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Phihong Technology Co., Ltd.

Year 2022

Annual Report

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I. Company's Spokesperson:

Spokesperson:

Name: Lin, Yang-Hong

Title: General Manager

Telephone Number: (03)327-7288

E-mail: spokesman@phihong.com.tw

Deputy Spokesperson:

Name: Lin, Chung-Min

Title: Chairman and CEO

Telephone Number: (03)327-7288

E-mail: spokesman@phihong.com.tw

II. Address of the Company:

Address: No.568, Fuxing 3rd Rd., Guishan Dist., Taoyuan City 333, Taiwan

Telephone Number: (03)327-7288

III. Common Share Transfer Agent and Registrar:

Name: The Transfer Agency Department of Chinatrust Commercial Bank

Address: 5/F, No.83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei
City 100, Taiwan

Telephone Number: (02)6636-5566

Website: <http://www.ctbcbank.com>

IV. Auditors

Name: Wu, Ke-Chang and Hong, Kuo-Tien

Company: Deloitte & Touche

Address: 20F, Taipei Nan Shan Plaza No. 100, Songren Rd., Xinyi Dist.,
Taipei 110, Taiwan

Telephone Number: (02)2725-9988

Website: <https://www.deloitte.com>

V. Overseas Securities Exchange: None**VI. Phihong Technology Co., Ltd. Website:**

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

Table of Contents

ONE. LETTER TO SHAREHOLDERS	1
TWO. COMPANY INTRODUCTION	5
THREE. CORPORATE GOVERNANCE REPORT	9
I. COMPANY ORGANIZATION.....	9
II. INFORMATION ON DIRECTORS, GENERAL MANAGER, VICE PRESIDENTS, ASSISTANT VICE PRESIDENTS, AND HEADS OF ALL DEPARTMENTS AND BRANCHES	12
III. REMUNERATION TO DIRECTORS, GENERAL MANAGER, AND VICE PRESIDENTS	27
IV. IMPLEMENTATION OF CORPORATE GOVERNANCE:	36
V. INFORMATION ON CPA PROFESSIONAL FEES	85
VI. INFORMATION ON REPLACEMENT OF CPAS	85
VII. CHAIRMAN, PRESIDENT, OR ANY MANAGERIAL OFFICER IN CHARGE OF FINANCIAL OR ACCOUNTING MATTERS IN THE MOST RECENT FISCAL YEAR HOLDING A POSITION AT THE CPAS' ACCOUNTING FIRM OR AT AN AFFILIATE OF SUCH ACCOUNTING FIRM.....	85
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%.....	85
IX. INFORMATION OF SHAREHOLDER BEING A RELATED PARTY, SPOUSE OR RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP OF ANOTHER WITH NUMBER OF SHAREHOLDING RANKED IN TOP 10.	87
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	88
FOUR. INFORMATION ON CAPITAL RAISING ACTIVITIES	89
I. CAPITAL AND SHARES.....	89
II. CORPORATE BONDS	97
III. PREFERRED SHARES	98
IV. GLOBAL DEPOSITORY SHARES	98
V. EMPLOYEE SHARE SUBSCRIPTION WARRANTS.....	98
VI. NEW RESTRICTED EMPLOYEE SHARES	98
VII. ISSUANCE OF NEW SHARES IN CONNECTION WITH MERGERS OR ACQUISITIONS OR WITH ACQUISITIONS OF SHARES OF OTHER COMPANIES	99
VIII. IMPLEMENTATION OF CAPITAL ALLOCATION PLANS	99
FIVE. OVERVIEW OF OPERATIONS	102
I. DESCRIPTION OF BUSINESS.....	102
II. ANALYSIS OF MARKET AS WELL AS PRODUCTION AND MARKETING SITUATION.....	112
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.....	130

IV. DISBURSEMENTS FOR ENVIRONMENTAL PROTECTION.....	130
V. LABOR RELATIONS	132
VI. INFORMATION AND COMMUNICATION SECURITY MANAGEMENT.....	136
VII. IMPORTANT CONTRACTS	140
SIX. OVERVIEW OF FINANCIAL STATUS	142
I. CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME FOR THE PAST FIVE FISCAL YEARS	142
II. FINANCIAL ANALYSES FOR THE MOST RECENT FIVE YEARS.....	146
III. AUDIT COMMITTEE’S REVIEW REPORT.....	151
IV. 2022 STANDALONE FINANCIAL STATEMENTS.....	152
V. 2022 CONSOLIDATED FINANCIAL STATEMENTS.....	152
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.....	152
SEVEN. REVIEW AND ANALYSIS OF FINANCIAL SITUATION AND FINANCIAL PERFORMANCE AND LISTING OF RISKS.....	153
I. FINANCIAL SITUATION.....	153
II. FINANCIAL PERFORMANCE	153
III. CASH FLOW:.....	155
IV EFFECT UPON FINANCIAL OPERATIONS OF ANY MAJOR CAPITAL EXPENDITURES DURING THE MOST RECENT FISCAL YEAR.....	156
V. COMPANY REINVESTMENT POLICY FOR THE MOST RECENT FISCAL YEAR, MAIN REASONS FOR PROFITS/LOSSES GENERATED THEREBY, PLAN FOR IMPROVING RE-INVESTMENT PROFITABILITY, AND INVESTMENT PLANS FOR THE COMING YEAR:.....	156
VI. RISKS AND ASSESSMENTS FOR THE MOST RECENT YEAR AND UP TO THE DATE OF PRINTING OF THE ANNUAL REPORT:	158
VII. OTHER IMPORTANT MATTERS.....	163
EIGHT. SPECIAL DISCLOSURE	164
I. INFORMATION ON AFFILIATES.....	164
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	174
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	174
IV OTHER SUPPLEMENTARY INFORMATION:	174
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.....	174

One. Letter to Shareholders

Dear shareholders, ladies and gentlemen,

In 2022, the whole world was under the shadow of the COVID-19 pandemic, the Russia-Ukraine war, the Fed lifting rates, inflation and high inventory in the supply chain; the global economy is underperforming and financial markets are highly volatile. Fortunately, with the concerted efforts made by all of the staff, we managed to overcome these problems, achieved the highest revenue in the past 10 years, and realized profitability in a year full of uncertainties. We also gradually witnessed a return to pre-epidemic normality in the power supply industry, including the easing of semiconductor shortages, shipping congestion, and rising raw material prices.

In 2022, we successfully demerged our Electric Vehicle Energy Business Group to form Zerova and achieved a remarkable revenue growth of NT\$1.877 billion. Zerova has become an important engine of revenue and profit growth for the Company, and we expect that the business will continue to increase its revenue contribution in the coming years, which will help to continue to improve the Company's profitability.

In addition, management is restructuring the power supply business by consolidating manufacturing sites, optimizing product and customer mix, and streamlining the organizational structure to reduce costs and increase profit margins.

2023 will still be a year full of challenges and opportunities, and the management team will face all the challenges proactively. We remain cautious about the power supply business yet adopt a relatively aggressive strategy to drive Zerova's growth as we look at the company's growth and prospects for 2023. We value the sustainable development of the Group and will continue to improve the overall operational efficiency to maximize the interests of our shareholders.

I. Financial Performance

(1) Implementation of Business Plan and Budget Execution

The Company's net operating income for 2022 was NT\$14,017,575 thousand, an increase of approximately 14.1% from the NT\$12,284,041 thousand for 2021. The net income after tax for 2022 was NT\$71,306 thousand, an increase of approximately 122.8% from the NT\$312,618 thousand in 2021, which resulted in a significant loss recovery and a turnaround from loss to profit.

(2) Analysis of Financial Income and Expenditure and Profitability

1. Financial Income and Expenditure Analysis

Unit: NT\$1,000; %

Year	2021	2022	Changes %
Item			
Non-operating income and expenses	41,374	174,483	321.72

The Company's increase in non-operating income and expenses in 2022 as compared to 2021 was mainly due to the increase in exchange gains as a result of exchange rate fluctuations and the increase in sample revenue in 2022.

2. Profitability Analysis

Year	2021	2022		
Item				
Profitability	Return on assets (%)	(2.34)	0.95	
	Return on equity (%)	(5.91)	1.18	
	As a percentage of paid-in capital (%)	Operating net (loss)	(9.04)	0.36
		Net income (loss) before income tax	(7.94)	5.01
	Net profit margin (%)	(2.54)	0.51	
	Loss per share (thousand)	(0.92)	0.19	

II. Research and Development Status

(1) Zerova Charging Pile Products

Zerova continues to innovate and expand its product applications in key verticals, and focuses on the research and development of high power and high margin charging equipment above 180kw. Its main products include DC fast charging piles, liquid-cooled charging piles, electric bus charging stations, and large-scale charging systems.

- DC fast charging pile: With large display screens that can be used for advertising, its maximum power can be increased to 960 kW and it can connect up to 6 charging devices at the same time. Fleet charging is fast and safe, charging up to 90% in 18 minutes.
- Liquid-cooled charging pile: Equipped with a liquid-cooled charger, it can DC charge 4 vehicles at once.
- Electric bus charging station: A pantograph charging pile for charging electric buses, compatible with all standard charging technologies. Fully modular, with no manual plugging or unplugging required.
- Large-scale charging system: A 3.84 MW system for commercial fleets, which can connect to 24 charging devices at the same time. Integrated into an electrical cabinet,

the energy storage system can be upgraded.

(2) Power Supply Products

We focus on the development of high-power and high-margin models, improving the cost structure of existing products and process optimization to reduce production costs and increase production capacity.

- Research and development of water-cooled bidirectional charging technology development technology: Power modules and bidirectional CSU controllers are designed to meet the 2025 CCS regulations for bidirectional charging systems to integrate with the power grid and energy storage systems.
- Research and development of ESS energy storage technology: Combine the integrated design of energy storage and charging system with CSU software control, and develop ESS-related active balancing technology in BMS.
- USB PD 3.1 product and technology development: Comply with the maximum output power and maximum output voltage requirements under the new regulations, enabling applications of USD PD from consumer products to gaming laptops, electric tools, electric bicycles, network communications, etc.
- 300-1500W power supply product and technology development: Proactively enter high-end niche markets such as 5G communication, power battery charging, robotics, and industrial control applications.

III. Business Policies and Objectives

(1) Company Development:

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

(2) Zerova:

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

(3) Power Supply:

- ◆ Focusing on cost structure improvements

- ◆ Reorganizing production layouts to reduce costs and improve competitiveness
- ◆ Strategically reviewing the products and customer mix
- ◆ Emphasizing high margin, small and diversified business model
- ◆ Emphasizing high-quality profits and not blindly pursuing revenue growth

IV. Sales Policies

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

The current production and marketing strategy is as follows:

- Deeply cultivating international brand customers and establishing a multi-point production and marketing and after-sales service system;
- Establishing a lean supply chain, increasing production capacity, and dynamically adjusting production capacity to meet customer demand.

V. Effect of External Competition, Legal Environment, and Overall Business Environment

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

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

Looking ahead to 2023, we will uphold our business philosophy of “superior design, excellent quality, and accurate delivery” and use our strong core competitiveness to gain customers’ trust and provide high-quality services to move towards our goal of sustainable growth and profitability, creating higher value for our customers and shareholders.

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

Wish all our shareholders good health and all the best.

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

Two. Company Introduction

1. Date of Incorporation: December 12, 1972.

2. 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 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 881st in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
- 1996 Japanese Nimiklanda Co., Ltd. joined the management team and established Pihong International Corp. and Pihong (Dongguan) Electronics Co., Ltd. to engage in the processing of power supplies.
Set up an office in Japan for marketing.
- 1997 Increased cash capital by NT\$100,000,000; conducted capitalization from earnings for NT\$42,731,410; thus, increased capital to NT\$372,631,410.
Established a U.S. subsidiary responsible for marketing, R&D, and services.
The Dongguan factory passed ISO-9002 and Japanese T-MARK certifications.
The Sanzhong factory passed ISO-14001 certification.
- 1998 Won the 7th National Award of Outstanding SMEs from the Ministry of Economic Affairs.
Ranked 7th in China Credit Information Service, Ltd.'s (CRIF's) top 500 companies
Ranked 11th in CRIF's top 500 companies in terms of comprehensive business performance indicators.
Conducted capitalization from earnings for NT\$277,368,590; increased capital to NT\$650,000,000.
The Dongguan factory passed ISO-14001 certification.
Purchased IBM RS 6000 and updated the information system.
- 1999 Purchased 4,540 pings of land in the Hwa Ya Technology Park for the future factory expansion.
Conducted capitalization from earnings and employee bonuses for NT\$420,000,000; increased capital to NT\$1,070,000,000.
Approved by the Securities and Futures Management Commission, Ministry of Finance.

- Established Phitek International Co., Ltd. and Dongguan Phitek Electronics Co., Ltd. (PHP).
- 2000 Established Pihong Japan Co., Ltd.
Officially listed on February 15.
Conducted capitalization from earnings and employee bonuses for NT\$464,000,000; increased capital to NT\$1,534,600,000.
Established Pihong Electronics (Suzhou) Co., Ltd.
Established Pihong Pwm Brasil Ltda. through a joint venture with Pwm Brasil Ltda. in Brazil.
- 2001 Established Phitek (Tianjin) Electronics Co., Ltd. (PHP)
Officially listed on September 17.
Conducted capitalization from earnings and employee bonuses for NT\$425,900,000; increased capital to NT\$1,960,500,000.
Established Guang-Lai Investment Co., Ltd. (Guang-Lai)
Established Heng-Shen Investment Co., Ltd.
Invested in the establishment of Zhuohong Electronic Technology (Shenzhen) Co., Ltd.
Purchased an office building in the Hwa Ya Technology Park, with a land area of 1,499 pings and a factory building of 2,702 pings, as the operating center of the Pihong headquarters.
- 2002 Issued a euro-convertible bond of US\$50 million and increased capital to NT\$2,571,194,740.
Commenced construction of the operating center of the headquarters in Linkou.
Established Pihong Electronics (Suzhou) Co., Ltd. (PHZ).
- 2003 Issued a euro-convertible bond of US\$30 million and increased paid-in capital to NT\$2,923,815,630.
Relocated to the operating center of the headquarters in Linkou in May 2003.
Renamed 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.
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.
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 a 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 Canceled 5,565,000 treasury shares and registered for capital reduction in February.
Established Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (PHE).
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.
Canceled 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.
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.
The quality management system of each factory of the group passed the renewal

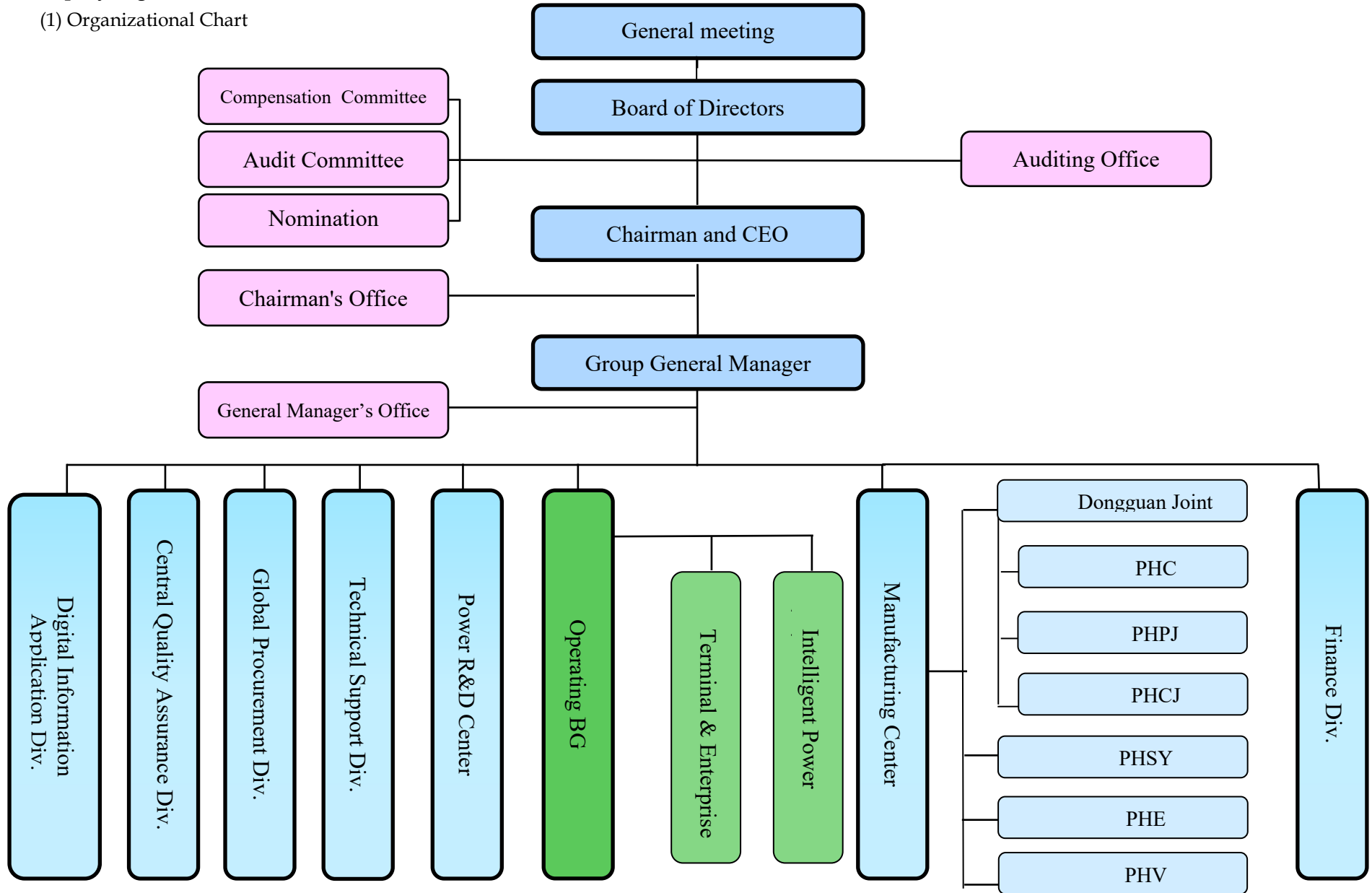
- successfully and obtained the new certificate of ISO9001:2000 in April.
Indirectly invested in its subsidiary N-Lighten (Shanghai) Trading Inc. through its subsidiaries Pihong International Corp. and Guang-Lai.
- 2009 Canceled 16,463,000 treasury shares and registered for paid-in capital reduction to 3,675,879,100 in June.
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 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 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 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.
- 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 The Group passed the renewal of the ISO14001 and OHSAS18001 certificates in February.

- 2016 PHE's Shuang-Ying Wire Factory passed ISO9001 certification in April.
 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.
 Pihong Dongguan (Electronics) Co., Ltd. passed ISO9001 manufacturing certification for the new product of electric vehicle chargers in December.
- 2017 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 the ISO9001: 2015 certificate in March.
 Won the Corporate Sustainability Report Award – Silver Award at the Taiwan Corporate Sustainability Awards (TCSA) in November.
- 2018 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 the ISO14001:2015 environmental management system in September.
 Won the Gold Award of the 11th TCSA in November.
- 2019 Passed the conversion and verification of the new version of ISO13485:2016 medical equipment quality management system in January.
 Established the subsidiary Pihong Vietnam Company Limited (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.
 Won the Annual Innovative Design Award at the 2019 Golden Torch Awards for the wall-mounted AC chargers in December.
- 2020 The factories of the Group passed the review of the renewal of the three-year ISO9001:2015 certificate and obtained a new certificate in July.
 Won the Gold Award of the 13th TCSA in November.
- 2021 Issued the 1st guaranteed ordinary corporate bonds for 2021 on March 25, 2021.
 The factories of the Group passed the review of the renewal of the three-year ISO9001:2015 certificate and obtained a new certificate in July.
 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 PHN passed ISO9001:2015 certification and obtained the certificate.
 Established "Phehicle Co., Ltd.," in March.
 PHPJ passed the review of the renewal of IATF16949:2016 in June.
 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.
 In June, the Tainan City Government approved the name change of Phehicle Co., Ltd. to Zerova Technologies Taiwan Limited (ZTM), which is in charge of the design and manufacturing of electric vehicle chargers.
 Changed the name of PHN to Zerova Technologies Taiwan Limited in September.

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.
Digital Information Application Div.	<ul style="list-style-type: none"> ■ Responsible for the maintenance, technical development and management of all systems of the Group. ■ Ensure the security and protection of the Company's system, network, and data information. ■ Evaluate the risk of the Company's information system and formulate risk management strategies and plans. ■ Responsible for the management and response of big data in each unit.
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 Div.	<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.

Department Names	Responsibilities
Terminal & Enterprise BU. Intelligent Power Solution BU.	<ul style="list-style-type: none"> ■ Design and develop various power products. ■ Technology introduction and support for power products. ■ 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.
Power R&D Center	<ul style="list-style-type: none"> ■ Solve manufacturing engineering technical and safety issues to enhance the mass production capability of the products. ■ Responsible for software analysis, design, and programming. ■ Responsible for mold design, mold opening, mold testing, and review and modification of mold heat transfer analysis/temperature measurement/solving problems of heat dissipation and familiar with the application of various heat sinks and heat dissipation products.
Technical Support Div.	<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, 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 11, 2023 Units: Shares; %

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 (%) Ratio	Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio			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 Phihong Technology Co., Ltd. Sales Engineer of I Yu Electric Co. Ltd. Electronic Equipment Maintenance Department, National Chia-Yi Industrial Vocational High School	Note 1	Director	Lin, Fei-Hong	Father and son	Note 2
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./ BU Head of Electric Vehicle Energy BG of Phihong Technology Co. Ltd. Executive Vice President, Spring City Resort Co., Ltd. Takushoku University	Note 3	Chairman Director	Lin, Chung-Min Lin, Yang-Hong	Father and son Siblings	None
Director	R.O.C.	Chou, Ming-Chih	Male 61~70	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		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		None	None	None	None
Director	R.O.C.	Chou, Ta-Jen	Male 61~70	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		None	None	None	None

Title	Nationality or Place of Registration	Name	Gender Age	Date of Appointment	Term	Date of First Appointment	Shareholding at the Time of Appointment		Current Shareholding		Current Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Education and Work Experience	Positions Concurrently Held at Other Companies	Executive, Director or Supervisor Who is Spouse or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio			Title	Name	Relationship	
															Director of nLighten Technologies Inc.					
Director	R.O.C.	Chiang, Wei-Feng	Male 61~70	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 HT Precision Technologies, Inc. Qbic Technology Co., Ltd.	None	None	None	None
Director	R.O.C.	Kuan Feng Investment Ltd.	Not applicable	June 10, 2020	3 years	June 14, 2017	3,034,905	0.90	3,034,905	0.81	0	0	0	0	None	None	None	None	None	None
		Representative Lin, Yang-Hong	Male 41~50				3,384,000	1.00	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) Director (Representative of Juristic Person) of Guang-Lai Investment Co., Ltd.	Chairman Director	Lin, Chun-Min Lin, Fei-Hong	Father and son Sibling	Note 2
Director	R.O.C.	Kuan Feng Investment Ltd.	Not applicable	June 8, 2022	3 years	June 13, 2008	3,034,905	0.90	3,034,905	0.81	0	0	0	0	None	None	None	None	None	None
		Representative Yang, Shih-Hsiung (Note 4)	Male 71~80				-	-	-	-	-	-	-	-	President of Service, Nortel Networks (Greater China Region) Ph.D., Institute of Electrical and Control Engineering, National Chiao-Tung University	Chief Consultant, eASPN Taiwan Inc.	None	None	None	None
Director	R.O.C.	Taiwan Cement Corporation	Not applicable	June 8, 2022	3 years	June 8, 2022	37,520,000	9.99	37,520,000	9.99	0	0	0	0	None	None	None	None	None	None
		Representative Wang,	Male 61~70				-	-	-	-	-	-	-	-	Taiwan Cement Corporation Vice President	Note 5	None	None	None	None

Title	Nationality or Place of Registration	Name	Gender Age	Date of Appointment	Term	Date of First Appointment	Shareholding at the Time of Appointment		Current Shareholding		Current Shareholding Held by Spouse & Minor Children		Shareholding Held in the Name of Others		Education and Work Experience	Positions Concurrently Held at Other Companies	Executive, Director or Supervisor Who is Spouse or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio			Title	Name	Relationship	
		Chien-Chuan (Note 4)												Department of Mechanic Engineering, Feng Chia University						
Independent Director	R.O.C.	Hong, Yu-Yuan	Male 51~60	June 10, 2020	3 years	June 14, 2017	0	0	0	0	0	0	0	0	Chairman of Sam Kuei Construction Co., Ltd. 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. Chairman of Sam Kuei Holding Co., Ltd. Chairman of Jinfa 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 51~60	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 41~50	June 10, 2020	3 years	June 14, 2017	0	0	0	0	0	0	0	0	Head of Tang Zhe Enterprise Taipei High School	Chairman of Wei Dao Ltd.	None	None	None	None

Note 1: 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 (Shanghai) Electronics Co., Ltd., Chairman of Yanghong Trade (Shanghai) Co., Ltd. Chairman of Dongguan Shuang-Ying Electronics Co., Ltd., Chairman of N-LIGHTEN TECHNOLOGIES INC., General Manager of PHIHONG VIETNAM CO., LTD., Director of Phihong International Corp., Director (Representative of Juristic Person) of Phitek International Co., Ltd., ASCENT ALLIANCE LTD. Representative, Representative of H&P Venture Capital Co., Ltd., Director (Representative of Juristic Person) of Han-Yu Venture Capital Co., Ltd. Director of Zhong-Xuan Venture Capital Co., Ltd., Taiwan Supervisor (Representative of Juristic Person) of Taiwan Cultural & Creativity No. 1 Co., Ltd. Chairman of Pu-Jen Electronic Technology (Shanghai) Co., Ltd., Director of Hua Jung Co., Ltd., Representative of Director of BMC Venture Capital Investment Corporation, Representative of Director of BMD Venture Capital Investment Corporation

Note 2: (1) The Chairman and General Manager of the Company are relatives within the first degree of kinship. The reason, reasonableness, and necessity:

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

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

Phihong has a complete corporate governance and internal control system. 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, Fei-Hong was promoted to General Manager by the Board of Directors on October 1, 2019, and he also played his role to the fullest to lead Phihong to explore the unknown future while upholding the Company's mission of sustainable

development.

(2) 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.

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

Note 4: Director Yang, Shih-Hsiung and Director Wang, Jian-Quan were elected at the by-election of ordinary general meeting of shareholders on June 8, 2022.

Note 5: Chairman of TA-HO RSEA ENVIRONMENT CO., LTD., Chairman of TCC International Holdings Ltd, Chairman of Dongcheng Mining Co. Ltd, Chairman of KUAN-HO REFRACTORIES INDUSTRY CORP. Taiwan Cement Corporation, President of TCC Liaoning Cement Company Limited., Chairman of TCC Zhongrun (Anshun) Environmental Protection Technology Co., Director and General Manager of Ho-Ping Renewable Energy Company, Director of TCEC CORPORATION, Director of TAIWAN TRANSPORT & STORAGE CORP., Director of TCC CHEMICAL CORPORATION, Director of TCC RECYCLE ENERGY TECHNOLOGY COMPANY, Director of Energy Helper TCC Corporation., Director of Tuo Shan Recycle Technology Company, Director of Hualien County Private Peace and Sustainable Charity Foundation, Director of Jurong Taini Cement Co., Ltd., Director of TCC Liuzhou Company Limited, Director of TCC Shaoguan Cement Company Limited., Director of TCC Guigang Cement Company Limited., Director of Guigang TCC Dongyuan Environmental Technology Co. Ltd., Director of TCC Fuzhou Cement Co., Ltd., Director of TCC Fuzhou Yangyu Port Co., Ltd., Director of Yingde Longshan Cement Co., Ltd., Director of TCC Juyong (xuyong) Environmental Technology Co. Ltd., Director of Kaili TCC Recycle Technology Corporation, Director of Beijing TCC Environmental Technology Co. Ltd., Director of TCC Yingde Company Limited, Director of Jurong Taini Environmental Technology Co. Ltd., Director of Guigang Conch TCC New Material Technology Co. Ltd., Director of Taini Yongren (Hangzhou) Renewable Resources Technology Co., Ltd., Director of TCC (Shaoguan) Environmental Technology Co. Ltd., Director of Jinyu Taini (Dai County) Environmental Protection Technology Co., Ltd., Director of TCC Liuzhou Company Limited, Supervisor of Guizhou Kaili Ruian Building Materials Co., Ltd., General Manager of Taini Yongren (Hangzhou) Renewable Resources Technology Co., Ltd.

1. Major Institutional Shareholders

April 11, 2023

Name of Institutional Shareholder	Major Institutional Shareholders	Percentage of Ownership (%)
Kuan Feng Investment Ltd.	Lin, Kuan-Hong	16.67%
	Lin, Chung-Min	16.67%
	Chien, Shu-Nu	16.67%
	Lin, Yang-Hong	16.67%
	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 11, 2023

Name		Qualifications	Professional Qualification and Experience (Note 1)	Independence Status of Independent Directors (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as Independent Director
Chairman	Lin, Chung-Min		<ul style="list-style-type: none"> ●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. ●Experience: Founder of the Company; he has been Chairman of Pihong Technology for over 49 years. 	Not applicable	None
Director	Lin, Fei-Hong		<ul style="list-style-type: none"> ●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. ●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. 	Not applicable	None

Name \ Qualifications		Professional Qualification and Experience (Note 1)	Independence Status of Independent Directors (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as Independent Director
Director	Wang, Chia-Kun	<p>●Professional qualification: 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>	Not applicable	None
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 Chairman of Asustek Computer Incorporation for over five years.</p>	Not applicable	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>	Not applicable	2 companies

Name \ Qualifications		Professional Qualification and Experience (Note 1)	Independence Status of Independent Directors (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as Independent Director
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 of MegaPro Biomedical Co., Ltd. for over five years.</p>	Not applicable	None
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>	Not applicable	None
Representative	Lin, Yang-Hong			
Director	Kuan Feng Investment Ltd.	<p>●Professional qualification: He is the Chief Consultant of SeASPNet Taiwan Inc., and possesses expertise in business, finance, accounting, as well as those required by the Company's operations.</p> <p>●Experience: He held position as President of Service, Nortel Networks (Greater China Region).</p>	Not applicable	None
Representative	Yang, Shih-Hsiung			
Director	Taiwan Cement Corporation	<p>●Professional qualification: He is the Vice President of Taiwan Cement Corporation and also serves as a director and supervisor of group companies or affiliated companies, and possesses the expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: He held position as the Vice President of Taiwan Cement Corporation for over five years.</p>	Not applicable	None
Representative	Wang, Chien-Chuan			

Qualifications		Professional Qualification and Experience (Note 1)	Independence Status of Independent Directors (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as Independent Director
Name				
Independent Director	Hong, Yu-Yuan	<p>●Professional qualification: He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</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 Sam Kuei Construction Co., Ltd. and Chairman of Hong-Cheng Development and Construction Co., Ltd. for over five years.</p>	None of the circumstances stated in Paragraph 1, Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" occurred two years prior to the election and during the term of office.	None
Independent Director	Lin, Kuei-Hong	<p>●Professional qualification: He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: He held the position as the Head of LOHAS Outdoor Products Enterprise for over five years.</p>		None
Independent Director	Chang, Hsien-Ta	<p>●Professional qualification: He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: He held the positions as the President of Tang Zhe Enterprise and Wei Dao Ltd. for over five years.</p>		None

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

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

3. Board Diversity and Independence:

(1) Diversity of the Board:

The Company's Board of Directors has established the Corporate Governance Best Practice Principles,

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

The Board of Directors of the Company is composed of 12 directors, and the implementation of diversity is as follows:

- Professional knowledge and skills: Directors have abundant experience and expertise in the fields of finance, management, law, information technology, electronic technology, etc. One of the directors graduated from Harvard Law School with a master's degree, and the percentage of directors with legal professional background is 8.3%. Nine directors (including four independent directors) will be elected in the re-election for 2023. One of the independent director candidates is a practicing lawyer and one has a background in finance and economics.
- Age distribution of directors: two aged 71~80, five aged 61~70, two aged 51~60, and three aged 41~50, which is also in line with the goal of diversity in the Board.

Implementation status of Board diversity of the company:

Item Name of Director		Basic Information				Industry Experience				Expertise			
		Gender	Nationality	Concurrent Employee	Age	Electronic Technology	Product Design	Assets Management	Other Industries	Operation Management	Accounting, Finance, Commerce	Law	Information Technology
Director	Lin, Chung-Min	Male	R.O.C.	V	71~80	V			V	V	V		V
	Lin, Fei-Hong	Male	R.O.C.	V	41~50	V	V		V	V	V		
	Wang, Chia-Kun	Male	R.O.C.		61~70	V			V	V	V		V
	Chou, Ming-Chih	Male	R.O.C.		61~70	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.		61~70	V		V	V	V	V		V
	Lin, Yang-Hong (Representative of Kuan Feng Investment Ltd.)	Male	R.O.C.	V	41~50	V			V	V	V		V
	Yang, Shih-Hsiung (Representative of Kuan Feng Investment Ltd.)	Male	R.O.C.		71~80	V	V		V	V	V		V
	Wang, Chien-Chuan (Representative of Taiwan Cement Corporation)	Male	R.O.C.		61~70		V		V	V	V		V
Independent Director	Hong, Yu-Yuan	Male	R.O.C.		51~60	V			V	V	V		V
	Lin, Kuei-Hong	Male	R.O.C.		51~60	V	V		V	V	V		
	Chang, Hsien-Ta	Male	R.O.C.		41~50	V	V		V	V	V		

(2) Independence of the Board:

The Company's Board of Directors consists of 12 directors, 3 of whom are independent directors (25%), 9 non-employee directors (75%), and 3 directors who are related to each other within the second degree of kinship (25%). No spouse or relative within the second degree of kinship between independent directors or between a director and an independent director, as defined in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act.

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

April 11, 2023; Unit: Share, %

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 (%) Ratio	Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio			Title	Name	Relationship	
Chairman and CEO	R.O.C.	Lin, Chung-Min	Male	June 15, 1981	51,703,063	13.78	3,813,236	1.02	0	0	Chairman of Pihong Technology Co., Ltd. Sales Engineer of I Yu Electric Co. Ltd. Electronic Equipment Maintenance Department, National Chia-Yi Industrial Vocational High School	Note 1	Group General Manager	Lin, Yang-Hong	Father and son	Note 2
Group General Manager	R.O.C.	Lin, Yang-Hong	Male	October 1, 2019	3,384,000	0.90	63	0	0	0	General Manager of Pihong Technology Co., Ltd. San Jose State University Business Administration (Marketing)	Director (Representative of Juristic Person) of Pihong (Dongguan) Electronics Co. Ltd. Director (Representative of Juristic Person) of Dongguan Phitek Electronics Co., Ltd. Director (Representative of Juristic Person) of Pihong 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) Director (Representative of Juristic Person) of Guang-Lai Investment Co., Ltd.	Chairman and CEO	Lin, Chung-Min	Father and son	Note 2

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 (%) Ratio	Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio			Title	Name	Relationship	
Green Energy Research Center Vice President	R.O.C.	Chen, Chun-Cheng (Note 3)	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	Note 4	None	None	None	None
Power R&D Center Vice President	R.O.C.	Chang, Yuan-Shun	Male	October 1, 2014	28,091	0.01	0	0	0	0	Vice President of Phihong Technology Co., Ltd. Leader of Manufacturing Department, Lianli Machinery 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

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 (%) Ratio	Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio			Title	Name	Relationship	
Marketing Planner and Vice President	R.O.C.	Chien, Wen-Sung	Male	September 1, 2020	0	0	0	0	0	0	Vice President of Pihong Technology Co., Ltd. Marketing Director of Zippy Technology Corp Deputy General Manager, R&D, Bestec Power Electronics Co., Ltd. Project Manager, HP R&D Manager of Asian Power Devices Inc. R&D Manager of Skynet Electronic Co., Ltd. Electrical Engineer of Formosa Petrochemical Corporation Master's, Electrical and Computer Engineering, National Jiaotong University	None	None	None	None	None
Terminal & Enterprise BU Assistant Vice President	R.O.C.	Liu, Jia-Xiang	Male	June 1, 2022	0	0	0	0	0	0	Assistant Vice President of Pihong Technology Co., Ltd. Senior Specialized Manager of Foxconn Sales Director of AVC Aalto University school of Business EMBA	None	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 (%) Ratio	Number of Shares	Shareholding (%) Ratio	Number of Shares	Shareholding (%) Ratio			Title	Name	Relationship	
Head of finance	R.O.C.	Li, Pei-Yi	Female	September 6, 2020	0	0	0	0	0	0	Financing Manager of Pihong Technology Co., Ltd. Chief of a section, Wonderland Group Senior Specialist, LITE-ON Technology Specialist, Citibank Taiwan Bachelor's in Finance, National Chengchi University	Representative of Director of BMC Venture Capital Investment Corporation Representative of H&P Venture Capital Co., Ltd. Representative of Director of Paradigm Venture Capital Company Supervisor of Spring City Resort Co., Ltd. Representative of Director of BMD Venture Capital Investment Corporation	None	None	None	None
Head of accounting	R.O.C.	Chen, Kuei-Chih	Female	September 6, 2020	0	0	0	0	0	0	Accounting Manager of Pihong Technology Co., Ltd. Head of Auditing Team, Deloitte & Touche Department of Accounting, Soochow University	None	None	None	None	None

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

Note 2: (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 Pihong's subsidiary in the U.S.

After graduating, he returned to Taiwan (headquarters of Pihong), and started out as a salesperson at the grassroots level; he devoted himself to the field of business development,

and, thus, accumulated extensive marketing experience in the electronic technology industry/domestic and overseas customer markets. In particular, he has many years of practical experience in the Power Supply business, the Company's main product. In the meager profit era, when the Company was facing rapid changes in the product environment, Mr. Lin, Yang-Hong took the initiative to take on the great responsibility as the Company's Executive Vice President. During this period, he faced tough challenges fearlessly despite all the hardships.

Phihong has a complete corporate governance and internal control system. 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, Fei-Hong was promoted to General Manager by the Board of Directors on October 1, 2019, and he also played his role to the fullest to lead Phihong to explore the unknown future while upholding the Company's mission of sustainable development.

(2) 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.

Note 3: Director Chen, Chun-Cheng was transferred to Zerova Technologies Taiwan Limited on September 1, 2022; therefore, he was dismissed.

Note4: Director of Zerova Technologies Holdings Limited, Director of Zerova Technologies SG Pte. Ltd., Director of Zerova Technologies Taiwan Limited, Supervisor of Zerova Technologies (Dongguan) Co. Ltd., and Representative of Zerova Trading Services (Dongguan) Co., Ltd.

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

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

1. Remuneration to General Directors and Independent Directors

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

Title	Name	Remuneration paid to directors								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 Company				
		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	3,148	3,148	14,604	19,969	0	0	0	0	0	0	29,054	39,719	None				
Director	Lin, Fei-Hong (Note 7)	0	0	0	0	0	0	0	0			1,600	6,900	0	0	0	0	0	0			0	0	None		
Director	Wang, Chia-Kun	0	0	0	0	300	300	42	42			0	0	0	0	0	0	0	0			0	0	None		
Director	Chou, Ming-Chih	0	0	0	0	300	300	36	36			0	0	0	0	0	0	0	0			0	0	None		
Director	Chiang, Wei-Feng	0	0	0	0	500	500	42	42			0	0	0	0	0	0	0	0			0	0	None		
Director	Chou, Ta-Jen	0	0	0	0	500	500	42	42			4.4135%	4.4148%	0	0	0	0	0	0			0	0	40.73%	55.70%	None
Director	Kuan Feng Investment Ltd.	0	0	0	0	0	0	0	0			0	0	0	0	0	0	0	0			0	0	None		
	Representative Lin, Yang-Hong	0	0	0	0	0	0	0	0			9,594	9,594	108	108	0	0	0	0			0	0	None		
Director	Kuan Feng Investment Ltd.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None						

	Representative Yang, Shih-Hsiung (Note 9)	0	0	0	0	200	200	12	12			0	0	0	0	0	0	0	0	None
Director	Taiwan Cement Corporation	0	0	0	0	0	0	0	0			0	0	0	0	0	0	0	0	None
	Representative Wang, Chien-Chuan (Note 9)	0	0	0	0	192	192	12	12			0	0	0	0	0	0	0	0	None
Independent Director	Hong, Yu-Yuan	0	0	0	0	300	300	90	90			0	0	0	0	0	0	0	0	None
Independent Director	Lin, Kuei-Hong	0	0	0	0	200	200	90	90			0	0	0	0	0	0	0	0	None
Independent Director	Chang, Hsien-Ta	0	0	0	0	200	200	90	90			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 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 2022: None.

Note 1: Salary, duty allowances, severance pay, bonuses, and incentives paid to the directors in 2022.

Note 2: The amount of appropriation or contribution of post-employment pension expensed for directors in 2022; there was no post-employment pension actually paid in 2022.

Note 3: Handled in accordance with the provisions of Articles of Incorporation. The directors' remuneration allocated to each director is the proposed amount and has not been approved by the Remuneration Committee and the Board of Directors.

