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Phihong Technology Co., Ltd.

Year 2021

Annual Report

Websites for Annual Report Publication

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One 、 Letter to Shareholders

The ongoing US-China trade war and the increasing regional and geopolitics and economic risks affect the layout of the global industrial supply chain. The recurrent outbreaks of the pandemic worldwide at different times has resulted in a material imbalance of production and sales adjustments, the multiplied amount of freight, and the uncontrollable shipping schedule, together with challenges of parts and components shortage (in particular, the power semiconductor) as well as the surging prices, industries are going through tests to see whether they possess sufficient tenacity to face the markets with “changes” as the norm. The Company continues focusing on the development of advanced technologies and new products to respond to the changes in the external industrial environment and requirements, and concurrently and actively plan for the entrance into the emerging and niche market for applications. Through the information platform we integrated and updated step by step during recent years, we link the internal Big Data collected and the business development in the market, analyze potential issues for immediate improvement, and track market trends for advance planning to improve our competitiveness and room for profits, and maintain stable financial structures, so as to solidify the Company’s status in the energy industry. The operating results for 2021 and the business report for 2022 are as follows:

I. 2021 Annual Business Report

(1) Implementation of business plan and budget execution

The Company’s operating revenue for 2021 was NT\$12,284,041 thousand, an increase of approximately 32.9% from the NT\$9,243,618 thousand for 2020. The loss after income tax for 2021 was NT\$312,600 thousand, an increase of approximately 102.2% from the NT\$154,594 thousand in 2020.

The overall profit did not meet the goal set by the Company.

(2) Analysis of financial income and expenditure and profitability

1. Financial income and expenditure analysis

Item	Year	2020	2021	Changes %
Non-operating income and expenses		219,189	41,374	(81.12)

The Company's non-operating income and expenditures in 2021 decreased compared with that in 2020, mainly because of the relief subsidies received from the government in response to the impact of the pandemic in 2020, such as government salary and working capital subsidies.

2. Profitability analysis

Item	Year	2020	2021	
Profitability	Return on assets (%)	(1.37)	(2.34)	
	Return on equity (%)	(3.20)	(5.91)	
	As a percentage of paid-in capital (%)	Loss from operations	(11.03)	(9.04)
		Loss before income tax	(4.54)	(7.94)
	Profit margin (%)	(1.67)	(2.54)	
	Loss per share (NT\$) (Note)	(0.46)	(0.92)	

Note: The loss per share has been adjusted retrospectively in consideration of the distribution of stock dividends over the years.

(3) Implementation of Research and Development

1. Focus on the Development and Design of Green Function Products

- (1) Cold Water Two-way Charging Technology R&D: Carry out the power module design (including function semiconductor modulization design, two-way PFC R&D design, and two-way DC/DC R&D design) and two-way CSU controller design to provide a two-way charging system as required by the CCS regulations by 2025 in the future, to feed the power back into the power grid or store the energy for utilization.
- (2) ESS Power Storage Technology R&D: Include the CSU control panel design and the integrated design of the power storage system and charging system. Develop a BMS auto-balance system related to ESS and combine the SCU control software with the ESS & Charger technologies.
- (3) Power Grid Balance Technology R&D: Include the integration of international power grid communication specifications and small-scale power storage grid management system algorithms. In the future, the power of electric vehicles (EV) will be able to be fed back into the power grid or the power storage system to effectively use the power and achieve a state of "smart grid."

2. Development of new technology

- (1) Integrate high-efficiency topological structure, zero-voltage and zero-current switching technology, GaN and SiC (wide bandgap semiconductor), and a digital control system to allow the power conversion efficiency to reach 95% and above maximum. In terms of crafts, we continued advancing the deployment and wiring skills of 3D parts, the power module design, planar transformer development, and the production process control of the unique GaN and SiC, allowing the power density to break through the design bottleneck in the industry by 16W/in³ and realizing the development of light, thin, narrow, and small power suppliers, so as to fulfill the market application requirements of gaming, mobile fast-charging, and retail battery.
- (2) Adopt the digital power design to replace the traditional analog circuit design to concurrently achieve the simplification of circuit design, the exhibition of optimized parameter setting, and realization of the smart protection system, construction, and system communication, as well as other performance requirements, to allow improvement in the design, production, and testing flexibility.
- (3) Actively carry out the mid/high power product and technology development and combine with the high waterproof and dustproof level, robust thunder-proof design, low EMI, smart communication, and other high performance, to enter the high-end niche market, such as 5G communication, power battery charging, and robot and industrial control.
- (4) Focus on the development of the new USB PD 3.1 technology and products to satisfy the latest regulations regarding increasing the maximum output power from the current 100W to 240W, with the maximum output voltage increased from the current 20V to 48V, allowing the scope of USD PD power application to expand from supporting mobiles, tablets, general laptops, display, and various 3D products, to gaming laptops, electric tools, electric bicycles, and internet communication.

3. Improve Design Quality and R&D Capacity

- (1) Make flexible use of the shared information of historical design cases via the KM platform to reinforce relevant design standards and design checklist, avoid the recurrence of prior anomalies, and minimize the risk of abnormal quality.
- (2) Hold design review meetings to detect potential design issues and production issues of products and carry out the pre-pilot production analysis and introduce countermeasures in the initial stage to improve the one-off pilot production successful rate for minimizing the development costs and reducing the losses of inactive inventory arising from ECRN/DCN.
- (3) Activate the management progress of project development through regular project meetings and cooperate with crucial project incentive regulations to duly control the product design and quality of sample and shorten the time period between product development and mass production.
- (4) Before commencing product development design or proposal, improve the product's performance and the communication efficiency with customers through collecting and studying the customers' application requirements and the market trends and optimizing the analysis of competing products, in turn, increasing the success rate of project-opening.
- (5) Make good use of the design simulation tools, provide practical design parameter comparison to carry out the modification of models, and improve the reference of the design simulation results and the accuracy of values to shorten the product development timetable, reduce development costs, and improve the success rate of new projects.
- (6) Examine the adequacy of the existing internal specifications and relevant development procedures and establish friendly R&D platforms to facilitate the maximization of the use

- of R&D resources and improve product competitiveness.
- (7) Invest in the application studies of new materials and new technologies, discussion of relevant regulatory information, and information collection related to emerging or niche market product application requirements to ensure the accurate R&D directions and the leading position in technological abilities.
 - (8) Make investments in ID design talent and improve diverse service values to respond to global trends.

II. Summary of Business Plan for 2022

(1) Business Policy

1. Continue to improve competitive strength related to technical capacity, product performance, quality, price, and delivery terms and provide returns to shareholders who invested by setting the business target as seeking profits.
2. Continue implementing internal control over operating costs, inventory management, and the activation of idle assets of the headquarters, branches, and plants to facilitate the maximization of the turnover of working capital.
3. Continue carrying out the strategical operations of consensus, focus on nine crucial improvement aspects of the Company for examination, as well as the discussion and planning of short, medium and long-term strategies. Together with the setting of KPIs, we establish effective and feasible improvement countermeasures and duly execute a performance evaluation system to improve the action and creation capacity of departments to achieve the business targets of the Company.
4. Reinforce data operating management, integrate various systems of the Company, introduce data analysis platforms to keep abreast of the instant changes in customer circumstances in the market, and provide instant decision-making for the response, in turn, set one step forward to the digital transformation from the digital platform at present.

(2) Business goals

1. Prioritize the improvement in our gross margin to eliminate the deficit and reinforce the overall system to turn our losses into earnings.
2. Integrate and streamline the organization, human force, technical strength, and product development planning of different product business groups in favor of the increase in new customers, new applications, and the improvement in project success rate and quantity.
3. Actively expand the marketing of EV charging products and the forming of strategic partnerships to improve our market awareness and market share worldwide, so as to increase the turnover and products of the EV business group.
4. Reduce the ratio of low-power/low-gross profit machine types and contract more development of high-power/multiple-port fast charging/high-gross profit machine type projects.
5. Effectively manage the inventory amount of products and materials through the digital platform and strike a balance between the operational risks and the ability to secure orders.

(3) Important production and sales policy

1. 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.
2. Establish the part engineering team to enhance the procurement engineering ability, assist in combining the standardized designed materials, and introduce substitute sources in the hope of improving the negotiation power of procurement, reducing product costs, and activating the use of material inventories.
3. Subject to the development of emerging industries and niche markets, such as industrial robots, AR/VR, Metaverse, AIoT, 5G communication (including LEO communication), POE power supply, gaming laptops, power battery charging, smart medication, USB PD power retail market, and EV charging pole, and other products, we shall actively commence our business activities and the development planning and sample presentation of relevant products to explore customer bases and increase the revenue of new products.
4. Reinforce the technological capacity for the power battery charger from 100W to 1KW, high-power/high-intensity adapters from 65W to 330W, and the power design from 15W to 930W PoE.
5. Formulate cost optimization countermeasures and pricing strategies to improve the gross profits of the top five customers in all product business groups.

III. Future development strategy

- (1) Establish the physical/online management for operations worldwide at the same time, focus on the development of key customers and new niche markets, adhere to the customer-oriented philosophy, and value customers' satisfaction feedback.
- (2) Establish premium corporate culture and talent cultivation plans, encourage accountability spirits, and improve the competitiveness of our departments.
- (3) Introduce and optimize automated production to minimize the number of direct operators and improve the unit production capacity; keep abreast of customers' demands and fluctuation in the market supply chain during low and peak seasons and establish a comprehensive production and sales platform to minimize delivery and quality risks in the hope of achieving production stability.
- (4) Continue advancing our technological R&D and produce green energy products with high added value.
- (5) 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 the utilization and output value, benefiting our asset activation.
- (6) Continue advancing operations related to ESG sustainable operations, focus on risk management and carbon footprint inventory check, and formulate carbon dioxide emission reduction strategies (such as low-carbon/green energy product design, improving energy efficiency, and adopting renewable energy, innovative crafts, and materials) to fulfill the requirements for the supply chain emission reduction stated by regulations and branded companies.

Looking into the annual operations of 2022, given the challenges of cost increases and difficulties in production and sales arrangements due to the increase in prices of raw materials arising from the US-China trade war, Russia-Ukraine dispute, expected inflation, and the gap in the supply of semiconductors, the new anti-pandemic policies to co-exist with COVID-19 adopted worldwide are beneficial for regaining the stability of physical requirements and commercial activities. Phihong's team will maintain the stability of its existing businesses and order opportunities in response to the changes in the abovementioned macroeconomic environment, and actively develop new businesses and market opportunities to achieve the steady growth of operations.

2022 is the 50th anniversary of Phihong. We would like to extend our appreciation to our customers, shareholders, and partners for the support provided to Phihong for the past half-century. Phihong Company will continue adhering to the business philosophy of "outstanding design, excellent quality, on-time delivery, reasonable prices, satisfactory service, and high-quality corporate culture" to constantly create growth momentum and generate optimum values for customers, shareholders, and employees.

Wish all our shareholders good health and all the best.

Chairman: Lin, Chung-Min

General Manager: 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:** Set up factories 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, and conducted capitalization from capital surplus for NT\$4,200,000; thus, capital increased to NT\$209,000,000. Approved by the Securities Regulatory Commission of the Ministry of Finance to become a public Company in October of the same year.
- 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:** Japansese 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.
Set up an office in Japan for marketing.
Ranked 435th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
- 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 248th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Ranked 6th in CommonWealth Magazine's Top 50 Companies with the Best Operating Performance.
Ranked 30th in CommonWealth Magazine's Top 50 Fastest-growing Companies.
Ranked 7th in China Credit Information Service, Ltd.'s (CRIF's) top 500 companies most worthy investment (ranked by net profit per NTD).
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.
Ranked 252th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
To be listed on Taipei Exchange after approval by the Securities and Futures Management Commission, Ministry of Finance.

- 2000:** Established Phitek International Co., Ltd. and Dongguan Phitek Electronics Co., Ltd. (PHP)
Established Pihong Japan Co., Ltd.
Officially listed on Taipei Exchange on February 15
Ranked 217th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Conducted capitalization from earnings and employee bonuses for NT\$464,000,000; increased capital to NT\$1,534,600,000.
Pihong Electronics (Shanghai) Co., Ltd.
- 2001:** Established Pihong Pwm Brasil Ltda. through a joint venture with Pwm Brasil Ltda. in Brazil.
Established Phitek (Tianjin) Electronics Co., Ltd. (PHTJ)
Officially listed on Taiwan Stock Exchange 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.
Ranked 189th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
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 Pihong headquarters.
- 2002:** Issued an euro-convertible bond of US\$50 million and increased capital to NT\$2,571,194,740.
Ranked 167th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Commenced construction of the operating center of the headquarters in Linkou
Established Pihong 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.
Ranked 198th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Relocated to the operating center of the headquarters in Linkou in May.
Renamed Pihong Technology Co. Ltd. in June
- 2004:** Conducted capitalization from earnings and employee bonuses for NT\$171,823,340; increased paid-in capital to NT\$3,103,389,870.
Ranked 206th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
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.
- 2005:** Conducted capitalization from earnings and employee bonuses for NT\$85,432,190; increased paid-in capital to NT\$3,196,144,820.
Ranked 208th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Obtained renewed TL9000-HW R3.0/R3.5 and ISO9001: 2000 certificates (five-in-one certificate) in April.
Passed Lloyd's first periodic review and obtained renewed certificate (six-in-one certificate) in October.
Approved the merger of Guang-Lai and Heng-Shen Investment Co., Ltd. in November, with Guang-Lai as the surviving Company.
- 2006:** Cancelled 5,565,000 treasury shares and registered for capital reduction in February.
Established Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (PHE)
Ranked 224th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
The group's factories (PHT, PHC, PHP, PHTJ, and PHZ) converted their environmental management system to a new version in June. 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.
- 2007:** Transferred 10,000,000 treasury shares to employees in January.
Ranked 209th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
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.
Established Yanghong Trade (Shanghai) Co., Ltd. in December.
Issued employee stock warrants for 2007 in December.
- 2008:** Conducted capitalization from earnings and employee bonuses for NT\$352,223,230; increased

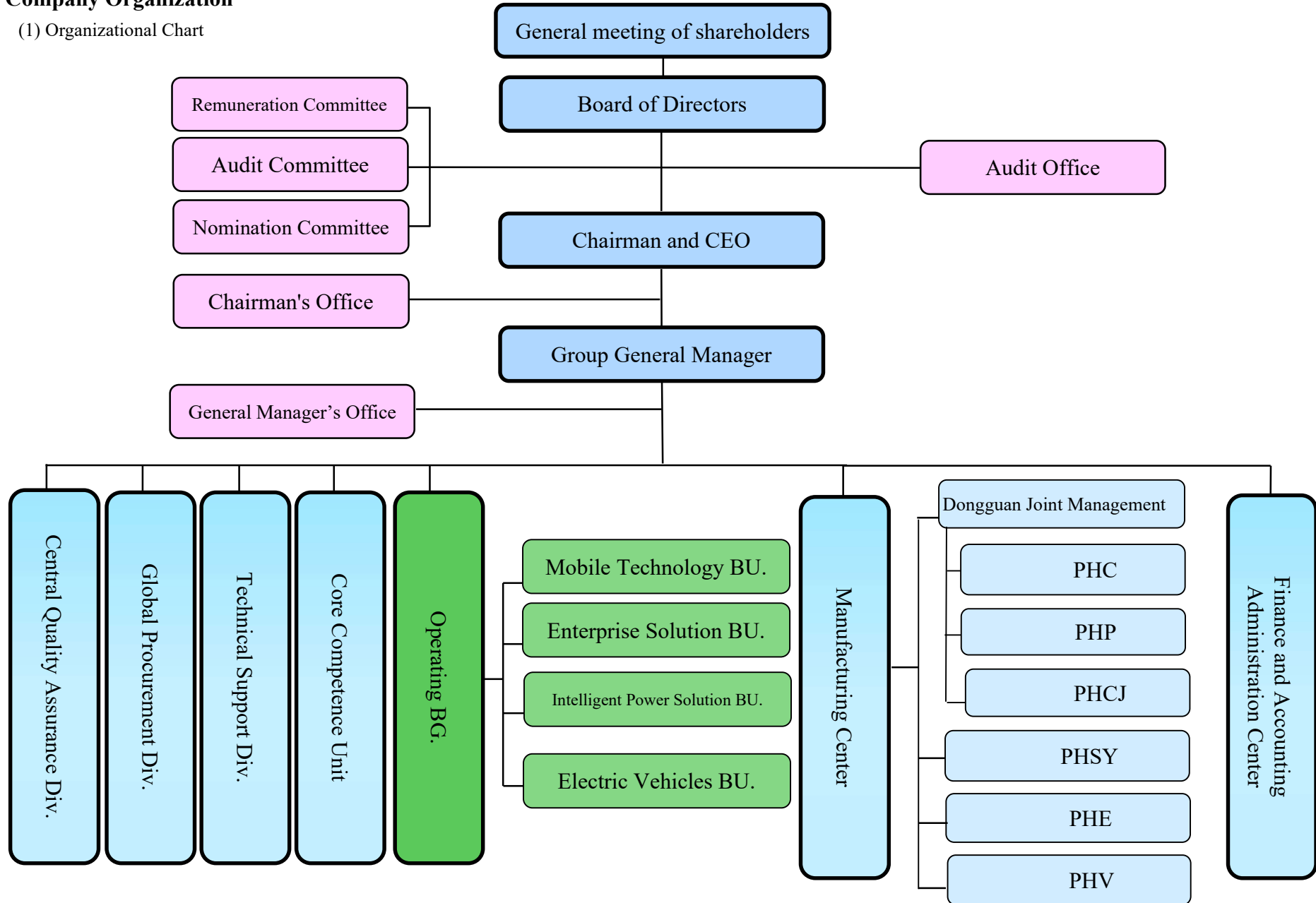
- paid-in capital to NT\$3,840,509,100.
 Ranked 215th in Commonwealth Magazine's Top 1000 Manufacturing Enterprises.
 The quality management system of each factory of the group passed the renewal successfully and obtained the new certificate of ISO9001:2000 in April.
 Indirectly invested in its subsidiary N-Lighten (Shanghai) Trading Inc. through its subsidiaries Pihong 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.
 Ranked 209th in Commonwealth Magazine's Top 1000 Manufacturing Enterprises.
 Pihong (Dongguan) Electronics Co., Ltd. obtained the certificate of occupational safety and health management system OHSAS18001: 2007 in March.
 Established Xin-Hui-Hong Electronics Co., Ltd. in Suzhou in May.
 The quality management system of each factory of the group passed the renewal successfully and obtained the new certificate of ISO9001:2008 in November.
- 2010:** Established Pihong Technology Japan Co., Ltd. (PHJ) in April.
 Employees exercised stock warrants for 4,167,000 shares with the paid-in capital increasing to NT\$3,717,549,100 in May.
 Employees exercised stock warrants for 622,000 shares with the paid-in capital increasing to NT\$3,723,769,100 in July.
 Reduced the cash capital by 100,000,000 shares, with the paid-in capital decreasing to NT\$2,723,769,100 in August.
 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.
- 2011:** Ranked 213th in Commonwealth Magazine's Top 1000 Manufacturing Enterprises.
 Employees exercised stock warrants for 172,000 shares with the paid-in capital increasing to NT\$2,725,489,100 in January.
 The Group passed the renewal of the ISO9001:2008 certificate and passed the quality management system certification for DLP HDTV products in April.
 Employees exercised stock warrants for 2,258,000 shares with the paid-in capital increasing to NT\$2,748,709,100 in May. Employees exercised stock warrants for 64,000 shares with the paid-in capital increasing to NT\$2,748,709,100 in July.
 Employees exercised stock warrants for 62,000 shares with the paid-in capital increasing to NT\$2,749,329,100 in September.
 PHC and PHCJ obtained the ISO14064-1: 2006 greenhouse gas verification statement certificate in October.
- 2012:** Ranked 242th in Commonwealth Magazine's Top 1000 Manufacturing Enterprises.
 PHC passed the renewal of the OHSAS18001 certificate 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.
 Employees exercised stock warrants for 185,000 shares with the paid-in capital increasing to NT\$2,770,439,100 in July.
 The Group passed the renewal of the ISO14001 certificate and obtained a new certificate in December.
- 2013:** Ranked 267th in Commonwealth Magazine's Top 1000 Manufacturing Enterprises.
 Filed a change application to Lloyd's to include the Company's lighting products in the scope of ISO9001 certified products in April.
 Employees exercised stock warrants for 65,000 shares with the paid-in capital increasing to NT\$2,771,089,100 in January.
 Employees exercised stock warrants for 55,000 shares with the paid-in capital increasing to NT\$2,771,639,100 in April.
 Moved PHJ to Koto District, Tokyo, Japan, in June.
 Moved PHP to Tiesong Village, Qingxi Town, Dongguan City in October.
 PHP passed the OHSAS18001 occupational safety and health management system in December.
 Ranked 262th in Commonwealth Magazine's Top 1000 Manufacturing Enterprises.
- 2014:** The Group passed the renewal of the ISO9001 certificate in March.
 PHE passed ISO9001 certification in March.
 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.
 Dongguan Shuang-Ying Electronics Co., Ltd. (PHSY) passed ISO9001 certification in

- December.
- 2015:** Ranked 255th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
The Group passed the renewal of the ISO14001 and OHSAS18001 certificates in February.
PHE's Shuang-Ying Wire Factory passed ISO9001 certification in April.
- 2016:** Ranked 263th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Issued the first domestic secured ordinary corporate bond in April.
The Taiwan head office and subsidiary Pihong Dongguan (Electronics) Co., Ltd. passed the ISO13485 medical equipment quality management system certification in July.
Dongguan Phitek Electronics Co., Ltd. passed ISO9001 manufacturing certification for the new product of electric vehicle chargers in December.
- 2017:** Ranked 258th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Conducted cash capital increase of NT\$600,000,000 with paid-in capital increasing to NT\$3,376,884,160.
Obtained the new version of ISO9001: 2015 certificate in March.
Won the Corporate Sustainability Report Award—Silver Award at the Taiwan Corporate Sustainability Awards (TCSA) in November.
- 2018:** Ranked 273th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Passed the renewal of the ISO14001 environmental management system and the OHSAS18001 occupational safety and health management system in February.
Dongguan Phitek Electronics Co., Ltd. passed the IATF16949: 2016 automotive industry quality management system compliance statement in March.
Won the Bronze Award of the Taipei AMPA Innovation Awards from the Taiwan External Trade Development Council in March.
The group passed the conversion and renewal of ISO14001:2015 environmental management system in September.
Won the Gold Award of the 11th TCSA in November.
- 2019:** Ranked 257th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Passed the conversion and verification of the new version of ISO13485:2016 medical equipment quality management system in January.
Established the subsidiary Pihong Vietnam Co., Ltd. (PHV) in Vietnam in February.
Awarded the 1111 Human Resources Bank's 2019 Happy Enterprise Golden Award in May.
PHV passed the ISO9001 certification and obtained the certificate in July.
Won the Silver Award of the 12th TCSA in November in November 2019. °
Won the Annual Innovative Design Award at the 2019 Golden Torch Awards for the wall-mounted AC chargers in December.
- 2020:** Ranked 274th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
In July 2020, the factories of the Group passed the review of the renewal of the three-year ISO9001:2015 certificate and obtained a new certificate.
Won the Gold Award of the 13th TCSA in November, 2020.
- 2021:** Ranked 311th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Issued the 1st guaranteed ordinary corporate bonds for 2021 on March 25, 2021.
Passed the three-year certification of ISO9001:2015 renewal review for plants of the Group and obtained new certificates in July 2021.
Awarded the 1111 Human Resources Bank's 2021 Happy Enterprise Golden Award in November.
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.
- 2022:** Ranked 285th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Established the subsidiary, "Phehicle Co., Ltd.," in Mrach 2022.
Tainan Plant of Pihong Technology Co., Ltd. passed the application for ISO9001:2015 certification and obtained certification for the scope of designing and producing EV products in January 2022.
Passed the renewal review for ISO13485:2016 Medical Device Quality Management System in March 2022.

Three. Corporate Governance Report

I. Company Organization

(1) Organizational Chart



(2) Responsibilities of Major Departments:

Department Names	Responsibilities
Chairman's Office	<ul style="list-style-type: none"> ■ Implement important resolutions of the Board of Directors and lead managers to make important decisions of the Company.
General Manager's Office	<ul style="list-style-type: none"> ■ Develop various business plans and development strategies based on market and competition conditions. ■ Plan and promote the group's short-, medium-, and long-term goals/plans. ■ Supervise and coordinate the achievement and tracking of the annual goals and work plans of each business group (division) of the group. ■ Responsible for the Company's cost management. ■ Implement social responsibility business. ■ Cultivate, develop, and manage the group's human resources. ■ Integrate the group's information operations and various computers to improve work efficiency.
Audit Office	<ul style="list-style-type: none"> ■ Audit the implementation of the Company's various rules and regulations. ■ Provide management and implementation units with improvement opinions and relevant matters.
Central Quality Assurance Div.	<ul style="list-style-type: none"> ■ Test and conduct assurance of new products ■ Establish reliability testing and verification standards. ■ Promote, maintain, supervise, and implement the ISO9001, ISO13485, and IATF16949 quality management systems. ■ Manage hazardous substance free- (HSF-)related substances and analyze and handle relevant anomalies. ■ Assist with the establishment (revision) and integration of the quality/ environmental management systems of the various departments of the group. ■ Prevent, guarantee, and execute the quality of the products produced by the Company.
Global Procurement Div.	<ul style="list-style-type: none"> ■ Manage suppliers. ■ Purchase materials and components that meet quality regulations. ■ Manage shipment and storage of materials and finished goods. ■ Formulate and implement annual material price reduction strategies. ■ Conduct comparative analyses of market prices. ■ Participate in new product development and provide resources and negotiate prices.
Finance and Accounting Administration Center	<ul style="list-style-type: none"> ■ Supervise the implementation effectiveness of each functional organization of the group and evaluate business performance. ■ Obtain, use, and allocate short-, medium-, and long-term funds of the group. ■ Manage and control accounting matters and funds.
Mobile Technology BU. Enterprise Solution BU. Intelligent Power Solution BU. Electric Vehicles BU.	<ul style="list-style-type: none"> ■ Design and develop various power products. ■ Introduce technologies for power products and support. ■ Develop and improve existing products. ■ Plan and design new technology products. ■ Assist in solving engineering technical problems in the mass production stage. ■ Collect and analyze product and market information. ■ Develop new markets, new products, and new customers. ■ Calculate, control, and assist with costs related to design/sample/mold/safety certificate/manpower/equipment/materials/transportation/business travel/environmental protection/testing
Core Competence Unit	<ul style="list-style-type: none"> ■ Responsible for the mechanical design, layout design, and other relevant needs of each business group. ■ Plan for mechanical design and plan for layout design and introduction. ■ Solve manufacturing and engineering technological and safety certification-related problems for mass production of products. ■ Responsible for software analyses, design, and programming. ■ Responsible for mold design, mold opening, mold trial, review and modification of molds, and solve issues related to mold heat transfer analyses/temperature measurement/heat dissipation, while familiarized with the application of various heat sinks.

Department Names	Responsibilities
Technical Support Div.	<ul style="list-style-type: none"> ■ Formulate product testing procedures and operating instructions. ■ Responsible for safety certification of various products. ■ Develop, modify, archive, and keep technical documents
Manufacturing Center	<ul style="list-style-type: none"> ■ Follow the plan to achieve the operating goals as instructed by the Company. ■ Produce products that meet customers' requirements on time in accordance with production specifications and standard operating procedures. ■ Maintain and plan for production machines and factory facilities. ■ Implement the quality policy and work to achieve quality goals, and coordinate relevant departments to solve quality problems. ■ Design processes and make improvements. ■ Manage subcontractors. ■ Manage after-sales service.

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

(1) Directors

April 10, 2022

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	June 10, 2020	3 years	June 15, 1981	51,703,063	15.31%	51,703,063	13.78%	3,813,236	1.02%	0	0	Chairman of Guang-Lai Investment Co., Ltd. Chairman of Spring City Resort Co., Ltd. Chairman of Phihong (Dongguan) Electronics Co. Ltd. Chairman of Phihong Electronics (Suzhou) Co., Ltd. Chairman of Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. Chairman of Yanghong Trade (Shanghai) Co., Ltd. Chairman of Dongguan Shuang-Ying Electronics Co., Ltd. Chairman of nLighten Technologies Inc. General Manager of Phihong Vietnam Co., Ltd. Director of Phihong International Corp. Director (Representative of Juristic Person) of Phitek International Co., Ltd. Director (Representative of Juristic Person) of Ascent Alliance Ltd. Director (Representative of Juristic Person) of H&P Venture Capital Co., Ltd. Director (Representative of Juristic Person) of Han-Yu Venture Capital Co., Ltd. Director (Representative of Juristic Person) of Zhong-Xuan Venture Capital Co., Ltd. Supervisor (Representative of Juristic Person) of Taiwan Cultural & Creativity No. 1 Co., Ltd. Chairman of Progen Electronic Technology (Shanghai) Co., Ltd. Director of Hua Jung Co., Ltd. Director (Representative of Juristic Person) of BMC Venture Capital Investment Corporation	Director Director	Lin, Fei-Hong Lin, Yang-Hong	Father and son Father and son	Note 1	
Director	R.O.C.	Lin, Fei-Hong	Male 41~ 50	June 10, 2020	3 years	June 10, 2020	3,376,000	1.00%	3,376,000	0.90%	0	0	0	0	Special Assistant to the Chairman of Phihong Technology Co. Ltd./ Head of Electric Vehicle Energy Business Unit Executive Vice President, Spring City Resort Co., Ltd. Takushoku University	Chairman (Representative of Juristic Person) of Phihong USA Corp. Representative Director of PHIHONG TECHNOLOGY JAPAN CO., LTD Supervisor (Representative of Juristic Person) of Phihong Electronics (Suzhou) Co., Ltd. Supervisor (Representative of Juristic Person) of Yanghong Trade (Shanghai) Co., Ltd. Director (Representative of Juristic Person) of Dongguan Shuang-Ying Electronics Co., Ltd. Director (Representative of Juristic Person) of Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. Director of JD Power Co., Ltd.	Chairman Director	Lin, Chung-Min Lin, Yang-Hong	Father and son Sibling	None
Director	R.O.C.	Chou, Ming-Chih	Male 51~60	June 10, 2020	3 years	June 19, 2014	0	0	0	0	0	0	0	0	Chairman of Ming-Xin Venture Capital Co., Ltd. Graduate Institute of Management, National Taiwan University of Science and Technology	Chairman of Zhi-Xin Investment Co., Ltd Director of Amtran Technology Co., Ltd. Director of BMB Venture Capital Investment Corporation Director (Representative of Juristic Person) of H&P Venture Capital Co., Ltd. Director of Zhong-Xuan Venture Capital Co., Ltd. Independent Director of Azurewave Technologies, Inc.	None	None	None	None
Director	R.O.C.	Wang, Chia-Kun	Male 61~70	June 10, 2020	3 years	June 14, 2005	0	0	0	0	0	0	0	0	Chairman of Chin Shen Health Management Consultant Co. MBA, University of San Diego, USA	Chairman of Hong-Qun Development and Construction Co., Ltd. Independent Director of Shihlin Development Company Limited Director of Ming-Tai Entertainment Co., Ltd.	None	None	None	None

Title	Nationality or Place of Registration	Name	Gender	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	
Director	R.O.C.	Chou, Ta-Jen	Male	June 10, 2020	3 years	June 14, 2005	0	0	0	0	0	0	0	0	Chairman of CTC Capital, Inc. Bachelor's in Law, Soochow University Master of Laws, Harvard Law School	Independent Director of Amtran Technology Co., Ltd. Independent Director of China Chemical & Pharmaceutical Co., Ltd. Chairman of ZHI KANG Venture Capital Investment Company, Ltd. Director of nLighten Technologies Inc.	None	None	None	None
Director	R.O.C.	Chiang, Wei-Feng	Male	June 10, 2020	3 years	June 15, 2011	0	0	0	0	0	0	0	0	Chairman of Black Marble Capital Management Co., LTD. Master's in Business Management, National Chung Hsing University	Chairman of MegaPro Biomedical Co., Ltd. Director of Ritek Corporation Director of Hua Jung Co., Ltd. Director of HT Precision Technologies, Inc.	None	None	None	None
Director	R.O.C.	Kuan Feng Investment Ltd.	N/A	June 10, 2020	3 years	June 9, 2003	3,034,905	0.90%	3,034,905	0.81%	0	0	0	0	None	None	None	None	None	None
		Representative of Juristic Person Lin, Yang-Hong	Male				41~50	3,384,000	1.00%	3,384,000	0.90%	63	0	0	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 Juristic Person) of Dongguan Phitek Electronics Co., Ltd. Director (Representative of Juristic Person) of Phihong Electronics (Suzhou) Co., Ltd. Director (Representative of Juristic Person) of Yanghong Trade (Shanghai) Co., Ltd. Director (Representative of Juristic Person) of Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. Director (Representative of Juristic Person) of Guang-Lai Investment Co., Ltd.	Chairman Director
Independent Director	R.O.C.	Hong, Yu-Yuan	Male	June 10, 2020	3 years	June 14, 2017	0	0	0	0	0	0	0	0	Chairman of San-Gui Construction Co., Ltd. PhD in Management, University of Sydney, Australia	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. Director of Ting-Mao Construction Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Lin, Kuei-Hong	Male	June 10, 2020	3 years	June 14, 2017	20,578	0.01%	20,578	0.01%	0	0	0	0	Head of LOHAS Outdoor Products Enterprise Department of Public Administration, Tamkang University	None	None	None	None	
Independent Director	R.O.C.	Chang, Hsien-Ta	Male	June 10, 2020	3 years	June 14, 2017	0	0	0	0	0	0	0	0	Head of Tang Zhe Enterprise Taibei High School	Chairman of Wei Dao Ltd.	None	None	None	None

Note 1: (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, devoted himself to the field of business development, and, thus, accumulated extensive marketing experience in the electronic technology industry/domestic and overseas customer markets, especially; particularly, he has many years of practical experience in the Company's main product: power supply business. In the meager profit era, when the Company is facing rapid changes in the product environment, Mr. Lin, Yang-Hong has even taken the initiative to take on the great responsibility as the Company's Executive Vice President. During this period, he has faced severe challenges fearlessly despite hardships.

Phihong has a complete corporate governance and internal control system. The Chairman and General Manager are relatives within the first degree of kinship, which is a plus for operation and management as it is easier to communicate with each other and form a consensus, fully demonstrating corporate flexibility and high-efficiency operations. Mr. Lin, Yang-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) Countermeasure: The Company has engaged three independent directors, and more than half of the directors do not serve as employees or managers concurrently at the Company. The Company plans to engage an additional independent director in 2023 shareholders' meeting to strengthen corporate governance.

1. Major Institutional Shareholders

April 10, 2022

Name of Institutional Shareholder	Major Institutional Shareholders	Shareholding (%)
Kuan Feng Investment Ltd.	Lin, Kuan-Hong	16.67%
	Lin, Chung-Min	16.67%
	Chien, Shu-Nu	16.67%
	Lin, Yang-Hong	16.67%
	Lin, Fei-Hong	16.66%
	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 Independent Director's Independence Status April 10, 2022

Qualifications		Professional Qualification and <u>Experience</u>	Independence Status (Note 1)	Number of Other Public Companies where the Individual Concurrently Serves as Independent Director	Note
Identity Name					
Chairman	Lin, Chung-Min	<p>●Professional qualification: He is the Chairman of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: Founder of the Company; he has been Chairman of Pihong Technology for over 49 years.</p>	The independence status of Chairman Lin, Chung-Min two years prior to the election and during the term of office complies with conditions in (5), (6), (9), (11), and (12) in Note 1.	None	For the profile of Directors and Independent Directors, please refer to pages 12 to 13 of the Annual Report.
Director	Lin, Fei-Hong	<p>●Professional qualification: He is the Company's Executive 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.</p> <p>●Experience: He held positions as the Executive Vice President of Spring City Resort Co., Ltd. and the BU Head of the EV Energy Business of Pihong Technology for over five years.</p>	The independence status of Director Lin, Fei-Hong two years prior to the election and during the term of office complies with conditions in (5), (6), (9), (11), and (12) in Note 1.	None	
Director	Wang, Chia-Kun	<p>●Professional qualifications: He is the Company's Director and the Chairman of Chin Shen Health Management Consultant Co., and he possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: He held positions as the Sales Manager of the Bank of America, Manager of Dah-An Commercial Bank, and Senior Executive President of Jing Lei Semiconductor Co., Ltd. for over five years.</p>	The independence status of Director Wang, Chia-Kun two years prior to the election and during the term of office complies with conditions in (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), and (12) in Note 1.	1 Company	
Director	Chou, Ming-Chih	<p>●Professional qualification: He is the Company's Director and the Chairman of Ming-Xin Venture Capital Co., Ltd., and he possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: He held positions as the Chairman of Zhi-Xin Investment Co., Ltd. and Information Officer of Asustek Computer Incorporation for over five years.</p>	The independence status of Director Chou, Ming-Chih two years prior to the election and during the term of office complies with conditions in (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), and (12) in Note 1.	1 Company	
Director	Chou, Ta-Jen	<p>●Professional qualification: He is the Company's Director and the Chairman of CTC Capital, Inc., Ltd., he holds a Master of Laws degree from Harvard Law School, and possesses expertise in business, legal, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: He held positions as the Executive of the Direct Investment Business Group and the Senior Vice President of China Development Financial Holding Corporation, and Director/President of Beijing Branch of Guokai Kaiyuan Equity Investment Fund Management Co., Ltd. for over five years.</p>	The independence status of Director Chou, Ta-Jen two years prior to the election and during the term of office complies with conditions in (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), and (12) in Note 1.	2 Companies	

Identity Name	Qualifications	Professional Qualification and Experience	Independence Status (Note 1)	Number of Other Public Companies where the Individual Concurrently Serves as Independent Director	Not e
Director	Chiang, Wei-Feng	<p>●Professional qualification: 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.</p> <p>●Experience: He held positions as the President of Han Ding Co., Ltd. and Chairman, Hong-Qun Development and Construction Co., Ltd. for over five years.</p>	The independence status of Director Chiang, Wei-Feng two years prior to the election and during the term of office complies with conditions in (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), and (12) in Note 1.	None	For the profile of Directors and Independent Directors, please refer to pages 12 to 13 of the Annual Report
Director	Kuan Feng Investment Ltd.	<p>●Professional qualification: He is the Company's Executive 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.</p> <p>●Experience: He held positions as the Vice President and Group General Manager of Pihong Technology for over five years.</p>	The independence status of Director Lin, Yang-Hong two years prior to the election and during the term of office complies with conditions in (5), (6), (9), and (11) in Note 1.	None	
Representative of Juristic Person	Lin, Yang-Hong	<p>●Experience: He held positions as the Vice President and Group General Manager of Pihong Technology for over five years.</p>			
Independent Director and convener of Functional Committees	Hong, Yu-Yuan	<p>●Professional qualification: He is the Company's Independent Director and the convener of the Company's Remuneration Committee, Audit Committee, and Nomination Committee, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: Associate Professor and Chair of the Department of International Business, College of Management, Toko University. He held positions as the Chairman of San-Gui Construction Co., Ltd. and Chairman of Hong-Cheng Development and Construction Co., Ltd. for over five years.</p>	The independence status of Independent Director Hong, Yu-Yuan two years prior to the election and during the term of office complies with conditions in (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), and (12) in Note 1.	None	
Independent Director and Functional Committees member	Lin, Kuei-Hong	<p>●Professional qualification: He is the Company's Independent Director and the member of the Company's Remuneration Committee, Audit Committee, and Nomination Committee, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: He held the position as the Head of LOHAS Outdoor Products Enterprise for over five years.</p>	The independence status of Independent Director Lin, Kuei-Hong two years prior to the election and during the term of office complies with conditions in (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), and (12) in Note 1.	None	
Independent Director and Functional Committees member	Chang, Hsien-Ta	<p>● Professional qualification: He is the Company's Independent Director and the member of the Company's Remuneration Committee, Audit Committee, and Nomination Committee, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: He held the position as the Head of Tang Zhe Enterprise and Chairman of Wei Dao Ltd. for over five years.</p>	The independence status of Independent Director Chang, Hsien-Ta two years prior to the election and during the term of office complies with conditions in (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), and (12) in Note 1.	None	

Note 1: directors and independent directors shall meet the following conditions during the two years prior to the appointment and during the term of office:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or its affiliate. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse and minor children or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or who is ranked in the top 10 in terms of shareholding.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of shares issued by the Company, that is ranked in the top 5 in terms of shareholding, or that appoints the representative to serve as the director or supervisor

in accordance with Paragraph 1 or 2, Article 27 of the Company Act. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).

- (6) Not a director, supervisor or employees of another Company where the same person controls a majority of the Company's directors or shares with voting rights. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (7) Not a director, supervisor or employee of another Company or institution who or whose spouse is also the Chairman, the General Manager or an equivalent position of the Company. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specific Company or institution that has financial or business relations with the Company. (However, this does not apply in a case where a specific Company or institution holds more than 20% but less than 50% of the total shares issued by the Company and also serves as an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country).
- (9) Not a professional individual, sole proprietor, or partner or an owner, partner, director, supervisor, or managerial officer or a spouse thereof of a Company or institution providing auditing or commercial, legal, financial, accounting services or consultations for the Company or its affiliate with a cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in a case where a member on the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions who performs the duties in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not a spouse or relative within the second degree of kinship to any other director of the Company.
- (11) Not having any of the conditions defined in Article 30 of the Company Act.
- (12) Not a governmental or judicial person or its representative as defined in Article 27 of the Company Act.

3. Board Diversity and Independence:

(1) Diversity of the Board:

The current Board of the Company comprises 10 Directors, of which three are Independent Directors; Directors possess extensive experience and expertise in finance, business, management, laws, IT and other fields, complying with the Board diversity policy of the Company.

The diversity policy of the Company's Board also focuses on the legal expertise of Directors, and at least one Director possesses legal qualifications. Among the ten current Directors, a Director holds the degree of Master of Laws at Harvard Law School, achieving a 10% ratio.

Implementation status of Board diversity:

Item Name of Director		Basic information				Industry experience				Expertise			
		Gender	Nationality	Concurrent Employee	Age	Electronic Technology	Product Design	Assets Management	Others Industries	Operation Management	Commerce, Finance, Accounting	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		
	Wang, Chia-Kun	Male	R.O.C.		61~70	V			V	V	V		V
	Chou, Ming-Chih	Male	R.O.C.		51~60	V		V	V	V	V		V
	Chou, Ta-Jen	Male	R.O.C.		61~70	V		V	V	V	V	V	V
	Chiang, Wei-Feng	Male	R.O.C.		51~60	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
Independent Director	Hong, Yu-Yuan	Male	R.O.C.		51~60	V			V	V	V		V
	Lin, Kuei-Hong	Male	R.O.C.		41~50	V	V		V	V	V		
	Chang, Hsien-Ta	Male	R.O.C.		41~50	V	V		V	V	V		

(2) Independence of the Board

There are ten current members of the Board, of which three are Independent Directors (accounting for 30% of the Board), and three are Directors who are concurrently employees (accounting for 30% of the Board).

As of December 31, 2021, Independent Directors have complied with specifications related to Independent Directors under the Securities and Futures Bureau, Financial Supervisory Commission, and Directors and Independent Directors have no circumstance stipulated under paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act. The Board of the Company is independent (please refer to the "Disclosure of Directors' Professional Qualification and Independent Director's Independence Status" on pages 14 to 15 of the annual report).

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

April 10, 2022

Title	Nationality	Name	Gender	Date of 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 (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relationship	
Chairman and CEO	R.O.C.	Lin, Chung-Min	Male	June 15, 1981	51,703,063	13.78%	3,813,236	1.02%	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	Chairman of Guang-Lai Investment Co., Ltd. Chairman of Spring City Resort Co., Ltd. Chairman of Phihong (Dongguan) Electronics Co. Ltd. Chairman of Phihong Electronics (Suzhou) Co., Ltd. Chairman of Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. Chairman of Yanghong Trade (Shanghai) Co., Ltd. Chairman of Dongguan Shuang-Ying Electronics Co., Ltd. Chairman of nLighten Technologies Inc. General Manager of Phihong Vietnam Co., Ltd. Director of Phihong International Corp. Director (Representative of Juristic Person) of Phitek International Co., Ltd. Director (Representative of Juristic Person) of Ascent Alliance Ltd. Director (Representative of Juristic Person) of H&P Venture Capital Co., Ltd. Director (Representative of Juristic Person) of Han-Yu Venture Capital Co., Ltd. Director (Representative of Juristic Person) of Zhong-Xuan Venture Capital Co., Ltd. Supervisor (Representative of Juristic Person) of Taiwan Cultural & Creativity No. 1 Co., Ltd. Chairman of Progen Electronic Technology (Shanghai) Co., Ltd. Director of Hua Jung Co., Ltd. Director (Representative of Juristic Person) of BMC Venture Capital Investment Corporation	Group General Manager	Lin, Yang-Hong	Father and son	Note 1
Group General Manager	R.O.C.	Lin, Yang-Hong	Male	October 1, 2019	3,384,000	0.90%	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 Juristic Person) of Dongguan Phitek Electronics Co., Ltd. Director (Representative of Juristic Person) of Phihong Electronics (Suzhou) Co., Ltd. Director (Representative of Juristic Person) of Yanghong Trade (Shanghai) Co., Ltd. Director (Representative of Juristic Person) of Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. Director (Representative of Juristic Person) of Guang-Lai Investment Co., Ltd.	Chairman and CEO	Lin, Chung-Min	Father and son	Note 1
Advanced R&D Center Vice President	R.O.C.	Chen, Chun-Cheng	Male	November 1, 2010	80,432	0.02%	0	0	0	0	Vice President of Phihong Technology Co., Ltd. Research Director of Flextronics International (Taiwan) Ltd. Department of Electronic Engineering, Chung Yuan Christian University	Supervisor of JD Power Co., Ltd.	None	None	None	None

Title	Nationality	Name	Gender	Date of 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 (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relationship	
Advanced R&D Center Vice President	R.O.C.	Chang, Yuan-Shun	Male	October 1, 2014	38,091	0.01%	0	0	0	0	Vice President of Phihong Technology Co., Ltd. Leader of Manufacturing Department, Lianli Machinery Research Assistant of Manufacturing Department, Pan Yes Electronics Ltd. Maintenance Engineer, Manufacturing Department, Hwa Fong Telecommunication Ind. Ltd. 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. Marketing Director, Zippy Technology Corp Deputy General Manager, R&D, Bestec Power Electronics Co., Ltd. Project Manager, HP R&D Manager, Asian Power Devices Inc. R&D Manager, Skynet Electronic Co., Ltd. Electrical Engineer, Formosa Petrochemical Corporation Master's, Electrical and Computer Engineering, National Jiaotong University	None	None	None	None	None
Head of finance	R.O.C.	Li, Pei-Yi	Female	November 6, 2020	0	0	0	0	0	0	Financing Manager of Phihong Technology Co., Ltd. Chief of a section, Wonderland Group Senior Specialist, LITE-ON Technology Specialist, Citibank Taiwan Bachelor's in Finance, National Chengchi University	Director (Representative of Juristic Person) of BMC Venture Capital Investment Corporation Director (Representative of Juristic Person) of H&P Venture Capital Co., Ltd. Director (Representative of Juristic Person) of Paradigm Venture Capital Company Supervisor (Representative of Juristic Person) of Spring City Resort Co., Ltd.	None	None	None	None
Head of accounting	R.O.C.	Chen, Kuei-Chih	Female	November 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: (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, devoted himself to the field of business development, and, thus, accumulated extensive marketing experience in the electronic technology industry/domestic and overseas customer markets, especially; particularly, he has many years of practical experience in the Company's main product: power supply business. In the meager profit era, when the Company is facing rapid changes in the product environment, Mr. Lin, Yang-Hong has even taken the initiative to take on the great responsibility as the Company's Executive Vice President. During this period, he has faced severe challenges fearlessly despite hardships.

Phihong has a complete corporate governance and internal control system. The Chairman and General Manager are relatives within the first degree of kinship, which is a plus for operation and management as it is easier to communicate with each other and form a consensus, fully demonstrating corporate flexibility and high-efficiency operations. Mr. Lin, Yang-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) Countermeasure: The Company has engaged three independent directors, and more than half of the directors do not serve as employees or managers concurrently at the Company. The Company plans to engage an additional independent director in 2023 shareholders' meeting to strengthen corporate governance.

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

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

1. Remuneration to General Directors and Independent Directors

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

Title	Name	Director Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 8)		Remuneration Received as Employee						Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%) (Note 8)		Remuneration Received from Invested Companies Other than Subsidiaries or the Parent						
		Base Compensation (A) (Note 1)		Severance Pay and Pension (B) (Note 2)		Director Compensation (C) (Note 3)		Professional Practice Fee (D) (Note 4)				Salary, Bonus, and Allowance (E) (Note 5)		Severance Pay and Pension (F) (Note 2)		Employee Compensation (G) (Note 6)										
		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 Statements	The Company		All Companies in Financial Statements		The Company	All Companies in Financial Statements							
Chairman	Lin, Chung-Min	0	0	0	0	0	0	0	0	2,663	2,663	11,113	16,154	0	0	0	0	0	0	25,173	30,214	None				
Director	Lin, Fei-Hong	0	0	0	0	0	0	0	0			3,695	3,695	0	0	0	0	0	0			0	0	None		
Director	Yang, Shih-Hsiung (Note 7)	0	0	0	0	0	0	12	12			0	0	0	0	0	0	0	0			0	0	None		
Director	Wang, Chia-Kun	0	0	0	0	0	0	269	269			0	0	0	0	0	0	0	0			0	0	None		
Director	Chou, Ming-Chih	0	0	0	0	0	0	269	269			0	0	0	0	0	0	0	0			0	0	None		
Director	Chiang, Wei-Feng	0	0	0	0	0	0	580	580			0	0	0	0	0	0	0	0			0	0	None		
Director	Chou, Ta-Jen	0	0	0	0	0	0	598	598			0	0	0	0	0	0	0	0			0	0	None		
Director	Kuan Feng Investment Ltd.	0	0	0	0	0	0	0	0			-0.85%	-0.85%	0	0	0	0	0	0			0	0	0	None	
Director	Representative of Juristic Person: Lin, Yang-Hong	0	0	0	0	0	0	0	0			7,594	7,594	108	108	0	0	0	0			0	0	-8.05%	-9.67%	None
Independent Director	Hong, Yu-Yuan	0	0	0	0	0	0	305	305			0	0	0	0	0	0	0	0			0	0	0	None	
Independent Director	Lin, Kuei-Hong	0	0	0	0	0	0	315	315	0	0	0	0	0	0	0	0	0	0	0	None					
Independent Director	Chang, Hsien-Ta	0	0	0	0	0	0	315	315	0	0	0	0	0	0	0	0	0	0	0	None					

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 at any time 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 2021: None.

Note 1: Salary, duty allowances, severance pay, bonuses, and incentives paid to the director in 2021.

Note 2: The amount of appropriation or contribution of post-employment pension expensed for directors in 2021; there was no post-employment pension actually paid in 2021.

Note 3: Handled in accordance with the provisions of Articles of Incorporation. The Company recorded a net loss after tax for 2021; therefore, no directors' remuneration is planned to be distributed.

Note 4: Professional practice fees paid to the director in 2021 (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 General Manager, Vice President, managerial officer, etc.) in 2021. 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 Company recorded a net loss after tax for 2020; therefore, no employee compensation is distributed.

Note 7: Director Yang, Shih-Hsiung resigned on April 9, 2021, and remuneration will be from January 1, 2021 to April 9, 2021.

Note 8: 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 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 Lin, Fei-Hong Yang, Shih-Hsiung Wang, Chia-Kun Chou, Ming-Chih Chiang, Wei-Feng Chou, Ta-Jen Hong, Yu-Yuan Lin, Kuei-Hong Chang, Hsien-Ta Kuan Feng Investment Ltd. Representative of Juristic Person: Lin, Yang-Hong	Lin, Chung-Min Lin, Fei-Hong Yang, Shih-Hsiung Wang, Chia-Kun Chou, Ming-Chih Chiang, Wei-Feng Chou, Ta-Jen Hong, Yu-Yuan Lin, Kuei-Hong Chang, Hsien-Ta Kuan Feng Investment Ltd. Representative of Juristic Person: Lin, Yang-Hong	Yang, Shih-Hsiung Wang, Chia-Kun Chou, Ming-Chih Chiang, Wei-Feng Chou, Ta-Jen Hong, Yu-Yuan Lin, Kuei-Hong Chang, Hsien-Ta Kuan Feng Investment Ltd.	Yang, Shih-Hsiung Wang, Chia-Kun Chou, Ming-Chih Chiang, Wei-Feng Chou, Ta-Jen Hong, Yu-Yuan Lin, Kuei-Hong Chang, Hsien-Ta Kuan Feng Investment Ltd.
NT\$1,000,000 (inclusive) ~ NT\$2,000,000	-	-	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000	-	-	-	-
NT\$3,500,000 (inclusive) ~ NT\$5,000,000	-	-	Lin, Fei-Hong	Lin, Fei-Hong
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	-	-	Representative of Juristic Person: Lin, Yang-Hong	Representative of Juristic Person: Lin, Yang-Hong
NT\$10,000,000 (inclusive) ~ NT\$15,000,000	-	-	Lin, Chung-Min	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000	-	-	-	Lin, Chung-Min
NT\$30,000,000 (inclusive) ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	12 people	12 people	12 people	12 people

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)		Severance Pay and Pension (B) (Note 2)		Bonus and Special Allowance (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 5)		Whether There is Remuneration Received from Invested Companies Other than Subsidiaries or the Parent
		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	6,384	11,426	0	0	4,729	4,729	0	0	0	0	31,391 -10.04%	36,433 -11.65%	None
Group General Manager	Lin, Yang-Hong	4,320	4,320	108	108	3,274	3,274	0	0	0	0			None
Advanced R&D Center Vice President	Chen, Chun-Cheng	3,970	3,970	108	108	1,500	1,500	0	0	0	0			None
Advanced R&D Center Vice President	Chang, Yuan-Shun	2,382	2,382	108	108	800	800	0	0	0	0			None
Marketing Planner and Vice President	Chien, Wen-Sung	2,400	2,400	108	108	1,200	1,200	0	0	0	0			None

Note 1: Salary, duty allowances, and severance pay paid to the Chairman and CEO, General Manager, and Vice President in 2021.

Note 2: The amount of appropriation or contribution of post-employment pension expensed for the Chairman and CEO, General Manager, and Vice President in 2021.

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 2021. 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 recorded a net loss after tax for 2021; therefore, no employee compensation is planned to be distributed.

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 Vice Presidents	Name of General Manager and Vice President	
	The Company	All Companies in Financial Statements (E)
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000	Chang, Yuan-Shun	Chang, Yuan-Shun
NT\$3,500,000 (inclusive) ~ NT\$5,000,000	Chien, Wen-Sung	Chien, Wen-Sung
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	Chen, Chun-Cheng / Lin, Yang-Hong	Chen, Chun-Cheng / Lin, Yang-Hong
NT\$10,000,000 (inclusive) ~ NT\$15,000,000	Lin, Chung-Min	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000	-	Lin, Chung-Min
NT\$30,000,000 (inclusive) ~ NT\$50,000,000	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000	-	-
More than NT\$100,000,000	-	-
Total	5 people	5 people

4. Remuneration of the executives with the top five highest remuneration

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

Title	Name	Salary (A) (Note 1)		Severance Pay and Pension (B) (Note 2)		Bonus and Special Allowance (C) (Note 3)		Employee Compensation (D) (Note 4)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 5)		Whether There is Remuneration Received from Invested Companies Other than Subsidiaries or the Parent
		The Company	All Compani es in Financial Statement s	The Compan y	All Compani es in Financial Statement s	The Company	All Compani es in Financial Statement s	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	6,384	11,426	0	0	4,729	4,729	0	0	0	0	31,391 -10.04%	36,433 -11.65%	None
Group General Manager	Lin, Yang- Hong	4,320	4,320	108	108	3,274	3,274	0	0	0	0			None
Advanced R&D Center Vice President	Chen, Chun- Cheng	3,970	3,970	108	108	1,500	1,500	0	0	0	0			None
Marketing Planner and Vice President	Chien, Wen- Sung	2,400	2,400	108	108	1,200	1,200	0	0	0	0			None
Vice President of Advanced R&D Center	Chang, Yuan- Shun	2,382	2,382	108	108	800	800	0	0	0	0			None

Note 1: Salary, allowance, and severance payment for the executives (managerial officers) with the top five highest remuneration in 2021.

