

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2023 and 2022 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Phihong Technology Co., Ltd. and its subsidiaries (collectively, the "Group") as of March 31, 2023 and 2022 and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies "(collectively referred to as the consolidated financial statements)". Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the carrying values of the Group's investments accounted for the using equity method of NT\$109,657 thousand and NT\$107,339 thousand as of March 31, 2023 and 2022, respectively, and the comprehensive loss from the investments of NT\$3,214 thousand and NT\$3,987 thousand for the three months ended March 31, 2023 and 2022, respectively, were based on these investees' unreviewed financial statements.

Qualified Conclusion

Based on our reviews and the report of the other auditors (refer to the Other Matter section), except for the adjustments if any, as might have been determined to be necessary had the financial statements of equity-method investees as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

We did not review the financial statements of some subsidiaries included in the consolidated financial statements of the Group, but such financial statements were reviewed by other auditors. Our conclusion, the insofar as it relates to the amounts included for subsidiaries, is based solely on the reports of other auditors. As of March 31, 2023, the total assets of these subsidiaries were NT\$2,736,073 thousand, representing 18.79% of the consolidated total assets and for the three months ended March 31, 2023, the total amount of operating revenues of these subsidiaries was NT\$781,064 thousand, representing 28.10% of the consolidated operating revenues.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 11, 2023

Notice to Readers

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 3,316,258	23	\$ 2,990,883	20	\$ 2,153,389	18
Financial assets at amortized cost (Notes 8 and 29)	557,412	4	541,072	4	231,895	2
Notes receivables (Note 9)	6,730	-	16,159	-	8,817	-
Trade receivables (Notes 9 and 28)	2,654,104	18	2,664,733	18	2,300,067	19
Other receivables (Note 28)	28,271	-	45,588	-	12,510	-
Inventories (Note 10)	2,978,361	21	3,296,580	23	3,335,258	27
Other current assets	296,822	2	282,685	2	151,882	1
Total current assets	9,837,958	68	9,837,700	67	8,193,818	67
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 7)	123,992	1	99,764	1	93,407	1
Financial assets at amortized cost - non-current (Notes 8 and 29)	12,000	-	22,030	-	20,009	-
Investments accounted for using equity method (Note 12)	109,657	1	112,871	1	107,339	1
Property, plant and equipment (Note 13)	3,972,495	27	3,986,175	27	3,429,174	28
Right-of-use assets (Note 14)	346,837	2	357,042	3	319,560	3
Other intangible assets (Note 15)	38,077	-	41,098	-	28,967	-
Deferred tax assets	53,413	-	57,493	-	44,454	-
Other non-current assets	66,381	1	75,304	1	71,159	-
Total non-current assets	4,722,852	32	4,751,777	33	4,114,069	33
TOTAL	\$ 14,560,810	100	\$ 14,589,477	100	\$ 12,307,887	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	\$ 1,596,295	11	\$ 1,328,070	9	\$ 908,823	7
Short-term bills payable (Note 16)	149,661	1	69,740	-	-	-
Contract liabilities - current (Notes 21 and 28)	1,105,992	8	420,025	3	19,112	-
Trade payables	1,801,578	12	2,655,491	18	2,834,597	23
Trade payables to related parties (Note 28)	76,107	1	86,319	1	64,409	1
Other payables (Note 18)	641,074	5	898,467	6	539,869	5
Current tax liabilities	178,205	1	136,533	1	29,010	-
Lease liabilities - current (Note 14)	42,825	-	44,518	-	23,491	-
Current portion of long-term borrowings (Note 16)	348,285	2	398,592	3	215,554	2
Other current liabilities	166,118	1	148,379	1	260,328	2
Total current liabilities	6,106,140	42	6,186,134	42	4,895,193	40
NON-CURRENT LIABILITIES						
Bonds payable (Note 17)	698,788	5	698,688	5	698,383	6
Long-term borrowings (Note 16)	1,360,267	10	1,333,583	9	612,734	5
Deferred tax liabilities	40,978	-	44,649	-	49,120	-
Lease liabilities - non-current (Note 14)	45,732	-	51,292	1	40,120	-
Net defined benefit liability - non-current	45,876	-	49,017	-	83,975	1
Other non-current liabilities	16,709	-	10,697	-	9,631	-
Total non-current liabilities	2,208,350	15	2,187,926	15	1,493,963	12
Total liabilities	8,314,490	57	8,374,060	57	6,389,156	52
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)						
Ordinary shares	3,752,084	26	3,752,084	26	3,752,084	30
Capital surplus	2,179,372	15	2,179,372	15	2,179,372	18
Retained earnings						
Legal reserve	295,992	2	295,992	2	612,916	5
Special reserve	230,859	1	230,859	1	230,859	2
Unappropriated earnings (accumulated deficit)	135,047	1	91,273	1	(397,334)	(3)
Total retained earnings	661,898	4	618,124	4	446,441	4
Other equity						
Exchange differences on translating the financial statements of foreign operations	(255,745)	(2)	(244,171)	(2)	(364,638)	(3)
Unrealized loss on financial assets at fair value through other comprehensive income	(81,717)	-	(80,339)	-	(85,572)	(1)
Total other equity	(337,462)	(2)	(324,510)	(2)	(450,210)	(4)
Total equity attributable to owners of the Company	6,255,892	43	6,225,070	43	5,927,687	48
NON-CONTROLLING INTERESTS (Note 20)	(9,572)	-	(9,653)	-	(8,956)	-
Total equity	6,246,320	43	6,215,417	43	5,918,731	48
TOTAL	\$ 14,560,810	100	\$ 14,589,477	100	\$ 12,307,887	100