- Note 4: Professional practice fees paid to the director in 2022 (including transportation expenses, special allowances, other allowances, accommodation, and company cars).
- Note 5: The Salary, duty allowances, separation pay, bonuses, incentives, transportation expenses, special allowances, other allowances, accommodation, and company cars received by the director who concurrently serves as an employee (including the President, Vice President, managerial officer, etc.) in 2022. Any salary recognized under IFRS 2 Share-Based Payment, including employee share subscription warrants, new restricted employee shares, and share subscription for cash, should also be included in the remuneration.
- Note 6: Directors who received employee compensation (including stocks and cash) for serving as employees concurrently (including concurrently serving general manager, vice president, or other managers and employees) in the most recent year, which was handled in accordance with the Articles of Incorporation. The proposed amount of employee compensation received by the directors who also serve as employees have not been approved by the Remuneration Committee and the Board of Directors.
- Note 7: Director Lin, Fei-Hong was transferred to Zerova Technologies Taiwan Limited on September 1, 2022, so compensation for the concurrent employee will be from January 1, 2022 to August 31, 2022.
- Note 8: The information of “total remuneration” and the “ratio of total remuneration to net profit after tax” is set out respectively.
- Note 9: Director Yang Shih-Hsiung and Director Wang Chien-Chuan were elected at the by-election of the ordinary general meeting of shareholders on June 8, 2022, and their remuneration will be from June 8, 2022 to December 31, 2022.

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 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: Lin, Yang-Hong Kuan Feng Investment Ltd. Representative: Yang, Shih-Hsiung Taiwan Cement Corporation Representative: Wang, Chien-Chuan	Lin, Chung-Min Lin, Fei-Hong 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: Lin, Yang-Hong Kuan Feng Investment Ltd. Representative: Yang, Shih-Hsiung Taiwan Cement Corporation Representative: Wang, Chien-Chuan	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: Yang, Shih-Hsiung Taiwan Cement Corporation Representative: Wang, Chien-Chuan	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: Yang, Shih-Hsiung Taiwan Cement Corporation Representative: Wang, Chien-Chuan
NT\$1,000,000 (inclusive) ~ NT\$2,000,000	-	-	Lin, Fei-Hong	
NT\$2,000,000 (inclusive) ~ NT\$3,500,000	-	-		
NT\$3,500,000 (inclusive) ~ NT\$5,000,000	-	-		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	-	-	Kuan Feng Investment Ltd. Representative: Lin, Yang-Hong	Lin, Fei-Hong Kuan Feng Investment Ltd. Representative: 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	8,512	13,877	0	0	6,092	6,092	0	0	0	0	35,486 49.75%	40,851 57.27%	None
Group General Manager	Lin, Yang-Hong	4,320	4,320	108	108	5,274	5,274	0	0	0	0			None
Green Energy Research Center Vice President	Chen, Chun-Cheng (Note 6)	2,992	2,992	72	72	0	0	0	0	0	0			None
Power R&D Center Vice President	Chang, Yuan-Shun	2,400	2,400	108	108	800	800	0	0	0	0			None
Marketing Planner and Vice President	Chien, Wen-Sung	2,400	2,400	108	108	2,300	2,300	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 2022.

Note 2: The amount of appropriation or contribution of post-employment pension expensed for the Chairman and CEO, General Manager, and Vice President in 2022.

Note 3: Remuneration, including bonuses, incentives, transportation expenses, special allowances, other allowances, accommodation, and Company cars, paid to the Chairman and CEO, General Manager, and Vice President in 2022. Any salary recognized under IFRS 2 Share-Based Payment, including employee share subscription warrants, new restricted employee shares, and share subscription for cash, should also be included in the remuneration.

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

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

Note 6: Director Chen, Chun-Cheng was transferred to Zerova Technologies Taiwan Limited on September 1, 2022, and remuneration is calculated until the date of dismissal.

Range of Remuneration

Range of Remuneration Paid to General Manager and the Vice Presidents	Name of General Manager and Vice President	
	The Company	All Companies in Financial Statements (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	Chen, Chun-Cheng / Chang, Yuan-Shun	Chen, Chun-Cheng / 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	Lin, Yang-Hong	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 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	8,512	13,877	0	0	6,092	6,092	0	0	0	0	35,486	40,851	None		
Group General Manager	Lin, Yang-Hong	4,320	4,320	108	108	5,274	5,274	0	0	0	0			None		
Green Energy Research Center Vice President	Chen, Chun-Cheng (Note 6)	2,992	2,992	72	72	0	0	0	0	0	0			49.75%	57.27%	None
Power R&D Center Vice President	Chang, Yuan-Shun	2,400	2,400	108	108	800	800	0	0	0	0			None		

Marketing Planner and Vice President	Chien, Wen-Sung	2,400	2,400	108	108	2,300	2,300	0	0	0	0			None
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Note 1: Salary, allowance, and severance payment for the executives (managerial officers) with the top five highest remunerations in 2022.

Note 2: Post-employment pension for the executives (managerial officers) with the top five highest remunerations in 2022.

Note 3: Remuneration, including bonuses, incentives, transportation expenses, special allowances, other allowances, accommodation, and Company cars, paid to the executives (managerial officers) with the top five highest remunerations in 2022. Any salary recognized under IFRS 2 Share-Based Payment, including employee share subscription warrants, new restricted employee shares, and share subscription for cash, should also be included in the remuneration.

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

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

Note 6: Director Chen, Chun-Cheng was transferred to Zerova Technologies Taiwan Limited on September 1, 2022, and remuneration is calculated until the date of dismissal.

5. Employee compensation distributed to managerial officers

December 31, 2022; Unit: NT\$1,000

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

Note 1: Handled in accordance with the provisions of Articles of Incorporation. These are proposed amounts and have not been reviewed by the Remuneration Committee and approved by the Board.

Note 2: Director Chen, Chun-Cheng transferred to Zerova Technologies Taiwan Limited on September 1, 2022, and remuneration is calculated until the date of dismissal.

- (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

Unit: NT\$1,000, %

Year	The Company		All Companies in Consolidated Financial Statements	
	Total	As a Percentage of Net Income	Total	As a Percentage of Net Income
2021	37,749	-12.08	42,790	-13.69
2022	40,234	56.41	50,899	71.36

The increase in total remuneration of directors, general manager, and vice president in 2022 as compared to 2021 was due to the adjustment of remuneration of directors, general manager, and vice president as the Company turned from loss to profit in 2022.

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

• Remuneration Policies, Standards, and Packages

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

The remuneration of the general manager and vice president of the Company is a combination of fixed items, such as base salary, annual bonuses and benefits, and variable items, such as bonuses, remuneration (cash/stock), and stock options. Fixed items are based on the principle of

maintaining the Company's average competitive level in the industry; variable items are distributed based on a combination of the Company's and individuals' operating performance, and the better the Company's and individuals' operating performance, the higher the ratio of variable to fixed items. The assessment indicators for the above variable items are as follows:

- A. Financial indicators: including turnover, profit margin, growth rate, achievement rate, etc.
- B. Non-financial indicators: including market/customer service indicators (e.g. customer satisfaction), organization/internal processes (e.g. quality management), etc.

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

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

- Procedures for Determining Remuneration:

1. The remuneration of the Chairman and General Manager is determined with reference to the operating performance indicators of the industry and related companies, and is reviewed by the Board of Directors. In order to fully demonstrate the achievement of the operating performance indicators, the Chairman's performance is measured based on the operating, governance, and financial results, and the evaluation scope includes the following indicators: net profit before tax, revenue growth rate, and customer satisfaction; the General Manager's performance measurement scope includes the following performance objectives: operating efficiency and effectiveness, supervising the implementation of financial targets, revenue management, and implementing quality assurance and management. The Company evaluates the performance of the directors and managerial officers regularly and uses the evaluation results as the basis for remuneration or adjustment.
2. The Company conducts regular performance appraisals of the directors and managerial officers and evaluates the reasonableness of their remuneration, taking into account not only the individual's performance achievement rate and contribution to the Company, but also the overall operational performance of the Company, future risks and development trends of the industry, as well as a timely review of the remuneration system in light of actual operating conditions and relevant laws and regulations. Adjustments to salary for management are reviewed by the Remuneration Committee and approved by the Board. The actual amount of remuneration for directors and managers for 2022 will be distributed after being reviewed by the Remuneration Committee and approved by the Board.

- Linkage to operating performance and future risk exposure:

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

IV. Implementation of Corporate Governance:

(1) Board of Directors:

A total of 6 meetings of the Board of Directors (A) were held during the most recent Year. The attendance of the directors is as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Attendance Rate (%) (B/A)	Note
Chairman	Lin, Chung-Min	2	4	33.33	
Director	Kuan Feng Investment Ltd. Representative: Lin, Yang-Hong	6	0	100.00	
Director	Wang, Chia-Kun	6	0	100.00	
Director	Lin, Fei-Hong	6	0	100.00	
Director	Chou, Ming-Chih	6	0	100.00	
Director	Chou, Ta-Jen	6	0	100.00	
Director	Chiang, Wei-Feng	6	0	100.00	
Director	Taiwan Cement Corporation Representative: Wang, Chien-Chuan	2	0	100.00	Directors co-opted at the shareholders' meeting on June 8, 2022 shall attend 2 board meetings.
Director	Kuan Feng Investment Ltd. Representative: Yang, Shih-Hsiung	2	0	100.00	Directors elected at the by-election of shareholders' meeting on June 8, 2022 shall attend 2 board meetings.
Independent Director	Hong, Yu-Yuan	4	2	66.67	
Independent Director	Lin, Kuei-Hong	6	0	100.00	
Independent Director	Chang, Hsien-Ta	6	0	100.00	

Other matters to be recorded:

I. If any of the following circumstances occurs, the dates, terms of the Board meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions should be specified:

- (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable as the Company has established its Audit Committee; please refer to the operating status of the Audit Committee in the annual report.
- (2) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None.

II. 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 20, 2022	Company's 2021 year-end bonus distribution plan for managers.	Chairman Lin, Chung-Min (by proxy), Director Lin, Yang-Hong, Special Assistant Lin, Fei-Hung, and Manager Li, Pei-Yi were the interested parties of the proposal; therefore, they abstained from discussion and voting, and the proposal was passed as proposed.

Board of Directors Date	Content of Motion	Reason for Recusal and Results of Voting
	Deliberation of the 2021 business execution expenses	Directors Wang, Chia-Kun, Chou, Ta-Jen, Chiang, Wei-Feng, Chou, Ming-Chih, and Independent Directors Hong, Yu-Yuan (by proxy), Lin, Kuei-Hong, Chang, Hsien-Ta, and Consultant Yang, Shih-Hsiung were the interested parties of the proposal; therefore, they abstained from discussion and voting, and the proposal was passed as proposed.
March 10, 2022	Business division of the Company's electric vehicle energy business group	Chairman Lin, Chung-Min was the interested party of the proposal; therefore, he abstained from discussion and voting, and the proposal was passed as proposed.
May 5, 2022	Promotion of the Company's managers	Except for the manager of Human Resources Department, Su, Xiu-Fen, all other attendees abstained from discussion and voting, and the proposal was approved as proposed.
August 4, 2022	Remuneration adjustment proposal of the Company's directors who concurrently serve as employees and managers	Chairman Lin, Chung-Min, Directors Lin, Yang-Hong, Lin, Fei-Hung, Manager Li, Pei-Yi, and Finance Department MA Lin, Hsin-Yi were the interested parties of the proposal; therefore, they abstained from discussion and voting in accordance with the recusal policy under Article 206 of the Company Act. Furthermore, based on the principle of pay secrecy, except for Manager of Human Resources Department, Su, Xiu-Fen, all the other attendees abstained from the discussion and voting on this proposal, and the proposal was passed as proposed.
	Transfer of the Company's directors who concurrently serve as employees and managers.	Chairman Lin, Chung-Min, Directors Lin, Yang-Hong, Lin, Fei-Hung, and Finance Department MA Lin, Hsin-Yi were the interested parties of the proposal; therefore, they abstained from discussion and voting in accordance with the recusal policy under Article 206 of the Company Act. Furthermore, based on the principle of pay secrecy, except for Manager of Human Resources Department, Su, Xiu-Fen, all the other attendees abstained from the discussion and voting on this proposal, and the proposal was passed as proposed.

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

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Content of Evaluation
At least once a year	January 1, 2022 - December 31, 2022	Include the respective performances of the Board of Directors, individual directors, and functional committees.	Include the self-evaluation of the Board of Directors, the self-evaluation of individual directors, and otherwise appropriately.	1. Performance of the Board of Directors: participation in the operation of the Company, improvement of the quality of the Board of Directors' decision-making, composition and structure of the Board of Directors, election and continuing education of directors, and internal control. 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.
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4. Measures are taken to strengthen the functionality of the Board and results thereof in 2021 and the most recent year:

The performance appraisal of the Board of Directors, individual directors, and functional committees is conducted once a year. The results of the performance appraisal of the Board for 2022 were reviewed by the Nomination Committee and reported to the Board on April 21, 2023, and disclosed on the Company's website for investors' reference.

The Company's Board meets at least once a quarter to discuss important business strategy issues and review operational performance. The Company held a total of six Board meetings in 2022, with a Directors' attendance rate of 90.63%. Important resolutions would be announced immediately after the meeting to enhance information transparency.

The Company established Audit Committee to strengthen the board functions and assist the board in monitoring the fair presentation of financial statements and the effectiveness of internal control systems. For information about the operating status of the Audit Committee, please refer to pages 39 to 42.

(2) Operating Status of the Audit Committee

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

1. Items deliberated by the Audit Committee in 2022 include:

- Formulation or amendment to the internal control system and important regulations.
- Evaluation of the effectiveness of the internal control system.
- Major investment cases.
- Major capital loans and endorsement guarantees.
- Appointment, remuneration, and independent evaluation of CPAs.
- Annual financial statements and quarterly financial statements.
- The Company's Annual Business Report and Deficit Compensation.
- Business division.
- Share exchange.
- Audit Plan.

2. Operating Status of the Audit Committee.

A total of 5 meetings of the Audit Committee (A) were held during the most recent Year. The attendance of the independent directors is as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Attendance Rate (%) (B/A)	Note
Independent Director	Hong, Yu-Yuan	4	1	80.00	
Independent Director	Lin, Kuei-Hong	5	0	100.00	
Independent Director	Chang, Hsien-Ta	5	0	100.00	

Other matters to be recorded:

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

Audit Committee Date	Content of Motion	Matters referred to in Article 14-5 of the Securities and Exchange Act	Audit Committee Resolutions of the Audit Committee	Handling of the Audit Committee's Opinions
January 20, 2022	<p>The Company's Operating Budget for 2022</p> <p>The Company plans to increase the capital of its subsidiary PHIHONG VIETNAM CO., LTD. in cash</p>	None	Passed without objection	Passed without objection
March 9, 2022	<p>The Company's 2021 Annual Business Report, Standalone Financial Statements, and Consolidated Financial Statements</p> <p>The Company's Appropriation of Losses for 2021</p> <p>Amendments to Provisions of the "Procedures for Acquisition or Disposal of Assets"</p> <p>Business division of the Company's electric vehicle energy business group</p> <p>The Company's 2022 "Statement of Internal Control System"</p> <p>Proposal for assessment of the independence of CPAs Wu, Ke-Chang and Hong, Kuo-Tien for the year 2022.</p> <p>Proposed appointment of the Company's certified accountant and remuneration case</p> <p>The Company intends to provide financing endorsement guarantee for the subsidiary PHIHONG VIETNAM CO., LTD.</p>	None	Passed without objection	Passed without objection
May 5, 2022	The Company's Consolidated Financial Statements for the first quarter of 2022	None	Passed without objection	Passed without objection
August 3, 2022	<p>The Company's Consolidated Financial Statements for the second quarter of 2022</p> <p>The Company intends to invest in each of Zerova's direct and indirect 100% owned overseas subsidiaries</p> <p>The Company intends to lend funds to each of Zerova's direct</p>	None	Passed without objection	Passed without objection

Audit Committee Date	Content of Motion	Matters referred to in Article 14-5 of the Securities and Exchange Act	Audit Committee Resolutions of the Audit Committee	Handling of the Audit Committee's Opinions
	<p>and indirect 100% owned overseas subsidiaries</p> <p>The Company and its subsidiary, Zerova Technologies Taiwan Limited., intend to sign a financing credit line and endorse and guarantee financing.</p> <p>Subsidiary "Phihong Electronics (Suzhou) Co., Ltd." intends to lend funds to "Dongguan Phitek Electronics Co., Ltd."</p> <p>Subsidiary "Phihong (Dongguan) Electronics Co. Ltd." intends to lend funds to "Dongguan Phitek Electronics Co., Ltd."</p>			
November 3, 2022	<p>Zerova Technologies Taiwan Limited (hereinafter referred to as "Zerova"), a subsidiary of the Company, intends to carry out a share exchange with its sub-subsidiary, Zerova Technologies SG Pte. (hereinafter referred to as Zerova SG) in Singapore.</p> <p>The Company's Consolidated Financial Statements for the third quarter of 2022</p> <p>The Company's Audit Plan for 2023</p> <p>The Company lends funds to Phihong Technology Japan Co., Ltd. for JPY 300 million.</p> <p>Zerova Technologies Taiwan Limited lends funds to directly or indirectly 100% owned subsidiaries of Zerova in the cayman islands.</p> <p>Proposal for mid-term assessment of the funds loaned to the Group's subsidiaries.</p>	None	Passed without objection	Passed without objection

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

2. Attendance of independent directors at 2022 Board meetings (Y: attendance in person; Δ: attendance by proxy)

Board of Directors Independent Director	January 20, 2022	March 10, 2022	May 5, 2022	June 2, 2022	August 4, 2022	November 3, 2022
Hong, Yu-Yuan	Δ	Y	Δ	Y	Y	Y
Lin, Kuei-Hong	Y	Y	Y	Y	Y	Y
Chang, Hsien-Ta	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 key audit issues of the quarterly financial statements in the quarterly Audit Committee meeting.

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

Time: March 9, 2022

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. An audit report is sent to Independent Directors monthly to report irregularities and progress of improvements for the month.
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 2022:

Date	Attending Personnel	Communication Matters	Communication Results
March 9, 2022	Independent Director Hong, Yu-Yuan Independent Director Lin, Kuei-Hong Independent Director Chang, Hsien-Ta CPA Hong, Kuo-Tien CPA Wu, Ke-Chang Audit Officer Wang, Hsien-Yi	1. Impairment of assets of Phihong Technology Co., Ltd. 2. Administrative procedures for the transfer of the subsidiaries' factories of in mainland China. 3. Amendments to Article 9-1 and Article 47 of the Regulations Governing Establishment of Internal Control Systems by Public Companies.	Independent Directors are aware of the impairment of assets, the administrative procedures for the transfer of the subsidiaries' factories in mainland China, and the amendments to the Regulations Governing Establishment of Internal Control Systems, and the Company is in compliance with the relevant regulations.

(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		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Y	N		
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 and business transactions between the Company and its affiliates are carried out in accordance with the relevant laws and regulations, the internal control system and the supervision of 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.

Evaluation Item	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Y	N		
<p>III. Composition and responsibility of the Board of Directors</p> <p>(I) Does the Board of Directors establish and implement the diversification policy and specific management goals?</p>	V		<p>(I) Enhanced diversity policy of directors and implementation of diversity : Professional knowledge and skills: Directors have abundant experience and expertise in the fields of finance, management, law, information technology, electronic technology, etc. One of the directors graduated from Harvard Law School with a master’s degree, and the percentage of directors with legal professional background is 8.3%. Nine directors (including four independent directors) will be elected in the re-election for 2023. One of the independent director candidates is a practicing lawyer and one has a background in finance and economics. Age distribution of directors: two aged 71~80, five aged 61~70, two aged 51~60, and three aged 41~50, which is also in line with the goal of diversity in the Board.</p>	<p>(I) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>(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?</p>	V		<p>(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, skills, 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. Establish or examine directors’ continuing education. 4. Establish the Corporate Governance Best Practice Principles of the Company.</p>	<p>(II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>(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,</p>	V		<p>(III) The Company has established the Board Performance Evaluation Rules and shall conduct a performance evaluation of the Board of Directors and individual directors at least once a year. The Company reports to the Board of Directors on the evaluation criteria of the performance evaluation indicators and the evaluation results for review and improvement. The internal performance evaluation of the Board of Directors for 2022 was carried out by the responsible unit using questionnaires and was completed on January 31, 2023.</p>	<p>(III) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation Item	Implementation Status		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Y	N	
<p>and take it as a reference for the remuneration, nomination and re-appointment of each director?</p> <p>(IV) Does the Company evaluate the independence of CPAs on a regular basis?</p>	V	<p>The results of the performance evaluation were reported, reviewed, and improved by the Board of Directors on April 21, 2023, and were disclosed on the Company's website. The results of the Board of Directors' performance evaluation for 2022 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 99.3 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 2022 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> <p>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.</p> <p>The Company's Audit Committee and Board of Directors evaluated the independence of the CPAs on March 9, 2023, and issued a statement on independence.</p>	<p>(IV) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<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 law, and preparing the minutes of the Board meetings and shareholders'</p>	V	<p>The Company' concurrent corporate governance unit is the Finance Div., and the board of directors approved the appointment of General Manager Lin, Yang-Hong as the corporate governance officer on August 28, 2020.</p> <p>The following matters are the joint responsibility of the corporate governance officer and the Finance Div.:</p> <ul style="list-style-type: none"> 'Handled matters related to meetings of the Board of Directors and shareholders' meetings on the basis of law. 'Conducted meetings of the Board of Directors and shareholders in accordance with the law. 'Assisted in the appointment and continuing education of directors and supervisors. Provided information necessary for directors and supervisors to carry out their business 'Assisted in the appointment and continuing education of directors and supervisors. 'Reported to the Board of Directors on whether the qualifications of the independent directors at the time of nomination, election, and during their term of office comply with the relevant laws and regulations. 'Handled matters related to the changes of directors. 	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation Item	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Y	N		
meetings, etc.)?			Other matters specified in the Articles of Incorporation or contracts.	
V. Does the Company establish a means of communication with its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and create a stakeholder section on the Company website to respond to stakeholders' questions about its corporate social responsibility?	V		The Company values its stakeholders and respects their legitimate rights and interests. A special section for stakeholders has been set up on the Company's website, and relevant units have been set up to respond appropriately. 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. 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 5, 2022 and August 4, 2022.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VI. Does the Company entrust a professional stock transfer agent to manage shareholders' meetings and other relevant affairs?	V		The Company entrusts the Transfer Agency of CTBC Bank to manage relevant affairs of shareholders' meetings.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure (I) Does the Company establish a company website to disclose information on its finances, business, and corporate governance? (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)? (III) Does the Company announce and report the annual financial	V V V		(I) The Company's website (http://www.phihong.com.tw) has disclosed information on its finances, business, and corporate governance. (II) The Company has set up an English website maintained by dedicated personnel, and the Company has also established a spokesperson system. Information about the shareholders' meeting and the investor conferences is updated immediately on the corporate website. (III) The Company's annual and first, second, and third quarterly financial statements were announced by the deadline prescribed by law and were not published earlier than	(I) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. (II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. (III) In compliance with the Corporate Governance

Evaluation Item	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																																
	Y	N																																		
statements within two months after the end of the fiscal year, and announce and report the financial statements for the first, second and third quarters and the monthly operations before the prescribed period?			expected. The operating status of each month is also reported by the 10th of each month as required.	Best Practice Principles for TWSE/TPEX Listed Companies.																																
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) For information on employee rights and interests, employee care, investor relations, supplier relationships, and stakeholder rights, please refer to the description of "Corporate Sustainability" on pages 57 to 75 of the annual report.</p> <p>(IV) Continuing education of directors of the Company:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Date</th> <th>Organizer</th> <th>Name of Class</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Chairman</td> <td rowspan="2">Lin, Chung-Min</td> <td>September 30, 2022</td> <td>Taiwan Corporate Governance Association</td> <td>In the era of the digital economy, how can companies make innovative breakthroughs in profitability</td> <td>3.0</td> </tr> <tr> <td>September 9, 2022</td> <td>Taiwan Corporate Governance Association</td> <td>Equity planning and organizational design for start-up companies</td> <td>3.0</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Chiang, Wei-Feng</td> <td>September 16, 2022</td> <td>Taiwan Corporate Governance Association</td> <td>How Can Companies Strengthen Strategy Execution</td> <td>3.0</td> </tr> <tr> <td>September 2, 2022</td> <td>Taiwan Corporate Governance Association</td> <td>An Insight into the Key Messages Hidden in Financial Statements</td> <td>3.0</td> </tr> <tr> <td>Director</td> <td>Wang, Chia-Kun</td> <td>September 23, 2022</td> <td>Taiwan Corporate Governance Association</td> <td>Equity planning and organizational design for start-up companies</td> <td>3.0</td> </tr> </tbody> </table>	Title	Name	Date	Organizer	Name of Class	Hours	Chairman	Lin, Chung-Min	September 30, 2022	Taiwan Corporate Governance Association	In the era of the digital economy, how can companies make innovative breakthroughs in profitability	3.0	September 9, 2022	Taiwan Corporate Governance Association	Equity planning and organizational design for start-up companies	3.0	Director	Chiang, Wei-Feng	September 16, 2022	Taiwan Corporate Governance Association	How Can Companies Strengthen Strategy Execution	3.0	September 2, 2022	Taiwan Corporate Governance Association	An Insight into the Key Messages Hidden in Financial Statements	3.0	Director	Wang, Chia-Kun	September 23, 2022	Taiwan Corporate Governance Association	Equity planning and organizational design for start-up companies	3.0	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
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Evaluation Item	Implementation Status						Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof			
	Y	N	Summary							
					March 9, 2022	Taiwan Institute of Directors	Leadership Academy Forum - Rebooting in the New Reality: Seeing the Digital New Taiwan,	3.0		
			Director	Chou, Ta-Jen	September 2, 2022	Taiwan Corporate Governance Association	Insight into the Key Messages Hidden in Financial Statements	3.0		
					April 22, 2022	Taiwan Institute for Sustainable Energy	Taishin 30 Sustainable Net Zero Summit Forum - Transform to Net Zero for Sustainable 2030	3.0		
			Director	Lin, Fei-Hong	September 23, 2022	Taiwan Corporate Governance Association	Equity planning and organizational design for start-up companies	3.0		
						September 16, 2022	Taiwan Corporate Governance Association	How Can Companies Strengthen Strategy Execution	3.0	
			Director	Lin, Yang-Hong	September 30, 2022	Taiwan Corporate Governance Association	In the era of the digital economy, how can companies make innovative breakthroughs in profitability	3.0		
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Evaluation Item	Implementation Status					Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof			
	Y	N	Summary						
			Director	Chou, Ming-Chih	September 30, 2022	Taiwan Corporate Governance Association	In the era of the digital economy, how can companies make innovative breakthroughs in profitability	3.0	
					April 29, 2022	Taiwan Corporate Governance Association	Discussion of Corporate, Director, and Supervisor's Liability from the Securities and Exchange Act	3.0	
			Representative of Juristic Person	Yang, Shih-Hsiung	September 23, 2022	Taiwan Corporate Governance Association	Equity planning and organizational design for start-up companies	3.0	
					September 16, 2022	Taiwan Corporate Governance Association	How Can Companies Strengthen Strategy Execution	3.0	
			Representative of Juristic Person	Wang, Chien-Chuan	November 22, 2022	Taiwan Corporate Governance Association	Corporate Social Responsibility - Discussion about Corporate Governance from Human Rights Policy	3.0	
					November 15, 2022	Taiwan Corporate Governance Association	Competitive Advantage and Prevention Strategies Analysis for Directors	3.0	
					September 28, 2022	Taiwan Institute for Sustainable Energy	Net Zero Sustainability Planning and Foresight for Enterprises (Water Resources, Carbon Credits, Energy)	6.0	
			Independent Director	Hong, Yu-Yuan	September 23, 2022	Taiwan Corporate Governance Association	Equity planning and organizational design for start-up companies	3.0	

Evaluation Item	Implementation Status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																		
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		September 16, 2022	Taiwan Corporate Governance Association	How Can Companies Strengthen Strategy Execution	3.0																		
		September 2, 2022	Taiwan Corporate Governance Association	Insight into the Key Messages Hidden in Financial Statements	3.0																		
			<p>(VI) Implementation of risk management policies and risk evaluation standards:</p> <p>(1) The Company has established internal controls in accordance with the law, and internal audits are conducted on a regular and irregular basis to check the implementation. The Company also took out relevant insurance to transfer the risks that may be faced by the development of the company to provide compensation for the company's financial losses in case of risks, eliminate the factors that may generate risks through systematic management mechanism, vigilance and continuous monitoring, and effectively avoid risks and manage risks.</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 2022.</p> <p>(3) The operating status for the risk management in 2022 was reported to the Board on May 5, 2022, and August 4, 2022.</p> <p>(V) Implementation of customer policy: The Company upholds the belief that customers come first and implements it in accordance with the Consumer Protection Act, the Company's internal regulations, and other laws and regulations.</p> <p>(VI) Directors of the Company purchased liability insurance in 2022:</p> <table border="1"> <thead> <tr> <th>Insured Party</th> <th>Insurance Company</th> <th>Investment Amount</th> <th>Insurance Policy Period</th> </tr> </thead> <tbody> <tr> <td>Directors & Managers</td> <td>Fubon Insurance Co., Ltd.</td> <td>USD10,000,000</td> <td>September 19, 2022~September 19, 2023</td> </tr> </tbody> </table>		Insured Party	Insurance Company	Investment Amount	Insurance Policy Period	Directors & Managers	Fubon Insurance Co., Ltd.	USD10,000,000	September 19, 2022~September 19, 2023											
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Evaluation Item	Implementation Status		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Y	N		
<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>The Company was ranked among the top 21% to 35% in the 10th (2023) Corporate Governance Evaluation. Description of improved items only:</p> <p>(I) The Company has disclosed its Board diversity policy on its corporate website.</p> <p>(II) The Company has released important information in English simultaneously.</p> <p>(III) The Company has compiled and published the sustainable report on Market Observation Post System and the Company's website by the end of September in accordance with the GRI Standards published by the Global Reporting Institute (GRI).</p> <p>The Company will continue to evaluate feasible improvement plans for the unscored items.</p>				

(IV) Composition of Remuneration Committee, Responsibilities, and Operation of the Company

1. Composition of the Remuneration Committee

Qualifications		Professional Qualification and Experience	Independence Status (Note)	Number of Other Public Companies where the Individual Concurrently Serves as Independent Director
Identity Name				
Independent Director (Convener)	Hong, Yu-Yuan	<p>●Professional qualification: He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</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 Sam Kuei Construction Co., Ltd. and Chairman of Hong-Cheng Development and Construction Co., Ltd. for over five years.</p>	None of the circumstances stated in Paragraph 1, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" occurred two years prior to the election and during the term of office.	None
Independent Director	Lin, Kuei-Hong	<p>●Professional qualification: He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: He held the position as the Head of LOHAS Outdoor Products Enterprise for over five years.</p>		None
Independent Director	Chang, Hsien-Ta	<p>● Professional qualification: He is an Independent Director of the Company, and possesses expertise in business, finance, and accounting, as well as those required by the Company's operations.</p> <p>●Experience: More than five years of work experience as the president of "Tang Zhe Enterprise" and "Wei Dao Ltd."</p>		None

Note: **Independent status compliance:** should specify their independent status, including but not limited to whether oneself, relatives of Spouse, within the Second Degree of Kinship, etc. serve as directors, supervisors, or employees of the company or its affiliated companies; oneself, relatives of Spouse, within the Second Degree of Kinship, etc. (using the name of others) hold the number and proportion of shares of the company; whether they serve as directors, supervisors, or employees of companies with specific relationships with the company (refer to the Section 5 to 8, Paragraph 1, Article 6 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"); provide the company or its affiliated companies with business, legal affairs, financial and accounting in the last 2 years
The amount of remuneration obtained for accounting and other services.

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.

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

When performing the functions and responsibilities mentioned in the preceding paragraph, the committee shall follow the following principles:

- I. The performance evaluation and remuneration to directors and managers shall be based on the general payment level in the industry, with the consideration for the reasonableness of the linkage with personal performance, responsibilities, the Company's operating performance, and future risks.
- II. Shall not guide directors and managers to engage in behavior that exceeds the Company's risk appetite in pursuit of remuneration.
- III. The percentage of the short-term performance bonus for directors and senior managers and the payment time of part of the variable pay shall be determined in consideration of the characteristics of the industry and the nature of the Company's business.

The salary and remuneration referred to in this paragraph include cash remuneration, stock options, dividends, pension benefits or severance payments, various allowances, and other measures with substantive incentives.

If a subsidiary's director and manager salary and remuneration matters must be approved by the Company's board of directors according to the subsidiary's hierarchy principle, the committee shall make suggestions first before submitting it to the Board of Directors for discussion.

(2) Operation of the Remuneration Committee:

1. The Remuneration Committee consists of 3 members.
2. The term of office starts on 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. 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	
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 term of the Remuneration Committee meeting, contents of the proposal, the opinion of the said member, and the actions in response to the said opinion should be stated: None.

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

Meetings of Remuneration Committee	Important Motion Summary	Resolutions of the Remuneration Committee	Action in Response to the Remuneration Committee's Opinions
January 20, 2022 The 6th meeting of the 4th-term	<ul style="list-style-type: none"> Reviewed the Company 2021's year-end bonus distribution plan for managers, and submitted it for approval. Reviewed the Company 2021's business execution expense proposal, and submitted it for approval. 	The directors and independent directors are the stakeholders of the case, and they left the meeting one by one in accordance with the interest conflict system when deliberating on individual remunerations, and did not participate in the discussion and voting. After the Chairman consulted all the members present, the motion was passed without objection.	Passed without objection
May 5, 2022 The 7th meeting of the 4th-term	<ul style="list-style-type: none"> Promotion of the Company's managers. 	After the Chairman consulted all the members present, the motion was passed without objection.	Passed without objection
August 3, 2022 The 8th meeting of the 4th-term	<ul style="list-style-type: none"> Reviewed remuneration adjustment proposal of the Company's directors who concurrently serve as employees and managers. Reviewed the transfer of the Company's directors who concurrently serve as employees. 	After the Chairman consulted all the members present, the motion was passed without objection.	Passed without objection

(2) Operating Status of the Audit Committee

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.

(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:

- 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.
- 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.
- Establish or examine directors' continuing education.
- Establish the Corporate Governance Best Practice Principles of the Company.

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

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

(2) The term of office of the current members: June 10, 2020 to June 9, 2023. The most recent annual nomination committee met for two times (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	The professional qualifications and experience of the Nomination Committee members are the same as those of the Remuneration Committee members (please refer to page 53 of the annual report).	2	0	100	
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 2022

Meetings of Nomination Remuneration Committee	Important Motion Summary	Resolution
March 9, 2022	The Company's Performance Report of the Board of Directors for 2021	Passed without objection
	Nomination of Director Candidates List	Passed without objection
August 3, 2022	Amendments to certain articles of the Company's "Corporate Governance Best Practice Principles"	Passed without objection
	Amendments to certain articles of the Company's "Corporate Governance Best Practice Principles"	Passed without objection

(V) Implementation of the promotion of sustainable development and the differences and reasons for the rules of practice for sustainable development of TWSE/TPEX

Listed Companies

Promoting items	Execution Status (Note 1)		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Y es	N o		
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?	Y		<p>Phihong’s mission is “to provide a full range of power solutions with the aim of protecting the environment and loving the earth, so as to become a quality enterprise for our customers, employees, shareholders, and manufacturers to share the common prosperity”. With the spirit of corporate sustainable development, Phihong has issued corporate social responsibility reports since 2009. The Company established the Corporate Sustainable Development Committee in 2014, chaired by the Chairman. In 2021, in order to implement the sustainable development policy and integrate ESG with the company’s core development strategy, a “Sustainable Development Office” was established under</p> <div style="text-align: center;"> <p>【Phihong ESG Operating Model】</p> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Main Responsibilities of the Sustainable Development Committee</p> <ul style="list-style-type: none"> •Develop and promote sustainable development policies and help integrate corporate sustainable development values into the Company’s business strategies. •Review the goals, strategies, and action plans of the Company’s sustainable development policies, and review their effectiveness. •Guide and track the progress and performance improvement of each sustainable development action plan. •Responsible for the compilation and publication of the ESG sustainable report </div>	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Promoting items	Execution Status (Note 1)		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No		
			<p>the Corporate Sustainable Development Committee to collect feedback and disclose important issues of corporate sustainable development and stakeholder concerns. We will continue to refine our sustainability strategies and goals by using the three major dimensions of the environmental (E), social (S), and governance (G) as the blueprint for our sustainability strategies, and the UN Sustainable Development Goals (SDGs) as the direction for implementing our sustainability strategies.</p> <p>There are seven promotion groups under the Phihong Sustainable Development Committee, with the first-level head of each group (division) serving as a member. The “Sustainable Development Office” is the core unit to promote the incorporation of major ESG issues into the management strategies and to set short-, medium- and long-term goals for the responsible teams to carry out specific actions, and the Sustainable Office regularly tracks the results and proposes improvement plans.</p> <p>In 2022, the ESG office made four reports to the Board of Directors, approving greenhouse gas inventory targets for the Taiwan headquarters, green power investment plans, identifying sustainability issues of concern, preparing action plans for response, and issuing the current year’s report.</p> <p>The Board of Directors receives regular quarterly reports from the management team (including the ESG report) and the management must present the Company’s strategies to the Board of Directors. The Board of Directors must evaluate the likelihood of success of these strategies and must frequently review the progress of the strategies and urge the management team to make adjustments when necessary.</p>	

Promoting items	Execution Status (Note 1)		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
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, 2022 to December 2022. The boundaries of risk assessment are also the same as those covered by the above information.</p> <p>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 2022, 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)		Summary			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof	
	Yes	No					
			Aspect	Risk type	Impact on operations	Corresponding Strategy	
			Economics	Financial risk	<ul style="list-style-type: none"> •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 	<ul style="list-style-type: none"> •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	<ul style="list-style-type: none"> •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. 	<ul style="list-style-type: none"> •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 	

Promoting items	Execution Status (Note 1)			Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof		
	Y es	N o					
			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	<ul style="list-style-type: none"> • 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	Emergency weather conditions or public services (electricity, water, gas) disruption resulting in factory halting work and operations disrupted.	<ul style="list-style-type: none"> • 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 2021 Corporate Social Responsibility Report. Please see the report link below: (https://www.phihong.com.tw/index.php?route=investors/investorsqiye&zere_type_id=4&zong=1) 		
			Society	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	<p>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.</p> <p>Promote the importance and implementation of honesty and integrity through education at regular intervals</p>	

Promoting items	Execution Status (Note 1)			Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Y es	N o			
				<p>identified as major risks through anti-corruption risk assessment</p> <p>Work safety events impacting company's normal operations. Damage to personnel, property, and factory halting work due to serious differences</p> <p>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.</p>	
<p>III. Environmental issues</p> <p>(I) Does the Company establish a suitable environmental management system based on its industrial characteristics?</p>	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 2021 are publicly disclosed in Phihong Technology's 2021 Corporate Social Responsibility Report Page54. See Company's website. (https://www.phihong.com.tw/index.php?route=investors/investorsqiye&zere_n_type_id=4&zong=1)</p>	<p>In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>	

<p>(II) Is the Company dedicated to improving the utilization efficiency of energy and using recycled materials with a minimal adverse impact on the environment?</p>	<p>V</p>	<p>Phihong Technology realized the green design and promoted such policies and concepts to the entire major production plant. While developing high-performance and high power density battery products, we strengthen our management during the manufacturing procedures by using the monitoring system through regional power and achieve the target of reducing energy consumption, environmental protection, and sustainable development through energy-saving improvements.</p> <p>For energy consumption, the major energy consumed by Phihong in Taiwan is electricity, supplemented by regenerated power (PV at Phihong Tainan plant), which is for self-use and not for sale. The Dongguan plant energy use is mainly electricity and fossil fuels (diesel) as secondary to ensure backup use in times of abnormal electricity and natural gas supply. The Dongguan plant's energy consumption statistics for the fiscal year 2021 showed an overall decrease of 3.3% in electricity compared to 2016 (benchmark year), an increase of 232.56% in diesel fuel compared to the base year due to the use of standby oil-fired generators for electricity, a 61% decrease in natural gas use compared to 2016, and a 95.86% decrease in the portion of gasoline used compared to the base year.</p> <p>The type of energy used in production activities by Phihong is simple, and the main energy source is purchased electricity. Considering that energy use is positively correlated to productivity and revenue; therefore, to avoid using the absolute value of annual energy usage comparison, which cannot identify whether an energy saving policy is effective, Phihong Technology adopts the two approaches of absolute emission reduction and emission intensity reduction in its annual target setting.</p> <p>In 2021, the overall power usage of Phihong in Taiwan reduced by approximately 2% as compared to 2017, the power usage saved achieved more than 54,000 kWh; the energy-saving efficacy was outstanding. In order to achieve slowing down global warming, environment sustainability, and corporate competitiveness, Phihong Taiwan invited the "energy saving team of Ministry of Economic Affairs" in 2016 to the Linkou headquarters and the Tainan plant to undertake energy saving diagnosis. The team provided energy saving diagnosis and recommendations on the electricals, lighting, air conditioning, and elevators. Phihong completed the improvements based on the experts' recommendations. In 2021, we saved over 248,000 kWh of power usage at the Linkou headquarters compared to the base year, which was primarily due to the replacement of the 30RT AC water chiller in 2020, which resulted in power savings.</p> <p>The business model of Phihong Technology is mainly B2B. In order to promote the circular economy, in addition to the models 100% meeting the threshold of the WEEE recycling rate, the company also strives to increase the proportion of recyclable raw materials for its products to reduce the burden on the environment at the end-of-life stage. Phihong Technology mainly</p>	<p>In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>
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Promoting items	Execution Status (Note 1)		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof																																																																								
	Yes	No																																																																										
			<p>produces power supply products, whose main raw materials are metal and plastic. Take the five major models produced by 2021 as an example, the total output has accounted for 30% of the total production output of all models. The five major models together used 602.48 tons of recyclable metals, 1,544.53 tons of plastics, and 572.54 tons of other raw materials, with an average total recyclable rate of 96.46%.</p> <p style="text-align: center;">【Percentage of energy to total use】 Unit:Joule (GJ)</p> <table border="1"> <thead> <tr> <th>Plant Type</th> <th>Unit</th> <th>Taiwan Pihong</th> <th>Taiwan Dongguan</th> <th>Haiphong Pihong</th> <th>Total (GJ)</th> <th>Various types of energy Percentage of total use</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Purchased Electricity GJ</td> <td>KWH</td> <td>2,765,000</td> <td>29,835,965</td> <td>4,790,791</td> <td></td> <td></td> </tr> <tr> <td>GJ</td> <td>9,954</td> <td>107,409</td> <td>17,973</td> <td>135,336</td> <td>98.7%</td> </tr> <tr> <td rowspan="2">Gasoline GJ</td> <td>KG</td> <td>-</td> <td>12,804</td> <td>29,390</td> <td></td> <td></td> </tr> <tr> <td>GJ</td> <td>-</td> <td>6</td> <td>982</td> <td>988</td> <td>0.7%</td> </tr> <tr> <td rowspan="2">Natural gas GJ</td> <td>KG</td> <td>-</td> <td>2,459</td> <td></td> <td></td> <td></td> </tr> <tr> <td>GJ</td> <td>-</td> <td>117</td> <td></td> <td>117</td> <td>0.1%</td> </tr> <tr> <td rowspan="2">Diesel GJ</td> <td>KG</td> <td>-</td> <td>11,473</td> <td>825</td> <td></td> <td></td> </tr> <tr> <td>GJ</td> <td>-</td> <td>452</td> <td>32</td> <td>484</td> <td>0.4%</td> </tr> <tr> <td rowspan="2">Solar Energy GJ</td> <td>KWH</td> <td>28,097</td> <td>-</td> <td></td> <td></td> <td></td> </tr> <tr> <td>GJ</td> <td>101</td> <td>-</td> <td></td> <td>101</td> <td>0.1%</td> </tr> </tbody> </table>	Plant Type	Unit	Taiwan Pihong	Taiwan Dongguan	Haiphong Pihong	Total (GJ)	Various types of energy Percentage of total use	Purchased Electricity GJ	KWH	2,765,000	29,835,965	4,790,791			GJ	9,954	107,409	17,973	135,336	98.7%	Gasoline GJ	KG	-	12,804	29,390			GJ	-	6	982	988	0.7%	Natural gas GJ	KG	-	2,459				GJ	-	117		117	0.1%	Diesel GJ	KG	-	11,473	825			GJ	-	452	32	484	0.4%	Solar Energy GJ	KWH	28,097	-				GJ	101	-		101	0.1%	
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	GJ	101	-		101	0.1%																																																																						

