

**Phihong Technology Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2023 and 2022 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of Phihong Technology Co., Ltd. and its subsidiaries (collectively, the "Group") as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the carrying values of the Group's investments accounted for under the using equity method of NT\$99,434 thousand and NT\$95,852 thousand as of September 30, 2023 and 2022, respectively, and the comprehensive loss from the investments of NT\$5,047 thousand and NT\$4,111 thousand for the three months ended September 30, 2023 and 2022, and NT\$12,880 thousand and NT\$14,626 thousand for the nine months ended September 30, 2023 and 2022, respectively, were based on these investees' unreviewed financial statements.

## **Qualified Conclusion**

Based on our reviews and the report of the other auditors (refer to the Other Matter section), except for adjustments if any, as might have been determined to be necessary had the financial statements of equity-method investees as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2023 and 2022, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## **Other Matter**

We did not review the financial statements of some subsidiaries included in the consolidated financial statements of the Group, but such financial statements were reviewed by other auditors. Our conclusion, insofar as it relates to the amounts included for subsidiaries, is based solely on the reports of other auditors. As of September 30, 2023, the total assets of these subsidiaries were NT\$4,291,682 thousand, representing 25.6% of the consolidated total assets and for the nine months ended September 30, 2023, the total amount of operating revenues of these subsidiaries was NT\$3,172,451 thousand, representing 33.69% of the consolidated operating revenues.

The engagement partners on the reviews resulting in this independent auditors’ review report are Chih-Yi Chang and Kuo-Tyan Hong.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 9, 2023

### Notice to Readers

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

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

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

**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 6,067,096	36	\$ 2,990,883	20	\$ 3,079,800	21
Financial assets at fair value through profit or loss - current (Note 7)	-	-	-	-	274,957	2
Financial assets at amortized cost - current (Notes 9 and 30)	499,764	3	541,072	4	310,554	2
Notes receivables (Note 10)	7,456	-	16,159	-	4,479	-
Trade receivables (Note 10)	2,027,516	12	2,664,733	18	3,117,290	21
Trade receivables from related parties (Notes 10 and 29)	1,036	-	-	-	-	-
Other receivables	46,280	-	45,588	-	40,721	-
Current tax assets	47,260	1	-	-	-	-
Inventories (Note 11)	2,822,222	17	3,296,580	23	3,372,572	23
Other current assets	312,797	2	282,685	2	221,319	1
Total current assets	<u>11,831,427</u>	<u>71</u>	<u>9,837,700</u>	<u>67</u>	<u>10,421,692</u>	<u>70</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	120,489	1	99,764	1	100,999	1
Financial assets at amortized cost - non-current (Notes 9 and 30)	14,500	-	22,030	-	22,014	-
Investments accounted for using the equity method (Note 13)	99,434	1	112,871	1	95,852	1
Property, plant and equipment (Note 14)	4,191,240	25	3,986,175	27	3,755,739	25
Right-of-use assets (Note 15)	330,306	2	357,042	3	359,698	2
Other intangible assets (Note 16)	42,326	-	41,098	-	42,716	-
Deferred tax assets	48,882	-	57,493	-	67,953	-
Other non-current assets	83,578	-	75,304	1	87,477	1
Total non-current assets	<u>4,930,755</u>	<u>29</u>	<u>4,751,777</u>	<u>33</u>	<u>4,532,448</u>	<u>30</u>
<b>TOTAL</b>	<u>\$ 16,762,182</u>	<u>100</u>	<u>\$ 14,589,477</u>	<u>100</u>	<u>\$ 14,954,140</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 17)	\$ 2,889,609	17	\$ 1,328,070	9	\$ 1,698,075	11
Short-term bills payable (Note 17)	-	-	69,740	-	69,858	-
Contract liabilities - current (Notes 22 and 29)	1,002,195	6	420,025	3	-	-
Trade payables	2,107,874	13	2,655,491	18	2,913,875	20
Trade payables to related parties (Note 29)	80,188	1	86,319	1	68,410	-
Other payables (Note 19)	832,376	5	898,467	6	727,057	5
Current tax liabilities	183,032	1	136,533	1	75,229	1
Lease liabilities - current (Note 15)	31,529	-	44,518	-	35,306	-
Current portion of long-term borrowings (Note 17)	247,267	1	398,592	3	374,385	3
Other current liabilities	207,051	1	148,379	1	420,786	3
Total current liabilities	<u>7,581,121</u>	<u>45</u>	<u>6,186,134</u>	<u>42</u>	<u>6,382,981</u>	<u>43</u>
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable (Note 18)	698,991	4	698,688	5	698,586	5
Long-term borrowings (Note 17)	1,266,921	8	1,333,583	9	1,405,550	9
Deferred tax liabilities	34,108	-	44,649	-	48,244	-
Lease liabilities - non-current (Note 15)	32,331	-	51,292	1	53,066	-
Net defined benefit liabilities - non-current	41,274	1	49,017	-	77,743	1
Other non-current liabilities	16,972	-	10,697	-	10,862	-
Total non-current liabilities	<u>2,090,597</u>	<u>13</u>	<u>2,187,926</u>	<u>15</u>	<u>2,294,051</u>	<u>15</u>
Total liabilities	<u>9,671,718</u>	<u>58</u>	<u>8,374,060</u>	<u>57</u>	<u>8,677,032</u>	<u>58</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)</b>						
Share capital						
Ordinary shares	3,752,084	22	3,752,084	26	3,752,084	25
Capital collected in advance	182,084	1	-	-	-	-
Total share capital	<u>3,934,168</u>	<u>23</u>	<u>3,752,084</u>	<u>26</u>	<u>3,752,084</u>	<u>25</u>
Capital surplus	2,355,833	14	2,179,372	15	2,179,372	14
Retained earnings						
Legal reserve	305,119	2	295,992	2	295,992	2
Special reserve	313,005	2	230,859	1	230,859	2
Unappropriated earnings	263,762	1	91,273	1	13,802	-
Total retained earnings	<u>881,886</u>	<u>5</u>	<u>618,124</u>	<u>4</u>	<u>540,653</u>	<u>4</u>
Other equity						
Exchange differences on translating of the financial statements of foreign operations	15,882	-	(244,171)	(2)	(88,323)	-
Unrealized valuation loss on financial assets at fair value through other comprehensive income	(87,141)	-	(80,339)	-	(96,675)	(1)
Total other equity	<u>(71,259)</u>	<u>-</u>	<u>(324,510)</u>	<u>(2)</u>	<u>(184,998)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	<u>7,100,628</u>	<u>42</u>	<u>6,225,070</u>	<u>43</u>	<u>6,287,111</u>	<u>42</u>
<b>NON-CONTROLLING INTERESTS (Note 21)</b>	<u>(10,164)</u>	<u>-</u>	<u>(9,653)</u>	<u>-</u>	<u>(10,003)</u>	<u>-</u>
Total equity	<u>7,090,464</u>	<u>42</u>	<u>6,215,417</u>	<u>43</u>	<u>6,277,108</u>	<u>42</u>
<b>TOTAL</b>	<u>\$ 16,762,182</u>	<u>100</u>	<u>\$ 14,589,477</u>	<u>100</u>	<u>\$ 14,954,140</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 9, 2023)

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 22, 29 and 35)	\$ 3,441,726	100	\$ 3,803,730	100	\$ 9,415,845	100	\$ 10,164,806	100
OPERATING COSTS (Notes 11 and 29)	<u>2,472,928</u>	<u>72</u>	<u>3,264,869</u>	<u>86</u>	<u>6,989,962</u>	<u>74</u>	<u>8,812,996</u>	<u>87</u>
GROSS PROFIT	<u>968,798</u>	<u>28</u>	<u>538,861</u>	<u>14</u>	<u>2,425,883</u>	<u>26</u>	<u>1,351,810</u>	<u>13</u>
OPERATING EXPENSES								
Selling and marketing expenses	276,566	8	214,680	6	694,003	7	586,979	6
General and administrative expenses	245,405	7	151,805	4	627,653	7	411,422	4
Research and development expenses	320,168	9	198,696	5	749,021	8	531,736	5
Expected credit (gain) loss	<u>(65)</u>	<u>-</u>	<u>(1,242)</u>	<u>-</u>	<u>22,031</u>	<u>-</u>	<u>550</u>	<u>-</u>
Total operating expenses	<u>842,074</u>	<u>24</u>	<u>563,939</u>	<u>15</u>	<u>2,092,708</u>	<u>22</u>	<u>1,530,687</u>	<u>15</u>
PROFIT (LOSS) FROM OPERATIONS	<u>126,724</u>	<u>4</u>	<u>(25,078)</u>	<u>(1)</u>	<u>333,175</u>	<u>4</u>	<u>(178,877)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 23)	30,076	1	7,541	-	77,003	1	20,375	-
Other income (Notes 23 and 29)	38,942	1	44,978	1	120,700	1	115,868	1
Other gains and losses (Note 23)	34,298	1	75,170	2	32,003	-	159,593	2
Finance costs (Note 23)	(44,513)	(2)	(22,525)	-	(102,898)	(1)	(50,222)	-
Share of profit or loss of associates (Note 13)	<u>(3,649)</u>	<u>-</u>	<u>(3,783)</u>	<u>-</u>	<u>(6,346)</u>	<u>-</u>	<u>(8,590)</u>	<u>-</u>
Total non-operating income and expenses	<u>55,154</u>	<u>1</u>	<u>101,381</u>	<u>3</u>	<u>120,462</u>	<u>1</u>	<u>237,024</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	181,878	5	76,303	2	453,637	5	58,147	1
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(79,655)</u>	<u>(2)</u>	<u>(52,085)</u>	<u>(1)</u>	<u>(189,907)</u>	<u>(2)</u>	<u>(44,362)</u>	<u>(1)</u>
NET PROFIT FOR THE PERIOD	<u>102,223</u>	<u>3</u>	<u>24,218</u>	<u>1</u>	<u>263,730</u>	<u>3</u>	<u>13,785</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 21)	(7,756)	-	(58)	-	(268)	-	(2,227)	-

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## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Share of the other comprehensive loss of associates accounted for using the equity method (Notes 13 and 21)	\$ (1,398)	-	\$ (328)	-	\$ (6,534)	-	\$ (6,036)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating of the financial statements of foreign operations (Note 21)	<u>265,829</u>	<u>7</u>	<u>231,317</u>	<u>6</u>	<u>259,574</u>	<u>2</u>	<u>434,228</u>	<u>4</u>
Other comprehensive income for the period	<u>256,675</u>	<u>7</u>	<u>230,931</u>	<u>6</u>	<u>252,772</u>	<u>2</u>	<u>425,965</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 358,898</u>	<u>10</u>	<u>\$ 255,149</u>	<u>7</u>	<u>\$ 516,502</u>	<u>5</u>	<u>\$ 439,750</u>	<u>4</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 102,228	3	\$ 24,223	1	\$ 263,762	3	\$ 13,802	-
Non-controlling interests	<u>(5)</u>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>(32)</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
	<u>\$ 102,223</u>	<u>3</u>	<u>\$ 24,218</u>	<u>1</u>	<u>\$ 263,730</u>	<u>3</u>	<u>\$ 13,785</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 359,273	10	\$ 255,839	7	\$ 517,013	5	\$ 441,082	4
Non-controlling interests	<u>(375)</u>	<u>-</u>	<u>(690)</u>	<u>-</u>	<u>(511)</u>	<u>-</u>	<u>(1,332)</u>	<u>-</u>
	<u>\$ 358,898</u>	<u>10</u>	<u>\$ 255,149</u>	<u>7</u>	<u>\$ 516,502</u>	<u>5</u>	<u>\$ 439,750</u>	<u>4</u>
EARNINGS PER SHARE (Note 25)								
Basic earnings per share	<u>\$ 0.27</u>		<u>\$ 0.06</u>		<u>\$ 0.70</u>		<u>\$ 0.04</u>	
Diluted earnings per share	<u>\$ 0.27</u>		<u>\$ 0.06</u>		<u>\$ 0.70</u>		<u>\$ 0.04</u>	

