

Phihong Technology Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the Six Months
Ended June 30, 2022 and 2021, 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. (the "Company") and its subsidiaries (collectively, the "Group") as of June 30, 2022 and 2021 and the consolidated statements of comprehensive income for the three months and the six months ended June 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2022 and 2021, and the notes, 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 Statement of Auditing Standards No. 65 "Review of 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 14 to the consolidated financial statements, the carrying values of the Group's investments accounted for using equity method of \$99,963 thousand and \$133,011 thousand as of June 30, 2022 and 2021, respectively, and the comprehensive loss from the investments of \$6,528 thousand and \$6,872 thousand, \$10,515 thousand and \$16,676 thousand for the three months and the six months ended June 30, 2022 and 2021, respectively, were based on these investees' unreviewed financial statements.

Qualified Conclusion

Based on our reviews, except for the 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 at June 30, 2022 and 2021, its consolidated financial performance for the three months ended June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2022 and 2021 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.

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

August 4, 2022

Notice to Readers

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	June 30, 2022 (Reviewed)		December 31, 2021 (Audited)		June 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$1,880,754	15	\$3,590,920	26	\$2,419,224	21
Financial assets at fair value through profit or loss - current (Note 7)	261,213	2	-	-	86,519	1
Financial assets at amortized cost-current (Notes 9 and 30)	294,773	2	224,588	2	221,348	2
Notes receivables (Note 10)	9,716	-	16,886	-	-	-
Trade receivables (Note 10)	2,782,590	21	2,229,231	16	2,183,288	19
Other receivables	18,557	-	21,905	-	23,134	-
Inventories (Note 11)	3,430,268	26	3,204,432	24	2,729,616	23
Non-current assets held for sale (Note 12)	-	-	244,696	2	243,596	2
Other current assets	178,754	2	146,685	1	167,815	1
Total current assets	<u>8,856,625</u>	<u>68</u>	<u>9,679,343</u>	<u>71</u>	<u>8,074,540</u>	<u>69</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	95,057	1	87,226	1	64,496	1
Financial assets at amortized cost - non-current (Notes 9 and 30)	22,014	-	20,458	-	37,684	-
Investments accounted for using equity method (Note 14)	99,963	1	111,326	1	133,011	1
Property, plant and equipment (Note 15)	3,495,805	27	3,262,587	24	2,922,685	25
Right-of-use assets (Note 16)	346,786	3	294,723	2	308,257	3
Intangible assets (Note 17)	28,298	-	30,540	-	26,768	-
Deferred tax asset	72,962	-	53,114	-	62,133	1
Other non-current assets	70,022	-	73,343	1	58,590	-
Total non-current assets	<u>4,230,907</u>	<u>32</u>	<u>3,933,317</u>	<u>29</u>	<u>3,613,624</u>	<u>31</u>
TOTAL	<u>\$13,087,532</u>	<u>100</u>	<u>\$13,612,660</u>	<u>100</u>	<u>\$11,688,164</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$1,210,859	9	\$962,781	7	\$1,302,553	11
Contract liabilities – current (Note 23 and Note 29)	18,527	-	-	-	-	-
Trade payables	2,768,013	21	3,200,680	24	2,885,862	25
Trade payables to related parties (Note 29)	62,123	1	61,122	-	83,563	1
Other payables (Note 20)	653,785	5	613,750	5	487,740	4
Current tax liabilities	31,090	-	23,612	-	29,203	-
Lease liabilities - current (Note 16)	33,385	-	20,547	-	20,356	-
Current portion of long-term borrowings (Notes 18 and 19)	215,929	2	832,930	6	325,556	3
Other current liabilities (Notes 20)	341,743	3	417,868	3	312,811	3
Total current liabilities	<u>5,335,454</u>	<u>41</u>	<u>6,133,290</u>	<u>45</u>	<u>5,447,644</u>	<u>47</u>
NON-CURRENT LIABILITIES						
Bonds payable (Note 19)	698,484	5	698,283	5	698,079	6
Long-term borrowings (Note 18)	838,807	6	766,108	6	972,558	8
Deferred tax liabilities	48,220	-	56,520	-	66,390	1
Lease liabilities - non-current (Note 16)	54,259	1	24,704	-	33,659	-
Net defined benefit liability - non-current	80,859	1	87,092	1	87,877	1
Other non-current liabilities	9,490	-	9,305	-	625	-
Total non-current liabilities	<u>1,730,119</u>	<u>13</u>	<u>1,642,012</u>	<u>12</u>	<u>1,859,188</u>	<u>16</u>
Total liabilities	<u>7,065,573</u>	<u>54</u>	<u>7,775,302</u>	<u>57</u>	<u>7,306,832</u>	<u>63</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)						
Ordinary shares	3,752,084	29	3,752,084	28	3,376,884	29
Capital surplus	2,179,372	16	2,179,372	16	1,044,017	9
Retained earnings						
Legal reserve	295,992	2	612,916	4	767,660	6
Special reserve	230,859	2	230,859	2	230,859	2
Accumulated deficits	(10,421)	-	(316,924)	(2)	(436,726)	(4)
Total retained earnings	<u>516,430</u>	<u>4</u>	<u>526,851</u>	<u>4</u>	<u>561,793</u>	<u>4</u>
Other equity						
Exchange differences on translating the financial statements of foreign operations	(320,325)	(2)	(523,866)	(4)	(513,546)	(4)
Unrealized loss on financial assets at fair value through other comprehensive income	(96,289)	(1)	(88,412)	(1)	(79,078)	(1)
Total other equity	<u>(416,614)</u>	<u>(3)</u>	<u>(612,278)</u>	<u>(5)</u>	<u>(592,624)</u>	<u>(5)</u>
Total equity attributable to owners of the Company	<u>6,031,272</u>	<u>46</u>	<u>5,846,029</u>	<u>43</u>	<u>4,390,070</u>	<u>37</u>
NON-CONTROLLING INTERESTS (Note 22)	<u>(9,313)</u>	<u>-</u>	<u>(8,671)</u>	<u>-</u>	<u>(8,738)</u>	<u>-</u>
Total equity	<u>6,021,959</u>	<u>46</u>	<u>5,837,358</u>	<u>43</u>	<u>4,381,332</u>	<u>37</u>
TOTAL LIABILITIES AND EQUITY	<u>\$13,087,532</u>	<u>100</u>	<u>\$13,612,660</u>	<u>100</u>	<u>\$11,688,164</u>	<u>100</u>

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

(With Deloitte & Touche review report dated August 4, 2022)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 23, 29 and 35)	\$3,391,967	100	\$2,823,470	100	\$6,361,076	100	\$5,365,959	100
OPERATING COSTS (Notes 11 and 29)	2,916,652	86	2,503,853	89	5,548,127	87	4,804,033	89
OPERATING GROSS PROFIT	475,315	14	319,617	11	812,949	13	561,926	11
OPERATING EXPENSES								
Sales and marketing expenses	201,875	6	139,894	5	372,299	6	261,867	5
General and administration expenses	137,253	4	114,728	4	259,617	4	236,675	4
Research and development expenses	146,605	4	171,101	6	333,040	5	345,093	7
Expected credit loss recognized (reversed)	1,899	-	899	-	1,792	-	(79)	-
Total operating expenses	487,632	14	426,622	15	966,748	15	843,556	16
LOSS FROM OPERATIONS	(12,317)	-	(107,005)	(4)	(153,799)	(2)	(281,630)	(5)
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 24)	7,826	-	6,641	-	12,834	-	14,005	-
Other income (Notes 24 and 29)	49,026	1	25,667	1	70,890	1	38,177	1
Other gains and losses (Note 24)	27,066	1	(18,123)	(1)	84,423	1	(24,355)	(1)
Finance costs (Note 24)	(14,468)	-	(8,432)	-	(27,697)	-	(16,075)	-
Share of loss of from associates account for using the equity method (Note 14)	(4,161)	-	(447)	-	(4,807)	-	(937)	-
Total non-operating income and expenses	65,289	2	5,306	-	135,643	2	10,815	-
PROFIT (LOSS) BEFORE INCOME TAX	52,972	2	(101,699)	(4)	(18,156)	-	(270,815)	(5)
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 25)	17,008	-	(9,756)	-	7,723	-	(11,178)	-
PROFIT (LOSS) FOR THE PERIOD	69,980	2	(111,455)	(4)	(10,433)	-	(281,993)	(5)
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may not reclassified subsequently to profit or loss:								
Unrealized loss on financial assets at fair value through other comprehensive income (Note 22)	(8,350)	-	(340)	-	(2,169)	-	(1,332)	-
Share of the other comprehensive loss of associates accounted for using the equity method (Notes 14 and 22)	(2,367)	-	(6,425)	-	(5,708)	-	(15,739)	(1)
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 22)	43,965	1	(52,634)	(2)	202,911	3	(64,485)	(1)
Total other comprehensive income (loss)	33,248	1	(59,399)	(2)	195,034	3	(81,556)	(2)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$103,228	3	(\$170,854)	(6)	\$184,601	3	(\$363,549)	(7)
PROFIT LOSS ATTRIBUTABLE TO:								
Owners of the Company	\$69,989	2	(\$111,447)	(4)	(\$10,421)	-	(\$281,982)	(5)
Non-controlling interests	(9)	-	(8)	-	(12)	-	(11)	-
Total	\$69,980	2	(\$111,455)	(4)	(\$10,433)	-	(\$281,993)	(5)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$103,585	3	(\$171,038)	(6)	\$185,243	3	(\$363,720)	(7)
Non-controlling interests	(357)	-	184	-	(642)	-	171	-
Total	\$103,228	3	(\$170,854)	(6)	\$184,601	3	(\$363,549)	(7)
EARNING (LOSS) PER SHARE (Note 26)								
Basic	\$0.19		(\$0.33)		(\$0.03)		(\$0.84)	
Dilution	\$0.19							