Note 2: Post-employment pension for the executives (managerial officers) with the top five highest remuneration in 2020.

Note 3: Remuneration, including the bonuses, incentives, transportation expenses, special allowances, other allowances, accommodation, and Company cars, paid to the executives (managerial officers) with the top five highest remuneration in 2021. 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 recorded a net loss after tax for 2021; therefore, no employee compensation is planned to be distributed.

Note 5: The information of “total remuneration” and the “ratio of total remuneration to net profit after tax” is set out respectively.

5. Employee compensation distributed to managerial officers

December 31, 2021; Unit: NT\$1,000

Managerial officers	Title (Note 1)	Name (Note 1)	Stock (Note 2)	Cash (Note 2)	Total	Total and Its Ratio to Net Income (%)
	Chairman and CEO	Lin, Chung-Min	0	0	0	0%
	Group General Manager	Lin, Yang-Hong				
	Advanced R&D Center Vice President	Chen, Chun-Cheng				
	Advanced R&D Center Vice President	Chang, Yuan-Shun				
	Marketing Planner and Vice President	Chien, Wen-Sung				
	Head of finance	Li, Pei-Yi				
	Head of accounting	Chen, Kuei-Chih				

Note 1: Disclose the name and title of the managerial officer separately; the amount of earning distributed may be disclosed collectively.

Note 2: Handled in accordance with the provisions of Articles of Incorporation. The Company recorded a net loss after tax for 2021; therefore, no employee compensation is planned to be distributed.

Note 3: The information of "total remuneration" and the "ratio of total remuneration to net profit after tax" is set out respectively.

(2) Total Remuneration, as a Percentage of Net Income, Paid by the Company and All Companies in Financial Statements during the Past Two Fiscal Years to Directors, General Manager, and Vice Presidents, Along with Remuneration Policies, Standards, and Packages, Procedures for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure

Year	The Company Remuneration Paid to Directors, General Manager, and Vice Presidents		All Companies in Consolidated Financial Statements Remuneration Paid to Directors, General Manager, and Vice Presidents		Remuneration Policies, Standards, and Packages, Procedures for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure
	Total (In Thousands of New Taiwan Dollars)	As a Percentage of Net Income (%)	Total (In Thousands of New Taiwan Dollars)	As a Percentage of Net Income (%)	
2020	27,832	-18.00%	33,141	-21.44%	<p>I. Remuneration to directors is adjusted in accordance with the Company's Articles of Association and the actual conditions below:</p> <ol style="list-style-type: none"> The actual period of serving as a director and the degree of responsibilities attached. The attendance rate of each director and the degree of participation in the Company's internal operations. <p>II. Managerial officers' remuneration include the following:</p> <ol style="list-style-type: none"> The monthly salary for each supervisor. Internal bonus distributed. Employee compensation is adjusted according to the standards below: <ol style="list-style-type: none"> With reference to the Company's operating conditions. Work performance and contribution of supervisors at all levels With reference to internal regulations. <p>III. The performance appraisal and reasonableness of the remuneration to directors and managers are reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system is reviewed at any time 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.</p> <p>IV. Handled in accordance with the provisions of Articles of Incorporation. The Company recorded a net loss after tax for 2021; therefore, no directors' remuneration and employee compensation is planned to be distributed.</p>
2021	37,749	-12.08%	42,790	-13.69%	

IV. Implementation of Corporate Governance:

(1) Board of Directors:

A total of 8 meetings of the Board of Directors (A) were held during the most recent Year (from January 1, 2021 to December 31, 2021). 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	6	2	75.00%	Directors elected at the shareholders' meeting on June 10, 2020 shall attend 8 times of board meeting.
Director	Kuan Feng Investment Ltd. Representative: Lin, Yang-Hong	8	0	100.00%	
Director	Wang, Chia-Kun	7	1	87.50%	
Director	Lin, Fei-Hong	6	2	75.00%	
Director	Chou, Ming-Chih	7	1	87.50%	
Director	Chou, Ta-Jen	8	0	100.00%	
Director	Chiang, Wei-Feng	7	1	87.50%	
Director	Yang, Shih-Hsiung	2	0	100.00%	Resigned as transferring over half of the shareholding at the time of election; the number of attendances shall be two times.
Independent Director	Hong, Yu-Yuan	7	1	87.50%	Independent directors elected at the shareholders' meeting on June 10, 2020 shall attend 8 times of board meeting.
Independent Director	Lin, Kuei-Hong	8	0	100.00%	
Independent Director	Chang, Hsien-Ta	8	0	100.00%	

Other matters to be recorded:

- 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:
 - 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.
 - Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None.
- 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 29, 2021 The 5th meeting of the 14th-term	Deliberation of the Company's 2020 year-end bonus distribution plan for managers.	Chairman Lin, Chung-Min, General Manager Lin, Yang-Hong, and Special Assistant Lin, Fei-Hung were the interested parties of the proposal; therefore, they abstain from discussion and voting in accordance with the recusal policy under Article 206 of the Company Act, and the proposal was passed as proposed.
	Deliberation of the 2020 business execution expenses for Company's Directors and Independent Directors.	Directors Wang, Chia-Kun, Chou, Ta-Jen, Chiang, Wei-Feng, Chou, Ming-Chih, Yang, Shih-Hsiung, and Independent Directors Hong, Yu-Yuan, Lin, Kuei-Hong, and Chang, Hsien-Ta were the interested parties of the proposal; therefore, they abstain from discussion and voting in accordance with the recusal policy under Article 206 of the Company Act, and the proposal was passed as proposed.
August 4, 2021 The 9th meeting of the 14th-term	Proposal for adjustment to salary for Directors who served as employees of the Company concurrently.	Chairman Lin, Chung-Min, General Manager Lin, Yang-Hong, and Special Assistant Lin, Fei-Hung were the interested parties of the proposal; therefore, they abstain from discussion and voting in accordance with the recusal policy under Article 206 of the Company Act, and the proposal was passed as proposed.

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

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation
Once every year	Conduct the performance evaluation (from January 1, 2021 to December 31, 2021) of the Board of Directors.	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.	<ol style="list-style-type: none"> 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. 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 education of directors, and internal control. 3. Performance of functional committees: participation in the operation of the Company, awareness of the duties of functional committees, improvement of the quality 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:

(1) A summary of the Audit Committee's 2021 key work contents:

The Audit Committee of the Company is composed of three Independent Directors. The Audit Committee aims to assist the Board in supervising the quality and integrity of the Company's implementation in accounting, auditing, financial reporting procedures, and financial control.

The Audit Committee held seven meetings in 2021, and the main items deliberated include:

- A. Formulation or amendment to the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- B. Evaluation of the effectiveness of the internal control system.
- C. Formulation or amendment to the procedures for material financial activities, including acquisition or disposal of activities, engaging in derivatives trading, lending of funds to others, and providing endorsement or guarantee to others in accordance with the provisions of Article 36-1 of the Securities and Exchange Act.
- D. Matters involving Directors' own interests.
- E. Material asset or derivatives transactions.
- F. Material loaning of funds to others or provision of endorsements or guarantees.
- G. Raising, issuance, or private placement of equity-based securities.
- H. Appointment or dismissal of, or remuneration to CPAs.
- I. Appointment and dismissal of finance, accounting, or internal audit officer.
- J. Annual financial statements and semi-annual financial statements.
- K. Business report and earnings distribution or loss compensation proposal.
- L. Material matters specified by other companies or competent authorities.

(2) Strengthening of the operation of the Board and the transparency of information disclosure

A. 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 eight Board meetings in 2021, with a Directors' attendance rate of 90.24%. The Director attendance would be disclosed on the MOPS immediately after each Board meeting. The important resolutions of the Board are disclosed on the Company's website.

B. The Company continues to pursue corporate governance and financial information transparency, and was rated among top 6%-20% of the public companies in the 8th "Corporate Governance Evaluation" organized by the Securities and Futures Institute.

(3) Implementation of corporate governance and enhance the function of the Board

To establish performance targets to enhance the operational efficiency of the Board, the Board Performance Evaluation Rules were formulated on August 11, 2016, and the Board resolved to establish the Functional Committee Performance Self-evaluation Questionnaire on March 13, 2020. The performance evaluation of the Board, Directors, and functional committees is carried out at least once a year. The results of the performance evaluation of the Board were reported to the Board on March 10, 2022, and are disclosed on the Company's website for investors' reference.

(2) Audit Committee:

A total of 7 meetings of the Audit Committee (A) were held during the most recent Year (from January 1, 2021 to December 31, 2021). 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	6	1	85.71%	Independent directors elected at the shareholders' meeting on June 10, 2020 shall attend 7 times of audit committee meeting.
Independent Director	Lin, Kuei-Hong	7	0	100.00%	
Independent Director	Chang, Hsien-Ta	7	0	100.00%	

Other matters to be recorded:

If any of the following circumstances occurs, the dates, terms of the Board meetings, contents of motions, reservations or objections of Independent Directors, contents of major recommendations, 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	Opinions of Independent Directors and major recommendations	Resolutions of the Audit Committee	Handling of the Audit Committee's Opinions
January 29, 2021 The 4th meeting of the 2nd-term	1. The Company's Operating Budget for 2021.	None	Passed by all Audit Committee members present as proposed.	Passed by all directors present as proposed.
	2. Proposal for partial amendments to the provisions of the Procedures for Acquisition or Disposal of Assets, and authorization of senior executives and trading personnel for the Company's derivatives trading.	None		
March 5, 2021 The 5th meeting of the 2nd-term	1. The Company's 2020 Annual Business Report, Standalone Financial Statements, and Consolidated Financial Statements.	None	Passed by all Audit Committee members present as proposed.	Passed by all directors present as proposed.
	2. The Company's Deficit Compensation for 2020.	None		
	3. The Company's 2020 "Statement of Internal Control System."	None		
	4. Proposal for assessment of independence of the Company's CPAs and accountants after replacement from the first quarter of 2021.	None		
	5. Proposal for appointment of CPAs and their remuneration.	None		
6. Proposal for loaning of funds by the subsidiary Phihong (Dongguan) Electronics Co., Ltd. to the subsidiary Dongguan Phitek Electronics Co., Ltd.	None			
May 6, 2021 The 6th meeting of the 2nd-term	1. The Company's Consolidated Financial Statements for the first quarter of 2021.	None	Passed by all Audit Committee members present as proposed.	Passed by all directors present as proposed.
August 4, 2021 The 7th meeting of the 2nd-term	1. The Company's Consolidated Financial Statements for the second quarter of 2021.	None	Passed by all Audit Committee members present as proposed.	Passed by all directors present as proposed.
	2. Proposal for providing guarantee for the financing for the subsidiary Phihong Usa Corp.	None		
October 28, 2021 The 8th meeting of the 2nd-term	1. Proposal for the private offering of ordinary shares for capital increase in cash.	None	Passed by all Audit Committee members present as proposed.	Passed by all directors present as proposed.
November 4, 2021 The 9th meeting of the 2nd-term	1. The Company's Consolidated Financial Statements for the third quarter of 2021.	None	Passed by all Audit Committee members present as proposed.	Passed by all directors present as proposed.
	2. The Company's Audit Plan for 2021.	None		
	3. The amendments to the articles of the Company's "Internal Control System."	None		
	4. Proposal for the partial amendments to the provisions of the subsidiaries' "Procedures for Loans to Others."	None		
	5. Proposal for mid-term assessment of the funds loaned to the Group's subsidiaries.	None		
	6. Proposal for loaning of funds by the subsidiary Phihong Electronics (Suzhou) Co., Ltd. to the subsidiary Dongguan Phitek Electronics Co., Ltd.	None		

Date of the Audit Committee	Content of Motion	Opinions of Independent Directors and major recommendations	Resolutions of the Audit Committee	Handling of the Audit Committee's Opinions
December 22, 2021 The 10th meeting of the 2nd-term	1. Proposal for cash capital reduction of the subsidiary Phihong International Corp.	None	Passed by all Audit Committee members present as proposed.	Passed by all directors present as proposed.
	2. The Company proposed to perform the capital increase of Dongguan Phitek Electronics Co., Ltd. through subsidiary Phitek International Co., Ltd.	None		
	3. Proposal for the establishment of the issuing price for the ordinary shares under the private offering in 2021, the issue amount of the private offering, and payment period, and the base date for the capital increase.	None		

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.tendance of independent directors at 2021 Board meetings (Y: attendance in person; Δ: attendance by proxy)

Board of Directors Independent Director	January 29, 2021 The 5th meeting of the 14th-term	March 5, 2021 The 6th meeting of the 14th-term	May 6, 2021 The 7th meeting of the 14th-term	July 9, 2021 The 8th meeting of the 14th-term	August 4, 2021 The 9th meeting of the 14th-term	October 28, 2021 The 10th meeting of the 14th-term	November 4, 2021 The 11th meeting of the 14th-term	December 22, 2021 The 12th meeting of the 14th-term
Hong, Yu-Yuan	Y	Δ	Y	Y	Y	Y	Y	Y
Lin, Kuei-Hong	Y	Y	Y	Y	Y	Y	Y	Y
Chang, Hsien-Ta	Y	Y	Y	Y	Y	Y	Y	Y

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 audit or review results of the quarterly financial statements and other matters required by relevant laws and regulations in the quarterly Audit Committee meeting.

(2)The minutes of separate communication between independent directors, the internal audit officer, and CPAs:

Time: Thursday, November 4, 2021 at 9:30

Location: Meeting room of the Company (video conference)

Attendance: Independent Directors Hong, Yu-Yuan, Lin, Kuei-Hong, and Chang, Hsien-Ta, CPAs Wu, Ke-Chang and Hong, Kuo-Tien, and Manager Wang, Hsien-Yi.

Presence: Manager Li, Pei-Yi

I. Communication principle between independent directors, the internal audit officer, and CPAs:

1. Generally, the chief of audit and CPAs may directly contact Independent Directors subject to the requirements, and they have healthy communication status.

2. Apart from receiving the audit report monthly, the chief of audit also report to the Independent Directors at the seminar regarding the audit operations of the Company and subsidiaries.

3. CPAs report to Independent Directors at the annual seminar regarding the audit on the financial statements.

II. Communication between independent directors, the internal audit officer, and CPAs in 2021:

Date	Attending Personnel	Communication Matters	Communication Matters
November 4, 2021	Independent Director Hong, Yu-Yuan Independent Director Lin, Kuei-Hong Independent Director Chang, Hsien-Ta CPA Wu, Ke-Chang CPA Hong, Kuo-Tien Audit Officer Wang, Hsien-Yi	1. Discussed key audit matters (KAM). 2. Discussed environmental, social, and corporate governance (ESG) issues. 3. Discussed the 2022 audit plan. 4. Discussed the amendment to internal control system.	All Independent Directors approved the recommendations of the KAM, ESG issues, the 2022 audit plan, and the amendments to the internal control system.

(3) 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 Corporate Governance 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				
(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?	V		(I) The Company has spokespeople and dedicated personnel to deal with issues, such as shareholder suggestions or disputes.	(I) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(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?	V		(II) Major shareholders disclose their ownership and changes in pledge in accordance with regulations every month.	(II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company establish and enforce risk control and firewall systems with its affiliates?	V		(III) The financial relationship and business transactions between the Company and associates are handled in accordance with relevant laws and regulations, the Company's internal control system, and the supervision methods for subsidiaries.	(III) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company establish internal rules to prohibit insiders from trading in securities using information not disclosed to the market?	V		(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.	(IV) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
III. Composition and responsibility of the Board of Directors				
(I) Does the Board of Directors establish and implement the diversification policy and specific management goals?	V		(I) Enhanced diversity policy and the diverse backgrounds of directors: The Company has 10 directors, of which three are Independent Directors (accounting for 30% of the Board), and three are Directors who are concurrently employees (accounting for 30% of the Board). Each Director possesses expertise in finance, business and management, laws, and IT, and extensive experience and expertise, which is in line with the Company's Board diversity policy. In addition, the diversity policy of the Company's Board also focuses on the legal expertise of Directors, and at least one Director possesses legal qualifications. Among the ten current Directors, a Director holds the degree of Master of Laws at Harvard Law School, achieving a ratio of 10%.	(I) In compliance with the Corporate Governance Best Practice 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 three independent directors to form a Nomination Committee on August 11, 2017. The Nomination Committee faithfully performs the following responsibilities and powers and submits its suggestions to the Board of Directors for discussion: 1. Establish standards for the diversified background and independence of directors and independent directors, such as expertise, technology, experience, and gender, and seek, review, and nominate candidates for directors and independent directors accordingly. 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. 3. Develop or review directors' continuing education program.	(II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
(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?	V		<p>4. Formulate the Company's Corporate Governance Best Practice Principles.</p> <p>(III) The Company's Board of Directors has passed the Board Performance Evaluation Rules on August 11, 2016, stipulating that the Board of Directors and individual directors should conduct performance evaluation at least once a year. The internal evaluation period of the Board of Directors shall be performed at the end of each year and the performance evaluation of the current year shall be carried out in accordance with said rules.</p> <p>1. The Company's Nomination Committee and Board of Directors convened on March 10, 2022 to report on the evaluation results and the direction of continuous improvement.</p> <p>2. The measurement items of the board performance evaluation include the following five aspects:</p> <p>(1) Participation in the operation of the Company.</p> <p>(2) Improvement of the quality of the Board of Directors' decision making.</p> <p>(3) Composition and structure of the Board of Directors.</p> <p>(4) Election and continuing education of directors.</p> <p>(5) Internal Control.</p> <p>3. The measurement items of the performance evaluation of individual directors include the following six aspects:</p> <p>(1) Alignment of the goals and missions of the Company.</p> <p>(2) Awareness of the duties of a director.</p> <p>(3) Participation in the operation of the Company.</p> <p>(4) Management of internal relationship and communication.</p> <p>(5) The director's professionalism and continuing education.</p> <p>(6) Internal Control.</p> <p>4. The measurement items of the performance evaluation of functional committees should at least include the following five aspects:</p> <p>(1) Participation in the operation of the Company.</p> <p>(2) Awareness of the duties of the functional committee.</p> <p>(3) Improvement of quality of decisions made by the functional committee.</p> <p>(4) Composition of functional committees and election of members.</p> <p>(5) Internal Control.</p> <p>5. The Company's unit dedicated to Board of Directors' meeting affairs adopts the method above to conduct analysis, reports on the evaluation results to the Board of Directors, and discloses it on the Company's website.</p> <p>The evaluation results of the 2021 board performance evaluation are as follows:</p> <p>(1) The overall average score of the board performance self-evaluation is 97.5 points.</p> <p>(2) The overall average score of the performance self-evaluation of board members is 100 points.</p> <p>(3) The overall average score of the performance self-evaluation of functional committees is 100 points</p> <p>(4) The performance evaluation of the Board of Directors in 2021 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.</p>	(III) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company evaluate the independence of CPAs on a regular basis?	V		(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 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies as follows:	(IV) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
			<p>1. The CPAs appointed have no direct or indirect material financial interest relationship with the Company.</p> <p>2. The CPAs do not have a close business relationship and potential employment relationship with the Company.</p> <p>3. The CPAs appointed have not acted as the defender of the Company or coordinated conflicts with other third parties on behalf of the Company.</p> <p>4. The CPAs appointed and their spouse or dependent relatives have not had engaged in any financing or guarantee activities with the Company or the Company's directors or supervisors.</p> <p>5. The CPAs appointed and their spouse or dependent relatives have not worked as directors, supervisors, managers, or served positions that have a material impact on audit projects either currently or within the last two years, nor will they serve as the aforementioned relevant positions in the future audit periods</p> <p>6. The CPAs appointed and their spouse or dependent relatives are not relatives of the Company's Board of Directors, supervisors, managers, or persons with positions that have a material influence on audit projects.</p> <p>7. The CPAs appointed do not work as a broker for the stocks or other securities issued by the Company.</p> <p>8. The CPAs appointed have not provided the Company with non-audit services that may directly affect the audit work.</p> <p>9. The CPAs appointed have not concurrently operated other businesses that may undermine their independence.</p> <p>10. The CPAs appointed have not received any commissions related to the Company's business.</p> <p>11. The CPAs appointed have not accepted gifts of great value from the Company, its directors, supervisors, or managers (the value of which exceeds the standard of general social etiquette).</p> <p>12. The CPAs appointed have not violated with competent authorities' regulations regarding CPA rotation, handles of accounting affairs on behalf of others, or other regulations that can affect independence.</p> <p>13. The CPAs appointed does not have any inappropriate relationship with the Company other than the above.</p> <p>14. The CPAs appointed shall ensure that their assistants are honest, impartial, and independent.</p> <p>The CPAs appointed was reviewed by the Audit Committee and the Board of Directors of the Company on March 10, 2022. The requirements above are in compliance with the independence standard, and a statement on independence has been issued.</p>	
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 meetings of the Board of Directors and shareholders' meetings on the basis of the laws, and preparing the minutes of the Board meetings and shareholders' meetings, etc.)?	V		<p>The Company' dedicated (concurrent) corporate governance unit is the Finance and Administration Center. On August 28, 2020, the board of directors approved the appointment of General Manager Lin, Yang-Hong as the corporate governance officer to protect the rights and interests of shareholders and strengthen the board functions.</p> <p>Its business executed in 2021 is as follows:</p> <p>(I) Assisted independent directors and general directors in performing their duties, provided them with required information, and arranged continuing education for them:</p> <ol style="list-style-type: none"> 1. Regularly notified the board members regarding the Company's business areas and amendments to and development of the latest corporate governance-related laws and regulation. 2. Reviewed the level of confidentiality of relevant information and provided Company information required by directors to maintain smooth communication and exchanges between directors and business executives. 	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status		Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	
			<p>3. Assisted in arranging relevant meetings when independent directors had needs for individual meetings with the internal audit officer or CPAs to understand the Company's financial business in accordance with the Company's Corporate Governance Best Practice Principles.</p> <p>4. Assisted independent directors and general directors in drawing up annual training plans and arranging courses in accordance with the Company's industry characteristics and directors' learning and experience background.</p> <p>(II) Assisted the board of directors and shareholders with meeting procedures and compliance related to resolutions:</p> <ol style="list-style-type: none"> 1. Reported on the Company's corporate governance operation status to the Board of Directors, independent directors, and the Audit Committee, and confirmed whether the Company's shareholders meeting and the Board of Directors met the relevant laws and the Company's Corporate Governance Best Practice Principles. 2. Assisted and reminded directors of the laws and regulations to be followed when performing business or making formal board resolutions, and made suggestions when the Board of Directors was about to adopt illegal resolutions. 3. Reviewed the release of material information of important resolutions of the Board of Directors after meetings, ensured the legality and correctness of the content of the material information, so as to ensure the correctness of transaction information provided to investors. <p>(III) Maintained investor relations: Arranged exchanges and communication between directors and major shareholders, institutional investors, or general shareholders as necessary, so that investors could obtain sufficient information to evaluate and determine the reasonable capital market value of the Company, and the shareholders' rights and interests could be well protected.</p> <p>(IV) Drafted the agenda of a board meeting and notified the directors seven days in advance, convened the meeting and provided meeting materials, and reminded directors in advance of conflicts of interest, if any, and completed the meeting minutes within 20 days after the meeting.</p> <p>(V) Conducted the pre-registration of the date of a shareholders' meeting in accordance with the law, prepared the meeting notice, meeting handbook, and minutes of proceedings within the statutory time limit, and handled changes in the registration of the Articles of Association or the director election rules.</p>
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		<p>The Company has always attached importance to the communication of opinions from stakeholders, including shareholders, communities, government agencies, non-profit organizations, financial institutions, suppliers, customers, and employees, 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.</p> <p>The Company has always attached importance to communicating opinions with stakeholders, including employees, shareholders, customers, suppliers, and local communities, and respects their legitimate rights and interests.</p> <p>(I) In terms of shareholders: In addition to the annual shareholders' meeting, the Company's website has a special section for investors and shareholders to disclose relevant information and has a shareholder service consultation email with dedicated personnel for response.</p> <p>(II) In terms of employees:</p> <ol style="list-style-type: none"> 1. The Company has set up employee relations functional units and a human resources unit in the organization

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
			<p>to strengthen the positive interactive relationship with employees, and improve the employee communication mechanism.</p> <p>2. As for execution, the Company regularly organizes labor-management meetings for two-way communication to enhance employees' recognition of and commitment to the Company. There is also an electronic complaint mailbox for employees to express opinions of the Company and events held, through which and employees' opinions are collected, to maintain smooth communication between the Company and employees.</p> <p>(III) In terms of customers: In addition to daily business communication channels and regular meetings, the Company takes the initiative to serve customers to obtain orders of products and services from them.</p> <p>(IV) In terms of suppliers: In addition to daily business communication channels and regular meetings, the Company regularly organizes supplier conferences every year to ensure that they can advance with the times with the Company to protect the environment sustainably.</p> <p>(V) Local communities: The Company conducts irregular communication meetings with the park on waste and sewage, waste treatment, and greenhouse gas emissions, and pays attention to environmental protection and reduces the impact of products and services on the environment.</p> <p>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.</p> <p>The Company has disclosed the identity of the stakeholders identified, issues of concern, communication channels, and response methods on the website and in the corporate social responsibility 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 on May 2, 2021 and August 4, 2021.</p>	
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				
(I) Does the Company establish a Company website to disclose information on its finances, business, and corporate governance?	V		(I) The Company's website (http://www.phihong.com.tw) has disclosed relevant information on finance, business, and corporate governance, and is linked to MOPS.	(I) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(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)?	V		(II) The Company's Finance Department is responsible for coordinating the disclosure of Company information on the MOPS and has implemented a spokesperson system. The relevant information about the process of the investor conferences has been placed on the Company's website.	(II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(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	V		(III) The Company announces and reports its annual financial statements within the prescribed period in accordance with the law, and announces its first, second, and third quarter financial statements, and operating conditions in each month within the prescribed period.	(III) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
financial statements for the first, second and third quarters and the monthly operations before the prescribed period?				
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		<p>(I) Employee rights and employee care: The Company' relationship with its employees is positive with the closest and most transparent interaction. The Company creates the maximum interests and harmony between labor and management, conveys the Company's policies and concepts to them, and listens carefully to their voice, so as to continuously strengthen their commitment to the Company.</p> <p>1. Improve the labor system: (1) Provide employees with all-round insurance coverage, including group insurance, labor insurance, and health insurance. (2) The leave and pension provision system complies with the Labor Standards Act. (3) Establish an employee welfare committee to plan diversified employee benefits. (4) Comply with the Act of Gender Equality in Employment, and provide a friendly work environment to female employees.</p> <p>2. Benefit measures: (1) Provide commuting vehicles and parking spaces for cars and scooters. (2) Provide staff restaurant with diversified and healthy meal options. (3) Provide domestic and overseas travel subsidies. (4) Provide subsidies and allowances for marriage, childbirth, hospitalization, and funerals. (5) Provide parking spaces and breastfeeding rooms to pregnant employees. (6) Provide lectures on physical and psychological health, etc., and provide subsidies to club activities, and support relevant activities. (7) Provide a safe nursery environment for employees with a contracted daycare center, rated excellent by the government.</p> <p>3. High-quality work environment: (1) Set up a fitness center to provide a high-quality place for employees to balance their mind and body (2)The factory area is equipped with an employee dormitory to provide a comfortable and safe accommodation environment for employees.</p> <p>(II) Investor relations: In order to safeguard the rights and interests of all our shareholders, and win their confidence to obtain their long-term support, we not only provide real-time and transparent information, but also have a dedicated spokesperson/acting spokesperson system to engage in long-term interaction and communication with investors, media, and analysts through face-to-face meetings or teleconferences. In addition, shareholders can provide their opinions and suggestions regardless of topics by participating in shareholder' meetings and exercising shareholder's right for proposal, or through the investor section on the Company's website or the Company's shareholder email on MOPS, so that the Company's management team and the Board of Directors refer to the opinions for business direction.</p> <p>(III) Rights of stakeholders: The Company's rules of board meetings have included the director recusal policy, which has been implemented in accordance with the regulations. The Company has always put great emphasis on stakeholders, including shareholders, communities, and the government agencies, non-profit organizations, financial institutions, suppliers, customers, and employees, 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.</p>	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation Item	Implementation Status		Summary					Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No						
			(IV) Continuing education of directors:					
			Title	Name	Date	Organizer	Name of Class	Training hours
			Chairman	Lin, Chung-Min	November 09, 2021	Taiwan Investor Relations Institute	Corporate Governance 3.0 - Sustainable Development Roadmap	3
					November 09, 2021	Taiwan Investor Relations Institute	The Global Net Zero Emissions Trend Countermeasures for Enterprises	3
			Director and General Manager	Lin, Yang-Hong	June 8, 2021	Accounting Research and Development Foundation	Improve Corporate Strategic Ability with ESG	3
					June 18, 2021	Accounting Research and Development Foundation	Legal Responsibilities and Practical Case Analysis for "Short-swing Trading" of the Company's Insiders	3
					June 18, 2021	Accounting Research and Development Foundation	Significant Policy and Measure Analysis for the Latest "Corporate Governance 3.0 – Sustainable Development Blueprint"	3
					June 21, 2021	Accounting Research and Development Foundation	Digital Revolution of Three Lines of Defense: Development and Digital Trend of Internal Control, Internal Audits, and Legal Compliance	3
					August 19, 2021	Accounting Research and Development Foundation	ESG Sustainability Practices: How to Build the Culture and Make Proper Reports	3
			Director	Lin, Fei-Hong	November 3, 2021	Securities & Futures Institute	2021 Seminar on Insider Trading Prevention	3
					November 09, 2021	Taiwan Investor Relations Institute	Corporate Governance 3.0 - Sustainable Development Roadmap	3
					November 09, 2021	Taiwan Investor Relations Institute	The Global Net Zero Emissions Trend Countermeasures for Enterprises	3
					November 10, 2021	Accounting Research and Development Foundation	The Connection Between ESG and Disclosure of Company Finance emphasized by TCFD and SASB	3

Evaluation Item	Implementation Status						Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof		
	Yes	No	Summary						
			Director	Wang, Chia-Kun	October 20, 2021	Securities & Futures Institute	2021 Seminar on Compliance with Laws on Insider Equity Transactions	3	
					November 3, 2021	Securities & Futures Institute	2021 Seminar on Insider Trading Prevention	3	
			Director	Chou, Ming-Chih	October 20, 2021	Securities & Futures Institute	2021 Seminar on Compliance with Laws on Insider Equity Transactions	3	
					November 5, 2021	Securities & Futures Institute	2021 Seminar on Insider Trading Prevention	3	
					November 09, 2021	Taiwan Investor Relations Institute	Corporate Governance 3.0 - Sustainable Development Roadmap	3	
					November 09, 2021	Taiwan Investor Relations Institute	The Global Net Zero Emissions Trend Countermeasures for Enterprises	3	
			Director	Chiang, Wei-Feng	March 19, 2021	Taiwan Corporate Governance Association	Regulations of Corporate Governance and Securities Regulations	3	
					October 21, 2021	Securities & Futures Institute	New Challenges to the Board of Directors from the Perspective of Corporate Governance 3.0	3	
					October 21, 2021	Securities & Futures Institute	Economic Prospects and Industrial Trend in 2021	3	
			Director	Chou, Ta-Jen	October 15, 2021	Institute of Financial Law and Crime Prevention	Corporate Governance (Director, Supervisor, and Senior Management Program) – Effects of ESG on Enterprises	3	
					October 28, 2021	Securities & Futures Institute	2021 Seminar on Compliance with Laws on Insider Equity Transactions	3	
			Independent Director	Hong, Yu-Yuan	November 09, 2021	Taiwan Investor Relations Institute	Corporate Governance 3.0 - Sustainable Development Roadmap	3	
					November 09, 2021	Taiwan Investor Relations Institute	The Global Net Zero Emissions Trend Countermeasures for Enterprises	3	
			Independent Director	Lin, Kuei-Hong	November 09, 2021	Taiwan Investor Relations Institute	Corporate Governance 3.0 - Sustainable Development Roadmap	3	

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof								
	Yes	No	Summary									
			<p>Company maintains vigilance and monitors continuously, so as to eliminate possible risk factors and circumvent and manage risks effectively.</p> <p>(2) Disclosures made on the corporate website of the Company: Risk management handbook, scope of risk management, organizational structure, and the operating status in 2021.</p> <p>(3) The operating status for the risk management in 2021 was reported to the Board on May 6, 2021, and August 4, 2021.</p> <p>(VII) Implementation of customer policy: Adhering to the business philosophy of “outstanding design, excellent quality, accurate delivery, reasonable prices, satisfactory service, and high-quality corporate culture” is an important part of Phihong's quality management system. We are committed to providing customers with high-quality services and immediate response to customer needs, facing problems honestly, and continuing to pursue excellence, while aiming to become a reliable brand for customers.</p> <p>(VIII) Purchase of liability insurance for directors: Purchase of liability insurance for all directors in 2021:</p> <table border="1"> <thead> <tr> <th>Insured party</th> <th>Insurance Company</th> <th>Insured amount</th> <th>Insurance policy period</th> </tr> </thead> <tbody> <tr> <td>All directors (including functional committee members)</td> <td>Fubon Insurance Co., Ltd.</td> <td>US\$10,000,000</td> <td>September 19, 2021 ~September 19, 2022</td> </tr> </tbody> </table>	Insured party	Insurance Company	Insured amount	Insurance policy period	All directors (including functional committee members)	Fubon Insurance Co., Ltd.	US\$10,000,000	September 19, 2021 ~September 19, 2022	
Insured party	Insurance Company	Insured amount	Insurance policy period									
All directors (including functional committee members)	Fubon Insurance Co., Ltd.	US\$10,000,000	September 19, 2021 ~September 19, 2022									
<p>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</p> <p>(I) The Company has disclosed its Board diversity policy on its corporate website: The diversity policy of the Company’s Board also focuses on the legal expertise of Directors, and at least one Director possesses legal qualifications. Among the ten current Directors, a Director holds the degree of Master of Laws at Harvard Law School, achieving a 10% ratio.</p> <p>(II) The Company has established its “Nomination Committee” as a functional committee other than the ones stipulated in laws; members of the Nomination Committee are Independent Directors; the Company has disclosed the relevant qualification of the functional committees’ members on its corporate website.</p> <p>(III) The Company has disclosed the operating status of the Remuneration Committee, Audit Committee, and Nomination Committee fro 2021.</p> <p>(IV) The Company has established its operating status for risk management on its corporate website.</p> <p>(V) The execution status of the Company’s 2021 Intellectual Property Management Plan had been reported at the Board meeting on November 4, 2021 and disclosed on the corporate website.</p> <p>(VI) The Company established its “Information Safety Risk Management,” formed the organizational structure, and formulated information safety policies and substantial management policies, and reported them to the Board on November 4, 2021. The Company also disclosed the information related to the “Information Safety Risk Management” on its corporate website.</p> <p>(VII) The English website of the Company has disclosed all information related to the shareholders’ meetings in English.</p> <p>(VIII)The Company has disclosed the continuing education status of its chief of corporate management in 2021 on the corporate website and in the annual report.</p>												

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

1. Composition of the Remuneration Committee

Identity (Note 1) Name	Qualifications	Professional Qualifications and Experience	Independence Status	Number of Other Public Companies where the Individual Concurrently Serves as Member on Remuneration Committee	Note
Independent Director and Convener of the Remuneration Committee	Hong, Yu-Yuan	<p>●Qualification: He is the convener of the Company's Remuneration Committee, Audit Committee, and Nomination Committee, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: Associate Professor and Chair of the Department of International Business, College of Management, Toko University. He held positions as the Chairman of San-Gui Construction Co., Ltd. and Chairman of Hong-Cheng Development and Construction Co., Ltd. for over five years.</p>	<p>None of the following circumstances occurred two years prior to the election of the members of the Remuneration Committee and during the term of office to fulfill the independence conditions;</p> <ol style="list-style-type: none"> 1. The Director, its spouse, or any relative within the second degree of kinship is not a director, supervisor, or employee of the Company or its affiliates, who are not an employee of the Company or its affiliates. 2. Not a director or supervisor of the Company or its affiliate. (However, this does not apply in a case where the person is also an independent director of the Company and its parent or subsidiary or a subsidiary of the same parent in accordance with the Act or the laws and regulations of the local country). 3. A natural-person shareholder who holds shares, together with those held by the person's spouse and minor children or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or who is ranked in the top 10 in terms of shareholding. 	None	For the profile of Independent Directors, please refer to pages 13 to 16 of the Annual Report.
Independent Director	Lin, Kuei-Hong	<p>●Qualification: He is the member of the Company's Remuneration Committee, Audit Committee, and Nomination Committee, and possesses expertise in accounting or finance.</p> <p>●Experience: He held the position as the Head of LOHAS Outdoor Products Enterprise for over five years.</p>	<ol style="list-style-type: none"> 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding two subparagraphs. 5. Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of shares issued by the Company, that is ranked in the top 5 in terms of shareholding, or that appoints the representative to serve as the director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act. 6. Not a director, supervisor or employees of another Company where the same person controls a majority of the Company's directors or shares with voting rights. 7. Not a director, supervisor or employee of another Company or institution who or whose spouse is also the Chairman, the General Manager or an equivalent position of the Company. 	None	
Independent Director	Chang-Hsien-Ta	<p>● Professional qualifications: Serves as a member of the Company's Remuneration Committee, Audit Committee and Nomination Committee, with expertise in accounting or finance.</p> <p>●Experience: More than five years of work experience as the president of "Tang Zhe Enterprise" and "Wei Dao Ltd."</p>	<ol style="list-style-type: none"> 8. Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specific Company or institution that has financial or business relations with the Company. 9. Not a professional individual, sole proprietor, or partner or an owner, partner, director, supervisor, or managerial officer or a spouse thereof of a Company or institution providing auditing or commercial, legal, financial, or accounting services for the Company or its affiliate with a cumulative remuneration less than NT\$500,000 in the past two years. However, this does not apply in a case where a member on the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions who performs the duties in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act. 10. Not having any of the conditions defined in Article 30 of the Company Act. 	None	

2. Duties and Operation of the Remuneration Committee:

(1) The responsibilities of the Remuneration Committee

The Company's Remuneration Committee shall faithfully perform the following functions and responsibilities as a prudent administrator, and submit its suggestions to the Board of Directors for discussion. However, the supervisors' salary and remuneration proposal shall only be submitted to the Board of Directors for discussion on the condition that the supervisors' salary and remuneration are specified in the Company's Articles of Incorporation or the Board of Directors is authorized by the shareholders' meeting after a resolution:

- I. Review the regulations regularly and put forth amendments.
- II. Formulate and regularly review the directors', supervisors', 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, supervisors, 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, supervisors, 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) Professional qualifications, experience and operation of the Remuneration Committee:

1. The Remuneration Committee consists of 3 members by independent directors.
2. The term of office starts from June 10, 2020 and ends on June 9, 2023. A total of 3 meetings of the the Remuneration Committee (A) were held during the most recent year (from January 1, 2021 to December 31, 2021). 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
Convener	Hong, Yu-Yuan	3	0	100%	The remuneration committee member re-employed by the Board of Directors on June 10, 2020
Member	Lin, Kuei-Hong	3	0	100%	
Member	Chang, Hsien-Ta	3	0	100%	

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 session 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 2021 Remuneration Committee, and the Company's handling of members' opinions

Meetings of Remuneration Committee	Important Issues Abstract	Resolutions of the Remuneration Committee	Action in Response to the Remuneration Committee's Opinions
January 29, 2021 The 3rd meeting of the 4th-term	<ol style="list-style-type: none"> 1. Reviewed the remuneration proposal of the Company's "financial executive" and "accounting executive". 2. Reviewed the Company 2020's year-end bonus distribution plan for managers. 3. Reviewed the 2020 business execution expense proposal of the Company's directors and independent directors. 	<p>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.</p> <p>After consultation by the chairman, all the attending remuneration committee members passed the proposal without objection.</p>	Passed by all directors of the Board of Directors on January 29, 2021 as proposed.
August 4, 2021 The 4th meeting of the 4th-term	<ol style="list-style-type: none"> 1. Reviewed the remuneration adjustment proposal of the Company's concurrent director and managers. 2. Reviewed the remuneration adjustment proposal of the Company's "Financial Executive" and "Accounting Executive" . 	<p>After consultation by the chairman, all the attending remuneration committee members passed the proposal without objection.</p>	Passed by all directors of the Board of Directors on August 4, 2021 as proposed.
November 4, 2021 The 5th meeting of the 4th-term	<ol style="list-style-type: none"> 1. Reviewed the employee trust shareholding proposal of the Company. 	<p>After consultation by the chairman, all the attending remuneration committee members passed the proposal without objection.</p>	Passed by all directors of the Board of Directors on November 4, 2021 as proposed.

(V) Nomination Committee member information and operation information

1. Qualifications and Responsibilities of Nomination Committee Members

(1) 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.

The term of a director joining the committee, unless otherwise stipulated by statute or the articles of association or rules of the company, shall be from the day when the director is elected by the Board of Directors until the expiry of the term of the director, resignation of the committee or director, or the board of directors elects to replace the original director until the date of becoming a member of the committee.

(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.
2. Construct and develop the organizational structure of the Board of Directors and various committees, conduct performance evaluation of the Board of Directors and each director, and evaluate the independence of independent directors.
3. Establish or examine directors' continuing education.
4. Establish the Corporate Governance Best Practice Principles of the Company.

When the members of the committee perform the functions and powers in the preceding paragraph, those with interests shall explain the important contents of their interests at the current committee meeting. If it is harmful to the interests of the Company, they shall not participate in the discussion and voting, and shall abstain from discussion and voting.

If the Board of Directors does not accept the recommendations of this committee, they shall be implemented with the attendance of more than two-thirds of all directors and the consent of more than half of the directors present. The Company shall state the circumstances and reasons for the difference in the minutes of the Board of Directors, and shall pass the approval of the Board of Directors.

Announcement declarations shall be made at the Market Observation Post System within two days from the current date.

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

(1) The Company's Nomination Committee consists of three independent directors.

(2) The term of office of the current members: June 10, 2020 to June 9, 2023, the most recent year (from January 1, 2021 to December 31, 2021) The most recent annual nomination committee meeting (A), the professional qualifications of the members and the experience, attendance and discussions are as below:

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	Professional qualifications and experience of members of Nomination Committee are the same as the data for Remuneration Committee (please refer to P.40 of the annual report)	1	1	50%	The 2 nd concurrent nomination committee by the Board of Directors on June 10, 2020.
Member	Lin, Kuei-Hong		2	0	100%	
Member	Chang, Hsien-Ta		2	0	100%	

Other matters to be recorded:
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, and the Company's handling of the opinions of the Nomination Committee: None

(3) Discussions and Resolutions of the Nomination Committee in 2021

Meetings of Nomination Remuneration Committee	Important Issues Abstract	Resolution
March 5, 2021 The 2 nd meeting of the 2 nd -term	The Company's Performance Report of the Board of Directors for 2020.	Passed as proposed.
November 4, 2021 The 3 rd meeting of the 2 nd -term	The company established the "Information Security Committee" and its implementation status.	Passed as proposed.

(VI) 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	Execution Status (Note 1)			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		<p>In order to promote sustainable development and fulfill corporate social responsibility, Phihong Technology established a Corporate Social Responsibility Management Committee in accordance with the corporate social responsibility management procedures in 2009. In 2014, in order to further implement ESG implementation, the Company formulated the method for setting up the Corporate Sustainability Development Committee, renamed the original committee as the Corporate Sustainability Development Committee (Corporate Sustainability Development Committee) and set up a chairman (the Chairman) and deputy chairman (general manager of the Group) and the committee set up a sustainable development promotion office to coordinate the operation of the seven promotion groups of the committee, to formulate Phihong sustainable business strategy, and to promote it in the group's factories and performance supervision.</p> <p>The seven promotion groups under the committee's organizational structure are "Corporate Governance", "Green R&D", "Supply Chain Management", "Environmental Sustainability", "Customer Service", "Employee Care" and "Social Participation". The first-level head of the headquarters of Phihong Technology serves as the convener. For these seven major issues, cross-departmental personnel in each plant area are included in accordance with their powers and responsibilities to ensure the integrity of the implementation.</p> <p>In view of the sustainable issues of concern to operations and stakeholders, discussions are held at irregular meetings, starting from the Top-Down sustainable development strategy, integrating Bottom-Up sustainable goals, operation management policies, and incorporating specific goals into relevant departments, Annual KPI management and implementation, and monthly implementation results tracking to ensure that sustainable development can be realized in the daily operation of Phihong Technology.</p> <p>Regularly report to the board of directors at least once a year on the operation and implementation of sustainable development, communication with stakeholders and projects disclosed in the report; on May 6 and August 4, 2021, it will be included on the agenda of the Board of Directors for reporting and discussion.</p>	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
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? (Note 2)	V		<p>1. This disclosure covers the sustainable development actions and performance of Phihong Technology in Taiwan Plant (PHT), three Dongguan Plants (PHC, PHCJ and PHP) and the Vietnam Plant (PHV) from January, 2021 to December 2021. The boundaries of risk assessment are also the same as those covered by the above information.</p> <p>2. Risk management is the guarantee and responsibility of all stakeholders, also a necessary means to sustainable operations. Phihong Technology adheres to laws and regulations and the Company system, and continues to assess changes and risks in domestic and foreign business environments. The Company's risk management organization is headed by the General Manager and manages risk according to risk management procedures and organization using PDCA management strategy so that the Company can effectively respond to the impact brought on by various types of risks, and achieve risk management by identifying and utilizing risks and opportunities well to ensure normal Company operations.</p> <p>The risk assessment identified risk issues in terms of economics, environmental protection, and social aspects, analysis of which has been conducted on the impact on operations, responding strategies, and the opportunities generated for the Company. For various risks, we will plan the management methods and crisis response steps by dedicated personnel, hoping to minimize the uncertainty of enterprise operation. In 2021, Phihong Technology and its relevant units identifies "Financial Risk", "Information Security Risk" and "Supplier Risk" in the economic aspect. The environmental dimension identifies "Environmental and Climate Change Risks". The social aspect identifies "Moral Hazard" and "Occupational Safety Risk".</p>	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Promoting items	Execution Status (Note 1)				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof		
	Yes	No	Summary				
			Aspect	Risk type	Impact on operations	Corresponding Strategy	
			Economics	Financial risk	Interest rate, exchange rate fluctuations affect financial income and expenditure, impact financial leverage, inflation risk 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. Exchange rate risk adopts natural risk avoidance. Investment of short-term idle funds is mainly in time deposit account and investment product that has liquidity and safety for capital with good return. No high-risk, high-leverage investments. Applying for loan quota through the cash flow from disposing of idle assets to pay for operational funding and long-term capital expense. Actively deploy in Vietnam with effective flexibility to reduce the impact from trade tariffs.	
				Information security risk	Due to leak, 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	Remote resetting of the information system drills twice a year; simulate any natural disaster (such as earthquake, fire, and flood), or loss of information due to human factor to ensure the fastest restoring of the system operation. Maintain two-carrier service at all times to ensure normal operations to the outside. Enhance system encryption ability and password management. Execute employee training fully to prevent loss of important information and enhance the concept of data security and law abiding by the employees	
				Supplier risk	Materials supply shortage or disruption resulting in the risk of factory halting work and unable to operate, leading to inability to meet customer demand and even infringement of promise on delivery	Establish sustainable supply chain partnerships to ensure a stable source of original materials, and also set an inventory mechanism and 'real-time material supply alert system'. Replacement material supplier mechanism to ensure stable sources of materials without the risk of supply disruption. Requesting suppliers to follow the RBA code of conduct fully	
			Environment	Environmental and climate change risk	Emergency weather conditions or public services (electricity, water, gas) disruption resulting in factory halting work and operations disrupted.	Examine international environmental protection trend; set environmental protection policy that meets the Company's operational demand Conduct disaster prevention monitoring and drills on emergency response and recovery ability. •For climate change risk assessment and response strategies, please refer to Page 38~39 of Phihong Technology's 2020 Corporate Social Responsibility Report. Please see the report link below: (https://www.phihong.com.tw/index.php?route=investors/investorsqiye&zere_n_type_id=4&zong=1)	

Promoting items	Execution Status (Note 1)				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof						
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			<table border="1"> <tr> <td>Ethics risk</td> <td>Violation of honesty and integrity principles of operation resulting in Company's loss. The inappropriate acceptance of gifts, money, or exchange for benefits in procurement identified as major risks through anti-corruption risk assessment</td> <td>Beginning in 2019, all new Phihong employees must receive 'corporate ethics and business code of conduct' training at time of reporting to duty, and affix signature afterwards. Promote the importance and implementation of honesty and integrity through education at regular intervals</td> </tr> <tr> <td>Work safety risk</td> <td>Work injury and public safety events impacting Company's normal operations. Damage to personnel, property, and factory halting work due to serious differences</td> <td>Examine operations with work safety danger factors; implement engineering control and protective gear to prevent employees from coming into contact with the danger factors. Intensify everyday safety awareness and drills; when encountering disasters, public safety incidence, immediate activation of task team to execute help to control the loss of personnel safety and property. Enhance labor-capital negotiation channel, establish harmonious labor-capital relations Implement health check-up.</td> </tr> </table>	Ethics risk	Violation of honesty and integrity principles of operation resulting in Company's loss. The inappropriate acceptance of gifts, money, or exchange for benefits in procurement identified as major risks through anti-corruption risk assessment	Beginning in 2019, all new Phihong employees must receive 'corporate ethics and business code of conduct' training at time of reporting to duty, and affix signature afterwards. Promote the importance and implementation of honesty and integrity through education at regular intervals	Work safety risk	Work injury and public safety events impacting Company's normal operations. Damage to personnel, property, and factory halting work due to serious differences	Examine operations with work safety danger factors; implement engineering control and protective gear to prevent employees from coming into contact with the danger factors. Intensify everyday safety awareness and drills; when encountering disasters, public safety incidence, immediate activation of task team to execute help to control the loss of personnel safety and property. Enhance labor-capital negotiation channel, establish harmonious labor-capital relations Implement health check-up.		
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III. Environmental issues (I) Does the Company establish a suitable environmental management system based on its industrial characteristics?	V		<p>All factories of Phihong Technology follow ISO 14001:2015 to establish an environmental management system, and continue to pass third-party verification by LRQA. In addition, since 2010, Phihong Technology conducts the annual greenhouse gas inventory and tracking of emission reduction results in accordance with the ISO14064-1 standard. The carbon emission check results of all factories in 2020 are publicly disclosed in Phihong Technology's 2020 Corporate Social Responsibility Report Page54. See company website. (https://www.phihong.com.tw/index.php?route=investors/investorsqiye&zeren_type_id=4&zong=1)</p>		In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies						
(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		<p>In order to achieve slowing down of global warming, environmental sustainability and corporate competitiveness, Phihong Technology has gradually replaced the existing equipment with high-efficiency energy-saving equipment through various energy reduction measures. Because the Company mainly designs and produces power products, in addition to following the laws and regulations as a necessary development principle, it continues to strive to improve product performance, miniaturization, high power density, material saving and process energy saving and waste reduction. In addition, the company plans to expand the construction of renewable energy (2 trillion watt photovoltaic power generation) equipment, which is expected to be introduced in 2022 to further reduce the use of petrochemical energy. Phihong Technology's carbon emission reduction performance in 2020 is Phihong Taiwan: release 2.7% reduced (as compared with the 2017 benchmark year). Dongguan plant: release 17.4% reduced (as compared with the 2016 benchmark year). Through the operation of Phihong's management system, wastes are classified, marked, stored, declared, transported and disposed of according to legal requirements. The wastes generated in the factory area have reuse or regeneration value and are handed over to qualified treatment agencies for recycling. Those with no use value will be incinerated or buried. In addition, Phihong regularly reviews and refers to international environmental protection standards (such as RoHS, REACH, WEEE & ...), and at the same time, the Company refers to multi-party customers' control standards, and formulates more strict management methods for hazardous substances to control Phihong products, in order to satisfy the recycling rate requirements. All products meet the WEEE regulations with total reclamation rate reaching over 80%; some models even have a rate reaching over 90%. It is Phihong's expectation and responsibility to provide environmentally friendly and safe products.</p>		In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies						

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(III) Does the Company assess the current and future potential risks and opportunities of climate change to the Company, and adopt corresponding measures?	V		<p>After evaluation, we have identified the direct and indirect risks of climate change and the impacts thereof, and summarized potential opportunities and countermeasures, while developing the Climate Change Risk Assessment Table, to reduce the damage caused by the risks while creating value differentiation to turn the crisis into an opportunity. There has been a rise in the risk of extreme weather from global climate change along with an increase in the frequency and size of disasters as well. Facing the restraint of controlling temperature rise of 2°C as set by the Paris Agreement, Phihong Technology has started to introduce greenhouse gas checking in part of the Dongguan plant in 2010. Starting in 2016, we expanded the checking to all parts of the Dongguan plant. In 2017, the scope of checking has included Phihong Taiwan. In 2020, Phihong Vietnam plant is included in the checking to save energy and reduce carbon emissions. In 2020, it pledged to participate in the United Nations Science-Based Carbon Targets (SBTi) action, and further started to set positive energy conservation and carbon reduction goals. All these actions are Phihong Technology's response to the possible impact and threat of climate change. Please refer to Phihong Technology's 2020 Corporate Social Responsibility Report for climate change risk, opportunity assessment and responding strategies. Page38-39. Please see the report link below: (https://www.phihong.com.tw/index.php?route=investors/investorsqiye&zereen_type_id=4&zong=1)</p>		In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies																																																																															
(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?	V		<p>The Company follows the ISO14064-1 standard. In 2010, the Company carried out the first inspection of the two plants in Dongguan. In the same year, it passed the third-party audit conducted by LRQA's Register in accordance with the ISO 14064-1 standard. After that, the Company has conducted greenhouse gas inspections every year and extended them to 2020. Including the Vietnam plant, all Phihong Technology plants are included in carbon inventory and tracking of emission reduction results. Currently, there are Scope 1 and Scope 2 inventory values, and Scope 3 (emissions from company activities, from sources owned or controlled by other companies) are still being calculated.</p> <p style="text-align: center;">【GHG Emission Table】</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Category/ Unit</th> <th colspan="4">Dongguan plant</th> <th colspan="4">Phihong Taiwan</th> <th>Phihong Haiphong</th> </tr> <tr> <th>2016 benchmark year</th> <th>2019</th> <th>2020</th> <th>Compared to the benchmark year</th> <th>2017 benchmark year</th> <th>2019</th> <th>2020</th> <th>Compared to the benchmark year</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Direct emissions (Scope 1)/T- CO2e</td> <td>1,135</td> <td>581</td> <td>582</td> <td>(553)</td> <td>13</td> <td>14</td> <td>15</td> <td>2</td> <td>103</td> </tr> <tr> <td>Indirect emissions (Scope 2)/T- CO2e</td> <td>27,204</td> <td>22,851</td> <td>22,817</td> <td>(4,387)</td> <td>1,521</td> <td>1,513</td> <td>1,477</td> <td>(44)</td> <td>2,863</td> </tr> <tr> <td>Total emissions /T-CO2e</td> <td>28,339</td> <td>23,432</td> <td>23,399</td> <td>(4,940)</td> <td>1,534</td> <td>1,527</td> <td>1,492</td> <td>(42)</td> <td>2,966</td> </tr> <tr> <td>Number of employees</td> <td>4,936</td> <td>4,056</td> <td>3,474</td> <td>(1,462)</td> <td>460</td> <td>476</td> <td>503</td> <td>43</td> <td>573</td> </tr> <tr> <td>Emissions strength (T-CO2e/people)</td> <td>5.7</td> <td>5.8</td> <td>6.7</td> <td>0.2</td> <td>3.3</td> <td>3.2</td> <td>3.0</td> <td>(0.1)</td> <td>5.2</td> </tr> <tr> <td>Emissions strength</td> <td>2.6</td> <td>2.4</td> <td>2.8</td> <td>0.1</td> <td>7.4</td> <td>NA</td> <td>NA</td> <td>NA</td> <td>3.3</td> </tr> </tbody> </table>		Category/ Unit	Dongguan plant				Phihong Taiwan				Phihong Haiphong	2016 benchmark year	2019	2020	Compared to the benchmark year	2017 benchmark year	2019	2020	Compared to the benchmark year	2020	Direct emissions (Scope 1)/T- CO2e	1,135	581	582	(553)	13	14	15	2	103	Indirect emissions (Scope 2)/T- CO2e	27,204	22,851	22,817	(4,387)	1,521	1,513	1,477	(44)	2,863	Total emissions /T-CO2e	28,339	23,432	23,399	(4,940)	1,534	1,527	1,492	(42)	2,966	Number of employees	4,936	4,056	3,474	(1,462)	460	476	503	43	573	Emissions strength (T-CO2e/people)	5.7	5.8	6.7	0.2	3.3	3.2	3.0	(0.1)	5.2	Emissions strength	2.6	2.4	2.8	0.1	7.4	NA	NA	NA	3.3	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
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			In 2020, Pihong Technology will continue to promote the improvement of water equipment to reduce domestic water consumption. The performance is as below: Pihong Taiwan, water reduction 13.9% (compared to 2019) Pihong Dongguag, water reduction 29% (compared to 2019) 【 Wastes Classification Table 】																																													
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Promoting items	Execution Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
IV. Social issues (I) Does the Company formulate relevant management policies and procedures in accordance with related laws and regulations and international human rights conventions?	V		In addition to the basic employee policy, we value our employees' opinions and hope to give all our employees the space to give full play to their talents. We have always been committed to and respect internationally recognized human rights and the human rights goals (reiterating the importance of the Universal Declaration of Human Rights) in the Sustainable Development Goals (SDGs) of the United Nations, while following the Responsible Business Alliance (RBA) Code of Conduct and treating all workers (employees and supplier representatives) and other stakeholders in Phihong equally. We provide equal job opportunities to job seekers and every employee. Any employee of Phihong can reflect their opinions of personal rights, management, and the work environment to the Company at any time. The channels include immediate supervisors, human resources units of various factories, and the suggestion mailboxes of the Audit Office. The Company regularly reviews the company's operations, value chain and other related activities every year by paying attention to major social issues and questionnaires to identify and evaluate whether there are actual or potential human rights risks. Plan and implement it. Follow-up and will continue to monitor the implementation of the plan.	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
(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		The Company attaches great importance to employee salary and benefits, and attracts outstanding talents to join the Phihong family with a competitive overall compensation system that is superior to that in the industry. The employee salary depends on one's academic experience, job position, market standards, and personal performance to ensure recruitment. In 2021, for example, the remuneration standards of direct labor in Dongguan and in Haiphong plants are in line with the local basic salary, and the minimum remuneration of Phihong Taiwan indirect labors is 1.12times the local basic salary, so there is no penalty for non-compliance with remuneration regulations. In addition, bonuses are distributed according to the Company's operating status and personal performance every year, and through performance management and reward and punishment systems, the evaluation results are used as the basis for salary adjustments and promotions, so as to motivate and reward employees to grow and develop their potential, and share operational performance with the company. Achieve the goal of win-win and sustainable operation for employees and enterprises. We have been continually affected by the US-China trade war and the global outbreak of COVID-19 since 2021. Under the negative growth of the Company's operations, employees' happiness and care for employees are still priorities. We adjusted salaries and arranged promotions for employees with outstanding performance in the hope of attracting, retaining, and motivating excellent employees. The Company also discloses benefits such as compensation, pensions, etc. in the annual corporate responsibility report.	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
(III) Does the Company provide a safe and healthy work environment for employees and regularly organize health and safety training for employees?	V		Phihong Technology established the OHSAS 18001 occupational health and safety management system in 2009, and introduced it into the Dongguan Plant, and also obtained third-party certification until 2021. In August 2021, the company also conducted a third-party verification through LQRA's Register and successfully renewed ISO 45001. The occupational health and safety management system includes a "Safety Committee" composed of both labor and management. Through labor health and safety management and related training, it protects the Company's property, personal safety and health of employees and maintains normal production. In addition, for the operation stations with occupational disease hazards (such as soldering, laser carving, ... and other work stations), engineering control, training and appropriate personal protective equipment are carried out to reduce the chance of workers being exposed to hazards, and regular arrangements are made for occupational disease health inspections, and monitoring of the working environment at the workplace. Therefore, since the company introduced the occupational safety and health management system in 2009, Phihong Taiwan and Dongguan Plants have never experienced occupational disease cases. Healthy employees are the most valuable asset of Phihong. We attach importance to employees' physical and psychological health. We conduct physical examinations for new employees. Meanwhile, we organize free health examinations for all employees every year, and recruit doctors and nurses in the factories to check employees' health on-site. The examination items with a high abnormal rate in the physical examination results are set as the goals of the employee health promotion program, and lectures on health, weight loss plans, and physical fitness testing activities are launched to raise employees' awareness of their own health.	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies

