

**Phihong Technology Co., Ltd.**

**Parent Company Only Financial Statements for the Years  
Ended December 31, 2021 and 2020 and Independent  
Auditors' Report**

# **INDEPENDENT AUDITORS' REPORT**

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

## **Opinion**

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

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

## **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

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

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

## The Accuracy of Sales Revenue from Telecom Brand Operation

Description of the key audit matter:

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

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

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

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 10, 2022

Notice to Readers

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

**Parent Company Only BALANCE SHEETS**

(In Thousands of New Taiwan Dollars)

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

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

# PHIHONG TECHNOLOGY CO., LTD.

## Parent Company Only STATEMENTS OF COMPREHENSIVE INCOME

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

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

(Continued on next page)

(Continued from previous page)

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

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

(In Thousands of New Taiwan Dollars)

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

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

# PHIHONG TECHNOLOGY CO., LTD.

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

(In Thousands of New Taiwan Dollars)

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

(Continued on next page)

(Continued from previous page)

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

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

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

## **NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

---

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

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

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

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

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

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

#### **3. APPLICATION OF NEWLY ISSUED AND AMENDED STANDARDS AND INTERPRETATIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### **a. Statement of compliance**

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

##### **b. Basis of preparation**

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the financial statements, the Company adopted the equity method to account for its investments in subsidiaries and associates. In order to enable the amounts of the net profit for the year, other comprehensive income for the year, and total equity in the financial statements to be the same as the ones attributable to the owners of the Company in its consolidated financial statements, regarding the differences arising from accounting treatments between the parent company only basis and the consolidation basis, adjustments were made to the investments accounted for using the equity method, the share of profit or loss of equity-accounted subsidiaries and associates, the share of other comprehensive income of equity-accounted subsidiaries and associates, as well as relevant equity items, as appropriate, in the financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

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

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

e. Inventories

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

f. Investment in subsidiaries

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

A subsidiary is an entity that is controlled by the Company.

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

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

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

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

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

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

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

g. Investments in associates

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

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

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

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

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

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

#### h. Property, plant and equipment

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

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

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

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

i. Intangible assets

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

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

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

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

## 2) Equity instruments

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

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

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

## 3) Financial liabilities

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

### l. Provision

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

### m. Revenue recognition

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

#### Revenue from sale of goods

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

n. Leasing

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

1) The Company as lessor

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

2) The Company as lessee

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

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

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

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

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

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

o. Borrowing costs

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

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

p. Government grants

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

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

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

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

r. Taxation

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

1) Current income tax

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

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

2) Deferred income tax

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

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

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

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

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

### 3) Rent and deferred income tax

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

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

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

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

## 6. CASH AND CASH EQUIVALENTS

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

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

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

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

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

The Company invested in the above-mentioned unlisted equity for medium to long-term strategic purposes, and expected to make profits in a long term. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

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

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

## 9. NOTES AND TRADE RECEIVABLES

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

### a. Notes receivables

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

### b. Trade receivables

#### Trade receivables at amortized cost

For the Company's average credit period for the sale of goods, the statistics for the average credit period are prepared according to the experience of trade receivables collection regarding the non-related parties for the past five years, and no interest accrued for trade receivables during the credit period. The Company adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved

counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

The Company recognized the loss allowance for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables were estimated using a provision matrix with reference to customers' past default records, current financial position, and other forward-looking information. Based on the Company's history of credit losses, as there was no significant difference in the loss patterns among different customer groups, the customer groups were not further differentiated in the provision matrix, and only the ECLs rate was set based on the number of days for which trades receivable were past due.

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

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

December 31, 2021

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

December 31, 2020

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

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

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

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

## 10. INVENTORIES

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

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

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

### a. Investment in subsidiaries

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

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

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

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

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

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the subsidiaries' financial statements audited by auditors for the same years.

b. Investments in associates

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associates that are not individually material	<u>\$16,500</u>	<u>\$21,193</u>
<u>Associates that are not individually material</u>		
	<u>2021</u>	<u>2020</u>
The Company's share of:		
(Loss) profit for the year	<u>(\$2,014)</u>	<u>\$2,689</u>
Total comprehensive income (loss)	<u>(\$2,014)</u>	<u>\$2,689</u>