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

(With Deloitte & Touche review report dated August 4, 2022)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)**

	Equity Attributable to Owners of the Company					Other equity		Total	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
Balance at January 1, 2021	\$3,376,884	\$1,044,017	\$767,660	\$230,859	(\$154,744)	(\$448,879)	(\$62,007)	\$4,753,790	(\$8,909)	\$ 4,744,881
Net loss for the six months ended June 30, 2021	-	-	-	-	(281,982)	-	-	(281,982)	(11)	(281,993)
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	(64,667)	(17,071)	(81,738)	1	(81,556)
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	(281,982)	(64,667)	(17,071)	(363,720)	1	(363,549)
Balance at June 30, 2021	<u>\$ 3,376,884</u>	<u>\$ 1,044,017</u>	<u>\$ 767,660</u>	<u>\$ 230,859</u>	<u>(\$436,726)</u>	<u>(\$513,546)</u>	<u>(\$ 79,078)</u>	<u>\$ 4,390,070</u>	<u>(\$8,738)</u>	<u>\$4,381,332</u>
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 deficits (Note 22)	-	-	(316,924)	-	316,924	-	-	-	-	-
Net loss for the six months ended June 30, 2022	-	-	-	-	(10,421)	-	-	(10,421)	(12)	(10,433)
Other comprehensive income (loss) for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	203,541	(7,877)	195,664	(630)	195,034
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	(10,421)	203,541	(7,877)	185,243	(642)	184,601
Balance at June 30, 2022	<u>\$3,752,084</u>	<u>\$2,179,372</u>	<u>\$295,992</u>	<u>\$230,859</u>	<u>(\$10,421)</u>	<u>(\$320,325)</u>	<u>(\$96,289)</u>	<u>\$6,031,272</u>	<u>(\$9,313)</u>	<u>\$6,021,959</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated August 4, 2022)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$18,156)	(\$270,815)
Adjustments for:		
Depreciation expense	149,089	144,311
Amortization expense	6,740	6,417
Excepted credit loss recognized (reversed)	1,792	(79)
Net gain on fair value change of financial assets designated as at fair value through profit or loss	(76)	(113)
Finance costs	27,697	16,075
Interest income	(12,834)	(14,005)
Share of loss from associates accounted for using the equity method	4,807	937
(Gain) loss on disposal of property, plant and equipment	(714)	1,670
Loss on disposal of intangible assets	25	8
Gain on disposal of non-current assets held for sale	(11,765)	-
Gain on disposal of investment	(280)	(625)
Allowance for inventory valuation and obsolescence loss	70,974	58,668
Net changes in operating assets and liabilities		
Notes receivables	7,170	-
Trade receivables	(555,241)	(163,772)
Other receivables	(3,536)	9,610
Inventories	(296,810)	(773,215)
Other current assets	(33,276)	(64,271)
Other non-current assets	(147)	-
Contract liabilities	18,527	-

(Continued)

	For the Six Months Ended June 30	
	2022	2021
Trade payables	(\$432,667)	\$39,130
Trade payables to related parties	1,001	1,066
Other payables	(25,944)	(77,088)
Other current liabilities	(76,125)	21,698
Net defined benefit liability	(6,233)	(6,191)
Cash used in operating activities	(1,185,982)	(1,070,584)
Interest received	19,718	9,269
Interest paid	(25,915)	(19,405)
Income tax paid	(10,594)	(3,642)
Net cash used in operating activities	(1,202,773)	(1,084,362)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(10,000)	-
Purchase of financial assets at amortized cost	(61,545)	(472,322)
Proceeds from disposal of financial assets at amortized cost	949	239,674
Purchase of financial assets at fair value through profit or loss	(485,078)	(304,306)
Proceeds from sale of financial assets at fair value through profit or loss	224,188	261,094
Proceeds from disposal of non-current assets held for sale	257,048	
Payments for property, plant and equipment	(193,756)	(394,715)
Proceeds from disposal of property, plant and equipment	8,007	1,185
Payments for intangible assets	(3,968)	(5,651)
Increase in refundable deposits	(2,287)	-
Decrease in refundable deposits	-	340
Increase in prepayments for equipment	(19,436)	(11,917)
Dividends received	848	-
Net cash used in investing activities	(285,030)	(686,618)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	233,537	1,046,233
Issuance of ordinary corporate bonds	-	700,000
Repayment of ordinary corporate bonds	-	(1,000,000)
Proceeds from long-term borrowings	606,897	1,001,960
Repayment of long-term borrowings	(1,151,760)	(73,448)
Increase in guarantee deposits received	185	-

(Continued)

	For the Six Months Ended June 30	
	2022	2021
Decrease in guarantee deposits received	\$-	(\$4)
Repayment of the principal portion of lease liabilities	(12,730)	(8,026)
Payment for the cost of ordinary corporate bonds issuance	-	(2,028)
Net cash (used in) generated from financing activities	<u>(323,871)</u>	<u>1,664,687</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>101,508</u>	<u>(20,287)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,710,166)	(126,580)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>3,590,920</u>	<u>2,545,804</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$1,880,754</u>	<u>\$2,419,224</u>

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

(With Deloitte & Touche review report dated August 4, 2022)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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

(Reviewed, Not Audited)

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 the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 4, 2022.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

- b. The IFRSs issued but not yet endorsed and issued into effect by the FSC

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 13, Table 7 and Table 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, for the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2021.

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) Taxation

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. CRITICAL 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 about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

6. CASH AND CASH EQUIVALENTS

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash on hand	\$2,871	\$2,507	\$2,281
Checking accounts and demand deposits	1,855,125	3,566,243	2,156,334
Cash equivalent (investments with original maturities of less than 3 months)			
Time deposits	22,758	22,170	260,609
	<u>\$1,880,754</u>	<u>\$3,590,920</u>	<u>\$2,419,224</u>

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Demand deposits and time deposits	0.001%~1.3%	0.001%~3.045%	0.001%~3.045%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Financial assets at fair value through profit or loss (i.e. FVTPL) - current			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	\$261,213	\$-	\$86,519
	<u>\$261,213</u>	<u>\$-</u>	<u>\$86,519</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Non-current</u>			
Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI)			
Domestic unlisted ordinary shares	<u>\$95,057</u>	<u>\$87,226</u>	<u>\$64,496</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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Current</u>			
Time deposits with original maturity more than 3 months	<u>\$294,773</u>	<u>\$224,588</u>	<u>\$221,348</u>
<u>Non-current</u>			
Restricted bank deposits	\$20,014	\$20,458	\$37,684
Money Lodged at Courts	<u>2,000</u>	<u>-</u>	<u>-</u>
	<u>\$22,014</u>	<u>\$20,458</u>	<u>\$37,684</u>

On June 30, 2022, December 31 and June 30, 2021, the Group set up a special account for the principal repayment of corporate bonds, a project performance bond, a domestic guaranteed corporate bond, a pledge for a joint loan case, and money lodged at courts of \$22,014 thousand, \$20,458 thousand and \$37,684 thousand, please refer to Note 30.