Promoting items	Execution Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
(IV) Does the Company establish effective career development and training plans for employees?	V		<p>Phihong regards employees as the Company's most important assets and partners for sustainable growth. In addition to the above measures in terms of remuneration and benefits, we are committed to creating a learning environment for all employees and focusing on talent training. We believe that through education and training, we can ensure that human capital can continue to increase in value.</p> <p>All training sessions, license courses, and on-the-job training are held in strict compliance with local labor laws and regulations, not only to build a safe and healthy work environment but also to provide employees with a space for learning and growth. The Company fully subsidizes external training sessions, management development/thematic training, language courses, and courses on general knowledge in daily life. In addition to the implementation of the annual education and training plan and training and development courses, we adjust the training plans based on our vision and the needs for operating strategies to improve the Company's human resources quality and continue to strengthen the Company's competitive advantage.</p> <p>Meanwhile, we implement a job rotation mechanism to provide employees with an environment for career development and self-realization. Apart from improving the work functions of employees, such training systems may also help employees in extending their employment capacities and career planning upon retirement or the termination of the employment relations.</p>	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
(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		<p>We adhere to the concept of product life cycle. According to the Environmental Restricted Substance Control Standard, materials that meet environmental protection regulations are selected for product development. After products pass the quality assurance test, a third-party assurance agency will conduct tests and certify the products, relevant safety standards and environmental protection information will be labeled on products or packaging. The ensuing sales, production, supply chain and even the operations within the life cycle must all comply with the requirement of the law in order to attend to the health and safety of the users while also ensuring the product expectation and information privacy of the customer. Customers can file complaints and give feedback through channels, such as the Customer Feedback Processing Procedure, customer questionnaire surveys, and official website links, to protect customers and consumers' rights and interests.</p> <p>In addition, the Company abides by market fair competition laws and regulations in product marketing. The legal department offers education and training to marketing- and business-related units to remind employees not to engage in the anti-competitive practice, and educates employees on the necessity of conducting business in a legitimate manner and on increasing sales performance in a proper way.</p>	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
(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		<p>In terms of supply management, we not only consider quality, cost, delivery time, technological capabilities, and service conditions but pay great attention to whether suppliers can meet the requirements and performance of sustainable development and corporate social responsibility, in order to achieve sustainable development and create a win-win situation for the partnership. Therefore, the Company's "Procurement Management Procedure" requires suppliers to follow and comply with the requirements of labor rights/health and safety/environmental protection/business ethics/management system regulated by the "Responsible Business Alliance Code of Conduct (RBA)." Meanwhile, the supplier's sustainable management policy (social responsibility, environmental policy, occupational safety and health policy, conflict-free metal policy) is published on the homepage of our supplier's electronic billboard to urge and require the suppliers to follow relevant policies. Through supplier review, audit, and guidance to ensure that suppliers implement sustainable operations.</p>	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies

Promoting items	Execution Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
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		<p>Phihong's CSR report is prepared and verified by a third party based on the following standards:</p> <ol style="list-style-type: none"> 1.The content structure of the report is prepared based on the requirements of the Global Reporting Initiative—GRI-Standard. The report for the previous year is issued on an annual basis. The annual report for 2020 (prepared in 2021) is also verified through assurance engagement conducted by the third party BSI; thus, it fully complied with the requirements of the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies. 2.The Company has participated in the review for the "Taiwan Corporate Sustainability Awards" in the past five years and has won a total of four silver awards and two gold awards, including the silver award won in 2021, and has been continuously recognized by the organizer of the awards. 	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
<p>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, and sent it to the Board of Directors for approval 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 plans to revise the "Code of Practice for Corporate Social Responsibility" in 2022 to reflect the content of the "Code of Practice for Sustainable Development of OTC Listed Companies", and to issue it after the Board of Directors has reviewed and approved it.</p>				
<p>VII. Other important information that helps to understand the implementation status of sustainable development: In addition to the official website of Phihong Technology (www.phihong.com.tw): the investment zone, you can see the latest financial information, major corporate governance information and related integrity management operations. You can also visit the official website of Phihong Technology: "Corporate Social Responsibility" section, the content of the "Corporate Social Responsibility Report" in the past years has disclosed in detail the important information of honest management. In 2022, Phihong Technology also changed its name to the Corporate Sustainability ESG Report.</p>				

(VII) Implementation Status of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof:

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				
(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		(I) 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.	(I) 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 conduct 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		(II) 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. Insider trading is strictly prohibited, and opportunities for corruption are eliminated, so as to implement anti-corruption in daily management and business activities.	(II) 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		(III) 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. 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.	(III) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
II. Implementing ethical corporate management				

Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
(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		(I) 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.	(I) 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 Chairman, with the General Manager serving as the deputy chair, 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. The committee reports to the Board of Directors on its operation and implementation at least once a year, and reported to the Board of Directors on May 8, 2020 and August 7, 2020.	(II) 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.	(III) 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	(IV) 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 first 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.	(V) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
III. Implementing the whistle-blowing system (I) Does the Company formulate a concrete whistle-blowing and reward system, build convenient grievance channels, and	V		(I) 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.	(I) In compliance with the Ethical Corporate Management Best Practice Principles for

Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
<p>assign the appropriate personnel to investigate the reported parties?</p> <p>(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?</p> <p>(III) Does the Company take measures to protect whistle-blowers from inappropriate disciplinary actions?</p>	V		<p>There are also "Stakeholders Complaint Mailbox" and "Illegal and Unethical Employee Reporting Mailbox" on the Company's website, so that all stakeholders 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, unethical, or dishonest, it will give disciplinary actions based on the severity of the circumstances.</p> <p>(II) The Employee Grievance Management Regulations and the Illegal, Unethical, or Dishonest Conduct Response Regulations established by the Company have clearly defined the standard operating procedures, confidentiality mechanisms, and whistleblower protection mechanisms.</p> <p>(III) Same as above.</p>	<p>TWSE/GTSM Listed Companies</p> <p>(II) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p> <p>(III) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p>
<p>IV. Enhancing disclosure of information</p> <p>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?</p>	V		<p>Official website of Phihong (www.phihong.com.tw) :</p> <ul style="list-style-type: none"> - "Investor" section: The latest financial information and material corporate governance information are disclosed, and ethical management operations are included. - "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. <p>(https://www.phihong.com.tw/index.php?route=investors/investorsqiye)</p>	<p>In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p>
<p>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:</p> <p>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.</p> <p>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 addition, insider trading is strictly prohibited and fully disclosed in the financial statements without any opportunities for corruption. With all these measures, anti-corruption is directly implemented in daily management and business activities. Since the implementation, there has never been any corruption so far.</p>				
<p>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):</p> <p>In addition to Phihong's official website (www.phihong.com.tw): the latest financial information, material corporate governance 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.</p>				

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

1. The Company's information on corporate governance disclosed on MOPS (<http://mops.twse.com.tw/>) include "Rules of Procedure for Shareholders Meetings", "Rules of Procedures for Board Meetings", "Selection and Appointment of Directors and Supervisors", "Announcement of Statement on Internal Control", "Functional Committees and Members", "Dividend Distribution", "Remuneration to Directors and Supervisors", "Directors and Supervisors Liability Insurance", and "Table of Mutual Relationship Between Top Ten Shareholders in Annual Reports", etc., for inquiry by investors.
2. The Company has set up the "Corporate Governance" section under the "Investor" section on the Company's Website (<http://www.phihong.com.tw>), and the information, including "Corporate Governance Operation", "Functional Committees", "Internal Auditing Organization and Operation", and "Major Internal Policy", is available for download by all investors and employees for reference.
3. The Company has established regulations related to corporate governance and placed them under the "Investor"/"Corporate Governance"/"Major Internal Policy" section on the Company's website (<http://www.phihong.com.tw>), and the relevant regulations include the "Articles of Association", "Board Performance Evaluation Measures", "Code of Corporate Ethics and Business Conduct", "Corporate Social Responsibility Committee Organizational Structure", "Corporate Social Responsibility Best Practice Principles", "Application for Suspension and Resumption of Trading Operation Procedures", "Rules of Procedures for Shareholders' Meetings", "Rules of Procedures for the Board Meetings", "Procedures for Acquisition or Disposal of Assets", "Procedures for Loans to Others", "Procedures for Endorsements and Guarantees", "Subsidiaries Supervision Regulations", "Internal Material Information Processing Procedures", "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", and other important internal regulations and operating methods are available for download by all investors and employees for reference.

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

(X) Matters that should be disclosed regarding the implementation of the internal control system:

1. Internal Control Statement:

Phihong Technology Co., Ltd.
Internal Control System Statement

Date: March 15, 2022

For the Company's internal control system of 2020, we would like to declare as follows according to the results of spontaneous inspections:

- I. The Company knows that establishing, enforcing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reliability of financial reports, and compliance with applicable laws and regulations, among other goals.
- II. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism; however, built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter referred to as "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the "Governing Regulations" for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process: 1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. Please refer to "Governing Regulations" for details.
- IV. The Company has adopted the abovementioned determining items and conducted inspection of the design and effectiveness of its internal control system.
- V. Pursuant to the results of the abovementioned inspections, the Company is of the view that the design and implementation of its internal control system as of December 31, 2021 (including its supervision and management of subsidiaries), including its awareness the extent by which the operating effects and efficiency goals are fulfilled, reliability of financial reporting, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.
- VI. This Statement constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid statement.
- VII. This Statement was approved at the meeting of the Company's Board of Directors on March 10, 2022 with no Directors expressing dissent out of the 10 Directors in attendance.

Phihong Technology Co., Ltd.

Chairman:

General Manager:

2. Those who entrust CPAs to review the internal control system shall disclose the CPAs' audit report: Not applicable.

(XI) 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: None.

(XII) 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 2021:

Time: Friday, July 30, 2022 at 9:00 a.m.

Location: No. 568, Fuxing 3rd Rd., Hwa Ya Technology Park, Guishan Dist., Taoyuan (headquarter of Phihong Technology Co., Ltd.)

Summary of important proposals	Implementation
<p>I. Recognizing Issues:</p> <ol style="list-style-type: none"> 1. Acknowledged the 2020's annual financial statement case. 2. Acknowledged Deficit Compensation for 2020. <p>II. Issues to be Discussed:</p> <ol style="list-style-type: none"> 1. The amendment to "Articles of Incorporation." 2. The amendment to "Procedures for Acquisition or Disposal of Assets." 	<p>The Company's after-tax net losses in 2020 made up for accumulated losses in accordance with the law, so no dividends for shareholders, remuneration for directors and remuneration for employees were distributed.</p> <ol style="list-style-type: none"> 1. The relevant business has been carried out in accordance with the revised articles of association. 2. The relevant business has been carried out in accordance with the revised operating procedures.

2. Resolutions of the extraordinary shareholders' meeting in 2021:

Time: Thursday, December 16, 2021 at 9:00 a.m.

Location: 3F., No. 2, Fuxing 1st Rd., Guishan Dist., Taoyuan City (Fullon Hotel Taoyuan Airport Access MRT A8)

Summary of important proposals	Implementation
<p>I. Issues to be Discussed:</p> <ol style="list-style-type: none"> 1. The amendment to "Articles of Incorporation." 2. Capital increase in cash through the private offering of ordinary shares. 	<ol style="list-style-type: none"> 1. The relevant business has been carried out in accordance with the revised articles of association. 2. The cash capital increase of private common stock has been completed, and there is no physical issuance book transfer on MMDD, 2022

3. Resolutions of the Board of Directors: The summary of resolutions from 2021 to March 2022 is as follows.

Dates of the Board meetings	Summary of important proposals
<p>January 29, 2021 The 5th meeting of the 14th-term</p>	<ol style="list-style-type: none"> 1. The Company's Operating Budget for 2021. 2. Amendment of some provisions of the "Procedures for the Acquisition or Disposal of Assets", and the case of the senior executive and trader authorizing the company to engage in derivatives trading. 3. Reviewed the remuneration proposal of the Company's "Financial Executive" and "Accounting Executive". 4. Reviewed the year-end bonus distribution plan for managers of the Company for 2022. 5. Reviewed the 2020 business execution expense proposal for one of the Company's directors and independent directors. 6. Proposed to apply for a line of credit case with various banks.
<p>March 5, 2021 The 6th meeting of the 14th-term</p>	<ol style="list-style-type: none"> 1. The Company's 2020 Annual Business Report, Standalone Financial Statements, and Consolidated Financial Statements. 2. The Company's Deficit Compensation for 2020. 3. The amendment to "Articles of Incorporation." 4. The Company plans to issue the first secured ordinary corporate bonds in 2021. 5. The time, place and meeting proposal of the Company to hold the 2021's Annual General Meeting of shareholders 6. Accepted issues related to shareholder proposals at the 2021's Annual General Meeting of Shareholders. 7. The Company's 2020 "Statement of Internal Control System." 8. Since the first quarter of 2021, the Company has changed the independent assessment of certified accountants and accountants. 9. Proposed appointment of the Company's certified accountant and remuneration case. 10. Subsidiary "Phihong (Dongguan) Electronics Co., Ltd." intends to loan to "Dongguan Phitek Electronics Co., Ltd."

Dates of the Board meetings	Summary of important proposals
May 6, 2021 The 7th meeting of the 14th-term	The Company's Consolidated Financial Statements for the first quarter of 2021
July 9, 2021 The 8th meeting of the 14th-term	Proposal on resetting the date and place of the 2021's Annual General Meeting of Shareholders of the Company
August 4, 2021 The 9th meeting of the 14th-term	<ol style="list-style-type: none"> 1. The Company's Consolidated Financial Statements for the second quarter of 2021. 2. The Company intends to endorse and guarantee financing for the subsidiary PHIHONG USA CORP. 3. To consider the remuneration adjustment proposal of the Company's concurrent directors and managers 4. Review the remuneration adjustment proposal of the Company's "Financial Executive" and "Accounting Executive" 5. The Company intends to sign a financing credit line with Cathay United Bank.
October 28, 2021 The 10th meeting of the 14th-term	<ol style="list-style-type: none"> 1. The amendment to "Articles of Incorporation." 2. Proposed to handle the cash capital increase of private common stock. 3. The time, place and meeting proposal of the first Extraordinary General Meeting of Shareholders held by the Company in 2021.
November 4, 2021 The 11th meeting of the 14th-term	<ol style="list-style-type: none"> 1. The Company's Consolidated Financial Statements for the third quarter of 2021. 2. The Company's Audit Plan for 2022. 3. The amendments to the articles of the Company's "Internal Control System." 4. Revised some provisions of the "Operation Procedures for Funds Lending to Others" of the Group's subsidiaries. 5. Group subsidiaries capital loan and mid-term appraisal case. 6. Subsidiary "Phihong Electronics (Suzhou) Co., Ltd." intends to lend funds to "Dongguan Phitek Electronics Co., Ltd." 7. The Company's employee trust shareholding case. 8. The Company intends to sign a financing credit line with the Shanghai Commercial & Savings Bank, Ltd.
December 22, 2021 The 12th meeting of the 14th-term	<ol style="list-style-type: none"> 1. Subsidiary PHIHONG INTERNATIONAL CORP. plans to handle cash reduction 2. The Company intends to increase the capital of Dongguan Phitek Electronics Co., Ltd. through its subsidiary PHITEK INTERNATIONAL CO., LTD. 3. To formulate the 2021 annual private placement price of ordinary shares, private placement amount, payment period and capital increase base date.
January 20, 2022 The 13th meeting of the 14th-term	<ol style="list-style-type: none"> 1. The Company's Operating Budget for 2022. 2. The Company plans to increase the capital of its subsidiary PHIHONG VIETNAM CO., LTD. in cash. 3. The Company's 2021 year-end Bonus Distribution Plan for managers. 4. The Company's 2021's Annual Business Execution Expenses. 5. The Company intends to establish 100% subsidiaries in Taiwan and overseas directly or indirectly for the needs of future operation and development. 6. Proposed to apply for a line of credit case with various banks.
March 10, 2022 The 14th meeting of the 14th-term	<ol style="list-style-type: none"> 1. The Company's 2021 Annual Business Report, Standalone Financial Statements, and Consolidated Financial Statements. 2. The Company's Deficit Compensation for 2021. 3. The amendment to "Articles of Incorporation." 4. The amendment to "Procedures for Acquisition or Disposal of Assets." 5. Business division of the Company's electric vehicle energy business group. 6. By-election of two directors. 7. Nomination of Director Candidates List 8. The case of releasing the non-compete clause on new directors. 9. The time, place and meeting proposal of the Company's 2022 Annual General Meeting of Shareholders 10. Accepting shareholder proposals and Nomination-related matters at the 2022 Annual General Meeting of Shareholders 11. The Company's 2021 "Statement of Internal Control System." 12. Independence Evaluation Case of the Company's Appointment of Auditors, Accountants Wu, Ke-Chang and Hong, Kuo-Tien for the 2022. 13. Proposed appointment of the Company's certified accountant and remuneration case 14. The Company intends to provide financing endorsement guarantee for the subsidiary PHIHONG VIETNAM CO., LTD.

(XIII) In the most recent year and as of the publication date of the annual report, if the directors or supervisors have different opinions on the important resolutions passed by the Board of Directors, and there is a record or written statement, the main content: None.

(XIV) 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

Unit: NT\$1,000

Accounting Firm	Name of CPA	Period of Audit	Audit Fees	Non-audit Fees	Total	Note
Deloitte & Touche	Wu, Ke-Chang	2021.01.01-2021.12.31	6,800	773	7,573	Mainly, the tax department of the firm provides transfer pricing report service of NT\$380 thousand, business tax directly deducted certification fee of NT\$135 thousand, handling overseas company maintenance fee and economic substance report on behalf of NT\$98 thousand, and investment review meeting declaration services public expense NT\$80 thousand.
	Hong, Kuo-Tien	2021.01.01-2021.12.31				

(II) If the accounting firm is changed and the audit fee paid in the year of change is lower than the audit fee of the year before the change, the amount of the audit fee before and after the change and the reasons shall be disclosed: None.

(III) Amount of audit fees before and after the change (if audit fees paid for the current year are lower than stake 10% or more) and the reason: None.

VI. Information on Replacement of CPAs: None.

VII. Chairman, General Manager, 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: None.

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	2021		Current year (2022) Until April 10	
		Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged	Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged
Chairman and CEO	Lin, Chung-Min	0	0	0	0
Director	Lin, Fei-Hong	0	0	0	0
Director	Wang, Chia-Kun	0	0	0	0
Director	Yang, Shih-Hsiung (Note 1)	0 (4,000)	0	0	0
Director	Chou, Ming-Chih	0	0	0	0
Director	Chiang, Wei-Feng	0	0	0	0
Director	Chou, Ta-Jen	0	0	0	0

Title	Name	2021		Current year (2022) Until April 10	
		Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged	Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged
Director	Kuan Feng Investment Ltd.	0	0	0	0
	Representative: Lin, Yang-Hong	0	0	0	0
Independent Director	Hong, Yu-Yuan	0	0	0	0
Independent Director	Lin, Kuei-Hong	1,000 (1,000)	0	0	0
Independent Director	Chang, Hsien-Ta	0	0	0	0
Group General Manager	Lin, Yang-Hong	0	0	0	0
Vice President	Chen, Chun-Cheng	18,000 (18,000)	0	0	0
Vice President	Chang, Yuan-Shun	0 (35,000)	0	0	0
Vice President	Chien, Wen-Sung	0	0	0	0
Head of finance	Li, Pei-Yi	0	0	0	0
Head of accounting	Chen, Kuei-Chih	0	0	0	0

The above information is compiled according to the number of shares declared to the competent authority during the term of office

Note 1: Director Yang Shixiong was dismissed on April 9, 2021, and his shareholding changes were from January 1, 2021 to April 9, 2021.

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

The directors, managers and shareholders of the Company with a shareholding ratio of more than 10% have no equity transfer or equity pledge to related parties.

IX. Top Ten Shareholders Who Are Related Parties, Spouses, or Relatives within the Second Degree of Kinship

April 10, 2022; Unit: Share, %

Name	In person Shareholding		Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Shareholder Being A Related Party, Spouse Or Relative Within The Second Degree Of Kinship Of Another		Note
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Name	Relationship	
Lin, Chung-Min	51,703,063	13.78%	3,813,236	1.02%	None	None	Chien, Shu-Nu	Spouse	None
							Kuan Feng Investment Ltd.	Shareholders	
							Kuan Feng Investment Ltd. Representative: Lin, Kuan-Hong	Father and son	
							Lin, Fei-Hong	Father and son	
							Lin, Kuan-Hong	Father and son	
							Lin, Yang-Hong	Father and son	
Taiwan Cement Corporation	37,520,000	10.00%	None	None	None	None	None	None	None
Taiwan Cement Corporation Representative: Chang An-Ping	0	0%	None	None	None	None	None	None	None
J.P. Morgan Taipei as Custodian of Vanguard Equity Index Group Investment Account for Vanguard Emerging Markets Stock Index Fund	3,949,000	1.05%	None	None	None	None	None	None	None
Chien, Shu-Nu	3,813,236	1.02%	51,703,063	13.78%	None	None	Lin, Chung-Min	Spouse	None
							Kuan Feng Investment Ltd.	Shareholders	
							Kuan Feng Investment Ltd. Representative: Lin, Kuan-Hong	Mother and son	
							Lin, Fei-Hong	Mother and son	
							Lin, Kuan-Hong	Mother and son	
							Lin, Yang-Hong	Mother and son	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,645,679	0.97%	None	None	None	None	None	None	None
Lin, Yang-Hong	3,384,000	0.90%	63	0%	None	None	Lin, Chung-Min	Father and son	None
							Chien, Shu-Nu	Mother and son	
							Lin, Fei-Hong	Sibling	
							Lin, Kuan-Hong	Sibling	
							Kuan Feng Investment Ltd.	Shareholders	
Lin, Fei-Hong	3,376,000	0.90%	None	None	None	None	Lin, Chung-Min	Father and son	None
							Chien, Shu-Nu	Mother and son	
							Lin, Kuan-Hong	Sibling	
							Lin, Yang-Hong	Sibling	
							Kuan Feng Investment Ltd.	Shareholders	
Kuan Feng Investment Ltd.	3,034,905	0.81%	None	None	None	None	Lin, Chung-Min	Shareholders	None
							Chien, Shu-Nu	Shareholders	
							Lin, Fei-Hong	Shareholders	
							Lin, Kuan-Hong	Representative	
							Lin, Yang-Hong	Shareholders	
Kuan Feng Investment Ltd. Representative: Lin, Kuan-Hong	2,885,000	0.77%	None	None	None	None	Lin, Chung-Min	Father and son	None
							Chien, Shu-Nu	Mother and son	
							Lin, Fei-Hong	Sibling	
							Lin, Yang-Hong	Sibling	
Lin, Kuan-Hong	2,885,000	0.77%	None	None	None	None	Lin, Chung-Min	Father and son	None
							Chien, Shu-Nu	Mother and son	
							Lin, Fei-Hong	Sibling	
							Lin, Yang-Hong	Sibling	
							Kuan Feng Investment Ltd.	Representative	
Hsu, Ching-Feng	2,295,727	0.61%	None	None	None	None	None	None	None

X. Total Number of Shares and Total Equity Stake Held in Any Single Enterprise By The Company, Its Directors, Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by The Company:

December 31, 2021; Unit: Share, %

Reinvestment (Note)	Investment by the Company		Investment by Directors, Supervisors, Managerial Officers, and Directly or Indirectly Controlled Businesses		Total Ownership	
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)
PHIHONG INTERNATIONAL CORP.	111,061,351	100%	-	—	111,061,351	100%
PHIHONG USA CORP.	3,100,000	100%	—	—	3,100,000	100%
PHITEK INTERNATIONAL CO.,LTD.	10,200,000	100%	—	—	10,200,000	100%
ASCENT ALLIANCE LTD	12,012,600	100%	—	—	12,012,600	100%
PHIHONG TECHNOLOGY JAPAN CO.,LTD.	3,000	100%	—	—	3,000	100%
PHIHONG VIETNAM CO.,LTD	50,000,000	100%	—	—	50,000,000	100%
Guang-Lai Investment Co., Ltd.	13,975,828	100%	—	—	13,975,828	100%
H&P Venture Capital Co., Ltd.	1,373,801	32.26%	—	—	1,373,801	32.26%

Note: Investment using the equity method.

Four. Information on Capital Raising Activities

I. Capital and Shares

(I) Source of Capital

1. Capital formation process

Unit: NT\$1,000, share

Date	Issue Price	Authorized Capital		Paid-in Capital		Source of Capital	Issuance of Shares for Consideration Other than Cash	Note Others
		Number of Shares	Amount	Number of Shares	Amount			
1972.12	100	2,000	200	2,000	200	The Company is established	None	-
1977.07	100	30,000	3,000	30,000	3,000	Cash capital increase by NT\$2,800	None	-
1981.07	100	200,000	20,000	200,000	20,000	Cash capital increase by NT\$17,000	None	-
1983.10	100	300,000	30,000	300,000	30,000	Cash capital increase by NT\$10,000	None	-
1985.09	100	400,000	40,000	400,000	40,000	Cash capital increase by NT\$10,000	None	-
1987.12	100	600,000	60,000	600,000	60,000	Cash capital increase by NT\$20,000	None	-
1989.12	10	14,000,000	140,000	14,000,000	140,000	Cash capital increase by NT\$68,000 Capital increase by NT\$12,000 through earnings	None	-
1990.12	10	40,000,000	400,000	20,900,000	209,000	Cash capital increase by NT\$48,000 Capital increase by NT\$16,800 through earnings Additional Paid-In Capital of NT\$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
1991.10	10	40,000,000	400,000	22,990,000	229,900	Capital increase by NT\$20,900 through earnings	None	Securities and Exchange Commission of the Ministry of Finance Order (80)-Tai-Cai-Zheng-(Yi) No. 01608 issued on July 19, 1991
1997.10	10	40,000,000	400,000	32,163,141	321,631	Cash capital increase by NT\$49,000 Capital increase by NT\$41,382 through earnings Employee bonus of NT\$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
1998.01	10	40,000,000	400,000	37,263,141	372,631	Cash capital increase by NT\$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
1998.07	10	140,000,000	1,400,000	65,000,000	650,000	Capital increase by NT\$68,610 through earnings Employee bonus of NT\$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
1999.06	10	140,000,000	1,400,000	107,000,000	1,070,000	Capital increase by NT\$393,474 through earnings Employee bonus of NT\$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
2000.05	10	180,000,000	1,800,000	153,460,000	1,534,600	Capital increase by NT\$482,000 through earnings Employee bonus of NT\$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
2001.05	10	280,000,000	2,800,000	196,050,000	1,960,500	Capital increase by NT\$383,650 through earnings Employee bonus of NT\$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
2002.06	10	430,000,000	4,300,000	257,119,474	2,571,195	Capital increase by NT\$352,890 through earnings Employee bonus of NT\$42,010 ECB conversion of NT\$215,795	None	Securities and Futures Commission of the Ministry of Finance Letter Tai-Cai-Zheng-Yi-Zi No. 0910118459 issued on June 20, 2002 Securities and Futures Commission of the Ministry of Finance Letter Tai-Cai-Zheng-Yi-Zi No. 0910135864 issued on July 1, 2002
2003.06	10	520,000,000	5,200,000	292,381,563	2,923,816	Capital increase by NT\$308,543 through earnings Employee bonus of NT\$44,078	None	Securities and Futures Commission of the Ministry of Finance Letter Tai-Cai-Zheng-Yi-Zi No. 0920128469 issued on June 30, 2003
2004.03	10	520,000,000	5,200,000	293,156,653	2,931,567	ECB conversion of NT\$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
2004.06	10	520,000,000	5,200,000	310,338,987	3,103,390	Capital increase by NT\$146,678 through earnings Employee bonus of NT\$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
2005.08	10	520,000,000	5,200,000	319,614,482	3,196,145	Capital increase by NT\$85,432 through earnings Employee bonus of NT\$7,323	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0940126807 issued on July 4, 2005
2006.02	10	520,000,000	5,200,000	314,049,482	3,140,495	Treasury stock capital reduction of NT\$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
2006.08	10	520,000,000	5,200,000	339,883,829	3,398,838	Capital increase by NT\$220,537 through earnings Employee bonus of NT\$37,806	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0950126931 issued on June 28, 2006
2006.12	10	520,000,000	5,200,000	329,883,829	3,298,838	Treasury stock capital reduction of NT\$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
2007.08	10	520,000,000	5,200,000	348,828,587	3,488,286	Capital increase by NT\$148,448 through earnings Employee bonus of NT\$41,000	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960032161 issued on June 26, 2007
2008.08	10	600,000,000	6,000,000	384,050,910	3,840,509	Capital increase by NT\$303,481 through earnings Employee bonus of NT\$48,742	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0970031683 issued on June 25, 2008
2009.06	10	600,000,000	6,000,000	367,587,910	3,675,879	Treasury stock capital reduction of NT\$16,463	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-San-Zi No. 0980018409 issued on April 27, 2009
2010.05	10	600,000,000	6,000,000	371,754,910	3,717,549	Employee stock option of NT\$41,670	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007
2010.07	10	600,000,000	6,000,000	372,376,910	3,723,769	Employee stock option of NT\$6,220	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007

Date	Issue Price	Authorized Capital		Paid-in Capital		Source of Capital	Issuance of Shares for Consideration Other than Cash	Note
		Number of Shares	Amount	Number of Shares	Amount			Others
2010.08	10	600,000,000	6,000,000	272,376,910	2,723,769	Cash capital reduction by NT\$1,000,000	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Fa-Zi No. 0990033560 issued on July 9, 2010
2011.01	10	600,000,000	6,000,000	272,548,910	2,725,489	Employee stock option of NT\$1,720	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007
2011.05	10	600,000,000	6,000,000	274,806,910	2,748,069	Employee stock option of NT\$22,580	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007
2011.07	10	600,000,000	6,000,000	274,870,910	2,748,709	Employee stock option of NT\$640	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007
2011.09	10	600,000,000	6,000,000	274,932,910	2,749,329	Employee stock option of NT\$620	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007
2012.04	10	600,000,000	6,000,000	276,858,910	2,768,589	Employee stock option of NT\$19,260	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007
2012.07	10	600,000,000	6,000,000	277,043,910	2,770,439	Employee stock option of NT\$1,850	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007
2013.01	10	600,000,000	6,000,000	277,108,910	2,771,089	Employee stock option of NT\$650	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007
2013.04	10	600,000,000	6,000,000	277,163,910	2,771,639	Employee stock option of NT\$550	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007
2014.12	10	600,000,000	6,000,000	277,688,416	2,776,884	CB conversion of NT\$5,245	None	Department of Commerce of the Ministry of Economic Affairs Letter Jing-Shou-Shang-Zi No. 0301242790 issued on December 25, 2014
2017.03	10	600,000,000	6,000,000	337,688,416	3,376,884	Cash capital increase by NT\$600,000	None	Department of Commerce of the Ministry of Economic Affairs Letter Jing-Shou-Shang-Zi No. 10601037870 issued on March 24, 2017
2022.03	10	600,000,000	6,000,000	375,208,416	3,752,084	Capital increase by NT\$375,200 through private offering	None	Department of Commerce of the Ministry of Economic Affairs Letter Jing-Shou-Shang-Zi No. 11101045330 issued on March 23, 2022

2. Types of Share

April 10, 2022; Unit: Share

Types of Share	Authorized Capital					Note
	Issued Shares		Treasury Stock	Unissued Shares	Total	
	Listed	Privately offered				
Common Share	337,688,416	37,520,000	0	224,791,584	600,000,000	

(II) Shareholder Structure

April 10, 2022; Unit: Share, %

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Individuals	Total
Number of People	1	0	202	76,534	114	76,851
Number of Shares	3	0	46,841,783	312,626,030	15,740,600	375,208,416
Shareholding (%)	0.00%	0.00%	12.48%	83.32%	4.20%	100.00%

(III) Diffusion of Ownership

April 10, 2022; Unit: Share, %

Class of Shareholding	Number of Shareholders	Number of Shares	Shareholding (%)
1~999	31,955	2,314,777	0.62%
1,000~5,000	36,550	71,788,943	19.13%
5,001~10,000	4,564	36,919,066	9.84%
10,001~15,000	1,195	15,453,305	4.12%
15,001~20,000	869	16,273,105	4.34%
20,001~30,000	657	16,812,188	4.48%
30,001~40,000	306	10,986,343	2.93%
40,001~50,000	204	9,623,878	2.56%
50,001~100,000	338	23,761,710	6.33%
100,001~200,000	139	19,583,553	5.22%
200,001~400,000	33	8,923,734	2.38%
400,001~600,000	15	7,355,090	1.96%
600,001~800,000	3	2,131,000	0.57%
800,001~1,000,000	3	2,839,289	0.76%
1,000,001 or more	20	130,442,435	34.76%
Total	76,851	375,208,416	100.00%

Note: Above share is based on one common share (NT\$10 per value)

(IV) Main shareholders list: holding more than 5% of the total shares or the top 10 shareholders

April 10, 2022; Unit: Share, %

Name of Major Shareholder	Share	Number of Shares	Shareholding (%)
Lin, Chung-Min		51,703,063	13.78%
Taiwan Cement Corporation		37,520,000	10.00%
J.P. Morgan Taipei as Custodian of Vanguard Equity Index Group Investment Account for Vanguard Emerging Markets Stock Index Fund		3,949,000	1.05%
Chien, Shu-Nu		3,813,236	1.02%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		3,645,679	0.97%
Lin, Yang-Hong		3,384,000	0.90%
Lin, Fei-Hong		3,376,000	0.90%
Kuan Feng Investment Ltd.		3,034,905	0.81%
Lin, Kuan-Hong		2,885,000	0.77%
Hsu, Ching-Feng		2,295,727	0.61%

(V) Market Price, Net Worth, Earnings, Dividend per Share and Related Information for the Most Recent Two Years

Unit: NT\$ / 1,000 shares

Item	Year		2020	2021	As of March 31, 2022
	Market price per share	Highest		17.55	53.10
	Lowest		4.94	15.50	40.55
	Average		9.60	32.40	46.79
Net worth per share	Before distribution		14.08	15.58	15.80
	After distribution		14.08	15.58	15.80
Earnings per share	Weighted average number of Shares		337,688	338,511	375,208
	Earnings per share	Before adjustment	-0.46	-0.92	-0.21
		After adjustment	-0.46	-0.92	-0.21
Dividend per share	Cash dividend		0	0	0
	Stock dividend	Stock dividend from retained earnings	0	0	0
		Stock dividend from capital surplus	0	0	0
	Cumulative unpaid dividends		0	0	0
Return on investment analysis	P/E Ratio (Note 1)		—	—	—
	P/D Ratio (Note 2)		—	—	—
	Cash dividend yield (Note 3)		—	—	—

Note 1: P/E Ratio = Average closing price per share for the year / Earnings per share.

Note 2: P/D Ratio = Average closing price per share for the year / Cash dividend per share.

Note 3: Cash dividend yield = Cash dividend per share / Average closing price per share for the year.

(VI) Company Dividend Policy and Implementation Status

1. Dividend policy:

If there is a surplus in the annual final accounts of the Company, in addition to paying taxes in accordance with the law, it should make up for the losses of previous years first, and then set aside 10% of the balance as a statutory surplus reserve and set aside or reverse the special surplus reserve according to laws or regulations of the competent authority. If there is still a surplus, the accumulated undistributed surplus in the previous period will be added, and the Board of Directors will reserve appropriate surplus according to operational needs, and formulate a distribution proposal, which will be submitted to the shareholders' meeting for resolution to distribute dividends to shareholders.

The Company's dividend policy is based on the consideration of future capital needs and long-term financial planning. The distribution of dividends will not be less than 50% of the after-tax surplus earning of the year, and cash dividend will not be less than 10% of the total amount of dividends distributed each year.

2. Distribution of dividends proposed in the shareholders' meeting:

The Company's net loss after tax in 2021 was NT\$312,600,000, and no dividends were distributed to shareholders.

(VII) Effect of Any Proposed Distribution of Stock Dividends on Business Performance and Earnings per Share

Unit: NT\$

Item		Year	2022 (Estimate)
Paid-in capital, beginning of year			3,752,084,160
Distribution of dividends for the year	Cash dividend per share		Note 1
	Stock dividend per share through capitalization from earnings		Note 2
	Stock dividend per share through capitalization from capital surplus		Note 2
Change in operating Performance	Operating Income		Note 3
	Increase/decrease in operating income YoY (%)		
	Net income after income tax		
	Increase/decrease in net income after income tax YoY (%)		
	Earnings per share (EPS)		
	Increase/decrease in earnings per share YoY (%)		
	Annual average return on investment (ROI) (reciprocal of annual average P/E ratio)		
Pro forma EPS and P/E ratio	In the case of capitalization from earnings, all dividends will be distributed in cash.	Pro forma EPS	Note 3
		Pro forma annual average ROI	
	In the case of no capitalization from capital surplus (Note 1)	Pro forma EPS	
		Pro forma annual average ROI	
	In the case of no capitalization from capital surplus and earnings, all dividends will be distributed in cash (Note 1)	Pro forma EPS	
		Pro forma annual average ROI	

Note 1: The Company recorded a net loss after tax for 2021; therefore, no dividend will be distributed.

Note 2: In the current period, the capital increase from surplus and capital surplus was not handled.

Note 3: According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company did not publish and announce its financial forecasts for 2022, so it is not applicable.

(VIII) Remuneration Paid to Employees, Directors, and Supervisors:

1. Percentage or range of remuneration paid to employees and directors under the Articles of Incorporation:

The Company shall distribute no less than 10% of its profit for the year as employee compensation, which may be distributed by stock or cash upon resolution adopted by the Board of Directors. The target of distribution includes employees of the companies controlled by the Company who meet certain conditions; the Company may, upon resolution adopted by the Board of Directors, distribute no more than 2% of its profit for the year as the directors' remuneration. The distribution of employee compensation and the directors' remuneration shall be reported in the shareholders' meeting. However, if the Company has accumulated losses, it shall reserve the amount for compensation, and distribute the employee compensation and the directors' remuneration according to the aforesaid ratio.

2. Estimated basis for the estimated amount of employees and directors' remuneration in the current period, the basis for calculating the number of shares for employee compensation distributed by stock, and the accounting treatment if the actual distribution amount is different from the estimated amount

- (1) The valuation basis for the estimated labor amount of employees and directors in this period is based on the consideration of the profit of the current year.
- (2) The basis for the calculation of the number of shares for the employee compensation distributed by shares: the closing price on the day before the resolution of the annual shareholders meeting shall be used as the basis for the calculation of the number of shares.
- (3) Accounting treatment when the actual distribution amount is different from the estimated amount: transfer to profit or loss for the following year

3. Remuneration distribution approved by the Board of Directors

The Company's net loss after tax for 2021 is NT\$312,600,000. According to the company's articles of association, it is planned not to distribute employee remuneration and directors' remuneration.

4. Actual distribution of remuneration to employees and directors in the previous year

The Company's net loss after tax in 2020 was NT\$154,594,000. According to the Company's articles of association, it is planned that no employee remuneration and director's remuneration will be distributed.

(IX) Repurchase of the Company's Shares: None.

II. Corporate Bonds:

1. Issuance of Corporate Bonds

Types of Corporate Bonds		The 1 st Secured Ordinary Corporate Bond of 2021		
Issue (Handle) Date		March 25, 2021		
Value		NT\$10,000,000		
Issuance & Conversion Location		Taipei Exchange		
Issue Price		Issued at par value		
Total Value		NT\$700,000,000		
Interest rate		Annual Coupon Rate is 0.60%		
Term		5-year term, expiry date: March 25, 2026		
Guarantee Agency		The Company's debt guarantee institution is as below: Hua Nan Commercial Bank Ltd. The issuance amount is NT\$700 million.		
Trustee		Bank Sinopac Co., Ltd.		
Underwriting Agency		KGI Securities Co., Ltd.		
Certification Attorney		Yicheng United Law Firm, Attorney Guo, Hui-Ji		
CPA		Deloitte & Touche		
Repayment Method		The corporate bonds will be repaid in one lump sum on the maturity date from the issue date		
Outstanding principal as at the date of publication of the annual report		NT\$700,000,000		
Terms of redemption or prepayment		None		
Restrictive Clause		None		
Name of credit rating agency, rating date, corporate bond rating results		Agency name: Taiwan Ratings Corporation		
		Rating level:		
		Guarantee agency	Rating level	Rating date
		Hua Nan Commercial Bank	twAA+	June 19, 2020
Other rights	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	None		
	Issuance and Conversion (Exchange or Subscription) Method	Measures for the Issuance of the 1 st Secured Ordinary Corporate Bonds of Pihong Technology (Stock) Company in 2021		
Issuance and conversion, or share subscription method, issuance conditions may dilute the equity and the impact on existing shareholders' rights and interests		None		
The name of the custodian institution for the subject of the exchange		None		

2. Converting corporate bond information: None.

III. Preferred Shares: None.

IV. Global Depositary Shares: None.

V. Employee Share Subscription Warrants: None.

VI. New Restricted Employee Shares: None.

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

Basic Information Sheet of the Merged and Acquired Companies

Name	Phehicle Co., Ltd	
Company Address	No. 99, Zhengnan 1 st St., Yongkang Dist., Tainan City	
Representative	Lin, Fei-Hong	
Paid-in Capital	NT\$1,000,000	
Main Businesses and Product	1. CC01010 Power Generation, Transmission and Distribution Machinery Manufacturing. 2. CD01030 Motor Vehicles and Parts Manufacturing. 3. CD01040 Motorcycles and Parts Manufacturing. 4. F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories. 5.IG03010 Energy Technical Services.	
Main Product	EV charging post	
Recent annual financial information	Total Assets	Note 1
	Total Liabilities	Note 1
	Shareholders' Equity	Note 1
	Operating revenue	Note 1
	Operating gross profit	Note 1
	Operating Income	Note 1
	Profit or Loss	Note 1
	Earnings per share	Note 1

Note 1: Phehicle Co., Ltd was established on March 4, 2022.

VIII. Implementation of Capital Allocation Plans:

Capital Increase in Cash through the Private Offering of Ordinary Shares

(I) Proposal content:

1. Source and use of unds:

The extraordinary shareholders' meeting on December 16, 2021 passed a resolution to perform a capital increase in cash by way of private offering through the issuance of ordinary shares. The shares shall be issued in two batches and the issuance of shares shall not exceed 37,520,000 shares. Funds from the private offering were used in supplementing the working capital, repayment of bank borrowings, or other capital requirements to improve the financial structure or conform to the long-term development of the Company. The Board of Directors passed the resolution to issue 37,520,000 shares on December 22, 2021.

Item	Target of private offering	Payment completion date	Number of shares subscribed (1,000 shares)	Subscription Price (NT\$)	Total amount of private placement (NT\$)
1st private offering	Taiwan Cement Corporation	December 24, 2021	18,760	40.26	755,277,600
2nd private offering		December 24, 2021	18,760	40.26	755,277,600
Total			37,520	-	1,510,555,200

2. Date of input into Market Observation Post System: December 22, 2021

(II) Execution Status:

1. Projects, application progress and expected benefits

Unit: NT\$1,000

Project	Expected Complete Date	Amount Required	Progress	
			2021 Q4	2022 Q1
Supplement the working bank borrowings, or other capital requirements to improve the financial structure or conform to the long-term development of the Company	Q1 2022	1,510,555.2	310,000	1,200,555.2
			Total	
		1,510,555.2	1,510,555.2	
Expected benefits	Allow the diverse and flexible fund-raising channels and strengthen the Company's financial structure to expand the future business scale of the Company and improve the long-term competitive strength of the Company and shareholders' interests.			

2. Execution status:

Unit: NT\$1,000

Project	Execution status		Accumulated until the 1 st quarter of 2022	Ahead or behind schedule Reason and improvement plan
	Payment progress	Plan		
Supplement the working bank borrowings, or other capital requirements to improve the financial structure or conform to the long-term development of the Company	Payment progress	Plan	1,510,555.2	None
		Actual	1,510,555.2	
	Execution progress	Plan	100.00%	
		Actual	100.00%	

(III) If the plan content 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	2020	2021	Changes Increase or Decrease %
	Current assets		6,997,934	9,679,343
Current liabilities		5,138,664	6,133,290	19.36%
Total liabilities		5,617,790	7,775,302	38.40%
Interest expenses		22,517	40,297	78.96%
Operating revenue		9,243,618	12,284,041	32.89%
Loss per share		(0.46)	(0.92)	100.00%
Financial Structure	Debt ratio	54.21%	57.12%	5.37%
	Long term funds to property, plant and equipment	201.66%	229.25%	13.68%
Descriptions: 1. Increase in current assets: Due to the increase in cash capital and inventory in the current period. 2. Increase in total liabilities: Due to the increase in trade payables and long-term and short-term borrowings in the current period. 3. Increase in interest expense: Due to the increase in long-term and short-term borrowings in the current period. 4. Increase in operating income: Due to the slowdown of the epidemic and the loosening of policies in the current period, the operation has gradually returned to the right track, and the operating income has increased. 5. Increase in loss per share: Due to an increase in the amount of deficit in the current period compared with the previous period.				

Five. Overview of Operations

I. 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	2021 Consolidated Operating Revenue	
	Amount	Percentage
Power supply	12,276,351	99.94%
Others	7,690	0.06%
Total	12,284,041	100.00%

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 Appliance.
11. F113070 Wholesale of Telecom Instruments.
12. F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
13. Wholesale of Electronic Materials.
14. International Trade.
15. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import.
16. ZZ99999 All business items that are not prohibited or restricted by law, 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.

The research and development direction for future	Products and applications related to future research and development
(1) Development and applications 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/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
(9) Development of technologies and products related to Ethernet power supply	POE relay adapters and open-frame substrate power supplies
(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) 100W-330W adapters of high power density	Applications such as micro projectors, 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

(II) Industry Overview

1、Industry overview and development

The power supply unit (PSU) function is to supply 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. And according to its function and basic structure, it can be divided into the 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 contributing 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 Industry & Technology Intelligence Service, Industrial Technology Research Institute, Taiwan's large SMPS suppliers mainly focus on power supplies for information communication and are mostly ODM.

2、Product forms and application fields

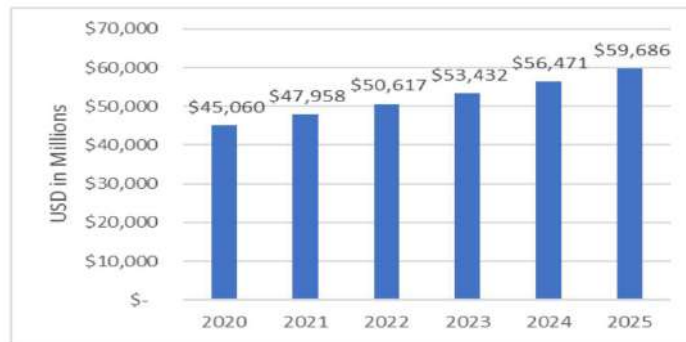
Type of Input/Output	Category	Purpose
AC/DC	Demand for chargers for consumer electronics	The main feature is the high efficiency, high density, constant voltage, and constant current charging function, which meets the needs for lightweight, thinness, smallness, and portability. The power is between 5W and 30W. 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. If medium-sized chargers are machine tools, robots, and general EVs, the wattage in the application is usually 100W to kilowatts. In the case of large chargers or electric buses, it is usually 30KW to 600KW.
AC/DC	Medical adapter	The medical external power supply is covered by a plastic case, with stricter safety requirements, such as low leakage current. 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 (mainly 12/19/24/48V), and it is mostly standard products, with power between 6W and 330W. 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 outputs, 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 management 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	There are AC input function or solar panels to charge the battery, and the button can be pressed to convert DC of the battery into AC output (concept of AC mobile power).
AC/AC	UPS	Uninterruptible power system (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 in 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

The global power supply industry is matches 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, including 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-sized and above in the market focus on operating specific application areas and developing their competitive advantages 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 2021 was US\$47.958 billion, a slight increase of 6.43% from 2020.



Global SMPS market scale

Source: Micro-Tech Consultants

Since the development of science and technology in the future will center around be cloud information network, Internet of Things (IOT), wireless communication, AI, 5G, HPC, energy storage, EV charging, smart grids, smart devices, energy saving and carbon reduction, the power supply technology is to integrate the high-frequency/high-efficiency technology for power treatment, and the design of power supplies is to aim at “compactness, high efficiency, high reliability, intelligent control, and use of environmentally-friendly recycled materials, where importance is attached to the consumption of the minimum raw materials, the production of the lowest carbon emission, and the generation of the highest energy efficiency, so as to comply with the requirements of various environmental protection regulations. The application will be more extensive and will be more closely integrated with system applications, forming an industry, spanning different fields of knowledge and technologies. Therefore, the application fields that the Company is striving to enter include:

(1) Power supply for cloud information network

Provide power supplies mainly for various equipment such as servers, switches, POSes, Hubs, Routers, etc.

(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

Provide power supplies for tablets, MP3, PDA, PSX, DVD, smartphones, digital cameras, GPS, set top box, etc.

(5) USB PD Adaptor

Continue to engage in the technology development in response to the new specifications of USB PD 3.1 to design a new product that is more compact and advantageous in costs, can automatically adjust to different output voltages and currents according to the needs of different terminal devices, support the use of mobile phones, tablets, notebooks, monitors, AR/VR helmets, and other products, and reduce the number of power supply products and furthermore the loss of raw materials, thus functioning in response to the legislation on common chargers for electric devices adopted by the European Commission in September 2021, as well as to the trend of reduction of carbon emissions.

(6) Wide bandgap semiconductors

Wide bandgap semiconductors such as GaN/SiC can be used in applications of high power density and high efficiency to further improve the efficiency of power products, achieve better energy saving effects, and reduce the consumption of raw materials through reduced volume.

(7) EVs 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 intelligent charging management of batteries to power tools so as to improve battery safety and service life.

The capacity of the lithium battery used in machine tools is gradually increasing, so the output power of the charger for the machine tools is also getting higher and higher.

(9) Medical equipment power supply

Provide home medical equipment power supplies that meet the medical-grade safety requirements of IEC 60601.

(10) Lithium battery charger for robots

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

(11) POE Injector

It has become a trend to reduce the wiring cost and increase the convenience brought by the deployment of network and monitoring equipment through the simultaneous power supply and data transmission of the Ethernet cable. In addition to the applications of Internet telephony, security monitors, and video systems in the early stage, 5G FWA, small base stations, Smart Pole, and AIOT applications will further facilitate the demand.

(12) POE switch open-frame power supply

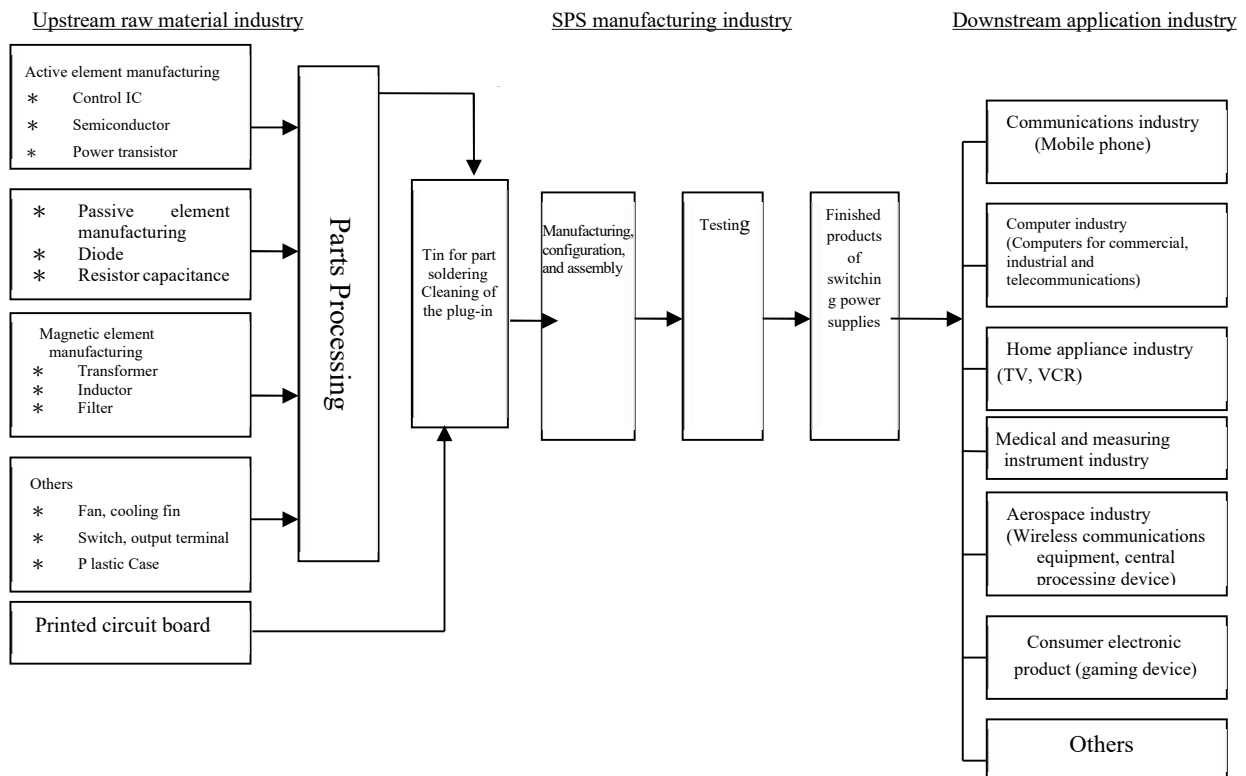
With the continuous construction of large data centers and various application network platforms, network switches have also increased in recent years. In addition, because of the increasing number of connected devices and data transmission, POE open-frame power supplies have become indispensable.

