

**Phihong Technology Co., Ltd.**

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

# INDEPENDENT AUDITORS' REPORT

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

## Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## Basis for Opinion

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

## Key Audit Matters

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

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

### The Accuracy of sales of electric vehicle energy business

Description of the key audit matter

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

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

#### Corresponding audit procedures

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

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 9 , 2023

Notice to Readers

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

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

# PHIHONG TECHNOLOGY CO., LTD.

## Parent Company Only BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

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

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

# PHIHONG TECHNOLOGY CO., LTD.

## Parent Company Only STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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

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

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



**PHIHONG TECHNOLOGY CO., LTD.**

**Parent Company Only STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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

	Retained earnings					Other equity		Total Equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Accumulated deficits	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	
Balance at January 1, 2021	\$3,376,884	\$1,044,017	\$767,660	\$230,859	(\$154,744)	(\$448,879)	(\$62,007)	\$4,753,790
Capital increase (Note 20)	375,200	1,135,355	-	-	-	-	-	1,510,555
Legal reserve used to offset accumulated deficits (Note 20)	-	-	(154,744)	-	154,744	-	-	-
Net loss for the year ended December 31, 2021	-	-	-	-	(312,600)	-	-	(312,600)
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(4,324)	(74,987)	(26,405)	(105,716)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(316,924)	(74,987)	(26,405)	(418,316)
Balance at December 31, 2021	3,752,084	2,179,372	612,916	230,859	(316,924)	(523,866)	(88,412)	5,846,029
Legal reserve used to offset accumulated deficits (Note 20)	-	-	(316,924)	-	316,924	-	-	-
Net income for the year ended December 31, 2022	-	-	-	-	71,327	-	-	71,327
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	19,946	279,695	8,073	307,714
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	91,273	279,695	8,073	379,041
Balance at December 31, 2022	<u>\$3,752,084</u>	<u>\$2,179,372</u>	<u>\$295,992</u>	<u>\$230,859</u>	<u>\$91,273</u>	<u>(\$244,171)</u>	<u>(\$80,339)</u>	<u>\$6,225,070</u>

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

# PHIHONG TECHNOLOGY CO., LTD.

## Parent Company Only STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

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

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

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

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

## **NOTES TO STANDALONE FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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

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#### **1 GENERAL INFORMATION**

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

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

In February 2000, the Company was authorized to trade its stocks on the Taipei Exchange (TPEX) in Taiwan. In September 2001, Phihong’s stocks ceased to be traded on the TPEX; instead, its stocks began to be traded on the Taiwan Stock Exchange.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;

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

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

d. Foreign currencies

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

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

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

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

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

e. Inventories

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

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

f. Investment in subsidiaries

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

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

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of its subsidiaries. In addition, changes in the Company's other equity of its subsidiaries are recognized based on its ownership percentage.

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

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

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

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

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



g. Investments in associates:

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

Investment property is depreciated using a straight-line method.

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

j. Intangible assets

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

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

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

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

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

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

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

amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit and loss.

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

#### 1. Financial instruments

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

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

##### 1) Financial assets

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

##### a) Measurement categories

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

##### i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, notes receivable at amortized cost, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties, refundable deposits and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

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

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

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

- b) Impairment of financial assets

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

Trade receivable are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to ECLs.

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

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

m. Provision

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

n. Revenue recognition

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

1) Sales revenue of goods

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

2) Service Revenue

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

o. Leases

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

1) The Company as lessor

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

2) The Company as lessee

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

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

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

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

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

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

p. Borrowing costs

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

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

q. Government grants

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

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

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

r. Employee benefits

1) Short-term employee benefits

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



2) Post-employment benefits

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

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

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

s. Income tax

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

1) Current income tax

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

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

2) Deferred income tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said

investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

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

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

3) Rent and deferred income tax

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

t. Split

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

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

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

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

revision; if the revision of the accounting estimate affects both the current period and the future period, it will be recognized in the current period and the future period of the revision.

