cash used in investing activities | (157,733) | (960,812) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (Decrease) increase in short-term borrowings | (437,135) | 352,325 |
| (Decrease) increase in Short-term bills payable | (69,740) | 69,740 |
| Proceeds from long-term borrowings | 4,197,188 | 3,365,461 |
| Repayments of long-term borrowings | (5,640,979) | (3,232,887) |
| Proceeds from issuance of ordinary shares | 2,783,550 | - |
| Increase in guarantee deposits received | 19,466 | 1,392 |
| Repayment of the principal portion of lease liabilities | (41,136) | (27,604) |
| Net cash generated from financing activities | 811,214 | 528,427 |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | (18,476) | 131,022 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,860,922 | (600,037) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 2,990,883 | 3,590,920 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 5,851,805 | $ 2,990,883 |

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

(With Deloitte & Touche auditors' report dated March 7, 2024) (Concluded)

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

## 1. GENERAL INFORMATION

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 Phihong's functional currency, New Taiwan dollars.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 7, 2024.

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

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

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Group's accounting policies.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

| New, Amended and Revised Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback" | January 1, 2024 (Note 2) |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements" | January 1, 2024 (Note 3) |

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

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

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

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

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

| **New, Amended and Revised Standards and Interpretations** | **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 |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information" | January 1, 2023 |
| Amendments to IAS 21 "Lack of Exchangeability" | January 1, 2025 (Note 2) |

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

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

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

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and 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:

- Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

- Liabilities held primarily for the purpose of trading;

- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of Phihong and the entities controlled by Phihong.

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 11, Table 7 and Table 8 to the consolidated financial statements for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

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

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is not a subsidiary. The Group uses the equity method to account for its investments in associates.

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

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

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

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

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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 produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

j. Intangible assets

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

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

k. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

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

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

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

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

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

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

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

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

ii. Financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

All financial liabilities are measured at amortized cost using the effective interest method. The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

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

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provision for the expected cost of warranty obligations is recognized at the date of sale of the relevant products at the best estimate by the management of the Company of the expenditure required to settle the Company's obligations.

n. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of power supply modules and other relevant products. Sales of power supply modules and other relevant products are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

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

2) Revenue from the rendering of services

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 a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the assessment of an option to purchase an underlying asset, 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.

p. Borrowing costs

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

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 as a reduction of the related costs and in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the relevant assets and recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

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 services.

2) Retirement benefits

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

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

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

s. Share-based payment arrangements

Employee share options granted to employees and others providing similar services

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of treasury shares transferred to employees is the date on which the number of shares that the employees purchase is confirmed.

The grant by the Company of its equity instruments to the employees of a subsidiary under employee share options is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

t. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences, unused loss carryforwards or research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes

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 also recognized in other comprehensive income or directly in equity, respectively.

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

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

When developing material accounting estimates, the Group considers the possible impact of on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Cash on hand | $ 2,436 | $ 2,285 |
| Checking accounts and demand deposits | 5,529,245 | 2,978,598 |
| Cash equivalent (investments with original maturities of 3 months or less) | | |
| Repurchase agreements collateralized by bonds | 300,124 | - |
| Time deposits | 20,000 | 10,000 |
| | $ 5,851,805 | $ 2,990,883 |

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Demand deposits and time deposits | 0.001%-5.400% | 0.001%-4.000% |

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Non-current | | |
| Investments in equity instruments at fair value through other comprehensive income (FVTOCI) | | |
| Domestic non-publicly trade equity investments | $ 122,608 | $ 99,764 |

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current | | |
| Time deposits with original maturities of more than 3 months | $ 235,014 | $ 540,572 |
| Restricted bank deposits | - | 500 |
| | $ 235,014 | $ 541,072 |
| Non-current | | |
| Restricted bank deposits | $ 10,500 | $ 20,030 |
| Court deposits | - | 2,000 |
| | $ 10,500 | $ 22,030 |

The group offered the bank deposits of $10,500 thousand and $22,530 thousand as of December 31, 2023 and 2022, respectively as performance bonds for specific business projects, bank borrowings, domestic guaranteed corporate bonds and adoption of customs clearance, release before duty. Refer to Note 31 to the consolidated financial statements.

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Notes receivable | | |
| At amortized cost | | |
| Gross carrying amount | $ - | $ 16,159 |
| Less: Allowance for impairment loss | - | - |
| | - | 16,159 |
| Trade receivables | | |
| At amortized cost | | |
| Gross carrying amount from unrelated parties | 1,365,480 | 1,974,805 |
| Gross carrying amount from related parties | 873 | - |
| Less: Allowance for impairment loss | (26,360) | (3,672) |
| | 1,339,993 | 1,971,133 |
| At FVTOCI | 369,380 | 693,600 |
| | 1,709,373 | 2,664,733 |
| | $ 1,709,373 | $ 2,680,892 |

a. Notes receivable

The Group has no overdue notes receivables as of December 31, 2023 and 2022.

b. Trade receivable

1) Trade receivables at amortized cost

The Group evaluates the average credit period of sales of goods based on the experience of trade receivable collection from the non-related parties in the past five years. No interest is charged on trade receivables. 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 prepared by reference to the past default experience of the customer and the customer's current financial position, and other related information. 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, 2023

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.00%-1.55% | 0.00%-7.77% | 4.50%-22.30% | 6.25%-18.70% | 12.26%-100% | |
| Gross carrying amount | $ 1,155,768 | $ 183,893 | $ 7,068 | $ - | $ 19,624 | $ 1,366,353 |
| Loss allowance (Lifetime ECL) | (2,145) | (4,421) | (170) | - | (19,624) | (26,360) |
| Amortized cost | $ 1,153,623 | $ 179,472 | $ 6,898 | $ - | $ - | $ 1,339,993 |

December 31, 2022

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0.00%-0.01% | 0.00%-7.11% | 2.90% | 6.02%-16.95% | 15.01%-100% | |
| 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 |

The above aging schedule was based on overdue days.

The movements of the allowance for doubtful trade receivables were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Balance, beginning of period | $ 3,672 | $ 3,009 |
| Add: Net remeasurement of loss allowance | 23,701 | 521 |
| Less: Amounts written off | (711) | - |
| Foreign exchange gains and losses | (302) | 142 |
| Balance, end of period | $ 26,360 | $ 3,672 |

2) Trade receivables at FVTOCI

For trade receivables from major customers, the Group will decide whether to sell these trade receivables to banks without rights of recourse or factoring based on its level of working capital. These trade receivables are classified as at FVIOCI because they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets.

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

December 31, 2023

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0% | 0% | 0% | 0% | 0% | |
| Gross carrying amount | $ 362,714 | $ 6,252 | $ 414 | $ - | $ - | $ 369,380 |
| Loss allowance (Lifetime ECL) | - | - | - | - | - | |
| Amortized cost | $ 362,714 | $ 6,252 | $ 414 | $ - | $ - | $ 369,380 |

December 31, 2022

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 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 |

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

| Counterparty | Beginning Balance Amount | Amount of Factoring for the Current Period | Cash Received in the Current Period | Amount of Factoring at the End of the Period | Advances as of the End of the Period | Annual Rate of Interest of Advances (%) | Retention for Receivable Factoring | Limit | Collaterals |
|---|---|---|---|---|---|---|---|---|---|
| December 31, 2022 | | | | | | | | | |
| Citi Bank | $ 1,482 (Note 1) | $ 2,369,929 (Note 2) | $ 2,371,411 (Note 3) | $ - | $ - | - | $ - | - | - |

The Group has signed a receivable factoring contract with Citi Bank. The purchasing bank has confirmed that the factoring relationship was conditioned upon the terms of factoring without resource. According to the contract, the Group is only responsible for losses arising from business disputes.

Note 1: US$53,588
Note 2: US$77,128,231
Note 3: US$77,181,819

## 10. INVENTORIES

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Raw materials | $ 1,065,466 | $ 1,392,285 |
| Work-in-process | 275,093 | 391,007 |
| Finished goods | 1,262,336 | 1,513,288 |
| | $ 2,602,895 | $ 3,296,580 |

For the years ended December 31, 2023 and 2022, the cost of inventories recognized as cost of goods sold was $9,119,641 thousand and $11,875,937 thousand, respectively. (Reversal) write-down of inventories to net realizable value of $144,057 thousand and $144,071 thousand were respectively included in the cost of goods sold during reporting period in 2023 and 2022.