<p>(III) Does the Company assess the current and future potential risks and opportunities of climate change to the Company, and adopt corresponding measures?</p>	<p>V</p>	<p>The management of climate-related risks and opportunities is one of the key strategies for the sustainable development of Phihong Technology. In order to meet the international trend and comply with the government regulations and corporate system, and to continuously evaluate the changes and risks of the domestic and international business environment, as well as revealing the risks and opportunities brought about by climate change with reference to TCFD's recommendation report, and to demonstrate the responsibilities and strategies that Phihong Technology should have, with the aim of allocating capital in a more reasonable and effective manner to achieve the vision of low carbon economic transformation.</p> <p>Following the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), Phihong Technology conducts comprehensive climate risk management from four perspectives: governance, strategy, risk management, metrics, and targets, first identifying risks with significant potential impacts, evaluating the financial paths and impact sizes of each risk factor under different scenarios, taking stock of countermeasures, and setting metrics for regular monitoring and tracking.</p>	<p>In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>(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?</p>	<p>V</p>	<p>Greenhouse Gas Management</p> <p>Phihong Technology realized integrated carbon management. Every year, we track our carbon dioxide emissions through the GHG inventory check in compliance with international standards. The self-inventory check results are used as the basis for establishing internal GHG reduction strategies and carbon asset management. Meanwhile, we examine the risks and opportunities of climate change, establish the carbon dioxide reduction plan and target, and plan to include them in the long-term operating strategies. To achieve the above-mentioned targets and duly fulfill our corporate social responsibility, In 2010, Phihong Technology set organizational boundaries with 100% operational control, carried out the first inspection of the two plants in Dongguan, and passed the third-party verification conducted by LRQA's Register in accordance with the ISO 14064-1 standard. In 2016, Dongguan Phihong expanded the scope of the inspection to all Dongguan plants (including Dahong plant) and set the year as the benchmark year for Dongguan Feihong. Taiwan Phihong has been conducting greenhouse gas inventory since 2017, so the same year is set as the benchmark year. In 2021, Phihong Technology introduced ISO 14064-1:2018 to fully promote the seven types of greenhouse gas emissions inventory and verification, taking the lead in setting reduction targets and seeking reduction opportunities for category 1 and 2 greenhouse gases, proposing improvement plans to gradually enhance the performance of greenhouse gas reduction, and planning to conduct group-wide greenhouse gas inventory and third-party verification.</p> <p>In terms of greenhouse gas emission reduction, we expect to complete the submission of the target to SBTi in 2022. Set the goal of meeting the requirement of 1.5 degrees Celsius temperature rise,</p>	<p>In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Promoting items	Execution Status (Note 1)		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Y es	N o		
			<p>which is below the average, and achieving an annual emission reduction of 4.2%. At the same time, we hope that the installation of solar power generation systems, the replacement of old air chillers and the construction of green building factories, and other positive actions will contribute to environmental protection and the actual action to curb global warming. In 2021, the GHG emission of each plant was as follows:</p>	

【2021 GHG Emission Table】

Category/ unit	Taiwan Pihong				Taiwan Dongguan				Haiphong Pihong		
	2017 (benchmark year)	2020	2021	Compared to the benchmark year	2016 (benchmark year)	2020	2021	Compared to the benchmark year	2020	2021	Compared to the previous year
Direct emissions (Scope 1)/T-CO2e	13.0	15.0	15.0	15.4%	1,135.0	581.5	495.6	-56.3%	103.4	102.0	-1.4%
Indirect emissions (Scope 2)/T-CO2e	1,521.0	1,477.0	1,442.0	-5.2%	27,204.0	22,817.0	23,994.1	-11.8%	2,264.0	3,277.0	44.7%
Total emissions/T-CO2e	1,534.0	1,491.7	1,457.0	-5.0%	28,339.0	23,398.5	24,489.6	-13.6%	2,367.4	3,379.0	42.7%
Number of employees	460	503	544	18.3%	4,936	3,474	4,483	-9.2%	572	904	58.0%
Emissions strength (T-CO2e/person)	3.3	3.0	2.7	-19.7%	5.7	6.7	6.3	-4.8%	4.1	3.5	-15.4%
Emissions strength (T-CO2e/ million dollars)	NA	NA	NA	NA	2.5	2.8	2.4	-4.5%	2.7	1.9	-27.3%

Note :1. GWP refers to IPCC AR5; Dongguan Pihong electricity emission factor (0.8042 CO2e kg/KW.H) is from China Southern Power Grid, Haiphong Pihong electricity emission factor since 2020 (0.6840 CO2e kg/KW.H) is sourced from the Ministry of Environmental Protection, Vietnam. The electricity emission factor (0.502 CO2e kg/KW.H) of Taiwan Pihong for the year 2020 was obtained from the Bureau of Energy, Ministry of Economic Affairs.

2. Since Taiwan Pihong is the headquarter of the Group and has no production lines, only per capita emissions are calculated for emission intensity, and the denominator of the total intensity in millions is calculated based on the turnover generated by each plant.

Statistics of greenhouse gas emission types in 2022								
Category	CO2	CH4	N2O	HFCs	PFCs	SF6	NF3	Total
Emissions	29,732	457	3	1	0	0	0	30,193

Unit: metric tons of carbon dioxide equivalent ※Only calculate category 1 and category 2, integer data

Water Resources Management

The water resources of Pihong Technology's plants are primarily from tap water, and the consumption is primarily the domestic water for employees. In particular, Dongguan Plant and Haiphong Plant are electronic assembly plants. The production procedures use no water resource and generate no sewage. Therefore the effluent of such plants is domestic water. Currently, Pihong uses no recycled water, and the water resource management for all plants primarily promotes the saving of tap water. The execution strategy focuses on the improvement of water-use equipment (i.e., adding water-saving valves in bathrooms and introducing water-saving taps for measures of saving domestic water). As for the processing of effluents, water discharge for operations and plants comply with the emission standards stated by local governments. Furthermore, production plants are in industrial parks, and regular inspections for the quality of effluents are performed to ensure that we comply with the emission standards of the sewage processing system of the local industrial parks. In 2021, Pihong had no circumstance of violating any sewage emissions standard or punishment. In 2021, the amount of water intake of Pihong reduced by 9% compared to 2016 in Taiwan. According to the Northern Region Water Resources Office, Water Resources Agency, Ministry of Economic Affairs, the daily demand for industrial water in Taiwan Pihong's Linkou headquarters area is about 460 million cubic meters, and the domestic water consumption is about 1,565 million cubic meters. According to the Southern Region Water Resources Office, Water Resources Agency, the daily demand for industrial water in the Tainan area of Taiwan Pihong is about 634 million cubic meters, and the daily demand for domestic water is about 778 million cubic meters. Along with the Water Resources Agency, Ministry of Economic Affairs, we have confirmed that Pihong (Tainan), Taiwan is not located in the water-scarce area. According to the Water Risk Filter of World Wide Fund for Nature (WWF), Taiwan Pihong is located in a low-risk area of water stress area. Dongguan Pihong is a medium-risk area in the water stress area; Haiphong Pihong is a medium-low-risk area in the water stress area (Source: Water Resources Agency, Ministry of Economic Affairs/WWF).

【Water resources usage table】

Energy type (Unit)	2020			2021		
	Taiwan Pihong	Taiwan Dongguan	Haiphong Pihong	Taiwan Pihong	Taiwan Dongguan	Haiphong Pihong
Intake/Consume water (million liters)	12.194	396.93	13.121	13.11	386.23	26.41
Number of employees	503	3474	573	544	3869	962
Water usage strength (million liters/person)	0.024	0.114	0.023	0.024	0.100	0.027
※ Waste water discharge (million liters)	0.011	0.357	0.0105	0.0118	0.348	0.021

Note: The water emission coefficient of Dongguan Pihong is 0.9 times the amount of its water intake. (based on the evaluation coefficient in the environmental effect evaluation report reviewed by the State Environmental Protection Administration of China).

Taiwan Pihong also uses 0.9 times the amount of water intake as the coefficient for the water emission. The water emission coefficient for the Haiphong Pihong is 0.8 times the amount of its water intake (according to the waste emission charging standards of the local city government)

Waste Management

Adhering to the ethical concept of the corporation, we included waste processing into management to avoid pollution of the environment due to wastes, so as to effectively minimize the quantity of waste and prevent the impacts on the environment. Besides duly complying with environmental protection and customers' requirements, we also communicate with relevant staff regarding necessary requirements of wastewater (sewage), waste gas, wastes, noise, chemicals, restricted substances, and toxic substances. Each year, we pass ISO 14001 verified by the third-

party verification (LRQA), and regularly reviewed and disclosed the environmental performance achievements. We primarily carry out our waste management through waste reduction, carbon dioxide reduction, and pollution prevention, and we strictly adhere to regulations related to the environment where we operate, and comprehensively execute our waste management system. Furthermore, we actively reduce the generation of waste through methods of leftover acquisition and recycling, reuse, and paid cleaning.

Wastes generated during Pihong Technology's course of operations include "domestic waste" and "business waste," and we engage legal suppliers for proper handling according to regulations where our operations locate. Domestic waste shall be incinerated or buried at the processing field; business waste shall be regenerated for use or be disposed of otherwise according to their categories; hazardous waste shall go through innocent treatment according to local regulations. In addition, we also promote the concept of "resources recycling and reduction" from the inside out to implement reduction fully by every employee. In 2021, there was no major leaking incidence nor major infraction of environmental laws, punishment or fines for Pihong Technology.

【Wastes Category Statistics Table】

Type of wastes (Tons)		2020 years			2021 years		
		Taiwan Pihong	Taiwan Dongguan	Haiphong Pihong	Taiwan Pihong	Taiwan Dongguan	Haiphong Pihong
Domestic wastes (Tons)		25.60	1,861.14	87.63	20.27	345.60	18.72
Business wastes	General business wastes (Tons)	4.70	1,067.71	112.48	6.04	738.41	70.29
	Toxic wastes (Tons)	-	232.21	16.23	-	265.28	88.82
Total weight (Tons)		30.30	3161.05	216.33	26.30	1,349.29	177.83
Domestic waste per capita Output (Tons)		0.06	0.76	0.29	0.05	0.35	0.19

Note: Disposal of wastes:

1. Domestic waste shall be incinerated or buried at the processing field
2. Business waste shall be regenerated for use or be disposed of otherwise according to their

Promoting items	Execution Status (Note 1)		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
			categories 3. Hazardous waste shall go through innocent treatment according to local regulations.	
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		<p>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.</p> <p>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.</p>	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		<p>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 2020, 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 1.12 times the local basic salary, so there is no penalty for non-compliance with remuneration regulations.</p> <p>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</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
	Y es	N o	Summary	
			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 2020. 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.	
(III) Does the Company provide a safe and healthy work environment for employees and regularly organize health and safety training for employees?	V		<p>Occupational Safety and Health Management</p> <p>Phihong Technology has incorporated occupational safety and health management into one of the key points of its corporate sustainable development strategy to maintain factory safety and work environment and employee health. Taiwan Phihong has formulated an "environmental health and safety policy" and established an Occupational Safety and Health Committee in accordance with the "Occupational Safety and Health Act" to promote the occupational safety and health management system and pass the Occupational Safety and Health Management System verification every year. To create a healthy and safe workplace for employees and to prevent occupational injuries, we thoroughly review and monitor the safety of the work environment to comply with the local government regulations and company policies in each plant. In 2021, Phihong Technology completed the Occupational Safety and Health Management System (ISO 45001:2018) conversion verification and auditor training and received the certificate in September of the same year. In the same year, Dongguan Phihong officially established EHS Occupational Safety and Health Department to assist in supervising and recommending occupational safety and health-related planning and considering occupational safety-related issues. The</p>	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies



LRQA ISO 45001 Certificate

Promoting items	Execution Status (Note 1)		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
			<p>workers covered by the new management system are all employees of Dongguan Pihong and contractors, with a total of 3,995 participants. All operations are based on the contents of the occupational safety and health management system, hazard identification, risk assessment, operation auditing and accident investigation.</p> <p>In 2021, Pihong Technology did not have any occupational injuries that caused the death of workers or were judged to be occupational diseases or serious occupational injuries. We continue to provide a safe and carefree working environment for our employees, with the ultimate goal of achieving a zero-hazard workplace.</p>	
(IV) Does the Company establish effective career development and training plans for employees?	V		<p>Pihong 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	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</p>	In compliance with the Sustainable Development Best Practice Principles for

Promoting items	Execution Status (Note 1)		Summary	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Y es	N o		
customers, customer privacy, marketing and labeling of products and services, and formulate relevant consumer protection policies and complaint procedures?			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. 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 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.	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		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.	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
V. Does the Company refer to the reporting standards or guidelines which are accepted internationally for compiling reports on non-financial information of the Company	V		Phihong's CSR report is prepared and verified by a third party based on the following standards: 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 2021 (prepared in 2022) 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.	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
	Y es	N o	Summary	
such as the sustainable report? Does the previous report obtain the assurance or verification statement of a third-party verification unit?			2. The Company has participated in the review for the “Taiwan Corporate Sustainability Awards” in the past seven years and has won a total of four silver awards and three gold awards, including the gold award won in 2022, and has been continuously recognized by the organizer of the awards.	
<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:</p> <p>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”.</p> <p>The Company has revised the “Code of Practice for Corporate Social Responsibility” to “Code of Practice for Corporate Sustainable Development” in 2022 to reflect the content of the “Code of Practice for Sustainable Development of OTC Listed Companies”, and issued it after the Board of Directors reviewed and approved it.</p>				
<p>VII. Other important information that helps to understand the implementation status of sustainable development:</p> <p>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 important information about honest management. In 2022, Phihong Technology also changed its name to the Corporate Sustainability ESG Report.</p>				

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

Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
<p>I. Establishing ethical corporate management policies and measures</p> <p>(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?</p> <p>(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"?</p> <p>(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</p>	V		<p>(I) Pihong'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.</p> <p>(II) Pihong'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.</p> <p>(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</p>	<p>(1) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p> <p>(2) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p> <p>(3) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p>

Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
regularly?			<p>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.</p> <p>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.</p>	
<p>II. Implementing ethical corporate management</p> <p>(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?</p> <p>(II) Does the Company establish a 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?</p> <p>(III) Does the Company adopt policies to prevent conflicts of interest and provide a proper appeal system and implement them thoroughly?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(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.</p> <p>(II) The Company established the Corporate Sustainable Development Committee in 2014, chaired by the General Manager, with the executive assistant to the General Manager Office as the executive secretary, and the first-level supervisors of business groups as ex officio members, responsible for the seven corporate social responsibility issues of corporate governance, green R&D, supply chain management, environmental sustainability, customer service, employee care, and social participation. Ethical management is under the corporate governance promotion team and is implemented by the Audit Office. 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.</p> <p>(III) The company has established "regulations of the board meetings" to regulate any conflict of interest in the board</p>	<p>(1) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p> <p>(2) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p> <p>(3) In compliance with the Ethical Corporate Management Best Practice Principles for</p>

Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Summary	
<p>(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?</p> <p>(V) Does the Company organize internal and external training on ethical corporate management on a regular basis?</p>	V		<p>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.</p> <p>(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.</p> <p>(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.</p>	<p>TWSE/GTSM Listed Companies.</p> <p>(4) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p> <p>(5) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>III. Implementing the whistle-blowing system</p> <p>(I) Does the Company formulate a concrete whistle-blowing and reward system, build convenient grievance channels, and assign the appropriate personnel to investigate the reported parties?</p> <p>(II) Does the Company establish standard operating procedures for the investigation of complaints and the follow-up measures to be adopted after the investigation is completed as well as the relevant confidentiality mechanisms?</p>	V	V	<p>(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. 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</p>	<p>(1) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p> <p>(2) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed</p>

Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
(III) Does the Company take measures to protect whistle-blowers from inappropriate disciplinary actions?			operating procedures, confidentiality mechanisms, and whistleblower protection mechanisms. (III) Same as above.	Companies. (3) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
IV. Enhancing disclosure of information Does the Company disclose the content and performance of the Ethical Corporate Management Best Practice Principles on the company website and Market Observation Post System?	V		Official website of Phihong (www.phihong.com.tw) "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. (https://www.phihong.com.tw/index.php?route=investors/investorsqiye).	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
<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 insider trading is strictly prohibited, and opportunities for corruption are eliminated, so as Retention of implement anti-corruption in daily management and business activities.</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. 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>				

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

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

(VIII) Other Significant Information that Provides Better Understanding Implementation Status of Corporate Governance

None.

(IX) Implementation Status of Internal Control System

1. Statement of Internal Control

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

Date: March 10, 2023

Based on the results of the self-assessment, the Company's internal control system of the Republic of China in 2022, is stated as follows:

- I. The Company recognizes that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Board of Directors and the Managers of the Company, and that the Company has established such a system. The purpose is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and safety of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and relevant laws and regulations.
- II. No matter how well designed, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism and once deficiencies are identified, the Company will take corrective action.
- III. The Company determines the effectiveness of the design and implementation of the internal control system in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Regulations"). The judgments of the internal control system adopted in the Regulations are based on the process of management control, and the internal control system is divided into five components: 1. environmental control, 2. risk assessment, 3. operational control, 4. information and communication, and 5. operational supervision. Each component consists of several items. Please refer to the "Regulations" for the aforementioned items.
- IV. The Company has adopted the items of internal control system judgment mentioned above to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the results of the preceding evaluation, the Company believes that the design and implementation of the Company's internal control system (including supervision and management of subsidiaries) on December 31, 2022, including the understanding of the extent to which operational effectiveness and efficiency objectives are achieved, the reliability of reporting, timeliness, transparency and compliance with relevant regulations and relevant laws and regulations are effective, and that they can reasonably ensure the achievement of the above objectives.
- VI. This statement will be the main content of the Company's annual report and public explanatory statement and will be made available to the public. If the contents of the above-mentioned disclosures contain any misrepresentations or nondisclosures, the Company will be subject to legal liability in accordance with Article 20, Article 32, Article 171, and Article 174 under the Securities and Exchange Act.
- VII. Hereby declare that this statement was approved by the board of directors at the board meeting held on March 09, 2023, and out of the 12 directors present, none of them filed an objection, and the rest agreed to the contents of this statement.

Phihong Technology Co., Ltd.

Chairman: Lin, Chung-Min (signature)

General Manager: Lin, Yang-Hong (signature)

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

(X) In the most recent year and as of the publication date of the annual report, the Company and its internal personnel have been punished according to law, or the Company has punished its internal personnel for violating the provisions of the internal control system, and the results of the punishment may have a significant impact on shareholders' rights and interests or securities prices. The content of the punishment, the main deficiencies and the improvement situation

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

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

1. Resolutions of the shareholders' meeting in 2022:

Summary of important proposals	Implementation
I. Recognizing Issues: <ul style="list-style-type: none"> Acknowledged the 2021's annual financial statement case. Acknowledged Deficit Compensation for 2021. II. Issues to be Discussed: <ul style="list-style-type: none"> The amendment to "Articles of Incorporation." The amendment to "Procedures for Acquisition or Disposal of Assets." Business division of the Company's electric vehicle energy business group. III. Election matter: By-election of Two Seats of Directors. IV. Release of the non-competition restriction of newly elected directors.	I. <ul style="list-style-type: none"> Resolution passed. Resolution passed. II. <ul style="list-style-type: none"> In effect. In effect. Completed the division on September 1, 2022. III. Completed the re-election. IV. Resolution passed.

2. Important resolutions of the Board of Directors:

Important resolutions for the year 2022 and up to the end of March 2023 are as follows:

Date	Summary	Implementation
January 20, 2022	The Company's Operating Budget for 2022	The relevant operations have been carried out in accordance with the resolution.
	The Company plans to increase the capital of its subsidiary PHIHONG VIETNAM CO., LTD. in cash	
	Company's 2021 year-end bonus distribution plan for managers.	
	Deliberation of the 2021 business execution expenses	
	The Company intends to establish 100% subsidiaries in Taiwan and overseas directly or indirectly for the needs of future operation and development.	
	Proposed to apply for a line of credit case with various banks	
March 10, 2022	The Company's 2021 Annual Business Report, Standalone Financial Statements, and Consolidated Financial Statements	Approved by the 2022 ordinary general meeting of shareholders.
	The Company's Deficit Compensation for 2021	
	The amendment to "Articles of Incorporation"	
	Amendments to Provisions of the "Procedures for Acquisition or Disposal of Assets"	Proposed the election of the 2022 ordinary general meeting of shareholders in accordance with the law.
	Business division of the Company's electric vehicle energy business group	
	By-election of two directors	
	Nomination of Director Candidates List	Proposed the election of the 2022 ordinary general meeting of shareholders in accordance with the law.

Date	Summary	Implementation
	Release of the non-competition restriction of newly elected directors	Proposed for discussion at the 2022 ordinary general meeting of shareholders in accordance with the law.
	The time, place and meeting proposal of the Company's 2022 ordinary general meeting of shareholders	The announcement has been made on the Market Observation Post System Website and the operations related to the 2022 ordinary general meeting of shareholders have been carried out.
	Accepting shareholder proposals and nomination-related matters at the 2022 ordinary general meeting of shareholders	The proposal and nomination of shareholders holding less than 1% of shares at the 2022 ordinary general meeting of shareholders.
	The Company's 2021 "Statement of Internal Control System"	It has been processed in accordance with the resolution and announced on Market Observation Post System Website.
	Proposal for assessment of the independence of CPAs Wu, Ke-Chang and Hong, Kuo-Tien for the year 2022	The relevant operations have been carried out in accordance with the resolution.
	Proposed appointment of the Company's certified accountant and remuneration case	The relevant operations have been carried out in accordance with the resolution.
	The Company intends to provide financing endorsement guarantee for the subsidiary PHIHONG VIETNAM CO., LTD.	It has been processed in accordance with the resolution and announced on Market Observation Post System Website.
May 5, 2022	The Company's Consolidated Financial Statements for the first quarter of 2022	It has been announced on Market Observation Post System Website.
	Promotion of the Company's managers	The relevant operations have been carried out in accordance with the resolution.
	The Company intends to sign a financial credit line with Taipei Fubon Bank (new case)	
June 2, 2022	In order to meet the needs of the future development of the electric vehicle energy business and overseas deployment, the company intends to invest in overseas and China to set up direct and indirect 100% subsidiaries.	
	The Company's Consolidated Financial Statements for the second quarter of 2022	It has been processed in accordance with the resolution and announced on Market Observation Post System Website.
August 4, 2022	Remuneration adjustment proposal of the Company's directors who concurrently serve as employees and managers	The relevant operations have been carried out in accordance with the resolution.
	Transfer of the Company's directors who concurrently serve as employees and managers.	
	The Company intends to invest in each of Zerova's direct and indirect 100% owned overseas subsidiaries	
	The Company intends to lend funds to each of Zerova's direct and indirect 100% owned overseas subsidiaries	
	The Company and its subsidiary, Zerova Technologies Taiwan Limited., intend to sign a financing credit line and endorse and guarantee financing.	
	The company intends to sign a guaranteed issuance of commercial promissory notes with Mega Bills Finance Co., Ltd. (new proposal)	
	The Company intends to short a financial credit line with Shanghai Commercial & Savings Bank, Ltd. (new proposal)	
	The Company intends to apply a financial credit line with KGI Bank Co., Ltd. (new proposal)	
Subsidiary "Phihong Electronics (Suzhou) Co., Ltd." intends to lend funds to "Dongguan Phitek Electronics Co., Ltd."	It has been announced on Market Observation Post System Website monthly.	

Date	Summary	Implementation
	<p>Subsidiary "Phihong (Dongguan) Electronics Co. Ltd." intends to lend funds to "Dongguan Phitek Electronics Co., Ltd."</p> <p>Amendments to certain articles of the Company's "Corporate Governance Best Practice Principles"</p> <p>Amendments to certain articles of the Company's "Corporate Governance Best Practice Principles"</p>	<p>The relevant operations have been carried out in accordance with the resolution.</p>
November 3, 2022	<p>Zerova Technologies Taiwan Limited (hereinafter referred to as "Zerova"), a subsidiary of the Company, intends to carry out a share exchange with its sub-subsidiary, Zerova Technologies SG Pte. (hereinafter referred to as Zerova SG) in Singapore.</p>	<p>The relevant operations have been carried out in accordance with the resolution.</p>
	<p>The Company's Consolidated Financial Statements for the third quarter of 2022</p>	<p>Public announcement has made.</p>
	<p>The Company's Audit Plan for 2023</p>	<p>Implement according to the plan.</p>
	<p>The Company lends funds to Phihong Technology Japan Co., Ltd. for JPY 300 million.</p>	<p>The relevant operations have been carried out in accordance with the resolution.</p>
	<p>Zerova Technologies Taiwan Limited. lends funds to directly or indirectly 100% owned subsidiaries of Zerova in the cayman islands</p>	
	<p>Proposal for mid-term assessment of the funds loaned to the Group's subsidiaries.</p>	
	<p>The company intends to sign a guaranteed issuance of commercial promissory notes with International Bills Finance Corporation (new proposal)</p>	
	<p>The Company intends to apply a financial credit line with Bank SinoPac. (new proposal)</p>	
	<p>Amendment of partial provisions of the Operating Procedures for Handling Internal Material Information</p>	<p>The relevant operations have been carried out in accordance with the resolution.</p>
<p>Amendment of partial provisions of the regulations of the board meetings</p>		
January 13, 2023	<p>Company's 2022 year-end bonus distribution plan for managers.</p>	
	<p>Company's 2022 Director year-end bonus distribution plan for managers.</p>	
	<p>Proposed to apply for a line of credit case with various banks</p>	
March 09, 2023	<p>The Company's 2022 Annual Business Report and the Financial Statements, (including Consolidated Financial Statements).</p>	<p>Report to the 2023 shareholders' meeting for recognition</p>
	<p>The Company's Surplus earnings distribution proposal for 2022.</p>	<p>Report to the 2023 shareholders' meeting for recognition</p>
	<p>The distribution of employee compensation and the directors' remuneration proposal of 2022.</p>	<p>Report to the 2023 shareholders' meeting for recognition</p>
	<p>Comprehensive re-election of directors proposal.</p>	<p>Report to the 2023 shareholders' meeting for recognition</p>
	<p>The company convened the 2023 ordinary general meeting of shareholders related matters.</p>	<p>The relevant operations have been carried out in accordance with the resolution.</p>
	<p>Accepting shareholder proposals and Nomination-related matters at the 2022 Annual General Meeting.</p>	<p>The relevant operations have been carried out in accordance with the resolution.</p>
	<p>2023 Budget and Capital Expenditures proposal.</p>	<p>The relevant operations have been carried out in accordance with the resolution.</p>

Date	Summary	Implementation
	Tainan 3rd Plant Capital Expenditures proposal.	The relevant operations have been carried out in accordance with the resolution.
	The Company's 2022 "Statement of Internal Control System".	Public announcement and report have made
	Proposal for assessment of the independence of Auditors and CPAs by Q1 of the year 2023.	The relevant operations have been carried out in accordance with the resolution.
	The amendment to partial provisions of the "Articles of Incorporation" proposal.	Report to the 2023 shareholders' meeting for discussion
	The amendment to partial provisions of the "procedures for the Management of Endorsements and Guarantees" of the Company and the group's subsidiaries proposal.	
	Formulate the Company's "Norms for Financial Business Operations between Stakeholders" proposal.	The relevant operations have been carried out in accordance with the resolution
	The amendment to partial provisions of the "Rules of Procedure for Shareholders Meetings" proposal.	Report to the 2023 shareholders' meeting for discussion
	The amendment to partial provisions of the Company's "accounting system" proposal.	The relevant operations have been carried out in accordance with the resolution
	Amendment to the "Authorization Chart" proposal.	The relevant operations have been carried out in accordance with the resolution

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

(XIII) A Summary of Resignations and Dismissals of Chairman, General Manager, Accounting Manager, Financial Manager, Internal Audit Officer, Corporate Governance Officer, or Research and Development Officer during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

Title	Name	Started Date	End Date	Reasons of Resignation or Termination
Supervisors of R&D Vice General Manager	Chen, Chun- Cheng	November 1, 2010	September 1, 2022	Transferred to Zerova Technologies Taiwan Limited for division of the electronic vehicles energy business sector.

V. Information on CPA Professional Fees

(I) CPA Professional Fees

Name of the public accounting firm	CPA Name	CPA Audition Period	Audit Fees	Non-audit Fees	Total	Note
Deloitte & Touche	Wu, Ke-Chang	January 01, 2022~ ~December 31, 2022	8,330	10,754	19,084	Mainly of the department of tax of accounting firm providing Transfer Pricing Report service fee for NT\$380 thousand, Business Tax Direct Deduction Method audition fee for NT\$150 thousand, Process fee for Offshore Company operation, Economic Substance Report and Certificate of Incumbency for NT\$204 thousand, Filing service to the Investment Commission for NT\$2,505 thousand, Project Thunder service fee for NT\$7,480 thousand.
	Hong, Kuo-Tien	January 01, 2022~ December 31, 2022				

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

(3). 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

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

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

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

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

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

Title	Name	2022		2023 by April 11	
		Number of Shares Increase (Decrease)	Number of Pledge of Shares Increase (Decrease)	Number of Shares Increase (Decrease)	Number of Pledge of Shares Increase (Decrease)
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	Chou, Ming-Chih	0	0	0	0
Director	Chiang, Wei-Feng	0	0	0	0
Director	Chou, Ta-Jen	0	0	0	0
Director	Kuan Feng Investment Ltd.	0	0	0	0

Title	Name	2022		2023 by April 11	
		Number of Shares Increase (Decrease)	Number of Pledge of Shares Increase (Decrease)	Number of Shares Increase (Decrease)	Number of Pledge of Shares Increase (Decrease)
	Representative: Lin, Yang-Hong	0	0	0	0
Director	Kuan Feng Investment Ltd.	0	0	0	0
	Representative: Yang, Shih-Hsiung (Note 1)	0	0	0	0
Director	Taiwan Cement Corporation	0	0	0	0
	Representative: Wang, Chien-Chuan (Note 1)	0	0	0	0
Independent Director	Hong, Yu-Yuan	0	0	0	0
Independent Director	Lin, Kuei-Hong	0	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	0	0	0	0
Vice President	Chang, Yuan-Shun	0	0	0 (10,000)	0
Vice President	Chien, Wen-Sung	0	0	0	0
Assistant Vice President	Liu, Jia-Xiang (Note 3)	0	0	0	0
Head of finance	Li, Pei-Yi	0	0	0	0
Head of accounting	Chen, Kuei-Chih	0	0	0	0

Note 1: Director Yang, Shih-Hsiung and Director Wang, Jian-Quan were elected at the by-election of General Meeting of Shareholders on June 8, 2022.

Note 2: Director Chen, Chun Cheng he was dismissed on September 1, 2022.

Note 3: Assistant Vice President Liu, Jia-Xiang took office on June 1, 2022.

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

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

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

April 11, 2023; Unit: Share, %

Name	Personal Shareholding		Shareholding Held by Spouse & Minor Children		Shareholding Total Held in the Name of Others		TITLE, NAME AND RELATIONSHIP OF SHAREHOLDER BEING A RELATED PARTY, SPOUSE OR RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP OF ANOTHER WITH NUMBER OF SHAREHOLDING RANKED IN TOP 10.		Note
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Title (or Name)	Relationship	
Lin, Chung-Min	51,703,063	13.78	3,813,236	1.02	-	-	Chien, Shu-Nu	Spouse	NA
							Lin, Fei-Hong	Father and son	
							Lin, Yang-Hong	Father and son	
Taiwan Cement Corporation	37,520,000	10.00	None	None	-	-	-	-	NA
Taiwan Cement Corporation Representative: Wang, Chien-Chuan	-	-	-	-	-	-	-	-	NA
Citibank (Taiwan) Ltd. in Custody for Norges Bank	11,186,242	2.98	-	-	-	-	-	-	NA
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stocks Index Fund, a series of Vanguard International Equity Index Funds	4,159,000	1.11	-	-	-	-	-	-	NA
Chien, Shu-Nu	3,813,236	1.02	51,703,063	13.78	-	-	Lin, Chung-Min	Spouse	NA
							Lin, Fei-Hong	Mother and Son	
							Lin, Yang-Hong	Mother and Son	
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	-	-	-	-	-	-	NA
Fang, Wan-You	3,603,000	0.96	-	-	-	-	-	-	None
Lin, Yang-Hong	3,384,000	0.90	63	0	-	-	Lin, Chung-Min	Father and son	NA
							Chien, Shu-Nu	Mother and Son	
							Lin, Fei-Hong	Sibling	
Lin, Fei-Hong	3,376,000	0.90	-	-	-	-	Lin, Chung-Min	Father and son	NA
							Chien, Shu-Nu	Mother and Son	
							Lin, Yang-Hong	Sibling	
Citibank Hosting Swiss Bank European SE Investment Account	3,242,807	0.86	-	-	-	-	-	-	NA

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, 2022; Unit: Share, %

Makes investments (Note)	Investments by the Company		Investments by Directors, Supervisors, Managers and Direct or Indirect Control Business		Comprehensive Investments	
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholdi ng (%)
PHIHONG INTERNATIONAL CORP.	102,421,351	100	-	-	102,421,351	100
PHIHONG USA CORP.	3,100,000	100	-	-	3,100,000	100
PHITEK INTERNATIONAL CO., LTD.	18,840,000	100	-	-	18,840,000	100
ASCENT ALLIANCE LTD	12,012,600	100	-	-	12,012,600	100
PHIHONG TECHNOLOGY JAPAN CO., LTD.	3,000	100	-	-	3,000	100
PHIHONG VIETNAM CO.,LTD	65,000,000	100	-	-	65,000,000	100
Guang-Lai Investment Co., Ltd.	13,975,828	100	-	-	13,975,828	100
H&P Venture Capital Co., Ltd.	1,373,801	32.26	457,934	10.75	1,831,735	43.01
Zerova Technologies Taiwan Limited	60,000,000	100			60,000,000	100
Zerova Technologies Taiwan Limited	120,000,001	100	-	-	120,000,001	100

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

Four. Information on Capital Raising Activities

1. Capital and Shares

(I) Source of Capital

1. Cap Table

Unit: NT\$1,000, share

Year Month	Offering Price	Authorized Capital Stock		Paid-in Capital Stock		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Property Other Than Cash Provided as Capital Contributions	Others
1972.12	100	2,000	200	2,000	200	Company Set-up	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 Capital surplus by 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

Year Month	Offering Price	Authorized Capital Stock		Paid-in Capital Stock		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Property Other Than Cash Provided as Capital Contributions	Others
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

Year Month	Offering Price	Authorized Capital Stock		Paid-in Capital Stock		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Property Other Than Cash Provided as Capital Contributions	Others
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	Capital Reduction from Treasury Stock 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	Capital Reduction from Treasury Stock 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	Capital Reduction from Treasury Stock 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 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 6,220	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007

Year Month	Offering Price	Authorized Capital Stock		Paid-in Capital Stock		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Property Other Than Cash Provided as Capital Contributions	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 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 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 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 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 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 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 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 550	None	Financial Supervisory Commission of the Executive Yuan Letter Jin-Guang-Zheng-Yi-Zi No. 0960069508 issued on December 11, 2007

Year Month	Offering Price	Authorized Capital Stock		Paid-in Capital Stock		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Property Other Than Cash Provided as Capital Contributions	Others
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 Shares

April 11, 2023, Unit: Share

Shares Category	Authorized Capital Stock					Note
	Issued Shares		Treasury Shares	Unissued Shares	Total	
	Listed	Private Placement				
Ordinary Shares	337,688,416	37,520,000	0	224,791,584	600,000,000	

(2) Shareholder Structure

April 11, 2023; Unit: Share, %

Shareholder Structure Number	Governmental Institute	Financial Institute	Others	Personal	Foreign Institute and Foreigner	Total
Number of People	1	7	219	72,649	112	72,988
Number of Shares	3	1,640,856	45,358,936	292,243,260	35,965,361	375,208,416
Shareholding (%)	0.00	0.44	12.09	77.88	9.59	100.00

(3) Diffusion of Ownership

April 11, 2023; Unit: Person; Share, %

Shareholding (%)	Number of Shareholders	Number of Shares	Percentage of Ownership (%)
1~999	36,926	2,278,917	0.61
1,000~5,000	29,382	56,530,557	15.06
5,001~10,000	3,486	27,978,878	7.46
10,001~15,000	1,015	13,120,382	3.50
15,001~20,000	688	12,904,823	3.44
20,001~30,000	538	13,874,794	3.70
30,001~40,000	264	9,523,645	2.54
40,001~50,000	163	7,630,942	2.03

Shareholding (%)	Number of Shareholders	Number of Shares	Percentage of Ownership (%)
50,001~100,000	280	20,548,203	5.48
100,001~200,000	130	18,876,474	5.03
200,001~400,000	63	17,805,003	4.75
400,001~600,000	13	6,471,441	1.72
600,001~800,000	7	5,206,079	1.39
800,001~1,000,000	6	5,485,948	1.46
Above 1,000,001	27	156,972,330	41.83
Total	72,988	375,208,416	100.00

(4) List of Major Shareholders: The shareholders who hold more than 5% of the total shares or account for the top ten proportion of equity

April 11, 2023; Unit: Share, %

Name of Major Shareholder	Shares Number of Shares	Percentage of Ownership (%)
Lin, Chung-Min	51,703,063	13.78
Taiwan Cement Corporation	37,520,000	10.00
Citibank (Taiwan) Ltd. in Custody for Norges Bank	11,186,242	2.98
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stocks Index Fund, a series of Vanguard International Equity Index Funds	4,159,000	1.11
Chien, Shu-Nu	3,813,236	1.02
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
Fang, Wan-You	3,603,000	0.96
Lin, Yang-Hong	3,384,000	0.90
Lin, Fei-Hong	3,376,000	0.90
Citibank Hosting Swiss Bank European SE Investment Account	3,242,807	0.86

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

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

Item	Year	As of 2023		
		2021	2022	March 31
Market price per share	Highest	53.10	53.00	64.80
	Lowest	15.50	30.05	37.70
	Average	32.40	39.88	54.81
Net worth per share (Note 1)	Before allocation	15.58	16.59	16.67
	After allocation	15.58	16.59	16.67
Earnings per share	Weighted-average shares	338,511	375,208	375,208
	Earnings Unadjusted	-0.92	0.19	0.12

Item	Year		2021	2022	As of 2023 March 31
	per share	Adjusted			
			-0.92	0.19	0.12
Dividend per share	Cash dividend		0	0	0
	Stock grants	Stock Dividend from Retained Earnings	0	0	0
		Stock Dividend from Capital Surplus	0	0	0
	Accumulated undistributed dividends		0	0	0
Investment Return Analysis of	Price-to-earnings ratio (Note 2)		-	-	-
	Price-to-dividend ratio (Note 3)		-	-	-
	Cash dividend yield (Note 4)		-	-	-

Note 1: Please refer to the number of shares issued at the end of the year and fill in the allocation in accordance with the resolutions of the board of directors or the following annual shareholders' meeting.

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

Note 3: Price-to-Dividend Ratio = average closing price per share for the current year/cash dividend per share.