10. NOTES AND TRADE RECEIVABLES

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Notes receivables</u>			
At amortized cost			
Gross carrying amount	\$9,716	\$16,886	\$-
Less: Allowance for impairment loss	-	-	-
	<u>9,716</u>	<u>16,886</u>	<u>-</u>
 <u>Trade receivables at amortized cost</u>			
At amortized cost			
Gross carrying amount	1,865,430	1,816,096	2,185,989
Less: Allowance for impairment loss	(4,891)	(3,009)	(2,701)
	<u>1,860,539</u>	<u>1,813,087</u>	<u>2,183,288</u>
FVTOCI	<u>922,051</u>	<u>416,144</u>	<u>-</u>
	<u>2,782,590</u>	<u>2,229,231</u>	<u>2,183,288</u>
	<u>\$2,792,306</u>	<u>\$2,246,117</u>	<u>\$2,183,288</u>

a. Notes receivables

The Group has no overdue notes receivables as of June 30, 2022 and December 31, 2021.

b. Trade receivables

Trade receivables at amortized cost

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due

status is not further distinguished according to the Group's different customer base.

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

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

June 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%	0.13~2.51%	3.48~13.66%	5.23~19.94%	7.77~100%	
Gross carrying amount	\$1,723,181	\$112,299	\$17,156	\$7,940	\$4,854	\$1,865,430
Loss allowance (Lifetime ECL)	(119)	(465)	(2,227)	(424)	(1,656)	(4,891)
Amortized cost	\$1,723,062	\$111,834	\$14,929	\$7,516	\$3,198	\$1,860,539

December 31, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0~0.24%	0.24~2.94%	5.52~12.76%	6.56~18.69%	13.62~100%	
Gross carrying amount	\$1,682,122	\$120,489	\$8,774	\$3,210	\$1,501	\$1,816,096
Loss allowance (Lifetime ECL)	(260)	(726)	(486)	(272)	(1,265)	(3,009)
Amortized cost	\$1,681,862	\$119,763	\$8,288	\$2,938	\$236	\$1,813,087

June 30, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00~0.02%	0.22~4.71%	40.20%	6.36%	11.45~100%	
Gross carrying amount	\$2,100,106	\$80,149	\$1,945	\$2,696	\$1,093	\$2,185,989
Loss allowance (Lifetime ECL)	(355)	(501)	(782)	(172)	(891)	(2,701)
Amortized cost	\$2,099,751	\$79,648	\$1,163	\$2,524	\$202	\$2,183,288

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

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

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$3,009	\$2,811
Add: Impairment losses (reversed) for the period	1,792	(79)
Foreign exchange gains and losses	90	(31)
Balance at June 30	<u>\$4,891</u>	<u>\$2,701</u>

c. Trade receivables at FVTOCI

The Group determined to transfer trade receivables from certain major customers to the bank without recourse based on the working capital conditions. The Group manages such trade receivables through collecting the contractual cash flows and the disposals of financial assets. Therefore, such trade receivables are measured at FVTOCI.

The loss on allowances of trade receivables at FVTOCI measured by the Group by using the provision matrix is as follows:

June 30, 2022

	Not Past Due	Less than 60	61 to 90	91 to 120	Over 120	Total
		Days	Days	Days	Days	
Expected credit loss rate	0%	0%	-	-	-	
Gross carrying amount	\$890,502	\$31,549	\$-	\$-	\$-	\$922,051
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$890,502</u>	<u>\$31,549</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$922,051</u>

December 31, 2021

	Not Past Due	Less than 60	61 to 90	91 to 120	Over 120	Total
		Days	Days	Days	Days	
Expected credit loss rate	0%	0%	-	-	-	
Gross carrying amount	\$411,843	\$4,301	\$-	\$-	\$-	\$416,144
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$411,843</u>	<u>\$4,301</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$416,144</u>

Information related to the sales of trade receivables of the Group for the period is as follows:
(In United States Dollars/Thousands of New Taiwan Dollars)

Related Party	Amount for sale at the beginning of the period	Amount for sale for the current period	Cash received in the current period	Amount for sale at the end of the period	Cash advance as of the end of the period	Annual rate of interest of cash advance (%)	Retention of trade receivables for sale	Limit	Items for security
Citi Bank	\$1,482	\$265,687	\$267,169	\$-	\$-	-	\$-	-	-
	(Note 1)	(Note 2)	(Note 3)						

The Group entered into a sales contract for trade receivables with Citi Bank. The purchasing bank has confirmed that the relevant conditions for the goods transacted are free of recourse, and the transaction is an outright sales of debt receivables. According to the requirements of the contract, the Group is only responsible for losses arising from business disputes.

Note 1: USD53,588

Note 2: USD8,951,099

Note 3: USD9,004,687

11. INVENTORIES

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials	\$1,666,287	\$1,297,927	\$1,046,998
Work-in-process	459,857	376,003	267,085
Finished goods	1,304,124	1,530,502	1,415,533
	<u>\$3,430,268</u>	<u>\$3,204,432</u>	<u>\$2,729,616</u>

For the three months and the six months ended June 30, 2022 and 2021, the cost of inventories recognized as cost of goods sold was \$2,916,652 thousand, \$2,503,853 thousand, \$5,548,127 thousand and \$4,804,033 thousand, respectively. The cost of goods sold for the three months and the six months ended June 30, 2022 and 2021 included inventory valuation loss of \$43,866 thousand, \$30,797 thousand, \$70,974 thousand and \$58,668 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	June 30, 2022	December 31, 2021	June 30, 2021
Dongguan Phitek Electronics Co., Ltd.			
Land use rights, Buildings, Machinery and Equipment, etc.	\$-	\$244,696	\$243,596

On February 27, 2020, the board of directors decided to dispose of the land use rights, buildings, machinery, and equipment of Dongguan Phitek Electronics Co., Ltd. (hereinafter referred to as PHP), the subsidiary company, and these assets are reclassified as non-current assets held for sale based on their carrying amount on February 28, 2020 and expressed separately in the consolidated balance sheet.

The breakdown of PHP non-current assets held for sale is as follows:

	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Land use rights	\$4,042	\$4,042
Buildings	258,005	258,005
Machinery and equipment	1,244	1,244
Other equipment	19,262	19,262
Less: Accumulated depreciation	<u>(39,850)</u>	<u>(39,850)</u>
	242,703	242,703
Effect of foreign currency exchange differences	1,993	893
	<u>\$244,696</u>	<u>\$243,596</u>

After the contract for the disposal of the above-mentioned non-current assets held for sale was signed, the delivery procedures were completed as of January 26, 2022, and the control of the non-current assets disposed of is to be transferred to the purchaser. The Group has completed the disposal procedures in Q1, 2022, and recognized gains from the disposal of NT\$11,765 thousand, accounted for under “Other Gains and Losses.”