## 11. SUBSIDIARIES

| Investor | Investee | Main Business | Percentage of Ownership December 31 2023 | 2022 | Note |
|---|---|---|---|---|---|
| Phihong | Phihong International Corp. ("PHI") | Makes investments | 100.00 | 100.00 | Note 1 |
| 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 | |
| Phihong | Zerova Technologies Taiwan Limited ("ZTM") | Manufacture and sells of electrical equipment | - | 100.00 | Note 3 |
| Phihong | Zerova Technologies Holdings Limited ("ZKH") | Makes investments | 100.00 | 100.00 | Note 4 |
| PHI | Phihong (Dongguan) Electronics Co., Ltd. ("PHC") | Manufactures and sells various power supplies | 100.00 | 100.00 | |
| PHI | Phihong Electronics (Suzhou) Co., Ltd. ("PHZ") | Manufactures and sells various power supplies | 100.00 | 100.00 | |
| PHI | N-Lighten Technologies, Inc. ("N-Lighten") | Makes investments | 58.45 | 58.45 | |
| PHI | Yanghong Trade (Shanghai) Co., Ltd. ("PHYL") | 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 | Note 2 |
| 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 SG Pte. Ltd.("ZSH") | Makes investments and sells of electrical equipment | 100.00 | 100.00 | Note 5 |
| ZSH | Zerova Technologies Europe B.V. ("ZNS") | Provide electric vehicle charging solutions | 100.00 | - | Note 6 |
| ZSH | Zerova Technologies (Dongguan) Co., Ltd. ("ZCM") | Manufactures and sells of electrical equipment | 100.00 | 100.00 | Note 7 |
| ZSH | Zerova Trading Services (Dongguan) Co., Ltd. ("ZCS") | Provides electric vehicle charging solutions | 100.00 | 100.00 | Note 8 |
| ZSH | Zerova Technologies Japan Co., Ltd.("ZJS") | Provides electric vehicle charging solutions | 100.00 | - | Note 9 |
| ZSH | Zerova Technologies Taiwan Limited ("ZTM") | Manufacture and sells of electrical equipment | 100.00 | - | Note 3 |
| ZSH | Zerova Technologies America Corporation ("ZAH") | Makes investments | 100.00 | 100.00 | Note 10 |
| ZAH | Zerova Technologies USA LLC ("ZAS") | Provides electric vehicle charging solutions | 100.00 | 100.00 | Note 11 |

Note 1: In response to the operating requirements of the Group, in December 2021, the board of directors of Phihong 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 (or US$102,421 thousand); the base date for the capital reduction was January 6, 2022. The above capital reduction has been approved on April 14, 2022.

Note 2: In response to the operating requirements of the Group, in December 2021, the board of directors of Phihong approved the resolution for the capital injection of PHP through PHK in the amount of US$8,640 thousand. The capital increase was completed in March 2022.

Note 3: With the resolution made by the board of directors on January 20, 2022, Phihong established the subsidiary Phehicle Co., Ltd. with a registered capital of $1,000 thousand, of which Phihong holds 100% of the shares. For reorganization and specialization, the shareholders of Phihong resolved in their meeting 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, and the alteration registration was completed at the same date. Phihong split and transferred its EV energy business to ZTM on September 1, 2022 (the reference date of the spin-off). Phihong 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. ZTM has completed the reorganisation in the second quarter of 2023 and all of its shares originally held by Phihong are now held by ZSH.

Note 4: ZKH was established in March 2022 and registered in the Cayman Islands and Phihong holds 100% of the shares. As of December 31, 2023, Phihong has invested $2,083,650 thousand (or US$69,927 thousand).

Note 5: ZSH was established in July 2022 and registered in Singapore and holds 100% of the shares. As of December 31, 2023, ZKH has invested $2,175,576 thousand (or US$67,650 thousand).

Note 6: ZNS was established in June 2022 and registered in the Netherlands, and has completed the reorganization in the second quarter of 2023 and all of its shares originally held by ZKH are now held by ZSH. As of December 31, 2023, the amount of investment of ZSH was $104,056 thousand (or EUR3,000 thousand).

Note 7: ZCM was established in August 2022 and registered in China and holds 100% of the shares. As of December 31, 2023, ZSH has invested $28,942 thousand (or US$950 thousand).

Note 8: ZCS was established in August 2022 and registered in China and holds 100% of the shares. As of December 31, 2023, ZSH has invested $6,430 thousand (or US$200 thousand).

Note 9: ZJS was established in September 2022 and registered in Japan and holds 100% of the shares. As of December 31, 2023, ZSH has invested $16,848 thousand (or JPY80,000 thousand).

Note 10: ZAH was established in July 2022 and registered in the United States and holds 100% of the shares. As of December 31, 2023, ZSH has invested $95,150 thousand (or US$3,000 thousand).

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

Refer to Tables 7 to the consolidated financial statements for the information on places of incorporation and principal places of business.

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Associates that are not individually material | $ 86,674 | $ 112,871 |

Aggregate information of associates that are not individually material:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| The Group’s share of: | | |
| Net loss for the reporting period | $ (5,333) | $ (6,542) |
| Other comprehensive (loss) gain | (306) | 8,935 |
| Total comprehensive (loss) gain for the year | $ (5,639) | $ 2,393 |

Please refer to Table 7 to the consolidated financial statements "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

The associate Hongxuan Venture Capital Co., Ltd. invested by the Company was dissolved and liquidated in 2023 in accordance with the resolution made at the shareholders' meeting, The relevant liquidation procedures are still in progress.

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were recognized based on unreviewed financial statements of the investees.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Machinery and Equipment | Other Equipment | Property under Construction | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance at January 1, 2023 | $ 547,188 | $ 3,366,507 | $ 2,470,190 | $ 692,500 | $ 429,822 | $ 7,506,207 |
| Additions | 16,034 | 45,230 | 146,659 | 37,691 | 168,682 | 414,296 |
| Disposals | - | (1,464) | (86,612) | (32,026) | (512) | (120,614) |
| Effects of foreign currency exchange differences | (2,374) | (31,899) | (26,851) | (4,695) | (6,486) | (72,305) |
| Transfers to investment properties | - | - | - | - | (271,958) | (271,958) |
| Reclassification | 8 | 6,496 | 30,812 | 22,357 | (9,084) | 50,589 |
| Balance at December 31, 2023 | $ 560,856 | $ 3,384,870 | $ 2,534,198 | $ 715,827 | $ 310,464 | $ 7,506,215 |
| Accumulated depreciation | | | | | | |
| Balance at January 1, 2023 | $ - | $ 990,550 | $ 1,953,366 | $ 576,116 | $ - | $ 3,520,032 |
| Disposals | - | (1,281) | (81,922) | (16,383) | - | (99,586) |
| Depreciation expenses | - | 103,700 | 148,063 | 46,725 | - | 298,488 |
| Effects of foreign currency exchange differences | - | (12,498) | (19,626) | (3,637) | - | (35,761) |
| Reclassification | - | 13 | 7 | (118) | - | (98) |
| Balance at December 31, 2023 | $ - | $ 1,080,484 | $ 1,999,888 | $ 602,703 | $ - | $ 3,683,075 |
| Carrying amounts at December 31, 2023 | $ 560,856 | $ 2,304,386 | $ 534,310 | $ 113,124 | $ 310,464 | $ 3,823,140 |
| Cost | | | | | | |
| 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) |
| Effects 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 |
| Accumulated depreciation | | | | | | |
| 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 expenses | - | 83,672 | 141,311 | 50,744 | - | 275,727 |
| Effects 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 |

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

| | |
|---|---|
| Buildings | |
| Main building | 50 years |
| Engineering system | 10 years |
| Machinery and equipment | 3-10 years |
| Other equipment | 3-10 years |

Property, plant and equipment pledged by the Group as collateral for long-term borrowings are set out in Note 31 to the consolidated financial statements.

## 14. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Carrying amount | | |
| Land (including land use rights) | $ 277,608 | $ 287,488 |
| Buildings | 19,270 | 40,774 |
| Machinery | 1,996 | 20,173 |
| Other equipment | 9,149 | 8,607 |
| | $ 308,023 | $ 357,042 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Additions to right-of-use assets | $ 33,128 | $ 80,850 |
| Depreciation charge for right-of-use assets | | |
| Land (including land use rights) | $ 11,781 | $ 11,021 |
| Buildings | 22,621 | 12,077 |
| Machinery | 11,106 | 13,021 |
| Other equipment | 4,560 | 3,542 |
| | $ 50,068 | $ 39,661 |

b. Lease liabilities

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Carrying amount | | |
| Current | $ 31,088 | $ 44,518 |
| Non-current | $ 23,855 | $ 51,292 |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Land | 1.200%-1.250% | 1.200%-1.250% |
| Buildings | 1.030%-4.875% | 1.030%-4.875% |
| Machinery | 4.000% | 4.000% |
| Other equipment | 1.03%-4% | 1.030%-5.007% |

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. Except the EV transportation equipment, there agreement do not contain renewal or purchase options at the end of these lease period.

The Group also leases land and buildings for the use of plants, offices and parking lot with lease term of 2-50 years. Except the land in Tainan, of which the lease agreement is automatically renewed for one year upon the expiration and the Group has the preferential purchase option, the Group has no preferential purchase and renewal option for the other leased land upon the expiration of the lease term. The Group shall not sublease or transfer all or any part of the underlying assets without the lessor's consent.

d. Other lease information

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Expenses relating to short-term leases | $ 12,392 | $ 10,437 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | $ 1,219 | $ 838 |
| Total cash outflow for leases | $ (54,747) | $ (38,879) |

The Group leases of certain office and office equipment 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.

## 15. INVESTMENT PROPERTIES

PHC leased its self-owned factory located in Dongguan City to unrelated parties in 2023. The lease term of this investment property is 12 years. When the lessee exercises the renewal option, it is agreed to adjust the rent according to the market rent. The lessee does not have the preferential purchase right of the investment property at the end of the lease term.