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

(With Deloitte & Touche review report dated May 11, 2023)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	Three Months Ended March 31			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 21, 28 and 34)	\$ 2,779,899	100	\$ 2,969,109	100
OPERATING COSTS (Notes 10 and 28)	<u>2,118,775</u>	<u>76</u>	<u>2,631,475</u>	<u>89</u>
GROSS PROFIT	<u>661,124</u>	<u>24</u>	<u>337,634</u>	<u>11</u>
OPERATING EXPENSES				
Sales and marketing expenses	185,638	7	170,424	6
General and administration expenses	177,838	6	122,364	4
Research and development expenses	203,150	7	186,435	6
Excepted credit loss (gain)	<u>13,481</u>	<u>1</u>	<u>(107)</u>	<u>-</u>
Total operating expenses	<u>580,107</u>	<u>21</u>	<u>479,116</u>	<u>16</u>
PROFIT (LOSS) FROM OPERATIONS	<u>81,017</u>	<u>3</u>	<u>(141,482)</u>	<u>(5)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 22)	16,673	1	5,008	-
Other income (Note 22)	47,090	2	21,864	1
Other gains and losses (Note 22)	(17,894)	(1)	57,357	2
Finance costs (Note 22)	(27,603)	(1)	(13,229)	(1)
Share of profit or loss of associates (Note 12)	<u>1,390</u>	<u>-</u>	<u>(646)</u>	<u>-</u>
Total non-operating income and expenses	<u>19,656</u>	<u>1</u>	<u>70,354</u>	<u>2</u>
PROFIT (LOSS) BEFORE INCOME TAX	100,673	4	(71,128)	(3)
INCOME TAX EXPENSE (Note 23)	<u>(56,903)</u>	<u>(2)</u>	<u>(9,285)</u>	<u>-</u>
NET PROFIT (LOSS)	<u>43,770</u>	<u>2</u>	<u>(80,413)</u>	<u>(3)</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 20)	3,226	-	6,181	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Note 20)	(4,604)	-	(3,341)	-

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	Three Months Ended March 31			
	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 20)	\$ (11,489)	(1)	\$ 158,946	6
Total other comprehensive income	<u>(12,867)</u>	<u>(1)</u>	<u>161,786</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 30,903</u>	<u>1</u>	<u>\$ 81,373</u>	<u>3</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 43,774	2	\$ (80,410)	(3)
Non-controlling interests	<u>(4)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
	<u>\$ 43,770</u>	<u>2</u>	<u>\$ (80,413)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 30,822	1	\$ 81,658	3
Non-controlling interests	<u>81</u>	<u>-</u>	<u>(285)</u>	<u>-</u>
	<u>\$ 30,903</u>	<u>1</u>	<u>\$ 81,373</u>	<u>3</u>
EARNINGS (LOSS) PER SHARE (Note 24)				
Basic earnings per share	<u>\$ 0.12</u>		<u>\$ (0.21)</u>	
Diluted earnings per share	<u>\$ 0.12</u>			