13. SUBSIDIARIES

Investor	Investee	Main Business	Percentage of Ownership			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
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 (the “ZTM Company”) (formerly Phehicle Co., Ltd. The company name was changed on June 20, 2022)	Manufactures and sells various power supplies	100.00	-	-	Note 3
Phihong	Zerova Technologies Holdings Limited (ZKH Company)	Makes investments	-	-	-	Note 4
PHI Company	Phihong Dongguan Electronics Co. Ltd. (“PHC”)	Manufactures and sells various power supplies	100.00	100.00	100.00	
PHI Company	Phihong Electronics (Suzhou) Co., Ltd. (“PHZ”)	Manufactures and sells various power supplies	100.00	100.00	100.00	
PHI Company	N-Lighten Technologies, Inc. (“N-Lighten”)	Makes investments	58.45	58.45	58.45	
PHI Company	Yanghong Trade (Shanghai) Co., Ltd. (“Yanghong Trade”)	Sells various lighting and power supplies	100.00	100.00	100.00	
PHK Company	Dongguan Phitek Electronics Co., Ltd. (PHP Company)	Manufactures and sells various power supplies	100.00	100.00	100.00	Note 2
PHQ Company	Dongguan Shuang-Ying Electronics Co., Ltd. (PHSY Company)	Manufactures and sells electronic materials	100.00	100.00	100.00	
PHQ Company	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (“PHE”)	Manufactures and sells electronic materials	100.00	100.00	100.00	
Guang-Lai Investment Co., Ltd.	N-Lighten	Makes investments	19.78	19.78	19.78	
ZKH Company	Zerova Technologies Europe B.V. (“ZNS”)	<u>Provide electric vehicle charging solutions</u>	-	-	-	Note 5

- Note 1: In response to the operating requirements of the Group, in December 2021, the board of directors of the Company approved the resolution for the capital reduction of PHI in the amount of US\$8,640 thousand. After the capital reduction, the capital of PHI became \$3,209,288 thousand (US\$102,421 thousand); the base date for the capital reduction was January 6, 2022. The above capital reduction has been approved by the Investment Commission, MOEA Letter No. 11100041120 on April 11, 2022.
- Note 2: In response to the adjustments to the Group's operating requirements, Phihong Company, through the resolution made by the Board, determined to perform the capital increase of Dongguan Phitek Electronics Co., Ltd. in the amount of US\$8,640 thousand through subsidiary Phitek International Co., Ltd. in December 2021, and the capital increase was completed in March 2022.
- Note 3: Phihong Company, through the resolution made by the Board, approved to establish the Phehicle Co., Ltd. in January 20, 2022, with a registered capital of USD 1,000 thousand, and the Company's shareholding ratio is 100%. To carry out the organizational restructuring and professional division of labor, the shareholders' meeting resolved to split and transfer operations related to the Phihong EV Energy Department to Phehicle Co., Ltd. on June 8, 2022, and approved the change of its company name to Zerova Technologies Taiwan Limited. The approval letter was obtained and the corporate amendment registration was completed on June 20, 2022.
- Note 4: ZKH Company was established and registered in the Cayman Islands in March 2022. As of June 30, 2022, Phihong has not made any capital contribution to the company.
- Note 5: ZNS Company was established and registered in the Netherlands in June 2022. As of June 30, 2022, ZKH Company has not made any capital contribution to the company.

See Tables 7 and 8 for the information on places of incorporation and principal places of business.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Associates that are not individually material	\$99,963	\$111,326	\$133,011

Associates that are not individually material

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
The Group's share of:				
Net loss for the period	(\$4,161)	(\$447)	(\$4,807)	(\$937)
Other comprehensive income (loss)	(2,367)	(6,425)	(5,708)	(15,739)
Total comprehensive income (loss)	<u>(\$6,528)</u>	<u>(\$6,872)</u>	<u>(\$10,515)</u>	<u>(\$16,676)</u>

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

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of the Group are calculated based on the financial statements before the review of CPAs.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	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	-	5,570	79,763	8,052	166,279	259,664
Disposals	-	(112)	(49,324)	(8,340)	-	(57,776)
Effect of foreign currency exchange differences	1,974	46,423	45,735	6,064	39,707	139,903
Reclassification	-	1,697	17,803	7,763	(2,199)	25,064
Balance at June 30, 2022	<u>\$523,386</u>	<u>\$2,482,480</u>	<u>\$2,447,818</u>	<u>\$ 686,858</u>	<u>\$ 830,400</u>	<u>\$6,970,942</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$-	\$902,028	\$1,901,348	\$538,124	\$-	\$3,341,500
Disposals	-	(112)	(42,417)	(7,954)	-	(50,483)
Depreciation expense	-	40,464	67,156	25,084	-	132,704
Effect of foreign currency exchange differences	-	15,025	32,560	3,831	-	51,416
Balance at June 30, 2022	<u>\$-</u>	<u>\$957,405</u>	<u>\$1,958,647</u>	<u>\$559,085</u>	<u>\$-</u>	<u>\$3,475,137</u>
Carrying amounts at December 31, 2021 and January 1, 2022	<u>\$521,412</u>	<u>\$1,526,874</u>	<u>\$452,493</u>	<u>\$135,195</u>	<u>\$626,613</u>	<u>\$3,262,587</u>
Carrying amounts at June 30, 2022	<u>\$523,386</u>	<u>\$1,525,075</u>	<u>\$489,171</u>	<u>\$127,773</u>	<u>\$830,400</u>	<u>\$3,495,805</u>
<u>Cost</u>						
Balance at January 1, 2021	\$246,480	\$2,464,136	\$2,431,495	\$656,924	\$86,289	\$5,885,324
Additions	194,068	6,882	24,222	8,941	160,572	391,767
Disposals	-	(11,064)	(75,219)	(10,059)	-	(96,342)
Effect of foreign currency exchange differences	(2,211)	(21,953)	(18,238)	(2,539)	(2,128)	(47,069)
Reclassification	84,075	137	13,946	6,793	(6,184)	101,685
Balance at June 30, 2021	<u>\$522,412</u>	<u>\$2,438,138</u>	<u>\$2,376,206</u>	<u>\$660,060</u>	<u>\$238,549</u>	<u>\$6,235,365</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$-	\$849,145	\$1,908,013	\$537,627	\$-	\$3,294,785
Disposals	-	(11,064)	(72,367)	(10,056)	-	(93,487)
Depreciation expense	-	40,606	68,809	23,761	-	133,176
Effect of foreign currency exchange differences	-	(6,870)	(12,989)	(1,935)	-	(21,794)
Balance at June 30, 2021	<u>\$-</u>	<u>\$871,817</u>	<u>\$1,891,466</u>	<u>\$549,397</u>	<u>\$-</u>	<u>\$3,312,680</u>
Carrying amounts at December 31, 2020 and January 1, 2021	<u>\$246,480</u>	<u>\$1,614,991</u>	<u>\$523,482</u>	<u>\$119,297</u>	<u>\$86,289</u>	<u>\$2,590,539</u>
Carrying amounts at June 30, 2021	<u>\$522,412</u>	<u>\$1,566,321</u>	<u>\$484,740</u>	<u>\$110,663</u>	<u>\$238,549</u>	<u>\$2,922,685</u>

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

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

Property, plant and equipment used by the Group and pledged as secure long-term borrowings are set out in Note 30.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Carrying amounts			
Land (including land use rights)	\$282,457	\$251,830	\$257,250
Buildings	36,761	8,327	10,443
Machinery and equipment	22,276	28,090	34,183
Office equipment	-	-	79
Transportation equipment	4,340	5,543	4,926
Other equipment	952	933	1,376
	<u>\$346,786</u>	<u>\$294,723</u>	<u>\$308,257</u>

For the Six Months Ended June 30

	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$53,795</u>	<u>\$41,336</u>
<u>Depreciation charge for right-of-use assets</u>		
Land (including land use rights)	\$5,147	\$4,454
Buildings	3,164	1,903
Machinery and equipment	6,372	3,117
Office equipment	-	240
Transportation equipment	1,322	1,007
Other equipment	380	414
	<u>\$16,385</u>	<u>\$11,135</u>

b. Lease liabilities

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Carrying amounts			
Current	\$33,385	\$20,547	\$20,356
Non-current	\$54,259	\$24,704	\$33,659

Range of discount rate for lease liabilities was as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Freehold land	1.200%~1.250%	1.200%	1.200%
Buildings	1.030%~4.875%	1.030%~4.875%	1.030%~5.220%
Machinery and equipment	4.000%	4.000%	4.000%
Office equipment	-	-	4.875%
Transportation equipment	1.155%~4.000%	1.155%~4.000%	1.155%~5.220%
Other equipment	1.030%~1.155%	1.030%~1.160%	1.030%

c. Material lease-in activities and terms

The Group leases certain machinery, office, transportation, software and other equipment for the use of product manufacturing and R&D with lease terms of 2 to 9 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

The Group also leases land and buildings for the use of plants, offices and parking lot with lease terms of 2 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	\$1,896	\$2,197	\$3,793	\$7,251
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$177	\$148	\$320	\$295
Total cash (outflow) for leases			(\$16,843)	(\$15,573)