## 6 CASH AND CASH EQUIVALENTS

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

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

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

## 7 FINANCIAL ASSETS AT FVTOCI

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI)		
Domestic unlisted ordinary shares	<u>\$96,270</u>	<u>\$82,231</u>

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

## 8 FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Time deposits with original maturity more than 3 months	<u>\$61,450</u>	<u>\$-</u>
<u>Non-current</u>		
Restricted bank deposits	\$20,030	\$20,458
Money Lodged at Courts	2,000	-
	<u>\$22,030</u>	<u>\$20,458</u>

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

## 9 NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivables</u>		
At amortized cost		
Gross carrying amount	\$-	\$3,056
Less: Allowance for impairment loss	-	-
	<u>-</u>	<u>3,056</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount - non-related parties	1,128,430	1,076,853
Less: Allowance for impairment loss	(506)	(1,248)
	<u>1,127,924</u>	<u>1,075,605</u>
Gross carrying amount - related parties	395,597	391,256
Less: Allowance for impairment loss	-	-
	<u>395,597</u>	<u>391,256</u>
	<u>\$1,523,521</u>	<u>\$1,469,917</u>
<u>Other receivables</u>		
At amortized cost		
Carrying amount - non-related parties	\$14,143	\$3,958
Less: Allowance for impairment loss	-	-
	<u>14,143</u>	<u>3,958</u>
Carrying amount - related parties	1,336,759	1,042,894
Less: Allowance for impairment loss	-	-
	<u>1,336,759</u>	<u>1,042,894</u>
	<u>\$1,350,902</u>	<u>\$1,046,852</u>

a. Notes receivables

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

b. Trade receivables

Trade receivables at amortized cost

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

The Company recognized the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The ECLs on accounts receivable were estimated using a provision matrix with reference to customers' past default records, current financial position, and other forward-looking

information. Based on the Company's history of credit losses, as there was no significant difference in the loss patterns among different customer groups, the customer groups were not further differentiated in the provision matrix, and only the ECLs rate was set based on the number of days for which accounts receivable was past due.

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

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

December 31, 2022

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

December 31, 2021

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

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

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

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

## 10 INVENTORIES

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

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

## 11 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

### a. Investment in subsidiaries

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

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

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

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

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

Note2: In response to the operating requirements of the Group, in December 2021, the board of directors of the Company approved the resolution for the capital reduction of PHI in the amount of USD8,640 thousand. The base date for the capital reduction was March 2022.

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

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

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

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

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

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 were based on the subsidiaries' financial statements audited by auditors for the same years.

b. Investments in associates:

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

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



## 12 PROPERTY, PLANT AND EQUIPMENT

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Construction in Progress</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2022	\$463,345	\$632,905	\$165,290	\$410,175	\$657	\$1,672,372
Additions	-	6,426	41,288	7,473	143,545	198,732
Disposals	-	(4,331)	(21,014)	(7,144)	-	(32,489)
Reclassification	-	443	9,327	580	(613)	9,737
Reclassified as investment property	-	(56,112)	-	-	-	(56,112)
Split and Transfer	(72,752)	(346,004)	(96,153)	(23,927)	-	(538,836)
Balance at December 31, 2022	<u>\$390,593</u>	<u>\$233,327</u>	<u>\$98,738</u>	<u>\$387,157</u>	<u>\$143,589</u>	<u>\$1,253,404</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$-	\$268,906	\$135,057	\$355,697	\$-	\$759,660
Disposals	-	(3,707)	(15,766)	(6,885)	-	(26,358)
Depreciation expense	-	15,104	14,472	23,384	-	52,960
Reclassified as investment property	-	(32,698)	-	-	-	(32,698)
Split and Transfer	-	(113,875)	(43,049)	(13,918)	-	(170,842)
Balance at December 31, 2022	<u>\$-</u>	<u>\$133,730</u>	<u>\$90,714</u>	<u>\$358,278</u>	<u>\$-</u>	<u>\$582,722</u>
Carrying amounts at December 31, 2022	<u>\$390,593</u>	<u>\$99,597</u>	<u>\$8,024</u>	<u>\$28,878</u>	<u>\$143,589</u>	<u>\$670,682</u>
<u>Cost</u>						
Balance at January 1, 2021	\$185,202	\$626,095	\$172,615	\$408,697	\$-	\$1,392,609
Additions	194,068	6,731	2,834	9,234	2,698	215,565
Disposals	-	-	(10,728)	(15,219)	-	(25,947)
Reclassification	84,075	79	569	7,463	(2,041)	90,145
Balance at December 31, 2021	<u>\$463,345</u>	<u>\$632,905</u>	<u>\$165,290</u>	<u>\$410,175</u>	<u>\$657</u>	<u>\$1,672,372</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$-	\$247,341	\$132,170	\$341,432	\$-	\$720,943
Disposals	-	-	(10,728)	(15,219)	-	(25,947)
Depreciation expense	-	21,565	13,615	29,484	-	64,664
Balance at December 31, 2021	<u>\$-</u>	<u>\$268,906</u>	<u>\$135,057</u>	<u>\$355,697</u>	<u>\$-</u>	<u>\$759,660</u>
Carrying amounts at December 31, 2021	<u>\$463,345</u>	<u>\$363,999</u>	<u>\$30,233</u>	<u>\$54,478</u>	<u>\$657</u>	<u>\$912,712</u>

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

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

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

### 13 LEASE ARRANGEMENTS

a. Right-of-use assets

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

b. Lease liabilities

Carrying amounts

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

Range of discount rate for lease liabilities

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

c. Material lease-in activities and terms

The Company has leased land for the expansion of its plants and parking over a term of 2 to 10 years. Except the Company has the preferential rights to acquire the land leased in Tainan, which is automatically renewed for one year upon the termination of the lease term, it does not have preferential rights to acquire the remaining land leased upon the termination of the lease term. The Company shall not sublease or transfer the entire or any part of the underlying asset leased without the consent of the lessor.

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

d. Other lease information

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$5,614</u>	<u>\$3,013</u>
Total cash (outflow) for leases	<u>(\$11,099)</u>	<u>(\$6,723)</u>

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

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

#### 14 INVESTMENT PROPERTIES

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

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

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

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

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

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

#### 15 OTHER INTANGIBLE ASSETS

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

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

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

## 16 BORROWINGS

### a. Short-term borrowings

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

### b. Increase in short-term notes and bills payable

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

The undue short-term notes payable are as follows:

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

c. Long-term Borrowings

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

- 1) The Company's short-term bank borrowings for the years ended December 31, 2022 and 2021, respectively, were October 11, 2022 to March 21, 2023 and November 8, 2021 to March 11, 2022, and the interest is paid on a monthly basis.
- 2) The Company had long-term bank borrowings for the years ended December 31, 2022 and 2021 with the contract term from March 20, 2020 to April 7, 2036 and from August 22, 2019 to April 7, 2036, respectively, the interest to be paid monthly.
- 3) On April 30, 2019, the Company signed a three-year syndicated loan agreement with seven participating banks led by the Taiwan Shin Kong Commercial Bank and co-led by the Yuanta Commercial Bank and the Hua Nan Commercial Bank. The credit line of the loan amounted to NTD1 billion, including NTD450 million for credit line A and NTD550 million for credit line B. Proceeds from the loan will be used as the support for the plant establishment investment plan of our subsidiary in Vietnam by the parent company and used in financing the working capital of the Group's operations. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, the Company shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial report with an accountant's visa which is to be reviewed every half year):
  - a) The current ratio (current assets/current liabilities) shall not be less than 100%.
  - b) The net debt ratio (total debt/net tangible value) shall not be higher than 150%.
  - c) The interest protection multiples [(pre-tax profit + depreciation + amortization + interest expense)/interest expense] shall be maintained at more than two times (inclusive).
  - d) Net tangible value (net value minus intangible assets) shall not be less than NTD4.5 billion.