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

(6) The Company's Dividend Policy and Implementation Status

1. Dividend policy:

If there is a surplus in the company's annual final accounts, in addition to paying taxes and contributions in accordance with the law, it shall first make up for the losses of the previous year, and then allocate 10% of the remaining amount as the statutory surplus reserve and provide or transfer special surplus reserve in accordance with the decree or the regulations of the competent authority. If there is still a surplus, add to the accumulated undistributed surplus in the previous period, the board of directors shall retain the appropriate surplus as appropriate according to the needs of operations, and formulate a distribution proposal, submit it to the shareholders' meeting for resolution and distribute shareholders' dividends.

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 dividends 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 profit after tax for the year 2022 was NT\$71,327,397. In accordance with the Articles of Incorporation of the Company and relevant laws and regulations, 10% of the statutory surplus reserve is NT\$9,127,296 and the special surplus reserve is NT\$82,145,663. The distributable surplus is NT\$0, so shareholders' dividends are not distributed.

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

There is no proposal for a free allotment of shares at this ordinary general meeting of shareholders, and the company does not need to disclose its 2023 financial forecast in accordance with regulations, so there is no need to disclose annual estimated information.

(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. The basis for the estimation of the remuneration of employees and directors in the current period, the basis for the calculation of the number of shares of the remuneration of employees distributed by shares, and the accounting procedure if the actual distribution amount is different from the estimated number:

(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) Basis for calculating the number of shares allocated for stock dividends: None.

(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 Board of Directors of the Company resolved on March 9, 2023 that the distribution of surplus in 2022 is as follows:

Proposed allotment of employee remuneration: NT\$13,462,466, all are distributed in cash.

Proposed allotment of Director remuneration: NT\$2,692,493, all are distributed in cash.

Accounting procedure of differences between Directors' remuneration approved by the Board of Directors and the annual estimated amount of recognized expenses: None.

The proportion of the amount of employee remuneration distributed in shares to the total after-tax net profit and total employee remuneration in the current individual financial report: None.

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

The Company's net loss after tax in 2021 was NT\$312,618,000. 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 1st Secured Ordinary Corporate Bond of 2021		
Issue (Handle) Date		March 25, 2021		
Value		NT\$10,000,000		
Issuance & Conversion Location		Taipei Exchange		
Offering 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 1st Secured Ordinary Corporate Bonds of Phihong 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

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

IV. Global Depository Shares

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

V. Employee share subscription warrants

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

VI. New Restricted Employee Shares

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

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

(1) Basic Information Sheet of the Merged and Acquired Companies

Date: 2022.12.31

Name	Phehicle Co., Ltd. (name change to Zerova Technologies Taiwan Limited)	
Company Address	No. 99, Zhengnan 1st St., Yongkang Dist., Tainan City	
Representative	Lin, Fei-Hong	
Paid-in Capital	NT\$600,000,000	
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 station	
Recent annual financial information	Total Assets	996,122,111
	Total Liabilities	366,259,939
	Shareholders' Equity	629,862,172
	Operating revenue	211,327,947
	Gross profit	151,967,644
	Operating Income	(2,048,585)
	Profit or Loss	29,862,172
	Earnings per share	Note

Note: Zerova Technologies Taiwan Limited is not a listed company, so there is no need to disclose earnings per share information in the financial statements.

(2) Implementation and the impact on shareholders' rights and interests:

Implementation: Business division of the Company's electric vehicle energy business group has been finished on September, 01, 2022.

Impact on shareholders' rights and interests: The relevant business of the electric vehicle energy business group is divided into Phehicle Co., Ltd, an existing subsidiary of the company that is 100% owned by the company. Before and after the division date, Phehicle Co., Ltd is a 100%-owned subsidiary of the company, so this division has no impact to the Company's shareholders' rights and interests.

Assessment Report from CPA: Before and after the division date, Phehicle Co., Ltd is a 100%-owned subsidiary of Pihong Technology Co., so this division should have no impact to the Company's shareholders' rights and interests.

Implementation in latest quarter: Business division of the Company's electric vehicle energy business group has been finished on September, 01, 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 funds:

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, 2022.

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:

(I) Projects, application progress and expected benefits

Unit: NT\$1,000

Project	Expected Complete Date	Amount Required	Progress	
			2021Q4	2022Q1
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 1st quarter of 2022	Ahead or behind schedule Reason and improvement plan
	Payment progress	Execution progress		
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	2021	2022	Changes Increase or Decrease (%)
	Current Asset		9,679,343	9,837,700
Current Liability		6,133,290	6,186,134	0.86
Total Liabilities		7,775,302	8,374,060	7.70
Interest expenses		40,297	77,918	93.36
Operating revenue		12,284,041	14,017,575	14.11
Profit per share (loss)		(0.92)	0.19	(120.65)
Financial Structure	Debt ratio	57.12	57.40	0.49
	Long term funds to property, plant and equipment	229.25	210.81	(8.04)
<p>Descriptions:</p> <p>Increase in interest expense: Due to the increase in long-term and short-term borrowings in the current period.</p> <p>Increase in profit (loss) per share: Due to an increase in the amount of net profit in the current period compared with the previous period.</p>				

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	Main Product Category	
	Amount	Percentage
Power supply unit	14,004,250	99.90
Others	13,325	0.10
Total	14,017,575	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 CRPS Redundant modules
(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 720KW.
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 online and offline 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, voltage and current feedback is

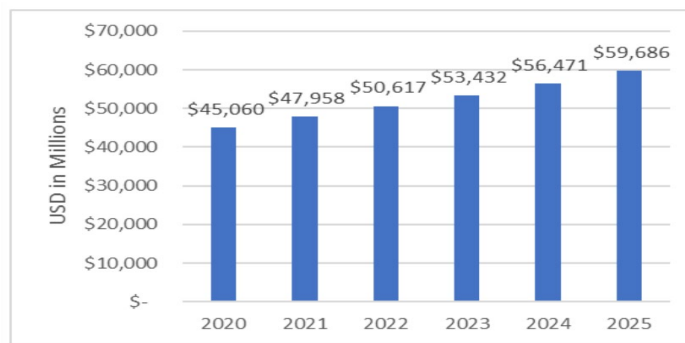
Type of Input/Output	Category	Purpose
		realized in the form of software, and built in the MCU based on the concept of modularized design.

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 2022 was US\$50.617 billion, a slight increase of 5.25% from 2021.



Global SMPS market scale

Source: Micro-Tech Consultants

Since the development of science and technology in the future will center around cloud information networks, Internet of Things (IOT), wireless communication, AI, 5G, HPC, energy storage, EV charging, smart grids, smart devices, enenergy-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, Smart Phone, 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 and POE CRPS Redundant modules.

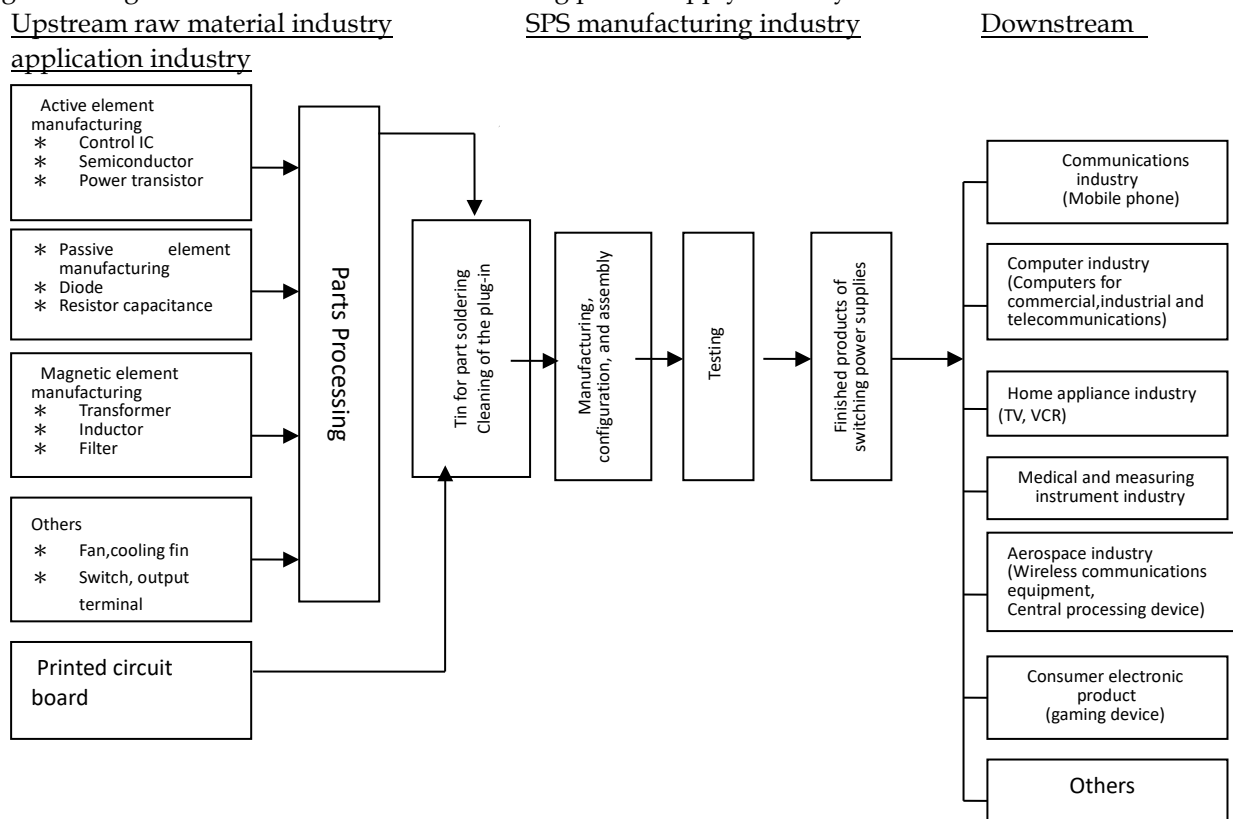
With the continuous construction of large data centers and various application network platforms, network switches have also increased in recent years. In addition, because of the increasing number of connected devices and data transmission, POE open-frame power supplies and POE CRPS Redundant modules 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 the 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 of mainstream design. In response, power supplies must be developed towards miniaturization and exquisiteness. Therefore, components in the upstream sector are also moving towards miniaturization and multi-function features, such as multi-function, high-tech, or high-value added chip-type components.

(2) The trend of product and technology improvement

Driven by factors, such as the rapid launch of information and communication products, high efficiency and thinness of products, and the reduction of gross margin due to the maturity of the existing standard product market, manufacturers have begun to develop and learn new technologies to strengthen their ability to develop and design high-value added products, to obtain new orders. For example, power supplies are being developed 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 PCR recycled materials are also questions for future product design.

(4) Automated production trend

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

(5) Digital power supply trend

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

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

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

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

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

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

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

(6) 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 auto transformers 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	
EU, US, Japan	Emerson, Schneider, SMA, Eaton, Power-one, Flextronics, Eltek Valere, Murata, TDK-Lambda, AEG, Friwo, Salcomp, ABB, SIEMENZ
Mainland China, HK	Dongguan Aohai, Chi-Yi, TEN PAO, HONOR, Gospower, Megmeet, YADA
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/ LEO/ GEO/FWA 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 is 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 30 to 420W on 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 ~ 240W.

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, including 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 480KW, while marching towards the making of posts of 720KW through continuous technology breakthroughs and innovative integration of new technology

2. R&D expenditures

Unit: NT\$1,000

Item	Year	Consolidated Financial Statements	
		2021	2022
R&D Expenditures		760,997	755,214
Operating revenue		12,284,041	14,017,575
As a percentage of operating revenue		6.20	5.39

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

Year	Products under R&D
2022	<ol style="list-style-type: none"> 1. Various types of GaN power supplies for gaming notebooks, including 130W PD 3.0, 140W PD 3.1, 280W/20V power supplies 2. 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 3. Industrial power supplies, including 150W & 240W open-frame products with moistureproof and dustproof features 4. Lithium battery chargers for wireless power tools, including 160W & 210W battery chargers, 21.6W/single-port and 43.2W/dual-port chargers, 1KW chargers 5. 65W GaN 2C1A PD Smart express chargers for retail market 6. Various Type C power supplies for notebooks and other electronic devices, including 45W/65W/90W/100W general and miniaturized GaN PD power supplies 7. Various Type C chargers for mobile phones, including 10W/18W/44W/80W general and 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

(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 cost optimization countermeasures and pricing strategies to improve the gross profits of the top 20 product models in all product business groups. To reduce the order share of low-power/ low-margin product models, and to undertake the development of highpower/ multi-port express charging/ high-margin/emerging industries/niche markets application product models development. 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.

(3) Production strategy:

To introduce automated production equipment into mass model production, and to introduce a 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:

To focus on green performance products development and design, including: water-cooled two-way charging technology, ESS energy storage technology, power grid balancing technology, high-efficiency/miniaturization/lightweight power supply, PCR environmentally friendly recycled materials introduction, enhance product and corporate image, in line with customer green supply chain requirements.

To integrate high-efficiency topology, zero-voltage and zero-current switching technology, wide-energy-gap semiconductor GaN and SiC, and digital control mechanisms, the power conversion efficiency can reach up to 95% or more. Continuous process improvement includes 3D parts configuration and wiring skills, power modularization design, planar transformer development, and unique GaN and SiC production process control to break through the industry's power density design bottleneck of more than 16W/in³.

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.

Actively carry out the 300-1500W 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/LEO/GEO communication, power battery charging, and robot and industrial control. 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.

Implement the standardization of design and materials to facilitate the integration of the supply chain to improve the flexibility of procurement bargaining volume and material preparation, and increase the competitiveness of prices and delivery times.

Invest in the application studies of new materials and new technologies, competitors'

products analysis, 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, so as to facilitate the improvement of the success rate of new cases acquirement.

(2) Marketing strategy:

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. Subject to the development of emerging industries and niche markets, such as industrial robots, AR/VR, Metaverse, AI, IoT, 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.

Reinforce the technological capacity for the power battery charger from 84W to 1500W, high-intensity GaN adapters from 30W to 330W, and the power product design from 15W to 1200W PoE and business promotion capabilities.

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) Production strategy:

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 the risk of shortage of labor in mainland China in the hope of achieving production stability. In response to the threats of the US-China trade war and the avoidance of risks related to the concentration in the Dongguan area, actively strengthen the ratio of production capacity and orders for the production base in Vietnam. Meanwhile, combine the production resources in the Dongguan area to improve the utilization and output value, benefiting our asset activation.

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

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.

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	2021	2022
Power supply unit	99.94	99.90
Others	0.06	0.10
Total	100.00	100.00

(2) Region of Sales

Unit: NT\$1,000

Year	2021	2022
Region of Sales		
Domestic sales revenue	137,670	322,798
Asia	10,297,728	9,570,107
Americas	980,923	2,331,342
Europe	800,649	1,622,631
Others	67,071	170,697

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

(1) Supply side

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

(2) Demand side

Although the power supply has a wide range of applications, since 85% of the products are used in consumer electronics, mobile communications, personal computers, and peripheral devices, the industrial demand is deeply affected by 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. Smartphone market

According to statistics and estimates by DIGITIMES Research, global smartphone shipments were to decline for six consecutive quarters from the third quarter of 2021 to the Q4 of 2022. DIGITIMES Research estimates that growth momentum will begin to regain in Q2 2023, but most major brands' shipment growth is only in the single digits, and Apple's epidemic opportunity (2020~2022) will no longer be, and the following opinions are put forward for the Chinese market and markets outside of China.

Chinese market:

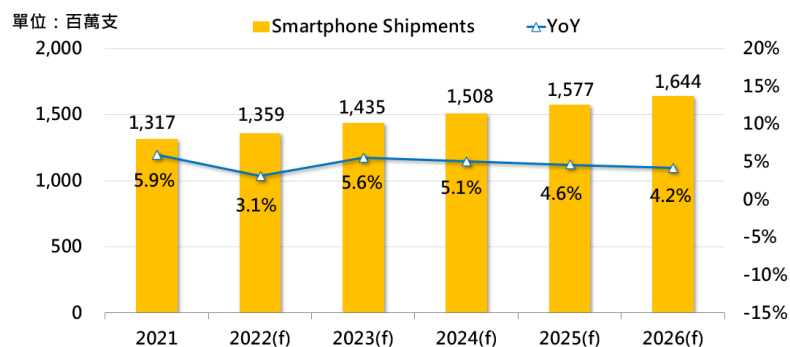
It is expected that measures such as city closure control and dynamic zeroing will continue until 1H23. The degree and scope of control are far smaller than in 2022, so as not to affect industrial production as much as possible, but it is still impossible to avoid weakening consumer demand.

The mainland Chinese government has strengthened supervision over different industries such as entertainment, cram schools, and the Internet, which has led to hindered development of related industries, frequent layoffs, and weak consumer confidence.

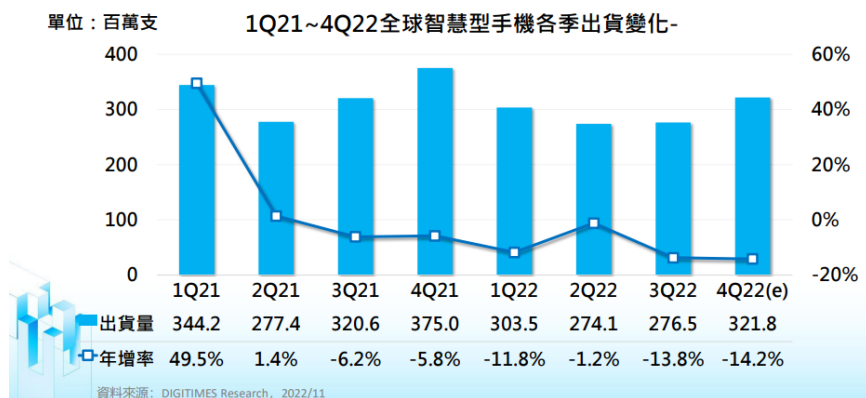
Markets outside China:

The second half of 2023 is expected to have a better chance of welcoming the overseas proposer season than the same period in 2022.

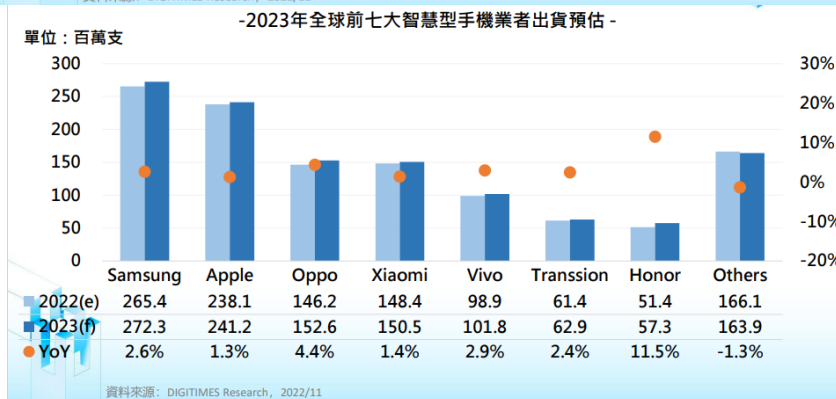
High inflation and the US Federal Reserve's increasing interest rate are expected to come to an end after 1H23, and global consumption capability will gradually recover. It is estimated that markets outside China will account for about 70% of global 5G mobile phone shipments in 2023.



資料來源：DIGITIMES Research，2022/2



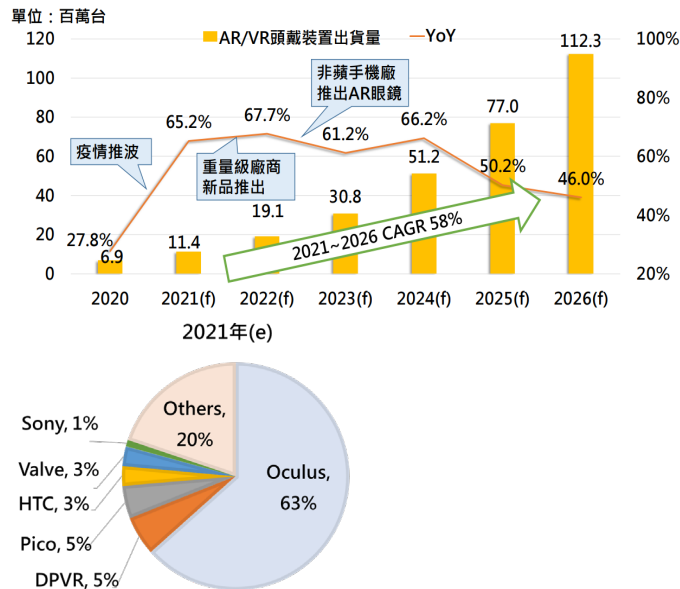
資料來源：DIGITIMES Research，2022/11



資料來源：DIGITIMES Research，2022/11

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 2023, 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

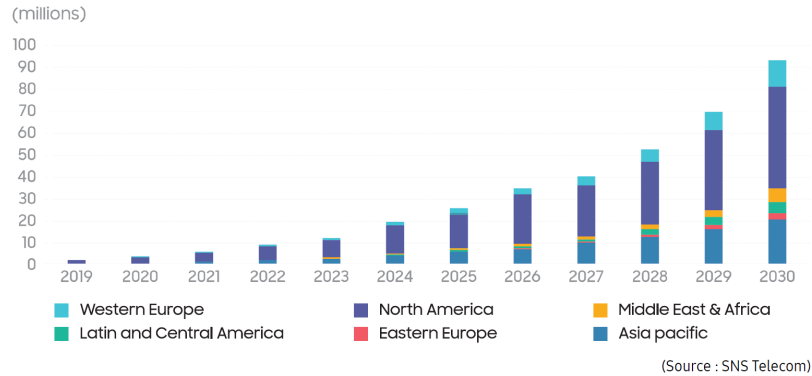
Telecom service providers are actively deploying the 5G infrastructure. Global 5G commercial networks will become more popular in 2021. There is no need to build private enterprise networks, and enterprises can also quickly establish intranets among branches through 5G FWA, to complete the last bit of 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 a 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 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)

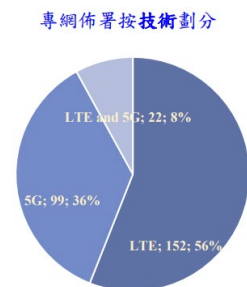
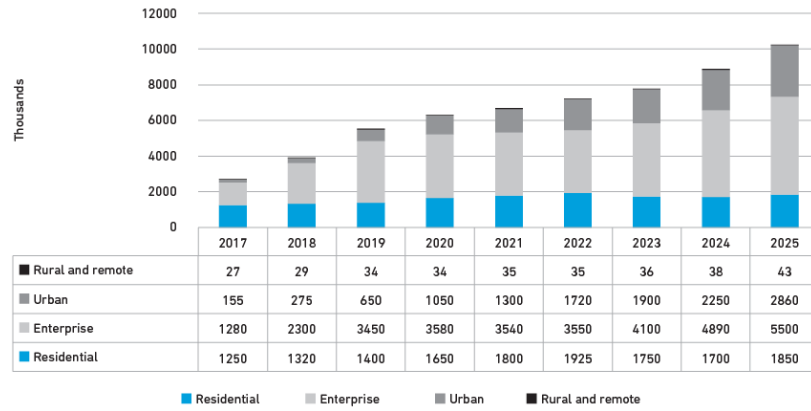


D. 5G small base stations and enterprise private network market

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 cells 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 enterprise 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



截至2021年8月

- ❖ 全球有45個國家/地區已有4G或5G專網，或已釋出5G專網頻譜，有370間公司已佈署或測試專網，或取得專網頻譜
- ❖ 有近50家設備供應商參與了4G或5G專網的設備供應
- ❖ 公網營運商參與68個專網

- ❖ 370個專用網路中，能確定採用之行動通訊技術的專網有273個，其中使用5G有99個，同時使用4G與5G有22個，使用4G有152個

資料來源：GSA、MIC整理，2021年9月

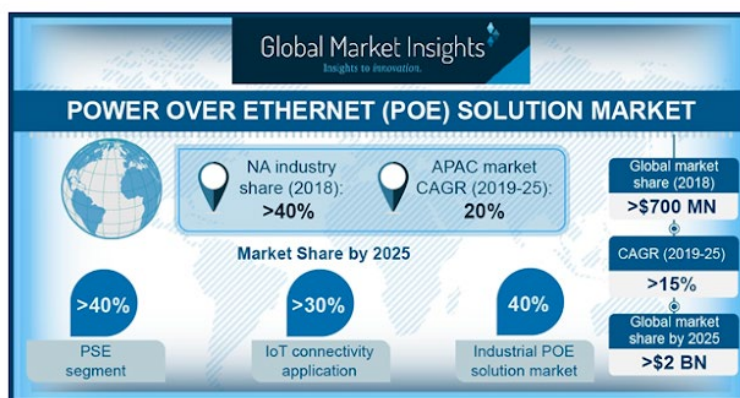
MIC®

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 North America 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 for notebooks for education and for consumers in advanced countries in the second half of 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 in 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 its 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 product innovation resulting from new tablets and new hardware platforms.

In 2022, global notebook shipments declined by 23.8%. The needs driven by the pandemic no longer persist in advanced countries, i.e. demands in the consumption and education sectors are badly declined.

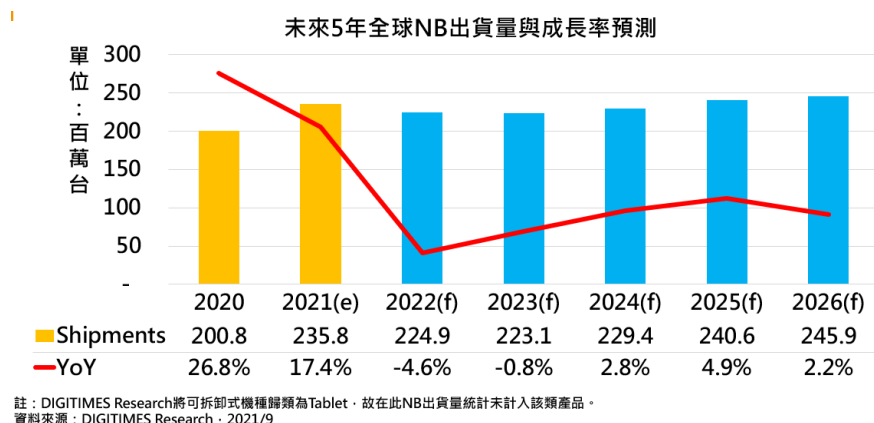
Global NB shipments in 2023 are expected to decline slightly by 6.3%, a decrease of about 11.9 million units from 2022, and the favorable factors related to the epidemic are officially over.

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 was 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 cooperation with ARM-related industries, and related products in prototype can be expected in 2024.

In 2025, global notebook shipments will enter to the growth track, with an expected annual increase of 4.9%. The market will witness a wave of replacement cycle for consumer and commercial notebooks in the 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 the face of the discontinued support for Windows 10 in 2025, which will further stimulate 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.



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.

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

資料來源：IDC · 2020/9
整理：翁毓嵐

G. E-bike market

With the rising awareness of environmental protection and the popularization of fitness concepts, e-bikes have become a new “green transportation tool” with the advantages of power conservation, free of pollution, and low noise. As the technology 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 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:

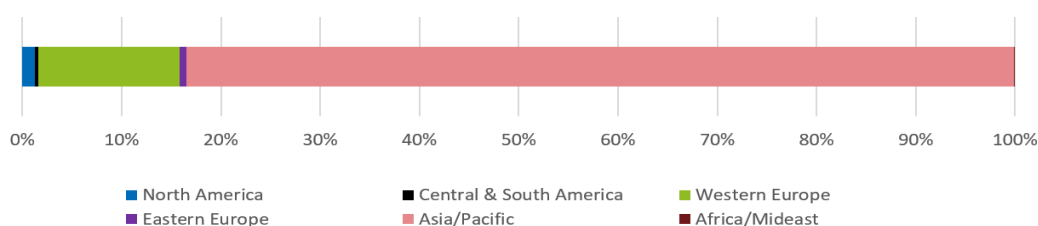
1. More consumers regard e-bikes as a safer alternative to public transportation.
2. The growth of personal income is from consumer spending in developing countries.

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 has 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 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.

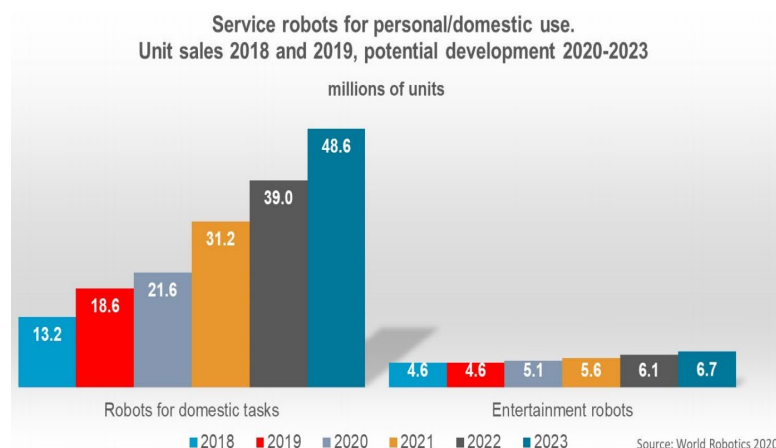
With the introduction of new lithium batteries, power tools are growing rapidly in the global hand tool market; particularly in recent years, major tool manufacturers have been devoted to wireless hand-held automatic machine tools. Henk Becker, President of Bosch, mentioned that the cordless power tool market would grow rapidly in the next five years. Their share in the power tool market will increase from 40% to 60%, and 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 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 are to grow by 25-44% annually to reach 48.6 million service robots in 2023.



J. Power supplies for medical respirator applications

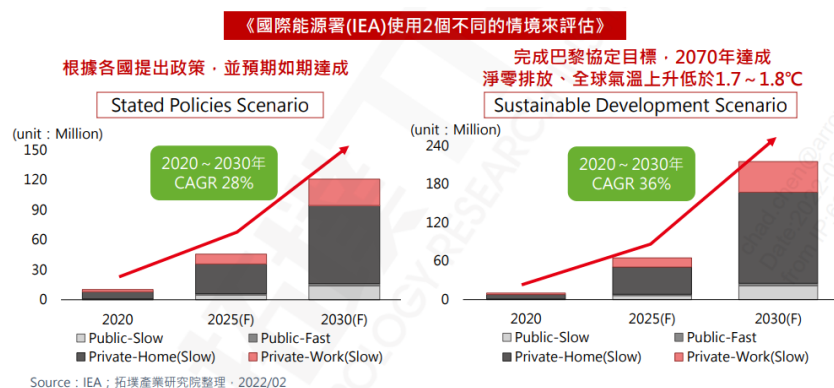
The continuous rise of the global elderly population and the increasing attention of the public to health has driven the development of the global medical equipment market. It is expected to reach approximately US\$517.4 billion in 2021, and the CAGR from 2016 to 2021 is 4.78%. The demand for lightweight 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 increases 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 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.



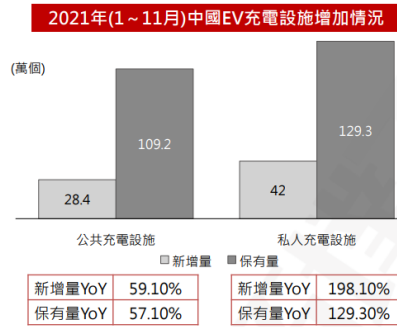
K. The market of charging posts for electric vehicles

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 a 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 for charging posts in each regional market are shown in the following figures:



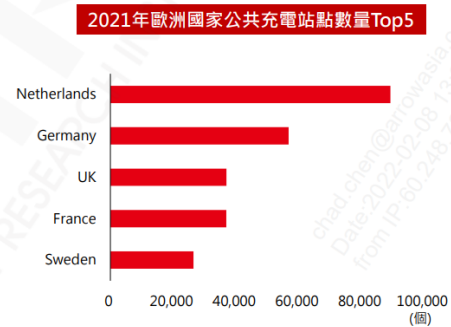
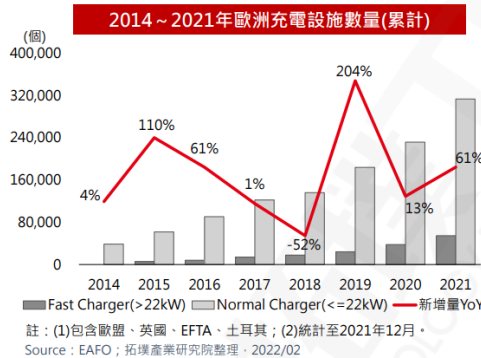
Source: EVCIPA; 公開資訊; 拓璞產業研究院整理, 2022/02

《新能汽車產業發展規劃(2021~2035年)》
基於中國《十四五規劃》提出的總體部署

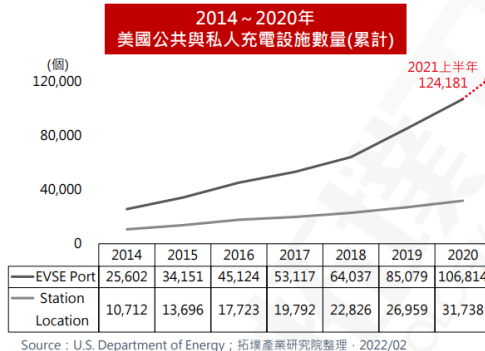
- 加快充換電基礎設施建設
- 提升充電基礎設施服務水平
- 鼓勵商業模式創新(多車一樁、共享模式等)
- 財政支持
- 加強新能汽車與電網(V2G)能量互動
- 鼓勵「光儲充放」多功能綜合一體站建設

中國各省市基於《十四五規劃》
提出各地充電設施的規劃(僅列出部分)

上海市加快新能汽車產業發展實施計畫(2021~2025年)	鼓勵公共充電樁改為直流快充樁, 新建或改建快充樁至1萬個。
安徽省新能汽車產業發展行動計畫(2021~2023年)	2021~2023年新建4萬個充電樁, 預計2023年累計充電樁達到15萬個, 其中公共充電樁不低於5萬個。
江西加快建立健全綠色低碳循環發展經濟體系	2022年底充電樁覆蓋全高速公路服務區。
河南省推進新型基礎設施建設行動計畫(2021~2023年)	新建公共充換電站600座、公共充電樁2萬個、私人充電樁5萬個。



- ◆ 美國2019年電動車充電設施(EVSE)新增速度加快, 2021上半年即增加超過17,000個EVSE。
- ◆ Biden政府甫宣布將撥75億美元建立全球電動車網絡, 且每個州市政府也都有充電設施相關補助或獎勵措施, 充電設施的設立多於城市的潔淨計畫有關。



Infrastructure Investment and Jobs Act of 2021

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

Executive Order 14057

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

美國各州充電基礎設施激勵措施

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

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 sales opportunities. Therefore, through a strong R&D team and a complete and rapid product manufacturing system, the Company collaborates with major customers, actively develops high precision industrial power applications, and develops energy conservation and energy storage conversion solutions, while advancing the technology for high stability, lightweight, thin, short, small, and high-tech intensive power supply. 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

At 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, Halogen-free, 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 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, obtains bargaining space through large purchases, and even engages in joint purchases with major Japanese manufacturers to reduce purchase costs.

4. Advantages and disadvantages of the development prospects and countermeasures

(1) Favorable factors:

A. Tight product relevancy with wide application scope

Since the power supply is an indispensable main component of all electronic products, as electronic products are integrated with current and advanced technologies to create more terminal applications, the demand for power supplies for electronic products will increase accordingly. Furthermore, electronic products will continue to be innovated and changed in line with consumers’ preferences, which will enhance the competitiveness of the products themselves and 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 specifications, 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 need 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 an international division of labor. Meanwhile, it will strengthen employees' education and training in each factory and improve employee benefits, 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 a 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.



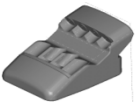







c. Through a complete global R&D layout, the Company will set up R&D centers in New York, California, Dongguan, and other places, and establish a R&D center in Tainan to directly undertake design projects, shorten the product development timeline, and at the same time introduce outstanding talents from 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, improve supply chain management and establish local supply chain, and accurately grasp customer demands in peak/offpeak 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 designs must meet global energy-saving standards to upgrade the product level and enhance the brand image, thereby attracting more international companies and raising the barriers to entry.
- f. Since the beginning of R&D and design, investments have been made in the 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.

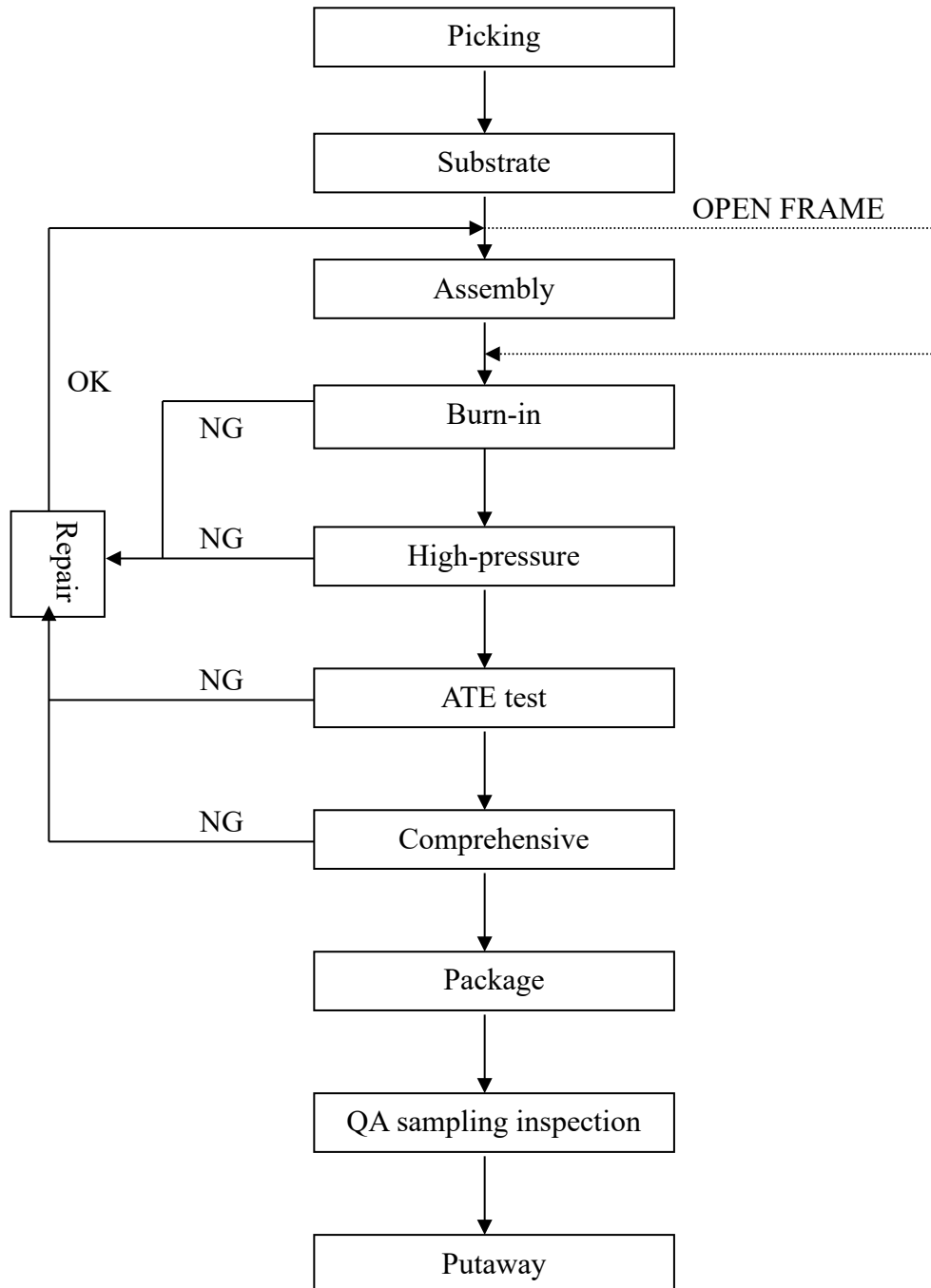
(II) The important uses and production processes of the main products

1. Important uses of the products:

Main Product	Main purpose or function
Adapter / Charge r/Cable 	Smart Phone / NB / AR&VR / Networking / POS / Smart home appliance/ Medical device 
Battery Charger 	Ni-Cd / Ni-MH/ Li-ion 
Car charger 	Phone / GPS / Digital camera 
EV Charger 	Bus /Car / Bike / Trailer / Wheel chair 
PV-Inverter 	Solar on grid product. 

Main Product	Main purpose or function
<p>Open frame power</p> 	<p>Industrial, Printers, POE switch</p> 
<p>POE (Power Over Ethernet)</p> 	<p>Security / Telecommunication / IP phone/LEO</p> 
<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



(3) 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 (sales) in any of the last two years, their purchases (sales) amounts and proportions, and the reasons for the increase or decrease.