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

17. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2022	\$124,250
Additions	3,968
Reclassification	172
Disposals	(488)
Effect of foreign currency exchange differences	1,247
Balance at June 30, 2022	<u>\$129,149</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$93,710
Amortization expense	6,740
Disposals	(463)
Effect of foreign currency exchange differences	864
Balance at June 30, 2022	<u>\$100,851</u>
Carrying amounts at December 31, 2021 and January 1, 2022	<u>\$30,540</u>
Carrying amounts at June 30, 2022	<u>\$28,298</u>
<u>Cost</u>	
Balance at January 1, 2021	\$118,623
Additions	5,651
Disposals	(4,565)
Effect of foreign currency exchange differences	(421)
Balance at June 30, 2021	<u>\$119,288</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$90,944
Amortization expense	6,417
Disposals	(4,557)
Effect of foreign currency exchange differences	(284)
Balance at June 30, 2021	<u>\$92,520</u>
Carrying amounts at June 30, 2021	<u>\$26,768</u>

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

18. BORROWINGS

Short-term borrowings

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Unsecured loan</u>			
Phihong	\$658,565	\$636,180	\$1,302,553
PHV	255,594	182,959	-
	<u>914,159</u>	<u>819,139</u>	<u>1,302,553</u>
<u>Secured loan</u>			
PHC	296,700	143,642	-
	<u>\$1,210,859</u>	<u>\$962,781</u>	<u>\$1,302,553</u>
Interest rate range	1.34%~2.26%	0.72%~1.30%	0.6900%~1.2544%

Long-term Borrowings

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Unsecured loan</u>			
Phihong	\$395,000	\$1,102,807	\$735,310
<u>Secured loan</u>			
Phihong	659,736	496,794	564,241
Less: discount	-	(563)	(1,437)
Long-term loans payable - current portion	<u>(215,929)</u>	<u>(832,930)</u>	<u>(325,556)</u>
	<u>\$838,807</u>	<u>\$766,108</u>	<u>\$972,558</u>
Interest rate range	1.2500%~1.9879%	1.0500%~1.9879%	1.0500%~1.9872%

- a. The short-term bank loan period of Phihong Technology Co., Ltd on June 30, 2022, December 31, and June 30, 2021 is from April 11, 2022 to August 24, 2022, November 8, 2021 to March 11, 2022 and May 13, 2021 to August 27, 2021, respectively, and interest is paid monthly.
- b. The short-term bank loan period of PHV on June 30, 2022, and December 31, 2021 is from July 12, 2021 to May 10, 2023, and July 12, 2021 to August 3, 2022, respectively, and interest is paid monthly.

- c. The short-term bank loan period of PHC on June 30, 2022, and December 31, 2021 is from June 16, 2022 to December 13, 2022, and December 27 2021 to June 24, 2022, respectively, and interest is paid at maturity.
- d. The long-term bank loan period of Phihong Technology Co., Ltd on June 30, 2022, December 31, and June 30, 2021 is from August 22, 2019 to April 7, 2036, August 22, 2019 to April 7, 2036 and August 22, 2019 to April 7, 2036, respectively, and interest is paid monthly.
- e. Phihong Technology Co., Ltd. signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank and co-sponsored by Yuanta Commercial Bank and Hua Nan Commercial Bank, totally 7 banks participating in the loan, on April 30, 2019. The contract period is 3 years with the total credit limit of NTD\$ 1 billion, including NTD \$450 million of item A loan limit and NTD \$550 million for item B loan limit, which will be used by the parent company to support the factory investment plan of the Vietnamese subsidiary and enrich the group operating turnover fund. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, Phihong Technology Co., Ltd shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial report with an accountant's 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 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 NTD \$4.5 billion.

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

- f. On December 15, 2021, the Company submitted an application to the syndicate banks regarding the contract dated April 30, 2019 for the amendment that the borrowing limit shall be extended to July 30, 2024 from July 30, 2022, and the syndicated banks approved the application on March 1, 2022. The financial ratios and restrictive agreements above are reviewed based on the annual and interim consolidated financial reports certified by CPAs recognized by the bank managing the limits.

g. As of December 31, 2021, the borrowing amount from the syndicated loan was \$882,500 thousand, and the times interest earned ratio failed to comply with the requirements above. Therefore, the period from the submission date of the Q2 2021 consolidated financial statements to the submission date of the consolidated financial statements for the year ended 2021 shall be the improvement period; during the improvement period, such condition shall not be deemed as a default, and the Company pays service charges calculated at 0.1% of the credit loan's balances per annum to the managing bank. However, on December 30, 2021, the Company has applied to the syndicated banks for exemption from the requirement regarding the violation of the times interest earned ratio, and the exemption application was approved by the syndicated banks on March 1, 2022. In addition, as of June 30, 2022, the merged company has not violated the above-mentioned financial ratios and restrictions.

19. BONDS PAYABLE

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Secured domestic bonds	<u>\$698,484</u>	<u>\$698,283</u>	<u>\$698,079</u>

Secured domestic bonds

On March 25, 2021, the Company issued 70 units of \$10,000 thousand, 5-year 0.60% secured bonds in Taiwan, with an aggregate principal of \$700,000 thousand.

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

20. OTHER LIABILITIES

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Current</u>			
Other payables			
Payables for salaries and bonuses	\$183,182	\$215,373	\$159,823
Payables for annual leave	55,894	53,224	48,864
Payables for purchases of equipment	77,830	11,472	7,590
Others	337,329	333,681	271,463
	<u>\$653,785</u>	<u>\$613,750</u>	<u>\$487,740</u>
Other liabilities			
Temporary receipts	\$128,990	\$79,009	\$73,221
Advance receipt for sale of plant land (Note 12)	-	164,945	164,203
Others	212,753	173,914	75,387
	<u>\$341,743</u>	<u>\$417,868</u>	<u>\$312,811</u>

21. RETIREMENT BENEFIT PLANS

For the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022 and 2021, employee benefit expenses in respect of the Group's defined benefit retirement plans were \$183 thousand, \$204 thousand, \$367 thousand and \$409 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2021 and 2020.

22. EQUITY

a. Share Capital

<u>Ordinary shares</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Number of shares authorized (in thousands)	<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)	<u>375,208</u>	<u>375,208</u>	<u>337,688</u>
Shares issued	<u>\$3,752,084</u>	<u>\$3,752,084</u>	<u>\$3,376,884</u>

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

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

90% of the reference price. The capital increase through the private offering of ordinary shares mentioned above was completed on December 24, 2021, and the alteration registration for the capital was completed on March 23, 2022.

b. Capital surplus

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>May be used to offset a deficit,</u>			
<u>distributed as cash</u>			
<u>dividends or transferred to</u>			
<u>share capital</u>			
Issuance of common shares	\$1,379,472	\$1,379,472	\$244,117
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
<u>May be used to offset a deficit</u>			
<u>only</u>			
Treasury share transactions	71,365	71,365	71,365
	<u>\$2,179,372</u>	<u>\$2,179,372</u>	<u>\$1,044,017</u>

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

c. Retained Earnings and Dividend Policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 24-g.