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

- d. On December 15, 2021, the Company submitted an application to the syndicate banks regarding the contract dated April 30, 2019 for the amendment that the borrowing limit shall be extended to July 30, 2024 from July 30, 2022, and the syndicated banks approved the application on March 1, 2022.

The financial ratios and restrictive agreements above are reviewed based on the annual and interim consolidated financial reports certified by CPAs recognized by the bank managing the limits.

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

## 17 BONDS PAYABLE

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

### Secured domestic bonds

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

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

## 18 OTHER PAYABLES

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

## 19 POST-EMPLOYMENT BENEFIT PLANS

- a. Defined contribution plans

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

b. Defined benefit plans

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

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

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

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

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

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

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

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

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

	<b><u>December 31, 2022</u></b>	<b><u>December 31, 2021</u></b>
Discount rate	1.50%	0.50%
Expected salary increase rate	3.75%	3.50%

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



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

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

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

## 20 EQUITY

### a. Share capital

#### Ordinary shares

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

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

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

the higher of the two as the reference price, the reference price for the private offering is \$44.73 per share; the subscription price payable of \$40.26 per share was established based on 90% of the reference price. The capital increase through the private offering of ordinary shares mentioned above was completed on December 24, 2021, and was submitted to Department of Commerce, MOEA, for the alteration registration of capital on March 23, 2022

b. Capital surplus

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

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 22-7.

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

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

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

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

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

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

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

d. Special reserve

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

e. Other equity

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

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

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

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

## 21 REVENUE

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

### Contract balance

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

## 22 NET PROFIT RELATING TO CONTINUING OPERATIONS

### a. Interest income

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

### b. Other income

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

### c. Other gains and losses

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

### d. Depreciation and amortization

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

### An analysis of depreciation by function

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

	<u>2022</u>	<u>2021</u>
An analysis of amortization expense by function		
Operating costs	\$93	\$-
Operating expenses	9,016	7,860
	<u>\$9,109</u>	<u>\$7,860</u>

e. Finance costs

	<u>2022</u>	<u>2021</u>
Bank loans interest	\$45,817	\$29,024
Bonds payable interest	9,094	6,022
Lease liabilities interest	327	78
Others	2,309	-
	<u>\$57,547</u>	<u>\$35,124</u>

f. Employee benefits expense

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$569,592	\$536,719
Post-employment benefits (Note 19)		
Defined contribution plans	21,491	22,232
Defined benefit plans	735	819
Total employee benefits expense	<u>\$591,818</u>	<u>\$559,770</u>
An analysis of employee benefits expense by function		
Operating costs	\$54,945	\$43,130
Operating expenses	536,873	516,640
	<u>\$591,818</u>	<u>\$559,770</u>

g. Employees' compensation and remuneration to directors and supervisors

The Company distributed employees' compensation and remuneration to directors and supervisors at the rates of no less than 10% and no higher than 2% of the net profit before tax for the year, respectively. For the year ended December 31, 2021, due to operating loss, the Company did not appropriate an amount for employees' compensation and remuneration to directors and supervisors. The estimated employees' compensation and the remuneration to directors and supervisors for the year ended December 31, 2022 are as follows:

Estimation ratio

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

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

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

h. Gain or loss on foreign currency exchange

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

## 23 INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Total income tax expense recognized in profit or loss

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

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Current income tax liabilities for the period