## 16. OTHER INTANGIBLE ASSETS

| | Computer Software |
|---|---|
| Cost | |
| Balance at January 1, 2023 | $ 139,513 |
| Additions | 24,085 |
| Disposals | (9,863) |
| Reclassified | 1,074 |
| Effects of foreign currency exchange differences | (475) |
| Balance at December 31, 2023 | $ 154,334 |
| Accumulated amortization | |
| Balance at January 1, 2023 | $ 98,415 |
| Amortization expense | 18,944 |
| Reclassified | 121 |
| Disposals | (9,595) |
| Effects of foreign currency exchange differences | (386) |
| Balance at December 31, 2023 | $ 107,499 |
| Carrying amounts at December 31, 2023 | $ 46,835 |
| Cost | |
| Balance at January 1, 2022 | $ 124,250 |
| Additions | 25,167 |
| Disposals | (11,435) |
| Reclassified | 172 |
| Effects of foreign currency exchange differences | 1,359 |
| Balance at December 31, 2022 | $ 139,513 |
| Accumulated amortization | |
| Balance at January 1, 2022 | $ 93,710 |
| Amortization expense | 15,113 |
| Disposals | (11,391) |
| Effects of foreign currency exchange differences | 983 |
| Balance at December 31, 2022 | $ 98,415 |
| Carrying amount at December 31, 2022 | $ 41,098 |

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

## 17. BORROWINGS

a. Short-term borrowings

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Unsecured borrowings | | |
| Phihong | $ - | $ 832,900 |
| PHV | 255,874 | 495,170 |
| | 255,874 | 1,328,070 |
| Secured borrowings | | |
| PHC | 622,977 | - |
| | $ 878,851 | $ 1,328,070 |
| The range of interest rates | 3.60%-6.86% | 1.70%-6.35% |

b. Short-term bills payable

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Commercial paper | $ - | $ 70,000 |
| Less: Unamortized discounts on bills payable | - | (260) |
| | $ - | $ 69,740 |

The undue short-term bills payable are as follows:

| Issuing and Paying Agent (IPA) | Face Value | Discount Amount | Carrying Amount | Interest Rate Range |
|---|---|---|---|---|
| Commercial paper payable | | | | |
| MEGA bills | $ 70,000 | $ 260 | $ 69,740 | 1.232% |

c. Long-term borrowings

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Unsecured borrowings | | |
| Phihong | $ 102,550 | $ 980,150 |
| Secured borrowings | | |
| Phihong | 185,834 | 752,025 |
| Long-term loans payable - current portion | (117,417) | (398,592) |
| | $ 170,967 | $ 1,333,583 |

(Continued)

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| The range of interest rates | 2%-2.7950% | 1.2740%-2.5450% |

(Concluded)

1) On December 31, 2022, Phihong had short-term bank borrowings with contract terms from October 11, 2022 to March 21, 2023, with monthly interest payment.

2) On December 31, 2023 and 2022, PHV had short-term bank borrowings with contract terms from October 10, 2023 to December 19, 2024, and May 10, 2022 to October 10, 2023, respectively, with monthly interest payment.

3) On December 31, 2023, PHC had short-term bank borrowings with contract terms from August 10, 2023 to May 10, 2024, with monthly interest payment.

4) On December 31, 2023 and 2022, Phihong had long-term bank borrowings with contract terms from April 7, 2021 to April 7, 2036 and March 20, 2020 to April 7, 2036, respectively, with monthly interest payment.

5) Phihong 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 agreement, on April 30, 2019. The contract period is 3 years with the total credit limit of NT$1 billion, including NT$450 million of item A loan limit and NT$550 million for item B loan limit, which will be used by Phihong to support the factory investment plan of PHV and enrich the group operating turnover fund. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, Phihong 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 on a semi-annual basis):

    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 NT$4.5 billion.

    On December 15, 2021, Phihong applied to extend the credit line of the loan agreement, which was signed on April 30, 2019, from July 30, 2022 to July 30, 2024. The application has been approved by the participating banks. The financial ratios and requirements above are reviewed based on the annual and semi-annual consolidated financial statements audited by the independent auditors, who the loan arranger recognized.

    As of December 31, 2021, the amount drawn down from the syndicated loan was $882,500 thousand, and Phihong failed to comply with the requirement regarding the times interest earned ratio. Therefore, the period within the announcement dates of the second quarterly and annual consolidated financial statements in 2021 was seen as the improvement period. During the period, the violation regarding the requirement of the ratio above was not deemed as a default. In addition, Phihong has paid the loan arranger service charges at the annual rate of 0.1% of the unused credit line, based on the loan contract. However, on December 30, 2021, Phihong has applied for exemption from the violation regarding the requirement of the ratios by reviewing the figures of the consolidated financial statements for the year ended 2021 and received the approval of the participating banks on March 1, 2022. As of December 31, 2023, Phihong remained in compliance with the aforementioned financial ratios and covenants.

As of June 30, 2023, Phihong failed to comply with the requirement of the loan agreement, signed on April 30, 2019, regarding net debt ratio. The period within the announcement dates of the second quarterly and annual consolidated financial statements in 2023 was seen as an improvement period. During the period, the violation regarding the requirement of the ratio above was not deemed a default. In addition, Phihong has paid the loan arranger service charges at the annual rate of 0.1% of the unused credit line, based on the loan contract. As of December 31, 2023, Phihong remained in compliance with the aforementioned financial ratios and covenants.

For information on pledged properties and endorsements/guarantees, refer to Notes 30 and 31 to the consolidated financial statements.

6) Phihong signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank, Shanghai Commercial and Savings Bank and Hua Nan Commercial Bank, and co-sponsored by Taishin International Bank, Taipei Fubon Bank, Entie Commercial Bank, First Commercial Bank and Chang Hwa Commercial Bank, a total of 10 banks participating in the loan, on June 28, 2023. The contract period is 3 years with a total credit limit of NT$3 billion, including NT$1.5 billion of item A loan limit, NT$1 billion of item B loan limit and NT$45 million of item C loan limit, which will be used to repay outstanding financial liabilities and enrich medium-term working capital for Phihong, ZTM and ZSH. As of December 31, 2023, the credit limit has not been used yet. According to the loan contract in the joint loan case, Phihong Technology Co., Ltd. shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial statements with an accountant's audit or review, which is to be reviewed every half year):

   a) The current ratio (current assets/current liabilities) shall not be less than 100%.

   b) The net debt ratio (total debt/net tangible value) shall not be higher than 200%.

   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 NT$4.5 billion.

   For information on pledged properties and endorsements/guarantees, refer to Notes 30 and 31 to the consolidated financial statements.

## 18. BONDS PAYABLE

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Secured domestic bonds | $ 699,092 | $ 698,688 |

**Secured Domestic Bonds**

On March 25, 2021, Phihong 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 30 and 31 to the consolidated financial statements.

## 19. OTHER PAYABLES

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current | | |
| Other payables | | |
| Payables for salaries and bonuses | $ 316,232 | $ 271,580 |
| Payables for annual leave | 72,357 | 65,818 |
| Payables for purchases of equipment | 28,231 | 26,683 |
| Employee compensation payable | 77,449 | 13,462 |
| Director compensation payable | 5,741 | 2,692 |
| Others | 965,271 | 637,710 |
| | $ 1,465,281 | $ 1,017,945 |
| Other current liabilities | | |
| Temporary receipts | $ 114,701 | $ 130,315 |
| Others | 75,987 | 18,064 |
| | $ 190,688 | $ 148,379 |

## 20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2-15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Present value of funded defined benefit obligation | $ 93,833 | $ 101,474 |
| Fair value of plan assets | (61,814) | (52,457) |
| Net defined benefit liabilities | $ 32,019 | $ 49,017 |

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

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities (Assets) |
|---|---|---|---|
| Balance at January 1, 2023 | $ 101,474 | $ (52,457) | $ 49,017 |
| Service cost | | | |
| Current service cost | - | - | - |
| Past service cost and loss on settlements | (1,333) | 998 | (335) |
| Net interest expense (income) | 1,522 | (886) | 636 |
| Recognized in profit or loss | 189 | 112 | 301 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (288) | (288) |
| Actuarial (gain) loss | | | |
| Changes in demographic assumptions | - | - | - |
| Changes in financial assumptions | 2,437 | - | 2,437 |
| Experience adjustments | (8,768) | - | (8,768) |
| Recognized in other comprehensive income | (6,331) | (288) | (6,619) |
| Contributions from the employer | - | (10,680) | (10,680) |
| Benefits paid | (1,499) | 1,499 | - |
| Balance at December 31, 2023 | $ 93,833 | $ (61,814) | $ 32,019 |
| Balance at January 1, 2022 | $ 141,424 | $ (54,332) | $ 87,092 |
| Service cost | | | |
| Current service cost | 332 | - | 332 |
| Past service cost and loss on settlements | (3,110) | 2,433 | (677) |
| Net interest expense (income) | 707 | (305) | 402 |
| Recognized in profit or loss | (2,071) | 2,128 | 57 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (4,038) | (4,038) |
| Actuarial (gain) loss | | | |
| Changes in demographic assumptions | - | - | - |
| Changes in financial assumptions | (8,485) | - | (8,485) |
| Experience adjustments | (12,409) | - | (12,409) |
| Recognized in other comprehensive income | (20,894) | (4,038) | (24,932) |
| Contributions from the employer | - | (13,200) | (13,200) |
| Benefits paid | (16,985) | 16,985 | - |
| Balance at December 31, 2022 | $ 101,474 | $ (52,457) | $ 49,017 |

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

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

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

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

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Discount rate(s) | 1.250% | 1.50% |
| Expected rate(s) of salary increase | 3.75% | 3.75% |

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Discount rate(s) | | |
| 0.25% increase | $ (2,391) | $ (2,470) |
| 0.25% decrease | $ 2,478 | $ 2,561 |
| Expected rate(s) of salary increase | | |
| 0.25% increase | $ 2,378 | $ 2,464 |
| 0.25% decrease | $ (2,308) | $ (2,390) |

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Expected contributions to the plans for the next year | $ 10,680 | $ 13,200 |
| Average duration of the defined benefit obligation | 10.4 years | 9.9 years |

## 21. EQUITY

a. Share capital

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Number of shares authorized (in thousands of shares) | 600,000 | 600,000 |
| Shares authorized | $ 6,000,000 | $ 6,000,000 |
| Number of shares issued and fully paid (in thousands of shares) | 431,208 | 375,208 |
| Shares issued and fully paid | $ 4,312,084 | $ 3,752,084 |

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

Considering the long-term cooperation with strategic investors, improvement in financial structure and enhancement of operational efficiency, the Company held the special meeting of shareholders for the private placement of its ordinary shares on December 16, 2021. In the meeting, the shareholders of the Company resolved the proposal and authorized the board of the directors to carry out the non-public offering twice, of which the shares to be issued should not exceed 37,520 thousand shares in total, within one year from the resolution date of the special meeting of shareholders.