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

(With Deloitte & Touche review report dated November 9, 2023)

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Collected in Advance	Capital Surplus	Retained Earnings			Exchange Differences on Translating of the Financial Statements of Foreign Operations	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income			
				Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)					
BALANCE AT JANUARY 1, 2022	\$ 3,752,084	\$ -	\$ 2,179,372	\$ 612,916	\$ 230,859	\$ (316,924)	\$ (523,866)	\$ (88,412)	\$ 5,846,029	\$ (8,671)	\$ 5,837,358
Legal reserve used to offset accumulated losses (Note 21)	-	-	-	(316,924)	-	316,924	-	-	-	-	-
Net profit for the nine months ended September 30, 2022	-	-	-	-	-	13,802	-	-	13,802	(17)	13,785
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	-	435,543	(8,263)	427,280	(1,315)	425,965
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	13,802	435,543	(8,263)	441,082	(1,332)	439,750
BALANCE AT SEPTEMBER 30, 2022	\$ 3,752,084	\$ -	\$ 2,179,372	\$ 295,992	\$ 230,859	\$ 13,802	\$ (88,323)	\$ (96,675)	\$ 6,287,111	\$ (10,003)	\$ 6,277,108
BALANCE AT JANUARY 1, 2023	\$ 3,752,084	\$ -	\$ 2,179,372	\$ 295,992	\$ 230,859	\$ 91,273	\$ (244,171)	\$ (80,339)	\$ 6,225,070	\$ (9,653)	\$ 6,215,417
Appropriation of 2022 earnings											
Legal reserve (Note 21)	-	-	-	9,127	-	(9,127)	-	-	-	-	-
Special reserve (Note 21)	-	-	-	-	82,146	(82,146)	-	-	-	-	-
Adjustments to share of changes in equity of associates	-	-	61	-	-	-	-	-	61	-	61
Share-based payment arrangements	-	-	176,400	-	-	-	-	-	176,400	-	176,400
Issuance of ordinary shares for cash (Note 21)	-	182,084	-	-	-	-	-	-	182,084	-	182,084
Net profit for the nine months ended September 30, 2023	-	-	-	-	-	263,762	-	-	263,762	(32)	263,730
Other comprehensive income (loss) for the nine months ended September 30, net of income tax	-	-	-	-	-	-	260,053	(6,802)	253,251	(479)	252,772
Total comprehensive (loss) income for the nine months ended September 30, 2023	-	-	-	-	-	263,762	260,053	(6,802)	517,013	(511)	516,502
BALANCE AT SEPTEMBER 30, 2023	\$ 3,752,084	\$ 182,084	\$ 2,355,833	\$ 305,119	\$ 313,005	\$ 263,762	\$ 15,882	\$ (87,141)	\$ 7,100,628	\$ (10,164)	\$ 7,090,464

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

(With Deloitte & Touche review report dated November 9, 2023)

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before tax	\$ 453,637	\$ 58,147
Adjustments for:		
Depreciation expense	260,184	231,238
Amortization expense	13,403	10,873
Expected credit loss recognized	22,031	550
Net gain on financial assets at fair value through profit or loss	-	(1,687)
Finance costs	102,898	50,222
Interest income	(77,003)	(20,375)
Dividend income	(7,477)	(2,995)
Compensation cost of share-based payments	176,400	-
Share of loss of associates	6,346	8,590
Loss on disposal of property, plant and equipment	2,445	6,084
Loss on disposal of intangible assets	134	44
Proceeds from disposal of non-current assets held for sale	-	(11,765)
Gain on disposal of investments	-	(920)
Write-down of inventories	55,360	110,912
Gain on lease modification	(540)	-
Net changes in operating assets and liabilities		
Notes receivables	8,703	12,407
Trade receivables	614,305	(888,802)
Trade receivables from related parties	(1,036)	-
Other receivables	11,068	(21,934)
Other receivables from related parties	3,654	-
Inventories	418,998	(279,052)
Other current assets	(26,446)	(71,173)
Other non-current assets	4,852	(265)
Contract liabilities	582,170	-
Trade payables	(547,617)	(286,805)
Trade payables to related parties	(6,131)	7,288
Other payables	(77,067)	97,492
Other current liabilities	58,672	2,918
Net defined benefit liabilities	(7,743)	(9,349)
Cash generated from (used in) operating activities	2,044,200	(998,357)
Interest received	61,589	23,493
Interest paid	(109,207)	(38,753)
Income tax paid	(192,598)	(12,902)
Net cash generated from (used in) operating activities	<u>1,803,984</u>	<u>(1,026,519)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(21,000)	(16,000)
Purchase of financial assets at amortized cost	(15,247)	(61,545)

(Continued)



# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2023	2022
Proceeds from sale of financial assets at amortized cost	\$ 79,100	\$ 949
Purchase of initial recognition of financial assets designated as at fair value through profit or loss	-	(833,908)
Proceeds from disposal of financial assets at fair value through profit or loss	-	563,821
Capital reduction and refund from Investments accounted for using the equity method	6,869	-
Acquisition of investment accounted for using equity method	(6,250)	-
Proceeds from disposal of non-current assets held for sale	-	257,048
Payments for property, plant and equipment	(308,943)	(490,733)
Proceeds from disposal of property, plant and equipment	18,049	5,926
Increase in refundable deposits	-	(3,717)
Decrease in refundable deposits	119	-
Payments for intangible assets	(14,400)	(22,228)
Proceeds from disposal of intangible assets	2	-
Increase in prepayments for equipment	(56,018)	(43,879)
Dividends received	<u>7,477</u>	<u>3,843</u>
Net cash used in investing activities	<u>(310,242)</u>	<u>(640,423)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	1,539,128	697,845
Short-term bills payable	(69,740)	69,858
Proceeds from long-term borrowings	3,912,793	2,251,312
Repayments of long-term borrowings	(4,062,260)	(2,070,978)
Proceeds from issuance of ordinary shares	182,084	-
Increase in guarantee deposits received	6,275	1,557
Repayment of the principal portion of lease liabilities	<u>(29,591)</u>	<u>(19,066)</u>
Net cash generated from financing activities	<u>1,478,689</u>	<u>930,528</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>103,782</u>	<u>225,294</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,076,213</b>	<b>(511,120)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u><b>2,990,883</b></u>	<u><b>3,590,920</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><b>\$ 6,067,096</b></u>	<u><b>\$ 3,079,800</b></u>

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

(With Deloitte & Touche review report dated November 9, 2023)

(Concluded)

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

The consolidated financial statements are presented in Phihong’s functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

- b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of Phihong and the entities controlled by Phihong.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12, Table 7 and Table 8 to the consolidated financial statements for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Share-based payment arrangements

Employee share options granted to employees and others providing similar services

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options.

The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of treasury shares transferred to employees is the date on which the board of directors approves the transaction.

e. Other material accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2022.

1) Retirement benefit costs

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

3) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact of on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 2,903	\$ 2,285	\$ 8,335
Checking accounts and demand deposits	6,064,193	2,978,598	3,061,465
Cash equivalent (investments with original maturities of 3 months or less)			
Time deposits	<u>-</u>	<u>10,000</u>	<u>10,000</u>
	<u>\$ 6,067,096</u>	<u>\$ 2,990,883</u>	<u>\$ 3,079,800</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Demand deposits and time deposits	0.001%-5.25%	0.001%-4.000%	0.001%-2.600%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets - mutual funds	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>274,957</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Non-current</u>			
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)			
Domestic non-publicly trade equity investments	\$ <u>120,489</u>	\$ <u>99,764</u>	\$ <u>100,999</u>

These investments in equity instruments are held for medium-to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ 496,476	\$ 540,572	\$ 310,554
Restricted bank deposits	<u>3,288</u>	<u>500</u>	<u>-</u>
	\$ <u>499,764</u>	\$ <u>541,072</u>	\$ <u>310,554</u>
<u>Non-current</u>			
Restricted bank deposits	\$ 12,500	\$ 20,030	\$ 20,014
Court deposits	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
	\$ <u>14,500</u>	\$ <u>22,030</u>	\$ <u>22,014</u>

The group offered the bank deposits of \$17,788 thousand, \$22,530 thousand and \$22,014 thousand as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively as performance bonds for specific business projects, bank borrowings, domestic guaranteed corporate bonds and adoption of customs clearance, release before duty. Please refer to Note 30 to the consolidated financial statements.

## 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 7,456	\$ 16,159	\$ 4,479
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>7,456</u>	<u>16,159</u>	<u>4,479</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount from unrelated parties	1,367,593	1,974,805	2,147,309
Gross carrying amount from related parties	1,036	-	-
Less: Allowance for impairment loss	<u>(26,112)</u>	<u>(3,672)</u>	<u>(3,752)</u>
	1,342,517	1,971,133	2,143,557
At FVTOCI	<u>684,999</u>	<u>693,600</u>	<u>973,733</u>
	<u>2,027,516</u>	<u>2,664,733</u>	<u>3,117,290</u>
	<u>\$ 2,034,972</u>	<u>\$ 2,680,892</u>	<u>\$ 3,121,769</u>

### a. Notes receivable

The Group has no overdue notes receivables as of September 30, 2023, December 31, 2022 and September 30, 2022.

### b. Trade receivable

#### 1) Trade receivables at amortized cost

The Group evaluates the average credit period of sales of goods based on the experience of trade receivable collection from the non-related parties in the past five years. No interest is charged on trade receivables. The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer and the customer's current financial position, and other related information. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

September 30, 2023

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00%-1.55%	0.00%-7.31%	4.50%-21.69%	6.25%-18.7%	12.26%-100%	
Gross carrying amount	\$ 1,122,103	\$ 202,503	\$ -	\$ 3,360	\$ 40,663	\$ 1,368,629
Loss allowance (Lifetime ECL)	<u>(1,703)</u>	<u>(1,449)</u>	<u>-</u>	<u>(319)</u>	<u>(22,641)</u>	<u>(26,112)</u>
Amortized cost	<u>\$ 1,120,400</u>	<u>\$ 201,054</u>	<u>\$ -</u>	<u>\$ 3,041</u>	<u>\$ 18,022</u>	<u>\$ 1,342,517</u>

December 31, 2022

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00%-0.01%	0.00%-7.11%	2.90%	6.02%-16.95%	15.01%-100%	
Gross carrying amount	\$ 1,604,680	\$ 356,333	\$ 4,801	\$ 7,468	\$ 1,523	\$ 1,974,805
Loss allowance (Lifetime ECL)	<u>(122)</u>	<u>(848)</u>	<u>(139)</u>	<u>(1,248)</u>	<u>(1,315)</u>	<u>(3,672)</u>
Amortized cost	<u>\$ 1,604,558</u>	<u>\$ 355,485</u>	<u>\$ 4,662</u>	<u>\$ 6,220</u>	<u>\$ 208</u>	<u>\$ 1,971,133</u>

September 30, 2022

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00%-0.02%	0.15%-2.77%	3.94%	6.34%-21.30%	100%	
Gross carrying amount	\$ 1,916,820	\$ 213,870	\$ 3,860	\$ 11,919	\$ 840	\$ 2,147,309
Loss allowance (Lifetime ECL)	<u>(164)</u>	<u>(1,493)</u>	<u>(152)</u>	<u>(1,103)</u>	<u>(840)</u>	<u>(3,752)</u>
Amortized cost	<u>\$ 1,916,656</u>	<u>\$ 212,377</u>	<u>\$ 3,708</u>	<u>\$ 10,816</u>	<u>\$ -</u>	<u>\$ 2,143,557</u>

The above aging schedule was based on overdue days.