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

## 12. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

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

#### b. Lease liabilities

##### Carrying amounts

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

##### Range of discount rate for lease liabilities

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

c. Material lease-in activities and terms

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

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

d. Other lease information

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

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

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

#### 14. OTHER INTANGIBLE ASSETS

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

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

## 15. BORROWINGS

### Short-term borrowings

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

### Long-term Borrowings

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

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

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

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

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

## 16. BONDS PAYABLE

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

### Secured domestic bonds

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

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

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

## 17. OTHER PAYABLES

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

## 18. POST-EMPLOYMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

## 19. EQUITY

### a. Share capital

#### Ordinary shares

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

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

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

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

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

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

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

	<b>Deficit Compensation</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$154,744	\$41,146

d. Special reserves

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

e. Other equity items

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

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

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

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

## 20. NET PROFIT RELATING TO CONTINUING OPERATIONS

### a. Interest income

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

### b. Other income

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

### c. Other gains and losses

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

### d. Depreciation and amortization

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

#### An analysis of depreciation by function

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

#### An analysis of amortization expense by function

Operating expenses	<u>\$7,860</u>	<u>\$7,403</u>
--------------------	----------------	----------------

### e. Finance costs

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

f. Employee benefits expense

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

g. Employees' compensation and remuneration to directors and supervisors

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

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

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

h. Gain or loss on foreign currency exchange

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

## 21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

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

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

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

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

### b. Income tax recognized in other comprehensive income

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

### c. Current income tax liabilities

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

d. Deferred tax assets and liabilities

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

2021

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

2020

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

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

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

f. Income tax assessments

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

## 22. LOSS PER SHARE

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

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

### Loss for the year

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

### Number of Shares

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

## 23. GOVERNMENT GRANTS

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

## 24. CAPITAL MANAGEMENT

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

The capital structure of the Company consists of its net debt (borrowings less cash and cash equivalents) and equity (comprising share capital, reserves, retained earnings, and other equity).

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

## 25. FINANCIAL INSTRUMENTS

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

### Fair value hierarchy

#### December 31, 2021

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

#### December 31, 2020

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

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

### Conciliation of financial instruments measures at level 3 fair value

#### 2021

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

#### 2020

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

b. Categories of financial instruments

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

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

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

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. After assessment, the positions of the Company's foreign currency assets and liabilities were not exposed to significant exchange rate risks, and it did not adopt additional hedging measures. Therefore, no relevant hedging accounting treatment applied.

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

Sensitivity analysis

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

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis is for a 1% change in foreign currency rates and included only outstanding foreign currency denominated monetary items

at the end of the reporting period. A positive number below indicates a decrease in pre-tax profit (loss) when New Taiwan dollars strengthen by 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit (loss) and the balances below would be negative.

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

b) Interest rate risk

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

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

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

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. At the balance sheet date, the Company's maximum exposure to credit risk, which might cause financial losses due to a counterparty's failure to perform its obligations and the Company's provision of financial guarantees, approximated the carrying amounts of the financial assets recognized in the balance sheet.

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

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

### 3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Company had available unutilized bank loan facilities set out in (b) below.

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

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

December 31, 2021

	<b>On Demand or Less than 1 Year</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$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:

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

December 31, 2020

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

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

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

b) Financing facilities

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

## 26. RELATED-PARTY TRANSACTIONS

### a. The Company's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Company</u>
Phihong USA Corp. (PHA)	Subsidiaries
Phihong Technology Japan Co., Ltd. (PHJ)	Subsidiaries
Phihong Vietnam Co., Ltd. (PHV)	Subsidiaries
Phihong Dongguan Electronics Co. Ltd. (PHC)	Subsidiaries
Dongguan Phitek Electronics Co., Ltd. (PHP)	Subsidiaries
Phihong Electronics (Suzhou) Co., Ltd. (PHZ)	Subsidiaries
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (PHE)	Subsidiaries
Dongguan Shuang-Ying Electronics Co., Ltd. (PHSY)	Subsidiaries
Yanghong Trade (Shanghai) Co., Ltd. (Yanghong Trade)	Subsidiaries
Peter Lin	Chairman of Phihong
Chien, Shu-Nu	Spouse of the Chairman of Phihong
Spring City Resort Co., Ltd.	Associates
Hua Jung Co., Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties

### b. Operating revenue

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

The prices of finished goods sold by the Company to related parties were determined by the product type, cost, market price, market competition, etc., while based on mutual agreement.