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

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

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

	Deficit Compensation	
	2021	2020
Legal reserve	\$316,924	\$154,744

d. Special Reserves

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

e. Other Equity Items

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

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	(\$523,866)	(\$448,879)
Exchange differences arising on translating the financial statements of foreign operations	203,541	(64,667)
Balance at June 30	(\$320,325)	(\$513,546)

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

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	(\$88,412)	(\$62,007)
Generated in current period		
Unrealized loss on financial assets at fair value through other comprehensive income	(2,169)	(1,332)
Share from associates accounted for using the equity method	(5,708)	(15,739)
Balance at June 30	<u>(\$96,289)</u>	<u>(\$79,078)</u>

f. Non-Controlling Interests

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	(\$8,671)	(\$8,909)
Attributable to non-controlling interests:		
Loss for the year	(12)	(11)
Exchange differences on translating the financial statements of foreign operations	(630)	182
Balance at June 30	<u>(\$9,313)</u>	<u>(\$8,738)</u>

23. REVENUE

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Revenue from contracts with customers				
Revenue from sale of goods	<u>\$3,391,967</u>	<u>\$2,823,470</u>	<u>\$6,361,076</u>	<u>\$5,365,959</u>
Contract balances				
	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>	
Contract liabilities				
Contract liabilities - current (Note 29)	<u>\$18,527</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

24. NET PROFIT RELATING TO CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Bank deposits	\$7,793	\$6,399	\$12,616	\$13,403
Others	33	242	218	602
	<u>\$7,826</u>	<u>\$6,641</u>	<u>\$12,834</u>	<u>\$14,005</u>

b. Other income

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Sample income (Note 29)	\$18,572	\$-	\$34,252	\$-
Dividend income	230	-	230	-
Others	30,224	25,667	36,408	38,177
	<u>\$49,026</u>	<u>\$25,667</u>	<u>\$70,890</u>	<u>\$38,177</u>

c. Other gains and losses

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Net foreign exchange gains (losses)	\$26,962	(\$16,446)	\$74,835	(\$21,141)
Gain (loss) on disposal of property, plant and equipment	1,042	(1,087)	714	(1,670)
Gain on disposal of non-current assets held for sale (Note 12)	-	-	11,765	-
Loss on disposal of intangible assets	(25)	(8)	(25)	(8)
Fair value changes of financial assets and financial liabilities				
Financial assets mandatorily at FVTPL	76	70	76	113
Gain on disposal of investment	280	329	280	625
Others	(1,269)	(981)	(3,222)	(2,274)
	<u>\$27,066</u>	<u>(\$18,123)</u>	<u>\$84,423</u>	<u>(\$24,355)</u>

d. Depreciation and amortization

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Property, plant and equipment	\$66,895	\$65,469	\$132,704	\$133,176
Right-of-use assets	8,902	7,156	16,385	11,135
Computer software	3,342	3,337	6,740	6,417
	<u>\$79,139</u>	<u>\$75,962</u>	<u>\$155,829</u>	<u>\$150,728</u>
An analysis of depreciation by function				
Operating costs	\$36,958	\$35,917	\$71,070	\$70,275
Operating expenses	38,877	36,708	78,019	74,036
	<u>\$75,835</u>	<u>\$72,625</u>	<u>\$149,089</u>	<u>\$144,311</u>
An analysis of amortization expense by function				
Operating costs	\$942	\$935	\$1,975	\$1,869
Operating expenses	2,362	2,402	4,765	4,548
	<u>\$3,304</u>	<u>\$3,337</u>	<u>\$6,740</u>	<u>\$6,417</u>

e. Finance costs

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Bank loans interest	\$10,589	\$6,744	\$18,798	\$11,654
Bonds payable	2,647	1,151	3,729	3,718
Lease liabilities	495	537	949	703
Fee for the disposal of trade receivables	11	-	978	-
Other finance costs	726	-	3,243	-
	<u>\$14,468</u>	<u>\$8,432</u>	<u>\$27,697</u>	<u>\$16,075</u>

f. Employee benefits expense

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$621,192	\$576,598	\$1,212,432	\$1,134,900
Post-employment benefits				
Defined contribution plans	6,214	5,501	12,179	10,905
Defined benefit plans (Note 21)	183	204	367	409
Total employee benefits expense	<u>\$627,589</u>	<u>\$582,303</u>	<u>\$1,224,978</u>	<u>\$1,146,214</u>
An analysis of employee benefits expense by function				
Operating costs	\$362,338	\$361,384	\$710,158	\$ 704,217
Operating expenses	265,251	220,919	514,820	441,997
	<u>\$627,589</u>	<u>\$582,303</u>	<u>\$1,224,978</u>	<u>\$1,146,214</u>

g. Employees' compensation and remuneration to directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 10% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the six months ended June 30, 2022 and 2021, because of operation loss, the Company did not estimate the bonus to employees and the remuneration to directors and supervisors.

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

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

h. Gain or loss on foreign currency exchange

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Foreign exchange gains	\$76,130	\$-	\$135,880	\$12,576
Foreign exchange losses	(49,168)	(16,446)	(61,045)	(33,717)
Net gains or losses	<u>\$26,962</u>	<u>(\$16,446)</u>	<u>\$74,835</u>	<u>(\$21,141)</u>

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

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

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Current income tax				
In respect of the current period	\$8,176	\$11,773	\$16,201	\$19,008
Generated in the previous period	4,224	693	4,224	(1,310)
	<u>12,400</u>	<u>12,466</u>	<u>20,425</u>	<u>17,698</u>
Deferred income tax				
In respect of the current period	(29,408)	(2,710)	(28,148)	(6,520)
Total income tax expense (gain) recognized in profit or loss	<u>(\$17,008)</u>	<u>\$9,756</u>	<u>(\$7,723)</u>	<u>\$11,178</u>

b. Income tax assessments

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

26. EARNINGS (LOSS) PER SHARE

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Basic earnings (loss) per share	\$0.19	(\$0.33)	(\$0.03)	(\$0.84)
Diluted earnings per share	\$0.19			

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

Profit (loss) for the Period

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Profit (loss) used in the computation of basic earnings (loss) per share	\$69,989	(\$111,447)	(\$10,421)	(\$281,982)
Profit used in the computation of diluted earnings per share	\$69,989			

Number of Shares

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Weighted average number of ordinary shares used in computation of basic earnings (loss) per share	375,208	337,688	375,208	337,688
Weighted average number of ordinary shares used in computation of diluted earnings per share	375,208			

27. CAPITAL MANAGEMENT

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

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

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

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value

1) Fair value hierarchy

June 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds	\$261,213	\$-	\$-	\$261,213
 <u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted equity	\$-	\$-	\$95,057	\$95,057

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds	\$-	\$-	\$-	\$-
 <u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted equity	\$-	\$-	\$87,226	\$87,226

June 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds	\$86,519	\$-	\$-	\$86,519
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted equity	\$-	\$-	\$64,496	\$64,496

There was no transfer between levels 1 and 2 in the current and prior periods.

2) Conciliation of financial instruments measures at level 3 fair value

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Financial assets</u>			
Balance at January 1	\$87,226	\$65,828	\$65,828
Recognized in other comprehensive income (Unrealized gain [loss] on financial assets at FVTOCI)	(2,169)	3,804	(1,332)
Additions	10,000	18,000	-
Disposals	-	(406)	-
Ending Balance	\$95,057	\$87,226	\$64,496

b. Categories of financial instruments

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Financial assets</u>			
<u>FVTPL</u>			
Mandatorily at FVTPL	\$261,213	\$-	\$86,519
Financial assets at amortized cost (Note 1)	5,034,050	6,127,348	4,907,513
<u>Financial assets at FVTOCI</u>			
Investments in equity instruments at FVTOCI	95,057	87,226	64,496
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	6,476,017	7,144,959	6,756,536

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

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

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, financial assets at amortized cost, investment in equity instruments, notes receivables, trade receivables, other receivables, refundable deposits/guarantee deposits received, short-term borrowings, 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

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

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

Sensitivity analysis

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

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

	For the Six Months Ended June 30	
	2022	2021
USD	\$163	(\$5,707)
CNY	27	35
VND	2,266	1,972

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:

	June 30, 2022	December 31, 2021	June 30, 2021
Fair value interest rate risk			
Financial liabilities	\$1,082,828	\$997,817	\$1,207,619
Cash flow interest rate risk			
Financial liabilities	1,968,896	2,307,536	2,145,142

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2022 and 2021, the Group had available unutilized bank loan facilities set out in (b) below.

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

The 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 (including both interest and principal). 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.