4 · Links between upstream, midstream, and downstream segments

(1) The relevance of upstream raw materials to the industry

The main raw materials of the switching power supply mainly include active elements, passive elements, magnetic elements, and printed circuit boards (see Figure 1). Restricted requirements of quality and stability are imposed on the active elements, where the control ICs for the main materials can be made in Taiwan or foreign brands can be used. Passive elements include products such as transformer cores, magnetic elements, diodes, switches, and output terminals, which can all be made in Taiwan, constituting an industry of highly self-reliant manufacturing among the domestic electric industries.

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 production, and SMPS is one. With that, the power 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

5 · 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 the 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 in the direction of 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
In order to mitigate the impact on the earth's ecological environment of the 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, in order to meet the increasingly stringent energy-saving and environmental protection requirements, the management at the technical level and of the product life cycle for the power supplies had become more important as time goes. In addition, how to improve the efficiency of energy use in the production process, the use of clean renewable energy, and the introduction of 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 the 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) 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.

6、Situations of product competition:

(1) External competitors

The Company was established in 1972. In the beginning, it mainly introduced high-tech equipment and other products. In 1973, it set up a factory to produce autotransformers and linear power supplies. The product lines have gradually covered all kinds of power supplies and adapters. In recent years, it has successfully developed energy storage systems and EV charging products. Product applications have begun to cover green energy, EVs, and other industries, but the power supplies for consumer electronics products are still the major products. Due to a large number of power supply manufacturers at home and abroad and the wide variety of products, the Company's export 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	
Foreign suppliers	Emerson、Schneider、SMA、Eaton、Power-one、Flextronics、Eltek、Valere、Murata、TDK-Lambda、AEG、Friwo、Salcomp、ABB、SIEMENZ
Taiwan	Delta (largest supplier in the world), 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. On the whole, 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.

(III) Overview of Technologies and Research and Development Works

1、The Company's technological capabilities

Phihong's products have an extensive scope of applications, from fields of low power smartphones and consumer electronics to mid-to-high power applications (such as electronic sport NB, power battery charger, power over ethernet (POE), AIOT, smart safety monitoring, 5G small cell and fixed wireless access (FWA), industrial and automated equipment, and EV charging station), with the following design advantages of multiple aspects:

Energy efficiency: The maximum full-load efficiency can reach more than 96%, and the average efficiency can reach more than 93%, which are much higher than the efficiency, >89%, as specified in the latest energy regulations, namely DoE 6.0 and CoC tier 2.

Power density: For general products from 45W to 330W in the market, the natural cooling adaptor's function is 7~12W/in³; however, Phihong is able to achieve the function of 16W/in³ and above at present, and we continue to make new breakthroughs and innovations.

Design of Type C express charging: Such design meets the specifications of USB PD3.1, QC4.0, 3.3V ~ 21V PPS (Programmable Power Supply), and active power sharing of multi-port products, which can work with battery packs for the requirements of bidirectional charging/ power supply and terminal market applications. At present, such products cover the range of 18W ~ 140W.

Lightning-resistant and antistatic capacity: At present, the lightning-resistance capacity is designed to reach more than 6KV in outdoor applications, and the ESD prevention and control capacity can reach more than 15KV in non-contact air discharge mode. Moreover, in the above test procedure, the power supply can meet the normal output requirements of Class A.

Integration of numerical control: With a complete software/firmware engineering team, and through close technical cooperation with MCU manufacturers, the integration ability of the R&D team has been greatly enhanced in software/hardware research and development, thus increasing the design competitiveness in related industries.

Institution design: IP67 waterproof and dustproof design , having over 500 times tumble tests and various replaceable AC adaptors and folding PIN with patent obtained.

Design under safety regulations: In addition to general communication standards such as UL/EN 62368, safety regulations are also observed, includes standards such as: UL/EN 60601 for medical applications; EN60335, UL1310, and UL1012 for home appliances and industrial control; and UL2594/2202, IEC61851, CNS15511/15700, and GB/T18487/34657 for vehicle charging posts, etc.

Design of DC express charging for EVs: Most of the charging posts on the market are designed to be general AC slow charging. There are few manufacturers making DC express charging posts, and most of such posts made by the few are within 180KW. However, at present, Phihong technology can produce express charging posts reaching 360KW, while marching towards the making of posts of 720KW through continuous technology breakthrough and innovative integration of new technology.

2. R&D expenditures

Unit: NT\$1,000; %

Item	Year	Consolidated Financial Statements	
		2020	2021
R&D Expenditures		632,909	760,997
Operating revenue		9,243,618	12,284,041
As a percentage of operating revenue		6.85%	6.20%

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

Year	Products under R&D
2020	<ol style="list-style-type: none"> 55W High-voltage/Low-voltage modulating chargers 27W Miniatured express chargers 45W Miniatured express chargers 65W Multi-port miniatured express chargers 30W K21-compliant power supplies for netcom systems 164W, 168W, 252W, and 273W Lithium battery chargers for electric bicycles 650W Lithium battery chargers for power tools (including CANBUS communications) 45W Miniaturized power supply for speakers 252W/6A Express power supply for charging electric bicycles 168W Full digital-controlled power supply 150W 2"x4" High-efficiency open-frame power supply for medical use 60W 2"x3" High-efficiency open-frame power supply for medical use 100W PD Adaptor 10W~ 30W adaptor with IPX4/IPX7 for household appliance 170W/250W GaN Adaptor for Small server and Gaming notebook
2021	<ol style="list-style-type: none"> Power supplies for gaming notebooks, including 135W PD, 140W PD, 180W GaN and 230W GaN power supplies Chargers for electric bicycles, including 84W and 109W low-price competitive versions, 168W version for vehicle CAN communications, 252W and 273W standard versions, 252W waterproof miniaturized version, etc. High power charging platform, including 380W and 500W standard platforms Lithium battery chargers for power tools, including 160W and 210W battery chargers for lawnmowers, and 185W multi-port chargers 65W GaN Smart express chargers using wide bandgap semiconductor with multi-port outputs 45W/65W PD express chargers for notebooks 30W PD express chargers for mobile phones 30W/90W POE high surge products 260W/530W open-frame chargers for PoE switches
Planning for 2022	<ol style="list-style-type: none"> Various types of GaN power supplies for gaming notebooks, including 130W PD 3.0, 140W PD 3.1, 280W/20V power supplies Various chargers for electric vehicles and power batteries, including 109W competitive version, 164W GaN chargers of miniaturized version, 1KW chargers of fanless version with IP67 waterproof and dustproof features Industrial power supplies, including 150W & 240W open-frame products with moisture-proof and dustproof features Lithium battery chargers for wireless power tools, including 160W & 210W battery chargers, 21.6W/single-port and 43.2W/dual-port chargers, 1KW chargers 65W GaN 2C1A PD Smart express chargers for retail market Various Type C power supplies for notebooks and other electronic devices, including 45W/65W/90W/100W general and miniaturized GaN PD power supplies Various Type C chargers for mobile phones, including 10W/18W/44W/80W general and

Year	Products under R&D
	miniaturized GaN PD chargers 8. Multi-purpose slim power supplies, including 150W adapters 9. The second generation 30W/60W/90W POE adapters 10. 530W/950W Open-frame products for POE switches 11. Power modules for the charging posts for electric vehicles, including 30KW DC/DC modules, 40KW AC/DC modules, 60KW PFC water-cooled modules, and 30KW DC water-cooled modules 12. 360KW Water-cooled charging posts for electric vehicles

4. Future R&D plans and expected R&D costs, current progress of uncompleted R&D plans, R&D costs to be further invested, estimated time for the completion of mass production, and main factors influencing the success of future R&D

R&D Plan for the Most Recent Year	Current progress/achievement	Costs to be invested in R&D (in NTD millions)	Time targeted for completion of mass production	Main factors influencing the success of future R&D
130W miniaturized GaN PD 3.0 adapters for gaming notebooks	Designing	3	September 2022	Efficiency improvement, selection and design of miniaturized elements, design with thermal conductivity, 3D part configuration and wiring technology, management and control of GaN production process
140W miniaturized GaN PD 3.1 adapters for gaming notebooks	Designing	3	November 2022	Efficiency improvement, selection and design of miniaturized elements, design with thermal conductivity, 3D part configuration and wiring technology, management and control of GaN production process
280W miniaturized GaN adapters for gaming notebooks	Designing	3	December 2022	Efficiency improvement, selection and design of miniaturized elements, design with thermal conductivity, 3D part configuration and wiring technology, management and control of GaN production process
164W miniaturized GaN chargers for electric vehicles and power batteries	Designing	3	September 2022	Efficiency improvement, selection and design of miniaturized elements, design with thermal conductivity, 3D part configuration and wiring technology, management and control of GaN production process
109W Chargers of competitive version for electric vehicles	Designing	2	June 2022	Cost control
150W/240W Industrial open-frame power supplies	Designing	5	October 2022	Cost control, design with instant 200% high power output, moisture-proof and dust-proof design, design with thermal conductivity
160W/210W Lithium battery chargers for cordless power tools	Designing	6	August 2022	Efficiency improvement, charging control and protection technology for digital batteries, IP67 waterproof and dustproof design, industrial-grade safety design, management and control of encapsulated compound production process

R&D Plan for the Most Recent Year	Current progress/achievement	Costs to be invested in R&D (in NTD millions)	Time targeted for completion of mass production	Main factors influencing the success of future R&D
21.6W/Single-port and 43.2W/Dual-port Lithium battery chargers for cordless power tools	Designing	5	December 2022	Cost control, charging control and protection technology for economical batteries, IPX4 waterproof and dustproof design, active power distribution technology
1KW Lithium battery chargers for electric vehicles and power batteries	Designing	5	November 2022	Efficiency improvement, charging control and protection technology for digital batteries, IP67 waterproof and dustproof design, industrial-grade safety design, management and control of encapsulated compound production process, design with thermal conductivity
65W GaN 2C1A PD Smart express chargers for retail market	Designing	3	October 2022	Efficiency improvement, active power distribution technology, selection and design of miniaturized elements, EMI technology, design with thermal conductivity, 3D part configuration and wiring technology, management and control of GaN production process
10W/18W/44W/80W General PD products for mobile phones	Designing	8	November 2022	Cost control
10W/18W/44W/80W miniaturized GaN PD products for mobile phones	Designing	8	November 2022	Efficiency improvement, selection and design of miniaturized elements, EMI technology, design with thermal conductivity, 3D part configuration and wiring technology, management and control of GaN production process
For notebooks and other electronic devices 45W/65W/90W/100W General PD products	Designing	8	November 2022	Cost control
For notebooks and other electronic devices 45W/65W/90W/100W miniaturized GaN PD products	Designing	8	November 2022	Efficiency improvement, selection and design of miniaturized elements, EMI technology, design with thermal conductivity, 3D part configuration and wiring technology, management and control of GaN production process
150W Multi-purpose slim adapters	Designing	3	July 2022	Cost control, EMI technology, design with thermal conductivity
30W/60W/90W second generation POE adapters	Designing	8	October 2022	Cost control, high surge technology, data transmission technology, EMI technology
530W Open-frame for POE switches	Designing	3	December 2022	Application of LLC architecture, protection of control sequence, high surge
950W Open-frame for POE	Designing	4	December	

R&D Plan for the Most Recent Year	Current progress/achievement	Costs to be invested in R&D (in NTD millions)	Time targeted for completion of mass production	Main factors influencing the success of future R&D
switches			2022	technology, design for heat flow
30KW DC/DC SiC power modules for the charging posts for electric vehicles	Designing	9	November 2022	Circuit design with high efficiency and high power, design for heat flow, DSP digital control technology, moisture-proof and dust-proof design, the satisfaction of the design of the vehicle charging post in compliance with safety and certification regulations in major regions of the world, management and control of production process
40KW AC/DC SiC power modules for the charging posts for electric vehicles	Designing	9	November 2022	
60KW PFC water-cooled SiC power modules for the charging posts for electric vehicles	Designing	12	December 2022	Circuit design with high efficiency and high power, water-cooled design for heat flow, DSP digital control technology, moisture-proof and dust-proof design, the satisfaction of the design of the vehicle charging post in compliance with safety and certification regulations in major regions of the world, management and control of production process
Silicon carbide 30KW DC water-cooled power supply module for EV charging pile	Designing	12	December 2022	
360KW water-cooled charging pile for electric vehicles	Designing	28	February 2023	Active power module N+1 with parallel technology, water-cooled technology and heat flow design, DSP digital control technology, industrial appearance and design for plugging/unplugging charging gun and routing, IP55 moisture-proof and dust-proof design, the satisfaction of the design of the vehicle charging post in compliance with safety and certification regulations in major regions of the world, UI interface and communication network design
The research and development costs invested in 2022 are estimated to be approximately NTS158,000,000				

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

1、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, grasp the price fluctuations of raw materials in the market, and integrate the standardization of materials for the design, in order to reduce product costs and strengthen competitiveness of the product price; and to find a balance between the ability to mitigate operational risk and the ability to win orders through the effective management of the products and the value of the material inventory over the data platform.
- (2) Marketing strategy:
To formulate the important strategic issues for the Group, plan for improvement goals, reduce product costs and strengthen competitiveness of the product price; to increase the turnover

from the existing five major customers of each product business group; to reduce the order share of low-power/ low-margin product models, and to undertake the development of high-power/ multi-port express charging/ high-margin product models; to improve the design and delivery quality of electric vehicle charging products and to enhance product standardization; and to expand the turnover and profit of the Electric Vehicles BU.

(3) Production strategy:

To introduce automated production equipment into mass model production, and to introduce Cell production line for small quantity production with diversities of models; to actively improve the production process to improve production efficiency, planning and management in accordance with customer product needs and services, so as to continue to assure quality through standardized management; 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, so as to expand production capacity and increase output value.

2、Long-term development plan:

(1) R&D strategy: Marketing Department

To continue to develop advanced technology to manufacture green energy products with high added value; to aim to develop energy-saving and carbon-reducing green products for various application products, and to enhance product and corporate image, so as to the requirements of green supply chain for customers.

To strengthen the research and development of wide-bandgap GaN and SiC semiconductors in the application of power supplies to develop power supplies of high-frequency, miniaturization, and high-efficiency.

To replace the traditional design of analog circuits with the digital design of power supply, so as to achieve performance requirements such as optimized parameter design, integrated functions, and intelligent communication with the system side, thus improving the flexibility and maneuverability of design and production testing.

To actively engage in the development of medium/high power supply products and technologies, and to establish the built-in performances such as high waterproof and dustproof rating, anti-lightning damage, low electromagnetic interference and intelligent communication, so as to enter high-end niche markets such as gaming, 5G communication, and power battery charging and other applications.

To invest in, at early opportunities, the application 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, so as to keep the leading R&D capability.

(2) Marketing strategy:

To establish a global operation management, to deeply cultivate key customers and develop new niche market, and to advocate customer first and attach importance to customer satisfaction and customer feedback; and to start business activities earlier, expand customer base, and increase turnover from new products, depending on the market trends of emerging industries such as wearable devices, drones, AR/VR, AI, Internet of Things (IOT), 5G, foldable smartphones, gaming notebooks, charging posts for electric vehicles, and E-Bikes, etc.

(3) Production strategy:

To strengthen data operation and management, integrate various systems of the Company, and introduce data analysis platform for the grasp of changes in market and customer situations and for the decision-making and response in a timely manner, so as to further move forward in the direction of digital transformation from the current establishment of a digital platform; to grasp the customer demand in the off-peak/peak seasons and the fluctuation of the market supply chain, to establish and improve the production and sales platform, and to reduce the labor shortage crisis in mainland China, so as to stabilize production; and to establish a factory base for overseas production in North Vietnam in response to the Sino-US trade war and the risk management mechanism for the production factory

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: %

Main Product \ Year	2020	2021
Power supply	99.93%	99.94%
Others	0.07%	0.06%
Total	100.00%	100.00%

(2) Region of Sales

Unit: NT\$1,000

Region of Sales \ Year	2020	2021
Domestic sales revenue	107,552	137,670
Americas	1,827,046	980,923
Asia	6,291,648	10,297,728
Europe	984,836	800,649
Others	32,536	67,071

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, optoelectronics, precision instruments, automobiles, and information appliances. About 85% of them are concentrated in consumer electronics, mobile communications products, personal computers, and peripheral products, so the industrial demand is mainly linked to the fluctuations of the overall economy and the information, communication, and electronics industries, particularly their sub-industries.

(1) Supply side

According to the research data from Micro-Tech Consultants (MTC), the switching power supply market in the world reached 47.958 billion US dollars in 2021. 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

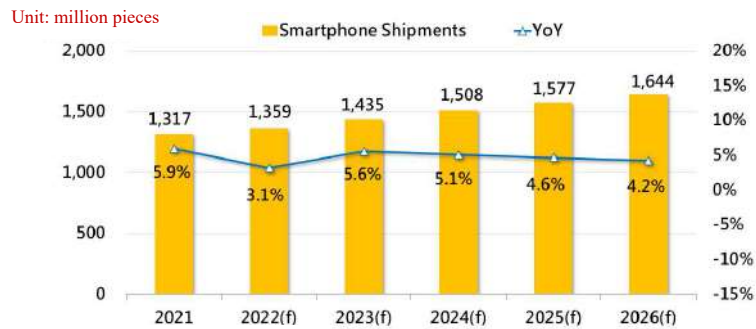
Although the power supply has a wide range of applications, since 85% of the products are used in consumer electronics, mobile communications, personal computers, and peripheral devices, the industrial demand is deeply affected by the changes in the information, communications, and electronics industries.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

A. Smart phone market

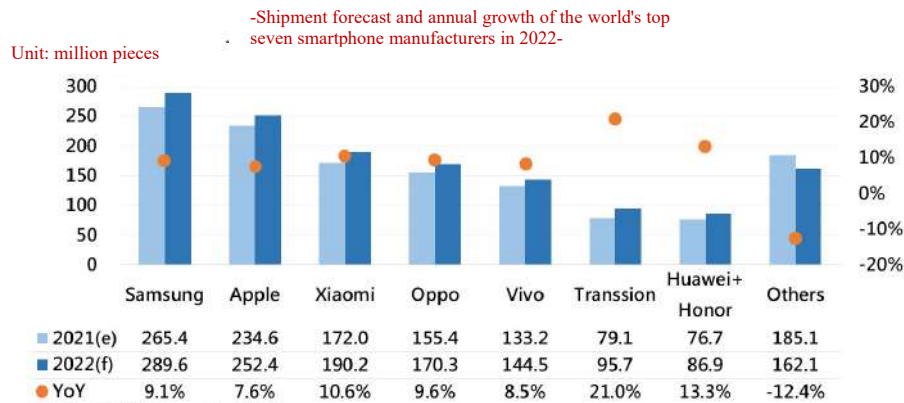
According to statistics and estimates by DIGITIMES Research, global smartphone shipments were to decline for three consecutive quarters from the third quarter of 2021 to the first quarter of 2022, where the decline in two quarters in the second half of 2021 were mainly due to the resurgence of the new COVID globally, resulting in decline in demand in some markets and the disruption to supply chain operations, whereas the decline in the first quarter of 2022 was due to a higher base period for the same period in 2021. In terms of the whole year of 2022, as the world has been overshadowed by inflation concerns in the first half of the year, DIGITIMES Research also learned from the supply chain that the top brands have revised down their forecasts on orders of various parts and assemblies after the Lunar New Year, which is expected to affect the shipment performance from the second to the third quarter; therefore, the growth forecast for the entire year of 2022 has narrowed to 3.1%. Taking into account the concern of inflation, geopolitics and the impact of de-globalization, DIGITIMES Research revised down its forecast on smartphone shipment growth in the next five years to 3-6%. In terms of 5G mobile phone shipments, 2021 outgrew 2020 by about 240 million mobile phones, and the annual increase from 2022 to 2026 is estimated to be 120 million to 190 million mobile phones.

In terms of detailed forecasts, according to statistics by DIGITIMES Research, the top five global smartphone brands in the fourth quarter of 2021 were APPLE, SAMSUNG, XIAOMI, OPPO and VIVO in order, and SAMUNG was expected to return to the top spot in the first quarter of 2022.

- The shortage supplies of iPhone 13 Pro series products continued until January 2022, and APPLE was expected to ship around 60 million pieces of products in the first quarter of 2022.
- The new flagship product of SAMSUNG Galaxy 22 series was launched in February 2022, which was expected to drive SAMSUNG's shipments to over 70 million pieces of product in the first quarter of 2022.
- In the face of poor buying atmosphere in the Chinese market and fierce competition with other Chinese brands, XIAOMI continued to focus on expansion overseas, and overall shipments in the first quarter was to remain above 40 million pieces of products.
- OPPO and VIVO faced difficulties in boosting sales and in setting a firm foothold in the competitive Chinese market. Although they increased the proportion of overseas sales, their shipments in the first quarter of 2022 fell below 40 million and 35 million pieces of products, respectively.
- TECNO has been cultivating mobile phone markets in South Asia and Africa with low-price models, which strived to ship around 20 million pieces of product in the first quarter of 2022.
- Still under the US sanctions, HUAWEI has fallen between 3 million and 4 million pieces of products in shipments in a single quarter. Currently HUAWEI has successfully regained the majority of its market share, which strived to deliver more than 13 million pieces of product in the first quarter of 2022.



Source: DIGITIMES Research, 2022/2

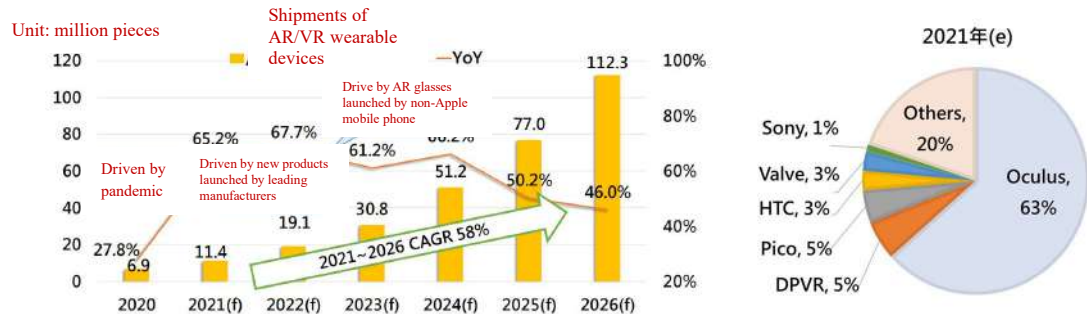


Source: DIGITIMES Research, 2021/9

B. AR/VR Market

The growth in demand for remote work, non-contact business, meeting tools, and virtual socializing activities has dramatically stimulated the augmented reality (AR) and virtual reality (VR) markets. According to the survey report by DIGITIMES, the global shipment of AR/VR devices in 2021 increased by 65.2% to the total amount of 11.4 million pieces of products compared with 2020 due to the situation change of the pandemic. After 2022, driven by the launch of more glasses-type AR/VR devices by various brands, the market is to witness significant growth. It is estimated that such AR/VR products will grow to 112.3 million pieces of products by 2026, with a compound annual growth rate (CAGR) of 58% from 2021 to 2026. The accelerated development of the market of AR/VR devices is attributed to the more active product strategies of brand manufacturers. In particular, glasses-type AR/VR devices are to become a popular choice for manufacturers in developing the consumer market. It is estimated that more brands will launch new products after 2022, including APPLE, HUAWEI, and SAMSUNG which are likely to launch glasses-based AR/VR devices, which in turn will drive the market growth.

The Oculus Quest 2, a brand of META (the rebranding of FACEBOOK), is the best-selling VR device on the market, with a market share of 63%, because it is priced \$299 cheaper than other competitors and can be used to play games without a computer.



C. 5G fixed wireless access (FWA) market

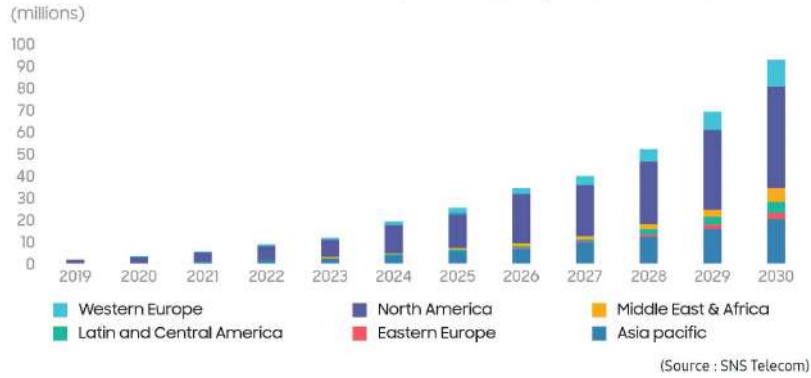
Telecom service providers are actively deploying the 5G infrastructure. Global 5G commercial networks will become more popular in 2021. There is no need to build private enterprise networks, and enterprises can also quickly establish intranets among branches through 5G FWA, to complete the last bit of the journey to replace traditional wired networks. Fixed wireless access (FWA) refers to the use of user equipment that supports mobile networks to provide broadband access links with the theoretical transmission speed ten times faster than 4G in the 5G era. The 5G download speeds can reach up to the Gb level, which is comparable to optical fiber networks. The industry is optimistic about 5G. A new wave of FWA applications derived from 5G, by means of 5G wireless high-speed transmission, will break through the deployment restrictions of wired networks.

Ericsson pointed out that the increased demand for fixed-line broadband at home has also led to a substantial increase in the transmission through FWA providers. Ericsson estimated that the number of global FWA users will grow more than three times by 2026, exceeding 180 million users, and will account for a quarter of the overall mobile data transmission. As of July 2020, there were 37 5G FWA telecom providers worldwide for commercial purposes, mainly in the U.S. and Europe.

1. The U.S.: In order to bridge the gap in network construction between urban and rural areas, the FCC has continued to subsidize telecom companies to provide network and voice services in rural areas since 2015. Most telecom companies adopt FWA to reduce costs and rapidly expand the coverage to achieve the goal set by FCC. In the future, it is expected to shift from 4G or FWA on unlicensed spectrum to 5G in order to improve the quality of the connection.
2. Many telecom companies in the U.S. originally only provided fixed-line services and won the bid for the CBRS frequency band to provide FWA services.
3. Europe: 4G FWA was originally popular in many European countries, and it is expected to be upgraded to 5G.

At present, in addition to Nokia and Ericsson, domestic players, such as Foxconn, Compal, Zyxel, Arcadyan, Askey, Wistron, Alpha, Accton, Sercomm, and Cameo, have launched 5G FWA-related products, including indoor or outdoor 5G FWA products.

5G-Based FWA CPE Unit Shipments by Region (2019-2030)

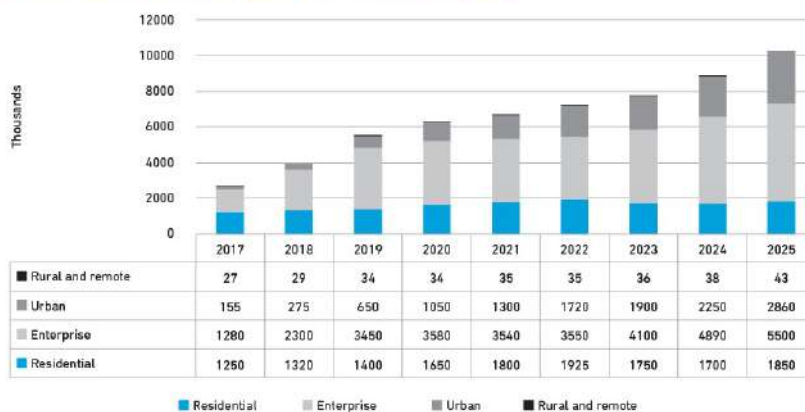


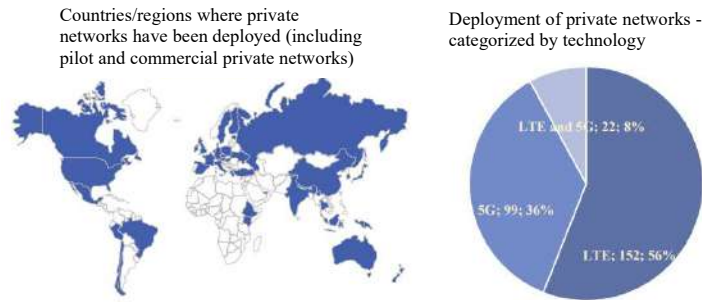
D. 5G small base stations and enterprise private network market

According to MIC, it is estimated that global telecom companies will spend US\$1.1 trillion to build networks from 2020 to 2025, of which nearly 80% will be used on 5G, showing that telecom companies hold high hopes for 5G business opportunities. In addition, both the loosening of European and U.S. regulations and the development of private networks will help increase the willingness of mobile service providers to deploy the infrastructure. Small base stations are expected to grow more significantly from 2022 to 2023. However, global telecom companies build large base stations first and then adopt small base stations to enhance the quality of indoor or building communications. Therefore, MIC also predicts that small cell business opportunities will not grow significantly until 2022–2023. In 2026, global 5G small base stations will account for more than 90% of the market.

Optimistic about the global 5G market, the three major international public cloud companies have also rushed into this market to provide related services as well as to provide flexible deployment solutions incorporating cloud-native technologies. Targeting the needs of 5G edge computing for enterprises private networks, MICROSOFT launched a 5G edge computing solution for enterprise private networks, jointly with VERIZON in September 2021, where Azure Stack Edge was used to build a 5G private network in the mmWave millimeter wave band. Moreover, GOOGLE Cloud launched the Distributed Cloud in October 2021 which can be deployed to the computer room of enterprises. Such service can deploy base stations and edge computing computer rooms in host mode to meet the needs of enterprises in building private networks. AWS also released a preview version of AWS Private 5G at the 2021 product conference to simplify the complexity of deploying a private network. Enterprises only need to decide the region and network bandwidth of the 5G private network to be deployed, and then AWS can provide the necessary elements for the 5G private network, including small base stations, 5G core networks, and RAN software, SIM cards, and other devices that can be added or decreased flexibly, and deployed in a few days, where the charges are calculated according to actual usage. Although licenses for the dedicated frequency band is not to be released until 2022, there are quite a few practical cases of 5G private networks or 5G private networks of commercial frequency domestically, including industrial cases such as manufacturing, tourism, transportation, cultural exhibitions, disaster prevention and relief, manufacturing, medical care, education and learning, etc.

Small cell deployments and upgrades by environment 2017-2025





As of August 2021

- *45 countries/regions in the world already have 4G or 5G private networks, or have released frequency spectrums for 5G private networks, and 370 companies have deployed or tested private networks, or acquired frequency spectrums for private networks
- *Nearly 50 equipment suppliers participated in the supply of the equipment for 4G or 5G private networks
- *Public network operators participated in 68 private networks

Source: GSA, prepared by MIC in September 2021

*Among the 370 private networks, 273 private networks adopted specific mobile communications technologies, of which 99 used 5G, 22 used both 4G and 5G, and 152 used 4G



E. PoE power supply market

The market size of Ethernet power supply solutions exceeded US\$700 million in 2018 and is expected to grow at a compound annual growth rate of more than 15% from 2019 to 2025. PoE technology is widely used to support IoT projects, such as smart cities, smart grid projects, and smart buildings. The IoT communication network adopts PoE to power smart infrastructure so as to meet the IoT needs. By 2025, the power sourcing equipment (PSE) field is expected to account for more than 40% of the market share of Ethernet power supply solutions because the equipment is widely used to meet the power requirements of powered devices, including wireless access points, cameras, VoIP phones, and POS terminals.

As IoT technology grows continuously in vertical industries of manufacturing, retail, healthcare, and transportation, the deployment of PoE-enabled switches and routers (that provide gigabyte speeds for connected devices) is to explode as well. Various construction measures by the government, such as Industry 4.0 and smart city development, are to gradually increase the adoption of PoE solutions to improve energy efficiency by enabling the sharing of power and data through the same Ethernet cable infrastructure.

The market of Power over Ethernet solutions in the North American accounted for more than 40% of the industry share in 2018, which is expected to maintain its dominant position in the market from 2019 to 2025.



F. General market of NB and Chrome book

According to the research report by DIGITIMES, due to the worsened COVID-19 pandemic in 2021, while the demand side of notebooks increased, adverse impacts were however imposed on the supply side. With the increased availability of vaccines globally and the reopening of society, enterprises and schools, signs of growth reverse were seen in the demand of notebooks for education and for consumers in advanced countries in the second half of the 2021. The market is to enter the post-pandemic era, and it is expected that notebook shipments are to decline slightly in 2022 and 2023 due to the drop of the demand for notebooks (for online education) in the post-pandemic era and the discontinued government subsidies. After 2023, the industry is to turn more of their efforts to product upgrades to obtain the momentum for the next wave of shipment growth. It is expected that

between 2024 and 2026, the notebook market will return to growth again due to the product innovation resulting from new tablets and new hardware platforms.

The global notebook shipments were expected to reach 236 million pieces of products in 2021, another record high; however, the annual growth rate afterwards is probably not as good as last year, yet a double-digit percentage performance in the annual growth rate this year can still be expected.

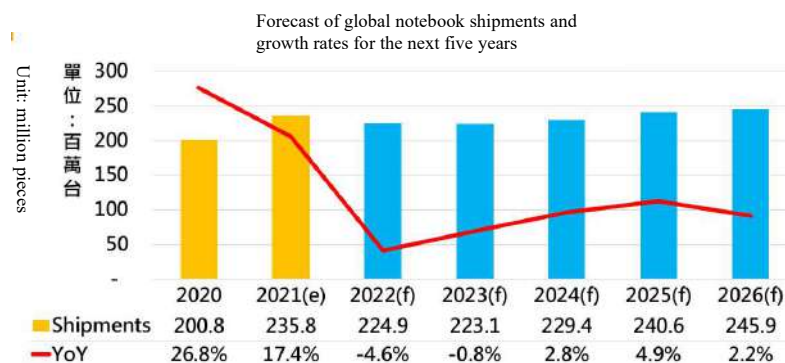
In 2022, global notebook shipments are expected to decline by 4.6%. On the one hand, the needs driven by the pandemic no longer persist in advanced countries, i.e. demands in the consumption and education sectors are likely to decline. On the other hand, although emerging markets are expected to recover significantly in various application fields, global shipments are to decline slightly due to the decline of demand in major markets.

In 2023, global notebook shipments are expected to decline slightly by 0.8% in 2023, down about 1.8 million pieces of products compared with 2022. The contributing factors associated with the pandemic have officially ended. Although pandemic is likely to stay in 2023, most countries adopt the policy of co-existing with the COVID and will remain fully functioning without being locked down or slowed down due to sufficient vaccines being available. The pandemic has forever changed the demand for notebook devices in various application fields, and the market has entered a new normal, including the education, consumption, and business demand levels which are significantly higher than those in pre-pandemic period. The annual demand for notebooks in the post-pandemic market will remain above 220 million pieces of products.

In 2024, global notebook shipments will return to the growth track, with an expected annual increase of 2.8%. Those notebooks purchased in large quantities for educational purposes in the second half of 2020 out of the pandemic will officially enter a replacement cycle since the purchase made 3 to 4 years ago. In terms of technological innovation, the popularization of OLED panels, the concept of MICROSOFT Cloud PC, and the cooperation between INTEL and TSMC in the high-performance core will also start to manifest their effect in 2024. SAMSUNG's OLED 8-generation production line is expected to be put to mass production by the end of 2023, which will bring an OLED solution of lower cost to the notebook industry. In order to compete with GOOGLE Chromebook, MICROSOFT incorporates the advantages of Azure public cloud, the Cloud PC technology developed by MICROSOFT is expected to involve the cooperation with ARM-related industries, and related products in prototype can be expected in 2024.

In 2025, global notebook shipments will enter a new wave of growth cycle, with an expected annual increase of 4.9%. The market will witness a wave of replacement cycle for consumer and commercial notebooks in face of the discontinued support for Windows 10. It will be 5 years in 2025 since the models of consumer notebooks were purchased during the pandemic outbreak in 2020, and most consumers will consider replacement of their notebooks. Meanwhile, enterprise users also enter a mass replacement cycle in face of the discontinued support for Windows 10 in 2025, which will further stimulate the enterprises to replace their notebooks with the new models of Windows 11.

In 2026, global notebook shipments will see a slowdown of the growth rate, yet shipments will exceed 245 million pieces of products. The wave of replacement of the consumer and business notebooks starting in 2025 will continue into 2026. New technology applications, including OLED panels and ARM processors, will continue to penetrate the market. APPLE, SAMSUNG, and ASUS will all adopt foldable OLED panels to design notebooks which are scheduled for shipment in quantity in 2026. Meanwhile, the ARM models used in Chromebooks and Windows will also continue to penetrate at an increased rate.



Note: DIGITIMES classified detachable models as Tablets which were not included in the statistics of notebook shipments.
Source: DIGITIMES Research, 2021/9

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.

According to the latest Internet Data Center (IDC) survey report, the total shipments of global gaming PC devices in 2020 were estimated to be 41.6 million units, an increase of 16.2%, reaching a new high of 49.6 million units. It will increase to 61.9 million units by 2024, with a compound annual growth rate of 5.7%. In particular, the total shipments of gaming desktop PC this year will reach 14.8 million units, gaming monitors 12.4 million units, and the gaming NBs with the largest shipments will reach 22.3 million units.

Forecast of the market of gaming PC devices for 2020-2024					
Year	2020		2024		Compound annual growth rate (%)
Product	Shipments (in 10,000 units)	ASP (US\$)	Shipments (in 10,000 units)	ASP (US\$)	
Gaming Desktops	1,480	699	1,580	671	1.6
Gaming Monitors	1,240	348	1,600	341	6.4
Gaming Notebooks	2,230	967	3,020	955	7.9
Total volume	4,960	-	6,190	-	5.7

Source: IDC, 2020/9 Prepared by: Weng, Yu-Lan

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 becomes more sophisticated and the unit price is lower, the market scale has grown substantially. By 2024, the global demand for e-bikes is expected to grow by 3.7% every year, reaching 28.7 million units. However, as the global COVID-19 pandemic has disrupted the supply chain of e-bikes and forced many retailers to close business, consumer spending in this field was significantly reduced. Thus, the sales of e-bikes in 2020 fell to slightly more than 23 million units.

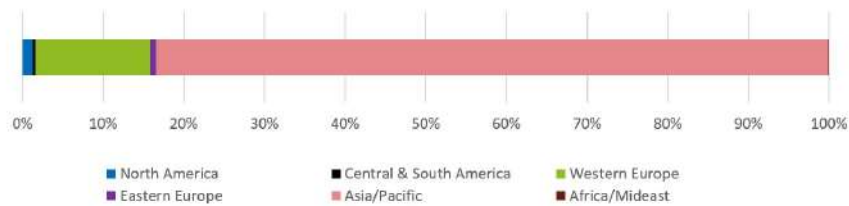
The global e-bike market is dominated by China, which accounted for 76% of sales in 2019. As many of e-bikes are already used in China, and the rate of motor vehicle retention rate continues to rise, China's prospects for growth are quite limited. In addition, internal combustion engine scooters, scooters, and mopeds are still very popular. Outside China, the demand for e-bikes is expected to grow by 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.

Global demand in the e-bike industry

Global E-Bike Demand by Region, 2009 – 2024 (thousand units)										% compound annual change		
Item	2009	2014	2019	2020	2021	2022	2023	2024	'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 %	

Global E-Bike Demand Share by Region, 2019



Global E-Bikes

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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. 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.

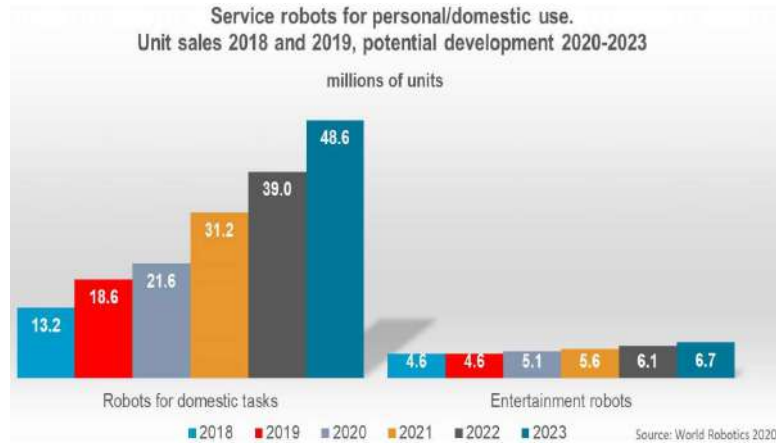
With the introduction of new lithium batteries, power tools are growing rapidly in the global hand tool market; particularly in recent years, major tool manufacturers have been devoted to wireless hand-held automatic machine tools. Henk Becker, President of Bosch, mentioned that the cordless power tool market would grow rapidly in the next five years. Their share in the power tool market will increase from 40% to 60%, and that the investment in battery systems will be well worth the money spent in the future. According to Data Bridge, a market research agency, the global power tool market would reach approximately US\$41.2 billion in 2020 and will reach US\$55.6 billion by 2027, with an average compound annual growth rate 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, lightweight, 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.

The Deloitte team further predicted that the professional service robots would reach a double-digit growth in 2020 and in the next few years as rapidly emerging products in the market. This optimistic forecast is based on the impact of two major technological developments: 5G network technology has improved wireless connectivity and continued price reduction and progress of edge AI chips. According to a recent report released by World Robotics, it was estimated that 21.6 million service robots were to be sold in 2020, and then the sales therein is to grow by 25-44% annually to reach 48.6 million service robots in 2023.



J. Power supplies for medical respirator applications

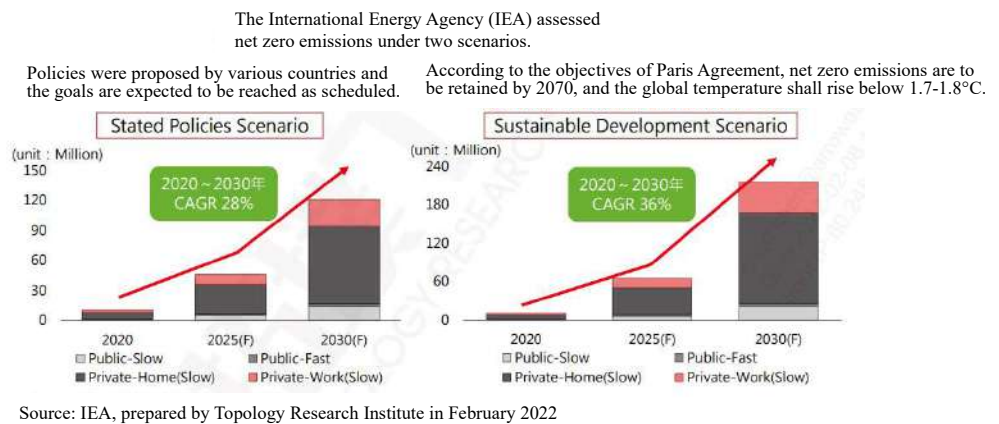
The continuous rise of the global elderly population and the increasing attention of the public to health has driven the development of the global medical equipment market. It is expected to reach approximately US\$517.4 billion in 2021, and the CAGR from 2016 to 2021 is 4.78%. The demand for lightweight and portable medical instruments, particularly home medical applications, has grown most substantially. Since Covid 19 can cause irreversible lesions to the lungs, the next wave of product trends possibly lies in the subsequent prognosis caring for those infected population that increase in number day after day. Accordingly, the demand for home respirators increases, partly in the use of the respirator during sleep as more and more people suffer from insomnia year by year and more attention has been paid to sleep quality under the fast-paced daily life and highly-stressful environment. The global market for the equipment for sleep apnea will grow from USD 14 billion in 2020 to USD 25 billion by 2028. The market is expected to grow at a compound annual growth rate (CAGR) of 8.65% between 2020 and 2028.



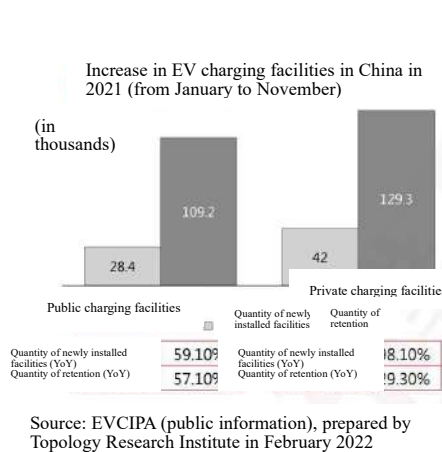
K. The market of charging posts for electric vehicles

Looking into to the global electric vehicle market in 2025, DIGITIMES is still optimistic about the growth momentum of electric vehicles. As the time for banning the production and sale of gas-based vehicles is approaching, vehicle manufacturers continue to increase their investment in their electric vehicle division so as to avoid paying carbon taxes and huge fines. Many investments on a single car factory even amount to more than USD 10 billion. As per estimation by DIGITIMES, global electric vehicle sales will reach 28.5 million pieces of products in 2025, with a penetration rate of over 30%, and the compound annual growth rate

(CAGR) of the electric vehicle market will reach 55.4% from 2020 to 2025, which is much higher than the 4.7% performance of the overall automotive market. According to the statistics of automobile associations in various countries and the International Energy Agency (IEA), the higher the sales volume of electric vehicles, the more charging posts are deployed, and there exists a positive relationship between the EVs and the posts. Up to ninety percent (90%) of the charging posts currently concentrate in the three major regional markets of electric vehicles, namely China, Europe and the United States. China has the highest number of electric vehicles, with nearly 4.6 million EVs in 2020, as well as the highest number of charging posts, with over 807,000 charging posts accounting for more than 60% of the world's total. In terms of the values of the vehicle post ratio, China showed the ratio of 6:1, whereas Europe and the United States showed 11:1, and 16:1, respectively. In other words, Chinese vehicle owners needed to wait for vehicle charging for a shorter time. Looking closely at the proportion of express charging posts in various regions, China also showed the highest proportion, reaching 38%.



In the future, the deployment of charging posts in the three major regional markets of the electric vehicle will develop in two directions: First, to continue to increase the number of charging posts (including AC charging posts and DC express charging posts), with the goal of reaching the ideal ratio of 1:1 vehicle-to-post ratio (that is, 1 vehicle to 1 post). Second, to increase the proportion of express charging posts, with the purpose of reducing the waiting time for vehicle owners in charging their vehicles. The development plans of charging posts in each regional market are shown in the following figures:

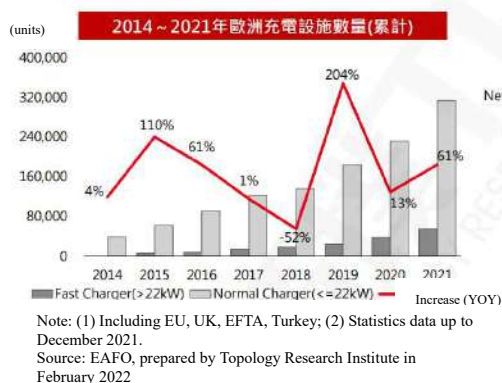


- Development plan for the vehicle industry based on new energy (2021-2025)
- Accelerating the construction of power-charging and battery-swapping infrastructures
 - Enhancing service levels of the charging infrastructures
 - Encouraging innovations of business models (One charging post to multiple vehicles, sharing models, etc.)
 - Providing financial support
 - Strengthening the energy interaction between new-energy vehicles and the grid (V2G)
 - Encouraging the construction of multi-functional stations integrating "optical storage, charging and discharging"

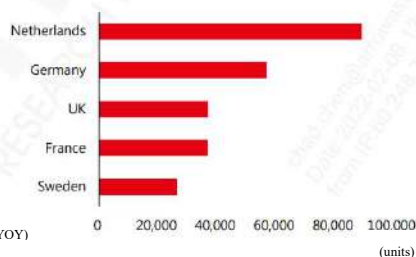
Plans for charging facilities based on the "14th Five-Year Plan" were proposed in China's provinces and cities (Plans are partially listed here only)

Shanghai - Development and implementation plan for accelerating the vehicle industry based on new energy (2021-2025)	Encouraging the replacement of public charging stations with DC express charging posts, where 10,000 express charging posts were newly installed or introduced as replacements.
Anhui Province - Development action plan for the vehicle industry based on new energy (2021-2023)	Totally 40,000 new charging posts will be built from 2021 to 2021. It is expected that the number of charging posts will reach 150,000 cumulatively in 2023, with public charging posts not less than 50,000 pieces.
Jiangxi Province - Acceleration of the establishment of the economic system for the improving the development of green and low-carbon circulation	By the end of 2022, charging piles will cover the entire service areas along the expressway.
Henan Province - Action plan for promoting the construction of new infrastructures (2021-2023)	Totally built included 600 public charging and swapping stations, 20,000 public charging posts, and 50,000 private charging posts.

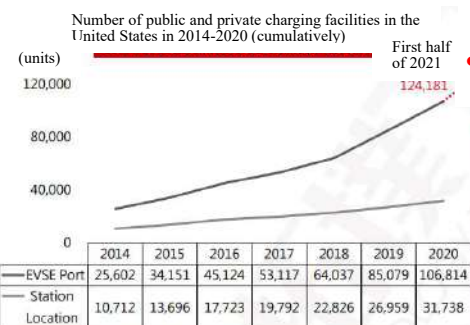
Number of charging facilities in Europe in 2014-2021 (cumulatively)



Top 5 public charging stations in European countries in 2021



*The new EV charging facilities (EVSEs) were introduced in an accelerated way in the United States in 2019, with more than 17,000 EVSEs added in the first half of 2021.
*The Biden administration has just announced the allocation of USD 7.5 billion for the building of a global electric vehicle network, and each city and state government also has subsidies or incentive measures in place related to charging facilities. The establishment of charging facilities is mostly related to the urban clean-up plan.



Source: U.S. Department of Energy, prepared by Topology Research Institute in February 2022

Infrastructure Investment and Jobs Act of 2021

- US\$7.5 billion was spent to build a national EV charging network.
- Funded EVSEs (electric vehicle charging facilities) must be for public use.
- The EV Working Group was established to be responsible for EVSE licensing and regulatory issues.
- A Joint Office for Energy and Transport was established to study issues involving deployment of both EVSEs and hydrogen energy infrastructures.
- Funds were provided to states for the deployment of EVSEs and networking devices.

Executive Order 14057

- The procurement of government's vehicles is targeted at the procurement of zero-emission vehicles only for all categories of vehicles by 2035, and the procurement of zero-emission vehicles only under category of light vehicles by 2027.

Incentive measures for charging infrastructures in the United States	
Long Beach, California	Residents who own or lease an electric vehicle and are eligible or licensed can install an EVSE (charging facility) free of charge.
Seattle, Washington	In support of Seattle's Drive Clean program, the City of Seattle has established DC express charging EVSEs at all utility service locations.
New York City, New York	As a part of Clean Fleet Transition Plan in the New York City, <ol style="list-style-type: none"> 1. 80 DC EVSEs will be installed. 2. 20% of the city's parking areas are required to have Level 2 EVSEs by 2025, and by 2030, 40% of the city's parking areas are required to have Level 2 EVSEs by 2033. 3. 1,000 roadside Level 2 EVSEs will be built by 2025 and 10,000 by 2030. 4. Integration of the user charging system with the street infrastructure.

3、Advantageous and disadvantageous factors and countermeasures for competitive niches and development prospects

(1) Grasp of key technologies

In order 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 the leadership position in the industry. Therefore, power supply manufacturers must first develop and obtain relevant safety certificates around the world from agencies commissioned in response to the market demand, while surpassing other competitors to distribute products in the market under the authorization of customers in the shortest time in order to obtain 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 highprecision 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. 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, so as to maximize the production efficiency of an entire plant.

(2) Products with good qualities for environmental protection

In the beginning of R&D and design, the first thing is to identify various laws and regulations, so that all products can meet the requirements of RoHS, Pb-free, Halogenfree, and HSF. RoHS is controlled through "source management" in the system to fully keep abreast of the progress of RoHS in terms of process and material management. Through the acquisition of ISO9001, ISO14001, OHSAS18000, ISO13485, IATF16949, and other certifications, the Company implements complete control of product quality, environmental protection, and employee labor safety and health. Not only have all products passed relevant safety certifications and complied with the requirements of the EU RoHS directive but new designs to meet Energy Star

regulations have been gradually introduced. In addition, the Company has spared no effort to promote and implement 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 partnership.

(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 reduce manufacturers' unit production cost and increase the 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) Management of the source of raw materials

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, while 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 any time, 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 space through large purchases, and even engage 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 prolongs 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. A busy 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 the products can comply with the provisions of RoHS, Pb-free, Halogen-free, HSF, etc. In terms of safety specification, the products also comply with the 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 such as

ISO9001, ISO14001, ISO13485, OHSAS18000, IATF16949, etc.

(2) Unfavorable factors:

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

Response measures:

In addition to reducing the needs for workforce 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 talents to join and stay, so as 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 the price war is expected.

Response measures:

a. The Company will accelerate the pace of global layout and internationalization, while building world-class factories and further upgrading production to 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 keep abreast of the market demands and trends so as 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 the 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 the 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 talents 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, to improve supply chain management and establish local supply chain, and to accurately grasp customer demands in peak/ off-peak seasons and price fluctuations of raw materials in the market, as well as supply and demand conditions, and delivery risks, so as to reduce procurement costs and formulate and implement strategic material preparation plans in a timely manner, strengthen product prices 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 design 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 research of the 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, so as to ensure that the correctness of the R&D direction and the leading position of the technical capabilities.