### c. Purchase of goods

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

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

d. Receivables from related parties

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

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

e. Payables to related parties

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

f. Other receivables from related parties

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

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

g. Other payables from related parties

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

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

h. Endorsements and guarantees

Endorsements/Guarantees Provided

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

i. Property transactions

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

j. Compensation of key management personnel

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

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

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

k. Other transactions with related parties

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

## 27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

## 28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company's unrecognized commitments were as follows:

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

## 29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

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

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

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

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

December 31, 2021

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

December 31, 2020

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

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

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

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

- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
  
- c. Information of major shareholders: the names of shareholders with a shareholding ratio of 5% or more, their shareholding amount, and their proportional shareholdings. (Table 10)

### **32. SEGMENT INFORMATION**

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

PHIHONG TECHNOLOGY CO., LTD.

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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

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

Note 2: Reasons for financing are as follows:

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

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

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

**ENDORSEMENTS/GUARANTEES PROVIDED**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

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

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

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

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2021**

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares	Carrying amount	Percentage of Ownership (%)	Fair value	
Pihong Technology Co., Ltd.	<u>Ordinary shares</u>							
	Pao-Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	229,980	\$3,366	10.49	\$3,366	
	Zhong-Xuan Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,758,621	24,067	8.62	24,067	
Guang-Lai Investment Co., Ltd.	BMC Venture Capital Investment Corporation	None	Financial assets at FVTOCI - non-current	5,400,000	54,798	9.84	54,798	
	<u>Ordinary shares</u>							
	Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non-current	3,000,000	4,995	10.83	4,995	

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

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

## PHIHONG TECHNOLOGY CO., LTD.

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

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

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

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

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Phihong Technology Co., Ltd.	Phihong USA Corp.	Subsidiary of the Company	Trade receivables \$370,659	9.80	\$-	—	\$350,569	\$-
Phihong Technology Co., Ltd.	Phihong (Dongguan) Electronics Co. Ltd.	Subsidiary of the Company	Other receivables 605,588	-	-	—	369,833	-
Phihong Technology Co., Ltd.	PHIHONG VIETNAM CO.,LTD	Subsidiary of the Company	Other receivables 355,120	-	-	—	176,175	-
Phihong (Dongguan) Electronics Co. Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables 243,900	-	-	—	243,900	-
Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables 1,193,859	-	-	—	-	-

## PHIHONG TECHNOLOGY CO., LTD.

## INFORMATION ON INVESTEEES WITH DIRECT OR INDIRECT MATERIAL INFLUENCE OR CONTROL

## FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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

## PHIHONG TECHNOLOGY CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

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

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

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

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

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

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

**TABLE 10**

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

---

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

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

## §TABLE OF STATEMENTS OF MAJOR ACCOUNTING ITEMS§

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

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF CASH AND CASH EQUIVALENTS**

**DECEMBER 31, 2021**

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

**Statement 1**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand		\$838
Petty cash		210
Check deposit		988
Demand deposit		1,533,877
Foreign currency deposit	USD29,602,958.5, JPY14,117,177, HKD106,672.51, EUR8,314.06, RMB171,163.10	<u>823,601</u>
		<u>\$2,359,514</u>

Note: The exchange rate at the end of December 31, 2021 -

USD:NTD=1:27.66000

JPY:NTD=1:0.24104

HKD:NTD=1:3.54713

EUR:NTD=1:31.25000

RMB:NTD=1:4.33984

**PHIHONG TECHNOLOGY CO., LTD.**  
**STATEMENT OF TRADE RECEIVABLES**  
**DECEMBER 31, 2021**

**(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	\$228,205
Customer B	Supply payment from non-related parties	151,612
Customer C	Supply payment from non-related parties	134,349
Others (Note)	Supply payment from non-related parties	<u>562,687</u>
		1,076,853
Less: Allowance for impairment loss		<u>(1,248)</u>
		<u><u>\$1,075,605</u></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, 2021**

**(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	\$370,659
Phihong Technology Japan Co., Ltd.	Supply payment from related parties	<u>20,597</u>
		<u><u>\$391,256</u></u>

**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	Make up payment	\$3,466
Tax refund receivables	Tax refund for the business tax	482
Others		<u>10</u>
		<u><u>\$3,958</u></u>