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

(With Deloitte & Touche review report dated May 11, 2023)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company									
	Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity		Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings (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, JANUARY 1, 2022	\$ 3,752,084	\$ 2,179,372	\$ 612,916	\$ 230,859	\$ (316,924)	\$ (523,866)	\$ (88,412)	\$ 5,846,029	\$ (8,671)	\$ 5,837,358
Net loss for the three months ended March 31, 2022	-	-	-	-	(80,410)	-	-	(80,410)	(3)	(80,413)
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	159,228	2,840	162,068	(282)	161,786
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	(80,410)	159,228	2,840	81,658	(285)	81,373
BALANCE, MARCH 31, 2022	<u>\$ 3,752,084</u>	<u>\$ 2,179,372</u>	<u>\$ 612,916</u>	<u>\$ 230,859</u>	<u>\$ (397,334)</u>	<u>\$ (364,638)</u>	<u>\$ (85,572)</u>	<u>\$ 5,927,687</u>	<u>\$ (8,956)</u>	<u>\$ 5,918,731</u>
BALANCE, JANUARY 1, 2023	\$ 3,752,084	\$ 2,179,372	\$ 295,992	\$ 230,859	\$ 91,273	\$ (244,171)	\$ (80,339)	\$ 6,225,070	\$ (9,653)	\$ 6,215,417
Net income for the three months ended March 31, 2023	-	-	-	-	43,774	-	-	43,774	(4)	43,770
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	(11,574)	(1,378)	(12,952)	85	(12,867)
Total comprehensive (loss) income for the three months ended March 31, 2023	-	-	-	-	43,774	(11,574)	(1,378)	30,822	81	30,903
BALANCE, MARCH 31, 2023	<u>\$ 3,752,084</u>	<u>\$ 2,179,372</u>	<u>\$ 295,992</u>	<u>\$ 230,859</u>	<u>\$ 135,047</u>	<u>\$ (255,745)</u>	<u>\$ (81,717)</u>	<u>\$ 6,255,892</u>	<u>\$ (9,572)</u>	<u>\$ 6,246,320</u>

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

(With Deloitte & Touche review report dated May 11, 2023)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before tax	\$ 100,673	\$ (71,128)
Adjustments for:		
Depreciation expense	88,680	73,292
Amortization expense	4,173	3,398
Excepted credit loss recognized (reversed)	13,481	(107)
Finance costs	27,603	13,229
Interest income	(16,673)	(5,008)
Dividend income	(1,543)	-
Share of (profit) loss of associates	(1,390)	646
Loss on disposal of property, plant and equipment	-	328
Loss on disposal of intangible assets	-	1
Proceeds from disposal of non-current assets held for sale	-	(11,765)
Allowance for inventory valuation and obsolescence loss	19,338	27,108
Gain on lease modification	(256)	-
Net changes in operating assets and liabilities		
Notes receivables	9,429	8,069
Trade receivables	185	(70,771)
Trade receivables from related parties	(2,519)	-
Other receivables	13,433	(816)
Inventories	298,881	(157,934)
Other current assets	(14,137)	(7,511)
Other non-current assets	4,846	-
Contract liabilities	685,967	19,112
Trade payables	(853,913)	(366,083)
Trade payables to related parties	(10,212)	3,287
Other payables	(248,521)	(87,958)
Other current liabilities	17,739	(157,540)
Net defined benefit liability	(3,141)	(3,117)
Cash generated from (used in) operating activities	132,123	(791,268)
Interest received	20,557	15,219
Interest paid	(28,871)	(15,213)
Income tax paid	(14,822)	(199)
Net cash generated from (used in) operating activities	<u>108,987</u>	<u>(791,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at fair value through other comprehensive income	(21,000)	-
Purchase of financial assets at amortized cost	-	(500)
Proceeds from disposal of financial assets at amortized cost	-	949
Proceeds from disposal of non-current assets held for sale	-	257,048
Payments for property, plant and equipment	(62,742)	(120,415)
Proceeds from disposal of property, plant and equipment	83	201