On December 22, 2021, the board of directors resolved the specific subscriber for the offering of 37,520 thousand shares and the date, December 24, 2021, as the subscription base date. The share price of the private placement is determined by the highest price determined based on two pricing models, (a) one of simple arithmetic means of the closing prices of 1, 3, and 5 business days before the pricing date, after the adjustments for any distribution of stock dividends and cash dividends and capital reduction, (b) simple arithmetic means of the closing prices of 30 business days before the pricing date, after the adjustments for any distribution of stock dividends, cash dividends and capital reduction. Thus, the reference price for the private placement is $44.73 per share. Then, the subscription price is determined as $40.26 per share, 90 percent of the reference price. The private placement has been completed on December 24, 2021, and legally registered on March 23, 2022.

In accordance with Article 43-8 of the Securities and Exchange Act, the above ordinary shares of the private placement can be publicly traded after 3 years from the acquisition date and applying for the public offering. Except for the prohibition an public trade, those who shares have the same rights and obligations as those who own the outstanding shares.

To enrich working capital, the board of directors resolved to issue 56 million shares each with a par value of NT$10, at NT$49.8 per share during the meeting on July 31, 2023. The above transaction was approved by the authorities and the subscription base date was determined to be October 27, 2023. On October 26, 2023, the full amount has been collected. Moreover, the capital change registration was completed on November 24, 2023.

b. Capital surplus

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u> | | |
| Issuance of common shares | $ 3,745,633 | $ 1,379,472 |
| Conversion of bonds | 667,058 | 667,058 |
| Treasury share transactions | 48,234 | 48,234 |
| Expired employee stock warrants | 33,789 | - |
| Interest payable on bond conversion | 13,243 | 13,243 |
| Adjustment to share of change in equity of associates and joint ventures | 61 | - |
| <u>May be used to offset a deficit only</u> | | |
| Treasury share transactions | 71,365 | 71,365 |
| | $ 4,579,383 | $ 2,179,372 |

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 23-g to the consolidated financial statements.

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.

When a special reserve is appropriated, the special reserve is only appropriated from the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient.

The appropriations of earnings for 2022 and the deficit compensation for 2021 that had been resolved by the shareholders in their meeting on June 9, 2023 and June 8, 2022, were as follows:

| | Appropriation of Earnings | Deficit Compensation |
|---|---|---|
| | For the Year Ended December 31, 2022 | For the Year Ended December 31, 2021 |
| Legal reserve | $ 9,127 | $ 316,924 |
| Special reserve | $ 82,146 | |

The appropriation of earnings for 2023, which was proposed by the Company's board of directors on March 7, 2024, was as follows:

| | For the Year Ended December 31, 2023 |
|---|---|
| Legal reserve | $ 26,785 |
| Special reserve | $ 54,514 |

The appropriation of earnings for 2023 will be resolved by the shareholders in their meeting to be held on June 12, 2024.

d. Special reserves

On the first-time adoption of IFRS Accounting Standards, the Company transferred $10,968 thousand and $250,296 thousand of unrealized revaluation increment and cumulative translation exchange differences on translating the financial statements of foreign operations to retained earnings, respectively. Because the increase in the retained earnings resulting from the firs-time adoption of IFRS Accounting Standards could not fulfill the appropriation for the special reserves generated from the revaluation and translation differences, Phihong appropriated the amount of $230,859 thousand, the increase in retained earnings from all IFRS Accounting Standards adjustments to the special reserve.

e. Other equity items

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Balance, beginning of period | $ (244,171) | $ (523,866) |
| Exchange differences on the translation of the financial statements of foreign operations | (49,295) | 279,695 |
| Balance, end of period | $ (293,466) | $ (244,171) |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Balance, beginning of period | $ (80,339) | $ (88,412) |
| Current generation | | |
| Unrealized loss - equity instruments | 6,593 | (862) |
| Share from associates accounted for using the equity method | (306) | 8,935 |
| Balance, end of period | $ (74,052) | $ (80,339) |

f. Non-controlling Interests

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Balance, beginning of period | $ (9,653) | $ (8,671) |
| Attributable to non-controlling interests: | | |
| Share of loss for the period | (37) | (21) |
| Exchange differences on translation the financial statements of foreign entities | 7 | (961) |
| Balance, end of period | $ (9,683) | $ (9,653) |

## 22. REVENUE

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from contracts with customers | | |
| Revenue from the sale of goods | $ 12,115,290 | $ 13,920,213 |
| Revenue from the rendering of services | 217,107 | 97,362 |
| | $ 12,332,397 | $ 14,017,575 |

Contract balances

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Contract liabilities | | |
| Contract liabilities - current | $ 423,831 | $ 300,547 |

## 23. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Bank deposits | $ 121,092 | $ 37,686 |
| Others | - | 331 |
| | $ 121,092 | $ 38,017 |

b. Other income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Sample revenue (Note 30) | $ 26,001 | $ 69,865 |
| Dividend income | 7,477 | 2,995 |
| Others | 123,241 | 92,346 |
| | $ 156,719 | $ 165,206 |

c. Other gains and (losses)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Net foreign exchange (losses) gains | $ (26,359) | $ 56,942 |
| Loss on disposal of property, plant and equipment | (2,345) | (9,063) |
| Loss on disposal of intangible assets | (262) | (44) |
| Gain on disposal of investment | - | 3,334 |
| Gain on disposal of non-current assets held for sale | - | 11,765 |
| Gain on lease modification | 540 | - |
| Others | (3,906) | (7,214) |
| | $ (32,332) | $ 55,720 |

d. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Property, plant and equipment | $ 298,488 | $ 275,727 |
| Right-of-use assets | 50,068 | 39,661 |
| Computer software | 18,944 | 15,113 |
| | $ 367,500 | $ 330,501 |
| An analysis of depreciation by | | |
| Operating costs | $ 159,969 | $ 151,706 |
| Operating expenses | 188,587 | 163,682 |
| | $ 348,556 | $ 315,388 |
| An analysis of amortization by | | |
| Operating costs | $ 3,781 | $ 4,161 |
| Operating expenses | 15,163 | 10,952 |
| | $ 18,944 | $ 15,113 |

e. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Bank loans interest | $ 112,178 | $ 61,331 |
| Bonds payable interest | 10,590 | 9,094 |
| Lease liabilities interest | 2,757 | 2,073 |
| Interest on the disposal of trade receivables | - | 978 |
| Other finance costs | 4,958 | 4,442 |
| | $ 130,483 | $ 77,918 |

f. Employee benefits expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Short-term employee benefits | $ 2,800,725 | $ 2,582,044 |
| Post-employment benefits (Note 20) | | |
| Defined contribution plans | 49,236 | 22,096 |
| Defined benefit plans | 301 | 58 |
| Total employee benefits expense | $ 2,850,262 | $ 2,604,198 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 1,170,577 | $ 1,453,699 |
| Operating expenses | 1,679,685 | 1,150,499 |
| | $ 2,850,262 | $ 2,604,198 |

g. Employees' compensation and remuneration to directors

Phihong accrued employees' compensation and remuneration of directors 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. The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022 are as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Compensation of employees | 10% | 10% |
| Remuneration of directors | 2% | 2% |

Amount

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Compensation of employees | $ 77,449 | $ 13,462 |
| Remuneration of directors | 5,741 | 2,692 |

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

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors for 2023 and 2022 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 Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Foreign exchange gains | $ 44,255 | $ 204,315 |
| Foreign exchange losses | (70,614) | (147,373) |
| Net gains (loss) | $ (26,359) | $ 56,942 |

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current tax | | |
| In respect of the current period | $ 224,835 | $ 132,392 |
| Adjustments for prior year | (10,186) | 5,679 |
| Deferred tax | | |
| In respect of the current period | (12,757) | (21,237) |
| Income tax expense recognized in profit or loss | $ 201,892 | $ 116,834 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Profit before tax from continuing operations | $ 464,406 | $ 188,140 |
| Income tax expense calculated at the statutory rate | $ 216,016 | $ 132,392 |
| Adjustments for prior years' tax | (10,186) | 5,679 |
| Land value increment tax | 8,819 | - |
| Deductible temporary differences | (12,757) | (21,237) |
| Income tax expense recognized in profit or loss | $ 201,892 | $ 116,834 |