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES**

**DECEMBER 31, 2021**

**(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	\$605,588
Phihong Vietnam Co., Ltd.	Payment for material purchases	355,120
Dongguan Phitek Electronics Co., Ltd.	Payment for material purchases	54,268
Phihong USA Corp.	Molds and safety regulation fees	27,835
Others (Note)		<u>83</u>
		<u>\$1,042,894</u>

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

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF INVENTORIES**

**DECEMBER 31, 2021**

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

**Statement 6**

<u>Item</u>	<u>Cost</u>	<u>Market price</u>
Raw materials	\$21,852	\$21,508
Work-in-process	1,250	1,091
Finished goods	109,264	90,214
Less: Allowances to reduce inventory to market	<u>(19,553)</u>	<u>-</u>
	<u>\$112,813</u>	<u>\$112,813</u>

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF OTHER CURRENT ASSETS**

**DECEMBER 31, 2021**

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

**Statement 7**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Prepayments	Prepayment for purchases and excess business tax paid	\$49,104
Prepaid expenses	Prepayment for rents and insurance premium	15,495
Others		<u>5,658</u>
		<u>\$70,257</u>

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI  
FOR THE YEAR ENDED DECEMBER 31, 2021

(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.	270,565	\$2,837	-	\$-	40,585	\$406	\$935	229,980	\$3,366	None
Zhong-Xuan Venture Capital Co., Ltd.	2,758,621	23,054	-	-	-	-	1,013	2,758,621	24,067	None
BMC Venture Capital Investment Corporation	1,800,000	37,780	1,800,000	18,000	-	-	(982)	3,600,000	54,798	None
		<u>\$63,671</u>		<u>\$18,000</u>		<u>\$406</u>	<u>\$966</u>		<u>\$82,231</u>	

STATEMENT OF CHANGES IN LONG-TERM EQUITY INVESTMENTS UNDER EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2021

(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	\$3,134,524	-	\$-	-	\$173,025	111,061,351	100	\$2,961,499	-	\$2,977,276	Equity Method	None
Phihong USA Corp.	3,100,000	923,714	-	12,806	-	-	3,100,000	100	936,520	-	1,015,539	Equity Method	None
Phitek International Co., Ltd.	10,200,000	(243,673)	-	-	-	150,115	10,200,000	100	(393,788)	-	(391,006)	Equity Method	None
Ascent Alliance Ltd.	12,012,600	69,397	-	-	-	10,829	12,012,600	100	58,568	-	58,373	Equity Method	None
Guang-Lai Investment Co., Ltd.	13,975,828	140,802	-	-	-	33,357	13,975,828	100	107,445	-	107,445	Equity Method	None
H&P Venture Capital Co., Ltd.	1,373,801	21,193	-	-	-	4,693	1,373,801	32.26	16,500	-	16,500	Equity Method	None
Phihong Technology Japan Co., Ltd.	3,000	82,082	-	-	-	10,779	3,000	100	71,303	-	71,312	Equity Method	None
Phihong Vietnam Co., Ltd.	30,000,000	442,085	30,000,000	818,594	-	-	60,000,000	100	1,260,679	-	1,260,660	Equity Method	None
		4,570,124		\$831,400		\$382,798			5,018,726		\$5,116,099		
Reclassified in other non-current liabilities		243,673							393,788				
		\$4,813,797							\$5,412,514				

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, 2021**

**(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, 2021	\$4,685	\$4,130	\$1,186	\$10,001
Disposals	(1,681)	-	-	(1,681)
Balance at December 31, 2021	<u>\$3,004</u>	<u>\$4,130</u>	<u>\$1,186</u>	<u>\$8,320</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	\$1,722	\$897	\$395	\$3,014
Depreciation	1,878	1,168	593	3,639
Disposals	(1,681)	-	-	(1,681)
Balance at December 31, 2021	<u>\$1,919</u>	<u>\$2,065</u>	<u>\$988</u>	<u>\$4,972</u>
Carrying amounts at December 31, 2021	<u>\$1,085</u>	<u>\$2,065</u>	<u>\$198</u>	<u>\$3,348</u>

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF OTHER NON-CURRENT ASSETS**