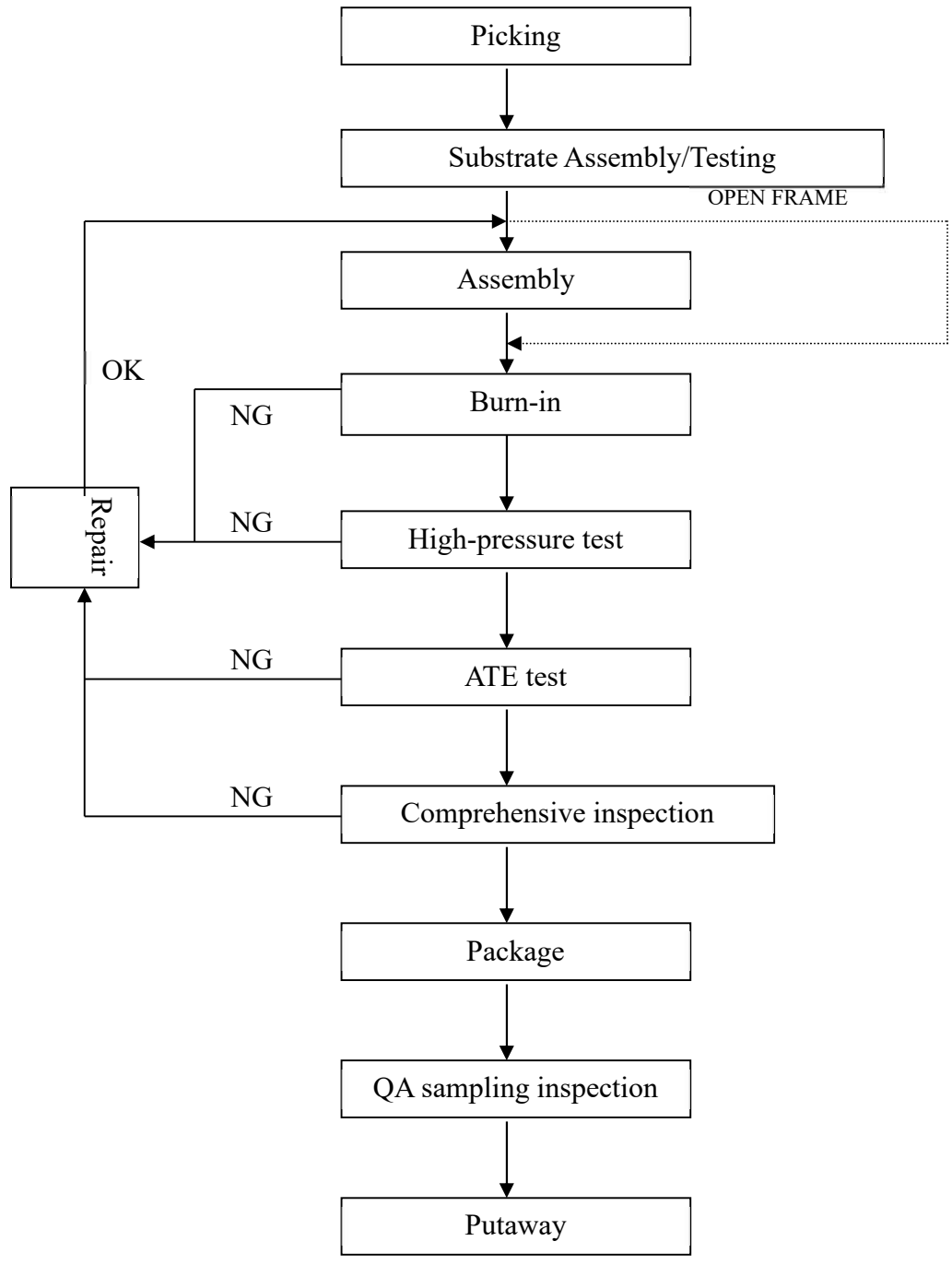
(II) The important uses and production processes of the main products

1 · Important uses of the products:

Main Product	Main purpose or function
<p data-bbox="201 206 520 237">Adapter / Charger/Cable</p> 	<p data-bbox="643 206 1382 273">Smart Phone / NB / AR&VR / Networking / POS / Smart home appliance/ Medical device</p> 
<p data-bbox="201 488 405 519">Battery Charger</p> 	<p data-bbox="643 488 938 519">Ni-Cd / Ni-MH/ Li-ion</p> 
<p data-bbox="201 712 347 743">Car charger</p> 	<p data-bbox="643 712 1023 743">Phone / GPS / Digital camera</p> 
<p data-bbox="201 936 352 967">EV Charger</p> 	<p data-bbox="655 936 1150 967">Bus /Car / Bike / Trailer / Wheel chair</p> 
<p data-bbox="201 1191 352 1223">PV-Inverter</p> 	<p data-bbox="643 1191 922 1223">Solar on grid product.</p> 
<p data-bbox="201 1489 440 1520">Open frame power</p> 	<p data-bbox="643 1489 1050 1520">Industrial, Printers, POE switch</p> 
<p data-bbox="201 1780 560 1812">POE (Power Over Ethernet)</p> 	<p data-bbox="655 1780 1182 1812">Security / Telecommunication / IP phone</p> 

Main Product	Main purpose or function
<p>LED DRIVER</p> 	<p>LED Bulb</p> 
<p>Wireless Charger</p> 	<p>Smart Phone, Pad</p> 
<p>Energy Storage System</p> 	<p>AC Charging, DC Charging (USB), Solar</p> 
<p>High power Battery Charger</p> 	<p>Battery charge</p> 
<p>Battery inverter</p> 	<p>AC Charge/Discharge</p> 
<p>E-bike charger</p> 	<p>E-bike</p> 
<p>Gaming charger</p> 	<p>Gaming laptop</p> 

2、Production flow chart of main products



(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. Up to now, the supply of raw materials is stable and sound, and the price can be flexibly determined at any time based on the 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 (sale) in any of the last two years, their purchases (sale) 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	2020				2021				As of The First Quarter of 2022			
	Name	Amounts	Percentage of Annual Net Purchases (%)	Relationship with Issuer	Name	Amounts	Percentage of Annual Net Purchases (%)	Relationship with Issuer	Name	Amounts	Percentage of Annual Net Purchases (%)	Relationship with Issuer
	Others	6,873,065	100	NA	Others	9,864,991	100	NA	Others	2,130,870	100	NA
	Net purchase amounts	6,873,065	100	-	Net purchase amounts	9,864,991	100	-	Net purchase amounts	2,130,870	100	-

Note: List the names of suppliers who have purchased more than 10% of the total purchases in the last two years and their purchase amount and proportion. However, because the contract stipulates that the name of the supplier cannot be disclosed or the transaction object is an individual and not a related person, the code name is used.

2、Information on major sales customers in the last two years

Unit: NT\$1,000, %

Item	2020				2021				As of the first quarter of 2022			
	Name	Amounts	Percentage of Annual Net Sales (%)	Relationship with Issuer	Name	Amounts	Percentage of Annual Net Sales (%)	Relationship with Issuer	Name	Amounts	Percentage of Annual Net Sales (%)	Relationship with Issuer
1	A	1,399,454	15	NA	A	2,624,333	21	NA	A	486,673	16	NA
2	B	1,678,975	18	NA	B	2,577,949	21	NA	B	383,262	13	NA
3	C	1,865,176	20	NA	C	2,457,272	20	NA	C	712,984	24	NA
	Others	4,300,013	47		Others	4,624,487	38		Others	1,386,190	47	
	Net sale amount	9,243,618	100		Net sale amount	12,284,041	100		Net sale amounts	2,969,109	100	

Note 1: List the names of customers who have more than 10% of the total sales in the last two years and their sales amount and proportion. However, because the contract stipulates that the name of the customer or the transaction object should not be disclosed as an individual and not a related person, the code name may be used.

Note 2: The amount of revenue did not reach 10% of the total sales.

(5) Production value table for the last two years

Unit: NT\$1,000

Production Volume and Output Value	Year	2020			2021		
		Production Capacity	Production Volume	Output Value	Production Capacity	Production Volume	Output Value
Main Products							
Power supply		144,788,823	101,352,176	8,558,092	135,817,391	100,504,869	10,396,958
Others		-	-	-	-	-	-
Total		144,788,823	101,352,176	8,558,092	135,817,391	100,504,869	10,396,958

(6) Sales value table for the last two years

Unit: NT\$1,000

Sales Volume and Value	Year	2020				2021			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main Products									
Power supply		1,410,301	101,896	98,233,884	9,134,811	3,772,114	131,281	101,986,980	12,145,070
Others		188	5,656	77,883	1,255	59	6,389	183,430	1,301
Total		1,410,489	107,552	98,311,767	9,136,066	3,772,173	137,670	102,170,410	12,146,371

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, 2022

Year		2020	2021	As of March 31, 2022
Employees Number	Direct labor	3,971	4,420	3,359
	Indirect labor	1,827	2,004	2,121
	Total	5,798	6,424	5,680
Average age		31.40	30.89	31.85
Average years of service		3.15	2.94	3.32
Education distribution ratio	PhD	0.03%	0.05%	0.07%
	Master	2.07%	2.04%	2.50%
	College	13.73%	12.79%	14.75%
	High school	21.96%	16.14%	17.50%
	Below junior high	62.21%	68.98%	65.18%

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 central exhaust system, central air conditioning system, mobile vacuum cleaner machine, sedimentation tank, simple sewage treatment equipment, etc. are also available.

(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) The total amount of environmental protection expenditure in the past year was NT\$956,112. At the same time, through the environmental management system (ISO14001), the environmental protection audit management procedures were formulated and implemented, and the missing parts were improved and tracked.

2021 Environmental Protection Expenditure Statistics Table

Environmental protection cost categories	Description	Expenses (NT\$)
1. The direct cost of reducing environmental load		
(1) Cost of pollution prevention and control	Prevention costs of air pollution prevention, water pollution and other pollutions	125,989
(2) Cost of saving resource consumption	Cost of saving resources (e.g. water, electricity)	0
(3) Expenses for disposal and recycling of business waste and general office waste	The cost of processing business wastes (sludge cleaning and transportation, waste solvents, waste water, normal garbage processing)	469,973
2. Reducing indirect costs of environmental load (environmental related management costs)	(1) Expenses on environmental education (2) Expenses for environmental management systems and certification	341,250
	(3) Load costs of environment monitoring (4) Personnel costs related to environmental protection organizations	18,900
	(5) The increased cost of purchasing environmentally friendly products	0
3. Other costs relating to environmental protection	(1) Expenses for soil remediation and natural environment restoration	0
	(2) Environmental pollution damage insurance premiums, environmental taxes and fees levied by the government, etc.	0
	(3) Settlement, compensation, fines and litigation costs of environmental issues	0
Total		956,112

Environmental Benefit Statistics

Item	Description	Benefit
Business wastes recycling	Such as electronic parts scraps, waste computers	NT\$78,410
Environmental Impact Benefit	CO2 reduction	1389 tons

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 attaches great importance to the physical and psychological health of employees, and spares no effort to improve the work environment, arrange recreational activities, and set up facilities, while strengthening health and insurance services. In order to take care of employees' daily life, the Company not only provides a clean and beautiful work environment but also organizes a variety of recreational activities, such as Christmas party and various ball games, for employees. The various activities planned by the Employee Benefits Committee allow employees to relax physically and psychologically after work, relieve their busyness and stress at work and to make their life more fulfilling and comfortable.

- (1) Benefits measures handled directly by the Company:

A. Dividends and performance bonuses for employees.

- B. Annual health examination and re-examination and consultation services.
 - C. Christmas party and charitable activities
 - D. On-the-job professional training and subsidy for continuing education.
 - E. Marriage, funeral, and celebration subsidies.
 - F. Recreational facilities (such as gym, indoor basketball court, and employee lounge) and massage for employee.
 - G. Year-end party and lucky draw activities.
 - H. Free books, newspapers, and magazines.
 - I. Labor insurance.
 - J. National health insurance.
 - K. Group life insurance, accident insurance, medical insurance, cancer insurance and travel insurance, to offer multiple protections to employees.
 - L. Encourage colleagues to actively vaccinate and provide paid vaccination leave.
 - M. Insure employees with vaccine insurance to ensure protection against discomfort after vaccination.
 - N. During the Level 3 epidemic alert period, the employees who are on duty at the factory will be insured for epidemic prevention insurance to add an extra protection.
- Group insurance planning: divided into the following four categories according to grades and dispatched personnel, details are as follows:

Item	Grade 3 or above	Permanant staff	Grade 4 to 7	Grade 8 or below
Category	A	B	C	D
Life insurance amount	NT\$1.5 M	NT\$1 M	NT\$1 M	NT\$0.5 M
Accident insurance amount	NT\$5 M	NT\$5 M	NT\$3 M	NT\$1.5 M
Inpatient medical insurance	Ward fee NT\$1,300 / day Miscellaneous NT\$28,000 /time Surgical allowance NT\$36,000 /time			
Occupational Accident Insurance	Compensation for labor insurance payroll difference			
Cancer insurance	Ward fee NT\$3,000 / day Surgical allowance NT\$25,000 /time Radiation or chemotherapy NT\$1,000 /time			
Accident medical insurance	NT\$20,000			

- (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 has relevant benefit measures, such as Company cars, indoor/outdoor parking spaces, employee restaurant, gym, and an indoor basketball court.
- (4) 2021 Employee Benefits and Salary Information

Item	People/NT\$1,000
Number of full-time employees not in supervisory positions - weighted average (A)	517 people
Gross salary of full-time employees who are not in supervisory positions (B)	451,204 thousand
"Average Salary" of full-time employees who are not in supervisory positions (C=B/A)	873 thousand

- (5) Employee training:
 In the spirit of quality first, PHIHONG enables employees to fully understand the work content and professional knowledge through the implementation of education and training, so as to improve their work performance and human quality, and enhance their awareness of self-development in order to achieve the Company's overall operating goals. Meanwhile, PHIHONG is committed to creating a learning environment for all employees, and regards employees as the most important asset. In addition to providing management-related training, full additional training subsidies, professional work content training, language courses and general life lectures, in response to the epidemic, it actively introduces digital learning and digital learning platform, combined with the additional functions of communication software, provides a variety of digital learning resources, so that all PHIHONG people's learning and growth will not be affected by the epidemic.
 Various training sessions, license, and on-the-job training are held in strict compliance with local labor laws and regulations. In the process of employee career development, we provide continuous training

courses to meet their needs for self-improvement and to strengthen the Company's market competitiveness through a complete education, training, and development system and a digital learning platform.

In order to strengthen the competitiveness of PHIHONG talent, ensure the reliability and correctness of the training process, and improve the quality and results of education and training, we will continue to improve the existing internal systems and methods, and continue to improve the quality of human resources and work skills, so as to continue increasing corporate competition ability and become a benchmark enterprise of TTQS in the future.

Statistics of educational training hours for PHIHONG talent training in 2021:

Item	Q1	Q2	Q3	Q4	Cumulative hours throughout the year
Internal Training	2,223.0	2,008.0	3,460.5	4,037.0	11,728.5
External Training	443.5	252.0	228.5	269.0	1,193.0
Digital Learning	275.0	1,431.0	3,007.0	1,290.0	6,003.0
Total	2,941.5	3,691.0	6,696.0	5,596.0	18,924.5

2、Pension fund contribution: The Company contributes pension fund monthly in accordance with relevant pension regulations, and transfers it to individual pension accounts according to employees' pension system chosen freely.

(1) Old system: Employees who were employed before June 30, 2005 may choose the old system or the new one by themselves. The Company has its own pension regulations for officially hired employees in accordance with the provisions of the Labor Standards Act. According to the pension regulations, the payment of pension is calculated based on the length of service and the average salary of the six months prior to retirement. The Company makes a contribution to the pension reserve monthly, which is managed by the Supervisory Committee of Business Entities' Labor Retirement Reserve, and the reserve is deposited in the bank in the name of the committee.

(2) New system: It is applicable to employees who are on board after July 1, 2005, who shall all adopt the new system, and to the employees who were employed before July 1, 2005, who chose the new system on their own. The Company contributes 6% of the salary monthly to each employee's personal pension account based on the employee's salary. Employees may also contribute 0%–6% of their own salary each month to their individual pension accounts according to their personal wishes, and the Company will deduct the amount of the contribution from the employees' salary on a monthly basis.

3. Circumstances of labor-management agreements and various employee rights protection measures:

(1) The situation of labor-management agreements:

The Company is committed to establishing a harmonious atmosphere of mutual trust between labor and management in operation and management, and provides a variety of channels to promote communication between labor and management through an active and open management model, such as quarterly labor-management meetings employee mailboxes, etc. In addition, we provide employee counseling services, and hold relevant lectures and seminars from time to time to strengthen the communication and building of consensus. Since the establishment of the Company, the labor-management relationship has been harmonious, and there has been no loss due to labor disputes.

(2) Measures to protect employees' rights and interests:

Work environment and employee personal safety protection measures: Based on the importance of the work environment to the personal safety of employees, the Company comprehensively adopts the ISO45001:2018 management system guidelines and policies. The Company's risk control in the environmental and occupational health and safety aspects demonstrates its general direction in and basic commitment to environmental and occupational health and safety protection, while providing employees with a safe, healthy, and comfortable work environment. It also attaches importance to the review and improvement of various risk assessments, and meanwhile engages dedicated personnel for occupational safety and health management at each factory to be responsible for the planning, execution, and inspection of safety and health management work.

A. Occupational safety and health policy:

Continuous transformation and growth are the driving force of Phihong's technological advancement, and we are committed to the simultaneous improvement of product quality and work environment. We

are committed to occupational safety and health with a prudent attitude, aiming to achieve professionalism, diversification, and internationalization. Adhering to the following principles as the highest guidelines for decision-making, our occupational safety and health policies are as follows:

1. Comply with various safety and health requirements and strengthen communication for internal and external management.
2. Continuously improve the work and living environment and prevent various safety incidents.
3. Reduce occupational safety and health risks, and spare no effort to ensure employees' health and safety.

B. Policy description:

1. An enterprise's operation and production must comply with the provisions of the labor safety and health laws and the requirements of customers and other organizations.
2. Strengthen education and training, enhance the awareness of occupational safety and health, implement safety and health responsibilities thoroughly, implement various management activities of occupational safety, and maintain the effective operation of the occupational safety and health management system.
3. Continuously improve the work and living environment, provide employees with a better work and living environment to reduce various risks that are not conducive to employees' health and safety, so as to prevent the occurrence of various labor safety incidents.
4. Ensure and enhance the Company's positive image to achieve the goal of sustainable development.

C. Occupational safety and health commitment:

In the R&D, manufacturing, testing, and sales process, Phihong must comply with laws and regulations and other relevant requirements to prevent occupational injuries and continuously improve the operation of the management system to be in line with international standards. In line with the corporate responsibility of protecting employees and caring for the Earth, we promise:

1. Ensure the safety and health of employees is the primary responsibility and obligation of the Company at all levels.
2. Prevent work-related injuries, health issues, diseases, and accidents to protect all personnel at factories.
3. Comply with laws and regulations, reduce the impact of environmental pollution, and develop standard operating procedures and methods.
4. Communicate policies and provide necessary education and training to employees, suppliers, customers, contractors, and stakeholders to ensure that they correct environmental, safety, and health knowledge and correct behavior
5. Continuously improve the operation of the management system and enhance performance.
6. Encourage employees to provide suggestions, establish and maintain a good communication channel between the Company's supervisors and employees.
7. Produce green products, promote waste reduction campaigns, and continue to rectify and organize to create a safe and healthy environment.
8. Promise to adopt international and domestic environmental safety and health standards as the basis for self-improvement.

D. Environmental safety and health management organization:

An environmental safety and health organization is set up to assist in planning and supervising the improvement of the Company's work environment and facilities so as to comply with relevant laws and standards. We attach importance to the establishment of workplace safety and health culture for all employees to ensure the safety of all employees and establish a sound workplace safety and health management system so as to ensure the safety of the workplace and achieve the goal of sustainable development of the Company.

E. Environmental safety and health certification and training:

In addition to the introduction of ISO14001:2015 environmental management system in our factories, and the verification by the external certification agencies, the oversea factories had passed the verification of the ISO45001:2018 occupational safety and health management system. We conduct internal audits, management reviews, and irregular external audits, and customer audits every year to confirm the status and effectiveness of our management system as a direction for continuous improvement in the future.

F. Safe work environment:

Creating a safe and injury-free work environment for employees is one of the important commitments of Phihong. At present, the main manufacturing factories of Phihong have passed the certification of the ISO45001:2018 occupational safety and health management system, so that the employees can work in a safe and secure work environment and are fully committed to their work and give full play to their strengths.

(3) Employee code of ethics and conduct: "Phihong Employee Code of Ethics and Conduct" is Phihong's expectations for all employees in the group, which regulates the ethics and conduct of all employee, and requires their commitment to comply with laws and ethical principles to maintain Phihong's assets, equity, and image.

- A. The record of the information must be honest and complete: Either in Taiwan, China, or other countries, it must abide by the general accounting principles, and execute all transactions in accordance with Phihong's regulations and procedures. Undisclosed or unrecorded Company funds or assets shall be prohibited.
- B. Improper or illegal use of Phihong's resources is strictly prohibited.
- C. Gifts and entertainment must be appropriate: Gifts and hospitality provided to suppliers or customers shall comply with general market practices and ethical standards; employees must not request or accept any gifts, special treatments, or entertainment from the Company's suppliers or customers.
- D. Employees are prohibited from engaging in activities that conflict with the Company's interests: Employees shall not engage in activities that conflict with the Company's interests outside the Company, nor may their duties at Phihong be affected by engaging in or participating in activities outside the Company. They shall also not obtain private interests or benefits from transactions related to Phihong
- E. All employees must abide by copyright regulations.
- F. The information that belongs to the Company must be kept confidential: Any important internal information of the Company must be kept confidential, and employees, either for profit or not, shall not provide said information to third parties without authorization
- G. Protection of intellectual property rights: Protection of the Company's intellectual property rights (including inventions, technological information, product designs, and other Company's rights protected by law).
- H. Insider trading is forbidden: Any employee cannot use the insider information known to benefit others or obtain personal benefits. The Company's financial position and business dealings information shall not be published without prior permission, so as not to affect shareholders' rights and interests.

Every employee is responsible for maintaining Phihong's reputation in accordance with the highest ethical standards, and violations of the code are regarded as improper behavior. We will strive to require all employees to abide by the code to ensure the rights and interests of Phihong and all stakeholders.

- (II) Losses suffered by the Company due to labor disputes in the most recent year and as of the publication date of the annual report (including the matters in the labor inspection results that violate the Labor Standards Act, the date, official document number, laws violated, and the content of violation, and content of the penalty), and the estimated amount and countermeasures that may occur at present and in the future in the most recent year and as of the publication date of the annual report: In 2022 and up to the date of publication of the annual report, there have been no losses due to labor disputes, and the Company and its employees have maintained good labor relations.

VI. Information and Communication Security Management:

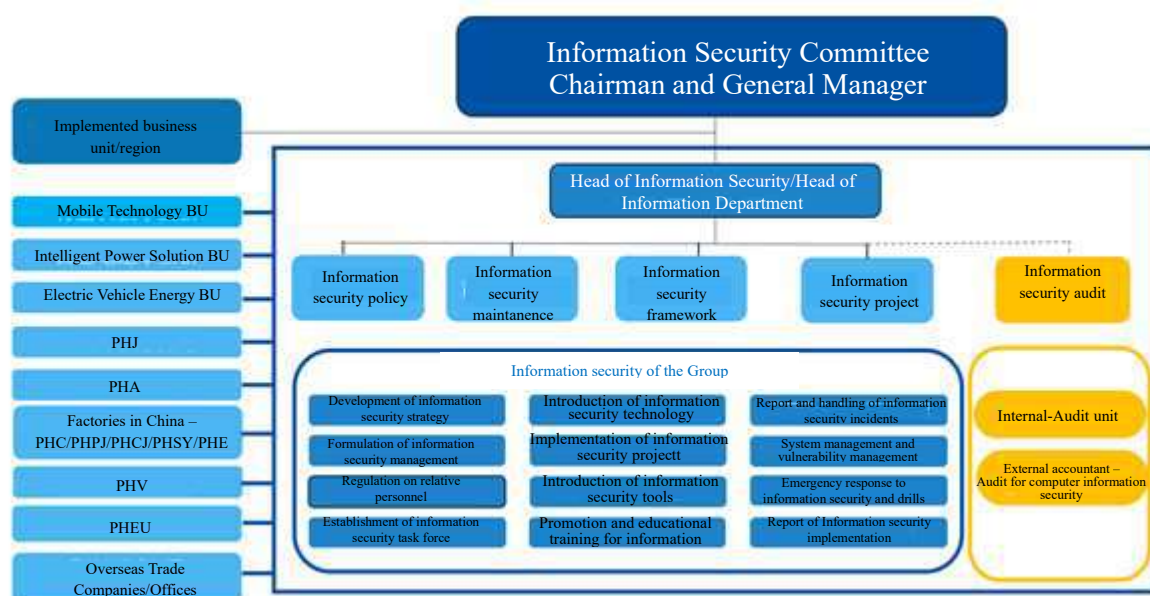
(1) Clearly state the information security risk management structure, the information security policy, the specific management plan and the resources invested in the security management of the information communication.

1. Framework of information security risk management:

The responsible unit for information security of the Company is the Information Department, which has an information security supervisor and professional information personnel who are responsible for planning, formulating and implementing information security policies, and reviewing information security policies on a regular basis.

If there are any deficiencies in the implementation of information security management operations, the inspected unit is immediately required to put forward relevant improvement plans and specific actions, and regularly track the improvement results to reduce internal information security risks. In addition, the external accounting firm that the Company cooperates with will also regularly dispatch personnel to conduct information security-related audits on information units every year and track improvement results.

2. The information security organizational structure of PHIHONG TECHNOLOGY CO.



3. Information Security Policy:

(1) Definition:

Information (tangible or intangible) is a Company's assets, including information assets, physical assets, software assets, service assets, documents, people, etc.; security is the use of active or passive methods to protect or maintain the environment so that its activities are not disturbed. Therefore, information security is the use of an appropriate set of controls, including policies, practices, procedures, organizational structures, and software functions, to avoid risks arising from human error, intentional, or natural disasters to ensure that a Company's assets are properly protected.

(2) Purpose:

To ensure the information confidentiality (only authorized persons can access the information), integrity (to ensure the accuracy and completeness of the information and how it is processed) and availability (to ensure that authorized users can access the information and use the relevant information).

Protect the Company's information assets from improper use, leakage, tampering, destruction, etc., and ensure the security of information collection, processing, transmission, storage and circulation.

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

A. Participating personnel: It covers the Company's public officials, contracting personnel and outsourcing supplier personnel who use the Company's information resources.

B. Application system:

- ERP package software
- Application software and software required for R&D
- Mail system
- APS, B2B, MES, WMS, HR, CRM, BI, PDM systems and various systems required for R&D
- Internet application

C. Hardware: various hosts, servers, personal computers and notebook, flash drives, etc.

D. Network and its facilities and management software: Company headquarters building, factory area and branch local area network, wireless AP, as well as network facilities and management software related to connecting offices, Internet dedicated lines and data.

- (4) Contents:
- A. Establish an information security committee to be responsible for promoting the Company's information security work.
 - B. Relevant personnel should sign confidential documents when hiring and resigning, and their information assets should be returned when they change jobs or resign. Both new recruits 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, use and manage the Company's information resources.
 - D. Considering the damage prevention and anti-theft design of buildings, the control of important facilities and special places should be strengthened.
 - E. Improve computer network defense technology to block external intrusion and damage in a timely manner.
 - F. Evaluate the security level of information assets, and give appropriate access rights to relevant personnel.
 - G. A control system shall be established for the addition or modification of various computer systems and a complete record shall be made for future 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 or irregular audits on the security of the Company's computer room, various factories and branches of various computer systems, and it is strictly forbidden to delete and modify various audit records.
 - J. Comply with the Company's operating norms and relevant information regulations.
 - K. Prevent the leakage of important confidential documents of the Company.

4. The resource of specific management plan and the investment in the security management of information communication:

(1). Mechanism of information safety management:

- A. System specification: Formulate the Company's information security management system to standardize the operation behavior of personnel.
- B. Application of technology:
 - 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. In order to ensure that the operational behavior of internal personnel conforms to the Company's system specifications, 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 internal personnel information security education and training practical courses every year, and build several E-Learning information security courses to improve internal personnel information security knowledge and professional skills.
- D. Policy review: Promote continuous improvement of information security to ensure sustainable business operations.

5. Measures of information safety management:

Authorization management	Management measures for personnel account, authority management and system operation behavior	Internal staff account permission management and audit
Access control	Control measures for personnel access to internal and external systems and data transmission channels	Internal/External Access Control Measures Control measures for data leakage pipelines Operational behavior track record analysis
External threats	Potential weaknesses in internal systems, poisoning pipelines and protective measures	Host/computer vulnerability detection and update measures Virus Protection and Malware Detection
Weakness analysis	Scanning and checking, patching measures for PC and server system weaknesses	Regular drills
Social engineering drill	Enhanced security measures for personnel accessing external email messages	Regular drills
Education and training	Regularly promote the concept of information security to colleague users	Regular drills

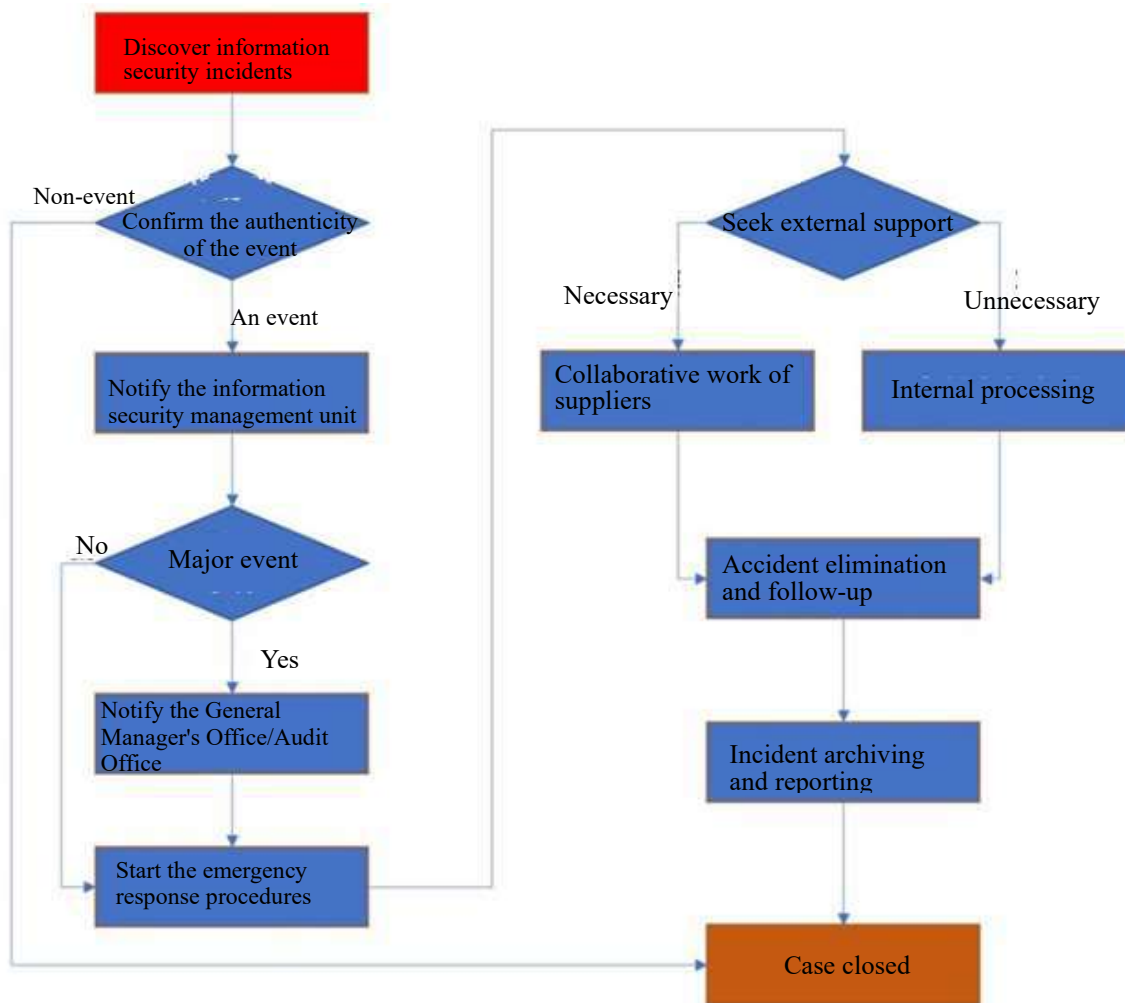
6. Information safety management program

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

Plan	Information safety management: Develop Company information policies and safety procedures
Do	Promoting implementation: Information security publicity and personnel education and training, introduction of information security measures
Check	Risk assessment: Information asset risk assessment
Act	Risk improvement: Improve internal operating procedures and introduce external resources

(2) List the losses, possible impacts and countermeasures suffered from major information security incidents in the most recent (2021) year and up to the date of publication of the annual report. If it cannot be reasonably estimated, the facts that cannot be reasonably estimated shall be stated:

1. Information security risks and countermeasures: Information security incident reporting procedures:



2. Major information and communication security incidents: None

VII. Important Contracts:

(1). Important Contracts:

Nature	Party	Commencement/Expiration Dates	Main content	Restrictive Clause
Stock affairs	Taiwan Cement Corporation	Effective Date: 2021/12/22	Both parties signed a strategic cooperation and share subscription agreement Amount: NT\$1,510,555,200	None
Information	○○ Technology Co., Ltd.	Effective Date: 2021/10/6	The Company purchased analysis software system Amount: NT\$5,000,000	None
Procurement	○○ Electronics Co., Ltd.	Effective Date: 2021/7/12 Expiration Date: 2022/7/11	The Company purchased 8000 EVSE ATS for 720kW equipment Amount: NT\$38,325,000	None
Contracting	○○ Information Co., Ltd.	Effective Date: 2021/08/31 Expiration Date: 2024/8/30	The Company contracted the interactive video wall system optimization and equipment maintenance case Amount: NT\$5,000,000	None

(2). 2021 intellectual property management plan and implementation:

1. Intellectual property management plan:

In order to strengthen the leading position in the industry and maintain the advanced technological achievements of R&D efforts, the Company has formulated an intellectual property strategy that combines the Company's operational objectives and R&D resources, and established an operation model that creates Company value through intellectual property rights, which not only protects the Company's freedom of operation, assessing operational risks, but also strengthens competitive advantages which can be used to help companies make profits.

(1) Patent protection measures

The Company's intellectual property management strategy mainly includes the deployment strategy of the patent technology territory, the expansion of the planned and international patent application territory and the implementation of the implementation level, etc., to protect the Company's research and development achievements and technological leadership.

In order to build a solid intellectual property portfolio, the Company:

- A. Internally: The Company designs a variety of mechanisms to encourage innovation and continuously encourage employees to apply for inventions; at the same time, it establishes a systematic patent intellectual property management system and evaluation process to take into account the quantity and quality of employee patent applications.
- B. External: Make close contact and technical exchanges with patent technicians and competent authorities in major local and foreign markets, assist patent examiners to better understand the Company's technical content, so as to improve examination efficiency and obtain high-quality patent protection.

(2) Trademark and copyright protection measures

A trademark is a recognition of a product or service, as well as a customer's identification of the quality of product development, manufacturing and production. In order to protect the global sales of the Company's products and gain insight into the opportunities and trends of products or services in major local and foreign markets, the Company arranges and plans trademark registration in the global sales market; at the same time, it protects the continuous trust of global customers in the Company's products and services. The Company's complete trademark registration can resist infringement on the Company's trademark by competitors, such as plagiarism and clinging to goodwill, so as to continuously and steadily expand its competitiveness.

In the face of global competition in the digital and technological era, the Company implements copyright management to protect the product software programs developed and written by the Company or the software authorized by the Company from other companies, as well as to protect employees' job creation and output conversion costs. Company operation management information is protected, because the protection of the Company's core competitiveness depends on the management and maintenance of copyright.

(3) Protection of business secrets

Trade secrets are about a Company's competitive advantages such as technological leadership, manufacturing excellence, and customer trust, not just the protection of specific intellectual assets. In order to comprehensively and effectively manage the innovation of trade secrets, the Company has established a trade secret management mechanism to record and integrate trade secrets with the Company's competitive advantages.

If the Company is unable to obtain or maintain the authorization of specific technology or intellectual property rights or fails to prevent the Company's intellectual property rights from being infringed upon, and thus a related infringement lawsuit occurs, the Company may not be able to manufacture specific products, sell specific services, or use specific technology. This situation will reduce the Company's competitiveness against competitors who benefit from infringing on the Company's intellectual property rights, thereby reducing the Company's revenue. In this regard, the Company has taken relevant measures to minimize the possible loss of shareholders' rights and interests due to intellectual property claims and lawsuits. These measures include: strategically obtaining the necessary licenses for a particular Company, obtaining immediate defensive and/or offensive intellectual property protection for a Company's technology and business, and actively defending against frivolous patent litigation.

With regard to the management of employees' trade secrets, the provisions of the employee work code and employment contract are as follows:

- A. Employees are obliged to keep the confidentiality of personal business and Company business.
- B. Employees shall not disclose any business secrets after taking office or resigning, otherwise the Company has the right to remove them from office, and has the right to prosecute compensation for the Company's losses.
- C. Employees employed by the Company shall not disclose or use the business secrets owned by their former employers.

In recent years, the Company has actively carried out overseas layout, and accelerated the deepening of the global market. In order to prudently plan the layout strategy and overseas business development, the layout analysis of overseas intellectual property rights, intellectual property law compliance and systems establishment, intellectual property rights management system integration and other related important implementation projects are regularly keep abreast of various progress through the relevant reports of the Company along with proper response to possible operational risks.

2. Implementation situation

The Company promoted the intellectual property management plan in 2011, and the main implementation situations are as follows:

- (1) Affected by the epidemic in 2021, the online course [Information Security Series - Protecting Business Secrets] provided all colleagues to strengthen relevant concepts, with a total reading time of 480 hours.
- (2) To improve the [Patent Application Maintenance and Incentive Measures] in 2021, the Company encouraged colleagues to convert research and development achievements into intellectual property protection, and improve product technology and market competitiveness.

3. The list and achievements of intellectual property rights obtained so far are as follows:

(1) Patent:

As of the end of October 2021, the Company has accumulated 313 global patent applications and more than 175 global patent approvals. In 2021, it has obtained nearly 125 foreign patents and nearly 50 Taiwanese patents. In terms of patent quality, the Company's patent approval rate is as high as nearly 60%.

(2) Trademark:

As of the end of October 2021, the Company has accumulated 83 trademark applications worldwide and 60 trademark approvals worldwide, of which 53 are foreign trademarks; 7 are Taiwan trademarks, which are used as the basis for sales and global market deployment Strong backing.

(3) Obtain the verification plan

In the increasingly fierce competition in the global market, the important value of intellectual property rights has a key impact on the survival of enterprises. The Company's dedicated unit for intellectual property management is expected to consider the introduction of Taiwan Intellectual Property Management System (TIPS) in 2022, and strengthen and implement management through professional certification.

Six. Overview of Financial Status

I. Condensed Balance Sheets and Statements of Comprehensive Income for the Most Recent Five Years

(I) Condensed Balance Sheet and Comprehensive Income Statement

1. Condensed Balance Sheet - IFRS (Consolidated)

Unit: NT\$1,000

Item	Year	Financial Information for the Last Five Years					Financial Data as of March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		6,913,470	7,175,343	5,994,332	6,997,934	9,679,343	8,193,818
Property, plant and equipment		2,923,572	2,840,379	2,853,417	2,590,539	3,262,587	3,429,174
Intangible Assets		28,416	32,145	33,216	27,679	30,540	28,967
Other assets		445,418	428,692	651,211	746,519	640,190	655,928
Total Assets		10,310,876	10,476,559	9,532,176	10,362,671	13,612,660	12,307,887
Current liabilities	Before distribution	3,618,618	4,053,323	3,125,121	5,138,664	6,133,290	4,895,193
	After distribution	3,618,618	4,053,323	3,125,121	5,138,664	6,133,290	4,895,193
Non-current Liabilities		1,316,748	1,332,134	1,492,754	479,126	1,642,012	1,493,963
Total Liabilities	Before distribution	4,935,366	5,385,457	4,617,875	5,617,790	7,775,302	6,389,156
	After distribution	4,935,366	5,385,457	4,617,875	5,617,790	7,775,302	6,389,156
Equity attributable to owners of the company		5,384,765	5,100,693	4,923,673	4,753,790	5,846,029	5,927,687
Ordinary shares		3,376,884	3,376,884	3,376,884	3,376,884	3,752,084	3,752,084
Capital surplus		1,044,017	1,044,017	1,044,017	1,044,017	2,179,372	2,179,372
Retained earnings	Before distribution	1,215,047	1,039,665	998,519	843,775	526,851	446,441
	After distribution	1,215,047	1,039,665	998,519	843,775	526,851	446,441
Other Equity		(251,183)	(359,873)	(495,747)	(510,886)	(612,278)	(450,210)
Treasury Stock		-	-	-	-	-	-
Non-controlling Interests		(9,255)	(9,591)	(9,372)	(8,909)	(8,671)	(8,956)
Equity Required	Before distribution	5,375,510	5,091,102	4,914,301	4,744,881	5,837,358	5,918,731
	After distribution	5,375,510	5,091,102	4,914,301	4,744,881	5,837,358	5,918,731

Note 1: The financial information from 2017 to 2021 has been audited and attested by the CPAs.

Note 2: Dividends per share for each year are distributed in the following year. No dividends will be distributed due to the net loss after tax in the 2021 financial report.

Note 3: Treasury Stock: None.

Note 4: The figures before distribution are based on the resolution passed by the Board of Directors and in the shareholders' meeting of the following year.

2. Condensed Balance Sheet - IFRS (Parent Company Only)

Unit: NT\$1,000

Item	Year	Financial Information for the Last Five Years				
		2017	2018	2019	2020	2021
Current assets		2,935,161	2,979,825	2,357,532	2,980,082	5,059,353
Property, plant and equipment		750,749	737,247	731,883	671,666	912,712
Intangible Assets		18,654	16,494	17,691	12,361	18,641
Other assets		4,706,800	4,774,522	4,882,675	5,082,695	5,596,897
Total Assets		8,411,364	8,508,088	7,989,781	8,746,804	11,587,603
Current liabilities	Before distribution	1,722,700	1,897,911	1,441,330	3,280,081	3,738,742
	After distribution	1,722,700	1,897,911	1,441,330	3,280,081	3,738,742
Non-current Liabilities		1,303,899	1,509,484	1,624,778	712,933	2,002,832
Total Liabilities	Before distribution	3,026,599	3,407,395	3,066,108	3,993,014	5,741,574
	After distribution	3,026,599	3,407,395	3,066,108	3,993,014	5,741,574
Equity attributable to owners of the company		5,384,765	5,100,693	4,923,673	4,753,790	5,846,029
Ordinary shares		3,376,884	3,376,884	3,376,884	3,376,884	3,752,084
Capital surplus		1,044,017	1,044,017	1,044,017	1,044,017	2,179,372
Retained earnings	Before distribution	1,215,047	1,039,665	998,519	843,775	526,851
	After distribution	1,215,047	1,039,665	998,519	843,775	526,851
Other Equity		(251,183)	(359,873)	(495,747)	(510,886)	(612,278)
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Equity Required	Before distribution	5,384,765	5,100,693	4,923,673	4,753,790	5,846,029
	After distribution	5,384,765	5,100,693	4,923,673	4,753,790	5,846,029

Note 1: The financial information from 2017 to 2021 has been audited and certified by the CPAs.

Note 2: Dividends per share for each year are distributed in the following year. No dividends will be distributed due to the net loss after tax in the 2021 financial report.

Note 3: Treasury Stock: None.

Note 4: The figures before distribution are based on the resolution passed by the Board of Directors and in the shareholders' meeting of the following year.

3. Condensed Consolidated Income Statement - IFRS (Consolidated)

Unit: NT\$1,000, except for earnings(loss) per share which is NT\$

Item	Year	Financial Information for the Last Five Years (Note 1)					Financial Data as of March 31, 2022
		2017	2018	2019	2020	2021	
Operating revenue		11,283,520	12,138,723	10,694,604	9,243,618	12,284,041	2,969,109
Gross profit		1,313,787	1,263,190	1,525,648	1,177,196	1,473,302	337,634
Loss from operations		(205,959)	(360,701)	(78,450)	(372,631)	(339,324)	(141,482)
Non-operating income and expenses		287,463	180,580	36,311	219,189	41,374	70,354
Net income (loss) before income tax		81,504	(180,121)	(42,139)	(153,442)	(297,950)	(71,128)
Net income (loss) from continuing operations		6,638	(246,614)	(38,157)	(154,613)	(312,618)	(80,413)
Net income (loss)		6,638	(246,614)	(38,157)	(154,613)	(312,618)	(80,413)
Total other comprehensive (loss) income (net of income tax)		(223,272)	(38,561)	(138,644)	(14,807)	(105,460)	161,786
Total comprehensive (loss) income		(216,634)	(285,175)	(176,801)	(169,420)	(418,078)	81,373
Net income (loss) attributable to owners of the company		6,656	(246,595)	(38,136)	(154,594)	(312,600)	(80,410)
Net loss attributable to non-controlling Interests		(18)	(19)	(21)	(19)	(18)	(3)
Total comprehensive income attributable to owners of the company		(217,395)	(284,839)	(177,020)	(169,883)	(418,316)	81,658
Total comprehensive income attributable to Non-controlling Interests		761	(336)	219	463	238	(285)
Earning (loss) per share		0.02	(0.73)	(0.11)	(0.46)	(0.92)	(0.21)

Note 1: The financial information from 2017 to 2021 has been audited and certified by the CPAs.

4. Condensed Consolidated Income Statement - IFRS (Parent Company Only)

Unit: NT\$1,000, except for earnings(loss) per share which is NT\$

Item	Year	Financial Information for the Last Five Years (Note 1)				
		2017	2018	2019	2020	2021
Operating revenue		8,283,571	8,146,643	7,032,682	6,805,700	9,450,799
Gross profit		1,100,481	662,812	816,580	780,172	959,818
Income (loss) from operations		270,633	(303,398)	(56,638)	(130,750)	(95,935)
Non-operating income and expenses		(233,737)	58,003	11,966	(54,918)	(222,945)
Net income (loss) before income tax		36,896	(245,395)	(44,672)	(185,668)	(318,880)
Net income (loss) from continuing operations		6,656	(246,595)	(38,136)	(154,594)	(312,600)
Net Income (Loss)		6,656	(246,595)	(38,136)	(154,594)	(312,600)
Other comprehensive loss (net of income tax)		(224,051)	(38,244)	(138,884)	(15,289)	(105,716)
Total comprehensive loss		(217,395)	(284,839)	(177,020)	(169,883)	(418,316)
Net income attributable to owners of the company		-	-	-	-	-
Net loss attributable to non-controlling interests		-	-	-	-	-
Total comprehensive income attributable to owners of the company		-	-	-	-	-
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earning (loss) per share		0.02	(0.73)	(0.11)	(0.46)	(0.92)

Note 1: The financial information from 2017 to 2021 has been audited and certified by the CPAs.

(II) Name of CPAs and Audit Opinions for the Last Five Years:

Year \ Item	Accounting Firm	Name of CPA	Audit Opinion
2017	Deloitte & Touche	Wu, Ke-Chang and Huang, Yi-Min	Unqualified opinion
2018	Deloitte & Touche	Wu, Ke-Chang and Huang, Yi-Min	Unqualified opinion
2019	Deloitte & Touche	Wu, Ke-Chang and Huang, Yi-Min	Unqualified opinion
2020	Deloitte & Touche	Huang, Yi-Min and Wu, Ke-Chang	Unqualified opinion
2021	Deloitte & Touche	Wu, Ke-Chang and Hong, Kuo-Tien	Unqualified opinion

II. Financial Analyses for the Most Recent Five Years

1. Financial Analysis - IFRS (Consolidated)

Unit: times, %

Item	Year	Financial Analyses for the Last Five Years (Note 1)					Financial Data as of March 31, 2022
		2017	2018	2019	2020	2021	
Financial Structure (%)	Debt ratio	47.87	51.40	48.45	54.21	57.12	51.91
	Long term funds to property, plant and equipment	228.91	226.14	224.54	201.66	229.25	216.17
Solvency (%)	Current ratio	191.05	177.02	191.81	136.18	157.82	167.38
	Quick ratio	145.80	123.22	147.81	96.05	104.41	97.66
	Times interest earned (times)	3.33	(7.20)	(0.82)	(5.81)	(6.39)	(4.38)
Operating Ability	Receivables turnover rate (times)	4.80	5.73	5.03	4.55	5.75	5.21
	Average collection days for receivables	76	64	73	80	63	70
	Inventory turnover rate (times)	6.51	5.93	5.29	4.78	4.14	3.21
	Payables turnover rate (times)	3.65	3.97	3.44	3.09	3.49	3.41
	Average days for sale	56	62	69	76	88	114
	Property, plant and equipment turnover rate (times)	3.39	4.21	3.76	3.40	4.20	3.55
	Total asset turnover rate (times)	1.03	1.17	1.07	0.93	1.02	0.92
Profitability	Return on assets (%)	0.33	(2.20)	(0.20)	(1.37)	(2.34)	(2.16)
	Return on equity (%)	0.13	(4.71)	(0.76)	(3.20)	(5.91)	(5.47)
	Pre-tax income to paid in capital ration (%) (Note 6)	2.41	(5.33)	(1.25)	(4.54)	(7.94)	(7.58)
	Profit margin (%)	0.06	(2.03)	(0.36)	(1.67)	(2.54)	(2.71)
	Earning (loss) per share (NTD)	0.02	(0.73)	(0.11)	(0.46)	(0.92)	(0.21)
Cash Flow	Cash flow ratio (%)	(2.36)	(4.84)	16.36	3.58	(15.42)	(16.17)
	Cash flow adequacy ratio (%)	35.29	21.70	8.21	27.90	(11.44)	(26.15)
	Cash flow reinvestment ratio (%)	(0.89)	(2.08)	5.53	2.27	(9.08)	(7.56)
Leverage	Operating leverage	(10.57)	(5.93)	(26.28)	(4.67)	(6.04)	(3.16)
	Financial leverage	0.85	0.94	0.77	0.94	0.89	0.91

Please explain the reasons for the changes in various financial ratios in the last two years (if the increase or decrease does not reach 20%, the analysis will be exempted):

- (1) The increase in the turnover rate of receivables and the decrease in the average number of days of collection: This was due to the increase in net sales in the current period compared with the previous period.
- (2) Increase in turnover rate of real estate, plant and equipment: This was due to the increase in net sales in the current period compared with the previous period.
- (3) Rate of return on assets, rate of return on equity, pre-tax income to paid in capital ration, decrease in net profit rate and increase in loss per share: This was due to the increase in loss in the current period compared to the previous period.
- (4) Decrease in cash flow ratio and cash reinvestment ratio: This was due to the increase in net cash outflow from operating activities in the current period compared with the previous period.
- (5) Decrease in the fair ratio of cash flow: This was due to the decrease in net cash flow from operating activities in the past five years and the increase in capital expenditure and inventory in the current period.
- (6) Decrease in operating leverage: This was due to the increase in fixed operating costs and expenses in the current period and the decrease in operating net loss compared with the previous period.

Note 1: The financial information from 2017 to 2021 has been audited and certified by the CPAs.

2. Financial Analysis - IFRS (Parent Company Only)

Unit: times, %

Item	Year	Financial Analyses for the Last Five Years (Note 1)				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt ratio	35.98	40.05	38.38	45.65	49.55
	Long term funds to property, plant and equipment	890.93	896.60	894.74	813.90	859.95
Solvency (%)	Current ratio	170.38	157.01	163.57	90.85	135.32
	Quick ratio	168.72	150.65	160.23	88.71	131.45
	Times interest earned (times)	2.18	(12.67)	(1.00)	(7.65)	(8.08)
Operating Ability	Receivables turnover rate (times)	7.13	7.58	8.16	7.46	7.10
	Average collection days for receivables	51	48	45	49	51
	Inventory turnover rate (times)	452.66	121.85	86.18	132.84	102.81
	Payables turnover rate (times)	238.79	701.49	533.06	491.21	348.48
	Average days for sale	1	3	4	3	4
	Property, plant and equipment turnover rate (times)	10.61	10.95	9.57	9.70	11.93
	Total asset turnover rate (times)	0.94	0.96	0.85	0.81	0.93
Profitability	Return on assets (%)	0.37	(2.75)	(0.25)	(1.64)	(2.80)
	Return on equity (%)	0.13	(4.70)	(0.76)	(3.19)	(5.90)
	Pre-tax income to paid in capital ration (%) (Note 6)	1.09	(7.27)	(1.32)	(5.50)	(8.50)
	Profit margin (%)	0.08	(3.03)	(0.54)	(2.27)	(3.31)
	Earning (loss) per share (NTD)	0.02	(0.73)	(0.11)	(0.46)	(0.92)
Cash Flow	Cash flow ratio (%)	17.41	10.24	(5.96)	2.32	(12.85)
	Cash flow adequacy ratio (%)	54.43	72.23	60.27	144.16	0.70
	Cash flow reinvestment ratio (%)	4.17	2.72	(1.20)	1.25	(5.64)
Leverage	Operating leverage	2.88	(0.71)	(8.33)	(3.30)	(4.64)
	Financial leverage	1.13	0.94	0.72	0.86	0.73

Please explain the reasons for the changes in various financial ratios in the last two years (if the increase or decrease does not reach 20%, the analysis will be exempted):

- (1) Increase in current ratio and quick ratio: This was due to cash capital increase.
- (2) Decrease in inventory turnover rate and increase in average sales days: This was due to the increase in average inventory in the current period compared with the previous period.
- (3) Decrease in the turnover ratio of payables: This was due to the increase in the average payable balance in the current period compared with the previous period.
- (4) Increase in turnover rate of real estate, plant and equipment: This was due to the increase in net sales in the current period compared with the previous period.
- (5) Rate of return on assets, rate of return on equity, pre-tax income to paid in capital ration, decrease in net profit rate and increase in loss per share: This was due to the increase in loss in the current period compared to the previous period.
- (6) Decrease in cash flow ratio and cash reinvestment ratio: This was due to the increase in net cash outflow from operating activities in the current period compared with the previous period.
- (7) Decrease in the fair ratio of cash flow: This was due to the decrease in net cash flow from operating activities in the past five years and the increase in capital expenditure and inventory in the current period.
- (8) Decrease in operating leverage: This was due to the increase in fixed operating costs and expenses in the current period and the decrease in operating net loss compared with the previous period.

Note 1: The financial information from 2017 to 2021 has been audited and certified by the CPAs.

Note 2: The following formulas should be listed at the end of this table:

1. Financial Structure
 - (1) Debt ratio = Total liabilities / Total assets.
 - (2) Long term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Net value of property, plant, and equipment.
2. Solvency
 - (1) Current ratio = Current assets / Current liabilities.
 - (2) Quick ratio = (Current assets–Inventory–Prepaid expenses) / Current liabilities.
 - (3) Times interest earned (times) = Income before income tax and interest expenses / Current interest expenses.
3. Operating Ability
 - (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = Net sales / Average receivables (including accounts receivable and notes receivable arising from business operations) for each period.
 - (2) Average collection days for receivables = 365 / Receivables turnover rate.
 - (3) Inventory turnover rate = Cost of sales / Average inventory.
 - (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = Cost of sales / Average payables (including accounts payable and notes payable arising from business operations) for each period.
 - (5) Average days of sale = 365 / Inventory turnover rate.
 - (6) Property, plant, and equipment turnover = Net sales / Average net value of property, plant, and equipment.
 - (7) Total asset turnover rate = Net sales / Average total assets.
4. Profitability
 - (1) Return on assets = [Net income + Interest expenses (1- Tax rate)] / Average total assets.
 - (2) Return on equity = Net income / Average total equity.
 - (3) Profit margin = Net income / Net sales.
 - (4) Earnings per share = (Income attributable to owners of the parent – Dividends on preferred shares) / Weighted average number of issued shares. (Note 4)
5. Cash Flow
 - (1) Cash flow ratio = Net cash flows from operating activities / Current liabilities.
 - (2) Net cash flow adequacy ratio = Net cash flows from operating activities for the most recent five years / (Capital expenditures + Inventory increase + Cash dividends).
 - (3) Cash flow reinvestment ratio = (Net cash flows from operating activities–Cash dividends) / Gross value of property, plant, and equipment + Long-term investment + Other non-current assets + Working capital). (Note 5)
6. Leverage
 - (1) Operating leverage = (Net sales–Variable operating costs and expenses) / Operating income (Note 6).
 - (2) Financial leverage = Operating income / (Operating income / Interest expenses).

Note 3: When the above formula for calculation of earnings per share is used during measurement, give special attention to the following matters:

1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation should be considered in calculating the weighted average number of shares.
3. In the case of capital increase out of earnings or capital reserve, the calculation of earnings per share for the past fiscal year and the fiscal half-year should be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) should be subtracted from the net income after tax, or added to the net loss after tax. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares should be subtracted from the net income after tax; if there is loss, then no adjustment needs to be made.

Note 4: Give special attention to the following matters when carrying out cash flow analysis:

1. Net cash flows from operating activities mean net cash in-flow amounts from operating activities listed in the statement of cash flows.
2. Capital expenditures mean the amounts of cash out-flows for annual capital investment.
3. Inventory increase will only be entered when the ending balance is larger than the beginning balance. An inventory decrease at year end will be deemed zero for calculation.
4. Cash dividends include cash dividends from both common shares and preferred shares.
5. Gross value of property, plant, and equipment means the total value of property, plant, and equipment prior to the subtraction of accumulated depreciation.

Note 5: Issuers should separate operating costs and operating expenses by their nature into fixed and variable categories. When estimations or subjective judgments are involved, give special attention to their reasonableness and to maintaining consistency.

Note 6: In the case of a Company whose shares have no par value or have a par value other than NT\$10, for the calculation of the above-mentioned paid-in capital ratio, the ratio of equity attributable to owners of the parent as stated in the balance sheet should be substituted.

III. Audit Committee's Review Report of the Financial Statements for the Year Ended 2021:

Phihong Technology Co., Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 Business Report, 2021 Standalone and Consolidated Financial Statements, and the Proposal for Deficit Compensation. Deloitte & Touche has completed the audit on the 2021 Standalone and Consolidated Financial Statements, and has issued an audit report accordingly. The 2021 Business Report, 2021 Standalone and Consolidated Financial Statements, and the Proposal for Deficit Compensation above have been reviewed and determined to be adequate by the Audit Committee. Therefore, we hereby submit this report pursuant to relevant provisions of the Securities and Exchange Act and Company Act for you to review.