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Deferred tax | | |
| In respect of the current year | | |
| Remeasurement of defined benefit plans | $ 1,324 | $ 4,986 |
| Total income tax recognized in other comprehensive income | $ 1,324 | $ 4,986 |

c. Current tax liabilities

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Current tax liabilities | | |
| Income tax payable | $ 146,078 | $ 136,533 |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

| | **Opening Balance** | **Recognized in Profit or Loss** | **Recognized in Other Comprehensive Income** | **Closing Balance** |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary differences | | | | |
| Allowance for inventory valuation | $ 946 | $ 1,419 | $ - | $ 2,365 |
| Unrealized gross profit | 7,834 | (604) | - | 7,230 |
| Pension cost | 19,162 | 2,009 | - | 21,171 |
| Tax Loss | 18,624 | (18,624) | - | - |
| Others | 10,927 | 14,173 | (1,324) | 23,776 |
| | $ 57,493 | $ (1,627) | $ (1,324) | $ 54,542 |
| Deferred tax liabilities | | | | |
| Temporary differences | | | | |
| Unrealized investment gains | $ 44,649 | $ (14,384) | $ - | $ 30,265 |

For the year ended December 31, 2022

| | **Opening Balance** | **Recognized in Profit or Loss** | **Recognized in Other Comprehensive Income** | **Closing Balance** |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary differences | | | | |
| Allowance to reduce inventory to market | $ 3,910 | $ (2,964) | $ - | $ 946 |
| Gross profit | 15,870 | (8,036) | - | 7,834 |
| pension cost | 16,670 | 2,492 | - | 19,162 |
| Loss carryforwards | 16 | 18,608 | - | 18,624 |
| Others | 16,648 | (735) | (4,986) | 10,927 |
| | $ 53,114 | $ 9,365 | $ (4,986) | $ 57,493 |
| Deferred tax liabilities | | | | |
| Temporary differences | | | | |
| Investment properties | $ 56,520 | $ (11,871) | $ - | $ 44,649 |

e. Deductible temporary differences, unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Loss carryforwards | $ - | $ 659,020 |

f. Income tax assessments

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

## 25. SHARE-BASED PAYMENT

On August 25, 2023, the Company obtained approval from the Financial Supervisory Commission to issue 56,000 thousand shares for capital increase by cash. As per decision of the board of director's, 15% of the new shares were reserved for employee subscription. On September 5, 2023, the Company confirmed the number of shares subscribed by employees. The date is seemed as the grant date for recognizing the fair value of share-based compensation expense by the Black-Scholes option pricing model, and accordingly, increased the capital surplus by NT$176,400 thousand.

## 26. EARNINGS PER SHARE

**Unit: NT$ Per Share**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Basic earnings per share | $ 0.68 | $ 0.19 |
| Diluted earnings per share | $ 0.68 | $ 0.19 |

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

**Net Profit for the Period**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Profit used in the computation of basic earnings per share | $ 262,551 | $ 71,327 |
| Profit used in the computation of diluted earnings per share | $ 262,551 | $ 71,327 |

**Ordinary Shares Outstanding**

**Unit: In Thousands of Shares**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Weighted average number of ordinary shares used in computation of basic earnings per share | $ 384,567 | $ 375,208 |
| Effect of potentially dilutive ordinary shares | | |
| Compensation of employee | 477 | 341 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | $ 385,044 | $ 375,459 |

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 27. 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. For the year ended December 31, 2023 and 2022, the depreciation expenses have been decreased by $3,199 and $246 thousand, respectively.

## 28. 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.

## 29. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Mutual funds | $ - | $ - | $ - | $ - |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic unlisted shares | $ - | $ - | $ 122,608 | $ 122,608 |

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Mutual funds | $ - | $ - | $ - | $ - |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Domestic unlisted shares | $ - | $ - | $ 99,764 | $ 99,764 |

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Financial assets | | |
| Balance, beginning of period | $ 99,764 | $ 87,226 |
| Recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOCI) | 6,593 | (862) |
| Additions | 21,000 | 16,104 |
| Repayment from capital reduction | (4,742) | (2,704) |
| Effect of foreign currency exchange differences | (7) | - |
| Balance, end of period | $ 122,608 | $ 99,764 |

b. Categories of financial instruments

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| <u>Financial assets</u> | | |
| Financial assets at amortized cost (1) | $ 7,865,670 | $ 6,308,002 |
| Financial assets at FVTOCI | | |
| Equity instruments | 122,608 | 99,764 |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortized cost (2) | 5,779,260 | 7,995,482 |

1) The balances included cash and cash equivalents, financial assets measured at amortized cost, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties and refundable deposits.

2) The balances included short-term borrowings, short 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 measured at amortized cost, equity instruments, notes receivable, trade receivables, other receivables, other receivables from related parties, refundable deposits/guarantee deposits received, short-term borrowings, short 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) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 33 to the consolidated financial statements.

Sensitivity analysis

The Group was mainly exposed to the USD, RMB 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 other equity, and the balances below would be negative.

| | **For the Year Ended December 31** | |
|---|---|---|
| | **2023** | **2022** |
| USD | $ 17,740 | $ 11,494 |
| RMB | (1,888) | (2,176) |
| VND | 1,473 | 3,763 |

b) Interest rate risk

The Group was exposed to fair value interest rate risk and cash flow interest rate risk from long-term, short-term borrowings, short-term 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:

| | **December 31** | |
|---|---|---|
| | **2023** | **2022** |
| Fair value interest rate risk | | |
| Financial liabilities | $ 1,377,012 | $ 2,197,138 |
| Cash flow interest rate risk | | |
| Financial liabilities | 544,257 | 1,727,345 |

2) Credit risk

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

According to the Group's policy, the Group only transacts with creditworthy counterparties. In the case that overdue receivables may result to the risks on financial losses, the Group usually obtains the collateral to mitigate the risks. The Group continuously monitors the risk exposure and the credit ratings of the counterparties. In addition, to control the credit risk exposure, the Group transacts with many creditworthy customers and assigns personnel to annually review and approve their credit limits.

Trade receivables generate from a large number of customers, who vary from the industries and geographical areas. The Group continuously evaluate the customers' financial performances to ensure the collection of the trade receivables. In addition, if necessary, the Group purchases the insurance to secure the trade receivables.

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, 2023 and 2022, the Group had available unutilized bank loan facilities set out in (b) below.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2023

| | On Demand or Less than 1 Year | 1 to 3 Years | Over 3 Years | Total |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Non-interest bearing | $ 2,817,770 | $ - | $ - | $ 2,817,770 |
| Lease liabilities | 31,088 | 11,074 | 12,781 | 54,943 |
| Variable interest rate instrument | 373,291 | 29,733 | 141,233 | 544,257 |
| Fixed interest rate instrument | 622,978 | - | 699,092 | 1,322,070 |
| | $ 3,845,127 | $ 40,807 | $ 853,106 | $ 4,739,040 |

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

| | Less than 1 Year | 1 to 5 Years | 5 to 10 Years |
|---|---|---|---|
| Lease liabilities | $ 31,088 | $ 16,362 | $ 7,493 |

December 31, 2022

| | On Demand or Less than 1 Year | 1 to 3 Years | Over 3 Years | Total |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| 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 |
| | $ 5,481,197 | $ 1,213,151 | $ 870,412 | $ 7,564,760 |

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

| | Less than 1 Year | 1 to 5 Years | 5 to 10 Years |
|---|---|---|---|
| Lease liabilities | $ 44,518 | $ 43,461 | $ 7,831 |

b) Financing facilities

| | December 31 2023 | December 31 2022 |
|---|---|---|
| Unsecured bank facilities: | | |
| Amount used | $ 376,870 | $ 2,377,690 |
| Amount unused | 5,150,988 | 1,578,635 |
| | $ 5,527,858 | $ 3,956,325 |
| Secured bank facilities: | | |
| Amount used | $ 808,810 | $ 721,760 |
| Amount unused | 779,436 | 1,141,700 |
| | $ 1,588,246 | $ 1,863,460 |

## 30. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

| Related Party | Relationship with the Group |
|---|---|
| Everbright Manufacturing Co., Ltd. (Note 1) | Other related party |
| Dongguan Guan Hung Industrial Co., Ltd. (Note 1) | Other related party |
| Hua Jung Components Co., Ltd. | Other related party |
| TCC Energy Storage Technology Corporation | Related party |
| SG Digital Technology Ltd. | Related party |
| Spring City Resort Co., Ltd. | Associate |

(Continued)

| Related Party | Relationship with the Group |
|---|---|
| Peter Lin | Phihong's chairman |
| Su-Nu Chien | Related party |
| Kevin Lin | Related party |
| Joyce Lin | Related party |
| Peggy Wu | Related party |

(Concluded)

Note 1: There are no related parties since the fourth quarter of 2023.