1. Information of major suppliers in the last two years

Unit: NT\$1,000, %

Item	2021				2022				As of March 31 of 2023			
	Item	Amount	Percentage of Annual Net Purchases (%)	Relationship with Issuer	Item	Amount	Percentage of Annual Net Purchases (%)	Relationship with Issuer	Item	Amount	Percentage of Annual Net Purchases (%)	Relationship with Issuer
1	Others	9,864,991	100	NA	Others	9,493,371	100	NA	Others	1,351,856	100	NA
	Net purchase amounts	9,864,991	100	-	Net purchase amounts	9,493,371	100	-	Net purchase amounts	1,351,856	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 of major sales customers in the last two years

Unit: NT\$1,000, %

Item	2021				2022				As of March 31 of 2023			
	Item	Amount	Percentage of Annual Net Sales (%)	Relationship with Issuer	Item	Amount	Percentage of Annual Net Sales (%)	Relationship with Issuer	Item	Amount	Percentage of Annual Net Sales (%)	Relationship with Issuer
1	A	2,624,333	21	NA	A	2,645,962	19	NA	A	361,773	13	NA
2	B	2,577,949	21	NA	B	2,334,051	17	NA	B	98,773	4	NA
3	C	2,457,272	20	NA	C	1,550,982	11	NA	C	395,851	14	NA
4	D	2,365	-	NA	D	377,212	3	NA	D	311,973	11	NA
5	Others	4,622,122	38	NA	Others	7,109,368	50	NA	Others	1,611,529	58	NA
	Net sale amount	12,284,041	100	-	Net sale amount	14,017,575	100	-	Net sale amount	2,779,899	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 Output Year	2021			2022		
	Production Capacity	Production Volume	Output Value	Production Capacity	Production Volume	Output Value
Power supply unit	135,817,391	100,504,869	10,396,958	96,422,967	78,104,306	10,871,515
Others	-	-	-	-	-	-
Total	135,817,391	100,504,869	10,396,958	96,422,967	78,104,306	10,871,515

(6) Sales value table for the last two years

Unit: NT\$1,000

Sales and Year	Volume Value	2021				2022			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Power supply unit	3,772,114	131,281	101,986,980	12,145,070	1,737,910	310,794	84,053,589	13,693,456	
Others	59	6,389	183,430	1,301	103	12,004	29,657	1,321	
Total	3,772,173	137,670	102,170,410	12,146,371	1,738,013	322,798	84,083,246	13,694,777	

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, 2023

Year		2021	2022	As of March 31, 2023
Employees Number	Direct labor	4,420	2,539	2,873
	Indirect labor	2,004	2,227	2,157
	Total	6,424	4,766	5,030
Average age		31.40	33.70	34.46
Average years of service		3.15	3.81	4.20
Education distribution ratio Ratio	PhD	0.05%	0.08%	0.08%
	Master	2.04%	3.46%	3.26%
	College	12.79%	20.40%	19.68%
	High school	16.14%	21.40%	22.41%
	Below junior high	68.98%	54.66%	54.57%

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\$1,059,888. 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.

2022 Environmental Protection Exp

Unit: NT\$

Environmental protection cost categories	Description	Expenses
1. The direct cost of reducing the environmental burden		
(1) Pollution prevention cost	Prevention costs of air pollution prevention, water pollution and other pollutions	92,871
(2) Cost of saving resource consumption	The The cost spent on saving energy (such as water, electricity resources)	0
(3) Business wastes and normal office waste processing and recycling cost	The cost of processing business wastes (sludge cleaning and transportation, waste solvents, waste water, normal garbage processing)	628,051
2. The indirect cost of alleviating environmental burden (Environmental protection related management cost)	(1) Environmental protection education expenses	320,066
	(2) Environmental management system and certification cost	
	(3) Cost of monitoring environmental burden	18,900
	(4) Environmental protection organization personnel cost	
	(5) Added cost from procuring environmental protection products	
3. Other environmental protection related costs	(1) Soil remediation and natural environment restoration costs	0
	(2) Environmental pollution damage insurance and environmental tax and fees levied by the government	0
	(3) Environmental problem settlement, compensation, fines, and litigation fees	0
Total		1,059,888

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 parties 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 business 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 employees.
- G. Year-end party, sport games, year-end banquet 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, 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 quarantine period, the employees who are on duty at the factory will be insured for epidemic prevention insurance to add extra protection.
- O. Leaves of social welfare volunteers, birthday.

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\$1.0 M	NT\$1.0 M	NT\$0.5 M
Accident insurance amount	NT\$5.0 M	NT\$5.0 M	NT\$3.0 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 parties 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, an employee restaurant, a 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)	369 people
Gross salary of full-time employees who are not in supervisory positions (B)	339,138 thousand
"Average Salary" of full-time employees who are not in supervisory positions (C=B/A)	919 thousand

5 Employee Training:

In recent years, in order to cope with the highly competitive market environment, enterprises must improve the quality of their products and services, and education and training are indispensable elements. PHIHONG has attached great importance to the cultivation and development of human resources from the beginning, and is committed to improving the company's overall quality level. In 2022, PHIHONG once again obtained the TTQS Silver Certification, which is an affirmation of the company's training quality management and an encouragement to employees.

PHIHONG attaches great importance to the career development of employees, actively promotes education and training, and provides a perfect education and training development system and learning platform for this purpose, with basic training and professional courses, so that employees can continue to learn and grow at work to meet the needs of employees at different levels. In addition, full additional training subsidies are provided to give employees more opportunities to participate in external professional training to improve their skills and knowledge. Realize the improvement of self-value in continuous learning and growth.

In PHIHONG, in addition to participating in various professional courses and training, we also provide employees with language courses and life general education lectures to help employees achieve work-life balance. And introduce digital learning to provide a variety of digital learning resources to facilitate employees to learn at any time and anywhere. In the period of the epidemic, digital learning has become an important way for employees to continue learning. We believe that only by allowing employees to continue to learn and progress, establishing a learning environment for all employees, and encouraging employees to learn and share with each other can we maintain competitiveness and meet the needs of enterprise development. In the future, PHIHONG will continue to be committed to improving the professional quality and skills of employees, and achieving the development goals of the enterprise in continuous learning and growth.

Statistics of educational training hours for PHIHONG talent training in 2022:

Item	Q1	Q2	Q3	Q4	Cumulative hours throughout the year
Internal Training	3,757.5	4,629.5	3,923	4,146	16,456
External Training	295	173	283	664.5	1,415.5
Digital Learning	1,535	2,048.5	2,524	1,876	7,983.5
Total	5,587.5	6,851	6,730	6,686.5	25,855

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 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 Pihong'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 health and safety requirements and enhance communication of internal and external management..
2. Continue to improve work and living environment and prevent occurrence of various safety incidence.
3. Reduce occupational health and safety risks, and fully protect the health and safety of the employees.

B. Policy description:

1. An enterprise's operation and production must comply with the provisions of 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, and 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, Pihong 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, and 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 the ISO14001:2015 environmental management system in our factories, and the verification by the external certification agencies, the oversea plants passed the verification of the ISO45001:2018 occupational safety and health management system. We conduct internal audits, management reviews, 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 employees, 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: None.

VI. Information and Communication Security Management

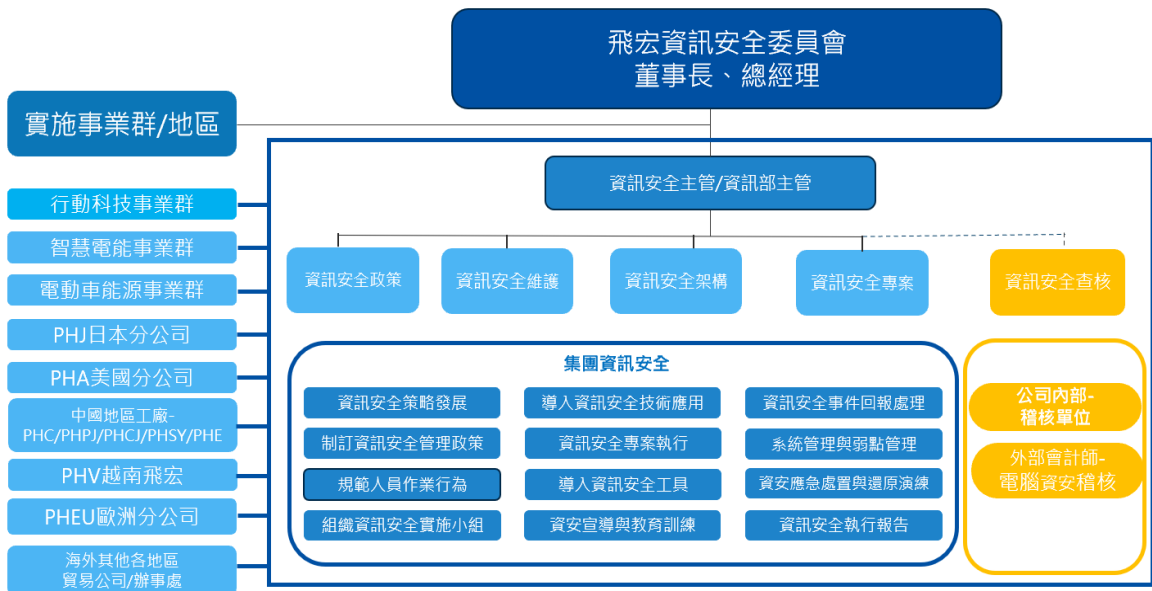
- (1) Clearly state the information security risk management structure, the information security policy, the specific management plan and the resources invested in the security management of the information communication.

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. The organizational operation mode adopts regular audits and circular management to ensure the achievement of reliability goals and continuous improvement.

2. The information security organizational structure:



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:

a. ERP package software

b. Application software and software required for R&D

c. Mail system

d. APS, B2B, MES, WMS, HR, CRM, BI, PDM systems and various systems required for R&D

e. Internet application

C. Hardware: various hosts, servers, personal computers and notebooks, 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) Content:

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.

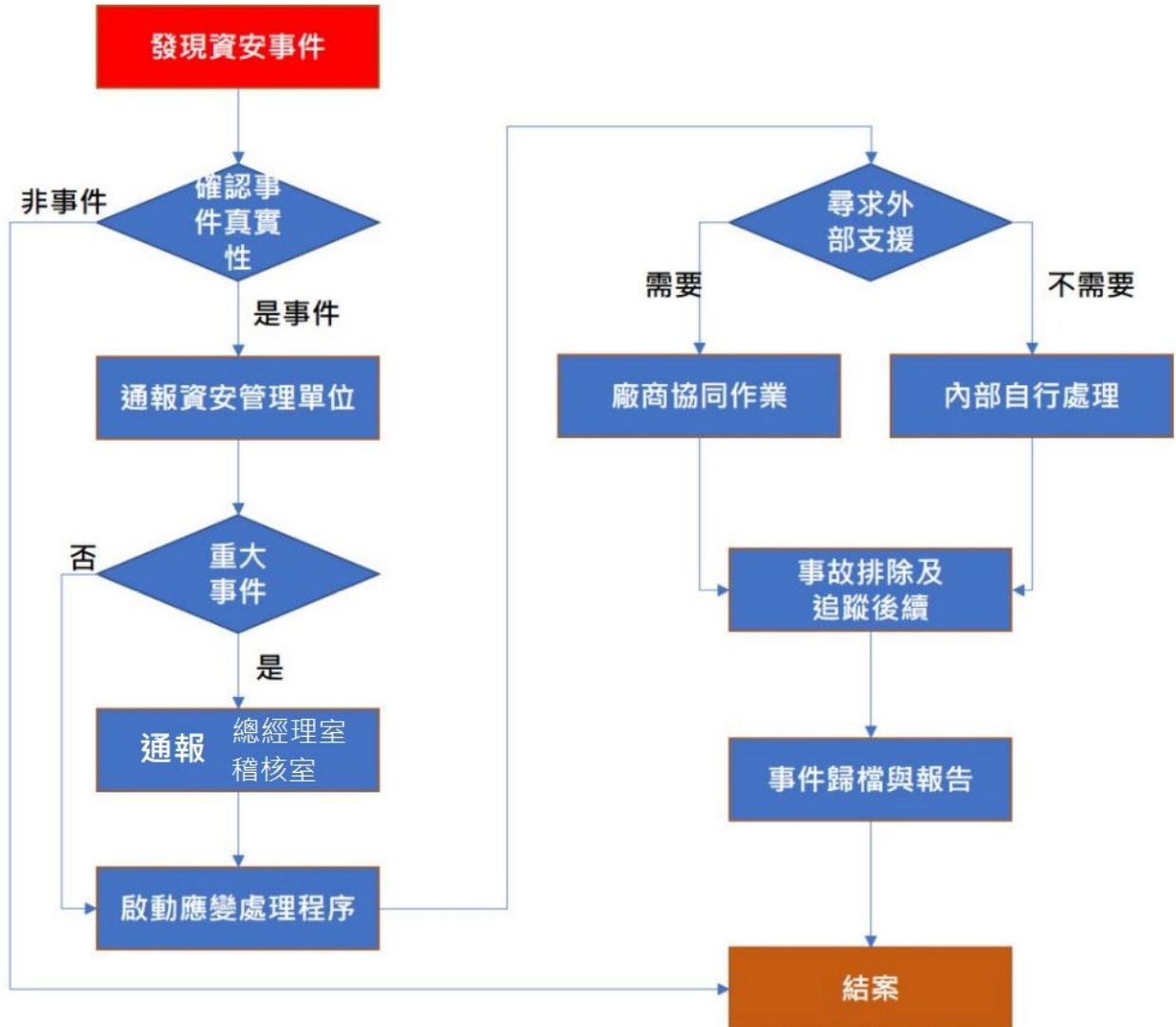
Plan	Information safety management: Develop Company information policies and safety procedures
Do	Promoting implementation: Information security publicity and personnel education and training, introduction of information security measures
Check	Risk assessment: Information asset risk assessment
Act	Risk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

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

- Major information and communication security incidents:
- The company's network information security incident occurred in February 2023. The company reported

the information security incident in accordance with the information security incident notification procedures (please refer to the figure below), and released a major information description at the Public Information Observatory on February 13.

- Countermeasures: In order to strengthen information security defense, the Company's information team immediately cooperated with leading external information security consulting companies to jointly respond to the information security incident, and comprehensively strengthened relevant defense mechanisms and recovery operations. It also notified the government inspection and investigation unit, and has continued to maintain close contact so far.
- Expected possible loss or impact: The current assessment has no significant impact on the company's operations.
- Information and communication security incidents report procedure:



VII. Important Contracts

(1) Important Contracts:

Nature	Party	Commencement/ Expiration Dates	Main content	Restrictive Clause
Contracting	BIO-JOURDENESS INTERNATIONAL GROUP CO., LTD.	Effective Date: 2022/02/08	The Company contracted the multimedia project of BIO-JOURDENESS Tai Po Mei Biotechnology Park Amount: NT\$9,998,000	None
Contracting	SWANCOR HIGHPOLYMER CO., LTD.	Effective Date: 2022/03/01	The Company contracted the audio/video project of SWANCOR Innovation Park Amount: NT\$12,580,000	None
Contracting	TCC Energy Storage Technology Corporation	Effective Date: 2022/03/25	The Company contracted TCC DAKA Park Charging Station Installation Project Amount: NT\$4,829,265	None
Sales	○○○ Technology Corporation	Effective Date: 2022/05/27	The Company processed sales project of charging station equipment. Amount: NT\$5,400,000	None

(2). 2022 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:

- 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.
- 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.

The Company implements copyright management to protect the product software programs developed and written by the Company or the software authorized by the Company to be used by other companies. In the face of global competition in the era of digital and technology; or to protect the company's operation and management data from the conversion cost of employee job creation output, and protecting 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:

- Employees are obliged to keep the confidentiality of personal business and Company business.
- 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.
- 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 kept 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 2022, and the main implementation situations are as follows:

In 2022, there were 2 lectures on the online course "Taiwan Intellectual Property Management Specification (TIPS) Description and Case Analysis", with 128 trainees and a total of 6 hours of lectures.

In 2022, the online course "Promotion of Confidentiality and Intellectual Property Concepts" was used to provide all colleagues with the opportunity to strengthen confidentiality and intellectual property-related concepts.

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

(a) Patent:

As of the end of October 2022, the Company has accumulated 315 global patent applications and more than 173 global patent approvals due to the company's EV-related patent transfer registration operation.

In 2022, it has obtained nearly 6 foreign patents and 1 Taiwanese patent.

As of the end of October 2022 global patent applications Zerova has accumulated 38 global patent approvals due to the group's EV-related patent transfer registration operation. In 2022, it obtained nearly 27 foreign patents and 11 Taiwanese patents.

(2) Trademark:

As of the end of October 2022, the Company has accumulated 100 trademark applications worldwide and 92 trademark approvals worldwide, of which 74 are foreign trademarks; 18 are Taiwan trademarks, which are used as the basis for sales and global market deployment strong backing.

As of the end of October 2022, Zerova has accumulated 47 trademark applications worldwide and 1 trademark approvals worldwide, China trademark, 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 Past Five Fiscal Years

(1) Condensed balance sheet and comprehensive income statement

Condensed Balance Sheet - IFRS (Consolidated)

Unit: NT\$1,000

Item	Year	Financial Information for the Last Five Years					March 31, 2023
		2018	2019	2020	2021	2022	
Current Asset		7,175,343	5,994,332	6,997,934	9,679,343	9,837,700	9,837,958
Property, plant and equipment		2,840,379	2,853,417	2,590,539	3,262,587	3,986,175	3,972,495
Intangible assets		32,145	33,216	27,679	30,540	41,098	38,077
Other assets		428,692	651,211	746,519	640,190	724,504	712,280
Total Assets		10,476,559	9,532,176	10,362,671	13,612,660	14,589,477	14,560,810
Current Liability	Before allocation	4,053,323	3,125,121	5,138,664	6,133,290	6,186,134	6,106,140
	After allocation	4,053,323	3,125,121	5,138,664	6,133,290	6,186,134	6,106,140
Non- Current Liability		1,332,134	1,492,754	479,126	1,642,012	2,187,926	2,208,350
Total Liabilities	Before allocation	5,385,457	4,617,875	5,617,790	7,775,302	8,374,060	8,314,490
	After allocation	5,385,457	4,617,875	5,617,790	7,775,302	8,374,060	8,314,490
Equity Attributable to Owners of the the Parent		5,100,693	4,923,673	4,753,790	5,846,029	6,225,070	6,255,892
Share Capital		3,376,884	3,376,884	3,376,884	3,752,084	3,752,084	3,752,084
Capital surplus		1,044,017	1,044,017	1,044,017	2,179,372	2,179,372	2,179,372
Reserved Earnings per share	Before allocation	1,039,665	998,519	843,775	526,851	618,124	661,898
	After allocation	1,039,665	998,519	843,775	526,851	618,124	661,898
Other equity		(359,873)	(495,747)	(510,886)	(612,278)	(324,510)	(337,462)
Treasury Shares		-	-	-	-	-	-
Non-controlling interests		(9,591)	(9,372)	(8,909)	(8,671)	(9,653)	(9,572)
Equity Total Value	Before allocation	5,091,102	4,914,301	4,744,881	5,837,358	6,215,417	6,246,320
	After allocation	5,091,102	4,914,301	4,744,881	5,837,358	6,215,417	6,246,320

Note 1: The financial information from 2017 to 2022 has been audited and certified by the CPAs.

Note 2: The dividends per share for each year are distributed in the following year. The net profit after tax in the 2022 financial report is in accordance with the Articles of Incorporation of the Company and relevant laws and regulations. After the statutory surplus reserve and special surplus reserve are listed, it is proposed not to distribute dividends.

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				
		2018	2019	2020	2021	2022
Current Asset		2,979,825	2,357,532	2,980,082	5,059,353	4,750,137
Property, plant and equipment		737,247	731,883	671,666	912,712	670,682
Intangible assets		16,494	17,691	12,361	18,641	26,895
Other assets		4,774,522	4,882,675	5,082,695	5,596,897	6,846,353
Total Assets		8,508,088	7,989,781	8,746,804	11,587,603	12,294,067
Current Liability	Before allocation	1,897,911	1,441,330	3,280,081	3,738,742	3,617,241
	After allocation	1,897,911	1,441,330	3,280,081	3,738,742	3,617,241
Non- Current Liability		1,509,484	1,624,778	712,933	2,002,832	2,451,756
Total Liability	Before allocation	3,407,395	3,066,108	3,993,014	5,741,574	6,068,997
	After allocation	3,407,395	3,066,108	3,993,014	5,741,574	6,068,997
Equity Attributable to Owners of the the Parent		5,100,693	4,923,673	4,753,790	5,846,029	6,225,070
Share Capital		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	2,179,372	2,179,372
Reserved Earnings per share	Before allocation	1,039,665	998,519	843,775	526,851	618,124
	After allocation	1,039,665	998,519	843,775	526,851	618,124
Other equity		(359,873)	(495,747)	(510,886)	(612,278)	(324,510)
Treasury Shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Equity Total Value	Before allocation	5,100,693	4,923,673	4,753,790	5,846,029	6,225,070
	After allocation	5,100,693	4,923,673	4,753,790	5,846,029	6,225,070

Note 1: The financial information from 2017 to 2022 has been audited and certified by the CPAs.

Note 2: The dividends per share for each year are distributed in the following year. The net profit after tax in the 2022 financial report is in accordance with the Articles of Incorporation of the Company and relevant laws and regulations. After the statutory surplus reserve and special surplus reserve are listed, it is proposed not to distribute dividends.

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)					March 31,2023
		2018	2019	2020	2021	2022	
Operating revenue		12,138,723	10,694,604	9,243,618	12,284,041	14,017,575	2,779,899
Gross profit		1,263,190	1,525,648	1,177,196	1,473,302	2,141,638	661,124
Operating net (loss)		(360,701)	(78,450)	(372,631)	(339,324)	13,657	81,017
Non-operating income and expenses		180,580	36,311	219,189	41,374	174,483	19,656
Net income (loss) before income tax		(180,121)	(42,139)	(153,442)	(297,950)	188,140	100,673
Net income (loss) from continuing operations		(246,614)	(38,157)	(154,613)	(312,618)	71,306	43,770
Net (loss) profit for the year		(246,614)	(38,157)	(154,613)	(312,618)	71,306	43,770
Total Compensive Income (Loss)(net of income tax)		(38,561)	(138,644)	(14,807)	(105,460)	306,753	(12,867)
Total Compensive Income (Loss)		(285,175)	(176,801)	(169,420)	(418,078)	378,059	30,903
Net income (loss) attributable to owners of the company		(246,595)	(38,136)	(154,594)	(312,600)	71,327	43,774
Net Loss Attributable to Non-controlling Interests		(19)	(21)	(19)	(18)	(21)	(4)
Total comprehensive income attributable to owners of the company		(284,839)	(177,020)	(169,883)	(418,316)	379,041	30,822
Total comprehensive income attributable to Non-controlling Interests		(336)	219	463	238	(982)	81
Earning (loss) per share		(0.73)	(0.11)	(0.46)	(0.92)	0.19	0.12

Note 1: The financial information from 2017 to 2022 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)				
	2018	2019	2020	2021	2022
Operating revenue	8,146,643	7,032,682	6,805,700	9,450,799	11,202,956
Gross profit	659,584	823,953	742,527	962,405	1,357,688
Operating net (loss)	(303,398)	(56,638)	(130,750)	(95,935)	332,537
Non-operating income and expenses	58,003	11,966	(54,918)	(222,945)	(197,913)
Net income (loss) before income tax	(245,395)	(44,672)	(185,668)	(318,880)	134,624
Net income (loss) from continuing operations	(246,595)	(38,136)	(154,594)	(312,600)	71,327
Net (loss) profit for the year	(246,595)	(38,136)	(154,594)	(312,600)	71,327
Other comprehensive loss (net of income tax)	(38,244)	(138,884)	(15,289)	(105,716)	307,714
Total Comprehensive Income (Loss)	(284,839)	(177,020)	(169,883)	(418,316)	379,041
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	(0.73)	(0.11)	(0.46)	(0.92)	0.19

Note 1: The financial information from 2017 to 2022 has been audited and certified by the CPAs.

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

Year	Accounting Firm	Name of CPA	Audit 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
2022	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)					March 31, 2023
		2018	2019	2020	2021	2022	
Financial Structure (%)	Debt ratio	51.40	48.45	54.21	57.12	57.40	57.10
	Long the Company's Property, plant and equipment Ratio	226.14	224.54	201.66	229.25	210.81	212.83
Solvency (%)	Current ratio	177.02	191.81	136.18	157.82	159.03	161.12
	Quick ratio	123.22	147.81	96.05	104.41	104.78	110.75
	Times interest earned (times)	(7.20)	(0.82)	(5.81)	(6.39)	3.41	4.65
Operating Ability	Receivables turnover rate (times)	5.73	5.03	4.55	5.75	5.69	1.04
	Average collection days for receivables	64	73	80	63	64	351
	Inventory turnover rate (times)	5.93	5.29	4.78	4.14	3.65	0.67
	Payables turnover rate (times)	3.97	3.44	3.09	3.49	3.95	0.91
	Average days for sale	62	69	76	88	100	545
	Property, plant and equipment turnover rate (times)	4.21	3.76	3.40	4.20	3.87	0.70
	Total asset turnover rate (times)	1.17	1.07	0.93	1.02	0.99	0.19
Profitability	Return on assets (%)	(2.20)	(0.20)	(1.37)	(2.34)	0.95	0.54
	Return on equity (%)	(4.71)	(0.76)	(3.20)	(5.91)	1.18	0.91
	Pre-tax income to paid in capital ration (%) (Note 6)	(5.33)	(1.25)	(4.54)	(7.94)	5.01	2.68
	Net profit margin (%)	(2.03)	(0.36)	(1.67)	(2.54)	0.51	2.05
	Earning (loss) per share (NTD)	(0.73)	(0.11)	(0.46)	(0.92)	0.19	0.12
Cash Flow	Cash flow ratio (%)	(4.84)	16.36	3.58	(15.42)	(4.83)	1.78
	Cash flow adequacy ratio (%)	21.70	8.21	27.90	(11.44)	(13.32)	(7.34)
	Cash flow reinvestment ratio (%)	(2.08)	5.53	2.27	(9.08)	(2.61)	0.94
Leverage	Operating leverage	(5.93)	(26.28)	(4.67)	(6.04)	191.46	8.54
	Financial leverage	0.94	0.77	0.94	0.89	(0.21)	1.52

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 times interest earned ratio, return on assets ratio, return on equity ratio, pre-tax income to paid in capital ratio, net profit margin and earning (loss) per share: This was due to the increase in the net profit in the current period compared to the previous period.
- (2) The increase in the cash flow ratio, cash flow reinvestment ratio: This was due to the decrease in the net cash (used in) generated from operating activities in the current period compared to the previous period.
- (3) The increase in the operation leverage: This is due to the increase in the operating revenue in the current period compared to the previous period.
- (4) The decrease in financial leverage: This is due to the increase in the operating income in the current period compared to the previous period.

Note 1: The financial information from 2017 to 2022 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)				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt ratio	40.05	38.38	45.65	49.55	49.37
	Long the Company's Property, plant and equipment Ratio	896.60	894.74	813.90	859.95	1,293.73
Solvency (%)	Current ratio	157.01	163.57	90.85	135.32	131.32
	Quick ratio	150.65	160.23	88.71	131.45	130.40
	Times interest earned (times)	(12.67)	(1.00)	(7.65)	(8.08)	3.34
Operating Ability	Receivables turnover rate (times)	7.58	8.16	7.46	7.10	7.48
	Average collection days for receivables	48	45	49	51	49
	Inventory turnover rate (times)	121.85	86.18	132.84	102.81	155.86
	Payables turnover rate (times)	701.49	533.06	491.21	348.48	234.13
	Average days for sale	3	4	3	4	2
	Property, plant and equipment turnover rate (times)	10.95	9.57	9.70	11.93	14.15
	Total asset turnover rate (times)	0.96	0.85	0.81	0.93	0.94
Profitability	Return on assets (%)	(2.75)	(0.25)	(1.64)	(2.80)	0.98
	Return on equity (%)	(4.70)	(0.76)	(3.19)	(5.90)	1.18
	Pre-tax income to paid in capital ration (%) (Note 6)	(7.27)	(1.32)	(5.50)	(8.50)	3.59
	Net profit margin (%)	(3.03)	(0.54)	(2.27)	(3.31)	0.64
	Earning (loss) per share (NTD)	(0.73)	(0.11)	(0.46)	(0.92)	0.19
Cash Flow	Cash flow ratio (%)	10.24	(5.96)	2.32	(12.85)	12.62
	Cash flow adequacy ratio (%)	72.23	60.27	144.16	0.70	18.94
	Cash flow reinvestment ratio (%)	2.72	(1.20)	1.25	(5.64)	5.02
Leverage	Operating leverage	(0.71)	(8.33)	(3.30)	(4.64)	2.59
	Financial leverage	0.94	0.72	0.86	0.73	1.21

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 ratio of long-term funds to real estate, plant and equipment: This is due to the increase in long-term borrowing and total equity.
- (2) The increase in the times interest earned ratio, return on assets ratio, return on equity ratio, pre-tax income to paid in capital ratio, net profit margin and earning (loss) per share: This was due to the increase in the net profit in the current period compared to the previous period.
- (3) The increase in the inventory turnover rate and the decrease in the average days for sale: This is due to the decrease in the average inventory in the current period compared to the previous period.
- (4) The decrease in the payables turnover rate: This is due to the increase in the average balance of payables in the current period compared to the previous period.
- (5) The increase in the cash flow ratio, cash flow reinvestment ratio: This is due to the increase in the net cash generated from operating activities in the current period compared to the previous period.
- (6) The increase in the cash flow adequacy ratio is due to the increase in the net cash generated from operating activities in the last five years.
- (7) The increase in the operation leverage: This is due to the increase in the operating revenue in the current period compared to the previous period.
- (8) The increase in financial leverage: This is due to the increase in the operating income and interest expense in the current period compared to the previous period.

Note 1: The financial information from 2017 to 2022 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 = $(\text{Total equity} + \text{Non-current liabilities}) / \text{Net value of property, plant, and equipment}$.

2. Solvency

(1) Current ratio = $\text{Current assets} / \text{Current liabilities}$.

(2) Quick ratio = $(\text{Current assets} - \text{Inventory} - \text{Prepaid expenses}) / \text{Current liabilities}$.

(3) Times interest earned (times) = $\text{Income before income tax and interest expenses} / \text{Current interest expenses}$.

3. Operating Ability

(1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = $\text{Net sales} / \text{Average receivables (including accounts receivable and notes receivable arising from business operations) for each period}$.

(2) Average collection days for receivables = $365 / \text{Receivables turnover rate}$.

(3) Inventory turnover rate = $\text{Cost of sales} / \text{Average inventory}$.

(4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = $\text{Cost of sales} / \text{Average payables (including accounts payable and notes payable arising from business operations) for each period}$.

(5) Average days of sale = $365 / \text{Inventory turnover rate}$.

(6) Property, plant, and equipment turnover = $\text{Net sales} / \text{Average net value of property, plant, and equipment}$.

(7) Total asset turnover rate = $\text{Net sales} / \text{Average total assets}$.

4. Profitability

(1) Return on assets = $[\text{Net income} + \text{Interest expenses (1- Tax rate)}] / \text{Average total assets}$.

(2) Return on equity = $\text{Net income} / \text{Average total equity}$.

(3) Profit margin = $\text{Net income} / \text{Net sales}$.

(4) Earnings per share = $(\text{Income attributable to owners of the parent} - \text{Dividends on preferred shares}) / \text{Weighted average number of issued shares}$. (Note 4)

5. Cash Flow

(1) Cash flow ratio = $\text{Net cash flows from operating activities} / \text{Current liabilities}$.

(2) Net cash flow adequacy ratio = $\text{Net cash flows from operating activities for the most recent five years} / (\text{Capital expenditures} + \text{Inventory increase} + \text{Cash dividends})$.

(3) Cash flow reinvestment ratio = $(\text{Net cash flows from operating activities} - \text{Cash dividends}) / (\text{Gross value of property, plant, and equipment} + \text{Long-term investment} + \text{Other non-current assets} + \text{Working capital})$. (Note 5)

6. Leverage

(1) Operating leverage = $(\text{Net sales} - \text{Variable operating costs and expenses}) / \text{Operating income}$ (Note 6)

(2) Financial leverage = $\text{Operating income} / (\text{Operating income} / \text{Interest expenses})$.

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

Phihong Technology Co., Ltd.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, 2022 Standalone and Consolidated Financial Statements, and the Proposal for Deficit Compensation. Deloitte & Touche has completed the audit on the 2022 Standalone and Consolidated Financial Statements, and has issued an audit report accordingly. The 2022 Business Report, 2022 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,

2023 shareholders' meetings of Phihong Technology Co., Ltd.

Convener of the Audit Committee: Hong, Yu-Yuan

March 9, 2023

IV. 2022 Standalone Financial Statements

Please refer to the Annual Report, Page 175~268.

V. 2022 Consolidated Financial Statements

Please refer to the Annual Report, Page 269~319

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

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

Seven. Review and Analysis of Financial Situation and Financial Performance and Listing of Risks

I. Financial Situation

Unit: NT\$1,000, %

Item \ Year	2021	2022	Difference	
			Amount	%
Current Asset	9,679,343	9,837,700	158,357	1.64
Property, plant and equipment	3,262,587	3,986,175	723,588	22.18
Intangible assets	30,540	41,098	10,558	34.57
Other assets	640,190	724,504	84,314	13.17
Total Assets	13,612,660	14,589,477	976,817	7.18
Current Liability	6,133,290	6,186,134	52,844	0.86
Non- Current Liability	1,642,012	2,187,926	545,914	33.25
Long-term liabilities	1,464,391	2,032,271	567,880	38.78
Total Liabilities	7,775,302	8,374,060	598,758	7.70
Ordinary shares (including proceeds-new issued)	3,752,084	3,752,084	-	-
Capital surplus	2,179,372	2,179,372	-	-
Accumulated losses	(316,924)	91,273	408,197	128.80
Other equity	(612,278)	(324,510)	287,768	47.00
Shareholders' Equity	5,837,358	6,215,417	378,059	6.48

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. Property, plant and equipment: due to the increase in the purchase of land and prepaid construction costs in the current period.
2. Intangible assets: due to the purchase of intangible assets in the current period.
3. Non-current liabilities: due to the increase in the long-term borrowings in the current period.
4. Long-term liabilities: due to the increase in the long-term borrowings in the current period.
5. Accumulated earnings: due to the net profit from operations in the current period.
6. Other equity: due to the exchanged differences in translating the financial statements of foreign operations.

II. Financial Performance

Financial Performance Comparison Analysis Table

Unit: NT\$1,000, %

Item \ Year	2021	2022	Increase (Decrease) Amount	Changes %	Changes Analysis of
Operating costs	10,810,739	11,875,937	1,065,198	9.85	-
Gross profit	1,473,302	2,141,638	668,336	45.36	Descriptions (1)
Operating Expense	1,812,626	2,127,981	315,355	17.40	-
Operating net (loss)	(339,324)	13,657	352,981	104.02	Descriptions (1)

Item	Year	2021	2022	Increase (Decrease) Amount	Changes %	Changes Analysis of
Non-operating income and expenses		41,374	174,483	133,109	321.72	Descriptions (2)
Net income (loss) before income tax		(297,950)	188,140	486,090	163.14	Descriptions (1)
Income tax expenses		(14,668)	(116,834)	(102,166)	696.52	Descriptions (3)
Net income (loss) from continuing operations		(312,618)	71,306	383,924	122.81	Descriptions (1)
Net (loss) profit for the year		(312,618)	71,306	383,924	122.81	Descriptions (1)
Total Comprehensive Income (Loss) (net of income tax)		(105,460)	306,753	412,213	390.87	Descriptions (4)
Total Comprehensive Income (Loss)		(418,078)	378,059	796,137	190.43	Descriptions (1)
Net income (loss) attributable to owners of the company		(312,600)	71,327	383,927	122.82	Descriptions (1)
Net Loss Attributable to Non-controlling Interests		(18)	(21)	(3)	16.67	-
Total comprehensive income attributable to owners of the company		(418,316)	379,041	797,357	190.61	Descriptions (1)
Total comprehensive income attributable to Non-controlling Interests		238	(982)	(1,220)	(512.61)	Descriptions (5)

Description:

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 the gross profit, Operating net income (loss), net income (loss) before income tax, net income (loss) from continuing operations, net (loss) profit for the period, total comprehensive income (loss), net income (loss) attributable to owners of the company and total comprehensive income attributable to owners of the company: This is due to the increase in the growth of the electric vehicle charging station business and the significant increase in orders have led to an increase in operating income and an increase in operating gross profit in the current period compared to the previous period.
 - (2) The increase in the non-operating income and expenses: This is due to the increase in exchange gains as a result of exchange rate fluctuations and the increase in sample revenue in the current period compared to the previous period.
 - (3) The increase in the income tax expense: This is due to the increase in the net profit before tax in the current period compared to the previous period.
 - (4) The increase in the other comprehensive income (loss)--(net of income tax): This is due to the increase in the exchanged differences in translating the financial statements of foreign operations in the current period compared to the previous period.
 - (5) The decrease in the total comprehensive income attributable to non-controlling interests: This is due to the increase in the exchanged differences in translating the financial statements of foreign operations attributable to non-controlling interests' loss in the current period compared to the previous period.
2. Explanation of significant changes in income or costs: None.

3. The expected number of sales and its basis, the possible impact on the Company's future financial operations and response plans:

The Company's sales products range from power supply components to complete machine solutions for charging stations. The sales unit price varies greatly, and it is not appropriate to use the sales quantity as the basis for assessment. However, the Company continues to improve the process and introduce automation to increase production capacity and yield to meet the needs of future sales orders.

III. Cash Flow:

1. 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
2022	3,590,920	(298,674)	(600,037)	2,990,883	-	-
1. Analysis of changes in cash flow for the year: <ol style="list-style-type: none"> (1) Net cash flow from operating activities: due to the decrease in the trade payables in the current period compared to the previous period. (2) Net cash flow from investing activities: due to the purchasing of the property, plant, and equipment and intangible assets. (3) Net cash generated from financing activities: due to proceeding from short and long terms borrowings. 						

2. Corrective measures for cash deficit and liquidity analysis: None.

3. Liquidity Analysis for the Coming Year:

Unit: NT\$1,000

Beginning Cash Balance	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 Plans
2,990,883	486,658	(271,871)	2,719,012	-	-
1. Analysis of changes in cash flow for the coming year: <ol style="list-style-type: none"> (1) Net cash flow from operating activities: due to the increase in the accounts receivable in the current period compared to the previous period. (2) Cash outflow amount: due to the construction of Tainan 3rd Plant. 2. Remedial measures and liquidity analysis for estimated cash shortage: The Company has proposed the project of borrowing under the syndicated loan, and there are long-term and short-term quotas of banks, to that the estimated cash flow for the next year is still sufficient.					

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 2022	Effect Upon Financial Operations
Tainan Land and its Plant	Working capital Self-owned funds	168,138	The Company built a plant 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.
Vietnam subsidiary and its plant	Working capital Self-owned funds	869,214	The Company invested in the construction of a new plant in Haiphong, North Vietnam. In addition to expanding the group's production capacity, it can also solve the tariff issues arising from the US-China trade war, which will help enhance the competitiveness of the group's products.
Dongguan Tiesong 3rd Plant	Working capital Self-owned funds	273,467	The Company invested and constructed the 3rd plant in Tiesong, Dongguan, to process the integration of the production base in Mainland China.

V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for the Coming Year:

Unit: NT\$1,000

Makes investments	Investment Profit and Losses Recognized in 2022	Investment Policy	Profit or Losses Main Reasons for	Improvement Plans for the Coming Year
PHIHONG INTERNATIONAL CORP.	(29,766)	Makes investments	The recognition of losses on investments in investee companies	Keeping abreast of investee company's operating conditions
PHIHONG USA CORP.	51,888	Sells various power supplies	Due to continued business expansion	-
PHITEK INTERNATIONAL CO., LTD.	(139,751)	Makes investments	The recognition of losses on investments in investee companies	Keeping abreast of investee company's operating conditions
ASCENT ALLIANCE LTD.	7,759	Makes investments	The recognition of gains on investments	-

Makes investments	Investment Profit and Losses Recognized in 2022	Investment Policy	Profit or Losses Main Reasons for	Improvement Plans for the Coming Year
			in investee companies	
Guang-Lai Investment Co., Ltd.	(1,073)	Makes investments	The recognition of losses on investments in investee companies	Keeping abreast of investee company's operating conditions
H&P Venture Capital Co., Ltd.	(5,479)	Makes investments	Losses due to investment	Keeping abreast of investee company's operating conditions
PHIHONG TECHNOLOGY JAPAN CO., LTD.	9,961	Sells power components	Due to continued business expansion	-
PHIHONG VIETNAM CO., LTD	(246,358)	Manufactures and sells various power supplies	Below economic scale	Ongoing operational cost control
Zerova Technologies Taiwan Limited	29,797	Sells various power supplies	Due to continued business expansion	-
Zerova Technologies Taiwan Limited	(148,537)	Makes investments	The recognition of losses on investments in investee companies	Keeping abreast of investee company's operating conditions
N-LIGHTEN TECHNOLOGIES, INC.	(76)	Makes investments	Due to the necessary expenses incurred in connection with operations	Pending commencement of liquidation proceedings
Spring City Resort Co., Ltd.	458	Hotel and restaurant	Gains due to investment	-
Han-Yu Venture Capital Co., Ltd.	(1,521)	Makes investments	Losses due to investment	Keeping abreast of investee company's operating conditions
Zerova Technologies Europe B.V.	360	Providing electric vehicle charging solutions	Due to continued business expansion	-
Zerova Technologies SG Pte. Ltd.	(139,880)	Turning to invest in other businesses and sales of electrical equipment	The recognition of losses on investments in investee companies	Keeping abreast of investee company's operating conditions
Zerova Technologies Japan Co., Ltd.	(963)	Providing electric vehicle charging solutions	Below economic scale	Ongoing operational cost control
Zerova Technologies	917	Makes	The recognition of	-

Makes investments	Investment Profit and Losses Recognized in 2022	Investment Policy	Profit or Losses Main Reasons for	Improvement Plans for the Coming Year
America Corporation		investments	gains on investments in investee companies	
Zerova Technologies USA LLC	930	Providing electric vehicle charging solutions	Due to continued business expansion	-
Phihong (Dongguan) Electronics Co., Ltd.	(65,739)	Manufactures and sells various power supplies	Below economic scale	Ongoing operational cost control
Phihong Electronics (Suzhou) Co., Ltd.	38,832	Manufactures and sells various power supplies	Income due to interest payments	-
Yanghong Trade (Shanghai) Co., Ltd.	(3,935)	Sells various lighting and power supplies	Below economic scale	Ongoing operational cost control
Dongguan Phitek Electronics Co., Ltd.	(127,845)	Manufactures and sells various power supplies	Below economic scale	Ongoing operational cost control
Dongguan Shuang-Ying Electronics Co., Ltd.	10,210	Manufactures and sells electronic materials	Due to continued business expansion	-
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	(1,529)	Manufactures and sells electronic materials	Below economic scale	Ongoing operational cost control
Zerova Technologies (Dongguan) Co., Ltd.	(61,242)	Sells various power supplies	Below economic scale	Ongoing operational cost control
Zerova Technologies (Dongguan) Co., Ltd.	(606)	Providing electric vehicle charging solutions	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 Loss, and Measures to Be Taken in Response:

Effect of interest income and expenses and exchange gains and losses on the Company in 2022:

Unit: NT\$1,000, %

Item	Net Amount For 2022	Percentage of Operating Revenue for 2022	Percentage of 2022 Net Income/Loss Before Income Tax(%)
Net interest income (expense)	(39,901)	(0.28)	(21.21)
Net foreign exchange (loss) gain	56,942	0.41	30.27

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 2022 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 Fed continues to raise interest rates, 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 \$56,942 thousand in fiscal 202, 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:

The total CPI index in 2022 was 107.40, and the annual CPI growth rate was 2.95%. The inflation risk is still within an acceptable range. This inflation rate has no significant impact on the Company's operations.