**DECEMBER 31, 2021**

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

**Statement 11**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Prepayments for equipment		\$7,666
Refundable deposits	Engineering warranty, guarantee for renting offices, guarantee for parking space, and guarantee for renting company car	<u>17,566</u>
		<u><u>\$25,232</u></u>

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF SHORT-TERM BORROWINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

**Statement 12**

<b>Type of Borrowing and Creditor</b>	<b>Borrowing Period</b>	<b>Annual rate of interest (%)</b>	<b>Ending Balance</b>	<b>Financing facilities</b>	<b>Collateral</b>
Short-term bank borrowings					
Taishin Bank	2021.12.06 - 2022.03.11	0.85~0.87	\$276,600	\$500,000	Peter Lin, the Chairman
HSBC	2021.11.29 - 2022.01.11	0.95	110,640	165,960	Unsecured
Cathay United Bank	2021.12.17 - 2022.01.27	0.80	82,980	82,980	Peter Lin, the Chairman
Land Bank of Taiwan	2021.12.06 - 2022.01.27	0.78	82,980	100,000	Peter Lin, the Chairman
Shin Kong Bank	2021.11.08 - 2022.01.27	0.72	82,980	100,000	Peter Lin, the Chairman
Total			<u>\$636,180</u>	<u>\$948,940</u>	

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF TRADE PAYABLES**

**DECEMBER 31, 2021**

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

**Statement 13**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Others (Note)	Supply payment from non-related parties	<u>\$35,255</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, 2021**

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

**Statement 14**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Heng Hui Co., Ltd.	Supply payment from related parties	\$471
Hua Jung Co., Ltd.	Supply payment from related parties	<u>27</u>
		<u>\$498</u>

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF OTHER CURRENT LIABILITIES**

**DECEMBER 31, 2021**

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

**Statement 15**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Advance sales receipts	Supply payment from non-related parties	\$86,770
Temporary receipts	Payments received/paid on behalf of others	68,519
Other short-term provision	Warranty provision	12,413
Others		<u>884</u>
		<u>\$168,586</u>

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF LONG-TERM BORROWINGS**

**DECEMBER 31, 2021**

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

**Statement 16**

Creditor	Summary	Amount			Contract Period	Annual rate of interest (%)	Collateral or Guarantee
		Maturity within one year	Maturity in more than one year	Total			
Long-term bank borrowings							
Syndicated loan	Unsecured loan	\$617,750	\$264,750	\$882,500	2019.08.22 - 2024.07.30	1.9874-1.9879	Peter Lin, the Chairman
EnTie Bank	Secured loan				2020.09.10 - 2023.09.10	1.2740	Peter Lin, the Chairman; Small & Medium Enterprise Credit Guarantee Fund
		20,000	15,000	35,000			
Taiwan Cooperative Bank	Secured loan				2020.09.07 - 2023.09.07	1.5000	Peter Lin, the Chairman; Small & Medium Enterprise Credit Guarantee Fund
		99,623	75,704	175,327			
Chang Hwa Bank	Secured loan				2020.09.07 - 2023.09.07	1.4200	Peter Lin, the Chairman; Small & Medium Enterprise Credit Guarantee Fund
		80,690	60,517	141,207			
First Bank	Secured loan	14,867	200,700	215,567	2021.04.07 - 2036.04.07	1.2500	Peter Lin, the Chairman; land and buildings
EnTie Bank	Unsecured loan	-	100,000	100,000	2021.12.29 - 2023.02.17	1.7500	Peter Lin, the Chairman
Jih Sun Bank	Unsecured loan	-	50,000	50,000	2021.12.28 - 2023.06.15	1.0500	Peter Lin, the Chairman
Less: discount		-	(563)	(563)			
		<u>\$832,930</u>	<u>\$766,108</u>	<u>\$1,599,038</u>			

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF LEASE LIABILITIES**

**DECEMBER 31, 2021**

**(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>
Land	Parking space land	2020.02.01 - 2023.01.31	1.2000	\$1,097	None
Transportation equipment	Electric vehicle renting	2018.07.01 - 2023.06.30	1.1550	637	None
Transportation equipment	Electric vehicle renting	2020.11.24 - 2023.11.23	1.9872	1,454	None
Other Equipment	Image dimension measurement system	2020.05.01 - 2022.04.30	1.1550	200	None
Less: Lease liabilities due within one year				<u>(2,387)</u>	None
				<u><u>\$1,001</u></u>	

PHIHONG TECHNOLOGY CO., LTD.