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 were disclosed below:

b. Trading transactions

| | | For the Year Ended December 31 | |
|---|---|---|---|
| Item | Related Party Category | 2023 | 2022 |
| Operating revenue | Related party | $ 3,760 | $ 4,915 |
| Operating costs | Other related party | $ 123,149 | $ 194,424 |

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Related Party Category | | |
| Related party | $ 12,606 | $ 20,526 |

d. Receivables from related parties

| | | December 31 | |
|---|---|---|---|
| Item | Related Party Category | 2023 | 2022 |
| Trade receivables | Related party | $ 873 | $ |
| Other receivables | Related party | $ - | $ 3,654 |

e. Payables to related parties

| | | December 31 | |
|---|---|---|---|
| Item | Related Party Category | 2023 | 2022 |
| Trade payables | Other related party | $ 4,788 | $ 86,319 |

f. Operating expenses

| Item | Related Party Category | For the Year Ended December 31 2023 | 2022 |
|---|---|---|---|
| Operating expense | Related party | $ 24,920 | $ 22,612 |

g. Remuneration 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 Ended December 31 2023 | 2022 |
|---|---|---|
| Short-term benefits | $ 52,094 | $ 61,496 |
| Post-employment benefits | 324 | 806 |
| | $ 52,418 | $ 62,302 |

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

Phihong's chairman served as the joint guarantor for Phihong's short-term borrowings, short bills payable, bonds payable and long-term borrowings. As of December 31, 2023 and 2022, the amounts of the guarantees were $987,476 thousand and $3,333,504 thousand, respectively.

i. Others

| Item | Related Party Category | For the Year Ended December 31 2023 | 2022 |
|---|---|---|---|
| Non-operating income-sample income | Related party | $ - | $ 29,580 |

## 31. 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, domestic secured corporate bonds, and money lodged at courts:

| | December 31 2023 | 2022 |
|---|---|---|
| Financial assets at amortized cost - current (Note 8) | $ 2,700 | $ 500 |
| Financial assets at amortized cost - non-current (Note 8) | 10,500 | 22,030 |
| Land | 463,345 | 463,345 |
| Right-of-use assets - land use right | 65,693 | 67,404 |
| Buildings | 418,256 | 423,816 |
| | $ 960,494 | $ 977,095 |

## 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2023 and 2022 were as follows:

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Acquisition of property, plant and equipment | | |
| The amount of signed contract | $ 2,508,983 | $ 1,500,991 |
| Unpaid amount | 1,046,943 | 190,172 |

## 33. 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 were as follows:

December 31, 2023

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 82,978 | 30.70500 | $ 2,547,844 |
| RMB | 18,989 | 4.32623 | 82,152 |
| VND | 203,775,516 | 0.0126 | 256,757 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 25,203 | 30.70500 | 773,856 |
| RMB | 62,641 | 4.32623 | 271,001 |
| VND | 86,848,120 | 0.00126 | 109,429 |

December 31, 2022

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 90,458 | 30.72500 | $ 2,779,316 |
| RMB | 9,068 | 4.40230 | 39,919 |
| VND | 393,378,124 | 0.00130 | 511,392 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 53,050 | 30.72500 | 1,629,965 |
| RMB | 58,489 | 4.40230 | 257,484 |
| VND | 103,942,821 | 0.00130 | 135,126 |

## 34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

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

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 6)

11) Information on investees. (Table 7)

b. Information on investments in mainland China

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

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 9)

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

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

b. Segment revenues and results

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

| | Power Supply | EV Energy | Other | Total |
|---|---|---|---|---|
| For the year ended December 31, 2023 | | | | |
| Revenues from external customers | $ 7,572,407 | $ 4,740,789 | $ 19,201 | $ 12,332,397 |
| Segment (losses) incomes | $ (283,264) | $ 634,825 | $ 3,182 | $ 354,743 |
| Interest incomes | | | | 121,092 |
| Other incomes | | | | 156,719 |
| Other gains and losses | | | | (32,332) |
| Finance costs | | | | (130,483) |
| Share of loss of associates | | | | (5,333) |
| Gain before income tax | | | | $ 464,406 |

(Continued)

| | Power Supply | EV Energy | Other | Total |
|---|---|---|---|---|
| For the year ended December 31, 2022 | | | | |
| Revenue from external customers | $ 12,128,906 | $ 1,876,665 | $ 12,004 | $ 14,017,575 |
| Segment (losses) incomes | $ 36,242 | $ (24,815) | $ 2,230 | $ 13,657 |
| Interest incomes | | | | 38,017 |
| Other incomes | | | | 165,206 |
| Other gains and losses | | | | 55,720 |
| Finance costs | | | | (77,918) |
| Share of loss of associates | | | | (6,542) |
| Gain before income tax | | | | $ 188,140 |

(Concluded)

c. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Power supply products | $ 7,591,608 | $ 12,140,910 |
| EV energy products | 4,740,789 | 1,876,665 |
| | $ 12,332,397 | $ 14,017,575 |

d. Geographical information

The Group operates in three principal geographical areas - Asia, Americas and Europe.

The Group's revenue from continuing operations from external customers by location of operations and information on its non-current assets by location of assets are detailed below.

| | Revenue from External Customers | | Non-current Assets | |
|---|---|---|---|---|
| | For the Year Ended December 31 | | December 31 | |
| | 2023 | 2022 | 2023 | 2022 |
| Asia | $ 5,175,057 | $ 9,892,905 | $ 4,626,829 | $ 4,599,366 |
| Americas | 5,367,868 | 2,331,342 | 158,660 | 142,110 |
| Europe | 1,666,411 | 1,622,631 | 8,431 | 10,301 |
| Others | 123,061 | 170,697 | - | - |
| | $ 12,332,397 | $ 14,017,575 | $ 4,793,920 | $ 4,751,777 |

e. Information on major customers

The revenue for 2023 and 2022, amounting to $12,332,397 thousand and $14,017,575 thousand, respectively, included revenue totaling approximately $4,540,240 thousand and $6,530,995 thousand from sales to the Group's largest customer.

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Customer A | $ 1,624,039 | $ 2,645,962 |
| Customer B | 1,607,820 | 2,334,051 |
| Customer C | 1,308,381 | 1,550,982 |
| | $ 4,540,240 | $ 6,530,995 |

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (Note 1) | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing (Note 2) | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Notes 3 and 4) | Aggregate Financing Limit (Notes 3 and 4) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | PHT | ZSH | Other receivables from related parties | Yes | $ 844,388<br>(US$ 27,500,000) | $ 307,050<br>(US$ 10,000,000) | $ - | 3.00%-6.50% | b. | $ - | Capital movement | $ - | - | $ - | $ 1,881,983 | $ 3,763,967 | |
| | | ZCM | 〃 | 〃 | 921,150<br>(US$ 30,000,000) | 460,575<br>(US$ 15,000,000) | - | 3.00%-6.50% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| | | ZCS | 〃 | 〃 | 153,525<br>(US$ 5,000,000) | -<br>(US$ -) | - | 3.00% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| | | ZAS | 〃 | 〃 | 245,640<br>(US$ 8,000,000) | 92,115<br>(US$ 3,000,000) | - | 3.00%-6.50% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| | | ZNS | 〃 | 〃 | 199,583<br>(US$ 6,500,000) | 46,058<br>(US$ 1,500,000) | - | 3.00%-6.50% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| | | ZJS | 〃 | 〃 | 153,526<br>(US$ 5,000,000) | 76,763<br>(US$ 2,500,000) | - | 3.00%-6.50% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| | | PHJ | 〃 | 〃 | 64,575<br>(JPY 300,000,000) | -<br>(JPY -) | - | 1.50% | 〃 | - | 〃 | - | - | - | 1,881,983 | 3,763,967 | |
| 1 | PHC | PHP | 〃 | 〃 | 216,312<br>(RMB 50,000,000) | -<br>(RMB -) | - | 4.35% | 〃 | - | 〃 | - | - | - | 2,044,688 | 2,044,688 | |
| | | PHE | 〃 | 〃 | 43,262<br>(RMB 10,000,000) | 43,262<br>(RMB 10,000,000) | 43,262 | 4.90% | 〃 | - | 〃 | - | - | - | 2,044,688 | 2,044,688 | |
| 2 | PHZ | PHP | 〃 | 〃 | 2,011,697<br>(RMB 465,000,000) | 973,402<br>(RMB 225,000,000) | 973,402 | 4.75% | 〃 | - | 〃 | - | - | - | 1,969,728 | 1,969,728 | |
| 3 | ZTM | ZSH | 〃 | 〃 | 64,481<br>(US$ 2,100,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| | | ZCM | 〃 | 〃 | 64,481<br>(US$ 2,100,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| | | ZCS | 〃 | 〃 | 21,494<br>(US$ 700,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| | | ZAS | 〃 | 〃 | 21,494<br>(US$ 700,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| | | ZNS | 〃 | 〃 | 21,494<br>(US$ 700,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| | | ZJS | 〃 | 〃 | 21,494<br>(US$ 700,000) | -<br>(US$ -) | - | 5.00% | 〃 | - | 〃 | - | - | - | 210,044 | 420,089 | |
| 4 | PHA | ZAS | 〃 | 〃 | 368,460<br>(US$ 12,000,000) | 368,460<br>(US$ 12,000,000) | - | 6.50% | 〃 | - | 〃 | - | - | - | 1,824,022 | 1,824,022 | |

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

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

Note 2: Reasons for financing are as follows:

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

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

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

Note 4: According to loans between foreign subsidiaries in which the Company holds 100% of direct or indirect the operating procedures for loans to other subsidiaries of the Group, the aggregate amount of loans between subsidiaries shall not exceed 150% of the net worth of the lending subsidiary based on the latest financial statements.