The movements of the allowance for doubtful trade receivables were as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Balance, beginning of period	\$ 3,672	\$ 3,009
Add: Net remeasurement of loss allowance	22,031	550
Less: Amounts written off	(470)	-
Foreign exchange gains and losses	<u>879</u>	<u>193</u>
Balance, end of period	<u>\$ 26,112</u>	<u>\$ 3,752</u>

2) Trade receivables at FVTOCI

For trade receivables from major customers, the Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets.



The following table details the loss allowance of trade receivables at FVTOCI based on the Group's provision matrix:

September 30, 2023

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 625,990	\$ 58,977	\$ 32	\$ -	\$ -	\$ 684,999
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$ 625,990</u>	<u>\$ 58,977</u>	<u>\$ 32</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 684,999</u>

December 31, 2022

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

September 30, 2022

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 958,363	\$ 8,633	\$ 618	\$ 6,119	\$ -	\$ 973,733
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$ 958,363</u>	<u>\$ 8,633</u>	<u>\$ 618</u>	<u>\$ 6,119</u>	<u>\$ -</u>	<u>\$ 973,733</u>

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

Counterparty	Beginning Balance Amount	Amount of Factoring for the Current Period	Cash Received in the Current Period	Amount of Factoring at the End of the Period	Advances as of the End of the Period	Annual Rate of Interest of Advances (%)	Retention for Receivable Factoring	Limit	Collaterals
<u>December 31, 2022</u>									
Citi Bank	\$ 1,482 (Note 1)	\$ 2,369,929 (Note 2)	\$ 2,371,411 (Note 3)	\$ -	\$ -	-	\$ -	-	-
<u>September 30, 2022</u>									
Citi Bank	\$ 1,482 (Note 1)	\$ 1,643,501 (Note 4)	\$ 1,644,983 (Note 5)	\$ -	\$ -	-	\$ -	-	-

The Group has signed a receivable factoring contract with Citi Bank. The purchasing bank has confirmed that the factoring relationship was conditioned upon the terms of factoring without resource. According to the contract, the Group is only responsible for losses arising from business disputes.

Note 1: US\$53,588.

Note 2: US\$77,128,231.

Note 3: US\$77,181,819.

Note 4: US\$51,594,231.

Note 5: US\$51,647,819.

## 11. INVENTORIES

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 1,097,875	\$ 1,392,285	\$ 1,388,225
Work-in-process	345,942	391,007	581,832
Finished goods	<u>1,378,405</u>	<u>1,513,288</u>	<u>1,402,515</u>
	<u>\$ 2,822,222</u>	<u>\$ 3,296,580</u>	<u>\$ 3,372,572</u>

For the three months and the nine months ended September 30, 2023 and 2022, the cost of inventories recognized as cost of goods sold was \$2,472,928 thousand, \$3,264,869 thousand, \$6,989,962 thousand and \$8,812,996 thousand, respectively. (Reversal) write-down of inventories to net realizable value of \$(19,607) thousand, \$39,938 thousand, \$55,360 thousand and \$110,912 thousand were respectively included in the cost of goods sold during reporting period in 2023 and 2022.

## 12. SUBSIDIARIES

Investor	Investee	Main Business	Percentage of Ownership			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
Phihong	Phihong International Corp. ("PHI")	Makes investments	100.00	100.00	100.00	Note 1
Phihong	Phitek International Co., Ltd. ("PHK")	Makes investments	100.00	100.00	100.00	
Phihong	Ascent Alliance Ltd. ("PHQ")	Makes investments	100.00	100.00	100.00	
Phihong	Phihong USA Corp. ("PHA")	Sells various power supplies	100.00	100.00	100.00	
Phihong	Phihong Technology Japan Co., Ltd. ("PHJ")	Sells power components	100.00	100.00	100.00	
Phihong	Guang-Lai Investment Co., Ltd. ("Guang-Lai")	Makes investments	100.00	100.00	100.00	
Phihong	Phihong Vietnam Co., Ltd. ("PHV")	Manufactures and sells various power supplies	100.00	100.00	100.00	
Phihong	Zerova Technologies Taiwan Limited ("ZTM")	Manufacture and sells of electrical equipment	-	100.00	100.00	Note 3
Phihong	Zerova Technologies Holdings Limited ("ZKH")	Makes investments	100.00	100.00	100.00	Note 4
PHI	Phihong (Dongguan) Electronics Co., Ltd. ("PHC")	Manufactures and sells various power supplies	100.00	100.00	100.00	
PHI	Phihong Electronics (Suzhou) Co., Ltd. ("PHZ")	Manufactures and sells various power supplies	100.00	100.00	100.00	
PHI	N-Lighten Technologies, Inc. ("N-Lighten")	Makes investments	58.45	58.45	58.45	
PHI	Yanghong Trade (Shanghai) Co., Ltd. ("Yanghong")	Sells various lighting and power supplies	100.00	100.00	100.00	
PHK	Dongguan Phitek Electronics Co., Ltd. ("PHP")	Manufactures and sells various power supplies	100.00	100.00	100.00	Note 2
PHQ	Dongguan Shuang-Ying Electronics Co., Ltd. ("PHSY")	Manufactures and sells electronic materials	100.00	100.00	100.00	
PHQ	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. ("PHE")	Manufactures and sells electronic materials	100.00	100.00	100.00	
Guang-Lai	N-Lighten	Makes investments	19.78	19.78	19.78	
ZKH	Zerova Technologies SG Pte. Ltd. ("ZSH")	Makes investments and sells of electrical equipment	100.00	100.00	100.00	Note 5
ZSH	Zerova Technologies Europe B.V. ("ZNS")	Provide electric vehicle charging solutions	100.00	-	-	Note 6
ZSH	Zerova Technologies (Dongguan) Co., Ltd. ("ZCM")	Manufactures and sells of electrical equipment	100.00	100.00	100.00	Note 7
ZSH	Zerova Trading Services (Dongguan) Co., Ltd. ("ZCS")	Provides electric vehicle charging solutions	100.00	100.00	-	Note 8
ZSH	Zerova Technologies Japan Co., Ltd. ("ZJS")	Provides electric vehicle charging solutions	100.00	-	-	Note 9
ZSH	Zerova Technologies Taiwan Limited ("ZTM")	Manufacture and sells of electrical equipment	100.00	-	-	Note 3
ZSH	Zerova Technologies America Corporation ("ZAH")	Makes investments	100.00	100.00	100.00	Note 10
ZAH	Zerova Technologies USA LLC ("ZAS")	Provides electric vehicle charging solutions	100.00	100.00	100.00	Note 11

- Note 1: In response to the operating requirements of the Group, in December 2021, the board of directors of Phihong approved the resolution for the capital reduction of PHI in the amount of US\$8,640 thousand. After the capital reduction, the capital of PHI became \$3,209,288 thousand (or US\$102,421 thousand); the base date for the capital reduction was January 6, 2022. The above capital reduction has been approved on April 14, 2022.
- Note 2: In response to the operating requirements of the Group, in December 2021, the board of directors of Phihong approved the resolution for the capital injection of PHP through PHK in the amount of US\$8,640 thousand. The capital increase was completed in March 2022.
- Note 3: With the resolution made by the board of directors on January 20, 2022, Phihong established the subsidiary Phehicle Co., Ltd. with a registered capital of \$1,000 thousand, of which Phihong holds 100% of the shares. For reorganization and specialization, the shareholders of Phihong resolved in their meeting on June 8, 2022 to split and transfer the EV energy business to Phehicle Co., Ltd., and to change Phehicle's name to Zerova Technologies Taiwan Limited. The approval letter was obtained on June 20, 2022, and the alteration registration was completed at the same date. Phihong split and transferred its EV energy business to ZTM on September 1, 2022 (base date of the division). Phihong transferred the EV energy business (including assets and liabilities), valued at its net book value, to ZTM Company in exchange for 59,900 thousand new shares with a par value of \$10 per share, for a total of \$599,000 thousand. The approval letter was obtained on October 12, 2022, and the alteration registration was completed at the same date. ZTM has completed the reorganisation in the second quarter of 2023 and all of its shares originally held by Phihong are now held by ZSH.
- Note 4: ZKH was established in March 2022 and registered in the Cayman Islands and Phihong holds 100% of the shares. As of September 30, 2023, Phihong has invested \$2,083,650 thousand (or US\$69,927 thousand).
- Note 5: ZSH was established in July 2022 and registered in Singapore and holds 100% of the shares. As of September 30, 2023, ZKH has invested \$2,175,576 thousand (or US\$67,650 thousand).
- Note 6: ZNS was established in June 2022 and registered in the Netherlands, and has completed the reorganization in the second quarter of 2023 and all of its shares originally held by ZKH are now held by ZSH. As of September 30, 2023, the amount of investment of ZSH was \$104,056 thousand (or EUR3,000 thousand).
- Note 7: ZCM was established in August 2022 and registered in China and holds 100% of the shares. As of September 30, 2023, ZSH has invested \$28,942 thousand (or US\$950 thousand).
- Note 8: ZCS was established in August 2022 and registered in China and holds 100% of the shares. As of September 30, 2023, ZSH has invested \$6,430 thousand (or US\$200 thousand).
- Note 9: ZJS was established in September 2022 and registered in Japan and holds 100% of the shares. As of September 30, 2023, ZSH has invested \$16,848 thousand (or JPY80,000 thousand).
- Note 10: ZAH was established in July 2022 and registered in the United States and holds 100% of the shares. As of September 30, 2023, ZSH has invested \$95,150 thousand (or US\$3,000 thousand).
- Note 11: ZAS was established in the United States in July 2022 and holds 100% of the shares.

Please refer to Tables 7 and 8 to the consolidated financial statements for the information on places of incorporation and principal places of business.

### 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	September 30, 2023	December 31, 2022	September 30, 2022
Associates that are not individually material	\$ <u>99,434</u>	\$ <u>112,871</u>	\$ <u>95,852</u>

Aggregate information of associates that are not individually material:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
The Group's share of:				
Net loss for the reporting period	\$ (3,649)	\$ (3,783)	\$ (6,346)	\$ (8,590)
Other comprehensive loss	<u>(1,398)</u>	<u>(328)</u>	<u>(6,534)</u>	<u>(6,036)</u>
Total comprehensive loss for the year	\$ <u>(5,047)</u>	\$ <u>(4,111)</u>	\$ <u>(12,880)</u>	\$ <u>(14,626)</u>

Please refer to Table 7 to the consolidated financial statements "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were recognized based on unreviewed financial statements of the investees.

### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 547,188	\$ 3,366,507	\$ 2,470,190	\$ 692,500	\$ 429,822	\$ 7,506,207
Additions	16,034	35,485	97,250	29,136	143,020	320,925
Disposals	-	(1,464)	(67,779)	(26,334)	-	(95,577)
Effects of foreign currency exchange differences	400	85,116	49,206	7,577	6,416	148,715
Reclassification	<u>8</u>	<u>886</u>	<u>23,483</u>	<u>15,815</u>	<u>(3,908)</u>	<u>36,284</u>
Balance at September 30, 2023	\$ <u>563,630</u>	\$ <u>3,486,530</u>	\$ <u>2,572,350</u>	\$ <u>718,694</u>	\$ <u>575,350</u>	\$ <u>7,916,554</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	\$ 990,550	\$ 1,953,366	\$ 576,116	\$ -	\$ 3,520,032
Disposals	-	(1,281)	(63,111)	(10,691)	-	(75,083)
Depreciation expenses	-	78,149	109,409	35,290	-	222,848
Effects of foreign currency exchange differences	-	13	6	(118)	-	(99)
Reclassification	<u>-</u>	<u>18,333</u>	<u>33,600</u>	<u>5,683</u>	<u>-</u>	<u>57,616</u>
Balance at September 30, 2023	\$ <u>-</u>	\$ <u>1,085,764</u>	\$ <u>2,033,270</u>	\$ <u>606,280</u>	\$ <u>-</u>	\$ <u>3,725,314</u>
Carrying amounts at December 31, 2022 and January 1, 2023	\$ <u>547,188</u>	\$ <u>2,375,957</u>	\$ <u>516,824</u>	\$ <u>116,384</u>	\$ <u>429,822</u>	\$ <u>3,986,175</u>
Carrying amounts at September 30, 2023	\$ <u>563,630</u>	\$ <u>2,400,766</u>	\$ <u>539,080</u>	\$ <u>112,414</u>	\$ <u>575,350</u>	\$ <u>4,191,240</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>						
Balance at January 1, 2022	\$ 521,412	\$ 2,428,902	\$ 2,353,841	\$ 673,319	\$ 626,613	\$ 6,604,087
Additions	-	8,374	103,378	18,490	367,169	497,411
Disposals	-	(12,837)	(109,462)	(12,997)	-	(135,296)
Effects of foreign currency exchange differences	5,610	85,900	83,872	10,898	87,263	273,543
Reclassification	-	2,140	22,368	9,352	(3,842)	30,018
Balance at September 30, 2022	<u>\$ 527,022</u>	<u>\$ 2,512,479</u>	<u>\$ 2,453,997</u>	<u>\$ 699,062</u>	<u>\$ 1,077,203</u>	<u>\$ 7,269,763</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 902,028	\$ 1,901,348	\$ 538,124	\$ -	\$ 3,341,500
Disposals	-	(9,790)	(101,070)	(12,426)	-	(123,286)
Depreciation expenses	-	61,064	104,983	38,195	-	204,242
Effects of foreign currency exchange differences	-	27,684	57,132	6,752	-	91,568
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ 980,986</u>	<u>\$ 1,962,393</u>	<u>\$ 570,645</u>	<u>\$ -</u>	<u>\$ 3,514,024</u>
Carrying amounts at September 30, 2022	<u>\$ 527,022</u>	<u>\$ 1,531,493</u>	<u>\$ 491,604</u>	<u>\$ 128,417</u>	<u>\$ 1,077,203</u>	<u>\$ 3,755,739</u>

(Concluded)

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over the following estimated useful life as follows:

**Buildings**

Main building	50 years
Engineering system	10 years
Machinery and equipment	3-10 years
Other equipment	3-10 years

Property, plant and equipment pledged by the Group as collateral for long-term borrowings are set out in Note 30 to the consolidated financial statements.

## 15. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Carrying amount</u>			
Land (including land use rights)	\$ 294,213	\$ 287,488	\$ 298,451
Buildings	25,963	40,774	35,551
Machinery	4,580	20,173	19,321
Transportation equipment	5,385	8,278	5,851
Other equipment	<u>165</u>	<u>329</u>	<u>524</u>
	<u>\$ 330,306</u>	<u>\$ 357,042</u>	<u>\$ 359,698</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets			<u>\$ 29,796</u>	<u>\$ 60,889</u>
Depreciation charge for right-of-use assets				
Land (including land use rights)	\$ 2,970	\$ 2,920	\$ 8,829	\$ 8,067
Buildings	5,863	3,863	16,777	7,027
Machinery	2,434	3,189	8,654	9,561
Transportation equipment	871	668	2,926	1,990
Other equipment	<u>49</u>	<u>48</u>	<u>150</u>	<u>351</u>
	<u>\$ 12,187</u>	<u>\$ 10,688</u>	<u>\$ 37,336</u>	<u>\$ 26,996</u>

b. Lease liabilities

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
<u>Carrying amount</u>			
Current	<u>\$ 31,529</u>	<u>\$ 44,518</u>	<u>\$ 35,306</u>
Non-current	<u>\$ 32,331</u>	<u>\$ 51,292</u>	<u>\$ 53,066</u>

Range of discount rate for lease liabilities was as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Land	1.200%-1.870%	1.200%-1.250%	1.200%-1.250%
Buildings	1.030%-4.875%	1.030%-4.875%	1.030%-4.875%
Machinery	4.000%	4.000%	4.000%
Transportation equipment	1.155%-4.000%	1.155%-5.007%	1.155%-4.000%
Other equipment	1.030%-1.155%	1.030%-1.155%	1.030%-1.155%

c. Material lease-in activities and terms

The Group leases certain machinery, office, transportation, and other equipment for the use of manufacturing and R&D with lease terms of 2 to 9 years. Except the EV transportation equipment, there agreement do not contain renewal or purchase options at the end of these lease period.

The Group also leases land and buildings for the use of plants, offices and parking lot with lease term of 2-50 years. Except the land in Tainan, of which the lease agreement is automatically renewed for one year upon the expiration and the Group has the preferential purchase option, the Group has no preferential purchase and renewal option for the other leased land upon the expiration of the lease term. The Group shall not sublease or transfer all or any part of the underlying assets without the lessor's consent.

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Expenses relating to short-term leases	\$ <u>3,950</u>	\$ <u>3,490</u>	\$ <u>8,629</u>	\$ <u>7,283</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>363</u>	\$ <u>232</u>	\$ <u>874</u>	\$ <u>552</u>
Total cash outflow for leases			\$ <u>(39,094)</u>	\$ <u>(26,901)</u>

The Group leases of certain office and office equipment qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

**16. OTHER INTANGIBLE ASSETS**

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2023	\$ 139,513
Additions	14,400
Disposals	(6,977)
Reclassified	121
Effects of foreign currency exchange differences	<u>1,177</u>
Balance at September 30, 2023	\$ <u>148,234</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2023	\$ 98,415
Amortization expense	13,403
Disposals	(6,841)
Reclassified	121
Effects of foreign currency exchange differences	<u>810</u>
Balance at September 30, 2023	\$ <u>105,908</u>
Carrying amounts at December 31, 2022 and January 1, 2023	\$ <u>41,098</u>
Carrying amounts at September 30, 2023	\$ <u>42,326</u>

(Continued)

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2022	\$ 124,250
Additions	22,228
Reclassified	172
Disposals	(10,391)
Effects of foreign currency exchange differences	<u>2,313</u>
Balance at September 30, 2022	<u>\$ 138,572</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 93,710
Amortization expense	10,873
Disposals	(10,347)
Effects of foreign currency exchange differences	<u>1,620</u>
Balance at September 30, 2022	<u>\$ 95,856</u>
Carrying amount at September 30, 2022	<u>\$ 42,716</u> (Concluded)

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

## 17. BORROWINGS

### a. Short-term borrowings

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
<u>Unsecured borrowings</u>			
Phihong	\$ 2,012,568	\$ 832,900	\$ 1,092,925
PHV	<u>422,931</u>	<u>495,170</u>	<u>286,650</u>
	2,435,499	1,328,070	1,379,575
<u>Secured borrowings</u>			
PHC	<u>454,110</u>	-	<u>318,500</u>
	<u>\$ 2,889,609</u>	<u>\$ 1,328,070</u>	<u>\$ 1,698,075</u>
The range of interest rates	2.05%-7.28%	1.70%-6.35%	1.47%-3.75%



b. Short-term bills payable

	September 30, 2023	December 31, 2022	September 30, 2022
Commercial paper	\$ -	\$ 70,000	\$ 70,000
Less: Unamortized discounts on bills payable	<u>-</u>	<u>(260)</u>	<u>(142)</u>
	<u>\$ -</u>	<u>\$ 69,740</u>	<u>\$ 69,858</u>

The undue short-term bills payable are as follows:

December 31, 2022

Issuing and Paying Agent (IPA)	Face Value	Discount Amount	Carrying Amount	Interest Rate Range
<u>Commercial paper payable</u>				
MEGA bills	\$ <u>70,000</u>	\$ <u>260</u>	\$ <u>69,740</u>	1.232%

September 30, 2022

Issuing and Paying Agent (IPA)	Face Value	Discount Amount	Carrying Amount	Interest Rate Range
<u>Commercial paper payable</u>				
MEGA bills	\$ <u>70,000</u>	\$ <u>142</u>	\$ <u>69,858</u>	1.232%

c. Long-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Unsecured borrowings</u>			
Phihong	\$ 935,750	\$ 980,150	\$ 974,000
<u>Secured borrowings</u>			
Phihong	384,039	752,025	805,935
ZTM	194,399	-	-
Less: Discount			
Long-term loans payable - current portion	<u>(247,267)</u>	<u>(398,592)</u>	<u>(374,385)</u>
	<u>\$ 1,266,921</u>	<u>\$ 1,333,583</u>	<u>\$ 1,405,550</u>
The range of interest rates	1.935%- 2.9533%	1.2740%- 2.5450%	1.2740%- 2.0300%

1) On September 30, 2023, December 31, 2022 and September 30, 2022, Phihong had the short-term bank borrowings with contract terms from June 7, 2023 to December 22, 2023, October 11, 2022 to March 21, 2023 and July 5, 2022 to December 31, 2022, respectively, with and the interest is paid monthly.

- 2) On September 30, 2023, December 31, 2022 and September 30, 2022, PHV Company had the short-term bank borrowings with contract terms from October 10, 2022 to February 3, 2024, May 10, 2022 to October 10, 2023 and May 10, 2022 to July 12, 2023, respectively, with and the interest is paid monthly.
- 3) On September 30, 2023 and 2022, PHC Company had the short-term bank borrowings with contract terms from May 10, 2023 to March 13, 2024 and June 16, 2022 to December 13, 2022, respectively, with interest upon expiry.
- 4) On September 30, 2023, December 31, 2022 and September 30, 2022, Phihong had the long-term bank borrowings with contract terms from January 6, 2021 to April 7, 2036, March 20, 2020 to April 7, 2036 and March 20, 2020 to April 7, 2036, respectively, with and the interest is paid monthly.
- 5) On September 30, 2023, ZTM Company had the long-term bank borrowings with contract terms from August 25, 2023 to November 23, 2023 with and the interest is paid monthly.
- 6) Phihong signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank and co-sponsored by Yuanta Commercial Bank and Hua Nan Commercial Bank, along with 7 other banks in the agreement, on April 30, 2019. The contract period is 3 years with the total credit limit of NT\$1 billion, including NT\$450 million of item A loan limit and NT\$550 million for item B loan limit, which will be used by Phihong to support the factory investment plan of PHV and enrich the group operating turnover fund. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, Phihong shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial report certified by CPAs. The ratios are reviewed on a semi-annual basis):
  - a) The current ratio (current assets/current liabilities) shall not be less than 100%.
  - b) The net debt ratio (total debt/net tangible value) shall not be higher than 150%.
  - c) The interest protection multiples [(Pre-tax profit + Depreciation + Amortization + Interest expense)/Interest expense] shall be maintained at more than two times (inclusive).
  - d) Net tangible value (net value minus intangible assets) shall not be less than NT\$4.5 billion.

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

- 7) Phihong signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank, Shanghai Commercial and Savings Bank and Hua Nan Commercial Bank, and co-sponsored by Taishin International Bank, Taipei Fubon Bank, Entie Commercial Bank, First Commercial Bank and Chang Hwa Commercial Bank, with a total of 10 banks participating in the loan, on June 28, 2023. The contract period is 3 years with a total credit limit of NT\$3 billion, including NT\$1.5 billion of item A loan limit, NT\$1 billion of item B loan limit and NT\$45 million of item C loan limit, which will be used to repay outstanding financial liabilities and enrich medium-term working capital for Phihong, ZTM and ZSH. As of September 30, 2023, have not been used yet. According to the loan contract in the joint loan case, Phihong Technology Co., Ltd. shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial statements with an accountant's audit or review, which is to be reviewed every half year):
  - a) The current ratio (current assets/current liabilities) shall not be less than 100%.
  - b) The net debt ratio (total debt/net tangible value) shall not be higher than 200%.