Sincerely,

2022 shareholders' meetings of Phihong Technology Co., Ltd.

Convener of the Audit Committee: Hong, Yu-Yuan

March 10, 2022

IV. 2021 Standalone Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Phihong Technology Co., Ltd.

Opinion

We have audited the accompanying financial statements of Phihong Technology Co., Ltd. (the “Company”) which comprise the balance sheets as of December 31, 2021 and 2020 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of 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 financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of Company's financial statements as of and for the year ended December 31, 2021 is as follows.

The Accuracy of Sales Revenue from Telecom Brand Operation

Description of the key audit matter:

The turbulent fluctuation regarding the sales of customers of our telecom brand operation resulted in impacts on the sales of Company for the year; therefore, we identified the authenticity of sales revenue from the telecom brand operation as a key audit matter. Refer to Note 4 to the accompanying financial statements for the related disclosures.

Our audit procedures performed in respect of the key audit matter include the following:

We understood the internal control related to the Company's recognition of sales revenue and evaluated the design of key control. We determined whether the key control has been implemented and tested the operating effectiveness of key control. We sample tested transactions, reviewed the records of correspondence and reviewed significant subsequent sales returns and allowances of sales revenue from the telecom brand operation to confirm its existence.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing 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 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 Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2022

Notice to Readers

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

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

PHIHONG TECHNOLOGY CO., LTD.

Parent Company Only BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$2,359,514	20	\$1,109,016	13
Notes receivables (Notes 4 and 9)	3,056	-	-	-
Trade receivables (Notes 4 and 9)	1,075,605	9	834,166	10
Trade receivables from related parties (Notes 4, 9 and 26)	391,256	4	356,686	4
Other receivables	3,958	-	12,847	-
Other receivables from related parties (Note 26)	1,042,894	9	571,224	6
Inventories (Notes 4 and 10)	112,813	1	52,363	1
Other current assets	70,257	1	43,780	-
Total current assets	<u>5,059,353</u>	<u>44</u>	<u>2,980,082</u>	<u>34</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	82,231	1	63,671	1
Financial assets at amortized cost - non-current (Notes 4, 8 and 27)	20,458	-	37,100	-
Investments accounted for using equity method (Notes 4 and 11)	5,412,514	47	4,813,797	55
Property, plant and equipment (Notes 4 and 12)	912,712	8	671,666	8
Right-of-use assets (Notes 4 and 13)	3,348	-	6,987	-
Intangible assets (Notes 4 and 14)	18,641	-	12,361	-
Deferred tax assets (Notes 4 and 21)	53,114	-	57,043	1
Other non-current assets	25,232	-	104,097	1
Total non-current assets	<u>6,528,250</u>	<u>56</u>	<u>5,766,722</u>	<u>66</u>
TOTAL	<u>\$11,587,603</u>	<u>100</u>	<u>\$8,746,804</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$636,180	6	\$256,320	3
Trade payables	35,255	-	11,780	-
Trade payables to related parties (Note 26)	498	-	1,198	-
Other payables (Notes 17 and 26)	2,062,906	18	1,857,037	22
Lease liabilities - current (Notes 4 and 13)	2,387	-	3,632	-
Current portion of long-term borrowings (Notes 15 and 16)	832,930	7	1,064,620	12
Other current liabilities	168,586	1	85,494	1
Total current liabilities	<u>3,738,742</u>	<u>32</u>	<u>3,280,081</u>	<u>38</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 16)	698,283	6	-	-
Long-term borrowings (Note 15)	766,108	7	303,944	3
Deferred tax liabilities (Notes 4 and 21)	56,520	1	67,820	1
Lease liabilities - non-current (Notes 4 and 13)	1,001	-	3,388	-
Net defined benefit liability - non-current (Notes 4 and 18)	87,092	1	94,068	1
Other non-current liabilities (Notes 4 and 11)	393,828	3	243,713	3
Total non-current liabilities	<u>2,002,832</u>	<u>18</u>	<u>712,933</u>	<u>8</u>
Total liabilities	<u>5,741,574</u>	<u>50</u>	<u>3,993,014</u>	<u>46</u>
EQUITY (Notes 4 and 19)				
Ordinary shares	<u>3,752,084</u>	<u>32</u>	<u>3,376,884</u>	<u>39</u>
Capital surplus	<u>2,179,372</u>	<u>19</u>	<u>1,044,017</u>	<u>12</u>
Retained earnings				
Legal reserve	612,916	5	767,660	9
Special reserve	230,859	2	230,859	2
Accumulated deficits	<u>(316,924)</u>	<u>(3)</u>	<u>(154,744)</u>	<u>(2)</u>
Total retained earnings	<u>526,851</u>	<u>4</u>	<u>843,775</u>	<u>9</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	(523,866)	(4)	(448,879)	(5)
Unrealized loss on financial assets at fair value through other comprehensive income	<u>(88,412)</u>	<u>(1)</u>	<u>(62,007)</u>	<u>(1)</u>
Total other equity	<u>(612,278)</u>	<u>(5)</u>	<u>(510,886)</u>	<u>(6)</u>
Total equity	<u>5,846,029</u>	<u>50</u>	<u>4,753,790</u>	<u>54</u>
TOTAL	<u>\$11,587,603</u>	<u>100</u>	<u>\$8,746,804</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

PHIHONG TECHNOLOGY CO., LTD.

Parent Company Only STATEMENTS OF COMPREHENSIVE INCOME

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 26)	\$9,450,799	100	\$6,805,700	100
OPERATING COST (Notes 4, 10 and 26)	8,490,981	90	6,025,528	88
OPERATING GROSS PROFIT	959,818	10	780,172	12
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	2,587	-	(37,645)	(1)
GROSS PROFIT AND REALIZED GAIN FROM SUBSIDIARIES AND ASSOCIATES	962,405	10	742,527	11
OPERATING EXPENSES				
Sales and marketing expenses	341,248	3	245,997	4
General and administration expenses	168,189	2	172,571	2
Research and development expenses	548,916	6	453,762	7
Expected credit loss recognized (reversed) (Note 9)	(13)	-	947	-
Total operating expenses	1,058,340	11	873,277	13
LOSS FROM OPERATIONS	(95,935)	(1)	(130,750)	(2)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 20)	1,241	-	7,813	-
Other income (Note 20)	123,152	1	201,738	3
Other gains and losses (Note 20)	(21,836)	-	(41,773)	(1)
Finance costs (Note 20)	(35,124)	-	(21,459)	-
Share of loss of subsidiaries and associates(Notes 4 and 11)	(290,378)	(3)	(201,237)	(3)
Total non-operating income and expenses	(222,945)	(2)	(54,918)	(1)

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	2021		2020	
	Amount	%	Amount	%
LOSS BEFORE INCOME TAX	(\$318,880)	(3)	(\$185,668)	(3)
INCOME TAX BENEFIT (Notes 4 and 21)	6,280	-	31,074	1
LOSS FOR THE YEAR	(312,600)	(3)	(154,594)	(2)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	(5,405)	-	(188)	-
Unrealized loss on financial assets at fair value through other comprehensive income (Note 19)	966	-	(3,842)	-
Share of other comprehensive income (loss) of associates accounted for using the equity method (Note 19)	(27,371)	-	21,396	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	1,081	-	38	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 19)	(74,987)	(1)	(32,693)	-
Total other comprehensive loss	(105,716)	(1)	(15,289)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(\$418,316)	(4)	(\$169,883)	(2)
LOSS PER SHARE (Note 22)				
Basic	(\$0.92)		(\$0.46)	

The accompanying notes are an integral part of the parent company only financial statements.

PHIHONG TECHNOLOGY CO., LTD.

**Parent Company Only STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

(In Thousands of New Taiwan Dollars)

			Retained earnings			Other equity		Total Equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Accumulated deficits	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	
Balance at January 1, 2020	\$3,376,884	\$1,044,017	\$808,806	\$230,859	(\$41,146)	(\$416,186)	(\$79,561)	\$4,923,673
Legal reserve used to offset accumulated deficits	-	-	(41,146)	-	41,146	-	-	-
Loss for the year ended December 31, 2020	-	-	-	-	(154,594)	-	-	(154,594)
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(150)	(32,693)	17,554	(15,289)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(154,744)	(32,693)	17,554	(169,883)
Balance at December 31, 2020	3,376,884	1,044,017	767,660	230,859	(154,744)	(448,879)	(62,007)	4,753,790
Capital increase (Note 19)	375,200	1,135,355	-	-	-	-	-	1,510,555
Legal reserve used to offset accumulated deficits (Note 19)	-	-	(154,744)	-	154,744	-	-	-
Loss for the year ended December 31, 2021	-	-	-	-	(312,600)	-	-	(312,600)
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(4,324)	(74,987)	(26,405)	(105,716)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(316,924)	(74,987)	(26,405)	(418,316)
Balance at December 31, 2021	\$3,752,084	\$2,179,372	\$612,916	\$230,859	(\$316,924)	(\$523,866)	(\$88,412)	\$5,846,029

The accompanying notes are an integral part of the parent company only financial statements.

PHIHONG TECHNOLOGY CO., LTD.

Parent Company Only STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$318,880)	(\$185,668)
Adjustments for:		
Depreciation expense	68,303	81,047
Amortization expense	7,860	7,403
Expected credit (reversed) loss recognized	(13)	947
Finance costs	35,124	21,459
Interest income	(1,232)	(7,813)
Share of loss from associates accounted for using the equity method	290,378	201,237
Gain on disposal of property, plant and equipment	-	(206)
Allowance for inventory valuation and obsolescence loss	11,039	2,556
(Realized) unrealized gain on transactions with subsidiaries	(2,587)	37,645
Net changes in operating assets and liabilities		
Notes receivables	(3,056)	2,022
Trade receivables	(241,426)	(299,987)
Trade receivables from related parties	(34,570)	(261,655)
Other receivables	8,898	15,626
Other receivables from related parties	(471,670)	(9,172)
Inventories	(71,489)	(16,566)
Other current assets	(24,228)	(21,499)
Trade payables	23,475	764
Trade payables to related parties	(700)	659
Other payables	208,650	499,669
Other current liabilities	83,091	25,613
Net defined benefit liability	(12,381)	(8,346)
Cash (used in) generated from operations	(445,414)	85,735
Interest received	1,223	7,812
Interest paid	(35,768)	(18,834)
Income tax (paid) received	(530)	1,276
Net cash (used in) generated from operating activities	<u>(480,489)</u>	<u>75,989</u>

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	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at fair value through other comprehensive income	(\$18,000)	(\$18,000)
Purchase of financial assets at amortized cost	(8,808)	(10,000)
Proceeds from disposal of financial assets at amortized cost	25,450	-
Net cash outflow on acquisition of subsidiaries	(841,430)	(298,726)
Proceeds from capital reduction of investments accounted for using equity method	406	63,868
Payments for property, plant and equipment	(216,255)	(11,067)
Proceeds from disposal of property, plant and equipment	-	586
Payments for intangible assets	(13,665)	(2,073)
Increase in refundable deposits	-	(785)
Decrease in refundable deposits	314	-
Increase in prepayments for equipment	(12,942)	(7,578)
Increase in prepayments for land	-	(84,075)
Dividends received	2,679	2,097
Net cash used in investing activities	<u>(1,082,251)</u>	<u>(365,753)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	379,860	256,320
Issuance of corporate bonds	700,000	-
Repayment of corporate bonds	(1,000,000)	-
Proceeds from ordinary long-term borrowings	2,251,960	566,040
Repayment of long-term borrowings	(1,023,399)	(495,000)
Repayment of the principal portion of lease liabilities	(3,710)	(2,801)
Capital increase	1,510,555	-
Payment for the cost of ordinary corporate bonds issuance	(2,028)	-
Net cash generated from financing activities	<u>2,813,238</u>	<u>324,559</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,250,498	34,795
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,109,016</u>	<u>1,074,221</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$2,359,514</u>	<u>\$1,109,016</u>

The accompanying notes are an integral part of the parent company only financial statements.

PHIHONG TECHNOLOGY CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Per Share Data and 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 (R.O.C.). Under a resolution approved at 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 authorization to list its stocks on the Taiwan Stock Exchange.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 10, 2022.

3. APPLICATION OF NEWLY ISSUED AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

b. IFRSs endorsed and issued into effect in 2022 by the FSC

New IFRSs	Effective Date Announced by IASB
“Annual Improvement of IFRSs 2018-2020”	January 1, 2022 (Note 1)
Amendment to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendment to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendment to IAS 37 “Onerous Contract - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applicable to the exchange or modification of terms of financial liabilities during the annual reporting period beginning January 1, 2022; the amendment to IAS 41 “Agriculture” is applicable to the fair value measurement of the annual reporting period beginning January 1, 2022; the amendment to IFRS 1 “First Adoption of IFRSs” is retroactively applied to the annual reporting period beginning January 1, 2022.

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 3: Plants, property and equipment that will reach the necessary locations and conditions for management’s expected operation mode after January 1, 2022 are applicable to this amendment.

Note 4: The Company shall apply these amendments to contracts that have not fulfilled all obligations as of January 1, 2022.

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

New IFRSs	Effective Date Issued 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
Amendment to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17 “Comparative Information of the Initial Application of IFRS 17 and IFRS 9”	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendment to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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

Note 4: Except for temporary differences of the deferred income tax recognized for lease and decommissioning obligations on January 1, 2022, the amendments also apply to transactions incurring after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that 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 SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The 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 financial statements, the Company adopted the equity method to account for its investments in subsidiaries and associates. In order to enable the amounts of the net profit for the year, other comprehensive income for the year, and total equity in the financial statements to be the same as the ones attributable to the owners of the Company in its consolidated financial statements, regarding the differences arising from accounting treatments between the parent company only basis and the consolidation basis, adjustments were made to the investments accounted for using the equity method, the share of profit or loss of equity-accounted subsidiaries and associates, the share of other comprehensive income of equity-accounted subsidiaries and associates, as well as relevant equity items, as appropriate, in the 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 realized within 12 months after the balance sheet date; and
- 3) Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the balance sheet date (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the release of the financial statements); and
- 3) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by 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 Company's 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.

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

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

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

When preparing the financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates that operate in countries or adopt functional currencies different from the Company) are translated into New Taiwan dollars. Income and expense items are translated at the average exchange rates for the period. The resulting currency exchange differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in process 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. The cost calculation is generally accounted for based on the standard cost, and the differences incurred at the end of the period are allocated to inventories and cost of sales.

f. Investment in subsidiaries

The Company adopts 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, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of its

subsidiaries. In addition, changes in the Company's other equity of its subsidiaries are recognized based on its ownership percentage.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of an investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary exceeds its equity in said subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term equity that, in substance, forms part of the Company's net investment in said subsidiary), the Company continues recognizing its share of further losses.

When the Company assesses the impairment, it considers the cash-generating unit as a whole in the financial statements and compares its recoverable amount with the carrying amount. If the recoverable amount of an asset increases subsequently, the reversal of the impairment loss shall be recognized in gains, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount of the asset less amortization without impairment loss recognized.

When the Company loses control over a subsidiary, it measures its remaining investment in said subsidiary based on the fair value on the day when control is lost. The fair value of the remaining investment and the difference between any disposal price and the carrying amount of the investment on the day when control is lost are recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income related to said subsidiary are accounted for on the same basis as the one adopted for the Company's direct disposal of the relevant assets or liabilities.

The unrealized profit or loss on downstream transactions between the Company and its subsidiaries are eliminated in the financial statements. Profit or loss on downstream and lateral transactions between the Company and its subsidiaries is recognized in the financial statements only to the extent that it does not affect the Company's interests in the subsidiaries.

g. Investments in associates

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

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

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the 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 based on the percentage of ownership.

When the Company's share of losses on an associate equals or exceeds its interest in the associate (including any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the 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 Company's financial statements only to the extent of interests in the associate of parties that are not related to the Company.

h. Property, plant and equipment

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

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

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

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

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized using straight-line method over the useful lives. The Company conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

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

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

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets held by the Company are those measured at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, notes receivable at amortized cost, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined

by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

ii. Investments in equity instruments at fair value through other comprehensive income (i.e. 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 assesses the impairment loss of financial assets at amortized cost (including trade receivable) based on the expected credit loss on each balance sheet date.

Trade receivable are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase

in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to ECLs.

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

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

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

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

c) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash inflow from the financial 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 consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

All of the Company's financial liabilities are at amortized cost in 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 the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

l. Provision

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

m. Revenue recognition

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

Revenue from sale of goods

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

n. Leasing

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 repurchase of the Company's own equity instruments is recognized in and deducted from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

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.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the 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.

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

o. Borrowing costs

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

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

p. 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 in the reduction of underlying costs and other income on a systematic basis during the periods in which the Company recognizes the relevant costs, for which the grants are intended to compensate, as expenses.

If government grants are used to compensate expenses or losses incurred, or are given to the Company for the purpose of immediate financial support without relevant future costs, they are recognized in profit or loss in the period when the grants become available.

q. Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

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

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service cost (including the service cost for the current period) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

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

r. Taxation

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

1) Current income tax

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

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

2) Deferred income tax

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

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carryforwards, research and development expenditure.

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

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

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

3) Rent and deferred income tax

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

5. CRITICAL ACCOUNTING JUDGMENTS, ASSUMPTIONS, AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$1,048	\$949
Checking accounts and demand deposits	2,358,466	1,108,067
	<u>\$2,359,514</u>	<u>\$1,109,016</u>

The market rate range of demand deposit at the balance sheet date is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Demand deposit	0.001%~0.170%	0.001%~0.200%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI)		
Domestic unlisted ordinary shares	<u>\$82,231</u>	<u>\$63,671</u>

The Company invested in the above-mentioned unlisted equity for medium to long-term strategic purposes, and expected to make profits in a long term. 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Restricted bank deposits	<u>\$20,458</u>	<u>\$37,100</u>

As of December 31, 2021 and 2020, the Company set up a special account for the project performance bond, a domestic guaranteed corporate bond, and a pledge for a joint loan case with deposits of \$20,458 thousand and \$37,100 thousand, please refer to Note 27.

9. NOTES AND TRADE RECEIVABLES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Notes receivables</u>		
At amortized cost		
Gross carrying amount	\$3,056	\$-
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>3,056</u>	<u>-</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	1,076,853	835,427
Less: Allowance for impairment loss	<u>(1,248)</u>	<u>(1,261)</u>
	<u>1,075,605</u>	<u>834,166</u>
<u>Trade receivables from related parties</u>		
At amortized cost		
Gross carrying amount	391,256	356,686
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>391,256</u>	<u>356,686</u>
	<u>\$1,469,917</u>	<u>\$1,190,852</u>

a. Notes receivables

The Company has no overdue notes receivables as of December 31, 2021.

b. Trade receivables

Trade receivables at amortized cost

For the Company's average credit period for the sale of goods, the statistics for the average credit period are prepared according to the experience of trade receivables collection regarding the non-related parties for the past five years, and no interest accrued for trade receivables during the credit period. The Company adopted a policy of only dealing with credit worthy 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 recognized the loss allowance for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables were estimated using a provision matrix with reference to customers' past default records, current financial position, and other forward-looking information. Based on the Company's history of credit losses, as there was no significant difference in the loss patterns among different customer groups, the customer groups were not further differentiated in the provision matrix, and only the ECLs rate was set based on the number of days for which trades receivable were past due.

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 trades receivable based on the Company's provision matrix.

December 31, 2021

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Expected credit loss rate	0.02%	0.25~2.94%	12.76%	6.56%	13.62~100%	
Gross carrying amount	\$1,409,594	\$55,022	\$23	\$2,707	\$763	\$1,468,109
Loss allowance (Lifetime ECL)	(164)	(368)	(3)	(177)	(536)	(1,248)
Amortized cost	<u>\$1,409,430</u>	<u>\$54,654</u>	<u>\$20</u>	<u>\$2,530</u>	<u>\$227</u>	<u>\$1,466,861</u>

December 31, 2020

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Expected credit loss rate	0.02%	0.32~2.63%	-	-	17.44~100%	
Gross carrying amount	\$1,122,253	\$66,536	\$-	\$-	\$3,324	\$1,192,113
Loss allowance (Lifetime ECL)	(190)	(247)	-	-	(824)	(1,261)
Amortized cost	<u>\$1,122,063</u>	<u>\$66,289</u>	<u>\$-</u>	<u>\$-</u>	<u>\$2,500</u>	<u>\$1,190,852</u>

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

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

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$1,261	\$314
Add: Allowance for impairment (reversed) loss	<u>(13)</u>	<u>947</u>
Balance at December 31	<u>\$1,248</u>	<u>\$1,261</u>

10. INVENTORIES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$21,508	\$9,668
Work-in-process	1,091	70
Finished goods	<u>90,214</u>	<u>42,625</u>
	<u>\$112,813</u>	<u>\$52,363</u>

The costs of sales related to inventories in 2021 and 2020 were \$8,490,981 thousand and \$6,025,528 thousand, respectively. The costs of sales in 2021 and 2020 includes the inventory valuation losses and obsolescence losses recognized by writing down the cost of inventories to their net realizable value of \$11,039 thousand and \$2,556 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investment in subsidiaries	\$5,396,014	\$4,792,604
Investments in associates:	<u>16,500</u>	<u>21,193</u>
	<u>\$5,412,514</u>	<u>\$4,813,797</u>

a. Investment in subsidiaries

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Phihong International Corp.	\$2,961,499	\$3,134,524
Phitek International Co., Ltd.	(393,788)	(243,673)
Ascent Alliance Ltd.	58,568	69,397
Phihong USA Corp.	936,520	923,714
Phihong Technology Japan Co., Ltd.	71,303	82,082
Phihong Vietnam Co., Ltd.	1,260,679	442,085
Guang-Lai Investment Co., Ltd.	<u>107,445</u>	<u>140,802</u>
	5,002,226	4,548,931
Add: Reclassified to other non-current liabilities	<u>393,788</u>	<u>243,673</u>
	<u>\$5,396,014</u>	<u>\$4,792,604</u>

<u>Investee</u>	<u>Percentage of Ownership and Voting Rights</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Phihong International Corp.	100.00%	100.00%
Phitek International Co., Ltd.	100.00%	100.00%
Ascent Alliance Ltd.	100.00%	100.00%
Phihong USA Corp.	100.00%	100.00%
Phihong Technology Japan Co., Ltd.	100.00%	100.00%
Phihong Vietnam Co., Ltd.	100.00%	100.00%
Guang-Lai Investment Co., Ltd.	100.00%	100.00%

As of December 31, 2021 and 2020, the Company's accumulated losses on the investments in Phitek International Co., Ltd. recognized had exceeded the original investment amount, resulting credit balance of \$393,788 thousand and \$243,673 thousand in the long-term equity investments, respectively, which have been reclassified in "Other non-current liabilities."

The Company established the subsidiary Phihong Vietnam Co., Ltd. in Vietnam in 2019 with a registered capital of US\$50,000: the Company's shareholding ratio is 100%. To coordinate with the group's funding arrangement, it is planned to process capital injections in stages according to the investment progress. For 2021, the Company has performed a capital increase of \$841,430 thousand (US\$30,000 thousand); as of December 31, 2021, the Company's capital injected amounted to \$1,448,623 thousand (US\$50,000 thousand).

In response to the operating requirements of the Group, in December 2021, the board of directors of the Company approved the resolution for the capital reduction of Phihong International Corp. in the amount of \$238,983 thousand (US\$8,640 thousand). After the capital reduction, the capital of the company became \$3,209,287 thousand (US\$102,421 thousand); the base date for the capital reduction was January 6, 2022.

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, 2021 and 2020 were based on the subsidiaries' financial statements audited by auditors for the same years.

b. Investments in associates

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associates that are not individually material	<u>\$16,500</u>	<u>\$21,193</u>

Associates that are not individually material

	<u>2021</u>	<u>2020</u>
The Company's share of:		
(Loss) profit for the year	<u>(\$2,014)</u>	<u>\$2,689</u>
Total comprehensive income (loss)	<u>(\$2,014)</u>	<u>\$2,689</u>

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

12. PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2021	\$185,202	\$626,095	\$172,615	\$408,697	\$-	\$1,392,609
Additions	194,068	6,731	2,834	9,234	2,698	215,565
Disposals	-	-	(10,728)	(15,219)	-	(25,947)
Reclassification	84,075	79	569	7,463	(2,041)	90,145
Balance at December 31, 2021	<u>\$463,345</u>	<u>\$632,905</u>	<u>\$165,290</u>	<u>\$410,175</u>	<u>\$657</u>	<u>\$1,672,372</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$-	\$247,341	\$132,170	\$341,432	\$-	\$720,943
Disposals	-	-	(10,728)	(15,219)	-	(25,947)
Depreciation expense	-	21,565	13,615	29,484	-	64,664
Balance at December 31, 2021	<u>\$-</u>	<u>\$268,906</u>	<u>\$135,057</u>	<u>\$355,697</u>	<u>\$-</u>	<u>\$759,660</u>
Carrying amounts at December 31, 2021	<u>\$463,345</u>	<u>\$363,999</u>	<u>\$30,233</u>	<u>\$54,478</u>	<u>\$657</u>	<u>\$912,712</u>
<u>Cost</u>						
Balance at January 1, 2020	\$185,202	\$625,762	\$196,151	\$417,579	\$-	\$1,424,694
Additions	-	333	5,449	4,025	277	10,084
Disposals	-	-	(28,985)	(21,555)	-	(50,540)
Reclassification	-	-	-	8,648	(277)	8,371
Balance at December 31, 2020	<u>\$185,202</u>	<u>\$626,095</u>	<u>\$172,615</u>	<u>\$408,697</u>	<u>\$-</u>	<u>\$1,392,609</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$-	\$225,841	\$145,240	\$321,730	\$-	\$692,811
Disposals	-	-	(28,959)	(21,201)	-	(50,160)
Depreciation expense	-	21,500	15,889	40,903	-	78,292
Balance at December 31, 2020	<u>\$-</u>	<u>\$247,341</u>	<u>\$132,170</u>	<u>\$341,432</u>	<u>\$-</u>	<u>\$720,943</u>
Carrying amounts at December 31, 2020	<u>\$185,202</u>	<u>\$378,754</u>	<u>\$40,445</u>	<u>\$67,265</u>	<u>\$-</u>	<u>\$671,666</u>

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

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

Property, plant and equipment used by the Company and pledged as secure long-term borrowings are set out in Note 27.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amounts		
Freehold land	\$1,085	\$2,963
Transportation equipment	2,065	3,233
Other equipment	198	791
	<u>\$3,348</u>	<u>\$6,987</u>
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$-</u>	<u>\$8,123</u>
Depreciation charge for right-of-use assets		
Freehold land	\$1,878	\$1,880
Transportation equipment	1,168	480
Other equipment	593	395
	<u>\$3,639</u>	<u>\$2,755</u>

b. Lease liabilities

Carrying amounts

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	<u>\$2,387</u>	<u>\$3,632</u>
Non-current	<u>\$1,001</u>	<u>\$3,388</u>

Range of discount rate for lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	1.155%~1.9872%	1.155%~1.9872%
Non-current	1.155%~1.9872%	1.155%~1.9872%

c. Material lease-in activities and terms

The Company has leased land for parking over the lease terms of 2 to 3 years. Upon the termination of the lease term, the Company does not have preferential rights to acquire the land leased, and it is agreed that the Company shall not sublease or transfer all or part of the underlying asset leased without the consent of the lessor.

The Company has also leased transportation and other equipment for operations as well as product manufacturing and R&D over lease terms of 2 to 5 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

d. Other lease information

	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	<u>\$3,013</u>	<u>\$2,931</u>
Total cash (outflow) for leases	<u>(\$6,723)</u>	<u>(\$5,732)</u>

The Company has elected to apply the recognition exemption for staff dormitory, office equipment, computer software and transportation equipment, and, thus, did not recognize said leases in right-of-use assets and lease liabilities.

For the years ended December 31, 2021 and 2020, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2021 and 2020 and for which the recognition exemption is applied.

14. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$82,679
Additions	13,665
Reclassification	475
Disposals	<u>(7,305)</u>
Balance at December 31, 2021	<u>\$89,514</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$70,318
Amortization expense	7,860
Disposals	<u>(7,305)</u>
Balance at December 31, 2021	<u>\$70,873</u>
Carrying amounts at December 31, 2021	<u>\$18,641</u>
<u>Cost</u>	
Balance at January 1, 2020	\$80,606
Additions	<u>2,073</u>
Balance at December 31, 2020	<u>\$82,679</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$62,915
Amortization expense	<u>7,403</u>
Balance at December 31, 2020	<u>\$70,318</u>
Carrying amounts at December 31, 2020	<u>\$12,361</u>

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

15. BORROWINGS

Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Unsecured loan</u>		
Bank borrowings	<u>\$636,180</u>	<u>\$256,320</u>
Interest rate range	0.72%~0.95%	0.95%

Long-term Borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Unsecured loan</u>		
Bank borrowings	\$1,102,807	\$314,208
<u>Secured loan</u>		
Bank borrowings	496,794	56,832
Less: discount	(563)	(2,359)
Long-term loans payable - current portion	<u>(832,930)</u>	<u>(64,737)</u>
	<u>\$766,108</u>	<u>\$303,944</u>
Interest rate range	1.0500%~1.9879%	1.2740%~1.9872%

- a. As of December 31, 2021 and 2020, the Company had short-term bank borrowings with the contract term from November 8, 2021 to March 11, 2022 and from December 7, 2020 to February 9, 2021, the interest to be paid monthly.
- b. The Company had long-term bank borrowings for the years ended December 31, 2021 and 2020 with the contract term from August 22, 2019 to April 7, 2036 and from August 22, 2019 to September 10, 2023, respectively, the interest to be paid monthly.
- c. On April 30, 2019, the Company signed a three-year syndicated loan agreement with seven participating banks led by the Taiwan Shin Kong Commercial Bank and co-led by the Yuanta Commercial Bank and the Hua Nan Commercial Bank. The credit line of the loan amounted to NT\$1 billion, including NT\$450 million for credit line A and NT\$550 million for credit line B. Proceeds from the loan will be used as the support for the plant establishment investment plan of our subsidiary in Vietnam by the parent company and used in financing the working capital of the Group's operations. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, the Company shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial report with an accountant's visa which is to be reviewed every half year):
 - 1) The current ratio (current assets/current liabilities) shall not be less than 100%.
 - 2) The net debt ratio (total debt/net tangible value) shall not be higher than 150%.

- 3) The interest protection multiples [(pre-tax profit + depreciation + amortization + interest expense)/interest expense] shall be maintained at more than two times (inclusive).
- 4) Net tangible value (net value minus intangible assets) shall not be less than NTD \$4.5 billion.

For information on pledged properties and endorsements/guarantees, refer to Notes 26 and 27.

- d. On December 15, 2021, the Company submitted an application to the syndicate banks regarding the contract dated April 30, 2019 for the amendment that the borrowing limit shall be extended to July 30, 2024 from July 30, 2022, and the syndicated banks approved the application on March 1, 2022. The financial ratios and restrictive agreements above are reviewed based on the annual and interim consolidated financial reports certified by CPAs recognized by the bank managing the limits.
- e. As of December 31, 2021, the borrowing amount from the syndicated loan was \$882,500 thousand, and the times interest earned ratio failed to comply with the requirements above. Therefore, the period from the submission date of the Q2 consolidated financial statements in 2021 to the submission date of the consolidated financial statements for the year ended 2021 shall be the improvement period; during the improvement period, such condition shall not be deemed as a default, and the Company pays service charges calculated at 0.1% of the credit loan's balances per annum to the managing bank. However, on December 30, 2021, the Company has submitted an application to the syndicated banks for exemption from the requirement regarding the violation of the times interest earned ratio, and the exemption application was approved by the syndicated banks on March 1, 2022.

16. BONDS PAYABLE

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured domestic bonds	\$698,283	\$999,883
Less: Long-term loans payable - current portion	-	(999,883)
	<u>\$698,283</u>	<u>\$-</u>

Secured domestic bonds

On April 1, 2016, the Company issued 100 units of a 5-year NTD-denominated secured common bond, with a par value of NT\$10,000 thousand per unit and a coupon rate of 0.95%. The principal is in the amount of NT\$1,000,000 thousand, and it has been liquidated on April 1, 2021.

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

For information on pledged properties and endorsements/guarantees, refer to Notes 26 and 27.

17. OTHER PAYABLES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payables for salaries and bonuses	\$108,285	\$92,205
Payables for annual leave	31,947	27,693
Material purchased payables	1,764,347	1,569,113
Other payables from related parties (Note 26)	53,976	70,283
Others	104,351	97,743
	<u>\$2,062,906</u>	<u>\$1,857,037</u>

18. POST-EMPLOYMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$141,424	\$139,331
Fair value of plan assets	(54,332)	(45,263)
Net defined benefit liability	<u>\$87,092</u>	<u>\$94,068</u>

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

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability (asset)</u>
Balance on January 1, 2021	\$139,331	(\$45,263)	\$94,068
Service cost			
Current service cost	381	-	381
Interest expense (income)	697	(259)	438
Recognized in profit or loss	<u>1,078</u>	<u>(259)</u>	<u>819</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(507)	(507)
Actuarial (gain) loss - changes in demographic assumptions	3,481	-	3,481
Actuarial (gain) loss - changes in financial assumptions	-	-	-
Actuarial (gain) loss - experience adjustments	2,431	-	2,431
Recognized in other comprehensive income	<u>5,912</u>	<u>(507)</u>	<u>5,405</u>
Contributions from the employer	-	(13,200)	(13,200)
Benefits paid	(4,897)	4,897	-
Balance on December 31, 2021	<u>\$141,424</u>	<u>(\$54,332)</u>	<u>\$87,092</u>
Balance on January 1, 2020	\$138,071	(\$35,845)	\$102,226
Service cost			
Current service cost	305	-	305
Interest expense (income)	1,035	(274)	761
Recognized in profit or loss	<u>1,340</u>	<u>(274)</u>	<u>1,066</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,315)	(1,315)
Actuarial (gain) loss - changes in demographic assumptions	90	-	90
Actuarial (gain) loss - changes in financial assumptions	3,848	-	3,848
Actuarial (gain) loss - experience adjustments	(2,435)	-	(2,435)
Recognized in other comprehensive income	<u>1,503</u>	<u>(1,315)</u>	<u>188</u>
Contributions from the employer	-	(9,412)	(9,412)
Benefits paid	(1,583)	1,583	-
Balance at December 31, 2020	<u>\$139,331</u>	<u>(\$45,263)</u>	<u>\$94,068</u>

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

- 1) Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the Company's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
- 2) Interest risk: A decrease in the interest rate will increase the present value of the defined benefit obligation. However, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect the net defined benefit liability.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.500%	0.500%
Expected salary increase rate	3.5%	3.5%

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate		
0.25% increase	(\$3,732)	(\$3,848)
0.25% decrease	\$3,881	\$4,007
Expected salary increase rate		
0.25% increase	\$3,708	\$3,827
0.25% decrease	(\$3,587)	(\$3,698)

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Expected contributions to the plan for the following year	<u>\$13,200</u>	<u>\$13,200</u>
The average duration of the defined benefit obligation	11.2 years	11.2 years

19. EQUITY

a. Share capital

Ordinary shares

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Number of shares authorized (in thousands)	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$6,000,000</u>	<u>\$6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>375,208</u>	<u>337,688</u>
Shares issued	<u>\$3,752,084</u>	<u>\$3,376,884</u>

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

Considering the long-term cooperating relationships with strategic investors, healthy financial structure, and improvement in operating efficacy, the Company passed the resolution for the private offering of ordinary shares at the extraordinary shareholders' meeting on December 16, 2021 to, within the limit of 37,520 thousand shares, authorize the board of directors to organize the private offering of ordinary shares in two batches within one year from the date of the resolution made at the extraordinary shareholders' meeting. The Company approved the communication with particular subscribers at the board meeting on December 22, 2021, and set December 24, 2021 as the base date for the capital increase to issue 37,520 thousand ordinary shares under private offering. The establishment of the price for the ordinary shares under the private offering adopted the following standards for calculation: (a) the calculation of the simple average closing price of the ordinary shares for either the 1, 3, or 5 business days before the pricing date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; or (b) the calculation of the simple average closing price of the ordinary shares for the 30 business days before the pricing date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction; with the higher of the two as the reference price, the reference price for the private offering is NT\$44.73 per share; the subscription price payable of NT\$40.26 per share was established based on 90% of the reference price. The capital increase through the private offering of ordinary shares mentioned above was completed on December 24, 2021, and was submitted to Department of Commerce, MOEA, for the alteration registration of capital on January 3, 2022.

b. Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u>		
Issuance of common shares	\$1,379,472	\$244,117
Conversion of bonds	667,058	667,058
Treasury share transactions	48,234	48,234
Interest payable on bond conversion	13,243	13,243
<u>May be used to offset a deficit only</u>		
Treasury share transactions	71,365	71,365
	<u>\$2,179,372</u>	<u>\$1,044,017</u>

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 20-g.

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

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

The Company held shareholders' meetings on July 30, 2021 and June 10, 2020, where the deficit compensation for 2020 and 2019 respectively was passed as follows:

	Deficit Compensation	
	2020	2019
Legal reserve	\$154,744	\$41,146

d. Special reserves

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

e. Other equity items

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

	2021	2020
Balance at January 1	(\$448,879)	(\$416,186)
Exchange differences arising on translating the financial statements of foreign operations	(74,987)	(32,693)
Balance at December 31	(\$523,866)	(\$448,879)

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

	2021	2020
Balance at January 1	(\$62,007)	(\$79,561)
Generated in current period		
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	966	(3,842)
Share of equity-accounted subsidiaries	(27,371)	21,396
Balance at December 31	(\$88,412)	(\$62,007)

20. NET PROFIT RELATING TO CONTINUING OPERATIONS

a. Interest income

	<u>2021</u>	<u>2020</u>
Bank deposits	\$1,076	\$5,665
Others	165	2,148
	<u>\$1,241</u>	<u>\$7,813</u>

b. Other income

	<u>2021</u>	<u>2020</u>
Government subsidies (Note 23)	\$-	\$84,855
Others	123,152	116,883
	<u>\$123,152</u>	<u>\$201,738</u>

c. Other gains and losses

	<u>2021</u>	<u>2020</u>
Net foreign exchange losses	(\$20,961)	(\$41,669)
Gain on disposal of property, plant and equipment	-	206
Others	(875)	(310)
	<u>(\$21,836)</u>	<u>(\$41,773)</u>

d. Depreciation and amortization

	<u>2021</u>	<u>2020</u>
Property, plant and equipment	\$64,664	\$78,292
Right-of-use assets	3,639	2,755
Computer software	7,860	7,403
	<u>\$76,163</u>	<u>\$88,450</u>

An analysis of depreciation by function

Operating costs	\$1,824	\$2,480
Operating expenses	66,479	78,567
	<u>\$68,303</u>	<u>\$81,047</u>

An analysis of amortization expense by function

Operating expenses	<u>\$7,860</u>	<u>\$7,403</u>
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e. Finance costs

	<u>2021</u>	<u>2020</u>
Bank loans interest	\$29,024	\$11,411
Bonds payable interest	6,022	9,978
Lease liabilities interest	78	70
	<u>\$35,124</u>	<u>\$21,459</u>

f. Employee benefits expense

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$536,719	\$498,263
Post-employment benefits (Note 18)		
Defined contribution plans	22,232	21,613
Defined benefit plans	819	1,066
Total employee benefits expense	<u>\$559,770</u>	<u>\$520,942</u>
An analysis of employee benefits expense by function		
Operating costs	\$43,130	\$39,398
Operating expenses	516,640	481,544
	<u>\$559,770</u>	<u>\$520,942</u>

g. Employees' compensation and remuneration to directors and supervisors

The Company distributed employees' compensation and remuneration to directors at the rates of no less than 10% and no higher than 2% of the net profit before tax for the year, respectively. For the years ended December 31, 2021 and 2020, due to operating loss, the Company did not appropriate an amount for employees' compensation and remuneration to directors.

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

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

h. Gain or loss on foreign currency exchange

	<u>2021</u>	<u>2020</u>
Foreign exchange gains	\$-	\$9,407
Foreign exchange losses	(20,961)	(51,076)
Net loss	<u>(\$20,961)</u>	<u>(\$41,669)</u>

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax (benefit) expense were as follows:

	<u>2021</u>	<u>2020</u>
Current income tax		
Generated in the previous year	\$10	(\$15,382)
Deferred income tax		
Generated in the year	(6,290)	(15,692)
Income tax benefit recognized in profit or loss	<u>(6,280)</u>	<u>(\$31,074)</u>

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

	<u>2021</u>	<u>2020</u>
Loss before income tax	<u>(\$318,880)</u>	<u>(\$185,668)</u>
Income tax expenses (gains) of prior years adjusted to the current year	\$10	(\$15,382)
Current income tax	-	(15,382)
Deferred income tax		
Temporary differences	(6,290)	(15,692)
Income tax benefit recognized in profit or loss	<u>(\$6,280)</u>	<u>(\$31,074)</u>

b. Income tax recognized in other comprehensive income

	<u>2021</u>	<u>2020</u>
<u>Deferred income tax</u>		
Generated in the current year		
Actuarial gains and losses on defined benefit plan	(1,081)	(\$38)
Income tax recognized in other comprehensive income	<u>(\$1,081)</u>	<u>(\$38)</u>

c. Current income tax liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current income tax liabilities		
Income tax payable	<u>\$-</u>	<u>\$-</u>

d. Deferred tax assets and liabilities

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

2021

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

2020

	Balance at the beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at the end of year
Deferred tax asset				
Temporary differences				
Unrealized inventory valuation losses	\$3,310	\$510	\$-	\$3,820
Unrealized bad debt losses	1,770	(1,770)	-	-
Unrealized gross profit	8,850	7,530	-	16,380
Unrealized pension expenses	12,520	1,670	-	14,190
Unrealized loss carryforwards	5,196	-	-	5,196
Others	21,679	(4,260)	38	17,457
	<u>\$53,325</u>	<u>\$3,680</u>	<u>\$38</u>	<u>\$57,043</u>
Deferred tax liabilities				
Temporary differences				
Unrealized gain on investments	\$79,832	(\$12,012)	\$-	\$67,820

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

	December 31, 2021	December 31, 2020
Loss carryforwards	<u>\$148,272</u>	<u>\$114,381</u>

f. Income tax assessments

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

22. LOSS PER SHARE

	2021	2020
Basic loss per share	<u>(\$0.92)</u>	<u>(\$0.46)</u>

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

Loss for the year

	2021	2020
Loss used in the computation of basic loss per share	<u>(\$312,600)</u>	<u>(\$154,594)</u>

Number of Shares

	2021	2020
Weighted average number of ordinary shares used in computation of basic loss per share	<u>338,511</u>	<u>337,688</u>

23. GOVERNMENT GRANTS

The Company's salary and working capital subsidy application was approved by the Industrial Development Bureau, Ministry of Economic Affairs (MOEA) in 2020, and it was estimated that a total of \$84,855 thousand for the subsidy would be obtained and accounted for in "Other income." As of December 31, 2021, the grants were fully received. Please refer to Note 20.

24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it 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 its net debt (borrowings less cash and cash equivalents) and equity (comprising share capital, reserves, retained earnings, and other equity).

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

25. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted equity	\$-	\$-	\$82,231	\$82,231

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted equity	\$-	\$-	\$63,671	\$63,671

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

Conciliation of financial instruments measures at level 3 fair value

2021

	<u>Financial assets at FVTOCI</u>
<u>Financial assets</u>	
Balance at January 1	\$63,671
Recognized in other comprehensive income (Unrealized gain [loss] on financial assets at FVTOCI)	966
Additions	18,000
Disposals	(406)
Balance at December 31	<u>\$82,231</u>

2020

	<u>Financial assets at FVTOCI</u>
<u>Financial assets</u>	
Balance at January 1	\$49,513
Recognized in other comprehensive income (Unrealized gain [loss] on financial assets at FVTOCI)	(3,842)
Additions	18,000
Balance at December 31	<u>\$63,671</u>

b. Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$4,914,307	\$2,938,919
Financial assets at FVTOCI		
Investments in equity instruments at FVTOCI	82,231	63,671
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	5,032,200	3,494,939

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

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

c. Financial risk management objectives and policies

The Company's major financial instruments included cash and cash equivalents, financial assets at amortized cost, investment in equity instruments, notes receivables, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties, refundable deposits/guarantee deposits received, short-term borrowings, 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, 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. After assessment, the positions of the Company's foreign currency assets and liabilities were not exposed to significant exchange rate risks, and it did not adopt additional hedging measures. Therefore, no relevant hedging accounting treatment applied.

For the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies at the balance sheet date, please refer to Note 30.

Sensitivity analysis

The Company was mainly affected by the fluctuations in the exchange rates of USD and CNY.

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.

	<u>2021</u>	<u>2020</u>
USD	\$8,268	\$8,187
CNY	21	12

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, bonds payable, and lease liabilities at both fixed and floating interest rates.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value interest rate risk		
Financial liabilities	\$812,312	\$1,177,783
Cash flow interest rate risk		
Financial liabilities	2,124,577	454,121

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 balance sheet date, the Company's maximum exposure to credit risk, which might cause financial losses due to a counterparty's failure to perform its obligations and the Company's provision of financial guarantees, approximated the carrying amounts of the financial assets recognized in the balance sheet.

The Company adopted a policy of only dealing with credit worthy 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.

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

3) Liquidity risk

The 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, 2021 and 2020, 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 remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Company might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period, regardless of the probability of exercise of the right by banks. The maturity analysis of other non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

December 31, 2021

	On Demand or Less than 1 Year	1 to 3 years	Over 3 years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$2,098,659	\$-	\$-	\$2,098,659
Lease liabilities	2,387	1,001	-	3,388
Variable interest rate instrument	1,358,469	595,141	170,967	2,124,577
Fixed interest rate instrument	110,641	-	698,283	808,924
	<u>\$3,570,156</u>	<u>\$596,142</u>	<u>\$869,250</u>	<u>\$5,035,548</u>

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>
Lease liabilities	<u>\$2,387</u>	<u>\$1,001</u>

December 31, 2020

	<u>On Demand or Less than 1 Year</u>	<u>1 to 3 years</u>	<u>Over 3 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$1,870,015	\$-	\$-	\$1,870,015
Lease liabilities	3,632	3,388	-	7,020
Variable interest rate instrument	150,177	303,944	-	454,121
Fixed interest rate instrument	<u>1,170,763</u>	<u>-</u>	<u>-</u>	<u>1,170,763</u>
	<u>\$3,194,587</u>	<u>\$307,332</u>	<u>\$-</u>	<u>\$3,501,919</u>

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>
Lease liabilities	<u>\$3,632</u>	<u>\$3,388</u>

b) Financing facilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank facilities:		
Amount used	\$1,760,216	\$570,528
Amount unused	<u>1,318,724</u>	<u>2,190,292</u>
	<u>\$3,078,940</u>	<u>\$2,760,820</u>
Secured bank facilities:		
Amount used	\$496,794	\$56,832
Amount unused	<u>486,206</u>	<u>693,418</u>
	<u>\$983,000</u>	<u>\$750,250</u>

26. RELATED-PARTY TRANSACTIONS

a. The Company's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Company</u>
Phihong USA Corp. (PHA)	Subsidiaries
Phihong Technology Japan Co., Ltd. (PHJ)	Subsidiaries
Phihong Vietnam Co., Ltd. (PHV)	Subsidiaries
Phihong Dongguan Electronics Co. Ltd. (PHC)	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. (Yanghong Trade)	Subsidiaries
Peter Lin	Chairman of Phihong
Chien, Shu-Nu	Spouse of the Chairman of Phihong
Spring City Resort Co., Ltd.	Associates
Hua Jung Co., Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties

b. Operating revenue

<u>Category of related parties</u>	<u>2021</u>	<u>2020</u>
Subsidiaries		
PHA	\$3,412,197	\$2,989,208
Others	231,014	176,883
	<u>\$3,643,211</u>	<u>\$3,166,091</u>

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

<u>Category of related parties</u>	<u>2021</u>	<u>2020</u>
Subsidiaries		
PHC	\$6,790,920	\$5,226,352
PHV	1,564,046	725,800
PHP	242,182	52,534
Others	1,386	2,987
	<u>\$8,598,534</u>	<u>\$6,007,673</u>

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. Receivables from related parties

<u>Category of related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
PHA	\$370,659	\$325,929
PHJ	20,597	30,667
Others	-	90
	<u>\$391,256</u>	<u>\$356,686</u>

No ECLs were provided for trade receivables from related parties of the Company as of December 31, 2021 and 2020.

e. Payables to related parties

<u>Category of related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
PHSY	\$-	\$225
Other related parties		
Heng Hui Co., Ltd.	471	941
Hua Jung Co., Ltd.	27	32
	<u>498</u>	<u>973</u>
	<u>\$498</u>	<u>\$1,198</u>

f. Other receivables from related parties

<u>Category of related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
PHV	\$355,120	\$246,244
PHC	605,588	241,122
PHP	54,268	80,647
PHA	27,835	3,190
Others	83	21
	<u>\$1,042,894</u>	<u>\$571,224</u>

The above-mentioned other receivables from related parties are primarily loans to related parties and receivables from related parties for the purchase of materials on their behalf.

g. Other payables from related parties

<u>Category of related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
PHE	\$1,044	\$6,004
PHSY	2,131	53
	<u>3,175</u>	<u>6,057</u>
Other related parties		
Heng Hui Co., Ltd.	47,680	60,885
Hua Jung Co., Ltd.	3,047	3,156
Others	74	185
	<u>50,801</u>	<u>64,226</u>
	<u>\$53,976</u>	<u>\$70,283</u>

The above-mentioned other payables to related parties are payables to related parties for purchasing materials on the Company's behalf.

h. Endorsements and guarantees

Endorsements/Guarantees Provided

<u>Category of related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
PHA		
Amount endorsed	\$-	\$142,400
Amount utilized	\$-	\$-

i. Property transactions

The Company purchased other equipment from related parties at \$550 thousand in August 2021.

j. Compensation of key management personnel

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

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$33,623	\$25,838
Post-employment benefits	432	432
	<u>\$34,055</u>	<u>\$26,270</u>

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

k. Other transactions with related parties

The Company's chairman had provided guarantee for bonds payable and short-term borrowings and long-term borrowings of the Company. As of December 31, 2021 and 2020, the amounts of the borrowings were \$2,822,861 thousand and \$1,454,004 thousand, respectively.

27. 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, and domestic secured corporate bonds:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at amortized cost - non-current (Note 8)	\$20,458	\$37,100
Freehold land	463,345	185,202
Buildings	363,999	378,754
	<u>\$847,802</u>	<u>\$601,056</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company's unrecognized commitments were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payments for property, plant and equipment		
Signed amount	\$1,171	\$284,595
Unpaid amount	782	200,520

29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The board of directors of the Company approved the resolution of the capital increase in cash for Phihong Vietnam Co., Ltd. at the meeting on January 20, 2022, and the amount was US\$15,000 thousand, with a shareholding of 100%. As of December 31, 2021, the Company has invested \$1,448,623 thousand (or US\$50,000 thousand).

To improve our competition strength and operating performances, the board of directors approved the resolution at the meeting on March 10, 2022 to separate the operations (including assets, liabilities, and businesses) related to the EV energy business group by way of split and transfer under the Business Mergers and Acquisitions Act, and the base date for the split is temporarily set at September 1, 2022.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The aggregate information below is presented in foreign currencies other than the functional currency adopted by the Company. The exchange rates disclosed refer to the rates at which these foreign currencies were exchanged to the functional currency, and the related exchange rates between foreign currencies and respective functional currencies, are as follows:

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$117,928	27.66000	\$3,261,869
CNY	257	4.33984	2,086
<u>Non-monetary items</u>			
Investments accounted for using equity method			
USD	188,621	27.66000	5,217,266
JPY	295,814	0.24104	71,303
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	88,045	27.66000	2,435,112

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$96,939	28.48000	\$2,760,821
CNY	269	4.35974	1,174
<u>Non-monetary items</u>			
Investments accounted for using equity method			
USD	160,454	28.48000	4,569,719
JPY	298,471	0.27501	82,082
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	68,194	28.48000	1,942,156

Note: The exchange rate is the amount per unit of foreign currency converted into New Taiwan dollars.

31. 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. (Table 4)
- 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 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees. (Table 7)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 9)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

- c. Information of major shareholders: the names of shareholders with a shareholding ratio of 5% or more, their shareholding amount, and their proportional shareholdings. (Table 10)

32. SEGMENT INFORMATION

The Company has disclosed the segment information in the consolidated financial statements, and does not disclose relevant information in the financial statements.

PHIHONG TECHNOLOGY CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Balance at December 31	Actual Borrowing Amount	Interest rate range	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Item Financing Limit for Each Borrower (Note 3 and Note 4)	Aggregate Financing Limit (Note 3 and Note 4)	Note
													Item	Value			
1	Phihong (Dongguan) Electronics Co. Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	\$433,984 RMB100,000,000	\$433,984 RMB100,000,000	\$230,012	4.35%	2	\$-	Capital movement	\$-	-	\$-	\$2,262,480	\$2,262,480	
2	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	1,193,456 RMB275,000,000	1,193,456 RMB275,000,000	1,193,456	4.35%~ 4.75%	2	-	Capital movement	-	-	-	1,862,149	1,862,149	
1	Phihong (Dongguan) Electronics Co. Ltd.	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Other receivables from related parties	Yes	43,398 RMB10,000,000	43,398 RMB10,000,000	43,398	4.90%	2	-	Capital movement	-	-	-	2,262,480	2,262,480	

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

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

Note 2: Reasons for financing are as follows:

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

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

No. (Note 1)	Endorser/Guarantor Name	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2 and Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Ending Balance Amount Endorsed/Guarantee d During the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Limit on Endorsement/ Guarantee (Note 2 and Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong Technology Co., Ltd.	Phihong USA Corp.	Subsidiary of the Company	\$1,753,808	\$138,300 USD5,000,000	\$-	\$-	\$-	-	\$2,923,014	Y	N	N	

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

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

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

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

Note 4: On August 13, 2019, the board of directors approved that the Company’s endorsements/guarantees amount to its subsidiary Phihong USA Corp. is US\$5 million. In November 2021, the endorsement/guarantee was canceled, and the promissory note was retrieved.

PHIHONG TECHNOLOGY CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(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, 2021				Note
				Number of Shares	Carrying amount	Percentage of Ownership (%)	Fair value	
Pihong Technology Co., Ltd.	<u>Ordinary shares</u>							
	Pao-Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	229,980	\$3,366	10.49	\$3,366	
	Zhong-Xuan Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,758,621	24,067	8.62	24,067	
Guang-Lai Investment Co., Ltd.	BMC Venture Capital Investment Corporation	None	Financial assets at FVTOCI - non-current	5,400,000	54,798	9.84	54,798	
	<u>Ordinary shares</u>							
	Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non-current	3,000,000	4,995	10.83	4,995	

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

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

PHIHONG TECHNOLOGY CO., LTD.

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Related Party (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				December 31, 2021	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Phihong Electronics (Suzhou) Co., Ltd.	ICBC's capital-guaranteed and floating-income wealth management products	Financial assets at FVTPL - current	Industrial and Commercial Bank of China	None	10,000,000	\$430,600 RMB10,000,000	70,000,000	\$303,997	80,000,000	\$347,361	\$346,566	\$795	-	\$-

Note 1: The marketable securities stated here include shares, debentures and beneficiary certificates and the derivative products caused by those.

Note 2: Investors whose marketable securities accounted for using the equity method are required to be disclosed.

Note 3: The marketable securities acquired and disposed of shall be calculated separately at market value in order to determine whether the amount reaches \$300 million or 20% of the paid-in capital.

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, 2021**

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Phihong Technology Co., Ltd.	PHIHONG USA CORP.	Subsidiary of the Company	Sale	(\$3,412,197)	(35.64)	To be agreed by both parties	-	-	\$370,659	25.27	
Phihong Technology Co., Ltd.	Phihong Technology Japan Co., Ltd.	Subsidiary of the Company	Sale	(208,970)	(2.18)	To be agreed by both parties	-	-	20,597	1.40	
Phihong Technology Co., Ltd.	Phihong (Dongguan) Electronics Co., Ltd.	Subsidiary of the Company	Purchase	6,790,920	78.98	To be agreed by both parties	-	-	-	-	
Phihong Technology Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Subsidiary of the Company	Purchase	242,182	2.82	To be agreed by both parties	-	-	-	-	
Phihong Technology Co., Ltd.	Phihong Vietnam Co., Ltd.	Subsidiary of the Company	Purchase	1,564,046	18.19	To be agreed by both parties	-	-	-	-	

PHIHONG TECHNOLOGY CO., LTD.