June 30, 2022

	On Demand or Less than 1 Year	1 to 3 years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$3,483,921	\$-	\$-	\$3,483,921
Variable interest rate instrument	33,385	40,782	13,477	87,644
Fixed interest rate instrument	1,130,089	675,274	163,533	1,968,896
	296,700	-	698,484	995,184
	<u>\$4,944,095</u>	<u>\$716,056</u>	<u>\$875,494</u>	<u>\$6,535,645</u>

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	<u>\$33,385</u>	<u>\$47,383</u>	<u>\$6,876</u>

December 31, 2021

	On Demand or Less than 1 Year	1 to 3 years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$3,875,552	\$-	\$-	\$3,875,552
Variable interest rate instrument	20,547	24,614	90	45,251
Fixed interest rate instrument	1,541,428	595,141	170,967	2,307,536
	254,283	-	698,283	952,566
	<u>\$5,691,810</u>	<u>\$619,755</u>	<u>\$869,340</u>	<u>\$7,180,905</u>

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	<u>\$20,547</u>	<u>\$24,704</u>	<u>\$-</u>

June 30, 2021

	On Demand or Less than 1 Year	1 to 3 years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$3,457,165	\$-	\$-	\$3,457,165
Variable interest rate instrument	20,356	32,873	786	54,015
Fixed interest rate instrument	1,628,109	338,633	178,400	2,145,142
	455,525	-	698,079	1,153,604
	<u>\$5,561,155</u>	<u>\$ 371,506</u>	<u>\$ 877,265</u>	<u>\$6,809,926</u>

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	<u>\$20,356</u>	<u>\$33,659</u>	<u>\$-</u>
b) Financing facilities			
	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unsecured bank facilities:			
Amount used	\$1,399,155	\$1,943,174	\$2,037,863
Amount unused	<u>2,044,075</u>	<u>1,357,046</u>	<u>1,321,137</u>
	<u>\$3,443,230</u>	<u>\$3,300,220</u>	<u>\$3,359,000</u>
Secured bank facilities:			
Amount used	\$906,116	\$640,436	\$564,241
Amount unused	<u>962,094</u>	<u>1,210,532</u>	<u>129,610</u>
	<u>\$1,868,210</u>	<u>\$1,850,968</u>	<u>\$698,851</u>

29. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Group</u>
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Dongguan Song Xiang Quanhong Product Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
TCC Energy Storage Technology Corporation	Related Party
Spring City Resort Co., Ltd.	Associates
Peter Lin	Phihong's chairman

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

b. Trading transactions

<u>Financial Statement Account</u>	<u>Category of related parties</u>	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Operating revenue	Related Party	<u>\$514</u>	<u>\$-</u>	<u>\$514</u>	<u>\$-</u>
Operating costs	Other related parties	<u>\$44,287</u>	<u>\$41,485</u>	<u>\$81,695</u>	<u>\$83,099</u>

The price of sales and transaction conditions offered by the Group to related parties are subject to the agreements in the contracts.

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

c. Contract liabilities

Category of related parties	June 30, 2022	December 31, 2021	June 30, 2021
Related parties	\$18,527	\$-	\$-

d. Trade payables to related parties

Category of related parties	June 30, 2022	December 31, 2021	June 30, 2021
Other related parties	\$62,123	\$61,122	\$83,563

e. Compensation of key management personnel

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

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$6,808	\$6,669	\$13,802	\$13,388
Post-employment benefits	108	108	216	216
	\$6,916	\$6,777	\$14,018	\$13,604

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

f. Other transactions with related parties

The Company's chairman had provided guarantee for bonds payable, short-term borrowings and long-term borrowings of the Group. As of June 30, 2022, December 31 and June 30, 2021, the amounts of the borrowings were \$2,411,785 thousand, 2,822,861 thousand and \$3,131,376 thousand, respectively.

g. Others

Financial Statement Account	Category of related parties	For the Three Months		For the Six Months	
		Ended June 30		Ended June 30	
		2022	2021	2022	2021
Non-operating income — Sample income	Related Party	\$6,164	\$-	\$21,844	\$-

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:

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets at amortized cost – non-current (Note 9)	\$22,014	\$20,458	\$37,684
Freehold land	463,345	463,345	463,345
Right-of-use assets - land use right	36,681	35,966	15,122
Buildings	474,520	458,358	425,322
	<u>\$996,560</u>	<u>\$978,127</u>	<u>\$941,473</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Acquisition of property, plant and equipment			
Signed amount	\$1,254,423	\$1,187,289	\$955,319
Unpaid amount	552,347	433,621	688,893

32. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

To improve our competition strength and operating performances, the board of directors approved the resolution at the meeting on June 8, 2022 to separate the operations (including assets, liabilities, and businesses) related to the EV energy business group by way of split and transfer under the Business Mergers and Acquisitions Act, and the base date for the division is temporarily set at September 1, 2022.

Phihong applied for the standing status of listing after the division, according to requirements under Article 53-19 of the Operating Rules of the Taiwan Stock Exchange Corporation, and the approval letter was obtained on July 21, 2022.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2022

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount (In NTD Thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$87,585	29.67000	\$2,598,639
CNY	603	4.42605	2,671
VND	204,669,488	0.00128	261,977
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	87,036	29.67000	2,582,353
VND	27,601,944	0.00128	35,330

December 31, 2021

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount (In NTD Thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$77,516	27.66000	\$2,144,098
CNY	828	4.33984	3,595
VND	231,784,803	0.00121	280,460
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	87,929	27.66000	2,432,104
VND	12,215,432	0.00121	14,781

June 30, 2021

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount (In NTD Thousands)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$82,339	27.895	\$2,296,860
CNY	814	4.32032	3,519
VND	198,102,397	0.00121	239,704
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	102,799	27.895	2,867,581
VND	35,093,599	0.00121	42,463

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: the names of shareholders with a shareholding ratio of 5% or more, their shareholding amount, and their proportional shareholdings. (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 Product Segment: Mainly responsible for the R&D, design, manufacturing, sales, and after-sales service of EV energy products.

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

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

b. Segment revenues and results

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

	<u>Power Supply</u>	<u>EV Energy</u>	<u>Total</u>
<u>For the six months ended June</u>			
<u>30, 2022</u>			
Revenues from external customers	\$5,900,113	\$460,963	\$6,361,076
Segment gains (losses)	\$24,608	(\$178,407)	(\$153,799)
Interest income			12,834
Other income			70,890
Other gains and losses			84,423
Finance costs			(27,697)
Share of loss of associates			(4,807)
Loss before income tax			(\$18,156)
 <u>For the six months ended June</u>			
<u>30, 2021</u>			
Revenues from external customers	\$5,287,896	\$78,063	\$5,365,959
Segment losses	(\$89,302)	(\$192,328)	(\$281,630)
Interest income			14,005
Other income			38,177
Other gains and losses			(24,355)
Finance costs			(16,075)
Share of loss of associates			(937)
Loss before income tax			(\$270,815)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE SIX MONTHS ENDED June 30, 2022

(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 Range	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3 and Note 4)	Aggregate Financing Limit (Note 3 and Note 4)	Note
													Item	Value			
1	PHC	PHP	Other receivables from related parties	Yes	442,605 RMB100,000,000	\$- RMB-	\$-	4.35%	2	\$-	Capital movement	\$-	-	-	\$2,354,146	\$2,354,146	
2	PHZ	PHP	Other receivables from related parties	Yes	1,217,164 RMB275,000,000	1,217,164 RMB275,000,000	1,217,164	4.35%~4.75%	2	-	Capital movement	-	-	-	1,928,431	1,928,431	
1	PHC	PHE	Other receivables from related parties	Yes	44,261 RMB10,000,000	44,261 RMB10,000,000	44,261	4.90%	2	-	Capital movement	-	-	-	2,354,146	2,354,146	

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

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

Note 2: Reasons for financing are as follows:

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

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

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

Note 4: According to the operating procedures for loans to 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 SIX MONTHS ENDED JUNE 30, 2022

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

No. (Note 1)	Endorser/ Guarantor Name	Endorsee/Guarantee		Limit on Endorsement/Guarantee Given on Behalf of Each Party (Note 2 and Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Ending Balance Amount Endorsed/Guaranteed During the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Limit on Endorsement/ Guarantee (Note 2 and Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong	PHV	Subsidiary of the Company	\$1,809,381	\$59,340 USD2,000,000	\$59,340 USD2,000,000	\$59,340 USD2,000,000	\$-	0.98	\$3,015,636	Y	N	N	