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

d. Deferred tax assets and liabilities

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

2022

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

2021

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

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

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

f. Income tax assessments

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

## 24 EARNINGS (LOSS) PER SHARE

Unit: dollars per share

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

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

### Net Profit (Loss) for the year

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

### Number of Shares

Unit: Thousands of shares

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

## 25 CAPITAL MANAGEMENT

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

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

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



## 26 FINANCIAL INSTRUMENTS

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

#### 1) Fair value hierarchy

	<u>December 31, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted equity	\$-	\$-	\$96,270	\$96,270
	<u>\$-</u>	<u>\$-</u>	<u>\$96,270</u>	<u>\$96,270</u>
	<u>December 31, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Domestic unlisted equity	\$-	\$-	\$82,231	\$82,231
	<u>\$-</u>	<u>\$-</u>	<u>\$82,231</u>	<u>\$82,231</u>

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

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

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

### b. Categories of financial instruments

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

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

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

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

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

### Sensitivity analysis

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

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

	<u>2022</u>	<u>2021</u>
USD	\$23,164	\$8,268
CNY	4	21

#### b) Interest rate risk

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

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

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

#### 2) Credit risk

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

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

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

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

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Company had available unutilized bank loan facilities set out in (b) below.

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

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

December 31, 2022

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

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>
Lease liabilities	<u>\$5,048</u>	<u>\$23,980</u>

December 31, 2021

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

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

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

b) Financing facilities

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

## 27 RELATED-PARTY TRANSACTIONS

a. The Company's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Company</u>
Phihong USA Corp. (PHA)	Subsidiaries
Phihong Technology Japan Co., Ltd. (PHJ)	Subsidiaries
Phihong Vietnam Co., Ltd. (PHV)	Subsidiaries
Dongguan Phitek Electronics Co., Ltd. (PHP)	Subsidiaries
Phihong Electronics (Suzhou) Co., Ltd. (PHZ)	Subsidiaries
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (PHE)	Subsidiaries
Dongguan Shuang-Ying Electronics Co., Ltd. (PHSY)	Subsidiaries
Yanghong Trade (Shanghai) Co., Ltd. (Yanghong Trade)	Subsidiaries
Dongguan Phitek Electronics Co., Ltd. (PHP)	Subsidiaries
Zerova Technologies Taiwan Limited. (ZTM)	Subsidiaries
Zerova Technologies SG Pte. Ltd. (ZSH)	Subsidiaries
Zerova Technologies Europe B.V. (ZNS)	Subsidiaries
Spring City Resort Co., Ltd.	Associates
Hua Jung Co., Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties
TCC Energy Storage Technology Corporation	Related Party

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

b. Operating revenue

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

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

c. Purchase

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

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

d. Contract liabilities

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

e. Receivables from related parties

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

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

f. Payables to related parties

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

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

g. Operating expenses

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

h. Rental Agreement

Operating Lease

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

i. Loans to related parties

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

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

j. Endorsements and guarantees

Endorsements/Guarantees Provided

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

k. Other transactions with related parties

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

l. Others

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



m. Compensation of key management personnel

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

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

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

**28 ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

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

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

**29 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

The Company's unrecognized commitments were as follows:

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

**30 SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

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

December 31, 2022

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

December 31, 2021

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

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

### **31 SEPARATELY DISCLOSED ITEMS**

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

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

## **32 SEGMENT INFORMATION**

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

**TABLE 1**

**PHIHONG TECHNOLOGY CO., LTD.**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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

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

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

Note 2: Reasons for financing are as follows:

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

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

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

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

## PHIHONG TECHNOLOGY CO., LTD.

## Endorsements/Guarantees Provided

## FOR THE YEAR ENDED DECEMBER 31, 2022

No. (Note 1)	Endorser/Guarantor Name	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2 and Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Ending Balance Amount Endorsed/Guarantee d During the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Limit on Endorsement/ Guarantee (Note 2 and Note 3)	Endorsemen t/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsemen t/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsemen t/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong	PHV	Subsidiary of the Company	\$ 1,867,521	\$ 61,450	\$ 61,450	\$ 61,450	\$ -	0.99	\$ 3,112,535	Y	N	N	
0	Phihong	ZTM	Subsidiary of the Company	1,867,521	USD 2,000,000 600,000	USD 2,000,000 600,000	USD 2,000,000 -	-	9.65	3,112,535	Y	N	N	

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

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

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

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

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

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

## PHIHONG TECHNOLOGY CO., LTD.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

PHIHONG TECHNOLOGY CO., LTD.