(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. The Company focuses on R&D, sales and manufacturing, and has not engaged in high-risk and highly leveraged investments.

2. According to the Company formulated "Procedures for the Lending of Funds to Others" and "Procedures for the Endorsement and Guarantee of Funds", only for the parent and subsidiary in the group or affiliated companies to engage in capital lending or endorsement and guarantee, and there is no loss would occur.

3. The Company engages in derivative transactions in accordance with the "Procedures for the Acquisition or Disposal of Assets" and the Company did not engage in derivative transactions in 2022.

(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.

(1) 2023 R&D Plans:

- Various types of GaN power supplies for gaming notebooks, including 140W/ 180W PD 3.1, 180W/ 240W/ 280W/ 330W 20V power supplies
- Various chargers for electric vehicles and power batteries, including 164W/168W/252W/273W, 164W/294W GaN chargers of miniaturized version, 1KW chargers of Fan less version with IP67 waterproof and dustproof features
- Industrial power supplies, including 100W/150W/240W/300W open-frame products with moistureproof and dustproof features
- Lithium battery chargers for wireless power tools chargers, 21.6W/single-port and 43.2W/dual-port chargers, 1KW chargers
- 65W/100W GaN 2C1A PD Smart express chargers for retail market
- Various Type C chargers for mobile phones, including 15W/35W/44W/80W/120W general and miniaturized GaN PD chargers
- The second generation 30W/60W/90W POE adapters
- 530W/950W Open-frame products for POE switches

- 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
- 480KW Water-cooled charging posts for electric vehicles

(2) It is estimated that the R&D expenses invested in 2023 will be approximately NT\$141,000 thousand.

(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:

The management team pays close attention to important domestic and foreign policies and laws, conducts risk control and formulates countermeasures through local subsidiaries and global locations. As of the date of publication of the Annual Report in 2022, there have been no policy or legal changes that have a significant impact on the Company's financial business.

(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. (renamed as Zerova Technologies Taiwan Limited Ltd.) In line with the Group's overall strategic planning, the EV Energy Group will be separated and operated independently.

- Expected benefits: Through the separation and independent operation, it is expected that the competitiveness and operational performance will be enhanced.
- Impact on shareholders' rights and interests: The relevant business of the electric vehicle energy business group is divided into Phehicle Co., Ltd, an existing subsidiary of the company that is 100% owned by the company. Before and after the division date, Phehicle Co., Ltd is a 100%-owned subsidiary of the company, so this division has should no impact to company's shareholders' rights and interests.
- Possible Risks and Measures to Be Taken in Response: None.

- Business division of the Company's electric vehicle energy business group has been finished on September, 9, 2022.

(VIII) Expected Benefits and Possible Risks Associated with Plant Expansion and Measures to Be Taken in Response:

In order to seize the opportunities for explosive growth in the EV market and meet the production capacity required by the continuous influx of orders; and to continue to reduce dependence on the Chinese supply chain and ensure that core technologies and capabilities are protected, the Board of Directors approved the capital expenditure plan for the Tainan third plant.

- Expected benefits: Due to the current limited production capacity of Tainan plants 1 and 2, for medium- and long-term order demand should be planned in advance, and it is expected that the production capacity of AC/DC charging stations can be increased.
- Possible Risks: overall market is weak, terminal demand is slowing, and market demand is not as expected.
- Measures to Be Taken in Response: through innovative R&D capabilities, high-quality after-sales service, and providing complete solutions to customers, even if market demand slows down, the Company can reduce this impact by increasing its market share.

(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.

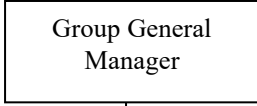
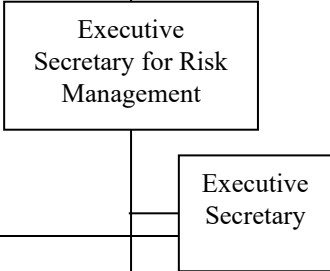
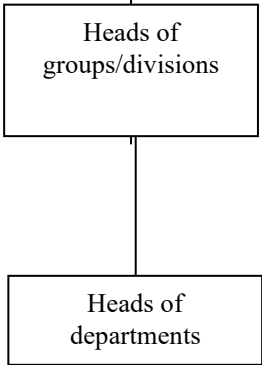
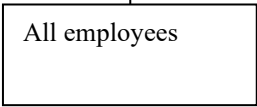
(XI) Effect on and Risk to the Company Associated with Changes in Management Rights and Measures to Be Taken in Response: There has been no change in the Company's operating rights as of the date of printing of the annual report.

(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 undertaken 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 and is still under trial in the preparatory procedures for the second instance.
 - (2) In relation to the infringement of the Company's trade secrets by the defendant, Chang ○○, Ruan ○○ 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: None.

(XIII) Other important risk management measures:

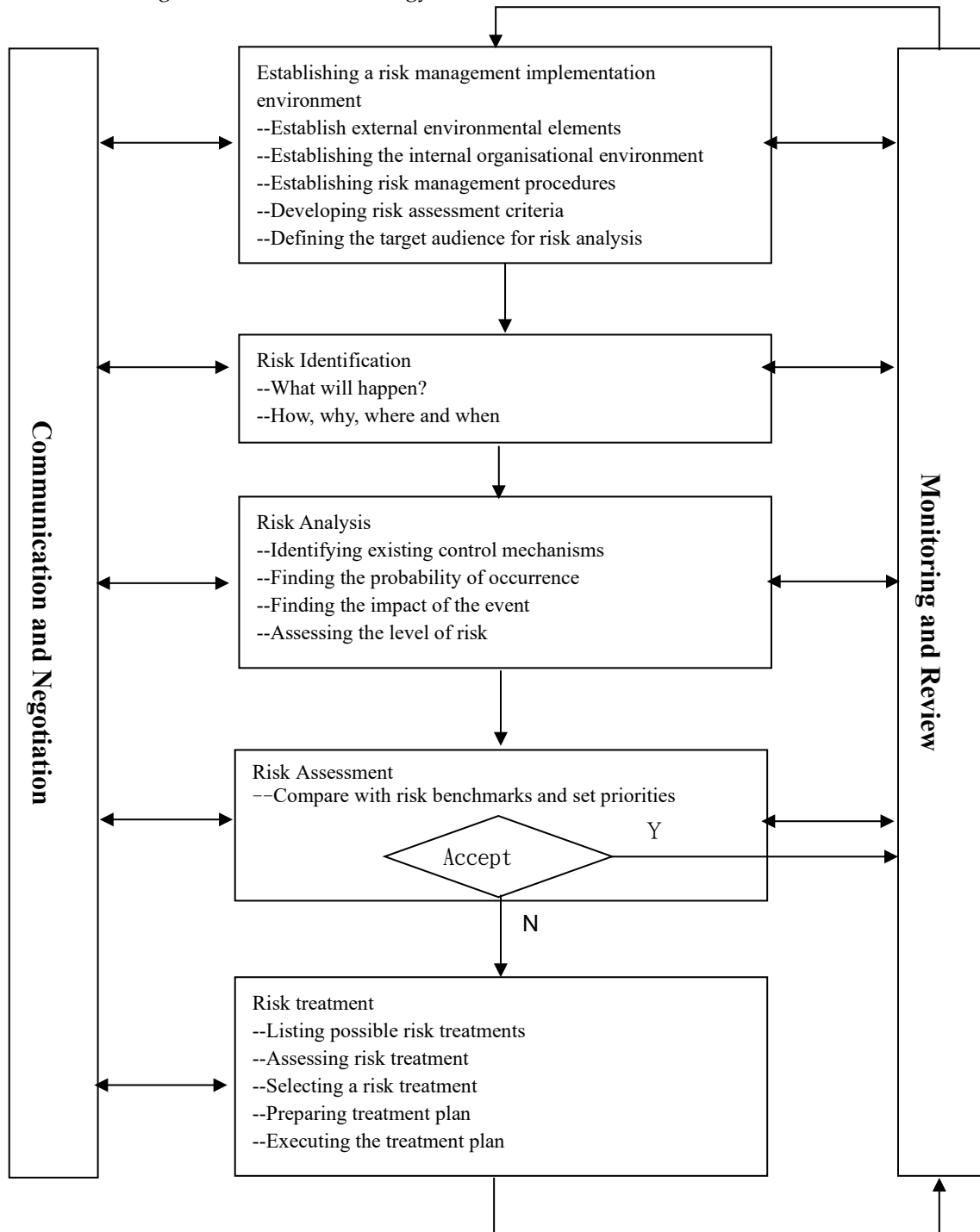
1. Risk Management Organization:

Organizational Chart	Responsibility
 <p>Group General Manager</p>	<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 providing appropriate incentives
 <p>Executive Secretary for Risk Management</p> <p>Executive Secretary</p>	<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 organizational risk policies 5. Ensure that training is in line with the needs 6. Monitor and review the performance of risk management policies
 <p>Heads of groups/divisions</p> <p>Heads of departments</p>	<ol style="list-style-type: none"> 1. Participate in assessing organizational readiness and awareness of organizational risks 2. Assess internal risk management capabilities 3. Inspect the environment and recognize opportunities and threats 4. Understand and communicate organizational risk management approaches and recommendations for organizational 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
 <p>All employees</p>	<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 organizational direction 4. Provide risk management contributions

2. Scope of Risk Management:

The Company is committed to integrating and managing all potential strategic, operational, financial and hazardous risks that may affect operations and profits in a proactive and cost-effective manner. Its purpose is to provide appropriate risk management for all stakeholders, and use the Risk MAP to assess the frequency of risk events and the severity of the company's operational impact, define the priority of risks and the risk level, and adopt corresponding risk management strategies according to the risk level. The Company's risk management scope includes the management of "Ethical Risk", "Occupational Safety Risk", "Financial Risk", "Supplier Risk", "Information and Communication Security Risk", "Environmental and Climate Change Risk", etc.

3. Risk Management Execution Strategy



4. Risk Management Operation Status:

The risk management execution team belongs to the Group General Manager's office. The General Manager serves as or designates the chief executive officer of risk management. Each business unit regularly conducts risk factor identification and risk control to promote more efficient command and dispatch, self-assessment and implementation of risk management organizations. The Company reported the risk assessment status and risk management operation status to the Board of Directors on August 4, 2022.

VII. Other Important Matters

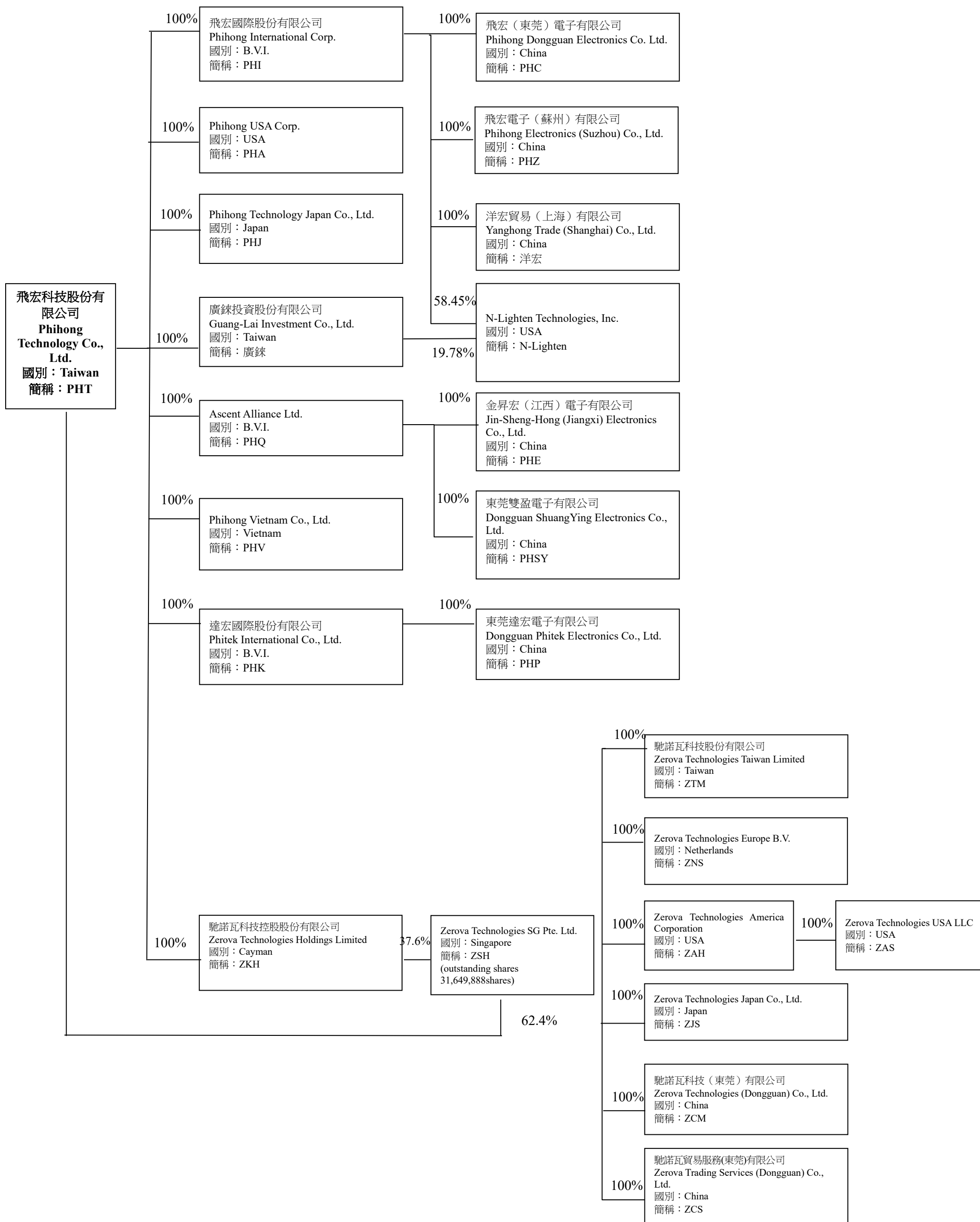
There were no such cases in the most recent year and up to the date of publication of the annual report.

Eight. Special Disclosure

I. Information on Affiliates

(I) Organizational chart of affiliates of Pihong Technology Co., Ltd.

Date : 2023.04.17



(II) Basic information on affiliates

Unit: NT\$1,000/foreign Currencies

Company Name	Date of Incorporation	Address	Paid-in Capital	Principal Business or Production Items
PHIHONG INTERNATIONAL CORP.	85.05	PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD 102,421,351	Makes investments
PHITEK INTERNATIONAL CO., LTD.	88.08	PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD 18,840,000	Makes investments
ASCENT ALLIANCE LTD.	93.06	PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD 12,012,600	Makes investments
PHIHONG USA CORP.	86.04	47800 FREMONT BLVD, FREMONT, CA 94538, USA	USD 6,200,000	Sells various power supplies
PHIHONG TECHNOLOGY JAPAN CO., LTD.	99.04	5/F, VORT Toyo-cho Bldg, 23-24 Toyo 3-chome, Kotoku, Tokyo, Japan	JPY 150,000,000	Sells power components
PHIHONG VIETNAM CO., LTD.	108.02	Thửa đất B34, B35, B36 và B37 thuộc lô CN5, Khu công nghiệp An Dương, Huyện An Dương, Thành phố Hải Phòng, Việt Nam.	USD 65,000,000	Manufactures and sells various power supplies
Guang-Lai Investment Co., Ltd.	90.10	10F., No. 172, Sec. 2, Minsheng E. Rd., Zhongshan Dist., Taipei City	139,758	Makes investments
Phihong (Dongguan) Electronics Co. Ltd.	85.03	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.	92.03	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.	96.12	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.	88.11	Room 101, 5/F, No. 1, No. 133 Tiesong Road, Qingxi Town, Dongguan City, Guangdong Province	USD 20,140,000	Manufactures and sells various power supplies
Dongguan Shuang-Ying	93.06	Room 101, 6/F, No. 1, No. 133 Tiesong Road,	HKD 9,000,000	Manufactures and sells electronic

Electronics Co., Ltd.		Qingxi Town, Dongguan City, Guangdong Province			materials
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	95.01	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.	93.04	47800 FREMONT BLVD, FREMONT, CA 94538, USA	USD	26,565,698	Makes investments
Zerova Technologies Taiwan Limited	111.03	Suite 102, Cannon Place, P.O. Box 712, North Sound Rd., George Town, Grand Cayman, KY1-9006 Cayman Islands	USD	12,000,000	Makes investments
Zerova Technologies Taiwan Limited	111.03	No. 99, Zhengnan 1st St., Yongkang Dist., Tainan City		600,000	Sells various power supplies
Zerova Technologies SG Pte. Ltd.	111.07	111 NORTH BRIDGE ROAD #06-20 PENINSULA PLAZA SINGAPORE (179098)	USD	11,900,000	Turning to invest in other businesses and sales of electrical equipment
Zerova Technologies Europe B.V.	111.06	Barbara Strozilaan 101, Amsterdam 1083 HN, The Netherlands		-	Providing electric vehicle charging solutions
Zerova Technologies Japan Co., Ltd.	111.09	5/F, VORT Toyo-cho Bldg, 23-24 Toyo 3-chome, Kotoku, Tokyo,		-	Providing electric vehicle charging solutions
Zerova Technologies (Dongguan) Co., Ltd.	111.08	Room 201, 5/F, No. 1, No. 133 Tiesong Road, Qingxi Town, Dongguan City, Guangdong Province	USD	950,000	Sells various power supplies
Zerova Technologies (Dongguan) Co., Ltd.	111.08	Room 401, 5/F, No. 1, No. 133 Tiesong Road, Qingxi Town, Dongguan City, Guangdong Province	USD	200,000	Providing electric vehicle charging solutions
Zerova Technologies America Corporation	111.07	401 RYLAND ST STE 200-A, RENO, NV 89502, USA	USD	1,050,000	Makes investments
Zerova Technologies USA LLC	111.07	47800 FREMONT BLVD., FREMONT, CA 94538, USA	USD	1,000,000	Providing electric vehicle charging solutions

(III) Same shareholders under the 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.

3. Research and development, sales and manufacturing of electrical equipment.

(V) Directors, supervisors, and general manager of affiliates

Company Name	Title	Name or Representative	Shareholding	
			Number of Shares	Percentage of Ownership (%)
PHIHONG INTERNATIONAL CORP. PHITEK INTERNATIONAL CO., LTD.	Director	Lin, Chung-Min	102,421,351	100.00
	Director	Phihong Technology Co., Ltd. Representative: Lin, Chung-Min	18,840,000	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
PHIHONG TECHNOLOGY JAPAN CO., LTD.	Director	Lin, Fei-Hong	-	-
	General Manager	Tai, Tsui-E	-	-
	Representative	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	65,000,000	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: ALLAN LIN	13,975,828	100.00
	Supervisor	Phihong Technology Co., Ltd. Representative: Chien, Shu-Nu	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	Shareholding	
			Number of Shares	Percentage of Ownership (%)
Phihong 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	Shareholding	
			Number of Shares	Percentage of Ownership (%)
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	-	-

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Company Name	Title	Name or Representative	Shareholding	
			Number of Shares	Percentage of Ownership (%)
Zerova Technologies Holdings Limited	Director	Phihong Technology Co.,LTD. Representative: Lin, Fei-Hong	120,000,001	100.00
	Director	Phihong Technology Co.,LTD. Representative: Yang, Wei-Jie	120,000,001	100.00
	Director	Phihong Technology Co.,LTD. Representative: Chen, Chun-Cheng	120,000,001	100.00
Zerova Technologies SG Pte. Ltd.	Director	Zerova Technologies Holdings Limited Representative: Lin, Fei-Hong	11,900,000	100.00
	Director	Zerova Technologies Holdings Limited Representative: Yang, Wei-Jie	11,900,000	100.00
	Director	Zerova Technologies Holdings Limited Representative: Chen, Chun-Cheng	11,900,000	100.00
	Director	Zerova Technologies Holdings Limited Representative: Wong Yong Fei	11,900,000	100.00
	Director	Phihong Technology Co., Ltd. Representative: Lin, Fei-Hong	120,000,001	100.00
Zerova Technologies Taiwan Limited	Director	Phihong Technology Co., Ltd. Representative: Yang, Wei-Jie	120,000,001	100.00
	Director	Phihong Technology Co., Ltd. Representative: Chen, Chun-Cheng	120,000,001	100.00
	Director	Phihong Technology Co., Ltd. Representative: Chen, Chun-Cheng	120,000,001	100.00

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Company Name	Title	Name or Representative	Shareholding	
			Number of Shares	Percentage of Ownership (%)
Zerova Technologies (Dongguan) Co., Ltd.	Director	Zerova Technologies SG Pte. Ltd. Representative: Lin, Fei-Hong	950,000	100.00
	Supervisor	Zerova Technologies SG Pte. Ltd. Representative: Chen, Chun-Cheng	950,000	100.00
Zerova Technologies (Dongguan) Co., Ltd.	Director	Zerova Technologies SG Pte. Ltd. Representative: Chen, Chun-Cheng	200,000	-
	Supervisor	Zerova Technologies SG Pte. Ltd. Representative: Lin, Fei-Hong	200,000	-
Zerova Technologies Japan Co., Ltd.	Representative	Zerova Technologies SG Pte. Ltd. Representative: Lin, Fei-Hong	8,000	-
Zerova Technologies America Corporation	Director	Zerova Technologies SG Pte. Ltd. Representative: Lin, Fei-Hong	1,050,000	100.00
	Director	Zerova Technologies SG Pte. Ltd. Representative: Yang, Wei-Jie	1,050,000	100.00
Zerova Technologies USA LLC	Director	Zerova Technologies America Corporation Representative: Lin, Fei-Hong	1,000,000	100.00
	Director	Zerova Technologies America Corporation Representative: Yang, Wei-Jie	1,000,000	100.00
Zerova Technologies Europe B.V.	Director	Zerova Technologies Holdings Limited Representative: Lin, Fei-Hong	100	-
	Director	Zerova Technologies Holdings Limited. Representative: Smith, Stephen Paul	100	-

(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 PROFIT (LOSS) FOR THE YEAR (Net of Income Tax)	Loss per Share (NT\$) (Net of Income Tax)
PHIHONG INTERNATIONAL CORP.	USD 102,421,351	\$ 2,771,847	\$ 25,918	\$ 2,745,929	-	(\$ 114)	(\$ 30,785)	N/A
PHITEK INTERNATIONAL CO., LTD.	USD 18,840,000	3,669	286,429	(282,760)	-	(197)	(124,752)	N/A
ASCENT ALLIANCE LTD.	USD 12,012,600	72,671	5,012	67,659	-	(97)	8,614	N/A
PHIHONG USA CORP.	USD 6,200,000	1,884,066	701,913	1,182,153	5,213,439	34,139	51,888	N/A
PHIHONG TECHNOLOGY JAPAN CO., LTD.	JPY 150,000,000	306,279	227,601	78,678	220,721	3,390	9,961	N/A
PHIHONG VIETNAM CO., LTD.	USD 65,000,000	2,956,029	1,329,862	1,626,167	1,935,195	(217,695)	(246,407)	N/A
Guang-Lai Investment Co., Ltd.	139,758	121,679	8,851	112,828	-	(57)	(1,073)	N/A
Phihong (Dongguan) Electronics Co. Ltd.	HKD 495,450,000	2,828,400	1,362,645	1,465,755	6,833,959	(59,127)	(65,739)	N/A
Phihong Electronics (Suzhou) Co., Ltd.	USD 31,960,000	1,317,232	19,273	1, 297,959	-	(2,304)	38,832	N/A
Yanghong Trade (Shanghai) Co., Ltd.	USD 880,000	12,151	7,867	4,284	7,138	(3,991)	(3,935)	N/A
Dongguan Phitek Electronics Co., Ltd.	USD 20,140,000	1,474,646	1,761,075	(286,429)	2,762,678	(158,687)	(127,845)	N/A
Dongguan Shuang-Ying Electronics Co., Ltd.	HKD 9,000,000	107,505	35,257	72,248	215,170	483	10,210	N/A
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	USD 11,500,000	75,095	80,107	(5,012)	275,640	(1,291)	(1,529)	N/A
N-Lighten Technologies, Inc.	USD 26,565,698	4,231	48,573	(44,342)	-	(71)	(98)	N/A
Zerova Technologies Taiwan Limited	USD 12,000,000	1,729,152	1,506,723	222,429	850,996	(139,794)	(141,687)	N/A
Zerova Technologies Taiwan Limited	600,000	996,122	366,259	629,862	211,328	(2,049)	29,862	N/A
Zerova Technologies SG Pte. Ltd.	USD 11,900,000	1,058,468	751,813	306,655	900,336	274,362	(56,701)	N/A
Zerova Technologies Europe B.V.	-	59,540	59,601	(60,545)	31,500	420	624	N/A
Zerova Technologies Japan Co., Ltd.	-	1,665	2,665	(1,000)	-	(963)	(963)	N/A
Zerova Technologies (Dongguan) Co., Ltd.	USD 950,000	998,435	1,033,144	(34,709)	456,773	(59,122)	(61,242)	N/A

Company Name	Capital	Total Assets	Total Liabilities	Net Value	Operating revenue	Operating Income (Loss)	NET PROFIT (LOSS) FOR THE YEAR (Net of Income Tax)	Loss per Share (NT\$) (Net of Income Tax)
Zerova Technologies (Dongguan) Co., Ltd.	USD 200,000	94,185	88,414	5,771	72,465	1,383	(606)	N/A
Zerova Technologies America Corporation	USD 1,050,000	33,206	-	33,206	-	(13)	917	N/A
Zerova Technologies USA LLC	USD 1,000,000	572,183	540,500	31,683	185,854	930	930	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

No private placement of marketable securities has been processed during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual private.

III Holding or Disposal of Shares in the Company by Subsidiaries during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Publication of the Annual Report

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

IV Other Supplementary Information:

The basis of valuation of the presentation of assets and liabilities in the financial statements

tems	Asset and liability valuation accounts	Basis of assessment	Foundation of Evaluation
1	Allowance for doubtful debts	Expected credit losses over the life of the asset	Calculated using a provision matrix with reference to customers' past default records, current financial position, and other forward-looking information.
2	Allowance for doubtful losses on inventories	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

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

Phihong Technology Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Phihong Technology Co., Ltd. (the "Company") which comprise the balance sheets as of December 31, 2022 and 2021 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, 2022 and 2021, 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 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 the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. 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 the Company's financial statements as of and for the year ended December 31, 2022 is as follows.

The Accuracy of sales of electric vehicle energy business

Description of the key audit matter

The Company has shifted its operational focus to the electric vehicle energy market in recent years, and orders for electric vehicle energy have increased significantly this year. The electric vehicle charging market is

booming rapidly with the popularity of electric vehicles, resulting in the percentage of revenue from electric vehicle energy increasing significantly, Therefore, the authenticity of the sales revenue from electric vehicle energy business is considered as a key audit matter in this year. Refer to Note 4 to the accompanying financial statements for the related disclosures.

Corresponding audit procedures

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

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 the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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 auditing standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or errors and are considered material if, individually or in aggregate, they may reasonably be expected to affect the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a

matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9 , 2023

Notice to Readers

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

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

PHIHONG TECHNOLOGY CO., LTD.

Parent Company Only BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$1,721,093	14	\$2,359,514	20
Financial assets at amortized cost - current (Notes 4, 8 and 28)	61,450	1	-	-
Notes receivables (Notes 4 and 9)	-	-	3,056	-
Trade receivables (Notes 4 and 9)	1,127,924	9	1,075,605	9
Trade receivables from related parties (Notes 4, 9 and 27)	395,597	3	391,256	4
Other receivables (Note 9)	14,143	-	3,958	-
Other receivables from related parties (Notes 9 and 27)	1,336,759	11	1,042,894	9
Inventories (Notes 4 and 10)	14,032	-	112,813	1
Other current assets	79,139	1	70,257	1
Total current assets	4,750,137	39	5,059,353	44
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	96,270	1	82,231	1
Financial assets at amortized cost - non-current (Notes 4, 8 and 28)	22,030	-	20,458	-
Investments accounted for using equity method (Notes 4 and 11)	6,598,775	54	5,412,514	47
Property, plant and equipment (Notes 4 and 12)	670,682	5	912,712	8
Right-of-use assets (Notes 4 and 13)	28,823	-	3,348	-
Investment property (Notes 4 and 14)	23,168	-	-	-
Other intangible assets (Notes 4 and 15)	26,895	-	18,641	-
Deferred tax assets (Notes 4 and 23)	57,493	1	53,114	-
Other non-current assets	19,794	-	25,232	-
Total non-current assets	7,543,930	61	6,528,250	56
TOTAL	\$12,294,067	100	\$11,587,603	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$832,900	7	\$636,180	5
Short-term notes and bills payable (Note 16)	69,740	1	-	-
Contract liabilities - current (Notes 21 and 27)	267,961	2	86,770	1
Trade payables	4,125	-	35,255	-
Trade payables to related parties (Note 27)	44,565	-	498	-
Other payables (Notes 18 and 27)	1,761,362	14	2,062,906	18
Current tax liabilities (Notes 4 and 23)	83,393	1	-	-
Lease liabilities - current (Notes 4 and 13)	5,048	-	2,387	-
Current portion of long-term borrowings (Note 16)	398,592	3	832,930	7
Other current liabilities	149,555	1	81,816	1
Total current liabilities	3,617,241	29	3,738,742	32
NON-CURRENT LIABILITIES				
Bonds payable (Note 17)	698,688	6	698,283	6
Long-term borrowings (Note 16)	1,333,583	11	766,108	7
Deferred tax liabilities (Notes 4 and 23)	44,649	-	56,520	1
Lease liabilities - non-current (Notes 4 and 13)	23,980	-	1,001	-
Net defined benefit liability - non-current (Notes 4 and 19)	49,017	-	87,092	1
Other non-current liabilities (Notes 4 and 11)	301,839	3	393,828	3
Total non-current liabilities	2,451,756	20	2,002,832	18
Total liabilities	6,068,997	49	5,741,574	50
EQUITY (Notes 4 and 20)				
Ordinary shares	3,752,084	31	3,752,084	32
Capital surplus	2,179,372	18	2,179,372	19
Retained earnings				
Legal reserve	295,992	2	612,916	5
Special reserve	230,859	2	230,859	2
Accumulated earnings (deficits)	91,273	1	(316,924)	(3)
Total retained earnings	618,124	5	526,851	4
Other equity				
Exchange differences on translating the financial statements of foreign operations	(244,171)	(2)	(523,866)	(4)
Unrealized loss on financial assets at fair value through other comprehensive income	(80,339)	(1)	(88,412)	(1)
Total other equity	(324,510)	(3)	(612,278)	(5)
Total equity	6,225,070	51	5,846,029	50
TOTAL LIABILITIES AND EQUITY	\$12,294,067	100	\$11,587,603	100

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

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 27)	\$11,202,956	100	\$9,450,799	100
OPERATING COST (Notes 4, 10 and 27)	9,885,426	88	8,490,981	90
OPERATING GROSS PROFIT	1,317,530	12	959,818	10
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (NOTE 4)	40,158	-	2,587	-
GROSS PROFIT AND REALIZED GAIN FROM SUBSIDIARIES AND ASSOCIATES	1,357,688	12	962,405	10
OPERATING EXPENSES				
Sales and marketing expenses	356,737	3	341,248	3
General and administration expenses	207,023	2	168,189	2
Research and development expenses	462,133	4	548,916	6
Expected credit loss recognized (Note 9)	(742)	-	(13)	-
Total operating expenses	1,025,151	9	1,058,340	11
INCOME (LOSS) FROM OPERATIONS	332,537	3	(95,935)	(1)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 22 and 27)	12,271	-	1,241	-
Other income (Notes 22 and 27)	197,157	2	123,152	1
Other gains and losses (Note 22)	121,767	1	(21,836)	-
Finance costs (Note 22)	(57,547)	(1)	(35,124)	-
Share of profit or loss of from associates account for using the equity method (Notes 4 and 11)	(471,561)	(4)	(290,378)	(3)
Total non-operating income and expenses	(197,913)	(2)	(222,945)	(2)

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	2022		2021	
	Amount	%	Amount	%
INCOME (LOSS) BEFORE INCOME TAX	\$134,624	1	(\$318,880)	(3)
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 23)	(63,297)	(1)	6,280	-
NET INCOME (LOSS) FOR THE YEAR	71,327	-	(312,600)	(3)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	24,932	-	(5,405)	-
Unrealized loss on financial assets at fair value through other comprehensive income (Note 20)	743	-	966	-
Share of other comprehensive income (loss) of associates accounted for using the equity method (Note 20)	7,330	-	(27,371)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	(4,986)	-	1,081	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 20)	279,695	3	(74,987)	(1)
Total other comprehensive income (loss) for the period	307,714	3	(105,716)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$379,041	3	(\$418,316)	(4)
EARNINGS (LOSS) PER SHARE (Note 24)				
Basic	\$0.19		(\$0.92)	
Diluted	\$0.19			

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, 2022 AND 2021

(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, 2021	\$3,376,884	\$1,044,017	\$767,660	\$230,859	(\$154,744)	(\$448,879)	(\$62,007)	\$4,753,790
Capital increase (Note 20)	375,200	1,135,355	-	-	-	-	-	1,510,555
Legal reserve used to offset accumulated deficits (Note 20)	-	-	(154,744)	-	154,744	-	-	-
Net 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
Legal reserve used to offset accumulated deficits (Note 20)	-	-	(316,924)	-	316,924	-	-	-
Net income for the year ended December 31, 2022	-	-	-	-	71,327	-	-	71,327
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	19,946	279,695	8,073	307,714
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	91,273	279,695	8,073	379,041
Balance at December 31, 2022	<u>\$3,752,084</u>	<u>\$2,179,372</u>	<u>\$295,992</u>	<u>\$230,859</u>	<u>\$91,273</u>	<u>(\$244,171)</u>	<u>(\$80,339)</u>	<u>\$6,225,070</u>

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, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before tax	\$134,624	(\$318,880)
Adjustments for:		
Depreciation expense	58,536	68,303
Amortization expense	9,109	7,860
Excepted credit loss recognized	(742)	(13)
Finance costs	57,547	35,124
Interest income	(12,271)	(1,241)
Dividend income	(2,995)	-
Share of loss from associates accounted for using the equity method	471,561	290,378
Loss on disposal of property, plant and equipment	2,706	-
Allowance for inventory valuation and obsolescence loss	36,943	11,039
Realized gain on transactions with subsidiaries	(40,158)	(2,587)
Net changes in operating assets and liabilities		
Notes receivables	3,056	(3,056)
Trade receivables	(51,577)	(241,426)
Trade receivables from related parties	(4,341)	(34,570)
Other receivables	(10,923)	8,898
Other receivables from related parties	(293,865)	(471,670)
Inventories	(73,149)	(71,489)
Other current assets	830	(24,228)
Contract liabilities	181,191	77,754
Trade payables	(31,130)	23,475
Trade payables to related parties	93,852	(700)
Other payables	(84,382)	208,650
Other current liabilities	67,843	5,337
Net defined benefit liability	(13,143)	(12,381)
Cash generated from (used in) operations	499,122	(445,423)
Interest received	12,200	1,232
Interest paid	(54,171)	(35,768)
Income tax paid	(620)	(530)
Net cash generated from (used in) operating activities	456,531	(480,489)

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	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at fair value through other comprehensive income	(\$16,000)	(\$18,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,704	406
Purchase of financial assets at amortized cost	(63,971)	(8,808)
Proceeds from disposal of financial assets at amortized cost	949	25,450
Net cash outflow on acquisition of subsidiaries	(824,885)	(841,430)
Purchase of property, plant and equipment	(212,526)	(216,255)
Proceeds from disposal of property, plant and equipment	3,425	-
Purchase of intangible assets	(18,943)	(13,665)
Increase in refundable deposits	(2,229)	-
Decrease in refundable deposits	-	314
Increase in prepayments for equipment	(2,608)	(12,942)
Dividends received	2,995	2,679
Cash outflow from divestiture	(358,670)	-
Net cash used in investing activities	<u>(1,489,759)</u>	<u>(1,082,251)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	196,720	379,860
Increase in short-term bills payable	69,740	-
Issuance of corporate bonds	-	700,000
Repayment of corporate bonds	-	(1,000,000)
Proceeds from long-term borrowings	3,365,461	2,251,960
Repayment of long-term borrowings	(3,232,887)	(1,023,399)
Increase in guarantee deposits received	1,258	-
Repayment of the principal portion of lease liabilities	(5,485)	(3,710)
Capital increase	-	1,510,555
Payment for the cost of ordinary corporate bonds issuance	-	(2,028)
Net cash generated from financing activities	<u>394,807</u>	<u>2,813,238</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(638,421)	1,250,498
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,359,514</u>	<u>1,109,016</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$1,721,093</u>	<u>\$2,359,514</u>

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

PHIHONG TECHNOLOGY CO., LTD.

NOTES TO STANDALONE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1 GENERAL INFORMATION

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

Under a resolution approved in the stockholders’ meeting on June 8, 2022, the Company's electric vehicle energy segment would be split and transferred to Zerova Technologies Taiwan Limited (hereinafter referred to as ZTM), where the company has a 100% shareholding, on September 1, 2022(the reference date of the divestiture).

In February 2000, the Company 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; instead, its stocks began to be traded 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 standalone financial statements were approved by the Company’s board of directors on March 9, 2023.

3 APPLICATION OF NEWLY ISSUED AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

Note2: The Group shall apply these amendments prospectively to the changes in accounting estimates and accounting policies for annual reporting periods beginning after January 1, 2023.

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

As of the date the 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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 17“Leaseback in IFRS 17”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17 “Comparative Information of the Initial Application of IFRS 17 and IFRS 9”	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendment to IAS 1 “Non-current Liabilities with Contractual Terms”	January 1, 2024

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

Note2: Sellers and lessees should apply the amendments to IFRS 16 retroactively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the 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 interim 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 standalone financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates that operate in countries or adopt the 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.

e. Inventories

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

cost, and the differences incurred at the end of the period are allocated to inventories and cost of sales.

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 standalone financial statements. Profit or loss on downstream and lateral transactions between the Company and its subsidiaries is recognized in the standalone 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 Group also recognizes the changes in the Group'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. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both.

Owned investment properties are initially measured at cost (including transaction costs) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Investment property is depreciated using a straight-line method.

Investment property is recognized as property, plant and equipment at the carrying amount on the date of transfer for personal use.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss.

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.

k. Impairment of property, plant, and equipment as well as right-of-use, investment property 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, investment property 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.

1. Financial instruments

Financial assets and financial liabilities shall be recognized in the standalone 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, refundable deposits 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 accounts 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.

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 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.

n. 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.

1) Sales revenue of goods

Sales revenue 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.

2) Service Revenue

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

o. Leases

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

1) The Company as lessor

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

2) The Company as lessee

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

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

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

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

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

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 rereasurement) 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 rereasurement (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. Income tax

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 or 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.

t. Split

The Company acquires equity in a subsidiary by divesting its assets, liabilities and operations to the subsidiary. The accounting treatment for the acquisition of equity in the subsidiary is based on the net of the carrying value of the Company's assets less liabilities transferred to the subsidiary, and no exchange gain is recognized.

5 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 management will review the estimates and underlying assumptions on an ongoing basis. If the revision of the estimate only affects the current period, it will be recognized in the current period of the

revision; if the revision of the 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, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$203	\$1,048
Checking accounts and demand deposits	1,720,890	2,358,466
	<u>\$1,721,093</u>	<u>\$2,359,514</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposit	0.001%~4.000%	0.001%~0.170%

7 FINANCIAL ASSETS AT FVTOCI

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI)		
Domestic unlisted ordinary shares	<u>\$96,270</u>	<u>\$82,231</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, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Time deposits with original maturity more than 3 months	<u>\$61,450</u>	<u>\$-</u>
<u>Non-current</u>		
Restricted bank deposits	\$20,030	\$20,458
Money Lodged at Courts	2,000	-
	<u>\$22,030</u>	<u>\$20,458</u>

As of December 31, 2022 and 2021, the Company set up a special account for the project performance bond, a domestic guaranteed corporate bond, and a pledge for the syndicated loans with deposits of \$22,030 thousand and \$20,458 thousand, please refer to Note 28.