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

FOR THE YEAR ENDED DECEMBER 31, 2021

(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 Technology Co., Ltd.	Phihong USA Corp.	Subsidiary of the Company	Trade receivables \$370,659	9.80	\$-	—	\$350,569	\$-
Phihong Technology Co., Ltd.	Phihong (Dongguan) Electronics Co. Ltd.	Subsidiary of the Company	Other receivables 605,588	-	-	—	369,833	-
Phihong Technology Co., Ltd.	PHIHONG VIETNAM CO.,LTD	Subsidiary of the Company	Other receivables 355,120	-	-	—	176,175	-
Phihong (Dongguan) Electronics Co. Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables 243,900	-	-	—	243,900	-
Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables 1,193,859	-	-	—	-	-

PHIHONG TECHNOLOGY CO., LTD.

INFORMATION ON INVESTEEES WITH DIRECT OR INDIRECT MATERIAL INFLUENCE OR CONTROL

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investor	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying amount			
Phihong Technology Co., Ltd.	Phihong International Corp.	British Virgin Islands	Makes investments	\$3,448,270	\$3,448,270	111,061,351	100.00	\$2,961,499	(\$166,893)	(\$161,409)	
	Phihong USA Corp.	California, USA	Sells various power supplies	207,203	207,203	3,100,000	100.00	936,520	40,009	40,009	
	Phitek International Co., Ltd.	British Virgin Islands	Makes investments	314,956	314,956	10,200,000	100.00	(393,788)	(149,709)	(150,551)	
	Ascent Alliance Ltd.	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100.00	58,568	(9,938)	(10,599)	
	Guang-Lai Investment Co., Ltd.	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	107,445	(6,219)	(6,219)	
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	13,738	13,738	1,373,801	32.26	16,500	(6,147)	(2,014)	
	Phihong Technology Japan Co., Ltd.	Japan	Sells power components	137,436	137,436	3,000	100.00	71,303	(1,242)	(1,242)	
	Phihong Vietnam Co., Ltd.	Vietnam	Manufactures and sells various power supplies	JPY150,000,000	JPY150,000,000	50,000,000	100.00	1,260,679	1,847	1,647	
Phihong International Corp.	N-Lighten Technologies, Inc.	California, USA	Makes investments	409,851	409,851	110,834,223	58.45	(23,280)	(82)	(48)	Phihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%
Guang-Lai Investment Co., Ltd.	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	2,330	(37,621)	(9,561)	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	92,496	15,405	3,423	
	N-Lighten Technologies, Inc.	California, USA	Makes investments	206,084	206,084	37,498,870	19.78	(7,878)	(82)	(16)	Phihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%

Note 1: 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, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Product	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Phihong (Dongguan) Electronics Co. Ltd.	Manufactures and sells various power supplies	\$1,988,018 HKD495,450,000	Indirect investment in mainland China through PHI	\$1,677,679 HKD419,000,000	\$-	\$-	\$1,677,679 HKD419,000,000	(\$191,041)	100.00	(\$191,041)	\$1,508,320	\$-	
Phitek (Tianjin) Electronics Co., Ltd.	Manufactures and sells various power supplies	-	Indirect investment in mainland China through PHI	25,327 USD255,127	-	-	25,327 USD255,127	-	-	-	-	-	Note 1
Phihong Electronics (Suzhou) Co., Ltd.	Manufactures and sells various power supplies	1,097,139 USD31,960,000	Indirect investment in mainland China through PHI	1,343,033 USD40,600,000	-	-	1,343,033 USD40,600,000	35,343	100.00	35,343	1,241,433	-	
Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	26,291 USD880,000	Indirect investment in mainland China through PHI	63,934 USD2,865,000	-	-	63,934 USD2,865,000	(4,544)	100.00	(4,544)	8,084	-	
Dongguan Phitek Electronics Co., Ltd.	Manufactures and sells various power supplies	362,042 USD11,500,000	Indirect investment in mainland China through PHK	315,258 USD10,000,000	-	-	315,258 USD10,000,000	(149,525)	100.00	(149,525)	(394,476)	-	
Dongguan Shuang-Ying Electronics Co., Ltd.	Manufactures and sells electronic materials	39,678 HKD9,000,000	Indirect investment in mainland China through PHQ	39,678 HKD9,000,000	-	-	39,678 HKD9,000,000	6,150	100.00	6,150	61,271	-	
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufactures and sells electronic materials	360,124 USD11,500,000	Indirect investment in mainland China through PHQ	360,124 USD11,500,000	-	-	360,124 USD11,500,000	(16,003)	100.00	(16,003)	(3,388)	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 USD12,366,400	-	-	387,406 USD12,366,400	-	-	-	-	-	Note 2

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

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

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

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

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,212,439	\$4,816,767	Note 1

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

PHIHONG TECHNOLOGY CO., LTD.

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, 2021

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Trade Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Amount	%		
Phihong (Dongguan) Electronics Co. Ltd.	Purchase	\$6,790,920	78.98%	To be agreed by both parties	To be agreed by both parties	-		\$-	-	
Dongguan Phitek Electronics Co., Ltd.	Purchase	242,182	2.82%	To be agreed by both parties	To be agreed by both parties	-		-	-	

TABLE 10

**PHIHONG TECHNOLOGY CO., LTD.
INFORMATION OF MAJOR SHAREHOLDER
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Peter Lin	51,703,063	15.31%

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

V. 2021 Consolidated Financial Statements

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. (the “Company”) and its subsidiaries (collectively, the “Group”) which comprise the consolidated balance sheets as of December 31, 2021 and 2020 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Group's consolidated financial statements as of and for the year ended December 31, 2021 is as follows.

The Accuracy of Sales Revenue from Telecom Brand Operation

Description of the key audit matter:

The turbulent fluctuation regarding sales to customers of our telecom brand operation resulted in impacts on the sales of the Group for the year; therefore, we identified the authenticity of sales revenue from the telecom brand as a key audit matter for the year. Refer to Note 4 to the accompanying consolidated financial statements for the related disclosures.

Our audit procedures performed in respect of the key audit matter include the following:

We understood the internal control of the Group's recognition related to sales revenue and evaluated the design of key control. We determined whether the key control has been implemented and tested the operating effectiveness of key control. We sample tested transactions, reviewed the records of correspondence and reviewed significant subsequent sales returns and allowances of sales revenue from the telecom brand operation to confirm its existence.

Other Matters

We have also audited the the parent company only financial statements of the Company as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in 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 auditing standards generally accepted in 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2022

Notice to Readers

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$3,590,920	26	\$2,545,804	25
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	43,600	-
Financial assets at amortized cost - current (Notes 4 and 9)	224,588	2	-	-
Notes receivables (Notes 4 and 10)	16,886	-	-	-
Trade receivables (Notes 4 and 10)	2,229,231	16	2,019,406	20
Other receivables	21,905	-	25,329	-
Inventories (Notes 4 and 11)	3,204,432	24	2,015,069	20
Non-current assets held for sale (Note 12)	244,696	2	245,819	2
Other current assets	146,685	1	102,907	1
Total current assets	9,679,343	71	6,997,934	68
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	87,226	1	65,828	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 30)	20,458	-	37,100	-
Investments accounted for using equity method (Notes 4 and 14)	111,326	1	152,366	1
Property, plant and equipment (Notes 4 and 15)	3,262,587	24	2,590,539	25
Right-of-use assets (Notes 4 and 16)	294,723	2	282,788	3
Other intangible assets (Notes 4 and 17)	30,540	-	27,679	-
Deferred tax assets (Notes 4 and 24)	53,114	-	57,043	1
Other non-current assets	73,343	1	151,394	1
Total non-current assets	3,933,317	29	3,364,737	32
TOTAL	\$13,612,660	100	\$10,362,671	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$962,781	7	\$256,320	2
Trade payables	3,200,680	24	2,846,732	27
Trade payables to related parties (Note 29)	61,122	-	82,497	1
Other payables (Note 20)	613,750	5	570,038	6
Current tax liabilities (Notes 4 and 24)	23,612	-	19,558	-
Lease liabilities - current (Notes 4 and 16)	20,547	-	7,786	-
Current portion of long-term borrowings (Notes 18 and 19)	832,930	6	1,064,620	10
Other current liabilities (Notes 12 and 20)	417,868	3	291,113	3
Total current liabilities	6,133,290	45	5,138,664	49
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 19)	698,283	5	-	-
Long-term borrowings (Note 18)	766,108	6	303,944	3
Deferred tax liabilities (Notes 4 and 24)	56,520	-	67,820	1
Lease liabilities - non-current (Notes 4 and 16)	24,704	-	12,665	-
Net defined benefit liability - non-current (Notes 4 and 21)	87,092	1	94,068	1
Other non-current liabilities	9,305	-	629	-
Total non-current liabilities	1,642,012	12	479,126	5
Total liabilities	7,775,302	57	5,617,790	54
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)				
Ordinary shares	3,752,084	28	3,376,884	33
Capital surplus	2,179,372	16	1,044,017	10
Retained earnings				
Legal reserve	612,916	4	767,660	7
Special reserve	230,859	2	230,859	2
Accumulated deficits	(316,924)	(2)	(154,744)	(1)
Total retained earnings	526,851	4	843,775	8
Other equity				
Exchange differences on translating the financial statements of foreign operations	(523,866)	(4)	(448,879)	(4)
Unrealized loss on financial assets at fair value through other comprehensive income	(88,412)	(1)	(62,007)	(1)
Total other equity	(612,278)	(5)	(510,886)	(5)
Total equity attributable to owners of the Company	5,846,029	43	4,753,790	46
NON-CONTROLLING INTERESTS (Note 21)	(8,671)	-	(8,909)	-
Total equity	5,837,358	43	4,744,881	46
TOTAL LIABILITIES AND EQUITY	\$13,612,660	100	\$10,362,671	100

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE(Notes 4 and 35)	\$12,284,041	100	\$9,243,618	100
OPERATING COSTS (Notes 4, 11 and 29)	10,810,739	88	8,066,422	87
OPERATING GROSS PROFIT	1,473,302	12	1,177,196	13
OPERATING EXPENSES				
Sales and marketing expenses	549,147	5	442,814	5
General and administration expenses	502,237	4	474,929	5
Research and development expenses	760,997	6	632,909	7
Expected credit loss recognized (reversed)	245	-	(825)	-
Total operating expenses	1,812,626	15	1,549,827	17
LOSS FROM OPERATIONS	(339,324)	(3)	(372,631)	(4)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	28,000	-	33,113	-
Other income (Notes 23 and 26)	88,319	1	250,596	3
Other gains and losses (Note 23)	(26,496)	-	(37,358)	(1)
Finance costs (Note 23)	(40,297)	-	(22,517)	-
Share of loss of from associates account for using the equity method (Note 14)	(8,152)	-	(4,645)	-
Total non-operating income and expenses	41,374	1	219,189	2

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	2021		2020	
	Amount	%	Amount	%
LOSS BEFORE INCOME TAX	(\$297,950)	(2)	(\$153,442)	(2)
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(14,668)</u>	<u>-</u>	<u>(1,171)</u>	<u>-</u>
LOSS FOR THE YEAR	<u>(312,618)</u>	<u>(2)</u>	<u>(154,613)</u>	<u>(2)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified subsequent to profit or loss:				
Remeasurement of defined benefit plans (Note 21)	(5,405)	-	(188)	-
Unrealized loss on financial assets at fair value through other comprehensive income (Note 22)	3,804	-	(9,483)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Note 22)	(30,209)	-	27,037	-
Income tax relating to items that will not be reclassified subsequent to profit or loss (Note 24)	1,081	-	38	-
Items that may be reclassified subsequent to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 22)	<u>(74,731)</u>	<u>(1)</u>	<u>(32,211)</u>	<u>-</u>
Total other comprehensive loss	<u>(105,460)</u>	<u>(1)</u>	<u>(14,807)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS	<u><u>(\$418,078)</u></u>	<u><u>(3)</u></u>	<u><u>(\$169,420)</u></u>	<u><u>(2)</u></u>
LOSS ATTRIBUTABLE TO:				
Owners of the Company	(\$312,600)	(3)	(\$154,594)	(2)
Non-controlling interests	<u>(18)</u>	<u>-</u>	<u>(19)</u>	<u>-</u>
Total	<u><u>(\$312,618)</u></u>	<u><u>(3)</u></u>	<u><u>(\$154,613)</u></u>	<u><u>(2)</u></u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	(\$418,316)	(3)	(\$169,883)	(2)
Non-controlling interests	<u>238</u>	<u>-</u>	<u>463</u>	<u>-</u>
Total	<u><u>(\$418,078)</u></u>	<u><u>(3)</u></u>	<u><u>(\$169,420)</u></u>	<u><u>(2)</u></u>
LOSS PER SHARE (Note 25)				
Basic	<u><u>(\$0.92)</u></u>		<u><u>(\$0.46)</u></u>	

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

	Equity Attributable to owners of the company					Other equity		Total	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Exchange differences on translating the financial statements of foreign operations	Unrealized loss on financial assets at fair value through other comprehensive income			
			Legal reserve	Special reserve	Accumulated deficits					
Balance at January 1, 2020	\$3,376,884	\$1,044,017	\$808,806	\$230,859	(\$41,146)	(\$416,186)	(\$79,561)	\$4,923,673	(\$9,372)	\$4,914,301
Legal reserve used to offset accumulated deficits	-	-	(41,146)	-	41,146	-	-	-	-	-
Loss for the year ended December 31, 2020	-	-	-	-	(154,594)	-	-	(154,594)	(19)	(154,613)
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(150)	(32,693)	17,554	(15,289)	482	(14,807)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(154,744)	(32,693)	17,554	(169,883)	463	(169,420)
Balance at December 31, 2020	3,376,884	1,044,017	767,660	230,859	(154,744)	(448,879)	(62,007)	4,753,790	(8,909)	4,744,881
Capital increase (Note 22)	375,200	1,135,355	-	-	-	-	-	1,510,555	-	1,510,555
Legal reserve used to offset accumulated deficits (Note 22)	-	-	(154,744)	-	154,744	-	-	-	-	-
Loss for the year ended December 31, 2021	-	-	-	-	(312,600)	-	-	(312,600)	(18)	(312,618)
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(4,324)	(74,987)	(26,405)	(105,716)	256	(105,460)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(316,924)	(74,987)	(26,405)	(418,316)	238	(418,078)
Balance at December 31, 2021	\$3,752,084	\$2,179,372	\$612,916	\$230,859	(\$316,924)	(\$523,866)	(\$88,412)	\$5,846,029	(\$8,671)	\$5,837,358

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$297,950)	(\$153,442)
Adjustments for:		
Depreciation expense	285,785	308,178
Amortization expense	13,380	12,595
Expected credit loss recognized (reversed)	245	(825)
Gain on fair value changes of financial assets designated as at fair value through profit or loss	-	(3)
Finance costs	40,297	22,517
Interest income	(28,000)	(33,113)
Share of loss from associates accounted for using the equity method	8,152	4,645
Loss on disposal of property, plant and equipment	3,279	2,637
Loss on disposal of intangible assets	8	194
Gain on disposal of investment	(795)	(10,274)
Allowance for inventory valuation and obsolescence loss	63,120	48,139
Net changes in operating assets and liabilities		
Notes receivables	(16,886)	2,022
Trade receivables	(210,023)	20,355
Other receivables	13,487	19,666
Inventories	(1,252,483)	(709,278)
Other current assets	(23,436)	(22,702)
Trade payables	353,948	634,185
Trade payables to related parties	(21,375)	12,971
Other payables	43,047	(133,777)
Other current liabilities	126,755	180,251
Net defined benefit liability	(12,381)	(8,346)
Cash (used in) generated from operating activities	(911,826)	196,595
Interest received	17,937	31,757
Interest paid	(39,575)	(19,833)
Income tax paid	(12,473)	(24,516)
Net cash (used in) generated from operating activities	(945,937)	184,003

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	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at fair value through other comprehensive income	(\$18,000)	(\$18,000)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	406	-
Purchase of financial assets at amortized cost	(485,788)	(10,000)
Proceeds from disposal of financial assets at amortized cost	265,124	-
Purchase of financial assets at fair value through profit or loss	(303,997)	(171,925)
Proceeds from sale of financial assets at fair value through profit or loss	347,361	484,970
Proceeds from capital reduction of investments accounted for using equity method	-	9,567
Payments for property, plant and equipment	(841,816)	(237,926)
Proceeds from disposal of property, plant and equipment	833	29,806
Payments for intangible assets	(15,886)	(7,196)
Increase in refundable deposits	(184)	(747)
Increase in prepayments for equipment	(63,599)	(81,381)
Increase in prepayments for land	-	(84,075)
Dividends received	2,679	2,097
Receive government grants	-	6,820
Net cash used in investing activities	<u>(1,112,867)</u>	<u>(77,990)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	706,461	256,320
Issuance of corporate bonds	700,000	-
Repayment of corporate bonds	(1,000,000)	-
Proceeds from long-term borrowings	2,251,960	566,040
Repayment of long-term borrowings	(1,023,399)	(495,000)
Increase in guarantee deposits received	8,676	-
Decrease in guarantee deposits received	-	(35)
Repayment of the principal portion of lease liabilities	(19,713)	(8,641)
Capital increase	1,510,555	-
Payment for the cost of ordinary corporate bonds issuance	(2,028)	-
Net cash generated from financing activities	<u>3,132,512</u>	<u>318,684</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(28,592)</u>	<u>(29,792)</u>

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	<u>2021</u>	<u>2020</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$1,045,116	\$394,905
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,545,804</u>	<u>2,150,899</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$3,590,920</u>	<u>\$2,545,804</u>

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Per Share Data and 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 (R.O.C.). Under a resolution approved in the stockholders’ meeting in June 2003, Phihong changed its name to Phihong Technology Co., Ltd. Phihong primarily manufactures and sells AC/DC power adapters, charger bases, power supply modules, UPS (uninterruptible power supply) for computers, ballasts, etc.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 10, 2022.

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

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

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

b. IFRSs endorsed and issued into effect in 2022 by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
“Annual Improvement of IFRSs 2018-2020”	January 1, 2022 (Note 1)
Amendment to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendment to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendment to IAS 37 “Onerous Contract - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applicable to the exchange or modification of terms of financial liabilities during the annual reporting period beginning after January 1, 2022; the amendment to IAS 41 “Agriculture” is applicable to the fair value measurement of the annual reporting period beginning after January 1, 2022; the amendment to IFRS 1 “First Adoption of IFRSs” is retroactively applied to the annual reporting period beginning after January 1, 2022.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 3: Plants, property and equipment that will reach the necessary locations and conditions for management’s expected operation mode after January 1, 2022 are applicable to this amendment.

Note 4: The Group shall apply these amendments to contracts that have not fulfilled all obligations as of January 1, 2022.

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

<u>New IFRSs</u>	<u>Effective Date Issued by IASB (Note 1)</u>
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
Amendment to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17 “Comparative Information of the Initial Application of IFRS 17 and IFRS 9”	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendment to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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

Note 4: Except for temporary differences of the deferred income tax recognized for lease and decommissioning obligations on January 1, 2022, the amendments also apply to transactions incurring after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the balance sheet date (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the release of the financial statements); and
- 3) Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by 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 the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 13, Table 8 and Table 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

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

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in process 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. The cost calculation

is generally accounted for based on the standard cost, and the differences incurred at the end of the period are allocated to inventories and cost of sales.

g. Investments in associates

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

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

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

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

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

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

h. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such

assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

i. Intangible assets

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

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

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

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

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

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

amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit and loss.

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

k. Non-current assets held for sale

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any remeasurement gains or losses on such financial assets are recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

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

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

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

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

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

iii. Investments in debt instruments at FVTOCI

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

- i) The instruments are held under an operating model, and the purpose of the model is achieved by collecting the contractual cash flows and the disposals of financial assets.
- 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.

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

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

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

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

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

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

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

c) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash inflow from the financial 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 consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3) Financial liabilities

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

m. Provision

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

n. Revenue recognition

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

Revenue from sale of goods

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

o. Leasing

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

Except for the low-value underlying asset leases exempted from recognition and the lease payments of short-term lease being recognized as expenses based on straight-line method during the period of lease, other leases are recognized as right-of-use assets and lease liabilities from the day of lease.

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

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

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

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

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

p. Borrowing costs

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

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

q. Government grants

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

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

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service cost (including the service cost for the current period) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

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

s. Taxation

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

1) Current income tax

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

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

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

2) Deferred income tax

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

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carryforwards, and research and development expenditure.

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

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

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

3) Current and deferred income tax

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

5. CRITICAL ACCOUNTING JUDGMENTS, ASSUMPTIONS, AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$2,507	\$2,593
Checking accounts and demand deposits	3,566,243	2,244,282
Cash equivalent (investments with original maturities of less than 3 months)		
Time deposits	22,170	298,929
	<u>\$3,590,920</u>	<u>\$2,545,804</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Demand deposits and time deposits	0.001%~3.045%	0.001%~2.500%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at fair value through profit or loss (i.e. FVTPL) – current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$-	\$43,600

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI)		
Domestic unlisted ordinary shares	\$87,226	\$65,828

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Time deposits with original maturity more than 3 months	\$224,588	\$-
<u>Non-current</u>		
Restricted bank deposits	\$20,458	\$37,100

As of December 31, 2021 and 2020, the Group set up a special account for the project performance bond, a domestic guaranteed corporate bond, and a pledge for a joint loan case with deposits of \$20,458 thousand and \$37,100 thousand, please refer to Note 30.

10. NOTES AND TRADE RECEIVABLES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Notes receivables</u>		
At amortized cost		
Gross carrying amount	\$16,886	\$-
Less: Allowance for impairment loss	-	-
	<u>16,886</u>	<u>-</u>
<u>Trade receivables at amortized cost</u>		
At amortized cost		
Gross carrying amount	1,816,096	2,022,217
Less: Allowance for impairment loss	(3,009)	(2,811)
	<u>1,813,087</u>	<u>2,019,406</u>
FVTOCI	416,144	-
	<u>2,229,231</u>	<u>2,019,406</u>
	<u>\$2,246,117</u>	<u>\$2,019,406</u>

a. Notes receivables

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

b. Trade receivables

Trade receivables at amortized cost

For the Group's average credit period for the sale of goods, the statistics for the average credit period are prepared according to the experience of trade receivable collection regarding the non-related parties for the past five years, and no interest accrued for trade receivable during the credit period. The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The

Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

December 31, 2021

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

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.02~0.74%	0.22~8.91 %	2.62%	17.66%	11.59~100.00 %	
Gross carrying amount	\$1,888,308	\$128,563	\$878	\$156	\$4,312	\$2,022,217
Loss allowance (Lifetime ECL)	(467)	(685)	(23)	(28)	(1,608)	(2,811)
Amortized cost	<u>\$1,887,841</u>	<u>\$127,878</u>	<u>\$855</u>	<u>\$128</u>	<u>\$2,704</u>	<u>\$2,019,406</u>

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

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

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$2,811	\$3,847
Add: Allowance for impairment loss (reversed)	245	(825)
Less: Amounts written off	-	(139)
Foreign exchange gains and losses	(47)	(72)
Balance at December 31	<u>\$3,009</u>	<u>\$2,811</u>

c. Trade receivables at FVTOCI

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

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

December 31, 2021

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

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

Related Party	Amount for sale at the beginning of the period	Amount for sale for the current period	Cash received in the current period	Amount for sale at the end of the period	Cash advance as of the end of the period	Annual rate of interest of cash advance (%)	Retention of trade receivables for sale	Limit	Items for security
Citi Bank	\$-	\$503,941	\$502,459	\$1,482	\$-	-	\$-	-	-
		(Note 1)	(Note 2)	(Note 3)					

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

Note 1: USD18,219,118

Note 2: USD18,165,530

Note 3: USD53,588

11. INVENTORIES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$1,297,927	\$683,200
Work-in-process	376,003	212,145
Finished goods	1,530,502	1,119,724
	<u>\$3,204,432</u>	<u>\$2,015,069</u>

For the years 2021 and 2020, the cost of inventories recognized as cost of goods sold was \$10,810,739 thousand and \$8,066,422 thousand, respectively. For the years ended December 31, 2021 and 2020, the Group's cost of sales includes the allowance for inventory valuation and obsolescence loss recognized for offsetting the cost of inventories to its net realizable value of \$63,120 thousand and \$48,139 thousand.

12. NON-CURRENT ASSETS HELD FOR SALE

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Dongguan Phitek Electronics Co., Ltd. Land use rights, Buildings, Machinery and Equipment, etc.	<u>\$244,696</u>	<u>\$245,819</u>

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land use rights	\$4,042	\$4,042
Buildings	258,005	258,005
Machinery and Equipment	1,244	1,244
Other Equipment	19,262	19,262
Less: Accumulated depreciation	<u>(39,850)</u>	<u>(39,850)</u>
	242,703	242,703
Effect of foreign currency exchange differences	<u>1,993</u>	<u>3,116</u>
	<u>\$244,696</u>	<u>\$245,819</u>

The proceeds of the disposals are expected to exceed the net carrying amount of the related net assets. Accordingly, no impairment was recognized in reclassifying the assets to assets held for sale.

As of December 31, 2021, the proceeds of the disposal had been received \$164,945 thousand which was presented under “Other current liabilities.” Refer to Note 20.

After the contract for the disposal of the above-mentioned non-current assets held for sale was signed, the delivery procedures were completed as of January 26, 2022, and the control of the non-current assets disposed of is to be transferred to the purchaser.

13. SUBSIDIARIES

Investor	Investee	Main Business	Percentage of Ownership		Description
			December 31, 2021	December 31, 2020	
Phihong	Phihong International Corp. (“PHI”)	Makes investments	100.00	100.00	Note 2
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	Note 1
PHI Company	Phihong Dongguan Electronics Co. Ltd. (PHC)	Manufactures and sells various power supplies	100.00	100.00	
PHI Company	Phihong Electronics (Suzhou) Co., Ltd. (PHZ)	Manufactures and sells various power supplies	100.00	100.00	
PHI Company	N-Lighten Technologies, Inc. (“N-Lighten”)	Makes investments	58.45	58.45	
PHI Company	Yanghong Trade (Shanghai) Co., Ltd. (“Yanghong Trade”)	Sells various lighting and power supplies	100.00	100.00	
PHK Company	Dongguan Phitek Electronics Co., Ltd. (“PHP”)	Manufactures and sells various power supplies	100.00	100.00	
PHQ Company	Dongguan Shuang-Ying Electronics Co., Ltd. (“PHSY”)	Manufactures and sells electronic materials	100.00	100.00	
PHQ Company	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (“PHE”)	Manufactures and sells electronic materials	100.00	100.00	
Guang-Lai Investment Co., Ltd.	N-Lighten	Makes investments	19.78	19.78	

Note 1: Phihong Technology Co., Ltd. established a subsidiary, PHV, in Vietnam in 2019, with a registered capital of USD50,000 thousand: the Company’s shareholding ratio is 100%. To coordinate with the group’s funding arrangement, it is planned to process capital injections in stages according to the investment progress. For 2021, Phihong Technology Co., Ltd. issued shares by \$841,430 thousand (USD30,000 thousand); as of December 31, 2021, Phihong Technology Co., Ltd. has invested \$1,448,623 thousand (USD50,000 thousand).

Note 2: In response to the operating requirements of the Group, in December 2021, the board of directors of the Company approved the resolution for the capital reduction of PHI. in the amount of \$238,983 thousand (US\$8,640 thousand). After the capital reduction, the capital of the company became \$3,209,287 thousand (US\$102,421 thousand); the base date for the capital reduction was January 6, 2022.

See Tables 8 and 9 for the information on places of incorporation and principal places of business.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associates that are not individually material	\$111,326	\$152,366

Associates that are not individually material

	<u>2021</u>	<u>2020</u>
The Group's share of:		
Loss for the year	(\$8,152)	(\$4,645)
Other comprehensive income (loss)	(30,209)	27,037
Total comprehensive income (loss)	<u>(\$38,361)</u>	<u>\$22,392</u>

Refer to Table 8 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

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

15. PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2021	\$246,480	\$2,464,136	\$2,431,495	\$656,924	\$86,289	\$5,885,324
Additions	194,068	7,198	44,866	29,875	568,803	844,810
Disposals	-	(23,971)	(132,363)	(45,756)	-	(202,090)
Effect of foreign currency exchange differences	(3,211)	(18,677)	(13,155)	(1,962)	(4,418)	(41,423)
Reclassification	84,075	216	22,998	34,238	(24,061)	117,466
Balance at December 31, 2021	<u>\$521,412</u>	<u>\$2,428,902</u>	<u>\$2,353,841</u>	<u>\$673,319</u>	<u>\$626,613</u>	<u>\$6,604,087</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$-	\$849,145	\$1,908,013	\$537,627	\$-	\$3,294,785
Disposals	-	(22,634)	(129,591)	(45,753)	-	(197,978)
Depreciation expense	-	80,837	131,751	47,623	-	260,211
Effect of foreign currency exchange differences	-	(5,320)	(8,825)	(1,373)	-	(15,518)
Balance at December 31, 2021	<u>\$-</u>	<u>\$902,028</u>	<u>\$1,901,348</u>	<u>\$538,124</u>	<u>\$-</u>	<u>\$3,341,500</u>
Carrying amounts at December 31, 2021	<u>\$521,412</u>	<u>\$1,526,874</u>	<u>\$452,493</u>	<u>\$135,195</u>	<u>\$626,613</u>	<u>\$3,262,587</u>
<u>Cost</u>						
Balance at January 1, 2020	\$248,931	\$2,704,125	\$2,411,321	\$709,254	\$10,909	\$6,084,540
Additions	-	4,970	114,852	18,446	90,463	228,731
Disposals	-	(662)	(171,537)	(66,335)	-	(238,534)
Reclassified to held for sale	-	(258,005)	(1,244)	(13,587)	-	(272,836)
Effect of foreign currency exchange differences	(2,451)	6,845	11,794	2,344	948	19,480
Reclassification	-	6,863	66,309	6,802	(16,031)	63,943
Balance at December 31, 2020	<u>\$246,480</u>	<u>\$2,464,136</u>	<u>\$2,431,495</u>	<u>\$656,924</u>	<u>\$86,289</u>	<u>\$5,885,324</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$-	\$789,989	\$1,886,186	\$554,948	\$-	\$3,231,123
Disposals	-	(662)	(140,834)	(64,595)	-	(206,091)
Reclassified to held for sale	-	(26,239)	(1,214)	(12,397)	-	(39,850)
Depreciation expense	-	81,201	154,000	57,561	-	292,762
Effect of foreign currency exchange differences	-	4,856	9,875	2,110	-	16,841
Balance at December 31, 2020	<u>\$-</u>	<u>\$849,145</u>	<u>\$1,908,013</u>	<u>\$537,627</u>	<u>\$-</u>	<u>\$3,294,785</u>
Carrying amounts at December 31, 2020	<u>\$246,480</u>	<u>\$1,614,991</u>	<u>\$523,482</u>	<u>\$119,297</u>	<u>\$86,289</u>	<u>\$2,590,539</u>

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

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

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

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Carrying amounts</u>		
Land (including land use rights)	\$251,830	\$266,040
Buildings	8,327	10,986
Machinery and equipment	28,090	-
Office equipment	-	324
Transportation equipment	5,543	3,563
Other equipment	933	1,875
	<u>\$294,723</u>	<u>\$282,788</u>
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$43,192</u>	<u>\$8,421</u>
<u>Depreciation charge for right-of-use assets</u>		
Land (including land use rights)	\$8,875	\$9,096
Buildings	3,955	3,726
Machinery and equipment	9,350	-
Office equipment	319	503
Transportation equipment	2,254	1,449
Other equipment	821	642
	<u>\$25,574</u>	<u>\$15,416</u>

b. Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Carrying amounts</u>		
Current	<u>\$20,547</u>	<u>\$7,786</u>
Non-current	<u>\$24,704</u>	<u>\$12,665</u>
<u>Range of discount rate for lease liabilities</u>		
Freehold land	1.200%	1.200%
Buildings	1.030%~4.875%	1.030%~5.220%
Machinery and equipment	4.000%	-
Office equipment	-	4.875%
Transportation equipment	1.155%~4.000%	1.155%~5.220%
Other equipment	1.030%~1.160%	1.030%

c. Material lease-in activities and terms

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

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

d. Other lease information

	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	<u>\$11,303</u>	<u>\$16,391</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$532</u>	<u>\$2,743</u>
Total cash (outflow) for leases	<u>(\$31,548)</u>	<u>(\$27,775)</u>

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

17. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$118,623
Additions	15,886
Disposals	(10,381)
Reclassification	475
Effect of foreign currency exchange differences	(353)
Balance at December 31, 2021	<u>\$124,250</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$90,944
Amortization expense	13,380
Disposals	(10,373)
Effect of foreign currency exchange differences	(241)
Balance at December 31, 2021	<u>\$93,710</u>
Carrying amounts at December 31, 2021	<u>\$30,540</u>
<u>Cost</u>	
Balance at January 1, 2020	\$118,748
Additions	7,196
Disposals	(7,399)
Effect of foreign currency exchange differences	78
Balance at December 31, 2020	<u>\$118,623</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$85,532
Amortization expense	12,595
Disposals	(7,205)
Effect of foreign currency exchange differences	22
Balance at December 31, 2020	<u>\$90,944</u>
Carrying amounts at December 31, 2020	<u>\$27,679</u>

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

18. BORROWINGS

Short-term borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Unsecured loan</u>		
Phihong	\$636,180	\$256,320
PHV	182,959	-
	<u>819,139</u>	<u>256,320</u>
<u>Secured loan</u>		
PHC	143,642	-
	<u>\$962,781</u>	<u>\$256,320</u>
Interest rate range	0.72%~1.30%	0.95%

Long-term Borrowings

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Unsecured loan</u>		
Phihong	\$1,102,807	\$314,208
<u>Secured loan</u>		
Phihong	496,794	56,832
Less: discount	(563)	(2,359)
Long-term loans payable - current portion	<u>(832,930)</u>	<u>(64,737)</u>
	<u>\$766,108</u>	<u>\$303,944</u>
Interest rate range	1.0500%~1.9879%	1.2740%~1.9872%

- a. As of December 31, 2021 and 2020, the Company had short-term bank borrowings with the contract term from November 8, 2021 to March 11, 2022 and from December 7, 2020 to February 9, 2021, the interest to be paid monthly.
- b. As of December 31, 2021, the term for the short-term bank borrowings of PHV was from July 12, 2021 to August 3, 2022, with interest paid monthly.
- c. As of December 31, 2021, the term for the short-term bank borrowings of PHC was from December 27, 2021 to June 24, 2022, with interest paid upon expiry.
- d. The Company had long-term bank borrowings for the years ended December 31, 2021 and 2020 with the contract term from August 22, 2019 to April 7, 2036 and from August 22, 2019 to September 10, 2023, respectively, the interest to be paid monthly.
- e. Phihong Technology Co., Ltd. signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank and co-sponsored by Yuanta Commercial Bank along with 7 other banks participating in the loan, on April 30, 2019. The contract period is 3 years with the total credit limit

of NTD1 billion, including NTD450 million of item A loan limit and NTD550 million for item B loan limit, which will be used by the parent company to support the factory investment plan of the Vietnamese subsidiary and enrich the group operating turnover fund. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, Phihong Technology Co., Ltd shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial report with an accountant's visa which is to be reviewed every half year):

- 1) The current ratio (current assets/current liabilities) shall not be less than 100%.
- 2) The net debt ratio (total debt/net tangible value) shall not be higher than 150%.
- 3) The interest protection multiples [(pre-tax profit + depreciation + amortization + interest expense)/interest expense] shall be maintained at more than two times (inclusive).
- 4) Net tangible value (net value minus intangible assets) shall not be less than NTD \$4.5 billion.

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

- f. On December 15, 2021, the Company submitted an application to the syndicate banks regarding the contract dated April 30, 2019 for the amendment that the borrowing limit shall be extended to July 30, 2024 from July 30, 2022, and the syndicated banks approved the application on March 1, 2022. The financial ratios and restrictive agreements above are reviewed based on the annual and interim consolidated financial reports certified by CPAs recognized by the bank managing the limits.
- g. As of December 31, 2021, the borrowing amount from the syndicated loan was \$882,500 thousand, and the times interest earned ratio failed to comply with the requirements above. Therefore, the period from the submission date of the Q2 consolidated financial statements in 2021 to the submission date of the consolidated financial statements for the year ended 2021 shall be the improvement period; during the improvement period, such condition shall not be deemed as a default, and the Company pays service charges calculated at 0.1% of the credit loan's balances per annum to the managing bank. However, on December 30, 2021, the Company has submitted an application to the syndicated banks for exemption from the requirement regarding the violation of the times interest earned ratio, and the exemption application was approved by the syndicated banks on March 1, 2022.

19. BONDS PAYABLE

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured domestic bonds	\$698,283	\$999,883
Less: Long-term loans payable - current portion	-	(999,883)
	<u>\$698,283</u>	<u>\$-</u>

Secured domestic bonds

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

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

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

20. OTHER LIABILITIES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Other payables		
Payables for salaries and bonuses	\$215,373	\$200,932
Payables for annual leave	53,224	45,537
Payables for purchases of equipment	11,472	7,621
Others	333,681	315,948
	<u>\$613,750</u>	<u>\$570,038</u>
Other current liabilities		
Temporary receipts	\$79,009	\$62,484
Advance payment for sale of plant land (Note 12)	164,945	170,466
Others	173,914	58,163
	<u>\$417,868</u>	<u>\$291,113</u>

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$141,424	\$139,331
Fair value of plan assets	<u>(54,332)</u>	<u>(45,263)</u>
Net defined benefit liability	<u>\$87,092</u>	<u>\$94,068</u>

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance at January 1, 2021	\$139,331	(\$45,263)	\$94,068
Service cost			
Current service cost	381	-	381
Interest expense (income)	697	(259)	438
Recognized in profit or loss	1,078	(259)	819
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(507)	(507)
Actuarial (gain) loss - changes in demographic assumptions	3,481	-	3,481
Actuarial (gain) loss - changes in financial assumptions	-	-	-
Actuarial (gain) loss - experience adjustments	2,431	-	2,431
Recognized in other comprehensive income	5,912	(507)	5,405
Contributions from the employer	-	(13,200)	(13,200)
Benefits paid	(4,897)	4,897	-
Balance at December 31, 2021	<u>\$141,424</u>	<u>(\$54,332)</u>	<u>\$87,092</u>
Balance at January 1, 2020	\$138,071	(\$35,845)	\$102,226
Service cost			
Current service cost	305	-	305
Interest expense (income)	1,035	(274)	761
Recognized in profit or loss	1,340	(274)	1,066
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,315)	(1,315)
Actuarial (gain) loss - changes in demographic assumptions	90	-	90
Actuarial (gain) loss - changes in financial assumptions	3,848	-	3,848
Actuarial (gain) loss - experience adjustments	(2,435)	-	(2,435)
Recognized in other comprehensive income	1,503	(1,315)	188
Contributions from the employer	-	(9,412)	(9,412)
Benefits paid	(1,583)	1,583	-
Balance at December 31, 2020	<u>\$139,331</u>	<u>(\$45,263)</u>	<u>\$94,068</u>

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

- 1) Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the Group's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.

- 2) Interest risk: A decrease in the interest rate will increase the present value of the defined benefit obligation. However, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect the net defined benefit liability.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.500%	0.500%
Expected salary increase rate	3.5%	3.5%

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate		
0.25% increase	<u>(\$3,732)</u>	<u>(\$3,848)</u>
0.25% decrease	<u>\$3,881</u>	<u>\$4,007</u>
Expected salary increase rate		
0.25% increase	<u>\$3,708</u>	<u>\$3,827</u>
0.25% decrease	<u>(\$3,587)</u>	<u>(\$3,698)</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Expected contributions to the plan for the following year	<u>\$13,200</u>	<u>\$13,200</u>
The average duration of the defined benefit obligation	11.2 years	11.2 years

22. EQUITY

a. Share capital

Ordinary shares

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Number of shares authorized (in thousands)	600,000	600,000
Shares authorized	<u>\$6,000,000</u>	<u>\$6,000,000</u>
Number of shares issued and fully paid (in thousands)	375,208	337,688
Shares issued	<u>\$3,752,084</u>	<u>\$3,376,884</u>

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

Considering the long-term cooperating relationships with strategic investors, healthy financial structure, and improvement in operating efficacy, the Company passed the resolution for the private offering of ordinary shares at the extraordinary shareholders' meeting on December 16, 2021 to, within the limit of 37,520 thousand shares, authorize the board of directors to organize the private offering of ordinary shares in two batches within one year from the date of the resolution made at the extraordinary shareholders' meeting. The Company approved the communication with particular subscribers at the board meeting on December 22, 2021, and set December 24, 2021 as the base date for the capital increase to issue 37,520 thousand ordinary shares under private offering. The establishment of the price for the ordinary shares under the private offering adopted the following standards for calculation: (a) the calculation of the simple average closing price of the ordinary shares for either the 1, 3, or 5 business days before the pricing date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; or (b) the calculation of the simple average closing price of the ordinary shares for the 30 business days before the pricing date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction; with the higher of the two as the reference price, the reference price for the private offering is \$44.73 per share; the subscription price payable of \$40.26 per share was established based on 90% of the reference price. The capital increase through the private offering of ordinary shares mentioned above was completed on December 24, 2021, and was submitted to Department of Commerce, MOEA, for the alteration registration of capital on January 3, 2022.

b. Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u>		
Issuance of common shares	\$1,379,472	\$244,117
Conversion of bonds	667,058	667,058
Treasury share transactions	48,234	48,234
Interest payable on bond conversion	13,243	13,243
<u>May be used to offset a deficit only</u>		
Treasury share transactions	71,365	71,365
	<u>\$2,179,372</u>	<u>\$1,044,017</u>

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 23-g.

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

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

The Company held shareholders' meetings on July 30, 2021 and June 10, 2020, where the deficit compensation for 2020 and 2019 respectively was passed as follows:

	Deficit Compensation	
	2020	2019
Legal reserve used to offset accumulated deficits	\$154,744	\$41,146

d. Special reserves

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

e. Other Equity Items

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

	<u>2021</u>	<u>2020</u>
Balance at January 1	(\$448,879)	(\$416,186)
Exchange differences arising on translating the financial statements of foreign operations	(74,987)	(32,693)
Balance at December 31	<u>(\$523,866)</u>	<u>(\$448,879)</u>

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

	<u>2021</u>	<u>2020</u>
Balance at January 1	(\$62,007)	(\$79,561)
Generated in current period		
Unrealized gain or loss in equity instruments at fair value through other comprehensive income	3,804	(9,483)
Share from associates accounted for using the equity method	(30,209)	27,037
Balance at December 31	<u>(\$88,412)</u>	<u>(\$62,007)</u>

f. Non-controlling interests

	<u>2021</u>	<u>2020</u>
Balance at January 1	(\$8,909)	(\$9,372)
Attributable to non-controlling interests:		
Loss for the year	(18)	(19)
Exchange differences on translating the financial statements of foreign operations	256	482
Balance at December 31	<u>(\$8,671)</u>	<u>(\$8,909)</u>

23. NET PROFIT RELATING TO CONTINUING OPERATIONS

a. Interest income

	<u>2021</u>	<u>2020</u>
Bank deposits	\$27,064	\$31,651
Others	936	1,462
	<u>\$28,000</u>	<u>\$33,113</u>

b. Other income

	<u>2021</u>	<u>2020</u>
Government subsidies (Note 26)	\$-	\$114,432
Others	88,319	136,164
	<u>\$88,319</u>	<u>\$250,596</u>

c. Other gains and losses

	<u>2021</u>	<u>2020</u>
Net foreign exchange losses	(\$18,425)	(\$39,146)
Loss on disposal of property, plant and equipment	(3,279)	(2,637)
Loss on disposal of intangible assets	(8)	(194)
Gain on disposal of investment	795	10,274
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	-	3
Others	(5,579)	(5,658)
	<u>(\$26,496)</u>	<u>(\$37,358)</u>

d. Depreciation and amortization

	<u>2021</u>	<u>2020</u>
Property, plant and equipment	\$260,211	\$292,762
Right-of-use assets	25,574	15,416
Computer Software	13,380	12,595
	<u>\$299,165</u>	<u>\$320,773</u>

An analysis of depreciation by function

Operating costs	\$138,095	\$148,970
Operating expenses	147,690	159,208
	<u>\$285,785</u>	<u>\$308,178</u>

An analysis of amortization expense by function

Operating costs	\$3,834	\$3,357
Operating expenses	9,546	9,238
	<u>\$13,380</u>	<u>\$12,595</u>

e. Finance costs

	<u>2021</u>	<u>2020</u>
Bank loans interest	\$31,104	\$11,726
Bonds payable interest	6,022	9,978
Lease liabilities interest	1,684	813
Interest on the disposal of trade receivables	1,487	-
	<u>\$40,297</u>	<u>\$22,517</u>

f. Employee benefits expense

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$2,369,132	\$2,007,711
Post-employment benefits (Note 21)		
Defined contribution plans	22,232	21,613
Defined benefit plans	<u>819</u>	<u>1,066</u>
Total employee benefits expense	<u><u>\$2,392,183</u></u>	<u><u>\$2,030,390</u></u>
An analysis of employee benefits expense by function		
Operating costs	\$1,483,306	\$1,195,096
Operating expenses	<u>908,877</u>	<u>835,294</u>
	<u><u>\$2,392,183</u></u>	<u><u>\$2,030,390</u></u>

g. Employees' compensation and remuneration to directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 10% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the years ended December 31, 2021 and 2020, due to operating loss, the Company did not appropriate an amount for employees' compensation and remuneration to directors.

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

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

h. Gain or loss on foreign currency exchange

	<u>2021</u>	<u>2020</u>
Foreign exchange gains	\$42,273	\$21,751
Foreign exchange losses	<u>(60,698)</u>	<u>(60,897)</u>
Net loss	<u><u>(\$18,425)</u></u>	<u><u>(\$39,146)</u></u>

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<u>2021</u>	<u>2020</u>
Current income tax		
Generated in the year	\$19,823	\$31,862
Generated in the previous period	<u>1,135</u>	<u>(14,999)</u>
	<u><u>20,958</u></u>	<u><u>16,863</u></u>

	<u>2021</u>	<u>2020</u>
Deferred income tax		
Generated in the year	(6,290)	(15,692)
Total income tax expense recognized in profit or loss	<u>\$14,668</u>	<u>\$1,171</u>

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

	<u>2021</u>	<u>2020</u>
Loss before income tax	(\$297,950)	(\$153,442)
Loss before income tax expense at statutory tax rate	\$19,823	\$31,862
Current tax expenses (gains) from prior years	1,135	(14,999)
Current income tax	20,958	16,863
Deferred income tax		
Temporary differences	(6,290)	(15,692)
Total income tax expense recognized in profit or loss	<u>\$14,668</u>	<u>\$1,171</u>

b. Income tax recognized in other comprehensive income

	<u>2021</u>	<u>2020</u>
<u>Deferred tax</u>		
Generated in the current year		
Actuarial gains and losses on defined benefit plan	(\$1,081)	(\$38)
Income tax recognized in other comprehensive income	<u>(\$1,081)</u>	<u>(\$38)</u>

c. Current income tax liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current income tax liabilities		
Income tax payable	<u>\$23,612</u>	<u>\$19,558</u>

d. Deferred tax assets and liabilities

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

2021

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

2020

	<u>Balance at the beginning of year</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Balance at the end of year</u>
Deferred tax asset				
Temporary differences				
Unrealized inventory valuation losses	\$3,310	\$510	\$-	\$3,820
Unrealized bad debt losses	1,770	(1,770)	-	-
Unrealized gross profit	8,850	7,530	-	16,380
Unrealized pension expenses	12,520	1,670	-	14,190
Unrealized loss carry forwards	5,196	-	-	5,196
Others	21,679	(4,260)	38	17,457
	<u>\$53,325</u>	<u>\$3,680</u>	<u>\$38</u>	<u>\$57,043</u>
Deferred tax liabilities				
Temporary differences				
Unrealized gain on investments	\$79,832	(\$12,012)	\$-	\$67,820

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Loss carryforwards	<u>\$864,301</u>	<u>\$737,589</u>

- f. Income tax assessments

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

25. LOSS PER SHARE

	<u>2021</u>	<u>2020</u>
Basic loss per share	<u>(\$0.92)</u>	<u>(\$0.46)</u>

Loss for the year

	<u>2021</u>	<u>2020</u>
Loss used in the computation of basic loss per share	<u>(\$312,600)</u>	<u>(\$154,594)</u>

Number of Shares

	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares used in computation of basic loss per share	<u>338,511</u>	<u>337,688</u>

26. GOVERNMENT GRANTS

PHC and PHP received government grants of \$6,820 thousand for technological transformation as well as the installation of additional automated equipment and energy-saving equipment in 2020. Such amounts have been deducted from the carrying amounts of the relevant assets while transferred and recognized in profit or loss within the useful lives of the assets by reducing the depreciation expenses. In 2020, the depreciation expenses fell by \$1,532 thousand.

The Group's salary and working capital subsidy application was approved by the Industrial Development Bureau, Ministry of Economic Affairs (MOEA) in 2020, and it was estimated that a total of \$84,855 thousand for the subsidy would be obtained and accounted for in "Other income." As of December 31, 2021, the grants were fully received. Please refer to Note 23.

PHA obtained a relief loan of \$29,577 thousand (USD1,036 thousand) under the U.S. Government's Paycheck Protection Program in April 2020, and was approved to be exempted from repayment in November 2020, and the entire amount was transferred under "Other income."

27. CAPITAL MANAGEMENT

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

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

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

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value

1) Fair value hierarchy

December 31, 2021

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

(Continued)

(Continued from previous page)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at</u> <u>FVTOCI</u>				
Investments in equity instruments at FVTOCI				
- Domestic unlisted equity	\$-	\$-	\$87,226	\$87,226
 <u>December 31, 2020</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at</u> <u>FVTPL</u>				
Mutual funds	\$43,600	\$-	\$-	\$43,600
 <u>Financial assets at</u> <u>FVTOCI</u>				
Investments in equity instruments at FVTOCI				
- Domestic unlisted equity	\$-	\$-	\$65,828	\$65,828

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

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

2021

	<u>Financial assets at</u> <u>FVTOCI</u>
<u>Financial assets</u>	
Balance at January 1	\$65,828
Recognized in other comprehensive income (Unrealized gain [loss] on financial assets at FVTOCI)	3,804
Additions	18,000
Disposals	(406)
Balance at December 31	<u>\$87,226</u>

2020

	Financial assets at FVTOCI
<u>Financial assets</u>	
Balance at January 1	\$57,311
Recognized in other comprehensive income (Unrealized gain [loss] on financial assets at FVTOCI)	(9,483)
Additions	18,000
Balance at December 31	<u>\$65,828</u>

b. Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$-	\$43,600
Financial assets at amortized cost (Note 1)	6,127,348	4,650,814
Financial assets at FVTOCI		
Investments in equity instruments at FVTOCI	87,226	65,828
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	7,144,959	5,124,780

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

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

c. Financial risk management objectives and policies

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

Sensitivity analysis

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

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

	<u>2021</u>	<u>2020</u>
USD	(\$2,880)	\$3,579
CNY	36	37
VND	2,657	190

b) Interest rate risk

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value interest rate risk		
Financial liabilities	\$997,817	\$1,191,214
Cash flow interest rate risk		
Financial liabilities	2,307,536	454,121

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized bank loan facilities set out in (b) below.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2021

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

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

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

December 31, 2020

	On Demand or Less than 1 Year	1 to 3 years	Over 3 years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$3,499,267	\$-	\$-	\$3,499,267
Lease liabilities	7,786	10,769	1,896	20,451
Variable interest rate instrument	150,177	303,944	-	454,121
Fixed interest rate instrument	1,170,763	-	-	1,170,763
	<u>\$4,827,993</u>	<u>\$314,713</u>	<u>\$1,896</u>	<u>\$5,144,602</u>

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

	Less than 1 year	1 to 5 years	5 to 10 years
Lease liabilities	<u>\$7,786</u>	<u>\$12,665</u>	<u>\$-</u>

b) Financing facilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank facilities:		
Amount used	\$1,943,174	\$570,528
Amount unused	<u>1,357,046</u>	<u>2,332,692</u>
	<u>\$3,300,220</u>	<u>\$2,903,220</u>
Secured bank facilities:		
Amount used	\$640,436	\$56,832
Amount unused	<u>1,210,532</u>	<u>911,405</u>
	<u>\$1,850,968</u>	<u>\$968,237</u>

29. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

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

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

b. Purchase of goods

<u>Category of related parties</u>	<u>2021</u>	<u>2020</u>
Other related parties	<u>\$169,044</u>	<u>\$141,596</u>

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

c. Receivables from related parties

<u>Category of related parties</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other related parties	<u>\$61,122</u>	<u>\$82,497</u>

d. Property transactions

Phihong purchased other equipment from related parties at \$550 thousand in August 2021.

e. Compensation of key management personnel

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

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$38,665	\$31,147
Post-employment benefits	432	432
	<u>\$39,097</u>	<u>\$31,579</u>

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

f. Other transactions with related parties

The Company's chairman had provided guarantee for bonds payable and short-term borrowings and long-term borrowings of the Group. As of December 31, 2021 and 2020, the amounts of the borrowings were \$2,822,861 thousand and \$1,454,004 thousand, respectively.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at amortized cost - non-current (Note 9)	\$20,458	\$37,100
Freehold land	463,345	185,202
Right-of-use assets - land use right	35,966	15,499
Buildings	458,358	436,406
	<u>\$978,127</u>	<u>\$674,207</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payments for property, plant and equipment		
Signed amount	\$1,187,289	\$627,710
Unpaid amount	433,621	464,866

32. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The board of directors of the Company approved the resolution of the capital increase in cash for Phihong Vietnam Co., Ltd. at the meeting on January 20, 2022, and the amount was USD15,000 thousand, with a shareholding of 100%. As of December 31, 2021, the Company has invested \$1,448,623 thousand (or USD50,000 thousand).

To improve our competition strength and operating performances, the board of directors approved the resolution at the meeting on March 10, 2022 to separate the operations (including assets, liabilities, and businesses) related to the EV energy business group by way of split and transfer under the Business Mergers and Acquisitions Act, and the base date for the split is temporarily set at September 1, 2022.

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, are as follows:

December 31, 2021

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

December 31, 2020

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$78,435	28.48000	\$2,233,832
CNY	855	4.35974	3,730
VND	47,432,187	0.00123	58,342
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	65,868	28.48000	1,875,919
VND	32,010,796	0.00123	39,373

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. (Table 4)
 - 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 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 9) Trading in derivative instruments. (None)
 - 10) Intercompany relationships and significant intercompany transactions. (Table 7)
 - 11) Information on investees. (Table 8)
- 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 9)
 - 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 10)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- c. Information of major shareholders: the names of shareholders with a shareholding ratio of 5% or more, their shareholding amount, and their proportional shareholdings. (Table 11)

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:

Power Supply Products Segment: Mainly responsible for the R&D, design, manufacturing, sales, and after-sales service of power supply products.

2) Principles for measuring profit and loss, assets, and liabilities of the operating segment

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

b. Segment revenues and results

The Group's revenues and operating results of the segments reported for 2021 and 2020 are as follows:

	<u>Power Supply</u>	<u>Others</u>	<u>Total</u>
<u>2021</u>			
Revenues from external customers	<u>\$12,276,351</u>	<u>\$7,690</u>	<u>\$12,284,041</u>
Segment losses	<u>(\$331,467)</u>	<u>(\$7,857)</u>	(\$339,324)
Interest income			28,000
Other income			88,319
Other gains and losses			(26,496)
Finance costs			(40,297)
Share of loss of associates			<u>(8,152)</u>
Loss before income tax			<u>(\$297,950)</u>
<u>2020</u>			
Revenues from external customers	<u>\$9,236,707</u>	<u>\$6,911</u>	<u>\$9,243,618</u>
Segment losses	<u>(\$372,245)</u>	<u>(\$386)</u>	(\$372,631)
Interest income			33,113
Other income			250,596
Other gains and losses			(37,358)
Finance costs			(22,517)
Share of loss of associates			<u>(4,645)</u>
Loss before income tax			<u>(\$153,442)</u>

c. Segment assets and liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Power supply segment assets	\$13,382,178	\$9,701,757
Other assets	230,482	660,914
Total assets	<u>\$13,612,660</u>	<u>\$10,362,671</u>
Power supply segment assets	\$7,720,061	\$5,561,974
Other liabilities	55,241	55,816
Total liabilities	<u>\$7,775,302</u>	<u>\$5,617,790</u>

d. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services in its continuing operations:

	<u>2021</u>	<u>2020</u>
Power supply segment assets	\$12,276,351	\$9,236,707
Others	7,690	6,911
	<u>\$12,284,041</u>	<u>\$9,243,618</u>

e. Region-specific information

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

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

	<u>Revenues from external customers</u>		<u>Non-current assets</u>	
	<u>2021</u>	<u>2020</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Asia	\$10,435,398	\$6,399,200	\$3,552,628	\$2,935,210
Americas	980,923	1,827,046	108,565	117,190
Europe	800,649	984,836	-	-
Others	67,071	32,536	-	-
	<u>\$12,284,041</u>	<u>\$9,243,618</u>	<u>\$3,661,193</u>	<u>\$3,052,400</u>

f. Information on major customers

Of the sales revenue of \$12,284,041 thousand and \$9,243,618 thousand in 2021 and 2020, respectively, \$7,659,554 thousand and \$4,943,605 thousand were derived from the sales to the Group's major customers, respectively.