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

December 31, 2022

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

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



## PHIHONG TECHNOLOGY CO., LTD.

## INFORMATION ON INVESTEEES

## FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investor	Investee Company	Location	Main Businesses and Product	Original Investment Amount		As of December 31, 2022			Investee Net gain (loss) for the period	Recognized for the period Net gain (loss) for the period	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying amount			
Pihong	PHI	British Virgin Islands	Makes investments	\$ 3,209,288	\$ 3,448,270	102,421,351	100	\$ 2,731,172	(\$ 30,785)	(\$ 29,766)	
	PHA	The United States	Sells various power supplies	207,203	207,203	3,100,000	100	1,143,436	51,888	51,888	
	PHK	British Virgin Islands	Makes investments	554,154	314,956	18,840,000	100	( 300,541)	( 124,752)	( 139,751)	
	PHQ	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100	67,000	8,614	7,759	
	Guang-Lai	Taiwan	Makes investments	139,758	139,758	13,975,828	100	112,828	( 1,073)	( 1,073)	
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	13,738	13,738	1,373,801	32.26	11,021	( 16,978)	( 5,479)	
	PHJ	Japan	Sells power components	137,436	137,436	3,000	100	78,226	9,961	9,961	
					JPY 150,000,000	JPY 150,000,000					
	PHV	Vietnam	Manufactures and sells various power supplies	1,906,713	1,448,623	65,000,000	100	1,609,716	( 246,407)	( 246,358)	
	ZTM	Taiwan	Manufacture and sale of electrical equipment	600,000	-	60,000,000	100	629,797	29,862	29,797	Note 2
	ZKH	Cayman Islands	Makes investments	365,580	-	120,000,001	100	215,579	( 141,687)	( 148,537)	Note 3
			USD 12,000,000								
PHI	N-Lighten	The United States	Makes investments	409,851	409,851	110,834,223	58.45	( 25,918)	( 98)	( 57)	Phihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%
Guang-Lai	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	2,788	1,179	458	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	99,062	( 6,873)	( 1,521)	
	N-Lighten	The United States	Makes investments	206,084	206,084	37,498,870	19.78	( 8,771)	( 98)	( 19)	Phihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%
ZKH	ZNS	Netherlands	Provide electric vehicle charging solutions	-	-	100	-	( 330)	624	360	Note 4
	ZSH	Singapore	Investment in other businesses and sales of electrical equipment	362,534	-	11,900,000	100	220,903	( 56,701)	( 139,880)	Note 5
				USD 11,900,000							
ZSH	ZJS	Japan	Provide electric vehicle charging solutions	-	-	8,000	-	( 1,000)	( 963)	( 963)	Note 6
	ZAH	The United States	Makes investments	32,692	-	1,050,000	100	33,206	917	917	Note 7
				USD 1,050,000							
ZAH	ZAS	The United States	Provide electric vehicle charging solutions	31,620	-	1,000,000	100	31,683	930	930	Note 8
				USD 1,000,000							

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

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

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

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

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

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

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

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

## PHIHONG TECHNOLOGY CO., LTD.

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

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

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

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

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

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

2 Limit on investment amount in Mainland China:

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

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

**PHIHONG TECHNOLOGY CO., LTD**

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

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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

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

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

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

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# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

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

### Statement 1

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

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

USD:NTD = 1:30.72500

JPY:NTD = 1:0.22946

HKD:NTD = 1:3.94328

EUR:NTD = 1:32.69140

RMB:NTD = 1:4.40230

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF TRADE RECEIVABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