9 NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivables</u>		
At amortized cost		
Gross carrying amount	\$-	\$3,056
Less: Allowance for impairment loss	-	-
	<u>-</u>	<u>3,056</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount - non-related parties	1,128,430	1,076,853
Less: Allowance for impairment loss	(506)	(1,248)
	<u>1,127,924</u>	<u>1,075,605</u>
Gross carrying amount - related parties	395,597	391,256
Less: Allowance for impairment loss	-	-
	<u>395,597</u>	<u>391,256</u>
	<u>\$1,523,521</u>	<u>\$1,469,917</u>
<u>Other receivables</u>		
At amortized cost		
Carrying amount - non-related parties	\$14,143	\$3,958
Less: Allowance for impairment loss	-	-
	<u>14,143</u>	<u>3,958</u>
Carrying amount - related parties	1,336,759	1,042,894
Less: Allowance for impairment loss	-	-
	<u>1,336,759</u>	<u>1,042,894</u>
	<u>\$1,350,902</u>	<u>\$1,046,852</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 receivable collection regarding the non-related parties for the past five years, and no interest accrued for accounts receivable 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 accounts receivable at an amount equal to lifetime ECLs. The ECLs on accounts receivable 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 accounts receivable was 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 trade receivables based on the Company's provision matrix.

December 31, 2022

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Expected credit loss rate	0.01%	0.14~2.63%	-	6.02%	8.57~100%	
Gross carrying amount	\$1,411,806	\$111,808	\$-	\$168	\$245	\$1,524,027
Loss allowance (Lifetime ECL)	(63)	(396)	-	(10)	(37)	(506)
Amortized cost	<u>\$1,411,743</u>	<u>\$111,412</u>	<u>\$-</u>	<u>\$158</u>	<u>\$208</u>	<u>\$1,523,521</u>

December 31, 2021

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Expected credit loss rate	0.02%	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>

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>2022</u>	<u>2021</u>
Balance at January 1	\$1,248	\$1,261
Current gain from price recovery for the period	(742)	(13)
Balance at December 31	<u>\$506</u>	<u>\$1,248</u>

10 INVENTORIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials	\$2,476	\$21,508
Work-in-process	-	1,091
Finished goods	11,556	90,214
	<u>\$14,032</u>	<u>\$112,813</u>

The costs of sales related to inventories in 2022 and 2021 were 9,885,426 thousand and 8,490,981 thousand, respectively. The costs of sales in 2022 and 2021 includes the inventory valuation losses and obsolescence losses recognized by writing down the cost of inventories to their net realizable value of \$36,943 thousand and 11,039 thousand, respectively.

11 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investment in subsidiaries	\$6,587,754	\$5,396,014
Investments in associates	11,021	16,500
	<u>\$6,598,775</u>	<u>\$5,412,514</u>

a. Investment in subsidiaries

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Phihong International Corp. (“PHI”)	\$2,731,172	\$2,961,499
Phitek International Co., Ltd. (“PHK”)	(300,541)	(393,788)
Ascent Alliance Ltd. (“PHQ”)	67,000	58,568
Phihong USA Corp. (“PHA”)	1,143,436	936,520
Phihong Technology Japan Co., Ltd. (“PHJ”)	78,226	71,303
Phihong Vietnam Co., Ltd. (“PHV”)	1,609,716	1,260,679
Guang-Lai Investment Co., Ltd. (“Guang-Lai”)	112,828	107,445
Zerova Technologies Taiwan Limited (hereinafter referred to as ZTM) (formerly known as Phehicle Co., Ltd, which changed its company name on June 20, 2022)	629,797	-
Phehicle Co., Ltd. (ZKH)	215,579	-
	<u>6,287,213</u>	<u>5,002,226</u>
Add: Reclassified to other non-current liabilities	300,541	393,788
	<u>\$6,587,754</u>	<u>\$5,396,014</u>

As of December 31, 2022 and 2021, the Company’s accumulated losses on the investments in PHK recognized had exceeded the original investment amount, resulting credit balance of \$300,541 thousand and \$393,788 thousand in the long-term equity investments, respectively, which have been reclassified in “Other non-current liabilities.”

<u>Subsidiary</u>	<u>Percentage of Ownership and Voting Rights</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
PHI	100.00%	100.00%
PHK	100.00%	100.00%
PHQ	100.00%	100.00%
PHA	100.00%	100.00%
PHJ	100.00%	100.00%

<u>Subsidiary</u>	<u>Percentage of Ownership and Voting Rights</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
PHV	100.00%	100.00%
Guang-Lai	100.00%	100.00%
ZTM	100.00%	-
ZKH	100.00%	-

Note 1: In response to the operational requirements of the Group, the Company, through the board of directors in December 2021 approved to reduce the capital of PHI by USD8,640 thousand, and after the reduction, the capital stock of PHI is \$3,209,288 thousand (USD102,421 thousand), and the record date of the capital reduction is January 6, 2022, and the above-mentioned capital reduction has been approved by the Ministry of Economic Affairs Investment Review Committee in its letter numbered 11100041120 dated April 14, (2022).

Note2: 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 USD8,640 thousand. The base date for the capital reduction was March 2022.

Note3: The Company established a subsidiary, PHV, in Vietnam in 2019, with a registered capital of USD65,000 thousand, and the Company's shareholding ratio is 100%. To coordinate with the group's capital needs, it is planned to process capital injections in stages according to the investment progress. For 2022, the Company has performed a capital increase of 207,690 thousand (USD15,000 thousand). As of December 31, 2022, the Company's capital injected amounted to \$1,906,713 thousand (USD65,000 thousand).

Note4: The Company established a subsidiary Phehicle Co., Ltd with a registered capital of USD 1,000 thousand, and the Company's shareholding ratio is 100%. For the purpose of organizational restructuring and professional division, under a resolution approved in the stockholders' meeting on June 8, 2022, by way of a divestiture, the Company would divest the related operations of the electric vehicle energy segment to Phehicle Co., Ltd, whose company name was changed to Zerova Technologies Taiwan Limited and which obtained an approval letter and completed the company change registration on June 20, 2022. The Company's electric vehicle energy segment was divested to ZTM on September 1, 2022 (the reference date of the divestiture), namely the company divested the related operations of the electric vehicle energy segment (including assets and liabilities) to ZTM by way of to an existing company for general assumption. In an exchange of the carrying amounts of the net assets divested by the Company, ZTM issued 59,900 thousand new shares with a par value of \$10 each for a consideration of \$599,000 thousand, and obtained an approval letter and completed the company change registration on October 12, 2022.

Note5: ZKH was established in March 2022 and registered in the Cayman Islands with a registered capital of USD12,000 thousand and a 100% shareholding. As of December 31, 2022, the Company has invested \$365,580 thousand (or USD12,000 thousand).

On September 1, 2022 (the reference date of the divestiture), the Company divested the operations related to the electric vehicle energy segment and issued 59,900 thousand shares for each common share with a par value of approximately NTD10 for the net assets divested by ZTM. ZTM received the change of registration letter from the Tainan City Government on October 12, 2022. The carrying amount of the assets and liabilities of ZTM transferred by the divestiture are as follows:

	<u>Amount</u>
Assets:	
Notes receivable -related parties	\$358,670
Inventories (the balance that was deducted allowances for price-drop losses in value of \$57,665 thousand)	134,987
Other current assets	7,735
Property, plant and equipment	367,994
Right-of-use assets	348
Other intangible assets	1,580
Other non-current assets	809
Liabilities:	
Trade payables to related parties	(49,785)
Other payables from related parties	(222,879)
Other current liabilities	(104)
Lease liabilities	(355)
Net assets:	<u>\$599,000</u>

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, 2022 and 2021 were based on the subsidiaries' financial statements audited by auditors for the same years.

b. Investments in associates:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates that are not individually material	<u>\$11,021</u>	<u>\$16,500</u>
<u>Associates that are not individually material</u>		
	<u>2022</u>	<u>2021</u>
The Company's share of		
Loss for the year	<u>(\$5,828)</u>	<u>(\$2,014)</u>
Total comprehensive loss	<u>(\$5,828)</u>	<u>(\$2,014)</u>

Refer to Table 6 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2022	\$463,345	\$632,905	\$165,290	\$410,175	\$657	\$1,672,372
Additions	-	6,426	41,288	7,473	143,545	198,732
Disposals	-	(4,331)	(21,014)	(7,144)	-	(32,489)
Reclassification	-	443	9,327	580	(613)	9,737
Reclassified as investment property	-	(56,112)	-	-	-	(56,112)
Split and Transfer	(72,752)	(346,004)	(96,153)	(23,927)	-	(538,836)
Balance at December 31, 2022	<u>\$390,593</u>	<u>\$233,327</u>	<u>\$98,738</u>	<u>\$387,157</u>	<u>\$143,589</u>	<u>\$1,253,404</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$-	\$268,906	\$135,057	\$355,697	\$-	\$759,660
Disposals	-	(3,707)	(15,766)	(6,885)	-	(26,358)
Depreciation expense	-	15,104	14,472	23,384	-	52,960
Reclassified as investment property	-	(32,698)	-	-	-	(32,698)
Split and Transfer	-	(113,875)	(43,049)	(13,918)	-	(170,842)
Balance at December 31, 2022	<u>\$-</u>	<u>\$133,730</u>	<u>\$90,714</u>	<u>\$358,278</u>	<u>\$-</u>	<u>\$582,722</u>
Carrying amounts at December 31, 2022	<u>\$390,593</u>	<u>\$99,597</u>	<u>\$8,024</u>	<u>\$28,878</u>	<u>\$143,589</u>	<u>\$670,682</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>

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 10 years

Property, plant and equipment used by the Company and pledged as secure long-term borrowings are set out in Note 28.

13 LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts		
Freehold land	\$24,828	\$1,085
Transportation equipment	3,995	2,065
Other equipment	-	198
	<u>\$28,823</u>	<u>\$3,348</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$31,153</u>	<u>\$-</u>
Depreciation charge for right-of-use assets		
Freehold land	\$3,690	\$1,878
Transportation equipment	1,442	1,168
Other equipment	198	593
	<u>\$5,330</u>	<u>\$3,639</u>

b. Lease liabilities

Carrying amounts

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	<u>\$5,048</u>	<u>\$2,387</u>
Non-current	<u>\$23,980</u>	<u>\$1,001</u>

Range of discount rate for lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	1.200%~5.007%	1.155%~1.9872%
Non-current	1.200%~5.007%	1.155%~1.9872%

c. Material lease-in activities and terms

The Company has leased land for the expansion of its plants and parking over a term of 2 to 10 years. Except the Company has the preferential rights to acquire the land leased in Tainan, which is automatically renewed for one year upon the termination of the lease term, it does not have preferential rights to acquire the remaining land leased upon the termination of the lease term. The Company shall not sublease or transfer the entire or any 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>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$5,614</u>	<u>\$3,013</u>
Total cash (outflow) for leases	<u>(\$11,099)</u>	<u>(\$6,723)</u>

The Company has elected to apply the recognition exemption for office equipment, transportation equipment, and other equipment qualified for short-term lease, thus, did not recognize said leases in right-of-use assets and lease liabilities.

For the years ended December 31, 2022 and 2021, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2022 and 2021 and for which the recognition exemption is applied.

14 INVESTMENT PROPERTIES

	<u>Investment properties</u>
<u>Cost</u>	
Balance at January 1, 2022	\$-
From property, plant and equipment	56,112
Balance at December 31, 2022	<u>\$56,112</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$-
From property, plant and equipment	32,698
Depreciation expense	246
Balance at December 31, 2022	<u>\$32,944</u>
Carrying amounts at December 31, 2022	<u>\$23,168</u>

The lease term for investment properties is 1 year. The lessee has a preferential right to acquire the investment properties at the end of the lease.

The total future lease payments to be received for investment property leased under operating leases are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
First year	\$4,467	\$-

Investment properties are depreciated on a straight-line basis over the following estimated useful life:

Buildings	50 years
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Property, plant and equipment used by the Company and pledged as amount of investment property are set out in Note 28.

15 OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2022	\$85,167
Additions	18,943
Disposals	(6,389)
Split and Transfer	(6,395)
Balance at December 31, 2022	<u>\$91,326</u>

	<u>Computer Software</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$66,526
Amortization expense	9,109
Disposals	(6,389)
Split and Transfer	(4,815)
Balance at December 31, 2022	<u>\$64,431</u>
Carrying amounts at December 31, 2022	<u>\$26,895</u>
<u>Cost</u>	
Balance at January 1, 2021	\$78,332
Additions	13,665
Reclassification	475
Disposals	(7,305)
Balance at December 31, 2021	<u>\$85,167</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$65,971
Amortization expense	7,860
Disposals	(7,305)
Balance at December 31, 2021	<u>\$66,526</u>
Carrying amounts at December 31, 2021	<u>\$18,641</u>

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

16 BORROWINGS

a. Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Unsecured loan</u>		
Bank borrowings	<u>\$832,900</u>	<u>\$636,180</u>
Interest rate range	1.70%~4.95%	0.72%~0.95%

b. Increase in short-term notes and bills payable

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

The undue short-term notes payable are as follows:

<u>December 31, 2022</u>				
<u>Guarantee / Acceptance agency</u>	<u>Face value</u>	<u>Discount amount</u>	<u>Carrying amount</u>	<u>Interest rate range</u>
<u>Commercial paper payable</u>				
MEGA bills	<u>\$70,000</u>	<u>\$260</u>	<u>\$69,740</u>	1.232%

c. Long-term Borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Unsecured loan</u>		
Bank borrowings	\$980,150	\$1,032,500
<u>Secured loan</u>		
Bank borrowings	752,025	567,101
Less: Discount	-	(563)
Long-term loans payable - current portion	<u>(398,592)</u>	<u>(832,930)</u>
	<u>\$1,333,583</u>	<u>\$766,108</u>
Interest rate range	1.2500%~2.6978%	1.0500%~1.9879%

- 1) The Company's short-term bank borrowings for the years ended December 31, 2022 and 2021, respectively, were October 11, 2022 to March 21, 2023 and November 8, 2021 to March 11, 2022, and the interest is paid on a monthly basis.
- 2) The Company had long-term bank borrowings for the years ended December 31, 2022 and 2021 with the contract term from March 20, 2020 to April 7, 2036 and from August 22, 2019 to April 7, 2036, respectively, the interest to be paid monthly.
- 3) 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 NTD1 billion, including NTD450 million for credit line A and NTD550 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):
 - a) The current ratio (current assets/current liabilities) shall not be less than 100%.
 - b) The net debt ratio (total debt/net tangible value) shall not be higher than 150%.
 - c) The interest protection multiples [(pre-tax profit + depreciation + amortization + interest expense)/interest expense] shall be maintained at more than two times (inclusive).
 - d) Net tangible value (net value minus intangible assets) shall not be less than NTD4.5 billion.

For information on pledged properties and endorsements/guarantees, refer to Notes 27 and 28.

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

17 BONDS PAYABLE

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

Secured domestic bonds

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

For information on pledged properties and endorsements/guarantees, refer to Notes 27 and 28.

18 OTHER PAYABLES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables for salaries and bonuses	\$99,155	\$108,285
Payables for unused annual leaves	27,977	31,947
Payables for employee bonuses	13,462	-
Payables for directors' remuneration	2,692	-
Material purchased payable	1,439,233	1,764,347
Other payables from related parties (Note 27)	93,154	53,976
Others	85,689	104,351
	<u>\$1,761,362</u>	<u>\$2,062,906</u>

19 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 2~15% 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, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$101,474	\$141,424
Fair value of plan assets	<u>(52,457)</u>	<u>(54,332)</u>
Net defined benefit liability	<u>\$49,017</u>	<u>\$87,092</u>

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance at January 1, 2022	\$141,424	(\$54,332)	\$87,092
Service cost			
Current service cost	332	-	332
Interest expense (income)	707	(305)	402
Recognized in profit or loss	<u>1,039</u>	<u>(305)</u>	<u>734</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,038)	(4,038)
Actuarial (gain) loss - changes in demographic assumptions	-	-	-
Actuarial (gain) loss - changes in financial assumptions	(8,485)	-	(8,485)
Actuarial (gain) loss - experience adjustments	(12,409)	-	(12,409)
Net gains (losses)	<u>(3,110)</u>	<u>2,433</u>	<u>(677)</u>
Recognized in other comprehensive income	<u>(24,004)</u>	<u>(1,605)</u>	<u>(25,609)</u>
Contributions from the employer	-	(13,200)	(13,200)
Benefits paid	(16,985)	16,985	-
Balance at December 31, 2022	<u>\$101,474</u>	<u>(\$52,457)</u>	<u>\$49,017</u>

	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	<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	<u>2,431</u>	<u>-</u>	<u>2,431</u>
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	<u>(4,897)</u>	<u>4,897</u>	<u>-</u>
Balance at December 31, 2021	<u>\$141,424</u>	<u>(\$54,332)</u>	<u>\$87,092</u>

Due to the pension plans under the Labor Standards Act, the 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, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.50%	0.50%
Expected salary increase rate	3.75%	3.50%

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

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

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

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

20 EQUITY

a. Share capital

Ordinary shares

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

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

Considering the long-term cooperating relationships with strategic investors, 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 March 23, 2022

b. Capital surplus

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

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, conversion of bonds and treasury share transactions) and donations, may be used to offset a deficit. In addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company’s capital surplus 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 22-7.

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

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

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

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

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

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

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

d. Special reserve

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

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

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

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

	<u>2022</u>	<u>2021</u>
Balance at January 1	(\$88,412)	(\$62,007)
Generated in current period		
Unrealized gain or loss in equity instruments at fair value through other comprehensive income	743	966
Share of equity-accounted subsidiaries	<u>7,330</u>	<u>(27,371)</u>
Balance at December 31	<u>(\$80,339)</u>	<u>(\$88,412)</u>

21 REVENUE

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Sales revenue of goods (Note 27)	\$11,129,967	\$9,450,799
Service Revenue (Note 27)	72,989	-
	<u>\$11,202,956</u>	<u>\$9,450,799</u>

Contract balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract liabilities		
Contract liabilities - current (Note 27)	<u>\$267,961</u>	<u>\$86,770</u>

22 NET PROFIT RELATING TO CONTINUING OPERATIONS

a. Interest income

	<u>2022</u>	<u>2021</u>
Bank deposits	\$11,906	\$1,076
Loans interest from related parties	177	-
Others	188	165
	<u>\$12,271</u>	<u>\$1,241</u>

b. Other income

	<u>2022</u>	<u>2021</u>
Sample revenue (Note 27)	\$70,438	\$-
Lease income (Note 27)	2,233	-
Dividend income	2,995	-
Others	121,491	123,152
	<u>\$197,157</u>	<u>\$123,152</u>

c. Other gains and losses

	<u>2022</u>	<u>2021</u>
Net foreign exchange gains (losses)	\$125,058	(\$20,961)
Loss on disposal of property, plant and equipment	(2,706)	-
Others	(585)	(875)
	<u>\$121,767</u>	<u>(\$21,836)</u>

d. Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant and equipment	\$52,960	\$64,664
Investment properties	246	-
Right-of-use assets	5,330	3,639
Computer Software	9,109	7,860
	<u>\$67,645</u>	<u>\$76,163</u>

An analysis of depreciation by function

Operating costs	\$5,163	\$1,824
Operating expenses	53,373	66,479
	<u>\$58,536</u>	<u>\$68,303</u>

	<u>2022</u>	<u>2021</u>
An analysis of amortization expense by function		
Operating costs	\$93	\$-
Operating expenses	9,016	7,860
	<u>\$9,109</u>	<u>\$7,860</u>
e. Finance costs		
	<u>2022</u>	<u>2021</u>
Bank loans interest	\$45,817	\$29,024
Bonds payable interest	9,094	6,022
Lease liabilities interest	327	78
Others	2,309	-
	<u>\$57,547</u>	<u>\$35,124</u>
f. Employee benefits expense		
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$569,592	\$536,719
Post-employment benefits (Note 19)		
Defined contribution plans	21,491	22,232
Defined benefit plans	735	819
Total employee benefits expense	<u>\$591,818</u>	<u>\$559,770</u>
An analysis of employee benefits expense by function		
Operating costs	\$54,945	\$43,130
Operating expenses	536,873	516,640
	<u>\$591,818</u>	<u>\$559,770</u>
g. Employees' compensation and remuneration to directors and supervisors		

The Company distributed employees' compensation and remuneration to directors and supervisors 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 year ended December 31, 2021, due to operating loss, the Company did not appropriate an amount for employees' compensation and remuneration to directors and supervisors. The estimated employees' compensation and the remuneration to directors and supervisors for the year ended December 31, 2022 are as follows:

	<u>2022</u>	<u>2021</u>
<u>Estimation ratio</u>		
Employee Compensation	10%	-
Remuneration paid to directors and supervisors	2%	-
	<u>2022</u>	<u>2021</u>
Employee bonus		
Remuneration paid to directors and supervisors	\$13,462	\$-
	2,692	-

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

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

h. Gain or loss on foreign currency exchange

	<u>2022</u>	<u>2021</u>
Foreign exchange gains	\$125,058	\$-
Foreign exchange losses	-	(20,961)
Net gain (loss)	<u>\$125,058</u>	<u>(\$20,961)</u>

23 INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Total income tax expense recognized in profit or loss

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

	<u>2022</u>	<u>2021</u>
Current income tax		
Generated in the year	\$84,553	\$-
Generated in the previous year	(19)	10
Deferred income tax		
Generated in the year	(21,237)	(6,290)
Income tax expense (gain) recognized in profit or loss	<u>\$63,297</u>	<u>(\$6,280)</u>

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

	<u>2022</u>	<u>2021</u>
Net profit (loss) before tax	<u>\$134,624</u>	<u>(\$318,880)</u>
Net profit (loss) before income tax expense at statutory tax rate	\$26,925	(\$63,776)
Share of profit or loss of equity-accounted subsidiaries and associates	94,312	58,076
Non-deductible expenses for tax purposes	5,824	6,704
Unrecognized loss carryforwards and deductible temporary differences	(42,508)	(1,004)
Income tax expenses (gains) of prior years adjusted to the current year	(19)	10
Current income tax	84,534	10
Deferred income tax		
Temporary differences	(21,237)	(6,290)
Income tax expense (gain) recognized in profit or loss	<u>\$63,297</u>	<u>(\$6,280)</u>

b. Income tax recognized in other comprehensive income

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

c. Current income tax liabilities for the period

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax liabilities		
Income tax payable	<u>\$83,393</u>	<u>\$-</u>

d. Deferred tax assets and liabilities

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

2022

	Balance at the beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at the end of year
Deferred tax asset				
Temporary differences				
Unrealized inventory valuation losses	\$3,910	(\$2,964)	\$-	\$946
Unrealized gross profit	15,870	(8,036)	-	7,834
Unrealized pension expenses	16,670	2,492	-	19,162
Unrealized loss carry forwards	16	18,608	-	18,624
Others	16,648	(735)	(4,986)	10,927
	<u>\$53,114</u>	<u>\$9,366</u>	<u>(\$4,986)</u>	<u>\$57,493</u>
Deferred tax liabilities				
Temporary differences				
Unrealized gain on investments	\$56,520	(\$11,871)	\$-	\$44,649

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 carry forwards	5,196	(5,180)	-	16
Others	17,457	(1,890)	1,081	16,648
	<u>\$57,043</u>	<u>(\$5,010)</u>	<u>\$1,081</u>	<u>\$53,114</u>
Deferred tax liabilities				
Temporary differences				
Unrealized gain on investments	\$67,820	(\$11,300)	\$-	\$56,520

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

	December 31, 2022	December 31, 2021
Loss carryforwards	<u>\$110,007</u>	<u>\$148,272</u>

f. Income tax assessments

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

24 EARNINGS (LOSS) PER SHARE

Unit: dollars per share

	<u>2022</u>	<u>2021</u>
Basic earnings (loss) per share	\$0.19	(\$0.92)
Diluted earnings per share	\$0.19	

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

Net Profit (Loss) for the year

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

Number of Shares

Unit: Thousands of shares

	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in computation of basic earnings (loss) per share	375,208	338,511
Effect of potential common stock with dilution:		
Employee Compensation	341	
Weighted average number of ordinary shares used in computation of basic earnings per share	375,549	

25 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.

26 FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted equity	\$-	\$-	\$96,270	\$96,270

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

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Balance at January 1	\$82,231	\$63,671
Recognized in other comprehensive income (Unrealized gain [loss] on financial assets at FVTOCI)	743	966
Additions	16,000	18,000
Return of capital from reduction	(2,704)	(406)
Balance at December 31	<u>\$96,270</u>	<u>\$82,231</u>

b. Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$4,698,790	\$4,914,307
Financial assets at FVTOCI		
Investments in equity instruments at FVTOCI	96,270	82,231
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	5,441,842	5,122,358

Note1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivables, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties, and refundable deposits.

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

c. Financial risk management objectives and policies

The Company's major financial instruments included cash and cash equivalents, financial liabilities 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, short-term notes and bills payable, contract liabilities, trade payables, trade payables to related parties, other payables, long-term borrowings, bonds payable and lease liabilities. The 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>2022</u>	<u>2021</u>
USD	\$23,164	\$8,268
CNY	4	21

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 notes and bills payable, 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, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
Financial liabilities	\$2,130,357	\$812,312
Cash flow interest rate risk		
Financial liabilities	1,232,176	2,124,577

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 standalone 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, 2022 and 2021, 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, 2022

	On Demand or Less than 1 Year	1 to 3 years	Over 3 years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$1,810,053	\$-	\$-	\$1,810,053
Lease liabilities	5,048	8,356	15,624	29,028
Variable interest rate instrument	566,592	509,483	156,101	1,232,176
Fixed interest rate instrument	734,640	668,000	698,688	2,101,328
	<u>\$3,116,333</u>	<u>\$1,185,839</u>	<u>\$870,413</u>	<u>\$5,172,585</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>\$5,048</u>	<u>\$23,980</u>

December 31, 2021

	<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	\$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>

b) Financing facilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank facilities:		
Amount used	\$1,882,520	\$1,760,216
Amount unused	<u>1,520,755</u>	<u>1,318,724</u>
	<u>\$3,403,275</u>	<u>\$3,078,940</u>
Secured bank facilities:		
Amount used	\$721,760	\$496,794
Amount unused	<u>261,240</u>	<u>486,206</u>
	<u>\$983,000</u>	<u>\$983,000</u>

27 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
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
Dongguan Phitek Electronics Co., Ltd. (PHP)	Subsidiaries
Zerova Technologies Taiwan Limited. (ZTM)	Subsidiaries
Zerova Technologies SG Pte. Ltd. (ZSH)	Subsidiaries
Zerova Technologies Europe B.V. (ZNS)	Subsidiaries
Spring City Resort Co., Ltd.	Associates
Hua Jung Co., Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties
TCC Energy Storage Technology Corporation	Related Party

<u>Related Party</u>	<u>Relationship with the Company</u>
Peter Lin	Chairman of Phihong
Shu-Nu Chien	Spouse of the Chairman of Phihong
Lin-Kuan Hung	Related Party
Hsin-I Lin	Related Party
Pei-Chi Wu	Related Party

b. Operating revenue

<u>Financial Statement Account</u>	<u>Category/ name of related parties</u>	<u>2022</u>	<u>2021</u>
Sales revenue	Subsidiaries		
	PHA	\$3,478,124	\$3,412,197
	Others	270,016	231,014
		<u>\$3,748,140</u>	<u>\$3,643,211</u>
Service Revenue	Associates		
	ZSH	<u>\$72,818</u>	<u>\$-</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

<u>Category of related parties</u>	<u>2022</u>	<u>2021</u>
Subsidiaries		
PHC	\$6,886,450	\$6,790,920
PHV	1,841,334	1,564,046
Others	1,191,709	243,568
	<u>\$9,919,493</u>	<u>\$8,598,534</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. Contract liabilities

<u>Category/ name of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Related Party	<u>\$20,526</u>	<u>\$-</u>

e. Receivables from related parties

Financial Statement Account	Category/ name of related parties	December 31, 2022	December 31, 2021
Trade receivables	Subsidiaries		
	PHA	\$345,633	\$370,659
	Others	49,964	20,597
		<u>\$395,597</u>	<u>\$391,256</u>
Other receivables	Subsidiaries		
	PHC	\$550,063	\$605,588
	PHV	473,790	355,120
	ZTM	167,447	-
	Others	145,459	82,186
		<u>\$1,336,759</u>	<u>\$1,042,894</u>

No allowance for impairment loss has been provided for the amounts due from related parties as of December 31, 2022 and 2021. Other receivables from related parties are primarily loans to related parties and receivables from related parties for the purchase of materials on their behalf.

f. Payables to related parties

Financial Statement Account	Category/ name of related parties	December 31, 2022	December 31, 2021
Trade payables	Subsidiaries		
	ZSH	\$44,008	\$-
	Others	174	-
		<u>44,182</u>	<u>-</u>
	Other related parties	383	498
		<u>\$44,565</u>	<u>\$498</u>
Other payables	Subsidiaries		
	PHP	\$16,201	\$-
	PHSY	15,831	2,131
	Others	2,990	1,044
		<u>35,022</u>	<u>3,175</u>
	Other related parties		
	Heng Hui Co., Ltd.	56,274	47,680
	Others	1,858	3,121
	<u>58,132</u>	<u>50,801</u>	
		<u>\$93,154</u>	<u>\$53,976</u>

The abovementioned other payables to related parties are primarily payables to related parties for the purchase of materials on our behalf.

g. Operating expenses

Financial Statement Account	Category of related parties	2022	2021
Salary	Related Party	<u>\$8,752</u>	<u>\$6,022</u>

h. Rental Agreement

Operating Lease

The Company leases buildings to its subsidiary ZTM under an operating lease for a period of one year at a fixed monthly rental payment based on the lease agreement with reference to the rental rate of similar assets. The total amount of lease payments to be received in the future is \$4,467 thousand. The lease income recognized in 2022 was \$2,233 thousand.

i. Loans to related parties

<u>Related Party</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ZNS	\$30,899	\$-
<u>Interest income</u>		
<u>Related Party</u>	<u>2022</u>	<u>2021</u>
ZNS	\$177	\$-

The Company provides long-term unsecured loans to the subsidiary, ZNS, at interest rates similar to market rates.

j. Endorsements and guarantees

Endorsements/Guarantees Provided

<u>Category of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
PHV		
Amount endorsed	\$61,450	\$-
Actual Borrowing Amount	\$61,450	\$-
ZTM		
Amount endorsed	\$600,000	\$-
Actual Borrowing Amount	\$-	\$-

k. Other transactions with related parties

The Company's chairman, Peter Lin, had provided guarantee for bonds payable and short-term borrowings and long-term borrowings of the Company. As of December 31, 2022 and 2021, the amounts of the borrowings were \$3,333,504 thousand and \$2,822,861 thousand, respectively.

l. Others

<u>Financial Statement Account</u>	<u>Category of related parties</u>	<u>2022</u>	<u>2021</u>
Non-operating income Sample revenue	Related Party	\$29,580	\$-

m. 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>2022</u>	<u>2021</u>
Short-term employee benefits	\$43,981	\$33,623
Post-employment benefits	806	432
	<u>\$44,788</u>	<u>\$34,055</u>

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

28 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, 2022</u>	<u>December 31, 2021</u>
Financial assets at amortized cost - non-current (Note 8)	\$22,030	\$20,458
Freehold land	390,593	463,345
Buildings	99,597	363,999
Investment properties	23,168	-
	<u>\$535,388</u>	<u>\$847,802</u>

29 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company's unrecognized commitments were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payments for property, plant and equipment		
Signed amount	\$226,547	\$1,171
Unpaid amount	58,409	782

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, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$134,776	30.72500	\$4,140,997
CNY	101	4.40230	446
<u>Non-monetary items</u>			
Investments accounted for using equity method			
USD	188,232	30.72500	5,783,421
JPY	340,912	0.22946	78,226
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	59,385	30.72500	1,824,593

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

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 (2) investees
 - 1) FINANCING PROVIDED TO OTHERS (Table 1)
 - 2) Endorsements/Guarantees Provided. (Table 2)
 - 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NTD300 million or 20% of the paid-in capital. (None)
 - 5) Acquisition of individual real estate at costs of at least NTD300 million or 20% of the paid-in capital. (None)

- 6) Disposal of property at prices of at least NTD300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 9) Trading in derivative instruments. (None)
 - 10) Information on investees. (Table 6)
- b. Information on investments in mainland china:
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 8)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- c. Information of major shareholders: the names of shareholders with a shareholding ratio of 5% or more, their shareholding amount, and their proportional shareholdings. (Table 9)

32 SEGMENT INFORMATION

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

TABLE 1

PHIHONG TECHNOLOGY CO., LTD.

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

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

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

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

Note 2: 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, 2022

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)	Endorsemen t/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsemen t/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsemen t/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong	PHV	Subsidiary of the Company	\$ 1,867,521	\$ 61,450	\$ 61,450	\$ 61,450	\$ -	0.99	\$ 3,112,535	Y	N	N	
0	Phihong	ZTM	Subsidiary of the Company	1,867,521	USD 2,000,000 600,000	USD 2,000,000 600,000	USD 2,000,000 -	-	9.65	3,112,535	Y	N	N	

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

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

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

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

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

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

Note2: For information on the investments in subsidiaries and associates, refer to Tables 6 and 7.

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, 2022

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

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Trade Receivable (Payable)		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Phihong	PHA	Subsidiary of the Company	Sale	(\$3,478,124)	(31.05)	To be agreed by both parties	-	-	\$345,636	25.07	
"	PHJ	"	"	(151,203)	(1.35)	"	-	-	16,205	1.18	
"	PHC	"	Purchase	6,886,450	68.69	"	-	-	-	-	
"	PHP	"	"	818,395	8.16	"	-	-	69	0.01	
"	PHV	"	"	1,841,334	18.37	"	-	-	21,679	1.57	
"	ZSH	"	"	359,948	3.59	"	-	-	(123,354)	(96.34)	

PHIHONG TECHNOLOGY CO., LTD.

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

December 31, 2022

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

Company Name	Related Party	Relationship	Receivables from related parties Amount	Turnover Rate	Overdue		Receivables from related parties After the payment period Recovered amount	Allowance Provision Amount of uncollectible accounts
					Amount	Actions Taken		
Phihong	PHA	Subsidiary of the Company	Trade receivables \$345,633	9.65	\$-	-	\$333,877	\$-
"	PHA	"	Other receivables 110,906	-	-	-	18,996	-
"	PHC	"	Other receivables 550,063	-	-	-	550,063	-
"	PHV	"	Other receivables 473,790	-	-	-	162,177	-
"	ZTM	"	Other receivables 167,447	-	-	-	164,912	-
ZSH	Phihong	The Ultimate Parent Entity	Other receivables 123,354	-	-	-	-	-
PHZ	PHP	Sister company	Other receivables 1,210,633	-	-	-	-	-
ZTM	ZSH	Sister company	Trade receivables 190,710	5.25	-	-	33,076	-

PHIHONG TECHNOLOGY CO., LTD.

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investor	Investee Company	Location	Main Businesses and Product	Original Investment Amount		As of December 31, 2022			Investee Net gain (loss) for the period	Recognized for the period Net gain (loss) for the period	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying amount			
Phihong	PHI	British Virgin Islands	Makes investments	\$ 3,209,288	\$ 3,448,270	102,421,351	100	\$ 2,731,172	(\$ 30,785)	(\$ 29,766)	
	PHA	The United States	Sells various power supplies	207,203	207,203	3,100,000	100	1,143,436	51,888	51,888	
	PHK	British Virgin Islands	Makes investments	554,154	314,956	18,840,000	100	(300,541)	(124,752)	(139,751)	
	PHQ	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100	67,000	8,614	7,759	
	Guang-Lai	Taiwan	Makes investments	139,758	139,758	13,975,828	100	112,828	(1,073)	(1,073)	
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	13,738	13,738	1,373,801	32.26	11,021	(16,978)	(5,479)	
	PHJ	Japan	Sells power components	137,436	137,436	3,000	100	78,226	9,961	9,961	
	PHV	Vietnam	Manufactures and sells various power supplies	1,906,713	1,448,623	65,000,000	100	1,609,716	(246,407)	(246,358)	
	ZTM	Taiwan	Manufacture and sale of electrical equipment	600,000	-	60,000,000	100	629,797	29,862	29,797	Note 2
	ZKH	Cayman Islands	Makes investments	365,580	-	120,000,001	100	215,579	(141,687)	(148,537)	Note 3
	PHI	N-Lighten	The United States	Makes investments	12,000,000	409,851	110,834,223	58.45	(25,918)	(98)	(57)
Guang-Lai	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	2,788	1,179	458	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	99,062	(6,873)	(1,521)	
	N-Lighten	The United States	Makes investments	206,084	206,084	37,498,870	19.78	(8,771)	(98)	(19)	Phihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%
ZKH	ZNS	Netherlands	Provide electric vehicle charging solutions	-	-	100	-	(330)	624	360	Note 4
	ZSH	Singapore	Investment in other businesses and sales of electrical equipment	362,534	-	11,900,000	100	220,903	(56,701)	(139,880)	Note 5
ZSH	ZJS	Japan	Provide electric vehicle charging solutions	-	-	8,000	-	(1,000)	(963)	(963)	Note 6
	ZAH	The United States	Makes investments	32,692	-	1,050,000	100	33,206	917	917	Note 7
ZAH	ZAS	The United States	Provide electric vehicle charging solutions	31,620	-	1,000,000	100	31,683	930	930	Note 8
				USD 1,000,000							

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

Note 2: Approved for establishment on March 4, 2022, changed from Phehicle Co., to Zerova Technologies Taiwan Limited., through a shareholder meeting resolution on June 8, 2022, and completed the registration change approved by the Tainan City Government, Bureau of Industry and Commerce, under Registration No. 11100125130 on June 20, 2022.

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

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

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

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

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

Note 8: ZAS was established in July 2022 and registered in the United States with a 100% shareholding.

PHIHONG TECHNOLOGY CO., LTD.

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

Investee Company	Main Businesses and Product	Paid-in Capital	Method of Investment	January 1, 2021 Remittance from Taiwan Accumulated investment amount	Remittance of Funds For the Period		December 31, 2022 Remittance from Taiwan Accumulated investment amount	Investee Net gain and loss for the period	The Company's direct or indirect investments in Percentage of Ownership (%)	Recognized for the period Net gain (loss) for the period (Note 4)	Investments at December 31 Carrying Amount	As of December 31, 2022 Remitted to Taiwan Investment income	Note
					Outward	Inward							
PHC	Manufactures and sells various power supplies	\$ 1,988,018 HKD 495,450,000	Indirect investment in mainland China through PHI	\$ 1,677,679 HKD 419,000,000	\$-	\$-	\$1,677,679 HKD419,000,000	(\$ 65,739)	100.00	(\$ 65,739)	\$ 1,465,755	\$-	
PHZ	Manufactures and sells various power supplies	1,097,139 USD 31,960,000	"	1,343,033 USD 40,600,000	-	245,894 USD8,640,000	1,097,139 USD31,960,000	38,832	100.00	38,832	1,297,959	-	
Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	26,291 USD 880,000	"	63,934 USD 2,865,000	-	-	63,934 USD2,865,000	(3,935)	100.00	(3,935)	4,284	-	
PHP	Manufactures and sells various power supplies	604,135 USD 20,140,000	Indirect investment in mainland China through PHK	315,258 USD 10,000,000	239,198 USD8,640,000	-	554,456 USD18,640,000	(127,845)	100.00	(127,845)	(286,429)	-	
PHSY	Manufactures and sells electronic materials	39,678 HKD 9,000,000	Indirect investment in mainland China through PHQ	39,678 HKD 9,000,000	-	-	39,678 HKD9,000,000	10,210	100.00	10,210	72,248	-	
PHE	Manufactures and sells electronic materials	360,124 USD 11,500,000	"	360,124 USD 11,500,000	-	-	360,124 USD11,500,000	(1,529)	100.00	(1,529)	(5,012)	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 USD 12,366,400	-	-	387,406 USD12,366,400	-	-	-	-	-	Note 1
ZCM	Manufacture and sale of electrical equipment	28,942 USD 950,000	Indirect investment in mainland China through ZSH	-	28,942 USD950,000	-	28,942 USD950,000	(61,242)	100.00	(61,242)	(34,709)	-	
ZCS	Provide electric vehicle charging solutions	6,145 USD 200,000	"	-	6,145 USD200,000	-	6,145 USD200,000	(606)	-	(606)	5,771	-	

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

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

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

Note 3: The foreign currencies in this table are converted into New Taiwan dollars using exchange rates of the investment date, except for income and expense items which are translated at the average exchange rates for the period.

2 Limit on investment amount in Mainland China:

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

Note 1: In accordance with the 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, 2022

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Trade Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Amount	%		
PHC	Purchase	\$6,886,450	68.69%	To be agreed by both parties	To be agreed by both parties	—	\$-	-	\$-	
PHP	"	818,395	8.16%	"	"	—	69	0.01%	-	

TABLE 10**PHIHONG TECHNOLOGY CO., LTD.****INFORMATION OF MAJOR SHAREHOLDER****DECEMBER 31, 2022**

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

Note1: The information on major shareholders in this table is based on the last business day at the end of the quarter, including the data of the shareholders holding more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the company's standalone financial report and the actual number of shares delivered without physical registration may be different due to the difference of calculation basis.