**TABLE 2**

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (Note 1) | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 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 (Notes 2 and 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 | $ 7,057,439 | $ 337,755 (US$ 11,000,000) | $ 276,345 (US$ 9,000,000) | $ 64,410 (US$ 2,000,000) | $ - | 3.89 | $ 9,409,919 | Y | N | N | 6 and 9 |
| | | ZTM | 〃 | 7,057,439 | 2,900,000 | 1,700,000 | - | - | 23.94 | 9,409,919 | Y | N | N | 4, 7 and 10 |
| | | ZSH | 〃 | 7,057,439 | 1,581,308 (US$ 51,500,000) | 1,581,308 (US$ 51,500,000) | - (US$ -) | - | 22.27 | 9,409,919 | Y | N | N | 5, 8 and 11 |

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

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

Note 2: According to the Company’s procedures for the Management of Endorsements and Guarantees, the aggregate amount of endorsements/guarantees provided by the Company shall not exceed 100% of endorser/guarantor’s net worth. Additionally, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 75% 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 August 4, 2022, the board of directors approved that the Company’s endorsements/guarantees amount to ZTM is NT$600 million.

Note 5: On April 21, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to ZSH is US$3 million.

Note 6: On May 11, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to PHV is US$7 million.

Note 7: On June 26, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to ZTM is NT$1 billion.

Note 8: On June 26, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to ZSH is US$45 million.

Note 9: On June 26, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to PHV is US$2 million.

Note 10: On June 26, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to ZTM is NT$100 million.

Note 11: On November 9, 2023, the board of directors approved that the Company’s endorsements/guarantees amount to ZSH is US$3.5 million.

TABLE 3

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2023 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Phihong | Ordinary shares | | | | | | | |
| | Pao-Dian Venture Capital Co., Ltd. | None | Financial assets at FVTOCI - non-current | 229,980 | $ 3,023 | 10.49 | $ 3,023 | |
| | Zhong-Xuan Venture Capital Co., Ltd. | 〃 | Financial assets at FVTOCI - non-current | 2,314,097 | 18,633 | 8.62 | 18,633 | |
| | BMC Venture Capital Investment Corporation | 〃 | Financial assets at FVTOCI - non-current | 5,700,000 | 74,730 | 9.84 | 74,730 | |
| | RFIC Technology Corporation | 〃 | Financial assets at FVTOCI - non-current | 1,000,000 | 3,922 | 3.50 | 3,922 | |
| | BMD Venture Capital Investment Corporation | 〃 | Financial assets at FVTOCI - non-current | 2,100,000 | 19,824 | 9.31 | 19,824 | |
| Guang-Lai | Ordinary shares | | | | | | | |
| | Taiwan Cultural & Creativity No. 1 Co., Ltd. | None | Financial assets at FVTOCI - non-current | 3,000,000 | 2,379 | 10.83 | 2,379 | |
| PHJ | Ordinary shares | | | | | | | |
| | ENECHANGE EV Labs Ltd. | None | Financial assets at FVTOCI - non-current | 45 | 97 | 5.00 | 97 | |

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

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts 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 | $ (2,364,693) | (38.81) | To be agreed by both parties | - | - | $ 102,716 | 14.01 | |
| | PHJ | 〃 | 〃 | (213,436) | (3.50) | 〃 | - | - | 50,441 | 6.88 | |
| | PHC | 〃 | Purchase | 2,650,049 | 47.98 | 〃 | - | - | - | - | |
| | PHP | 〃 | 〃 | 514,413 | 9.31 | 〃 | - | - | 122 | 0.02 | |
| | PHV | 〃 | 〃 | 2,210,514 | 40.02 | 〃 | - | - | - | - | |
| PHC | PHT | Subsidiary of PHT | Sale | (2,650,049) | (100.00) | To be agreed by both parties | - | - | 200,840 | - | |
| PHP | PHT | Subsidiary of PHT | Sale | (514,413) | (29.45) | To be agreed by both parties | - | - | 110,423 | - | |
| PHV | PHT | Subsidiary of PHT | Sale | (2,210,514) | (82.55) | To be agreed by both parties | - | - | 194,441 | - | |
| PHA | PHT | Subsidiary of PHT | Purchase | 2,364,693 | 95.98 | To be agreed by both parties | - | - | (102,716) | (92,57) | |
| PHJ | PHT | Subsidiary of PHT | Purchase | 213,436 | 58.19 | To be agreed by both parties | - | - | (50,441) | (37.72) | |
| ZTM | PHT | Subsidiary of PHT | Sale | (119,868) | (6.73) | To be agreed by both parties | - | - | 21,962 | 7.7 | |
| | ZSH | Between subsidiaries | 〃 | (860,890) | (48.33) | 〃 | - | - | 85,743 | 30.08 | |
| | ZAS | 〃 | 〃 | (582,843) | (38.21) | 〃 | - | - | 171,229 | 37.53 | |
| | ZSH | 〃 | Purchase | 160,786 | 36.35 | 〃 | - | - | - | - | |
| ZAS | ZCM | Between subsidiaries | Sale | (115,581) | (3.47) | To be agreed by both parties | - | - | - | - | |
| | ZSH | 〃 | Purchase | 1,812,620 | 91.61 | 〃 | - | - | (69,029) | (93.14) | |
| ZCM | ZSH | Between subsidiaries | Sale | (1,617,499) | (91.35) | To be agreed by both parties | - | - | 128,955 | 57.32 | |
| | ZAS | 〃 | Purchase | 115,581 | 7.96 | 〃 | - | - | - | - | |
| ZSH | ZTM | Between subsidiaries | Sale | (160,786) | (5.15) | To be agreed by both parties | - | - | 38,541 | 11.31 | |
| | ZAS | 〃 | 〃 | (1,812,620) | (58.06) | 〃 | - | - | 69,029 | 20.26 | |
| | ZNS | 〃 | 〃 | (194,274) | (6.22) | 〃 | - | - | 35,667 | 10.47 | |
| | PHJ | 〃 | 〃 | (144,594) | (4.63) | 〃 | - | - | 84,720 | 24.86 | |
| | ZTM | 〃 | Purchase | 180,249 | 8.04 | 〃 | - | - | (2,539) | (1.66) | |
| | ZCM | 〃 | 〃 | 1,617,499 | 72.17 | 〃 | - | - | (128,952) | (84.09) | |
| PHJ | ZSH | Between subsidiaries | Purchase | 144,594 | 39.42 | To be agreed by both parties | - | - | (83,357) | (62.34) | |
| ZNS | ZSH | Between subsidiaries | Purchase | 194,274 | 96.48 | To be agreed by both parties | - | - | (35,667) | (85.32) | |

**TABLE 5**

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship | Financial Statement Account and Ending Balance | | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Impairment Loss |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Amount | Actions Taken | | |
| Phihong | PHA | Subsidiary of the Company | Trade receivables | $ 102,716 | 10.55% | $ - | - | $ 101,555 | $ - |
| | PHC | 〃 | Other receivables | 237,299 | - | - | - | 149,566 | - |
| | PHV | 〃 | Other receivables | 257,631 | - | - | - | 222,553 | - |
| PHZ | PHP | Fellow subsidiaries | Other receivables | 973,402 | - | - | - | - | - |
| ZTM | ZAS | Fellow subsidiaries | Trade receivables | 171,229 | 6.81% | - | - | 1,216 | - |
| PHC | PHT | Subsidiary of PHT | Trade receivables | 200,840 | 26.39% | - | - | 200,824 | - |
| PHP | PHT | Subsidiary of PHT | Trade receivables | 110,423 | 9.73% | - | - | 70,263 | - |
| PHV | PHT | Subsidiary of PHT | Trade receivables | 194,441 | 14.80% | - | - | 194,441 | - |
| ZCM | ZSH | Subsidiary of ZSH | Trade receivables | 128,955 | 9.50% | - | - | 128,955 | - |

TABLE 6

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Accounts | Amount | Payment Terms | % to Total Sales or Assets (Note 3) |
| 0 | PHT | PHA | a | Sales revenue | $ 2,364,693 | To be agreed by both parties | 19 |
| | | PHJ | 〃 | 〃 | 213,436 | 〃 | 2 |
| | | PHC | 〃 | Purchase | 2,650,049 | No significant difference | 21 |
| | | PHP | 〃 | 〃 | 514,413 | 〃 | 4 |
| | | PHV | 〃 | 〃 | 2,210,514 | 〃 | 18 |
| | | ZTM | 〃 | 〃 | 98,823 | 〃 | 1 |
| | | PHA | 〃 | Trade receivables | 102,716 | To be agreed by both parties | 1 |
| | | PHC | 〃 | Other receivables | 237,299 | - | 2 |
| | | PHV | 〃 | 〃 | 257,631 | - | 2 |
| 1 | PHZ | PHP | c | Other receivables | 973,402 | - | 6 |
| 2 | PHC | PHT | c | Trade receivables | 200,840 | - | 1 |
| 3 | PHP | PHT | c | Trade receivables | 110,423 | - | 1 |
| 4 | PHV | PHT | c | Trade receivables | 194,441 | - | 1 |
| 5 | ZTM | ZSH | c | Service income | 680,640 | - | 6 |
| | | ZAS | 〃 | 〃 | 582,843 | - | 5 |
| | | ZSH | 〃 | Sale revenue | 180,249 | - | 1 |
| | | PHT | 〃 | 〃 | 119,868 | - | 1 |
| | | ZAS | 〃 | Trade receivables | 171,229 | - | 1 |
| | | ZSH | 〃 | 〃 | 85,743 | - | 1 |
| 6 | ZAS | ZCM | c | Sale revenue | 115,581 | - | 1 |
| 7 | ZSH | ZTM | c | Sale revenue | 160,786 | - | 1 |
| | | PHA | 〃 | 〃 | 68,025 | - | 1 |
| | | ZAS | 〃 | 〃 | 1,812,620 | - | 15 |
| | | ZNS | 〃 | 〃 | 194,274 | - | 2 |
| | | PHJ | 〃 | Trade receivables | 84,720 | - | 1 |
| 8 | ZCM | ZSH | c | Trade receivables | 128,955 | - | 1 |
| | | PHYL | 〃 | Sale revenue | 115,984 | - | 1 |
| | | ZSH | 〃 | 〃 | 1,617,499 | - | 13 |

(Continued)

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

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

Note 2: Nature of relationship is as follows:

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

Note 3: 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, 2023. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2023.