- c) The interest protection multiples [(Pre-tax profit + Depreciation + Amortization + Interest expense)/Interest expense] shall be maintained at more than two times (inclusive).
- d) Net tangible value (net value minus intangible assets) shall not be less than NT\$4.5 billion.

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

- 8) On December 15, 2021, Phihong applied to extend the credit line of the loan agreement, which was signed on April 30, 2019, from July 30, 2022 to July 30, 2024. The application has been approved by the participating banks. The financial ratios and requirements above are reviewed based on the annual and semi-annual consolidated financial statements audited by the independent auditors, who the loan arranger recognized.
- 9) As of December 31, 2021, the amount drawn down from the syndicated loan was \$882,500 thousand, and Phihong failed to comply with the requirement regarding the times interest earned ratio. Therefore, the period within the announcement dates of the second quarterly and annual consolidated financial statements in 2021 was seen as the improvement period. During the period, the violation regarding the requirement of the ratio above was not deemed as a default. In addition, Phihong has paid the loan arranger service charges at the annual rate of 0.1% of the unused credit line, based on the loan contract. However, on December 30, 2021, Phihong has applied for exemption from the violation regarding the requirement of the ratios by reviewing the figures of the consolidated financial statements for the year ended 2021 and received the approval of the participating banks on March 1, 2022.
- 10) As of June 30, 2023, Phihong failed to comply with the requirement of the loan agreement, signed on April 30, 2019, regarding net debt ratio. The period within the announcement dates of the second quarterly and annual consolidated financial statements in 2023 was seen as an improvement period. During the period, the violation regarding the requirement of the ratio above was not deemed a default. In addition, Phihong has paid the loan arranger service charges at the annual rate of 0.1% of the unused credit line, based on the loan contract.

## 18. BONDS PAYABLE

	September 30, 2023	December 31, 2022	September 30, 2022
Secured domestic bonds	<u>\$ 698,991</u>	<u>\$ 698,688</u>	<u>\$ 698,586</u>

### Secured Domestic Bonds

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

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

## 19. OTHER PAYABLES

	September 30, 2023	December 31, 2022	September 30, 2022
Other payables			
Payables for salaries and bonuses	\$ 257,728	\$ 271,580	\$ 229,628
Payables for annual leave	76,178	65,818	60,997
Payables for purchases of equipment	38,664	26,683	18,149
Employee compensation payable	56,387	13,462	-
Director compensation payable	6,006	2,692	-
Others	<u>397,413</u>	<u>518,232</u>	<u>418,283</u>
	<u>\$ 832,376</u>	<u>\$ 898,467</u>	<u>\$ 727,057</u>

## 20. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2023 and 2022 and the nine months ended September 30, 2023 and 2022, the pension expenses of defined benefit plans were \$159 thousand, \$184 thousand, \$477 thousand and \$551 thousand, respectively, and these were calculated based on pension cost rate determined by the actuarial calculation on December 31, 2022 and 2021.

## 21. EQUITY

### a. Share capital

	September 30, 2023	December 31, 2022	September 30, 2022
Number of shares authorized (in thousands of shares)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>375,208</u>	<u>375,208</u>	<u>375,208</u>
Shares issued and fully paid	<u>\$ 3,752,084</u>	<u>\$ 3,752,084</u>	<u>\$ 3,752,084</u>
Advance receipts for share capital	<u>\$ 182,084</u>	<u>\$ -</u>	<u>\$ -</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 cooperation with strategic investors, improvement in financial structure and enhancement of operational efficiency, the Company held the special meeting of shareholders for the private placement of its ordinary shares on December 16, 2021. In the meeting, the shareholders of the Company resolved the proposal and authorized the board of the directors to carry out the non-public offering twice, of which the shares to be issued should not exceed 37,520 thousand shares in total, within one year from the resolution date of the special meeting of shareholders.

On December 22, 2021, the board of directors resolved the specific subscriber for the offering of 37,520 thousand shares and the date, December 24, 2021, as the subscription base date. The share price of the private placement is determined by the highest price determined based on two pricing models, (a) one of simple arithmetic means of the closing prices of 1, 3, and 5 business days before the pricing date, after the adjustments for any distribution of stock dividends and cash dividends and capital reduction, (b) simple arithmetic means of the closing prices of 30 business days before the pricing date, after the adjustments for any distribution of stock dividends, cash dividends and capital reduction. Thus, the reference price for the private placement is \$44.73 per share. Then, the subscription price is determined as \$40.26 per share, 90 percent of the reference price. The private placement has been completed on December 24, 2021, and legally registered on March 23, 2022.

In accordance with Article 43-8 of the Securities and Exchange Act, the above ordinary shares of the private placement can be publicly traded after 3 years from the acquisition date and applying for the public offering. Except for the prohibition an public trade, those who shares have the same rights and obligations as those who own the outstanding shares.

To obtain working capital, the board of directors resolved to issue 56 million shares each with a par value of NT\$10, at NT\$49.8 per share during the meeting on July 31, 2023. The above transaction was approved by the authorities and the subscription base date was determined to be October 27, 2023. The payment period for the subscription was from September 21, 2023 to October 26, 2023. As of September 30, 2023, the Company received share payment of \$182,084 thousand, which was recognized as capital collected in advance.

b. Capital surplus

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>			
Issuance of common shares	\$ 1,379,472	\$ 1,379,472	\$ 1,379,472
Conversion of bonds	667,058	667,058	667,058
Treasury share transactions	48,234	48,234	48,234
Interest payable on bond conversion	13,243	13,243	13,243
Adjustment to share of change in equity of associates	61	-	-
<u>May be used to offset a deficit only</u>			
Treasury share transactions	71,365	71,365	71,365
<u>May not be used for any purpose</u>			
Share-based payment arrangements	<u>176,400</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,355,833</u>	<u>\$ 2,179,372</u>	<u>\$ 2,179,372</u>

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 23-g to the consolidated financial statements.

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

When a special reserve is appropriated, the special reserve is only appropriated from the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient.

The appropriations of earnings for 2022 and the deficit compensation for 2021 that had been resolved by the shareholders in their meeting on June 9, 2023 and June 8, 2022, were as follows:

	<b><u>Appropriation of Earnings</u></b>	<b><u>Deficit Compensation</u></b>
	<b>For the Year Ended December 31, 2022</b>	<b>For the Year Ended December 31, 2021</b>
Legal reserve	\$ 9,127	\$ 316,924
Special reserve	\$ 82,146	

d. Special reserves

On the first-time adoption of IFRSs, the Company transferred \$10,968 thousand and \$250,296 thousand of unrealized revaluation increment and cumulative translation exchange differences on translating the financial statements of foreign operations to retained earnings, respectively. Because the increase in the retained earnings resulting from the first-time adoption of IFRSs could not fulfill the appropriation for the special reserves generated from the revaluation and translation differences, Phihong appropriated the amount of \$230,859 thousand, the increase in retained earnings from all IFRSs adjustments to the special reserve.

e. Other equity items

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Balance, beginning of period	\$ (244,171)	\$ (523,866)
Exchange differences on the translation of the financial statements of foreign operations	<u>260,053</u>	<u>435,543</u>
Balance, end of period	<u>\$ 15,882</u>	<u>\$ (88,323)</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Balance, beginning of period	\$ (80,339)	\$ (88,412)
Current generation		
Unrealized loss - equity instruments	(268)	(2,227)
Share from associates accounted for using the equity method	<u>(6,534)</u>	<u>(6,036)</u>
Balance, end of period	<u>\$ (87,141)</u>	<u>\$ (96,675)</u>

f. Non-controlling Interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Balance, beginning of period	\$ (9,653)	\$ (8,671)
Attributable to non-controlling interests:		
Share of loss for the period	(32)	(17)
Exchange differences on translation the financial statements of foreign entities	<u>(479)</u>	<u>(1,315)</u>
Balance, end of period	<u>\$ (10,164)</u>	<u>\$ (10,003)</u>

**22. REVENUE**

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Revenue from contracts with customers				
Revenue from the sale of goods	<u>\$ 3,441,726</u>	<u>\$ 3,803,730</u>	<u>\$ 9,415,845</u>	<u>\$ 10,164,806</u>

**Contract Balances**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Contract liabilities			
Contract liabilities - current (Note 29)	<u>\$ 1,002,195</u>	<u>\$ 420,025</u>	<u>\$ -</u>

**23. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS**

## a. Interest income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 30,076	\$ 7,460	\$ 77,003	\$ 20,076
Others	<u>-</u>	<u>81</u>	<u>-</u>	<u>299</u>
	<u>\$ 30,076</u>	<u>\$ 7,541</u>	<u>\$ 77,003</u>	<u>\$ 20,375</u>

## b. Other income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Sample revenue (Note 29)	\$ 7,328	\$ 23,052	\$ 23,356	\$ 57,304
Dividend income	5,934	2,765	7,477	2,995
Others	<u>25,680</u>	<u>19,161</u>	<u>89,867</u>	<u>55,569</u>
	<u>\$ 38,942</u>	<u>\$ 44,978</u>	<u>\$ 120,700</u>	<u>\$ 115,868</u>

## c. Other gains and (losses)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net foreign exchange gains	\$ 35,113	\$ 80,060	\$ 39,534	\$ 154,895
Gain (loss) on disposal of property, plant and equipment	840	(6,798)	(2,445)	(6,084)
Gain on disposal of non-current assets held for sale	-	-	-	11,765
Loss on disposal of intangible assets	(120)	(19)	(134)	(44)

(Continued)



	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Fair value changes of financial assets and financial liabilities				
Financial assets mandatorily at FVTPL	\$ -	\$ 1,611	\$ -	\$ 1,687
Gain on disposal of investment	-	640	-	920
Gain on lease modification	-	-	540	-
Others	<u>(1,535)</u>	<u>(324)</u>	<u>(5,492)</u>	<u>(3,546)</u>
	<u>\$ 34,298</u>	<u>\$ 75,170</u>	<u>\$ 32,003</u>	<u>\$ 159,593</u> (Concluded)

d. Depreciation and amortization

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 73,209	\$ 71,538	\$ 222,848	\$ 204,242
Right-of-use assets	12,187	10,611	37,336	26,996
Computer software	<u>5,191</u>	<u>4,133</u>	<u>13,403</u>	<u>10,873</u>
	<u>\$ 90,587</u>	<u>\$ 86,282</u>	<u>\$ 273,587</u>	<u>\$ 242,111</u>
An analysis of depreciation by				
Operating costs	\$ 39,110	\$ 40,746	\$ 118,689	\$ 111,816
Operating expenses	<u>46,286</u>	<u>41,403</u>	<u>141,495</u>	<u>119,422</u>
	<u>\$ 85,396</u>	<u>\$ 82,149</u>	<u>\$ 260,184</u>	<u>\$ 231,238</u>
An analysis of amortization by				
Operating costs	\$ 868	\$ 1,055	\$ 2,956	\$ 3,030
Operating expenses	<u>4,323</u>	<u>3,078</u>	<u>10,447</u>	<u>7,843</u>
	<u>\$ 5,191</u>	<u>\$ 4,133</u>	<u>\$ 13,403</u>	<u>\$ 10,873</u>

e. Finance costs

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Bank loans interest	\$ 40,001	\$ 18,700	\$ 87,474	\$ 37,498
Bonds payable interest	2,648	2,716	7,942	6,445
Lease liabilities interest	586	516	2,131	1,465
Interest on the disposal of trade receivables	-	-	-	978
Other finance costs	<u>1,278</u>	<u>593</u>	<u>5,351</u>	<u>3,836</u>
	<u>\$ 44,513</u>	<u>\$ 22,525</u>	<u>\$ 102,898</u>	<u>\$ 50,222</u>

f. Employee benefits expense

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 856,191	\$ 662,415	\$ 2,114,778	\$ 1,874,847
Post-employment benefits				
Defined contribution plans	7,233	5,667	22,493	17,846
Defined benefit plans (Note 20)	<u>159</u>	<u>184</u>	<u>477</u>	<u>551</u>
Total employee benefits expense	<u>\$ 863,583</u>	<u>\$ 668,266</u>	<u>\$ 2,137,748</u>	<u>\$ 1,893,244</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 319,249	\$ 382,376	\$ 900,559	\$ 1,092,534
Operating expenses	<u>544,334</u>	<u>285,890</u>	<u>1,237,189</u>	<u>800,710</u>
	<u>\$ 863,583</u>	<u>\$ 668,266</u>	<u>\$ 2,137,748</u>	<u>\$ 1,893,244</u>

g. Employees' compensation and remuneration to directors

Phihong accrued employees' compensation and remuneration of directors at the rates no less than 10% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The compensation of employees and the remuneration of directors for the nine months ended September 30, 2023 and 2022 and for the three months ended September 30, 2023 and 2022 are as follows:

Accrual rate

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Compensation of employees	10%	10%	10%	10%
Remuneration of directors	2%	2%	2%	2%

Amount

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Compensation of employees	\$ 11,565	\$ 2,933	\$ 30,031	\$ 2,933
Remuneration of directors	2,313	587	6,006	587

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

The appropriations of employees' compensation and remuneration of directors for 2022 that was resolved by the board of directors on March 9, 2023, is as shown below:

	<b>2022</b>
Compensation of employees	\$ 13,462
Remuneration of directors	2,692

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

h. Gain or loss on foreign currency exchange

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ (14,426)	\$ 88,257	\$ 95,061	\$ 224,137
Foreign exchange losses	<u>49,539</u>	<u>(8,197)</u>	<u>(55,527)</u>	<u>(69,242)</u>
Net gains	<u>\$ 35,113</u>	<u>\$ 80,060</u>	<u>\$ 39,534</u>	<u>\$ 154,895</u>

#### 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Current tax				
In respect of the current period	\$ 85,964	\$ 50,466	\$ 202,035	\$ 66,667
Adjustments for prior year	<u>(18,623)</u>	<u>(3,414)</u>	<u>(10,198)</u>	<u>810</u>
	67,341	47,052	191,837	67,477
Deferred tax				
In respect of the current period	<u>12,314</u>	<u>5,033</u>	<u>(1,930)</u>	<u>(23,115)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 79,655</u>	<u>\$ 52,085</u>	<u>\$ 189,907</u>	<u>\$ 44,362</u>

b. Income tax assessments

The Company's income tax returns through 2021 have been assessed by the tax authorities.

## 25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Basic earnings per share	<u>\$ 0.27</u>	<u>\$ 0.06</u>	<u>\$ 0.70</u>	<u>\$ 0.04</u>
Diluted earnings per share	<u>\$ 0.27</u>	<u>\$ 0.06</u>	<u>\$ 0.70</u>	<u>\$ 0.04</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Profit used in the computation of basic earnings per share	<u>\$ 102,228</u>	<u>\$ 24,218</u>	<u>\$ 263,762</u>	<u>\$ 13,785</u>
Profit used in the computation of diluted earnings per share	<u>\$ 102,228</u>	<u>\$ 24,218</u>	<u>\$ 263,762</u>	<u>\$ 13,785</u>

### Ordinary Shares Outstanding

Unit: In Thousands of Shares

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Weighted average number of ordinary shares used in computation of basic earnings per share	\$ 375,208	\$ 375,208	\$ 375,208	\$ 375,208
Effect of potentially dilutive ordinary shares				
Employee share options	575		575	
Compensation of employee	<u>230</u>	<u>-</u>	<u>523</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>\$ 376,013</u>	<u>\$ 375,208</u>	<u>\$ 376,306</u>	<u>\$ 375,208</u>

## 26. GOVERNMENT GRANTS

PHC received \$4,057 thousand in government grants for acquiring energy-saving equipment in 2022. Such amounts have been deducted from the carrying amounts of the relevant assets while recognized in profit or loss within the useful lives of the assets by reducing the depreciation expenses. For the nine months ended September 30, 2023, the depreciation expenses have been decreased by \$1,550 thousand.

## 27. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

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

## 28. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

September 30, 2023

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	\$ _____ -	\$ _____ -	\$ 120,489	\$ 120,489

December 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	\$ _____ -	\$ _____ -	\$ 99,764	\$ 99,764

September 30, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	\$ 274,957	\$ _____ -	\$ _____ -	\$ 274,957
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	\$ _____ -	\$ _____ -	\$ 100,999	\$ 100,999

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets</u>			
Balance, beginning of period	\$ 99,764	\$ 87,226	\$ 87,226
Recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOCI)	(268)	(862)	(2,227)
Additions	21,000	16,104	16,000
Repayment from capital reduction	-	(2,704)	-
Effect of foreign currency exchange differences	(7)	-	-
Balance, end of period	<u>\$ 120,489</u>	<u>\$ 99,764</u>	<u>\$ 100,999</u>

b. Categories of financial instruments

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets</u>			
FVTPL			
Mandatorily at FVTPL	\$ -	\$ -	\$ 274,957
Financial assets at amortized cost (1)	8,691,064	6,308,002	6,601,935
Financial assets at FVTOCI			
Equity instruments	120,489	99,764	100,999
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	9,206,253	7,995,482	8,069,676

- 1) The balances included cash and cash equivalents, financial assets measured at amortized cost, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties and refundable deposits.
- 2) The balances included short-term borrowings, short bills payable, contract liabilities, trade payables, trade payables to related parties, other payables, bonds payable, long-term borrowings, lease liabilities and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, financial assets measured at amortized cost, equity instruments, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties, refundable deposits/guarantee deposits received, short-term borrowings, short bills payable, contract liabilities, trade payables, trade payables to related parties, other payables, long-term borrowings, bonds payable and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group believed that its foreign currency assets and liabilities were not significantly exposed to foreign currency risk. Thus, after assessing its balance of foreign currency assets and liabilities, it did not hedge the risk and did not adopt hedge accounting.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 33 to the consolidated financial statements.

Sensitivity analysis

The Group was mainly exposed to the USD, RMB and VND.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis is for a 1% change in foreign currency rates and included only outstanding foreign currency denominated monetary items at the end of the reporting period. A positive number below indicates a decrease in pre-tax profit (loss) when New Taiwan dollars strengthen by 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit (loss) and other equity, and the balances below would be negative.

	<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
USD	\$ 11,915	\$ 2,597
RMB	(2,131)	(32)
VND	4,600	2,079

b) Interest rate risk

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

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Fair value interest rate risk			
Financial liabilities	\$ 1,755,941	\$ 2,197,138	\$ 2,188,241
Cash flow interest rate risk			
Financial liabilities	3,410,707	1,727,345	2,146,585

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk could be equal to the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

According to the Group's policy, the Group only transacts with creditworthy counterparties. In the case that overdue receivables may result to the risks on financial losses, the Group usually obtains the collateral to mitigate the risks. The Group continuously monitors the risk exposure and the credit ratings of the counterparties. In addition, to control the credit risk exposure, the Group transacts with many creditworthy customers and assigns personnel to annually review and approve their credit limits.

Trade receivables generate from a large number of customers, who vary from the industries and geographical areas. The Group continuously evaluate the customers' financial performances to ensure the collection of the trade receivables. In addition, if necessary, the Group purchases the insurance to secure the trade receivables.

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2023 and 2022, the Group had available unutilized bank loan facilities set out in (b) below.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

September 30, 2023

	<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	\$ 4,039,605	\$ -	\$ -	\$ 4,039,605
Lease liabilities	31,529	17,645	14,686	63,860
Variable interest rate instrument	2,981,786	283,970	144,951	3,410,707
Fixed interest rate instrument	<u>155,090</u>	<u>838,000</u>	<u>698,991</u>	<u>1,692,081</u>
	<u>\$ 7,208,010</u>	<u>\$ 1,139,615</u>	<u>\$ 858,628</u>	<u>\$ 9,206,253</u>



Further information on the maturity analysis of the above lease liabilities was as follows:

	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>5 to 10 Years</b>
Lease liabilities	\$ <u>31,529</u>	\$ <u>32,331</u>	\$ <u>-</u>

December 31, 2022

	<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	\$ 4,070,999	\$ -	\$ -	\$ 4,070,999
Lease liabilities	44,518	35,668	15,624	95,810
Variable interest rate				
instrument	1,061,762	509,483	156,100	1,727,345
Fixed interest rate instrument	<u>734,640</u>	<u>668,000</u>	<u>698,688</u>	<u>2,101,328</u>
	<u>\$ 5,911,919</u>	<u>\$ 1,213,151</u>	<u>\$ 870,412</u>	<u>\$ 7,995,482</u>

Further information on the maturity analysis of the above lease liabilities was as follows:

	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>5 to 10 Years</b>
Lease liabilities	\$ <u>44,518</u>	\$ <u>33,284</u>	\$ <u>18,008</u>

September 30, 2022

	<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	\$ 3,710,474	\$ -	\$ -	\$ 3,710,474
Lease liabilities	35,306	36,657	16,409	88,372
Variable interest rate				
instrument	741,035	1,245,733	159,817	2,146,585
Fixed interest rate instrument	<u>1,401,283</u>	<u>-</u>	<u>698,586</u>	<u>2,099,869</u>
	<u>\$ 5,888,098</u>	<u>\$ 1,282,390</u>	<u>\$ 874,812</u>	<u>\$ 8,045,300</u>

Further information on the maturity analysis of the above lease liabilities was as follows:

	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>5 to 10 Years</b>
Lease liabilities	\$ <u>35,306</u>	\$ <u>44,646</u>	\$ <u>8,420</u>

b) Financing facilities

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank facilities:			
Amount used	\$ 3,410,924	\$ 2,377,690	\$ 2,433,554
Amount unused	<u>4,686,243</u>	<u>1,578,635</u>	<u>1,401,446</u>
	<u>\$ 8,097,167</u>	<u>\$ 3,956,325</u>	<u>\$ 3,835,000</u>
Secured bank facilities:			
Amount used	\$ 1,043,644	\$ 721,760	\$ 1,084,131
Amount unused	<u>938,568</u>	<u>1,141,700</u>	<u>794,765</u>
	<u>\$ 1,982,212</u>	<u>\$ 1,863,460</u>	<u>\$ 1,878,896</u>

## 29. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Group</u>
Everbright Manufacturing Co., Ltd.	Related party
Dongguan Guan Hung Industrial Co., Ltd.	Related party
Hua Jung Components Co., Ltd.	Related party
TCC Energy Storage Technology Corporation	Related party
Spring City Resort Co., Ltd.	Associate
Peter Lin	Phihong's chairman
Kevin Lin	Related party

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below:

b. Trading transactions

Item	Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2023	2022	2023	2022
Operating revenue	Related party	\$ <u>352</u>	\$ <u>4,139</u>	\$ <u>2,980</u>	\$ <u>4,653</u>
Operating costs	Related party	\$ <u>46,552</u>	\$ <u>44,625</u>	\$ <u>120,478</u>	\$ <u>126,320</u>