§TABLE OF STATEMENTS OF MAJOR ACCOUNTING ITEMS§

Item	STATEMENT INDEX
Statement of Assets, Liabilities, and Equity Items	
Statement of Cash and Cash Equivalents	Statement 1
Statement of Trade Receivables	Statement 2
Statement of Trade Receivables from Related Parties	Statement 3
Statement of Other Receivables	Statement 4
Statement of Other Receivables from Related Parties	Statement 5
Statement of Inventories	Statement 6
Statement of Other Current Assets	Statement 7
Statement of Changes in Financial Assets at FVTOCI	Statement 8
Statement of Changes in Investments Accounted for Using Equity Method	Statement 9
Statement of Changes in Property, Plant and Equipment	Note 12
Statement of Changes in Accumulated Depreciation of Property, Plant and Equipment	Note 12
Statement of Changes in Right-of-use Assets	Statement 10
Statement of Changes in Other Intangible Assets	Note 14
Statement of Deferred Tax Assets	Note 21
Statement of Financial Assets at Amortized Cost - non-current	Notes 8 and 27
Statement of Other Non-current Assets	Statement 11
Statement of Short-term Borrowings	Statement 12
Statement of Trade Payables	Statement 13
Statement of Trade Payables to Related Parties	Statement 14
Statement of Other Payables	Note 17
Statement of Other Current Liabilities	Statement 15
Statement of Long-term Borrowings	Statement 16
Statement of Lease Liabilities	Statement 17
Statement of Bonds Payable	Statement 18
Statement of Deferred Tax Liabilities	Note 21
Statement of Gains or Losses	
Statement of Operating Revenue	Statement 19
Statement of Operating Costs	Statement 20
Statement of Sales and Marketing Expenses	Statement 21
Statement of General and Administrative Expenses	Statement 22
Statement of Research and Development Expenses	Statement 23
Statement of Other Income	Note 20
Statement of Other Gains or Losses	Note 20
Table of Employee Benefits, Depreciation, Depletion, and Amortization Expenses by Function	Statement 24

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars; \$1 for Foreign Currencies)

Statement 1

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand		\$52
Petty cash		151
Check deposit		4,594
Demand deposit		231,611
Foreign currency deposit	USD47,803,502.88, JPY42,945,557, HKD442,496.79, EUR118,587.3, RMB101,280.27	<u>1,484,685</u>
		<u><u>\$1,721,093</u></u>

Note: The exchange rate at the end of December 31, 2022-

USD:NTD = 1:30.72500

JPY:NTD = 1:0.22946

HKD:NTD = 1:3.94328

EUR:NTD = 1:32.69140

RMB:NTD = 1:4.40230

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF TRADE RECEIVABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 2

<u>Customer's Name</u>	<u>Summary</u>	<u>Amount</u>
Customer A	Supply payment from non-related parties	\$109,857
Customer B	"	104,977
Customer C	"	96,692
Customer D	"	81,211
Others (Note)	"	<u>735,693</u>
		1,128,430
Less: Allowance for impairment loss		<u>(506)</u>
		<u>\$1,127,924</u>

Note: The amount of a single customer did not exceed 5% of the account.

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 3

<u>Customer's Name</u>	<u>Summary</u>	<u>Amount</u>
Phihong USA Corp.	Supply payment from related parties	\$345,633
Others (Note)	"	49,964
		<u>\$395,597</u>

Note: The amount of a single customer did not exceed 5% of the account.

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Statement 4

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Other receivables	Makeup payment	\$13,707
Tax refund receivables	Tax refund for the business tax	356
Others		80
		<u>\$14,143</u>

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 5

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Phihong (Dongguan) Electronics Co. Ltd.	Payment for material purchases	\$550,063
Phihong Vietnam Co., Ltd.	"	473,790
Zerova Technologies Taiwan Limited.	Amount payment, etc.	167,447
Phihong USA Corp.	Molds and safety regulation fees	110,906
Others (Note)		<u>34,553</u>
		<u>\$1,336,759</u>

Note: The amount of a single customer did not exceed 5% of the account.

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 6

<u>Item</u>	<u>Cost</u>	<u>Market price</u>
Raw materials	\$2,545	\$2,476
Finished goods	16,216	11,556
Less: Allowances to reduce inventory to market	(4,729)	-
	<u>\$14,032</u>	<u>\$14,032</u>

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF OTHER CURRENT ASSETS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 7

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Prepayments	Prepayment for goods and tax credits	\$52,463
Prepaid expenses	Prepaid rentals and insurance premium	15,827
Suspense payment	Suspense payment for TV project, etc.	10,849
		<u>\$79,139</u>

PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Statement 8

Item	Balance at January 1		Increase		Decrease		Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income	Balance at December 31		Collateral
	Number of Shares	Carrying Amount	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Carrying Amount	
Pao- Dian Venture Capital Co., Ltd.	229,980	\$3,366	-	\$-	-	\$-	(\$282)	229,980	\$3,084	None
Zhong-Xuan Venture Capital Co., Ltd.	2,758,621	24,067	-	-	270,345	2,704	(1,697)	2,488,276	19,666	"
BMC Venture Capital Investment Corporation	5,400,000	54,798	600,000	6,000	-	-	8,220	6,000,000	69,018	"
RFIC Technology Corporation	-	-	1,000,000	10,000	-	-	(5,498)	1,000,000	4,502	"
		<u>\$82,231</u>		<u>\$16,000</u>		<u>\$2,704</u>	<u>\$743</u>		<u>\$96,270</u>	

PHIHONG TECHNOLOGY CO., LTD.

**STATEMENT OF CHANGES IN LONG-TERM EQUITY INVESTMENTS UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Statement 9

Investee	Balance at January 1		Increase (Note 1)		Decrease (Note 2)		Balance at December 31			Market Value or Net Assets Value		Valuation Basis	Collateral
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Percentage of Ownership (%)	Amount	Unit Price (NTD)	Total		
Phihong International Corp.	111,061,351	\$2,961,499	-	\$8,655	8,640,000	\$238,982	102,421,351	100	\$2,731,172		\$2,745,929	Equity Method	None
Phitek International Co., Ltd.	10,200,000	(393,788)	8,640,000	239,198	-	145,951	18,840,000	100	(300,541)		(282,760)	Equity Method	"
Ascent Alliance Ltd.	12,012,600	58,568	-	8,432	-	-	12,012,600	100	67,000		67,659	Equity Method	"
Phihong USA Corp.	3,100,000	936,520	-	206,916	-	-	3,100,000	100	1,143,436		1,182,153	Equity Method	"
Phihong Technology Japan Co., Ltd.	3,000	71,303	-	6,923	-	-	3,000	100	78,226		78,678	Equity Method	"
Guang-Lai Investment Co., Ltd.	13,975,828	107,445	-	5,383	-	-	13,975,828	100	112,828		112,828	Equity Method	"
H&P Venture Capital Co., Ltd.	1,373,801	16,500	-	-	-	5,479	1,373,801	32.26	11,021		11,021	Equity Method	"
Phihong Vietnam Co., Ltd.	50,000,000	1,260,679	15,000,000	458,090	-	109,053	65,000,000	100	1,609,716		1,609,649	Equity Method	"
Zerova Technologies Taiwan Limited.	-	-	60,000,000	629,797	-	-	60,000,000	100	629,797		629,862	Equity Method	"
Zerova Technologies Holdings LTD.	-	-	120,000,000	365,580	-	150,001	120,000,000	100	215,579		222,430	Equity Method	"
		5,018,726		\$1,928,974		\$649,466			6,298,234		\$6,377,449		
Reclassified in other non-current liabilities		393,788							300,541				
		\$5,412,514							\$6,598,775				

Note 1: The increase in the current period included capital increase in the investees, the recognition of investment income under the equity method, and the cumulative conversion adjustments.

Note 2: The decrease in the current period included the surplus distribution of the investees, recognition of investment losses under the equity method, cumulative conversion adjustments, and unrealized loss on financial assets at fair value through other comprehensive income.

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 10

	<u>Land</u>	<u>Transportation equipment</u>	<u>Other Equipment</u>	<u>Total</u>
<u>Cost</u>				
Balance at January 1, 2022	\$3,004	\$4,130	\$1,186	\$8,320
Newly added	27,433	3,720	-	31,153
Transfer	-	(1,878)	-	(1,878)
Disposals	-	-	(1,186)	(1,186)
Balance at December 31, 2022	<u>\$30,437</u>	<u>\$5,972</u>	<u>\$-</u>	<u>\$36,409</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2022	\$1,919	\$2,065	\$988	\$4,972
Depreciation	3,690	1,442	198	5,330
Transfer	-	(1,530)	-	(1,530)
Disposals	-	-	(1,186)	(1,186)
Balance at December 31, 2022	<u>\$5,609</u>	<u>\$1,977</u>	<u>\$-</u>	<u>\$7,586</u>
Carrying amounts at December 31, 2022	<u><u>\$24,828</u></u>	<u><u>\$3,995</u></u>	<u><u>\$-</u></u>	<u><u>\$28,823</u></u>

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF OTHER NON-CURRENT ASSETS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 11

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Refundable deposits	Engineering warranty, guarantee for renting offices, guarantee for parking space, and guarantee for renting company car	<u>\$19,794</u>

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 12

<u>Type of Borrowing and Creditor</u>	<u>Borrowing Period</u>	<u>Annual rate of interest (%)</u>	<u>Ending Balance</u>	<u>Financing facilities</u>	<u>Collateral</u>
Short-term bank borrowings					
Bank SinoPac	2022.10.11~2023.01.11	4.950000	\$122,900	\$191,135	Peter Lin, the Chairman
Taipei Fubon Bank	2022.10.12~2023.01.10	1.758110	100,000	100,000	Unsecured
Land Bank of Taiwan	2022.10.20~2023.01.18	1.720000	100,000	100,000	Peter Lin, the Chairman
Bank SinoPac	2022.10.25~2023.01.25	1.700000	70,000	108,865	Peter Lin, the Chairman
Shin Kong Bank	2022.11.07~2023.02.07	1.830000	100,000	100,000	Peter Lin, the Chairman
KGI Bank	2022.12.07~2023.03.07	2.347315	80,000	100,000	Peter Lin, the Chairman
Taishin Bank	2022.12.21~2023.03.21	2.500000	<u>260,000</u>	<u>500,000</u>	Peter Lin, the Chairman
Total			<u>\$832,900</u>	<u>\$1,200,000</u>	

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF TRADE PAYABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 13

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
TUNG KING ELECTRIC MFG., LTD.	Supply payment from non-related parties	\$239
Others (Note)	"	3,886
		<u>\$4,125</u>

Note: The amount of a single customer did not exceed 5% of the account.

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF TRADE PAYABLE TO RELATED PARTIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 14

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Zerova Technologies SG Pte. Ltd.	Supply payment from related parties	\$44,008
Others (Note)	"	557
		<u>\$44,565</u>

Note: The amount of a single customer did not exceed 5% of the account.

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF OTHER CURRENT LIABILITIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 15

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Temporary receipts	Amount receipt and payment	\$132,025
Other short-term provision	Warranty provision	16,324
Others		<u>1,206</u>
		<u>\$149,555</u>

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 16

Creditor	Summary	Amount		Total	Contract Period	Annual rate of interest (%)	Collateral or Guarantee
		Maturity within one year	Maturity in more than one year				
Long-term bank borrowings							
Syndicated loan	Unsecured loan	\$126,000	\$126,000	\$252,000	2019.08.22~2024.07.30	2.69780	Peter Lin, the Chairman
THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	"	32,000	32,000	64,000	2022.04.07~2024.10.07	1.78000	Peter Lin, the Chairman
Mega International Commercial Bank	"	-	150,000	150,000	2022.08.26~2023.01.18	1.52500	Peter Lin, the Chairman
Bank SinoPac	"	74,400	239,750	314,150	2022.12.14~2025.12.14	2.54500	Peter Lin, the Chairman
EnTie Commercial Bank	"	-	100,000	100,000	2022.11.07~2025.12.14	2.05000~2.54500	Peter Lin, the Chairman
Jih Sun Bank	"	-	100,000	100,000	2022.10.25~2023.01.25	1.71611	Peter Lin, the Chairman
EnTie Commercial Bank	Secured loan	15,000	-	15,000	2020.09.10~2023.09.10	1.27400	Peter Lin, the Chairman; Small & Medium Enterprise Credit Guarantee Fund
Taiwan Cooperative Bank	"	75,808	-	75,808	2020.09.07~2023.09.07	1.50000	Peter Lin, the Chairman; Small & Medium Enterprise Credit Guarantee Fund
Chang Hwa Commercial Bank	"	60,517	-	60,517	2020.09.07~2023.09.07	1.42000	Peter Lin, the Chairman; Small & Medium Enterprise Credit Guarantee Fund
First Bank	"	14,867	185,833	200,700	2021.04.07~2036.04.07	1.25000	Peter Lin, the Chairman; land and buildings
Land Bank of Taiwan	"	-	400,000	400,000	2022.12.12~2023.02.07	1.66000	Peter Lin, the Chairman; land and buildings
		<u>\$398,592</u>	<u>\$1,333,583</u>	<u>\$1,732,175</u>			

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 17

<u>Item</u>	<u>Summary</u>	<u>Contract Period</u>	<u>Discount rate (%)</u>	<u>Balance at December 31</u>	<u>Note</u>
Freehold land	Parking space land	2020.02.01~2023.01.31	1.2000	\$85	None
"	Parking space land	2022.01.01~2026.12.31	1.2000	3,926	None
"	Plant land	2022.03.01~2032.03.31	1.2500	20,982	None
Transportation equipment	Electric vehicle renting	2020.11.24~2023.11.23	1.9872	702	None
"	Vehicle renting	2022.08.15~2025.08.14	5.0070	3,333	None
Less: Lease liabilities due within one year				(5,048)	None
				<u>\$23,980</u>	

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF BONDS PAYABLE

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 18

Name of Bond	Trustee	Period	Interest Payment Date and Repayment Method	Annual rate of interest (%)	Amount				Collateral	
					Total Amount of Issue	Amount Repaid	Balance at the end of year	Unamortized Premium (discount)		Carrying amount
Secured domestic bonds	Hua Nan Bank	2021.03~2026.03	Principal is repaid in a lump sum upon maturity, and interest is paid once a year.	0.6	<u>\$700,000</u>	<u>\$ -</u>	<u>\$700,000</u>	<u>(\$1,312)</u>	<u>\$698,688</u>	Peter Lin, the Chairman; bank deposits, land and buildings

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF OPERATING REVENUE FOR THE YEAR ENDED DECEMBER 31, 2022 (In Thousands of New Taiwan Dollars)

Statement 19

<u>Item</u>	<u>Number</u>	<u>Amount</u>
Power supply unit	204,176 thousand	\$11,117,953
Others		<u>85,003</u>
		<u><u>\$11,202,956</u></u>

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF OPERATING COSTS FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 20

<u>Item</u>	<u>Amount</u>
Raw materials	
Balance, beginning of year	\$21,852
Add: Raw materials purchased	191,448
Less: Raw materials, end of year	(2,545)
Sales of raw materials	(6,275)
Raw materials consumed for the period	<u>204,480</u>
Direct labor	1,942
Manufacturing expenses	<u>89,503</u>
Manufacturing costs	295,925
Add: Work in process, beginning of year	1,250
Purchases of work in process	37,453
Less: Work in process, end of year	-
Sales of work in process	(1,345)
Costs of finished goods	<u>333,283</u>
Add: Finished goods, beginning of year	109,264
Purchases of finished goods	9,661,672
Less: Finished goods, end of year	(16,216)
Cost of sales of finished goods	<u>10,088,003</u>
Add: Cost of sales of raw materials	7,620
Add: Transferred from operating expenses	53,519
Less: Transferred to operating costs	(192,632)
Add: Cost of sales - others	(108,027)
Add: Allowance for inventory valuation and obsolescence loss	<u>36,943</u>
	<u>\$9,885,426</u>

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF SALES AND MARKETING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 21

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Salary and wages		\$138,268
Shipping fee		87,170
Commissions expense		23,327
Advertising fee	Fees for exhibition booths and decorations	27,579
Other expenses (Note)	Sample fees and supplies fees	<u>80,393</u>
		<u>\$356,737</u>

Note: The ending balance of each item did not exceed 5% of the account.

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF GENERAL AND ADMINISTRATION EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 22

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Salary and wages		\$121,313
Depreciation		18,063
Labor service expense		29,999
Other expenses (Note)	Repair fees and miscellaneous fees	<u>37,648</u>
		<u>\$207,023</u>

Note: The ending balance of each item did not exceed 5% of the account

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Statement 23

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Salary and wages		\$276,902
Safety regulation-related expense		62,182
Depreciation		33,686
Other expenses (Note)	Insurance premium and repair fees	<u>89,363</u>
		<u>\$462,133</u>

Note: The ending balance of each item did not exceed 5% of the account

PHIHONG TECHNOLOGY CO., LTD.

TABLE OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION, AND AMORTIZATION EXPENSES BY FUNCTION

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

Statement 24

	2022				2021			
	Operating costs	Operating expenses	Non-operating expenses	Total	Operating costs	Operating expenses	Non-operating expenses	Total
Employee benefits expense								
Salary	\$45,617	\$450,956	\$-	\$496,573	\$35,645	\$431,358	\$-	\$467,003
Labor and health insurance fees	\$4,281	\$38,000	\$-	\$42,281	\$3,432	\$38,899	\$-	\$42,331
Pension expenses	\$2,088	\$20,138	\$-	\$22,226	\$1,739	\$21,312	\$-	\$23,051
Remuneration paid to directors	\$-	\$-	\$-	\$-	\$-	\$2,665	\$-	\$2,665
Other employee benefits	\$2,959	\$27,779	\$-	\$30,738	\$2,314	\$22,406	\$-	\$24,720
Depreciation expense								
Property, plant and equipment	\$4,988	\$47,972	\$-	\$52,960	\$1,635	\$63,029	\$-	\$64,664
Investment properties	-	246	-	246	-	-	-	-
Right-of-use assets	175	5,155	-	5,330	189	3,450	-	3,639
	\$5,163	\$53,373	\$-	\$58,536	\$1,824	\$66,479	\$-	\$68,303
Amortization expense	\$93	\$9,016	\$-	\$9,109	\$-	\$7,860	\$-	\$7,860

Note:

1. The number of employees for the year and the preceding year was 498 and 506, respectively. The number of directors who are not concurrently employees was 9 and 7, respectively.
2. In 2022, the average employees' benefits expense was NTD1,133 thousand; in 2021, the average employees' benefits expense was NTD1,174 thousand. In 2022, the average salary expenses for employees were NTD997 thousand; in 2021, the average salary expenses for employees were NTD923 thousand.
3. The changes in the average salary expenses for employees were 8%.
4. In 2022 and 2021, the Company has no supervisor; therefore, there is no remuneration related to supervisors.
5. Remuneration policy of the Company:
 - a. The Company provides remunerations more favorable than the market standard to attract and retain talent:
 - (1) Remuneration system:
 - Payment based on ability: Pay reasonable and competitive overall salaries based on the market value of professional functions and the contributions of employees regarding their duties.
 - Fairness and reasonableness: Employees' salaries and compensations are subject to their educational background, expertise, skills, years of professional experience, and personal performance, in compliance with the internal fairness, taking into account the balances of the external salary payment. The Company does not treat employees differently due to their gender, ethnicity, religion, political party, marital status, or labor union membership.
 - Annual salary adjustment: Subject to the annual profits of the Company, the price index, employees' performances, and the results of the market salary survey, the Company performs its salary adjustment planning and execution.
 - Operational feedback: The Company distributes annual product awards, bonuses, and year-end bonuses based on the overall operational achievement rate, growth rate, group target achievement, and personal performances of employees.
 - Provide salaries and benefits more favorable than laws and regulations to freshmen and foreign workers.
 - Comply with relevant local labor laws and regulations, create harmonious labor-management relationships, and lay a healthy foundation for employee relationships.

- (2) Incentive plan: Regarding the incentive plan, the Company is deeply convinced that the achievements of our corporate operations result from all our employees, and that the Company shall share such achievements with employees. To provide incentives to employees with outstanding performances, the Company distributes year-end bonuses and project bonuses based on the operating performances of the Company, achievements of the group target, and the personal performances, and distribute employees' bonuses subject to our profit status.
- (3) The Company has established its Remuneration Committee to ensure that the remuneration arrangements comply with relevant laws and regulations and are sufficient for attracting outstanding talent.
- (4) In accordance with the first and second Articles of Employee Stock Ownership Plans, it is agreed that the members shall deliver a portion of their annual incentive payments and monthly incentive payments from the member's company to the Trust for the purpose of managing and applying the funds for the benefit of all members, assisting them in accumulating wealth, and ensuring their retirement or post-employment stability.

b. Employees' compensation and remuneration to directors and supervisors:

According to the ratio or scope regarding remuneration of employees and Directors stated in Article 21 of the Articles of Incorporate, when the Company records any profits for the year, it shall appropriate no less than 10% as remuneration of employees and no more than 2% as remuneration of directors; the actual appropriation amount shall be subject to consent of more than half of the attending directors at a Board meeting with more than two-thirds of directors attending and the report to the shareholders' meeting. However, when the Company still has accumulated deficits, it shall preserve the amount for compensation.

c. Remuneration of directors and supervisors:

Independent directors and directors who are authorized to regularly participate in the operations of the Company may collect compensation. The amount shall be discussed and determined by the Board based on the level of participation in the Company's operations and the value of contributions considered by the Remuneration Committee, with reference to the domestic and foreign standards within the industry.

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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Phihong Technology Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

The accuracy of sales revenue from electric vehicle energy business

Description of the key audit matter

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

Corresponding audit procedures

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

Others Matters

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2023

Notice to Readers

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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

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

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other equity		Non-controlling interests	Total Equity
	Ordinary shares	Capital surplus	Retained earnings			Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total		
			Legal reserve	Special reserve	Accumulated earnings (deficits)					
Balance at January 1, 2021	\$3,376,884	\$1,044,017	\$767,660	\$230,859	(\$154,744)	(\$448,879)	(\$62,007)	\$4,753,790	(\$8,909)	\$4,744,881
Capital increase (Note 21)	375,200	1,135,355	-	-	-	-	-	1,510,555	-	1,510,555
Legal reserve used to offset accumulated deficits (Note 21)	-	-	(154,744)	-	154,744	-	-	-	-	-
Net loss for the year ended December 31, 2021	-	-	-	-	(312,600)	-	-	(312,600)	(18)	(312,618)
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(4,324)	(74,987)	(26,405)	(105,716)	256	(105,460)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(316,924)	(74,987)	(26,405)	(418,316)	238	(418,078)
Balance at December 31, 2021	3,752,084	2,179,372	612,916	230,859	(316,924)	(523,866)	(88,412)	5,846,029	(8,671)	5,837,358
Legal reserve used to offset accumulated deficits (Note 21)	-	-	(316,924)	-	316,924	-	-	-	-	-
Net income (loss) for the year ended December 31, 2022	-	-	-	-	71,327	-	-	71,327	(21)	71,306
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	19,946	279,695	8,073	307,714	(961)	306,753
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	91,273	279,695	8,073	379,041	(982)	378,059
Balance at December 31, 2022	\$3,752,084	\$2,179,372	\$295,992	\$230,859	\$91,273	(\$244,171)	(\$80,339)	\$6,225,070	(\$9,653)	\$6,215,417

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. COMPANY HISTORY

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

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

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

2. DATE AND PROCEDURE FOR APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Note2: The Group shall apply these amendments prospectively to the changes of accounting estimates and accounting policies for annual reporting periods beginning after January 1, 2023.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Lease Liabilities under Sale-leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17 “Comparative Information of the Initial Application of IFRS 17 and IFRS 9”	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendment to IAS 1 “Non-current Liabilities with Contractual Terms”	January 1, 2024

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company ("subsidiaries") and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 12, Table 7 and Table 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Investments in associates:

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Intangible assets

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

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

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

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

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

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

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

k. Non-current assets held for sale

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

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

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

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

ii. Investments in debt instruments at FVTOCI

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

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

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

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

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

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

m. Provision

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

n. Revenue recognition

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

1) Revenue from sale of goods

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

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

3) Service Revenue

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

o. Leases

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

1) The Group as lessor

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

2) The Group as lessee

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

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

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

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

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

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

p. Borrowing costs

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

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

q. Government grants

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

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

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

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

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

s. Taxation

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

1) Current income tax

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

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

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

2) Deferred income tax

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

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

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

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

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

3) Current and deferred income tax

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

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

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

The management will review the estimates and underlying assumptions on an ongoing basis. If the revision of the estimate only affects the current period, it will be recognized in the current period of the revision; if the revision of the estimate affects both the current period and the future period, it will be recognized in the current period and the future period of the revision.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$2,285	\$2,507
Checking accounts and demand deposits	2,978,598	3,566,243
Cash equivalent (investments with original maturities of less than 3 months)		
Time deposits	10,000	22,170
	<u>\$2,990,883</u>	<u>\$3,590,920</u>

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

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

7. FINANCIAL ASSETS AT FVTOCI

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI)		
Domestic unlisted ordinary shares	\$99,764	\$87,226

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

8. FINANCIAL ASSETS AT AMORTIZED COST

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

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

9. ACCOUNTS RECEIVABLE

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

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

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

a. Notes receivables

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

b. Trade receivables

Trade receivables at amortized cost

For the Group's average credit period for the sale of goods, the statistics for the average credit period are prepared according to the experience of trade receivable collection regarding the non-related parties for the past five years, and no interest accrued for trade receivable during the credit period. The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

December 31, 2022

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

December 31, 2021

	Not Past Due	Less than 60 Days	Less than 61 to 90 Days	Less than 91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00~0.24%	0.24~2.94%	5.52~12.76%	6.56~18.69%	13.62~100.00%	
Gross carrying amount	\$1,682,122	\$120,489	\$8,774	\$3,210	\$1,501	\$1,816,096
Loss allowance (Lifetime ECL)	(260)	(726)	(486)	(272)	(1,265)	(3,009)
Amortized cost	\$1,681,862	\$119,763	\$8,288	\$2,938	\$236	\$1,813,087

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

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

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

c. Trade receivables at FVTOCI

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

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

December 31, 2022

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

December 31, 2021

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

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

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

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

Note 1: USD53,588

Note 2: USD77,128,231

Note 3: USD77,181,819

Note 4: USD18,219,118

Note 5: USD18,165,530

10. INVENTORIES

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

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

11. NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

After the contract for the disposal of the above-mentioned non-current assets held for sale was signed, the delivery procedures were completed as of January 26, 2022, and the control of the non-current assets disposed of is to be transferred to the purchaser. The Group completed the disposal process in Q1 of 2022 and recognized a total disposal gain of \$11,765 thousand, which was recorded under "Other gains and losses".

12.SUBSIDIARIES

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

Note 1: In response to the operating requirements of the Group, in December 2021, the board of directors of the Company approved the resolution for the capital reduction of PHI in the amount of US\$8,640 thousand. After the capital reduction, the capital of PHI became \$3,209,288 thousand (102,421 thousand); the base date for the capital reduction was January 6, 2022. The above capital reduction has been approved by the Investment Commission, MOEA Letter No.11100041120 on April 14, 2022.

Note 2: In response to the operating requirements of the Group, in December 2021, the board of directors of the Company approved the resolution for the capital injection of PHP through PHK in the amount of US\$8,640 thousand. The capital reduction was completed in March 2022.

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

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

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

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

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

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

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

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

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

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

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

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates that are not individually material	\$112,871	\$111,326

Associates that are not individually material

	<u>For the year</u>	
	<u>2022</u>	<u>2021</u>
The Group's share of:		
Net loss for the year	(\$6,542)	(\$8,152)
Other comprehensive income (loss)	8,935	(30,209)
Total comprehensive income (loss)	\$2,393	(\$38,361)

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2022	\$521,412	\$2,428,902	\$2,353,841	\$673,319	\$626,613	\$6,604,087
Additions	20,824	132,620	154,335	18,786	517,025	843,590
Disposals	-	(12,837)	(130,127)	(16,522)	-	(159,486)
Effect of foreign currency exchange differences	4,952	52,228	46,580	5,654	54,202	163,616
Reclassification	-	765,594	45,561	11,263	(768,018)	54,400
Balance at December 31, 2022	<u>\$547,188</u>	<u>\$3,366,507</u>	<u>\$2,470,190</u>	<u>\$692,500</u>	<u>\$429,822</u>	<u>\$7,506,207</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$-	\$902,028	\$1,901,348	\$538,124	\$-	\$3,341,500
Disposals	-	(9,792)	(121,106)	(15,946)	-	(146,844)
Depreciation expense	-	83,672	141,311	50,744	-	275,727
Effect of foreign currency exchange differences	-	14,642	31,813	3,194	-	49,649
Balance at December 31, 2022	<u>\$-</u>	<u>\$990,550</u>	<u>\$1,953,366</u>	<u>\$576,116</u>	<u>\$-</u>	<u>\$3,520,032</u>
Carrying amounts at December 31, 2022	<u>\$547,188</u>	<u>\$2,375,957</u>	<u>\$516,824</u>	<u>\$116,384</u>	<u>\$429,822</u>	<u>\$3,986,175</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>

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

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

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

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

b. Lease liabilities

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

c. Material lease-in activities and terms

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

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

d. Other lease information

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

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

16. OTHER INTANGIBLE ASSETS

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

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

17. BORROWINGS

a. Short-term borrowings

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

b. Increase in short-term notes and bills payable

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

The undue short-term notes payable are as follows:

December 31, 2022

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

c. Long-term Borrowings

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

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

- 1) The Company's short-term bank loan period for the years ended December 31, 2022 and 2021, were October 11, 2022 to March 21, 2023 and November 8, 2021 to March 11, 2022, respectively, with and the interest is paid on a monthly monthly.
- 2) The short-term bank loan period of PHV on December 31, 2022 and 2021 is from May 10, 2022 to October 10, 2023, and July 12, 2021 to August 3, 2022, respectively, with interest paid monthly.
- 3) As of December 31, 2021, the short-term bank loan period of PHC was from December 27, 2021 to June 24, 2022, with interest paid upon expiry.
- 4) The Company's long-term bank loan period borrowings for the years ended December 31, 2022 and 2021 were March 20, 2020 to April 7, 2036 and from August 22, 2019 to April 7, 2036, respectively, with interest paid monthly.
- 5) Phihong Technology Co., Ltd. signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank and co-sponsored by Yuanta Commercial Bank and Hua Nan Commercial Bank, along with 7 other banks in the loan, on April 30, 2019. The contract period is 3 years with the total credit limit of NTD\$1 billion, including NTD \$450 million of item A loan limit and NTD \$550 million for item B loan, which will be used by the parent company to support the factory investment plan of the Vietnamese subsidiary and enrich the group operating turnover fund. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, Phihong Technology Co., Ltd shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial report certified by CPAs. The ratios are reviewed every half year.):
 - a) The current ratio (current assets/current liabilities) shall not be less than 100%.
 - b) The net debt ratio (total debt/net tangible value) shall not be higher than 150%.
 - c) The interest protection multiples [(pre-tax profit + depreciation + amortization + interest expense)/interest expense] shall be maintained at more than two times (inclusive).
 - d) Net tangible value (net value minus intangible assets) shall not be less than NTD4.5 billion.

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

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

18. BONDS PAYABLE

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

Secured domestic bonds

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

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

19. OTHER LIABILITIES

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

20. POST-EMPLOYMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
0.25% increase	(\$2,470)	(\$3,732)
0.25% decrease	<u>\$2,561</u>	<u>\$3,881</u>
Expected salary increase rate		
0.25% increase	<u>\$2,464</u>	<u>\$3,708</u>
0.25% decrease	<u>(\$2,390)</u>	<u>(\$3,587)</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, 2022</u>	<u>December 31, 2021</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	9.9 years	11.2 years

21. EQUITY

a. Share Capital

Ordinary shares

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

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

Considering the long-term cooperating relationships with strategic investors, and improvement in financial structure and operating efficacy, the Company's extraordinary shareholders meeting passed the resolution for the private offering of ordinary shares at the extraordinary shareholders' meeting on December 16, 2021 to, within the limit of 37,520 thousand shares, authorize the board of directors to organize the private offering of ordinary shares in two batches within one year from the date of the resolution made at the extraordinary shareholders' meeting. The Company approved the communication with particular subscribers at the board meeting on December 22, 2021, and set December 24, 2021 as the base date for the capital increase to issue 37,520 thousand ordinary shares under private offering. The price for the ordinary shares under the private was calculated from the following standards: (a) the calculation of the simple average closing price of the

ordinary shares for either the 1, 3, or 5 business days before the pricing date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; or (b) the calculation of the simple average closing price of the ordinary shares for the 30 business days before the pricing date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction; with the higher of the two as the reference price, the reference price for the private offering is \$44.73 per share; the subscription price payable of \$40.26 per share was established based on 90% of the reference price. The capital increase through the private offering of ordinary shares mentioned above was completed on December 24, 2021, and the alteration registration was completed of capital on March 23, 2022

b. Capital surplus

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

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

c. Retained Earnings and Dividend Policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 23-g.

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

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

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

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

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

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

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

d. Special reserve

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

e. Other equity

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

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

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

	For the year	
	2022	2021
Balance at January 1	(\$88,412)	(\$62,007)
Generated in current period		
Unrealized gain or loss in equity instruments at fair value through other comprehensive income	(862)	3,804
Share from associates accounted for using the equity method	8,935	(30,209)
Balance at December 31	<u>(\$80,339)</u>	<u>(\$88,412)</u>

f. NON-CONTROLLING INTERESTS

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

22. REVENUE

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

23. NET PROFIT RELATING TO CONTINUING OPERATIONS

a. Interest income

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

b. Other income

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

c. Other gains and losses

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

d. Depreciation and amortization

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

e. Finance costs

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

f. Employee benefits expense

	For the year	
	2022	2021
Short-term employee benefits	\$2,582,044	\$2,369,132
Post-employment benefits (Note 20)		
Defined contribution plans	21,419	22,232
Defined benefit plans	735	819
Total employee benefits expense	\$2,604,198	\$2,392,183
An analysis of employee benefits expense by function		
Operating costs	\$1,453,699	\$1,483,306
Operating expenses	1,150,499	908,877
	\$2,604,198	\$2,392,183

g. Employees' compensation and remuneration to directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 10% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The estimated employees' compensation and remuneration of directors and supervisors for 2022 is as follows:

Estimation ratio

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

Amount

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

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

h. Gain or loss on foreign currency exchange

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

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Total income tax expense recognized in profit or loss

The major components of tax expense were as follows:

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Current income tax liabilities for the period

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

d. Deferred tax assets and liabilities

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

2022

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

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 carry forwards	5,196	(5,180)	-	16
Others	17,457	(1,890)	1,081	16,648
	<u>\$57,043</u>	<u>(\$5,010)</u>	<u>\$1,081</u>	<u>\$53,114</u>
Deferred tax liabilities				
Temporary differences				
Unrealized gain on investments	\$67,820	(\$11,300)	\$-	\$56,520

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

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

f. Income tax assessments

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

25. EARNINGS (LOSS) PER SHARE

Unit: dollars per share

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

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

Net Profit (Loss) for the year

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

Number of Shares

Unit: Thousands of shares

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

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

26. GOVERNMENT GRANTS

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

27. CAPITAL MANAGEMENT

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

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

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

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value

1) Fair value hierarchy

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds	\$-	\$-	\$-	\$-
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted equity	\$-	\$-	\$99,764	\$99,764

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds	\$-	\$-	\$-	\$-
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted equity	\$-	\$-	\$87,226	\$87,226

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

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

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

b. Categories of financial instruments

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

Note1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivables, trade receivables, other receivables, other receivables from related parties, and refundable deposits.

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

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

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

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

b) Interest rate risk

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk Financial liabilities	\$2,197,138	\$997,817
Cash flow interest rate risk Financial liabilities	1,727,345	2,307,536

2) Credit risk

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

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

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

3) Liquidity risk

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

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

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

The maturity dates of the Group's remaining contractual maturity for its non-derivative financial liabilities was based on the undiscounted cash flows (including principal and estimated interest) of financial liabilities from the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2022

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

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10years</u>
Lease liabilities	<u>\$44,518</u>	<u>\$43,461</u>	<u>\$7,831</u>

December 31, 2021

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

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

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

b) Financing facilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank facilities:		
Amount used	\$2,377,690	\$1,943,174
Amount unused	1,578,635	1,357,046
	<u>\$3,956,325</u>	<u>\$3,300,220</u>
Secured bank facilities:		
Amount used	\$721,760	\$640,436
Amount unused	1,141,700	1,210,532
	<u>\$1,863,460</u>	<u>\$1,850,968</u>

29. RELATED-PARTY TRANSACTIONS

a) The Group's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Group</u>
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Dongguan Quan Hong Metal Products Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
TCC Energy Storage Technology Corporation	Related Party
Spring City Resort Co., Ltd.	Associates
Peter Lin	Phihong's chairman
Shu-Nu Chien	Spouse of Phihong's chairman
Lin-Kuan Hung	Related Party
Hsin-I Lin	Related Party
Pei-Chi Wu	Related Party

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

b. Trading transactions

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

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

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

c. Contract liabilities

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

d. Receivables from related parties

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

e. Payables to related parties

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

f. Operating expenses

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

g. Compensation of key management personnel

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

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

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

h. Other transactions with related parties

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

i. Others

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

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

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2022

(In Thousands of Foreign Currencies/New Taiwan Dollars)

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

December 31, 2021

(In Thousands of Foreign Currencies/New Taiwan Dollars)

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

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees

- 1) Financing provided to others (Table 1)
- 2) Endorsements/Guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NTD300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NTD300 million or 20% of the paid-in capital. (None)
- 6) Disposal of property at prices of at least NTD300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments. (None)
- 10) Other: Intercompany relationships and significant intercompany transactions. (Table 6)
- 11) Information on investees. (Table 7)

c. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 9)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

- c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- 3) Information of major shareholders: the names of shareholders with a shareholding ratio of 5% or more, their shareholding amount, and their proportional shareholdings. (Table 10)

34. SEGMENT INFORMATION

a. Basic Information of Operation Segments

1) Classification of operating segments

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

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

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

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

b. Segment revenues and results

The Group's revenues and operating results by segments for 2022 and 2021 are as follows:

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

c. Revenue from major products and services

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

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

d. Region-specific information

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

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

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

e. Information on major customers

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

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

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

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

TABLE 1

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

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

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

Note 2: Reasons for financing are as follows:

1. Business relationship
2. The need for short-term financing

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

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

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

Table 2

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

No. (Note 1)	Endorser/Guarantor Name	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2 and Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2 and Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong	PHV	Subsidiary of the Company	\$ 1,867,521	\$ 61,450	\$ 61,450	\$ 61,450	\$ -	0.99	\$ 3,112,535	Y	N	N	
0	Phihong	ZTM	Subsidiary of the Company	1,867,521	USD 2,000,000 600,000	USD 2,000,000 600,000	USD 2,000,000	-	9.65	3,112,535	Y	N	N	

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

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

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Trade Receivable (Payable)		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Phihong	PHA	Subsidiary of the Company	Sale	(\$ 3,478,124)	(31.05)	To be agreed by both parties	-	-	\$ 345,636	25.07	
"	PHJ	"	"	(151,203)	(1.35)	"	-	-	16,205	1.18	
"	PHC	"	Purchase	6,886,450	68.69	"	-	-	-	-	
"	PHP	"	"	818,395	8.16	"	-	-	69	0.01	
"	PHV	"	"	1,841,334	18.37	"	-	-	21,679	1.57	
"	ZSH	"	"	359,948	3.59	"	-	-	(123,354)	(96.34)	

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2022

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Transaction Details	% to Total Sales or Assets (Note 3)
0	Phihong	PHA	1	Sales revenue	\$3,478,124	To be agreed by both parties	24.81%
"	"	PHJ	"	"	151,203	"	1.08%
"	"	ZSH	"	Service Revenue	72,818	"	0.52%
"	"	PHC	"	Purchase	6,886,450	No significant difference	49.13%
"	"	PHP	"	"	818,395	"	5.84%
"	"	PHV	"	"	1,841,334	"	13.14%
"	"	ZSH	"	"	359,948	"	2.57%
"	"	PHA	"	Trade receivables	345,633	—	2.37%
"	"	PHA	"	Other receivables	110,906	—	0.76%
"	"	PHC	"	"	550,063	—	3.77%
"	"	PHV	"	"	473,790	—	3.25%
"	"	ZTM	"	"	167,447	—	1.15%
"	"	ZSH	"	Trade payables	44,008	—	0.30%
2	PHZ	PHP	3	Other receivables	1,210,633	—	8.30%
"	ZTM	ZSH	"	Service Revenue	155,776	To be agreed by both parties	1.11%
"	ZTM	PHA	"	Other income	30,792	"	0.22%
"	ZAS	PHA	"	Service Revenue	21,440	"	0.15%
"	"	ZSH	"	"	25,335	"	0.18%
"	ZNS	ZSH	"	"	18,502	"	0.13%

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

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

Note 2: Nature of relationship is as follows:

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

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

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

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

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

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

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

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

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

Note 3: The foreign currencies in this table are converted into New Taiwan dollars using exchange rates of the investment date, except for income and expense items which are translated at the average exchange rates for the period.

2. Limit on investment amount in Mainland China:

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

Note 1: In accordance with the Article 3 of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area", the Company acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs on June 18, 2021, which exempts the Company from the limitation of the amount of investment amount in mainland China.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Trade Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Amount	%		
PHC	Purchase	\$6,886,450	68.69%	To be agreed by both parties	To be agreed by both parties	—	\$-	-	\$-	
PHP	"	818,395	8.16%	"	"	—	69	0.01%	-	

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

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

Note1: The information on major shareholders in this table is based on the last business day at the end of the quarter, including the data of the shareholders holding more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the company's consolidated financial report and the actual number of shares delivered without physical registration may be different due to the difference of calculation basis.