STATEMENT OF BONDS PAYABLE

DECEMBER 31, 2021

(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	\$700,000	\$-	\$700,000	(\$1,717)	\$698,283	Peter Lin, the Chairman; bank deposits, land and buildings

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

**Statement 19**

<u>Item</u>	<u>Number</u>	<u>Amount</u>
Power Supply	100,545 thousand	\$9,444,410
Others		<u>6,389</u>
		<u>\$9,450,799</u>

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

**Statement 20**

<u>Item</u>	<u>Amount</u>
Raw materials	
Balance, beginning of year	\$10,104
Add: Raw materials purchased	54,028
Less: Raw materials, end of year	(21,852)
Sales of raw materials	(14,817)
Raw materials consumed in year	27,463
Manufacturing expenses	55,761
Manufacturing costs	83,224
Add: Work in process, beginning of year	271
Purchases of work in process	3,709
Less: Work in process, end of year	(1,250)
Sales of work in process	(316)
Costs of finished goods	85,638
Add: Finished goods, beginning of year	61,099
Purchases of finished goods	8,478,474
Less: Finished goods, end of year	(109,264)
Cost of sales of finished goods	8,515,947
Add: Cost of sales of raw materials	15,133
Add: Cost of sales - others	84
Less: Transferred to operating expenses	(21,662)
Less: Transferred to operating costs	(29,560)
Allowance for inventory valuation and obsolescence loss	11,039
	<u>\$8,490,981</u>

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF SALES AND MARKETING EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

**Statement 21**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Salary and wages		\$113,133
Shipping fee		101,681
Commissions expense		29,618
Miscellaneous fees	Management fees for the office in Europe	17,155
Other expenses (Note)	Sample fees and supplies fees	<u>79,661</u>
		<u><u>\$341,248</u></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, 2021**

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

**Statement 22**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Salary and wages		\$87,169
Depreciation		24,574
Miscellaneous fees		13,419
Labor service expense		10,109
Other expenses (Note)	Insurance premium and retirement pension	<u>32,918</u>
		<u><u>\$168,189</u></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, 2021**

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

**Statement 23**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Salary and wages		\$231,056
Sample expense		117,252
Safety regulation-related expense		40,918
Depreciation		40,263
Other expenses (Note)	Insurance premium and repair fees	<u>119,427</u>
		<u><u>\$548,916</u></u>

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

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

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

Statement 24

	2021				2020			
	Operating costs	Operating expenses	Non-operating expenses	Total	Operating costs	Operating expenses	Non-operating expenses	Total
Employee benefits expense								
Salary	\$35,645	\$431,358	\$-	\$467,003	\$32,469	\$401,288	\$-	\$433,757
Labor and health insurance fees	\$3,432	\$38,899	\$-	\$42,331	\$3,219	\$36,709	\$-	\$39,928
Pension expenses	\$1,739	\$21,312	\$-	\$23,051	\$1,697	\$20,982	\$-	\$22,679
Remuneration paid to directors	\$-	\$2,665	\$-	\$2,665	\$-	\$1,283	\$-	\$1,283
Other employee benefits	\$2,314	\$22,406	\$-	\$24,720	\$2,013	\$21,282	\$-	\$23,295
Depreciation expense								
Depreciation of property, plant and equipment	\$1,635	\$63,029	\$-	\$64,664	\$2,301	\$75,991	\$-	\$78,292
Right-of-use assets	189	3,450	-	3,639	179	2,576	-	2,755
	\$1,824	\$66,479	\$-	\$68,303	\$2,480	\$78,567	\$-	\$81,047
Amortization expense	\$-	\$7,860	\$-	\$7,860	\$-	\$7,403	\$-	\$7,403

Note:

1. The number of employees for the year and the preceding year was 507 and 491, respectively. The number of directors who are not concurrently employees was 8 and 10, respectively.
2. In 2021, the average employees' benefits expense was NT\$1,116 thousand; in 2020, the average employees' benefits expense was NT\$1,080 thousand. In 2021, the average salary expenses for employees were NT\$936 thousand; in 2020, the average salary expenses for employees were NT\$902 thousand.
3. The changes in the average salary expenses for employees were 4%.
4. In 2021 and 2020, 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.

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:

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.