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

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

c. Contract liabilities

<b>Related Party Category</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Related party	\$ <u>12,606</u>	\$ <u>20,526</u>	\$ <u>14,646</u>

d. Receivables from related parties

<b>Item</b>	<b>Related Party Category</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Trade receivables	Related party	\$ <u>1,036</u>	\$ <u>-</u>	\$ <u>-</u>
Other receivables	Related party	\$ <u>-</u>	\$ <u>3,654</u>	\$ <u>-</u>

e. Payables to related parties

<b>Item</b>	<b>Related Party Category</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
Trade payables	Related party	\$ <u>80,188</u>	\$ <u>86,319</u>	\$ <u>68,410</u>

f. Operating expenses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Related party	\$ <u>2,222</u>	\$ <u>1,088</u>	\$ <u>11,633</u>	\$ <u>4,311</u>

g. Remuneration of key management personnel

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Short-term benefits	\$ 11,259	\$ 7,237	\$ 28,283	\$ 21,039
Post-employment benefits	<u>81</u>	<u>99</u>	<u>243</u>	<u>315</u>
	\$ <u>11,340</u>	\$ <u>7,336</u>	\$ <u>28,526</u>	\$ <u>21,354</u>

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

h. Other transactions with related parties

Phihong's chairman served as the joint guarantor for Phihong's short-term borrowings, short bills payable, bonds payable and long-term borrowings. As of September 30, 2023, December 31, 2022 and September 30, 2022, the amounts of the guarantees were \$4,225,746 thousand, \$3,333,504 thousand and \$3,641,304 thousand, respectively.

i. Others

Item	Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2023	2022	2023	2022
Non-operating income	Related party	\$ -	\$ 7,736	\$ 20	\$ 29,580

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Group have been provided as collateral for the project performance bond, bank loan, domestic secured corporate bonds, and money lodged at courts:

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets at amortized cost - current (Note 9)	\$ 3,288	\$ 500	\$ -
Financial assets at amortized cost - non-current (Note 9)	14,500	22,030	22,014
Land	463,345	463,345	463,345
Right-of-use assets - land use right	68,274	67,404	37,124
Buildings	<u>435,227</u>	<u>423,816</u>	<u>471,424</u>
	<u>\$ 984,634</u>	<u>\$ 977,095</u>	<u>\$ 993,907</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at September 30, 2023, December 31, 2022 and September 30, 2022 were as follows:

- a. According to tariff to regulations, the Group provides letters of bank guarantee to apply for the customer clearance, reals before duty. The amount of the letters of credit were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Letter of bank guarantee	\$ 2,500	\$ 2,500	\$ -

- b. The Group signed a contract for the construction of new plants on the Group's own land. The amount of the unrecognized commitments was as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Acquisition of property, plant and equipment			
The amount of signed contract	\$ 1,486,968	\$ 1,500,991	\$ 1,329,716
Unpaid amount	1,080,136	190,172	338,507

### 32. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

To obtain working capital, the board of directors resolved to issue 56 million shares, which have a par value of NT\$10, at NT\$49.8 per share at the meeting on July 31, 2023. The above transaction was approved by the authorities and the subscription base date was determined to be October 27, 2023. As of October 26, 2023, the full amount of the subscription has been received.

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

The Groups' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

September 30, 2023

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 71,406	32.24500	\$ 2,302,499
RMB	21,339	4.49614	95,942
VND	407,776,303	0.00132	538,265

Financial liabilities

Monetary items			
USD	34,456	32.24500	1,111,047
RMB	68,743	4.49614	309,079
VND	59,313,178	0.00132	78,293

December 31, 2022

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 90,458	30.72500	\$ 2,779,316
RMB	9,068	4.40230	39,919
VND	393,378,124	0.00130	511,392

Financial liabilities

Monetary items			
USD	53,050	30.72500	1,629,965
RMB	58,489	4.40230	257,484
VND	103,942,821	0.00130	135,126

September 30, 2022

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 95,132	31.85000	\$ 3,029,950
RMB	14,051	4.47948	62,943
VND	194,968,381	0.00134	261,258
<u>Financial liabilities</u>			
Monetary items			
USD	86,979	31.85000	2,770,293
RMB	14,770	4.47948	66,160
VND	39,802,322	0.00134	53,335

#### **34. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions and investees

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

- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 9)
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
  - c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

### 35. SEGMENT INFORMATION

a. Basic information of operation segments

1) Classification of operating segments

The segments of the Group to be reported are as follows:

- a) Power Supply Products Segment: Mainly responsible for the R&D, design, manufacturing, sales, and after-sales service of power supply products.
- b) EV Energy Products Segment: Mainly responsible for the R&D, design, manufacturing, sales, and after-sales service of EV Energy products.

2) Principles for measuring profit and loss of the operating segment

The accounting policies of each operating segment are the same as the material accounting policies described in Note 4. The profit and loss of the operating segment of the Group are measured by the operating profit and loss that can be controlled by the segment manager and are used as the basis for management performance evaluations.

b. Segment revenues and results

The following was an analysis of the Group's revenue and results by reportable segment:

	<b>Power Supply</b>	<b>EV Energy</b>	<b>Total</b>
For the nine months ended <u>September 30, 2023</u>			
Revenues from external customers	<u>\$ 5,997,594</u>	<u>\$ 3,418,251</u>	<u>\$ 9,415,845</u>
Segment (losses) incomes	<u>\$ (228,945)</u>	<u>\$ 562,120</u>	\$ 333,175
Interest incomes			77,003
Other incomes			120,700
Other gains and losses			32,003
Finance costs			(102,898)
Share of profit of associates			<u>(6,346)</u>
Gain before income tax			<u>\$ 453,637</u>
For the nine months ended <u>September 30, 2022</u>			
Revenue from external customers	<u>\$ 9,330,385</u>	<u>\$ 834,421</u>	<u>\$ 10,164,806</u>
Segment (losses) incomes	<u>\$ (10,912)</u>	<u>\$ (167,965)</u>	\$ (178,877)
Interest incomes			20,375
Other incomes			115,868
Other gains and losses			159,593
Finance costs			(50,222)
Share of loss of associates			<u>(8,590)</u>
Gain before income tax			<u>\$ 58,147</u>



## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
													Item	Value			
0	PHT	ZSH	Other receivables from related parties	Yes	\$ 886,738 (US\$ 27,500,000)	\$ 322,450 (US\$ 10,000,000)	\$ -	3.00%-6.50%	2	\$ -	Capital movement	\$ -	-	\$ -	\$ 1,420,125	\$ 2,840,251	
		ZCM	"	"	967,350 (US\$ 30,000,000)	483,675 (US\$ 15,000,000)	-	3.00%-6.50%	"	-	"	-	-	-	1,420,125	2,840,251	
		ZCS	"	"	161,225 (US\$ 5,000,000)	- (US\$ -)	-	3.00%	"	-	"	-	-	-	1,420,125	2,840,251	
		ZAS	"	"	257,960 (US\$ 8,000,000)	96,735 (US\$ 3,000,000)	-	3.00%-6.50%	"	-	"	-	-	-	1,420,125	2,840,251	
		ZNS	"	"	209,593 (US\$ 6,500,000)	48,368 (US\$ 1,500,000)	-	3.00%-6.50%	"	-	"	-	-	-	1,420,125	2,840,251	
		ZJS	"	"	161,226 (US\$ 5,000,000)	80,613 (US\$ 2,500,000)	-	3.00%-6.50%	"	-	"	-	-	-	1,420,125	2,840,251	
		PHJ	"	"	64,974 (JPY 300,000,000)	64,974 (JPY 300,000,000)	-	1.50%	"	-	"	-	-	-	1,420,125	2,840,251	
		1	PHC	PHP	"	"	224,807 (RMB 50,000,000)	- (RMB -)	-	4.35%	"	-	"	-	-	-	2,168,038
PHE	"			"	44,961 (RMB 10,000,000)	44,961 (RMB 10,000,000)	44,961	4.90%	"	-	"	-	-	-	2,168,038	2,168,038	
2	PHZ	PHP	"	"	1,236,439 (RMB 275,000,000)	1,236,439 (RMB 275,000,000)	1,236,439	4.75%	"	-	"	-	-	-	2,033,942	2,033,942	
3	ZTM	ZSH	"	"	67,715 (US\$ 2,100,000)	67,715 (US\$ 2,100,000)	-	5.00%	"	-	"	-	-	-	153,265	306,531	
		ZCM	"	"	67,715 (US\$ 2,100,000)	67,715 (US\$ 2,100,000)	-	5.00%	"	-	"	-	-	-	153,265	306,531	
		ZCS	"	"	22,572 (US\$ 700,000)	22,572 (US\$ 700,000)	-	5.00%	"	-	"	-	-	-	153,265	306,531	
		ZAS	"	"	22,572 (US\$ 700,000)	22,572 (US\$ 700,000)	-	5.00%	"	-	"	-	-	-	153,265	306,531	
		ZNS	"	"	22,572 (US\$ 700,000)	22,572 (US\$ 700,000)	-	5.00%	"	-	"	-	-	-	153,265	306,531	
		ZJS	"	"	22,572 (US\$ 700,000)	22,572 (US\$ 700,000)	-	5.00%	"	-	"	-	-	-	153,265	306,531	
4	PHA	ZAS	"	"	386,940 (US\$ 12,000,000)	386,940 (US\$ 12,000,000)	-	6.50%	"	-	"	-	-	-	1,912,766	1,912,766	

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

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

Note 2: Reasons for financing are as follows:

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

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

- 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.
- 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 other subsidiaries of the Group, the aggregate amount of loans between subsidiaries shall not exceed 150% of the net worth of the lending subsidiary based on the latest financial statements.

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong	PHV	Subsidiary of the Company	\$ 5,325,471	\$ 354,695 (US\$ 11,000,000)	\$ 290,205 (US\$ 9,000,000)	\$ 193,470 (US\$ 6,000,000)	\$ -	4.09	\$ 7,100,628	Y	N	N	
		ZTM	"	5,325,471	2,900,000	2,900,000	200,000	-	40.84	7,100,628	Y	N	N	
		ZSH	"	5,325,471	1,547,760 (US\$ 48,000,000)	1,547,760 (US\$ 48,000,000)	- (US\$ -)	-	21.80	7,100,628	Y	N	N	

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

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

Note 2: According to the Company's procedures for the Management of Endorsements and Guarantees, the aggregate amount of endorsements/guarantees provided by the Company shall not exceed 100% of endorser/guarantor's net worth. Additionally, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 75% of the Company's net worth. The net worth is based on the Company's latest parent-company-only financial statements.

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

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

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

Note 6: On April 21, 2023, the board of directors approved that the Company's endorsements/guarantees amount to ZSH is US\$3 million.

Note 7: On April 21, 2023, the board of directors approved that the Company's endorsements/guarantees amount to ZTM is NT\$1.2 billion.

Note 8: On May 11, 2023, the board of directors approved that the Company's endorsements/guarantees amount to PHV is US\$7 million.

Note 9: On June 26, 2023, the board of directors approved that the Company's endorsements/guarantees amount to ZTM is NT\$1 billion.

Note 10: On June 26, 2023, the board of directors approved that the Company's endorsements/guarantees amount to ZSH is US\$45 million.

Note 11: On June 26, 2023, the board of directors approved that the Company's endorsements/guarantees amount to PHV is US\$2 million.

Note 12: On June 26, 2023, the board of directors approved that the Company's endorsements/guarantees amount to ZTM is NT\$100 million.