### Statement 2

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

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

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

### Statement 3

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

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



# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

### Statement 4

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

## PHIHONG TECHNOLOGY CO., LTD.

### STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

#### Statement 5

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

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

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

### Statement 6

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

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF OTHER CURRENT ASSETS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

### Statement 7

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

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**Statement 8**

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

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF CHANGES IN LONG-TERM EQUITY INVESTMENTS UNDER EQUITY METHOD**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**Statement 9**

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

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

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

## PHIHONG TECHNOLOGY CO., LTD.

### STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

#### Statement 10

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

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF OTHER NON-CURRENT ASSETS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

### Statement 11

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



## PHIHONG TECHNOLOGY CO., LTD.

### STATEMENT OF SHORT-TERM BORROWINGS

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

#### Statement 12

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

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF TRADE PAYABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

### Statement 13

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF TRADE PAYABLE TO RELATED PARTIES**

**DECEMBER 31, 2022**

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

**Statement 14**

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

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

# PHIHONG TECHNOLOGY CO., LTD.

## STATEMENT OF OTHER CURRENT LIABILITIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

### Statement 15

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

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF LONG-TERM BORROWINGS**

**DECEMBER 31, 2022**

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

**Statement 16**

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

## PHIHONG TECHNOLOGY CO., LTD.

### STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

#### Statement 17

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

**PHIHONG TECHNOLOGY CO., LTD.**

**STATEMENT OF BONDS PAYABLE**

**DECEMBER 31, 2022**

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

**Statement 18**

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

# PHIHONG TECHNOLOGY CO., LTD.

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

### Statement 19

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



# PHIHONG TECHNOLOGY CO., LTD.

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

(In Thousands of New Taiwan Dollars)

### Statement 20

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

## PHIHONG TECHNOLOGY CO., LTD.

### STATEMENT OF SALES AND MARKETING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

#### Statement 21

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

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

## PHIHONG TECHNOLOGY CO., LTD.

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

(In Thousands of New Taiwan Dollars)

#### Statement 22

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

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

## PHIHONG TECHNOLOGY CO., LTD.

### STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

#### Statement 23

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

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

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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

**Statement 24**

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

Note:

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

- (2) Incentive plan: Regarding the incentive plan, the Company is deeply convinced that the achievements of our corporate operations result from all our employees, and that the Company shall share such achievements with employees. To provide incentives to employees with outstanding performances, the Company distributes year-end bonuses and project bonuses based on the operating performances of the Company, achievements of the group target, and the personal performances, and distribute employees' bonuses subject to our profit status.
  - (3) The Company has established its Remuneration Committee to ensure that the remuneration arrangements comply with relevant laws and regulations and are sufficient for attracting outstanding talent.
  - (4) In accordance with the first and second Articles of Employee Stock Ownership Plans, it is agreed that the members shall deliver a portion of their annual incentive payments and monthly incentive payments from the member's company to the Trust for the purpose of managing and applying the funds for the benefit of all members, assisting them in accumulating wealth, and ensuring their retirement or post-employment stability.
- b. Employees' compensation and remuneration to directors and supervisors:  
According to the ratio or scope regarding remuneration of employees and Directors stated in Article 21 of the Articles of Incorporate, when the Company records any profits for the year, it shall appropriate no less than 10% as remuneration of employees and no more than 2% as remuneration of directors; the actual appropriation amount shall be subject to consent of more than half of the attending directors at a Board meeting with more than two-thirds of directors attending and the report to the shareholders' meeting. However, when the Company still has accumulated deficits, it shall preserve the amount for compensation.
- c. Remuneration of directors and supervisors:  
Independent directors and directors who are authorized to regularly participate in the operations of the Company may collect compensation. The amount shall be discussed and determined by the Board based on the level of participation in the Company's operations and the value of contributions considered by the Remuneration Committee, with reference to the domestic and foreign standards within the industry.