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

	<u>2021</u>	<u>2020</u>
Customer A	\$2,624,333	\$1,399,454
Customer B	2,577,949	1,678,975
Customer C	2,457,272	1,865,176
	<u>\$7,659,554</u>	<u>\$4,943,605</u>

There were no other single customers contributing 10% or more to the Group's total revenue for both 2021 and 2020.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Balance at December 31	Actual Borrowing Amount	Interest rate range	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
													Item	Value			
1	PHC	PHP	Other receivables from related parties	Yes	\$433,984 RMB100,000,000	\$433,984 RMB100,000,000	\$230,012	4.35%	2	\$-	Capital movement	\$-	-	\$-	\$2,262,480	\$2,262,480	
2	PHZ	PHP	Other receivables from related parties	Yes	1,193,456 RMB275,000,000	1,193,456 RMB275,000,000	1,193,456	4.35%~ 4.75%	2	-	Capital movement	-	-	-	1,862,149	1,862,149	
1	PHC	PHE	Other receivables from related parties	Yes	43,398 RMB10,000,000	43,398 RMB10,000,000	43,398	4.90%	2	-	Capital movement	-	-	-	2,262,480	2,262,480	

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

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

Note 2: Reasons for financing are as follows:

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2021

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

No. (Note 1)	Endorser/Guarantor Name	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 3)	Maximum Amount Endorsed/Guarantee d During the Period	Ending Balance Amount Endorsed/Guarantee d During the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Limit on Endorsement/ Guarantee (Note 2 and Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong	PHA	Subsidiary of the Company	\$1,753,808	\$138,300 USD5,000,000	\$-	\$-	\$-	-	\$2,923,014	Y	N	N	

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

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

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

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

Note 4: On August 4, 2021, the board of directors approved that the Company’s endorsements/guarantees amount to its subsidiary PHA is USD5 million. In November 2021, the endorsement/guarantee was canceled, and the promissory note was retrieved.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(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, 2021				Note
				Number of Shares	Carrying amount	Percentage of Ownership (%)	Fair value	
Pihong	Ordinary shares Pao-Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	229,980	\$3,366	10.49	\$3,366	
	Zhong-Xuan Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,758,621	24,067	8.62	24,067	
	BMC Venture Capital Investment Corporation	None	Financial assets at FVTOCI - non-current	5,400,000	54,798	9.84	54,798	
Guang-Lai	Ordinary shares Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non-current	3,000,000	4,995	10.83	4,995	

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

Note 2: For information on the investments in subsidiaries and associates, refer to Tables 8 and 9.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Related Party (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				December 31, 2021	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
PHZ	ICBC's capital-guaranteed and floating-income wealth management products	Financial assets at FVTPL - current	Industrial and Commercial Bank of China	None	10,000,000	\$430,600 RMB10,000,000	70,000,000	\$303,997	80,000,000	\$347,361	\$346,566	\$795	-	\$-

Note 1: The marketable securities stated here include shares, debentures and beneficiary certificates and the derivative products caused by those.

Note 2: Investors whose marketable securities accounted for using the equity method are required to be disclosed.

Note 3: The marketable securities acquired and disposed of shall be calculated separately at market value in order to determine whether the amount reaches \$300 million or 20% of the paid-in capital.

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, 2021**

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

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Trade Receivable (Payable)		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Phihong	PHA	Subsidiary of the Company	Sale			To be agreed by both parties	-	-	\$370,659	25.27	
				(\$3,412,197)	(35.64)						
Phihong	PHJ	Subsidiary of the Company	Sale			To be agreed by both parties	-	-	20,597	1.40	
				(208,970)	(2.18)						
Phihong	PHC	Subsidiary of the Company	Purchase			To be agreed by both parties	-	-	-	-	
				6,790,920	78.98						
Phihong	PHP	Subsidiary of the Company	Purchase			To be agreed by both parties	-	-	-	-	
				242,182	2.82						
Phihong	PHV	Subsidiary of the Company	Purchase			To be agreed by both parties	-	-	-	-	
				1,564,046	18.19						

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, 2021

(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 \$370,659	9.80	\$-	-	\$350,569	\$-
Phihong	PHC	Subsidiary of the Company	Other receivables 605,588	-	-	-	369,833	-
Phihong	PHV	Subsidiary of the Company	Other receivables 355,120	-	-	-	176,175	-
PHC	PHP	Sister company	Other receivables 243,900	-	-	-	243,900	-
PHZ	PHP	Sister company	Other receivables 1,193,859	-	-	-	-	-

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Transaction Details	% to Total Sales or Assets (Note 3)
0	Phihong	PHA	1	Sale	\$3,412,197	To be agreed by both parties	28%
0	Phihong	PHJ	1	Sale	208,970	To be agreed by both parties	2%
0	Phihong	PHC	1	Purchase	6,790,920	No significant difference	55%
0	Phihong	PHP	1	Purchase	242,182	No significant difference	2%
0	Phihong	PHV	1	Purchase	1,564,046	No significant difference	13%
0	Phihong	PHA	1	Trade receivables	370,659	-	3%
0	Phihong	PHC	1	Other receivables	605,588	-	4%
0	Phihong	PHV	1	Other receivables	355,120	-	3%
1	PHC	PHP	3	Other receivables	243,900	-	2%
2	PHZ	PHP	3	Other receivables	1,193,859	-	9%

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

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

Note 2: Nature of relationship is as follows:

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investor	Investee Company	Location	Main Businesses and Product	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying amount			
Pihong	PHI	British Virgin Islands	Makes investments	\$3,448,270	\$3,448,270	111,061,351	100.00	\$2,961,499	(\$166,893)	(\$161,409)	
	PHA	California, USA	Sells various power supplies	207,203	207,203	3,100,000	100.00	936,520	40,009	40,009	
	PHK	British Virgin Islands	Makes investments	314,956	314,956	10,200,000	100.00	(393,788)	(149,709)	(150,551)	
	PHQ	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100.00	58,568	(9,938)	(10,599)	
	Guang-Lai	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	107,445	(6,219)	(6,219)	
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	13,738	13,738	1,373,801	32.26	16,500	(6,147)	(2,014)	
	PHJ	Japan	Sells power components	137,436	137,436	3,000	100.00	71,303	(1,242)	(1,242)	
	PHV	Vietnam	Manufactures and sells various power supplies	JPY 150,000,000	JPY 150,000,000	50,000,000	100.00	1,260,679	1,847	1,647	
PHI	N-Lighten	California, USA	Makes investments	409,851	409,851	110,834,223	58.45	(23,280)	(82)	(48)	PHI and Guang-Lai holds 78.23%
Guang-Lai	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	2,330	(37,621)	(9,561)	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	92,496	15,405	3,423	PHI and Guang-Lai holds 78.23%
	N-Lighten	California, USA	Makes investments	206,084	206,084	37,498,870	19.78	(7,878)	(82)	(16)	

Note 1: Information on investees in mainland China, refer to Table 9.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee Company	Main Businesses and Product	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
PHC	Manufactures and sells various power supplies	\$1,988,018 HKD495,450,000	Indirect investment in mainland China through PHI	\$1,677,679 HKD419,000,000	\$-	\$-	\$1,677,679 HKD419,000,000	(\$191,041)	100.00	(\$191,041)	\$1,508,320	\$-	
Phitek (Tianjin) Electronics Co., Ltd.	Manufactures and sells various power supplies	-	Indirect investment in mainland China through PHI	25,327 USD255,127	-	-	25,327 USD255,127	-	-	-	-	-	Note 1
PHZ	Manufactures and sells various power supplies	1,097,139 USD31,960,000	Indirect investment in mainland China through PHI	1,343,033 USD40,600,000	-	-	1,343,033 USD40,600,000	35,343	100.00	35,343	1,241,433	-	
Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	26,291 USD880,000	Indirect investment in mainland China through PHI	63,934 USD2,865,000	-	-	63,934 USD2,865,000	(4,544)	100.00	(4,544)	8,084	-	
PHP	Manufactures and sells various power supplies	362,042 USD11,500,000	Indirect investment in mainland China through PHK	315,258 USD10,000,000	-	-	315,258 USD10,000,000	(149,525)	100.00	(149,525)	(394,476)	-	
PHSY	Manufactures and sells electronic materials	39,678 HKD9,000,000	Indirect investment in mainland China through PHQ	39,678 HKD9,000,000	-	-	39,678 HKD9,000,000	6,150	100.00	6,150	61,271	-	
PHE	Manufactures and sells electronic materials	360,124 USD11,500,000	Indirect investment in mainland China through PHQ	360,124 USD11,500,000	-	-	360,124 USD11,500,000	(16,003)	100.00	(16,003)	(3,388)	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 USD12,366,400	-	-	387,406 USD12,366,400	-	-	-	-	-	Note 2

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

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

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

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

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$4,212,439	\$4,816,767	Note 1

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Trade Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Amount	%		
PHC	Purchase	\$6,790,920	78.98%	To be agreed by both parties	To be agreed by both parties	-	\$-	-	\$-	
PHP	Purchase	242,182	2.82%	To be agreed by both parties	To be agreed by both parties	-	-	-	-	

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDER****DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Peter Lin	51,703,063	15.31%

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

VI. Any Financial Difficulties Experienced by the Company or Its Affiliates in the Most Recent Fiscal Year and during the Current Fiscal Year up to the Date of Publication of the Annual Report, and How Said Difficulties Will Affect the Company's Financial Situation: None.

Seven. Financial Status and Financial Performance Review Analysis and Risk Issues

I. Financial Status

Unit: NT\$1,000;%

Item	Year	2020	2021	Difference	
				Amounts	%
Current assets		6,997,934	9,679,343	2,681,409	38.32
Property, plant and equipment		2,590,539	3,262,587	672,048	25.94
Intangible assets		27,679	30,540	2,861	10.34
Other assets		746,519	640,190	(106,329)	(14.24)
Total assets		10,362,671	13,612,660	3,249,989	31.36
Current liabilities		5,138,664	6,133,290	994,626	19.36
Non-current liabilities		479,126	1,642,012	1,162,886	242.71
Long-term liabilities		303,944	1,464,391	1,160,447	381.80
Total liabilities		5,617,790	7,775,302	2,157,512	38.40
Ordinary shares (including proceeds-new issued)		3,376,884	3,752,084	375,200	11.11
Capital surplus		1,044,017	2,179,372	1,135,355	108.75
Accumulated losses		(154,744)	(316,924)	(162,180)	(104.81)
Other equity		(510,886)	(612,278)	(101,392)	(19.85)
Total shareholders' equity		4,744,881	5,837,358	1,092,477	23.02

The main reasons, the impacts and future response plans for the major changes in the company's assets, liabilities and shareholders' equity in the last two years (changes of more than 20% in the previous and later periods, and the amount of changes exceeds NT\$10 million) .

1. Current assets: due to cash capital increase and inventory increase in the current period.
2. Property, plant and equipment: due to the increase in the purchase of land and prepaid construction costs in the current period.
3. Total assets: due to the increase in cash capital, inventory and purchase of property, plant and equipment in the current period.
4. Non-current liabilities: due to the increase in the issuance of ordinary corporate bonds and long-term borrowings in the current period.
5. Long-term liabilities: due to the increase in the issuance of ordinary corporate bonds and long-term borrowings in the current period.
6. Total liabilities: due to the increase in trade payables and long-term and short-term borrowings in the current period.
7. Capital surplus: due to the cash capital increase in the current period.
8. Accumulated losses: due to the loss of operation in the current period.
9. Total shareholders' equity: due to the cash capital increase in the current period.

II. Financial Performance

Financial Performance Comparison Analysis Table

Unit: NT\$1,000,;%

Item \ Year	2020	2021	Increase (Decrease) Amounts	Changes %	Analysis of Changes
Operating revenue	9,243,618	12,284,041	3,040,423	32.89	(1)
Operating costs	8,066,422	10,810,739	2,744,317	34.02	(1)
Gross profit	1,177,196	1,473,302	296,106	25.15	(1)
Operating expenses	1,549,827	1,812,626	262,799	16.96	
Loss from operations	(372,631)	(339,324)	33,307	8.94	
Non-operating income and expenses	219,189	41,374	(177,815)	(81.12)	(2)
Loss before income tax	(153,442)	(297,950)	(144,508)	(94.18)	(4)
Income tax expenses	(1,171)	(14,668)	(13,497)	(1,152.60)	(3)
Net Loss from continuing operations	(154,613)	(312,618)	(158,005)	(102.19)	(4)
Net loss for the year	(154,613)	(312,618)	(158,005)	(102.19)	(4)
Other comprehensive loss (net of income tax)	(14,807)	(105,460)	(90,653)	(612.23)	(5)
Total comprehensive loss	(169,420)	(418,078)	(248,658)	(146.77)	(4)
Net loss attributable to owners of the company	(154,594)	(312,600)	(158,006)	(102.21)	(4)
Net loss attributable to non-controlling interests	(19)	(18)	1	5.26	
Total comprehensive income attributable to owners of the company	(169,883)	(418,316)	(248,433)	(146.24)	(4)
Total comprehensive income attributable to non-controlling interests	463	238	(225)	(48.60)	(6)

1. Analysis and explanation of the change in the increase and decrease ratio in the last two years: (Only the analysis of the change ratio that reaches 20%)

- (1) The increase in operating revenue, operating costs and gross profit compared with the previous period was because of the fact that operations have gradually returned to the right track due to the slowdown of the epidemic and the loosening of policies in this period, resulting in an increase in operating income and an increase in operating gross profit.
- (2) The decrease in non-operating income and expenses compared with the previous period was due to the fact that the previous period was affected by the epidemic and received relief subsidies such as salaries and working capita. However, the epidemic having slowed down, there is no such situation in this period.
- (3) Income tax expenses increased compared with the previous period was due to the parent company's reversal of income tax expenses in the previous period.
- (4) The loss before tax, the net loss of continuing business units for the current period, the net loss for the current period, the total comprehensive profit and loss for the current period, the net loss attributable to the owners of the parent company, and the total comprehensive profit and loss attributable to the owners of the parent company increased compared with the previous period was due to the severe shortage of materials in the current period, the raw materials also increased, and the gross profit margin decreased, resulting in a decrease in the overall profit.
- (5) The decrease in other comprehensive gains and losses compared with the previous period was due to the increase in the exchange losses from the translation of the financial statements of foreign operating agencies and the decrease in the share of the profit and loss of related companies recognized by the equity method.
- (6) The total comprehensive profit and loss attributable to non-controlling interests decreased compared with the previous period. This was due to the increase in the exchange loss from the translation of the financial statements of foreign operating agencies in the current period.

2. Explanation of significant changes in income or costs: None.
3. Description of major changes in operating policies, market conditions or other internal and external factors that have occurred or are expected to occur: None.
4. The expected sales volume in the next year and its basis and the main influencing factors of the company's expected sales volume to continue to grow or decline: None, since the sales volume in 2022 is estimated to be the same as the sales volume in 2021.

III. Cash Flow:

Cash Flow Analysis

Unit: NT\$1,000

Year	Beginning Cash Balance	Net Cash Flows from Operating Activities in the Year	Annual Cash Inflow (Outflow) Amounts	Cash Remaining (Insufficient) Amounts	Corrective Measures for Cash Deficit	
					Investment Plans	Financial Plans
2021	2,545,804	(945,937)	1,045,116	3,590,920	-	-
1. Analysis of changes in cash flow for the year: <ol style="list-style-type: none"> (1) Net cash generated from operating activities: due to the increase in inventories in the current period. (2) Net cash outflow from investing activities: due to acquisition of real estate, plant and equipment, acquisition of financial assets measured at amortized cost and prepayment for equipment. (3) Net cash inflow from fundraising activities: due to cash capital increase and long-term and short-term borrowings. 						

2. Corrective measures for cash deficit and liquidity analysis: None.

3. Liquidity Analysis for the Coming Year:

Unit: NT\$1,000

Cash Balance, Beginning of Period	Net cash flows from operating activities in the year	Annual cash inflow (outflow) amount	Cash remaining (insufficient) amount	Corrective Measures for Cash Deficit	
				Investment Plans	Financial plan
3,590,920	1,172,893	(315,152)	3,275,768	—	-
1. Analysis of changes in cash flow for the coming year: <ol style="list-style-type: none"> (1) Net cash generated from operating activities: mainly due to the decrease in accounts receivable. (2) Cash outflow: mainly due to the construction of factories in Vietnam and Tainan. 2. Remedial measures and liquidity analysis for estimated cash shortage: The Company just completed the private equity common stock cash capital increase at the end of last year, and the estimated cash flow for the next year is still sufficient, and there are long-term and short-term quotas of banks and the issuance of corporate bonds to support.					

IV. Effect Upon Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year:

Unit: NT\$1,000

Project	Source of Funds	Use of Funds as at the End of December 2021	Effect Upon Financial Operations
Tainan Land and its Plant	Working capital Self-owned funds	284,707	The Company built a factory in Tainan to solve the problems of insufficient space for production and assembly, insufficient space for reliability testing and insufficient floor loading in the Tainan plant, and to help Taiwanese businessmen return to Taiwan for investment and business development competitiveness.

V. Investment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Investment Profitability, and Investment Plans for the Coming Year:

Unit: NT\$1,000

Investee	Investment Profit and Losses Recognized in 2021	Investment Policy	Main Reasons for Profit or Losses	Improvement Plans for the Coming Year
PHIHONG INTERNATIONAL CORP.	(161,409)	Invest in other businesses	The recognition of losses on investments in investee companies	Keeping abreast of investee company's operating conditions
PHIHONG USA CORP.	40,009	Sells various power supplies	Due to continued business expansion	-
PHITEK INTERNATIONAL CO., LTD.	(150,551)	Invest in other businesses	The recognition of losses on investments in investee companies	Keeping abreast of investee company's operating conditions
ASCENT ALLIANCE LTD.	(10,599)	Invest in other businesses	The recognition of losses on investments in investee companies	Keeping abreast of investee company's operating conditions
Guang-Lai Investment Co., Ltd.	(6,219)	General investments	The recognition of losses on investments in investee companies	Keeping abreast of investee company's operating conditions
H&P Venture Capital Co., Ltd.	(2,014)	General investments	Losses due to investment	Keeping abreast of the company's operations
PHIHONG TECHNOLOGY JAPAN CO., LTD.	(1,242)	Sells power components	Due to the impact of the COVID-19 pandemic	Keeping abreast of the company's operations
PHIHONG VIETNAM CO., LTD	1,647	Manufactures and sells various power supplies	Due to continued business expansion	-
N-LIGHTEN TECHNOLOGIES, INC.	(64)	General investments	Due to the necessary expenses incurred in connection with operations	Pending commencement of liquidation proceedings
Spring City Resort Co., Ltd.	(9,561)	Hotel and restaurant	Due to the impact of the COVID-19 pandemic	Keeping abreast of the company's operations
Han-Yu Venture Capital Co., Ltd.	3,423	General investments	Interests due to investment	-
Phihong (Dongguan) Electronics Co. Ltd.	(191,041)	Manufactures and sells various power supplies	Below economic scale	Ongoing operational cost control
Phihong Electronics (Suzhou) Co., Ltd.	35,343	Manufactures and sells various power supplies	Income due to interest payments	-
Yanghong Trade (Shanghai) Co., Ltd.	(4,544)	Sells various lighting and power supplies	Below economic scale	Keeping abreast of the company's operations
Dongguan Phitek Electronics Co., Ltd.	(149,525)	Manufactures and sells various power supplies	Below economic scale	Ongoing operational cost control

Investee	Investment Profit and Losses Recognized in 2021	Investment Policy	Main Reasons for Profit or Losses	Improvement Plans for the Coming Year
Dongguan Shuang-Ying Electronics Co., Ltd.	6,150	Manufactures and sells electronic materials	Due to continued business expansion	-
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	(16,003)	Manufactures and sells electronic materials	Below economic scale	Ongoing operational cost control

VI. Risks and Assessments for the Most Recent Year and up to the Date of Printing of the Annual Report:

(I) Effect of Interest and Exchange Rate Fluctuations and Inflation on the Company's Profit or Losses, and Measures to Be Taken in Response:

Effect of interest income and expenses and exchange gains and losses on the Company in 2021:

Item	Net Amount For 2021 (NT\$1,000)	Percentage of Operating Revenue for 2021	Percentage of 2021 Net Income/Loss Before Income Tax
Net interest income (expense)	(12,297)	(0.10)	4.13
Net foreign exchange (loss) gain	(18,425)	(0.15)	6.18

1. Interest rate:

(1) Impact on the Company's profit and loss: The Company's "net interest income and expense" as a percentage of net revenue and net profit and loss before tax in fiscal 2021 is very low and has no significant impact on the Company's finance, business and profitability.

(2) Future measures: In view of the rapid changes in the overall economy, both domestically and internationally, and the fluctuation in interest rates in the recent year, the Company's finance unit closely monitors the trend of interest rate changes and evaluates the ratio of long-term and short-term borrowings in order to reduce the adverse impact of interest rate fluctuations on the Company's profitability.

In addition, the Company uses time deposits or capital-protected financial instruments with a high degree of safety as the main allocation of funds in its cash position to enhance the overall use of funds and investment returns.

2. Exchange rate:

(1) Impact on the Company's profit or loss: The Company's "exchange loss" amounted to \$18,425 thousand in fiscal 2021, which did not have a significant impact on the Company's finance, business and profitability.

(2) Future measures: The Company's purchases and sales are mainly denominated in U.S. dollars and its net exposure is not high. Therefore, the exchange rate policy is to hedge the risk of foreign exchange income, expenses, assets or liabilities arising from the Company's business operations. Currently, assets and liabilities offset each other for natural hedging purposes to reduce the impact of exchange rate fluctuations on the Company's profitability.

3. Inflation:

(1) Impact on the Company's profit and loss: Due to the rapid changes in the general economy and the increase in labor costs in Mainland China, the Company's manufacturing costs will be affected.

(2) Future measures: The Company will strengthen its vertical integration and supply chain management, use long-term contracts to effectively reduce material purchase costs and enhance the quality screening of raw materials in response.

(II) Policies on High-risk, Highly Leveraged Investments, Lending of Funds to Other Parties, Making of Endorsements/Guarantees, and Derivatives Trading, Main Reasons for Losses Generated Thereby, and Measures to Be Taken in Response:

1. In fiscal 2021, the Company did not engage in high-risk, highly leveraged investments, and all investments were made in accordance with the Company's "Procedures for Acquisition and Disposal of Assets" and were carefully evaluated.

2. The Company and its subsidiaries are all subsidiaries in respect of capital loans and endorsement guarantees. The Company is in normal financial condition and is in compliance with the relevant laws and regulations of the Securities and Futures Bureau and the Company's "Procedures for the Lending of Funds to Others" and "Procedures for the Endorsement and Guarantee of Funds", and therefore there is no possibility of loss.

3. The Company engages in derivative transactions in accordance with the "Procedures for the Acquisition or Disposal of Assets" and the Company engages in derivative transactions for hedging purposes. The selection of commodities to be traded is based on the risk of hedging the Company's foreign exchange income, expenses, assets or liabilities arising from its business operations. The Company did not engage in derivative transactions in 2021.

(III) Unfinished R&D projects and estimated R&D expenses:

1. In order to meet the needs of information, home appliances, optoelectronics and energy, the Company adopts high power, high density and low voltage intelligent power supply technology to meet the requirements of various environmental regulations and to achieve the goals of its future research and development program.

R&D completi on year	Future research and development plans
Plan for 2022	<ol style="list-style-type: none"> 1. Gallium nitride miniaturized 130W PD 3.0 adaptor for gaming laptops 2. Gallium nitride miniaturized 140W PD 3.1 adaptor for gaming laptops 3. Gallium nitride miniaturized 280W adaptor for e-competitive laptops 4. Gallium nitride miniaturized 164W charger for electric vehicles and power batteries 5. 109W competitive charger for electric vehicles 6. 150W/240W open-frame power supply for industrial use 7. 160W/210W lithium battery charger for cordless power tools 8. 21.6W/single-port and 43.2W/dual-port lithium battery chargers for cordless power tools 9. 1KW lithium battery charger for electric vehicles and power batteries 10. 65W GaN 2C1A PD Smart Fast Charger for Retail Market 11. General 10W/18W/44W/80W PD for mobile phones 12. Miniature eGaN 10W/18W/44W/80W PD products for mobile phones 13. General 45/65W/90W/100W PD products for laptops and other electronic devices 14. Gallium nitride miniaturized 45W/65W/90W/100W PD products for laptops and other electronic devices 15. Multi-purpose slim 150W adapters 16. Second generation POE 30W/60W/90W adapters 17. 530W open frame for POE Switch products 18. 950W open frame for POE Switch products 19. Silicon Carbide 30KW DC/DC Power Module for Electric Vehicle Charging Stations 20. Silicon Carbide 40KW AC/DC Power Module for EV charging pile 21. Silicon carbide 60KW PFC water-cooled power supply module for EV charging pile 22. Silicon carbide 30KW DC water-cooled power supply module for EV charging pile 23. 360KW water-cooled charging pile for electric vehicles

2. We expect to spend approximately NT\$158,000,000 in 2022 on the above future R&D work.

(IV) Effect of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad on the Company's Financial Operations and Measures to Be Taken in Response: None.

(V) Effect of Changes in Technology (Including Risks of Information and Communication Security) and Industry on the Company's Financial Operations and Measures to Be Taken in Response:

Current technological developments are cloud-based information networks, the Internet of Things, optoelectronic applications, smart device applications (e.g. wearable devices). The automotive electronics, 5G, gaming laptops, folding smartphones, electric vehicle charging stations, and E-bike industries are booming. The range of power supply applications is expanding. In response to the trend of energy saving and carbon reduction, our power supplies are designed to be "thin and light, high performance and high reliability", emphasizing the use of minimal raw material consumption to maximize performance and comply with various environmental regulations. They are widely used in various electronic products and are reflected in revenue and profitability. In addition, with the advancement of technology, global information security threats are increasing day by day. In response to such challenges, the Company has established an Information Security Committee to implement various information security policies, strengthen staff security education and training, and appoint an external professional information security team to provide the best information security solutions and vulnerability scanning assessment services, and enhance the overall information and communications security of the Company to reduce operational and financial risks.

(VI) Effect of Changes in the Corporate Image on the Company's Crisis Management and Measures to Be Taken in Response:

The Company has been running its business in a prudent manner and has maintained a good corporate image. In recent years, the Company has strengthened its corporate governance and financial transparency, and adhered to its business philosophy of "excellent design, quality, accurate delivery,

reasonable price and satisfactory service". The Company's growth momentum will continue to expand steadily in response to any possible corporate crisis and to maintain a good corporate image.

(VII) Expected Benefits and Possible Risks Associated with Mergers and Acquisitions and Measures to Be Taken in Response:

On March 10, 2022, the Board of Directors of the Company resolved to divest the business related to the electric vehicle energy group to the Company's 100% owned existing subsidiary, Phehicle Co. In line with the Group's overall strategic planning, the EV Energy Group will be separated and operated independently.

1. Expected benefits: Through the separation and independent operation, it is expected that the competitiveness and operational performance will be enhanced.

2. Impact on shareholders' equity: The division of the business related to the electric vehicle energy group to Phehicle Co., Ltd., a 100% owned subsidiary of the Company. Phehicle Co., Ltd. was a 100% owned subsidiary of the Company before and after the date of the Demerger. Therefore, the Demerger should have no impact on the shareholders' equity of the Company.

3. Possible Risks and Measures to Be Taken in Response: None.

(VIII) Expected Benefits and Possible Risks Associated with Plant Expansion and Measures to Be Taken in Response:

In response to the impact of the US-China trade war, Phihong Technology has invested in the establishment of our subsidiary in Haiphong, North Vietnam to set up a new joint venture for an overseas production plant. Production bases will be scattered in Dongguan, China and Haiphong, Vietnam, which could expand the Group's production capacity, and could further solve the tariff issues derived from the US-China trade war, so as to improve the competitive strength of the Group's products.

The potential risk is the risk of order capture. In this regard, the Company has taken into account the top few customers in the market.

(IX) Risks Associated with Consolidation of Purchasing or Sales Operations and Measures to Be Taken in Response:

The Company's major sources of purchase and sales are shown in the relevant sections of this annual report. In view of the company's operations, industry growth trends and the rapid changes in market supply and demand, the Company has focused on diversifying its sources of supply from multiple suppliers and production locations, and has diversified its sales targets in order to balance risks and operate in a stable manner. In addition, the Company has strengthened the credit management of its sales customers and has been tracking its accounts receivable on a monthly basis to reduce the risk of non-performing accounts.

(X) Effect on and Risk to the Company in the Event a Major Quantity of Shares Belonging to Directors, Supervisors, or Shareholders Holding Greater than a 10% Stake Has Been Transferred or Has Otherwise Changed Hands and Measures to Be Taken in Response: As at the date of the annual report, there was no significant transfer of shareholdings of the directors or the 10% majority shareholder of the Company.

(XI) Effect on and Risk to the Company Associated with Changes in Management Rights and Measures to Be Taken in Response: There has been no change in the Company's operating rights as at the date of printing of the annual report.

(XII) Litigation and non-litigation:

1. The major litigation, non-litigation, or administrative litigation in which the Company is currently involved:

(1) The Company and Att4fun Co., Ltd. are in a lawsuit over the payment for a undertake project. The verdict of the first instance was judged, and Att4fun Co., Ltd. is filing an appeal for said verdict, and the Company file an incidental appeal.

(2) In relation to the infringement of the Company's trade secrets by the defendant, Mr. Chang ○○, in violation of the Trade Secrets Act, etc., an indictment was filed by the Taoyuan District Prosecutor's Office under Article 251, Paragraph 1 of the Code of Criminal Procedure, and the criminal proceedings are in progress.

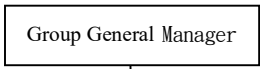
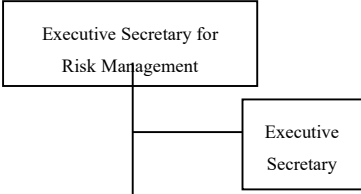
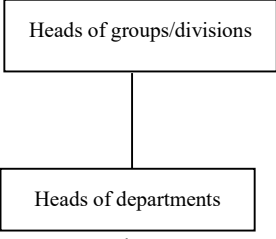
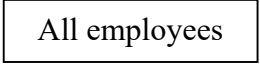
2. The major litigation, non-litigation or administrative disputes that have been determined or are currently pending against the Company's directors, general manager, beneficial owners and

substantial shareholders holding more than 10% of the shares and their subsidiaries in the last two years: N/A.

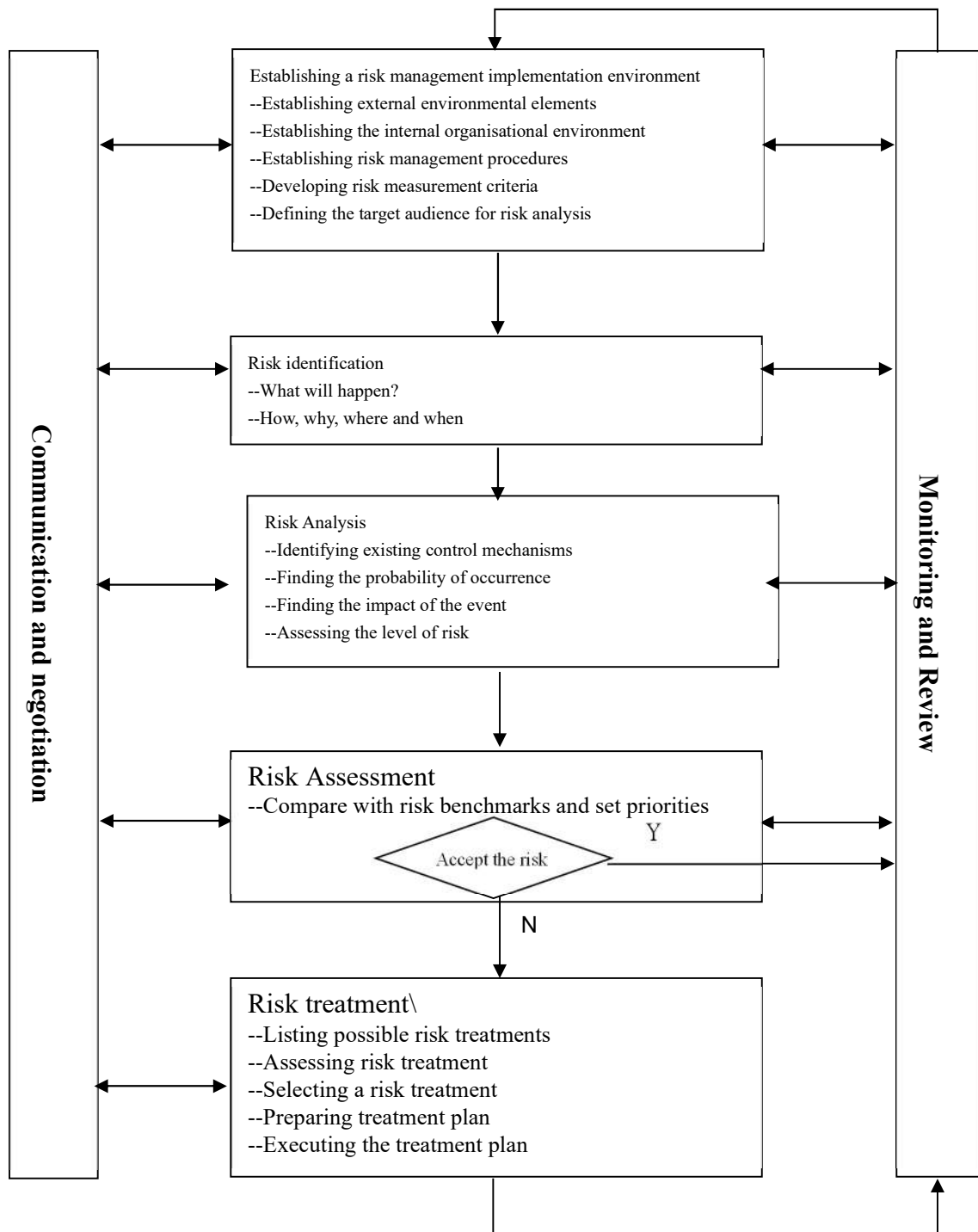
(XIII) Other important risk management measures:

1. Risk Management Organization:

In October 2009, the Company established a risk management organization and improved its risk management policy to reduce the impact of various risks, enhance the risk management awareness of the Company's organization, strengthen risk management, and help identify, analyze, evaluate, handle, monitor and improve risks in order to achieve the goal of risk reduction, so that the Company can effectively respond to the impact of various risks, reduce operating costs and achieve the goal of risk reduction. This enables the company to effectively address the impact of various risks, reduce operating costs and achieve corporate objectives.

Organizational Chart	Responsibility
	<ol style="list-style-type: none"> 1. Commitment and support to risk management 2. Act as or appoint the Risk Management Executive 3. Design risk management strategic direction 4. Communicate and determine risk priorities and tolerances 5. Ensure appropriate staff engagement and resource allocation 6. Ongoing engagement and provide appropriate incentives
	<ol style="list-style-type: none"> 1. Raise supervisors' awareness of risk management 2. Develop a risk profile 3. Provide advice on implementation and change management strategies 4. Facilitate the development of organisational risk policies 5. Ensure that training is in line with needs 6. Monitor and review the performance of risk management policies
	<ol style="list-style-type: none"> 1. Participate in assessing organisational readiness and awareness of organisational risks 2. Assess internal risk management capabilities 3. Inspect the environment and recognize opportunities and threats 4. Understand and communicate organisational risk management approaches and recommendations for organisational staff 5. Provide strategic advice 6. Systematically identify and manage risks and ensure that risk management is implemented 7. Implement necessary training and activities to achieve learning outcomes 8. Implement or formulate risk management measures according to the responsibilities of each unit. Please refer to Table 8, Risk Management Table of Authority and Responsibility 9. Produce reports on the implementation of risk management plans
	<ol style="list-style-type: none"> 1. Understand and implement individual risk management responsibilities 2. Be aware of risk issues 3. Understand and advise on organisational direction 4. Provide risk management contributions

2. Risk management implementation strategies:

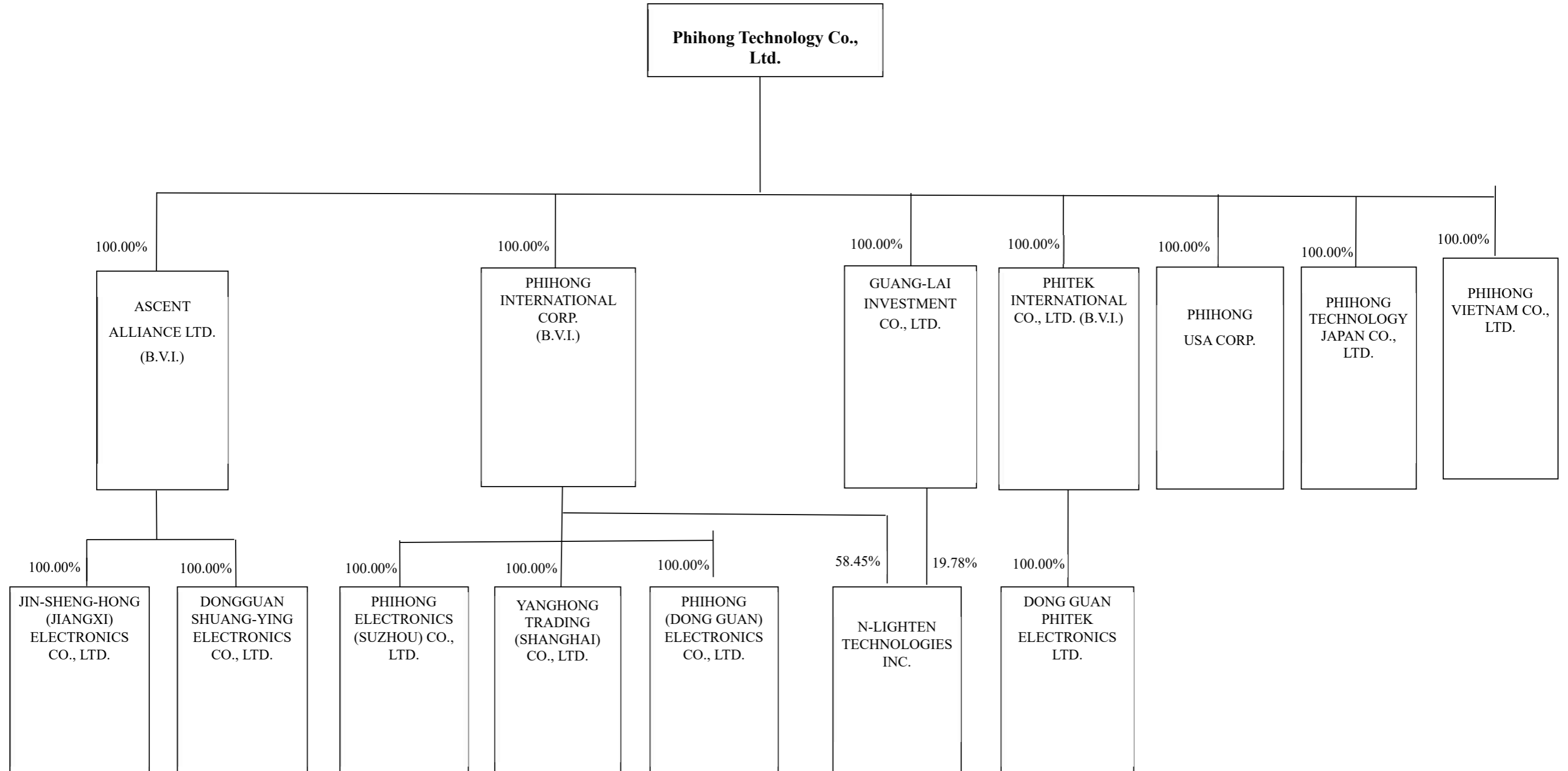


VII. Other Important Matters: None.

Eight. Special Disclosure

I. Information on Affiliates Companies

(I) Organizational chart of affiliates of Pihong Technology Co., Ltd.



(II) Basic information on affiliates

(In Thousands of New Taiwan Dollars; \$1 for Foreign Currencies)

Company Name	Date Of Incorporation	Address	Paid-in Capital	Principal Business or Production Items
PHIHONG INTERNATIONAL CORP.	May 1996	PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD 111,061,351	Makes investments
PHITEK INTERNATIONAL CO., LTD.	August, 1999	PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD 10,200,000	Makes investments
ASCENT ALLIANCE LTD.	June, 2004	PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD 12,012,600	Makes investments
PHIHONG USA CORP.	April 1997	47800 FREMONT BLVD, FREMONT, CA 94538, USA	USD 6,200,000	Sells various power supplies
PHIHONG TECHNOLOGY JAPAN CO., LTD.	April 2010	5/F, VORT Toyo-cho Bldg, 23-24 Toyo 3-chome, Koto-ku, Tokyo, Japan	JPY 150,000,000	Sells power components
PHIHONG VIETNAM CO., LTD.	February 2019	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 50,000,000	Manufactures and sells various power supplies
Guang-Lai Investment Co., Ltd.	October 2001	10F., No. 172, Sec. 2, Minsheng E. Rd., Zhongshan Dist., Taipei City	139,758	Makes investments
Phihong (Dongguan) Electronics Co. Ltd.	March 1996	Technology Road, Yinhu Industrial Zone, Qingxi Town, Dongguan City, Guangdong Province	HKD 495,450,000	Manufactures and sells various power supplies
Phihong Electronics (Suzhou) Co., Ltd.	March 2003	Room 1407, Building 8, Office Building 100, Longhu Times, Shishan Road, Suzhou, Jiangsu Province	USD 31,960,000	Manufactures and sells various power supplies
Yanghong Trade (Shanghai) Co., Ltd.	December 2007	Block A-C, 6/F, Block A, Fuqun Commercial Building, No. 3089 Hechuan Road, Minhang District, Shanghai	USD 880,000	Sells various lighting and power supplies
Dongguan Phitek Electronics Co., Ltd.	November 1999	Room 101, 5/F, No. 1, No. 133 Tiesong Road, Qingxi Town, Dongguan City, Guangdong Province	USD 11,500,000	Manufactures and sells various power supplies
Dongguan Shuang-Ying Electronics Co., Ltd.	June, 2004	Room 101, Building 6, No. 1, No. 133 Tiesong Road, Qingxi Town, Dongguan City, Guangdong Province	HKD 9,000,000	Manufactures and sells electronic materials
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	January 2006	No. 18, Fengyuan Avenue, New Town Industrial Park, Fengcheng City, Jiangxi Province	USD 11,500,000	Manufactures and sells electronic materials
N-Lighten Technologies, Inc.	April 2004	47800 FREMONT BLVD, FREMONT, CA 94538, USA	USD 26,565,698	Makes investments

(III) Same shareholders under presumption of a relationship of control or subordination: None.

(IV) Industries covered by the overall business operated by affiliates:

- 1.Principal business: Manufacture and sale of various products, such as power transformers, frequency converters, converters, power supplies and electronic ballasts.
- 2.General investments.

(V) Directors, supervisors, and general manager of affiliates:

Company Name	Title	Name or Representative	Ownership	
			Number of Shares	Number of Shares
PHIHONG INTERNATIONAL CORP.	Director	Lin, Chung-Min	111,061,351	100.00
PHITEK INTERNATIONAL CO., LTD.	Director	Phihong Technology Co., Ltd. Representative: Lin, Chung-Min	10,200,000	100.00
ASCENT ALLIANCE LTD.	Director	Phihong Technology Co., Ltd. Representative: Lin, Chung-Min	12,012,600	100.00
PHIHONG USA CORP.	Chairman	Phihong Technology Co., Ltd. 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. Representative: Lin, Fei-Hong	3,000	100.00
	Director	Phihong Technology Co., Ltd. Representative: Lin, Fei-Hong	3,000	100.00
PHIHONG VIETNAM CO., LTD.	General Manager	Phihong Technology Co., Ltd. Representative: Lin, Chung-Min	50,000,000	100.00
Guang-Lai Investment Co., Ltd.	Chairman	Phihong Technology Co., Ltd. Representative: Lin, Chung-Min	13,975,828	100.00
	Director	Phihong Technology Co., Ltd. Representative: Lin, Kuan-Hong	13,975,828	100.00
	Director	Phihong Technology Co., Ltd. Representative: Lin, Fei-Hong	13,975,828	100.00
Phihong (Dongguan) Electronics Co. Ltd.	Chairman	PHIHONG INTERNATIONAL CORP. Representative: Lin, Chung-Min	-	-
	Director	PHIHONG INTERNATIONAL CORP. Representative: Chien, Shu-Nu	-	-
	Director	PHIHONG INTERNATIONAL CORP. Representative: Lin, Yang-Hong	-	-

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Company Name	Title	Name or Representative	Ownership	
			Number of Shares	Number of Shares
Pihong Electronics (Suzhou) Co., Ltd.	Chairman	PHIHONG INTERNATIONAL CORP. Representative: Lin, Chung-Min	-	-
	Director	PHIHONG INTERNATIONAL CORP. Representative: Lin, Kuan-Hong	-	-
	Director	PHIHONG INTERNATIONAL CORP. Representative: Lin, Yang-Hong	-	-
	Supervisor	PHIHONG INTERNATIONAL CORP. Representative: Lin, Fei-Hong	-	-
Yanghong Trade (Shanghai) Co., Ltd.	Chairman	PHIHONG INTERNATIONAL CORP. Representative: Lin, Chung-Min	-	-
	Director	PHIHONG INTERNATIONAL CORP. Representative: Lin, Yang-Hong	-	-
	Director	PHIHONG INTERNATIONAL CORP. Representative: Lin, Kuan-Hong	-	-
	Supervisor	PHIHONG INTERNATIONAL CORP. Representative: Lin, Fei-Hong	-	-
Dongguan Phitek Electronics Co., Ltd.	Chairman	PHITEK INTERNATIONAL CO., LTD. Representative: Lin, Kuan-Hong	-	-
	Director	PHITEK INTERNATIONAL CO., LTD. Representative: Lin, Yang-Hong	-	-
	Director	PHITEK INTERNATIONAL CO., LTD. Representative: Chien, Shu-Nu	-	-

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Company Name	Title	Name or Representative	Ownership	
			Number of Shares	Number of Shares
Dongguan Shuang-Ying Electronics Co., Ltd.	Chairman	ASCENT ALLIANCE LTD. Representative: Lin, Chung-Min	-	-
	Director	ASCENT ALLIANCE LTD. Representative: Lin, Fei-Hong	-	-
	Director	ASCENT ALLIANCE LTD. Representative: Lin, Kuan-Hong	-	-
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Chairman	ASCENT ALLIANCE LTD. Representative: Lin, Chung-Min	-	-
	Director	ASCENT ALLIANCE LTD. Representative: Lin, Fei-Hong	-	-
	Director	ASCENT ALLIANCE LTD. Representative: Lin, Yang-Hong	-	-
N-Lighten Technologies, Inc.	Chairman	Guang-Lai Investment Co., Ltd. Representative: Lin, Chung-Min	37,498,870	19.78
	Director	PHIHONG INTERNATIONAL CORP. Representative: Chen, Chiu-Chin	110,834,223	58.45
	Director	Hsueh, Hsiao-Lu	-	-
	Director	Chou, Ta-Jen	-	-

(VI) 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 Revenue	Operating Income (Loss)	Net Income (Loss) (Net of Income Tax)	Loss per Share (NT\$) (Net of Income Tax)
PHIHONG INTERNATIONAL CORP.	USD 111,061,351	\$ 3,000,556	\$ 23,280	\$ 2,977,276	-	(\$ 88)	(\$ 166,893)	N/A
PHITEK INTERNATIONAL CO., LTD.	USD 10,200,000	3,470	394,476	(391,006)	-	(80)	(149,709)	N/A
ASCENT ALLIANCE LTD.	USD 12,012,600	61,761	3,388	58,373	-	(81)	(9,938)	N/A
PHIHONG USA CORP.	USD 6,200,000	1,568,992	553,154	1,015,838	3,909,479	44,056	40,009	N/A
PHIHONG TECHNOLOGY JAPAN CO., LTD.	JPY 150,000,000	96,834	25,522	71,312	217,543	(3,593)	(1,242)	N/A
PHIHONG VIETNAM CO., LTD.	USD 50,000,000	2,037,276	776,616	1,260,660	1,573,310	(33,482)	1,847	N/A
Guang-Lai Investment Co., Ltd.	139,758	115,403	7,958	107,445	-	(101)	(6,219)	(0.45)
Phihong (Dongguan) Electronics Co. Ltd.	HKD 495,450,000	3,674,108	2,165,788	1,508,320	6,789,573	(218,442)	(191,041)	N/A
Phihong Electronics (Suzhou) Co., Ltd.	USD 31,960,000	1,247,698	6,265	1,241,433	-	(2,417)	35,343	N/A
Yanghong Trade (Shanghai) Co., Ltd.	USD 880,000	11,640	3,556	8,084	5,025	(4,550)	(4,544)	N/A
Dongguan Phitek Electronics Co., Ltd.	USD 11,500,000	2,114,937	2,509,413	(394,476)	2,675,553	(135,546)	(149,525)	N/A
Dongguan Shuang-Ying Electronics Co., Ltd.	HKD 9,000,000	104,830	43,559	61,271	195,101	(569)	6,150	N/A
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	USD 11,500,000	113,105	116,493	(3,388)	317,358	(14,627)	(16,003)	N/A
N-Lighten Technologies, Inc.	USD 26,565,698	3,899	43,727	(39,828)	-	(61)	(82)	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: 2021 Private Offering of Ordinary Shares is as follow:

Item	1st private offering in 2021 Issued on: March 30, 2022	2nd private offering in 2021 Issued on: March 30, 2022
Securities category of the private offering	Common Share	
Date and amount passed by the shareholders' meeting	Date: December 16, 2021 Amount: 18,760,000 shares	Date: December 16, 2021 Amount: 18,760,000 shares
Basis for the pricing and rationality	<p>1. The reference price for the pricing of ordinary shares under the private offering is calculated based on the following standards: (a) the stock price calculated by the simple arithmetic mean of the closing price of ordinary shares on either the 1st, 3rd, or 5th business day before the pricing date less the ex-rights and dividends distribution of stock grants, plus the reverse ex-right for capital reduction; and (b) the stock price calculated by the simple arithmetic mean of the closing price of ordinary shares of the 30 business days prior to the pricing date less the ex-rights and dividends distribution of stock grants, plus the reverse ex-right for capital reduction; the higher one shall be the reference price. Furthermore, the actual issue price of the private offering of ordinary shares is based on a price not lower than eighty-five percent (85%) of the reference price.</p> <p>2. The date of the Board meeting, December 22, 2021, is hereby set as the pricing date of the 1st and 2nd private offering of ordinary shares: (a) The stock price calculated by using the simple arithmetic mean of the closing price of ordinary shares on either the 1st, 3rd, or 5th business day before the pricing date is NT\$43.05, NT\$44.53, and NT\$44.73, respectively; the stock price calculated by the simple arithmetic mean of the closing price of ordinary shares on the fifth business day before the pricing date less the ex-rights and dividends distribution of stock grants, plus the reverse ex-right for capital reduction is NTR44.73; (b) the stock price calculated by the simple arithmetic mean of the closing price of ordinary shares of the 30 business days prior to the pricing date less the ex-rights and dividends distribution of stock grants, plus the reverse ex-right for capital reduction is NT\$38.74; the higher of the two is set as the reference price; therefore, the reference price for the private offering is NT\$44.73.</p> <p>3. Furthermore, the actual issue price of the ordinary shares under the private offering shall be no less than eighty-five percent (85%) of the reference price; therefore, the actual private offering price for the 1st and 2nd private offering of ordinary shares is set at NT\$40.26 per share, representing ninety percent (90%) of the reference price. The total amount raised shall be NT\$1,510,555,200.</p> <p>4. The pricing for the ordinary shares under the private offering refers to the operating status, future prospects of the Company, and the restriction that securities under private offering shall not be transferred freely within three years, and the recent stock price of the Company and is subject to the "Directions for Public Companies Conducting Private Placements of Securities" and relevant laws and regulations; therefore, the pricing shall have its basis and rationale.</p>	
Selection method for designated persons	<p>1. The targets for the private offering are limited to designated persons who comply with requirements under Article 43-6 of the Securities Exchange Act (the "Securities Exchange Act") and the Letter (91)-tai-cai-zheng-yi-zi No. 09100003455 issued by the Financial Supervisory Commission (FSC) on June 13, 2002.</p> <p>2. The subscribers of the private offering shall be strategic investors, and the selection of subscribers is to assist in the management and financial resources required by the Company's operations, provision of operational management technologies, enhancing financial cost management, and assisting in business development and expansion, so as to improve the Company's competitive strength, operational efficacy, and long-term development, which shall have positive benefits for shareholders' interests.</p>	
Necessary reason for the private offering	<p>We consider the capital market status, the timeliness and feasibility of raising funds, the issuance costs, and the actual demand for introducing strategic investors, and take into account that private offering is relatively more efficient and simpler in terms of timeliness and that securities under private offering shall not be transferred freely within three years, which further ensures the long-term cooperative relationships with the strategic investors. In addition, by authorizing the Board to carry out the private offering in batches in due course in accordance with the actual requirements of the Company's operations, it will also effectively improve the flexibility of the Company's fund-raising. As such, we intend to adopt the issuance of ordinary shares through a private offering, rather than a public offering. It is expected that the execution of the plan has healthy financial structures and benefits of improving our operational efficacy, offering positive benefits for shareholders' interests.</p>	
Completion date for the consideration payment	December 24, 2021	

Item	1st private offering in 2021 Issued on: March 30, 2022				2nd private offering in 2021 Issued on: March 30, 2022
	Information of subscribers	1st private offering in 2021:			
Target of private offering		Qualifications	Quantity	Relationship with the Company	Participation in the Company's operations
Taiwan Cement Corporation		In compliance with Subparagraph 2, Paragraph 1, Article 43-6 of the Securities and Exchange Act	18,760,000 shares	None	It is estimated to secure one seat of director at the annual shareholders' meeting
2nd private offering in 2021:					
Target of private offering		Qualifications	Quantity	Relationship with the Company	Participation in the Company's operations
Taiwan Cement Corporation		In compliance with Subparagraph 2, Paragraph 1, Article 43-6 of the Securities and Exchange Act	18,760,000 shares	None	It is estimated to secure one seat of director at the annual shareholders' meeting
Actual subscription (or conversion) price	NT\$40.26				
Differences between the actual subscription (or conversion) price and the reference price	The actual subscription price is NT\$40.26, which is 90% of the reference price of NT\$44.73, in compliance with the resolution of no less than eighty-five percent (85%) of the reference price made at the 1st extraordinary shareholders' meeting in 2021.				
Effects of the private offering on shareholders' interests	It is expected that the execution of the plan has healthy financial structures and benefits of improving our operational efficacy, offering positive benefits for shareholders' interests.				
Utilization of funds from the private offering and the execution progress of the plan	Funds from the private offering were used in supplementing the working capital, repayment of bank borrowings, or other capital requirements to improve the financial structure or conform to the long-term development of the Company, and fully utilized according to the plan in Q1 2022.				
Exhibition of the private offering's benefits	Allow the diverse and flexible fund-raising channels and strengthen the Company's financial structure to expand the future business scale of the Company and improve the long-term competitive strength of the Company and shareholders' interests.				

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: None.

IV. Other Supplementary Information:

The basis of valuation of the presentation of assets and liabilities in the financial statements

Items	Asset and Liability Valuation Accounts	Basis of Assessment	Basis of Assessment
1	Allowance for bad debt	Lifetime ECLs	Calculated using a provision matrix with reference to customers' past default records, current financial position, and other forward-looking information.
2	Allowance for inventory valuation and obsolescence loss	Lower of cost or net realizable value	The lower of cost or net realizable value method is used for the evaluation of inventories on a line-by-line basis.

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: None.