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Phihong	<u>Ordinary shares</u>							
	Pao- Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	229,980	\$ 3,050	10.49	\$ 3,050	
	Zhong-Xuan Venture Capital Co., Ltd.	"	Financial assets at FVTOCI - non-current	2,488,276	21,923	8.62	21,923	
	BMC Venture Capital Investment Corporation	"	Financial assets at FVTOCI - non-current	6,000,000	68,263	9.84	68,263	
	RFIC Technology Corporation	"	Financial assets at FVTOCI - non-current	1,000,000	4,092	3.50	4,092	
	BMD Venture Capital Investment Corporation	"	Financial assets at FVTOCI - non-current	2,100,000	20,270	9.31	20,270	
Guang-Lai	<u>Ordinary shares</u>							
	Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non-current	3,000,000	2,794	10.83	2,794	
PHJ	<u>Ordinary shares</u>							
	ENECHANGE EV Labs Ltd.	None	Financial assets at FVTOCI - non-current	45	97	5.00	97	

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

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

TABLE 4

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Phihong	PHA	Subsidiary of the Company	Sale	\$ (1,888,890)	(39.43)	To be agreed by both parties	-	-	\$ 144,661	18.98	
	PHJ	"	"	(160,882)	(3.36)	"	-	-	39,179	5.14	
	PHC	"	Purchase	2,133,067	49.71	"	-	-	-	-	
	PHP	"	"	325,193	7.58	"	-	-	-	-	
	PHV	"	"	1,745,522	40.68	"	-	-	-	-	
PHC	PHT	Subsidiary of PHT	Sale	(2,133,067)	(100.00)	To be agreed by both parties	-	-	-	-	
PHP	PHT	Subsidiary of PHT	Sale	(325,193)	(25.05)	To be agreed by both parties	-	-	-	-	
PHV	PHT	Subsidiary of PHT	Sale	(1,745,522)	(82.55)	To be agreed by both parties	-	-	-	-	
PHA	PHT	Subsidiary of PHT	Purchase	1,888,890	95.01	To be agreed by both parties	-	-	(144,661)	(93.88)	
PHJ	PHT	Subsidiary of PHT	Purchase	160,882	59.48	To be agreed by both parties	-	-	(39,179)	(49.10)	
ZTM	ZAS	Between subsidiaries	Sale	(162,088)	(16.78)	To be agreed by both parties	-	-	163,061	75.01	
	ZSH	"	"	(617,959)	(63.97)	"	-	-	40,833	18.78	
	"	"	Purchase	107,547	36.71	"	-	-	-	-	
ZAS	ZCM	Between subsidiaries	Sale	(115,581)	(4.45)	To be agreed by both parties	-	-	39,685	18.04	
	ZTM	"	Purchase	162,088	9.16	"	-	-	89	0.04	
	ZSH	"	"	1,612,067	91.11	"	-	-	(200,123)	(97.12)	
ZCM	ZSH	Between subsidiaries	Sale	(1,276,138)	(92.01)	To be agreed by both parties	-	-	192,745	73.70	
	ZAS	"	Purchase	115,581	10.40	"	-	-	(39,686)	(8.73)	
ZSH	ZTM	Between subsidiaries	Sale	(107,547)	(4.30)	To be agreed by both parties	-	-	10,561	2.40	
	ZAS	"	"	(1,612,067)	(64.51)	"	-	-	200,122	45.55	
	PHJ	"	"	(100,477)	(4.02)	"	-	-	41,302	9.40	
	ZTM	"	Purchase	617,959	33.75	"	-	-	(10,120)	(4.45)	
	ZCM	"	"	1,276,138	69.69	"	-	-	(192,740)	(84.83)	
PHJ	ZSH	Between subsidiaries	Purchase	100,477	37.15	To be agreed by both parties	-	-	(40,946)	(51.32)	

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

SEPTEMBER 30, 2023

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

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
Phihong	PHA	Subsidiary of the Company	Trade receivables	\$ 144,661	10.27	\$ -	-	\$ 132,998	\$ -
	PHC	"	Other receivables	251,632	-	-	-	97,227	-
	PHV	"	Other receivables	383,820	-	-	-	161,772	-
	ZTM	"	Other receivables	252,843	-	-	-	247,905	-
PHZ	PHP	Between subsidiaries	Other receivables	1,280,487	-	-	-	-	-
ZTM	ZAS	Between subsidiaries	Trade receivables	163,061	2.65	-	-	-	-
ZCM	ZSH	Between subsidiaries	Trade receivables	192,745	8.42	-	-	192,745	-
ZSH	ZAS	Between subsidiaries	Trade receivables	200,122	2.20	-	-	66,463	-

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Phihong	PHA	1	Sales revenue	\$ 1,888,890	To be agreed by both parties	20
		PHJ	"	"	160,882	"	2
		PHC	"	Purchase	2,133,067	No significant difference	23
		PHP	"	"	325,193	"	3
		PHV	"	"	1,745,522	"	19
		ZTM	"	"	70,457	"	1
		PHA	"	Trade receivables	144,661	To be agreed by both parties	1
		PHC	"	Other receivables	251,632	-	2
		PHV	"	"	383,820	"	2
		ZTM	"	"	252,843	"	2
1	PHZ	PHP	3	Other receivables	1,280,487	-	8
2	ZTM	ZAS	3	Service income	162,088	-	2
		"	"	Trade receivables	163,061	"	1
		ZSH	"	Sales revenue	158,763	"	2
		"	"	Service income	459,196	"	5
2	ZTM	"	"	Trade receivables	267,795	"	2
		"	"				
3	ZAS	ZCM	3	Sale revenue	115,581	-	1
4	ZSH	ZTM	3	Sale revenue	107,547	-	1
		ZAS	"	"	1,612,067	"	17
		PHJ	"	"	100,477	"	1
		ZAS	"	Trade receivables	200,122	"	1
5	ZCM	ZSH	3	Sale revenue	1,276,138	-	14
		"	"	Trade receivables	192,745	"	1

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

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

(Continued)

Note 2: Nature of relationship is as follows:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of September 30, 2023. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the year ended September 30, 2023.

(Concluded)

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2023	December 31, 2022	Shares	%	Carrying Amount			
Phihong	PHI	British Virgin Islands	Makes investments	\$ 3,209,288	\$ 3,209,288	102,421,351	100.00	\$ 2,772,723	\$ (20,003)	\$ (16,874)	
	PHA	The United States	Sells various power supplies	207,203	207,203	3,100,000	100.00	1,234,596	33,599	33,599	
	PHK	British Virgin Islands	Makes investments	554,154	554,154	18,840,000	100.00	(384,097)	(78,806)	(75,822)	
	PHQ	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100.00	60,984	(8,991)	(7,328)	
	Guang-Lai	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	100,650	(4,676)	(4,676)	
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	6,869	13,738	686,901	32.26	2,435	(5,323)	(1,717)	
	PHJ	Japan	Sells power components	295,181	137,436	25,000	100.00	261,226	39,565	39,565	
				(JPY 500,000,000)	(JPY 150,000,000)						
	PHV	Vietnam	Manufactures and sells various power supplies	1,906,713	1,906,713	65,000,000	100.00	1,661,178	(27,541)	(27,609)	
				(US\$ 65,000,000)	(US\$ 65,000,000)						
	ZKH	Cayman Islands	Makes investments	2,083,650	365,580	699,272,603	100.00	2,501,226	401,486	387,655	
				(US\$ 69,927,260)	(US\$ 12,000,000)						
PHI	N-Lighten	The United States	Makes investments	409,851	409,851	110,834,223	58.45	(27,289)	(146)	(86)	PHI and Guang-Lai holds 78.23%
Guang-Lai	Spring City Resort Co., Ltd.	Taiwan	Hotel and attached restaurant and the general bathroom industry	196,250	190,000	3,462,343	25.27	6,418	(10,697)	(2,681)	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	90,580	(8,723)	(1,948)	
	N-Lighten	The United States	Makes investments	206,084	206,084	37,498,870	19.78	(9,235)	(146)	(29)	PHI and Guang-Lai holds 78.23%
ZKH	ZSH	Singapore	Makes investments and sells of electrical equipment	2,175,576	362,534	67,649,888	100.00	2,503,384	442,170	419,215	
				(US\$ 67,649,888)	(US\$ 11,900,000)						
ZSH	ZJS	Japan	Provides electric vehicle charging solutions	16,848	-	8,000	100.00	5,627	(10,695)	(10,695)	
				(JPY 80,000,000)							
	ZAH	The United States	Makes investments	95,482	32,692	3,050,000	100.00	430,709	317,853	317,853	
				(US\$ 3,050,000)	(US\$ 1,050,000)						
	ZTM	Taiwan	Manufactures and sells of electrical equipment	1,293,748	600,000	60,000,000	100.00	766,265	63,058	68,644	The ZTM organization structure was transferred to ZSH ownership on April 17, 2023.
	ZNS	Netherlands	Provides electric vehicle charging solutions	104,056	-	100	100.00	102,030	(830)	1,334	
				(EUR 3,000,000)							
ZAH	ZAS	The United States	Provides electric vehicle charging solutions	95,150	31,620	3,000,000	100.00	429,793	317,972	318,508	
				(US\$ 3,000,000)	(US\$ 1,000,000)						

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



## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of September 30, 2023	Accumulated Repatriation of Investment Income as of September 30, 2023	Note
					Outward	Inward							
PHC	Manufactures and sells various power supplies	\$ 1,988,018 (HK\$ 495,450,000)	Indirect investment in mainland China through PHI	\$ 1,677,679 (HK\$ 419,000,000)	\$ -	\$ -	\$ 1,677,679 (HK\$ 419,000,000)	\$ (51,603)	100	\$ (51,603)	\$ 1,445,359	\$ -	
PHZ	Manufactures and sells various power supplies	1,097,139 (US\$ 31,960,000)	"	1,097,139 (US\$ 31,960,000)	-	-	1,097,139 (US\$ 31,960,000)	29,646	100	29,646	1,355,962	-	
Yanghong	Sells various lighting and power supplies	49,027 (US\$ 1,605,000)	"	63,934 (US\$ 2,865,000)	-	-	63,934 (US\$ 2,865,000)	1,984	100	1,984	6,414	-	
PHP	Manufactures and sells various power supplies	604,135 (US\$ 20,140,000)	Indirect investment in mainland China through PHK	554,456 (US\$ 18,640,000)	-	-	554,456 (US\$ 18,640,000)	(78,995)	100	(78,995)	(373,159)	-	
PHSY	Manufactures and sells electronic materials	39,678 (HK\$ 9,000,000)	Indirect investment in mainland China through PHQ	39,678 (HK\$ 9,000,000)	-	-	39,678 (HK\$ 9,000,000)	1,895	100	1,895	75,760	-	
PHE	Manufactures and sells electronic materials	360,124 (US\$ 11,500,000)	"	360,124 (US\$ 11,500,000)	-	-	360,124 (US\$ 11,500,000)	(10,791)	100	(10,791)	(16,107)	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 (US\$ 12,366,400)	-	-	387,406 (US\$ 12,366,400)	-	-	-	-	-	Note 1
ZCM	Manufactures and sells of electrical equipment	28,942 (US\$ 950,000)	Indirect investment in mainland China through ZSH	28,942 (US\$ 950,000)	-	-	28,942 (US\$ 950,000)	28,081	100	28,081	(5,744)	-	
ZCS	Provide electric vehicle charging solutions	6,430 (US\$ 200,000)	"	6,430 (US\$ 200,000)	-	-	6,430 (US\$ 200,000)	(11,362)	100	(11,362)	(5,702)	-	

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

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

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

2. Limit on investment amount in Mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2023	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$3,829,285	\$4,688,443	Note

Note: In accordance with the Article 3 of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area", the Company acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs on June 18, 2021, which exempts the Company from the limitation of the amount of investment amount in mainland China.

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

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Ending Balance	%		
PHC	Purchase	\$ 2,133,067	49.71	To be agreed by both parties	To be agreed by both parties	-	\$ -	-	\$ -	
PHP	"	325,193	7.58	"	"	-	-	-	-	
ZCM	"	115,581	10.40	"	"	-	(39,686)	(8.73)	-	
	Sale	(1,276,138)	(92.01)	"	"	-	192,745	73.70	-	

**TABLE 10****PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2023**

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

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