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

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

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

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

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

TABLE 3**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****June 30, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair value	
Pihong	<u>Ordinary shares</u>							
	Pao-Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	229,980	3,099	10.49	3,099	
	Zhong-Xuan Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,758,621	20,145	8.62	20,145	
	BMC Venture Capital Investment Corporation	None	Financial assets at FVTOCI - non-current	5,400,000	64,127	9.84	64,127	
Guang-Lai	<u>Ordinary shares</u>							
	RFIC Technology Corporation	None	Financial assets at FVTOCI - non-current	1,000,000	4,392	3.50	4,392	
PHC	<u>Ordinary shares</u>							
	Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non-current	3,000,000	3,294	10.83	3,294	
PHP	<u>Fund</u>							
	ICBC's capital-guaranteed and floating-income wealth management products	None	Financial assets at FVTPL - current	24,000,000	106,302	-	106,302	
PHP	<u>Fund</u>							
	ICBC's capital-guaranteed and floating-income wealth management products	None	Financial assets at FVTPL - current	35,000,000	154,911	-	154,911	

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

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

PHIHONG TECHNOLOGY CO., LTD. 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 SIX MONTHS ENDED JUNE 30, 2022

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Phihong	PHA	Subsidiary of the Company	Sale	(\$1,706,049)	(33.36)	To be agreed by both parties	-	-	\$570,952	29.11	
Phihong	PHC	Subsidiary of the Company	Purchase	3,570,783	75.66	To be agreed by both parties	-	-	-	-	
Phihong	PHP	Subsidiary of the Company	Purchase	393,865	8.35	To be agreed by both parties	-	-	(37,812)	(37.98)	
Phihong	PHV	Subsidiary of the Company	Purchase	682,189	14.45	To be agreed by both parties	-	-	-	-	

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

June 30, 2022

(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 \$570,952	7.25	\$-	—	\$340,173	\$-
Phihong	PHC	Subsidiary of the Company	Other receivables 333,588	-	-	—	101,644	-
Phihong	PHV	Subsidiary of the Company	Other receivables 413,929	-	-	—	166,938	-
PHZ	PHP	Sister company	Other receivables 1,246,192	-	-	—	-	-

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Transaction Details	% to Total Sales or Assets (Note 3)
0	Phihong	PHA	1	Sale	\$1,706,049	To be agreed by both parties	27%
0	Phihong	PHJ	1	Sale	66,225	To be agreed by both parties	1%
0	Phihong	PHC	1	Purchase	3,570,783	No significant difference	56%
0	Phihong	PHP	1	Purchase	393,865	No significant difference	6%
0	Phihong	PHV	1	Purchase	682,189	No significant difference	11%
0	Phihong	PHA	1	Trade receivables	570,952	—	4%
0	Phihong	PHC	1	Other receivables	333,588	—	3%
0	Phihong	PHV	1	Other receivables	413,929	—	3%
1	PHZ	PHP	3	Other receivables	1,246,192	—	10%

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

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

Note 2: Nature of relationship is as follows:

- a. From the parent company to its subsidiary: 1.
- b. From a subsidiary to its parent company: 2.
- c. Between subsidiaries: 3.

Note 3: Regarding the transaction amount as a percentage of the total consolidated revenue or assets, if it is recognized in the balance sheet account, it is shown with the ending balance as a percentage of the total consolidated assets; if it is in the profit or loss account, it is shown with the cumulative amount throughout the period as a percentage of the total consolidated revenue.

TABLE 7

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

Investor	Investee Company	Location	Main Businesses and Product	Original Investment Amount		As of June 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2022	December 31, 2021	Number of Shares	%	Carrying amount			
Pihong	PHI	British Virgin Islands	Makes investments	\$3,209,288	\$3,448,270	102,421,351	100.00	\$2,825,070	\$47,934	\$48,562	
	PHA	California, USA	Sells various power supplies	207,203	207,203	3,100,000	100.00	1,063,173	23,063	23,063	
	PHK	British Virgin Islands	Makes investments	554,154	314,956	18,840,000	100.00	(272,236)	(113,070)	(110,291)	
	PHQ	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100.00	61,371	2,682	1,766	
	Guang-Lai	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	100,295	831	831	
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	13,738	13,738	1,373,801	32.26	10,828	(17,578)	(5,673)	
	PHJ	Japan	Sells power components	137,436	137,436	3,000	100.00	64,138	(139)	(139)	
	PHV	Vietnam	Manufactures and sells various power supplies	JPY150,000,000	JPY150,000,000	50,000,000	100.00	1,280,351	(68,907)	(68,850)	
	ZTM	Taiwan	Manufactures and sells various power supplies	1,000	-	100,000	100.00	1,000	-	-	Note 2
	ZKH	Cayman Islands	Makes investments	-	-	1	-	-	-	-	Note 3
PHI	N-Lighten	California, USA	Makes investments	409,851	409,851	110,834,223	58.45	(25,005)	(57)	(34)	PHI and Guang-Lai holds 78.23%
Guang-Lai	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	4,534	8,072	2,204	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	84,601	(6,051)	(1,338)	
	N-Lighten	California, USA	Makes investments	206,084	206,084	37,498,870	19.78	(8,462)	(57)	(11)	PHI and Guang-Lai holds 78.23%
ZKH	ZNS	Netherlands	Provides electric vehicle charging solutions	-	-	100	-	-	-	-	Note 4

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

Note 2: The establishment was approved on March 4, 2022. The shareholders' meeting resolved to change the name of Pehicle Co., Ltd. to Zerova Technologies Taiwan Limited on June 8, 2022. The change of registration has been approved by the Tainan City Government, Letter No. 11100125130 on June 20, 2022.

Note 3: ZKH Company was established and registered in the Cayman Islands in March 2022. As of June 30, 2022, Phihong has not made any capital contribution to the company.

Note 4: ZNS Company was established and registered in the Netherlands in June 2022. As of June 30, 2022, ZKH Company has not made any capital contribution to the company.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

I. Information on investees in Mainland China, including the name, main businesses and product, paid-in 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 Product	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of June 30, 2022	Accumulated Repatriation of Investment Income as of June 30, 2022	Note
					Outward	Inward							
PHC	Manufactures and sells various power supplies	\$1,988,018 HKD495,450,000	Indirect investment in mainland China through PHI	\$1,677,679 HKD419,000,000	\$-	\$-	\$1,677,679 HKD419,000,000	\$30,245	100.00	\$30,245	\$1,569,431	\$-	
Phitek (Tianjin) Electronics Co., Ltd.	Manufactures and sells various power supplies	-	Indirect investment in mainland China through PHI	25,327 USD255,127	-	-	25,327 USD255,127	-	-	-	-	-	Note 1
PHZ	Manufactures and sells various power supplies	1,097,139 USD31,960,000	Indirect investment in mainland China through PHI	1,343,033 USD40,600,000	-	245,894 USD8,640,000	1,097,139 USD31,960,000	19,529	100.00	19,529	1,285,621	-	
Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	26,291 USD880,000	Indirect investment in mainland China through PHI	63,934 USD2,865,000	-	-	63,934 USD2,865,000	(1,877)	100.00	(1,877)	6,368	-	
PHP	Manufactures and sells various power supplies	604,135 USD20,140,000	Indirect investment in mainland China through PHK	315,258 USD10,000,000	239,198 USD8,640,000	-	554,456 USD18,640,000	(116,093)	100.00	(116,093)	(275,832)	-	
PHSY	Manufactures and sells electronic materials	39,678 HKD9,000,000	Indirect investment in mainland China through PHQ	39,678 HKD9,000,000	-	-	39,678 HKD9,000,000	2,361	100.00	2,361	64,778	-	
PHE	Manufactures and sells electronic materials	360,124 USD11,500,000	Indirect investment in mainland China through PHQ	360,124 USD11,500,000	-	-	360,124 USD11,500,000	403	100.00	403	(3,094)	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 USD12,366,400	-	-	387,406 USD12,366,400	-	-	-	-	-	Note 2

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

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

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

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

II. Limit on investment amount in Mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2022	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,205,743	\$4,570,873	Note 1

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Trade Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Amount	%		
PHC	Purchase	\$3,570,783	75.66%	To be agreed by both parties	To be agreed by both parties	—	\$-	-	\$-	
PHP	Purchase	393,865	8.35%	To be agreed by both parties	To be agreed by both parties	—	(37,812)	(37.98%)	\$-	

TABLE 10**PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDER****June 30, 2022**

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

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