(Concluded)

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEES**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2023 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Shares | % | Carrying Amount | | | |
| PHT | PHI | British Virgin Islands | Makes investments | $ 3,209,288 | $ 3,209,288 | 102,421,351 | 100.00 | $ 2,651,317 | $ (37,889) | $ (33,889) | |
| | PHA | The United States | Sells various power supplies | 207,203 | 207,203 | 3,100,000 | 100.00 | 1,181,641 | 35,336 | 35,336 | |
| | PHK | British Virgin Islands | Makes investments | 554,154 | 554,154 | 18,840,000 | 100.00 | (377,663) | (84,843) | (83,567) | |
| | PHQ | British Virgin Islands | Makes investments | 352,043 | 352,043 | 12,012,600 | 100.00 | 56,985 | (10,534) | (9,102) | |
| | Guang-Lai | Taiwan | Makes investments | 139,758 | 139,758 | 13,975,828 | 100.00 | 107,935 | (3,643) | (3,643) | |
| | H&P Venture Capital Co., Ltd. | Taiwan | Makes investments | 6,869 | 13,738 | 686,901 | 32.26 | 2,435 | (5,323) | (1,717) | |
| | PHJ | Japan | Sells power components | 295,181<br>(JPY 500,000,000) | 137,436<br>(JPY 150,000,000) | 25,000 | 100.00 | 225,296 | 2,263 | 2,263 | |
| | PHV | Vietnam | Manufactures and sells various power supplies | 1,906,713<br>(US$ 65,000,000) | 1,906,713<br>(US$ 65,000,000) | 65,000,000 | 100.00 | 1,568,806 | (41,270) | (41,356) | |
| | ZKH | Cayman Islands | Makes investments | 2,083,650<br>(US$ 69,927,260) | 365,580<br>(US$ 12,000,000) | 699,272,603 | 100.00 | 2,596,528 | 557,029 | 556,647 | |
| PHI | N-Lighten | The United States | Makes investments | 409,851 | 409,851 | 110,834,223 | 58.45 | (25,998) | (168) | (98) | PHI and Guang-Laiholds 78.23% |
| Guang-Lai | Spring City Resort Co., Ltd. | Taiwan | Hotel and attached restaurant and the general bathroom industry | 196,250 | 190,000 | 3,462,343 | 25.27 | 7,852 | (5,026) | (1,248) | |
| | Han-Yu Venture Capital Co., Ltd. | Taiwan | Makes investments | 100,000 | 100,000 | 8,000,000 | 22.22 | 76,387 | (10,615) | (2,369) | |
| | N-Lighten | The United States | Makes investments | 206,084 | 206,084 | 37,498,870 | 19.78 | (8,798) | (168) | (33) | PHI and Guang-Laiholds 78.23% |
| ZKH | ZSH | Singapore | Makes investments and sells of electrical equipment | 2,175,576<br>(US$ 67,649,888) | 362,534<br>(US$ 11,900,000) | 67,649,888 | 100.00 | 2,587,218 | 584,620 | 574,151 | |
| ZSH | ZJS | Japan | Provides electric vehicle charging solutions | 16,848<br>(JPY 80,000,000) | - | 8,000 | 100.00 | 22,119 | 5,832 | 5,832 | |
| | ZAH | The United States | Makes investments | 95,482<br>(US$ 3,050,000) | 32,692<br>(US$ 1,050,000) | 3,050,000 | 100.00 | 253,858 | 161,602 | 161,602 | |
| | ZTM | Taiwan | Manufactures and sells of electrical equipment | 1,293,748 | 600,000 | 60,000,000 | 100.00 | 1,050,289 | 339,482 | 345,109 | The ZTM organization structure was transferred to ZSH ownership on April 17, 2023. |
| | ZNS | Netherlands | Provides electric vehicle charging solutions | 104,056<br>(EUR 3,000,000) | - | 100 | 100.00 | 106,446 | 4,253 | 6,434 | |
| ZAH | ZAS | The United States | Provides electric vehicle charging solutions | 95,150<br>(US$ 3,000,000) | 31,620<br>(US$ 1,000,000) | 3,000,000 | 100.00 | 253,065 | 161,734 | 162,343 | |

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

TABLE 8

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(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 Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 4) | Carrying Amount as of December 31, 2023 | Accumulated Repatriation of Investment Income as of December 31, 2023 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | | |
| PHC | Manufactures and sells various power supplies | $ 1,988,018 (HK$ 495,450,000) | Indirect investment in mainland China through PHI | $ 1,677,679 (HK$ 419,000,000) | $ - | $ - | $ 1,677,679 (HK$ 419,000,000) | $ (79,808) | 100 | $ (79,808) | $ 1,363,126 | $ - | |
| PHZ | Manufactures and sells various power supplies | 1,097,139 (US$ 31,960,000) | 〃 | 1,097,139 (US$ 31,960,000) | - | - | 1,097,139 (US$ 31,960,000) | 38,226 | 100 | 38,226 | 1,313,153 | - | |
| PHYL | Sells various lighting and power supplies | 49,027 (US$ 1,605,000) | 〃 | 63,934 (US$ 2,865,000) | - | - | 63,934 (US$ 2,865,000) | 3,915 | 100 | 3,915 | 8,071 | - | |
| PHP | Manufactures and sells various power supplies | 604,135 (US$ 20,140,000) | Indirect investment in mainland China through PHK | 554,456 (US$ 18,640,000) | - | - | 554,456 (US$ 18,640,000) | (84,762) | 100 | (84,762) | (367,747) | - | |
| PHSY | Manufactures and sells electronic materials | 39,678 HK$ 9,000,000 ) | Indirect investment in mainland China through PHQ | 39,678 (HK$ 9,000,000) | - | - | 39,678 (HK$ 9,000,000) | 1,932 | 100 | 1,932 | 72,946 | - | |
| PHE | Manufactures and sells electronic materials | 360,124 (US$ 11,500,000) | 〃 | 360,124 (US$ 11,500,000) | - | - | 360,124 (US$ 11,500,000) | (12,358) | 100 | (12,358) | (17,049) | - | |
| N-Lighten (Shanghai) Trading Inc. | Develops, manufactures and sells various equipment and monitors | - | Indirect investment in mainland China through N-Lighten | 387,406 (US$ 12,366,400) | - | - | 387,406 (US$ 12,366,400) | - | - | - | - | - | Note 1 |
| ZCM | Manufactures and sells of electrical equipment | 28,942 (US$ 950,000) | Indirect investment in mainland China through ZSH | 28,942 (US$ 950,000) | - | - | 28,942 (US$ 950,000) | 29,141 | 100 | 29,141 | (4,921) | - | |
| ZCS | Provide electric vehicle charging solutions | 6,430 (US$ 200,000) | 〃 | 6,430 (US$ 200,000) | - | - | 6,430 (US$ 200,000) | (14,424) | 100 | (14,424) | (8,479) | - | |

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, 2023 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|---|---|
| $3,829,285 | $4,688,443 | Note 1 |

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

| Investee Company | Transaction Type | Purchase/Sale | | Price | Transaction Details | | Notes/Accounts Receivable (Payable) | | Unrealized (Gain) Loss | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount | % | | Payment Term | Comparison with Normal Transaction | Ending Balance | % | | |
| PHC | Purchase | $ 2,650,049 | 47.98 | To be agreed by both parties | To be agreed by both parties | - | $ - | - | $ - | |
| PHP | 〃 | 514,413 | 9.31 | 〃 | 〃 | - | 122 | - | - | |
| ZCM | 〃 | 115,581 | 7.96 | 〃 | 〃 | - | - | - | - | |
| | Sale | (1,617,499) | (91.35) | 〃 | 〃 | - | (128,955) | 57.32 | - | |

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**INFORMATION OF MAJOR SHAREHOLDERS**
**DECEMBER 31, 2023**

| Name of Major Shareholder | Shares | |
|---|---|---|
| | Number of Shares | Percentage of Ownership (%) |
| Peter Lin | 54,541,837 | 12.64 |
| Taiwan Cement Corporation | 41,719,905 | 9.67 |

Note: 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.