(Continued)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2023	2022
Payments for intangible assets	\$ (1,156)	\$ (1,253)
Decrease in refundable deposits	852	125
Increase in prepayments for equipment	(6,040)	(10,962)
Dividends received	<u>1,543</u>	<u>-</u>
Net cash (used in) generated from investing activities	<u>(88,460)</u>	<u>125,193</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	273,722	-
Repayments of short-term borrowings	-	(64,980)
Proceeds from short-term bills payable	79,921	-
Proceeds from long-term borrowings	1,745,187	150,000
Repayments of long-term borrowings	(1,768,810)	(921,155)
Increase in guarantee deposits received	6,012	326
Repayment of the principal portion of lease liabilities	<u>(11,710)</u>	<u>(6,094)</u>
Net cash generated from (used in) financing activities	<u>324,322</u>	<u>(841,903)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(19,474)</u>	<u>70,640</u>
NET INCREASE IN (DECREASE) CASH AND CASH EQUIVALENTS	325,375	(1,437,531)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,990,883</u>	<u>3,590,920</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 3,316,258</u>	<u>\$ 2,153,389</u>

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

(With Deloitte & Touche review report dated May 11, 2023)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 11, 2023.

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

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

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

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

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

See Note 11, Table 7 and Table 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other material accounting policies

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

1) Retirement benefit costs

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

2) Other long-term employee benefits

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

3) Income tax expense

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand	\$ 2,820	\$ 2,285	\$ 2,618
Checking accounts and demand deposits	3,284,259	2,978,598	2,115,638
Cash equivalent (investments with original maturities of 3 months or less)			
Time deposits	<u>29,179</u>	<u>10,000</u>	<u>35,133</u>
	<u>\$ 3,316,258</u>	<u>\$ 2,990,883</u>	<u>\$ 2,153,389</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
Demand deposits and time deposits	0.001%-5.600%	0.001%-4.000%	0.001%-3.150%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Non-current</u>			
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)			
Domestic non-publicly trade equity investments	<u>\$ 123,992</u>	<u>\$ 99,764</u>	<u>\$ 93,407</u>

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

8. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ 556,912	\$ 540,572	\$ 231,895
Restricted bank deposits	<u>500</u>	<u>500</u>	<u>-</u>
	<u>\$ 557,412</u>	<u>\$ 541,072</u>	<u>\$ 231,895</u>

(Continued)

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Non-current</u>			
Restricted bank deposits	\$ 10,000	\$ 20,030	\$ 20,009
Court deposits	<u>2,000</u>	<u>2,000</u>	<u>-</u>
	<u>\$ 12,000</u>	<u>\$ 22,030</u>	<u>\$ 20,009</u>
			(Concluded)

The group offered the bank deposits of \$12,500 thousand, \$22,530 thousand and \$20,009 thousand as of March 31, 2023, December 31 and March 31, 2022, respectively as performance bonds for specific business projects, bank borrowings, domestic guaranteed corporate bonds and adoption of customs clearance, Release Before Duty. Please refer to Note 29.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 6,730	\$ 16,159	\$ 8,817
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,730</u>	<u>\$ 16,159</u>	<u>\$ 8,817</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount from unrelated parties	\$ 2,173,218	\$ 1,974,805	\$ 1,606,817
Gross carrying amount from related parties (Note 28)	2,519	-	-
Less: Allowance for impairment loss	<u>(16,635)</u>	<u>(3,672)</u>	<u>(2,944)</u>
	2,159,102	1,971,133	1,603,873
At FVTOCI	<u>495,002</u>	<u>693,600</u>	<u>696,194</u>
	<u>\$ 2,654,104</u>	<u>\$ 2,664,733</u>	<u>\$ 2,300,067</u>

a. Notes receivable

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

b. Trade receivable

1) Trade receivables at amortized cost

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

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

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

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

March 31, 2023

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00%-0.02%	0.00%-6.95%	2.97%-14.94%	0.00%-15.59%	8.01%-100.00%	
Gross carrying amount	\$ 1,690,652	\$ 312,770	\$ 57,048	\$ 90,084	\$ 22,664	\$ 2,173,218
Loss allowance (Lifetime ECL)	<u>(84)</u>	<u>(1,041)</u>	<u>(1,795)</u>	<u>(10,204)</u>	<u>(3,511)</u>	<u>(16,635)</u>
Amortized cost	<u>\$ 1,690,568</u>	<u>\$ 311,729</u>	<u>\$ 55,253</u>	<u>\$ 79,880</u>	<u>\$ 19,153</u>	<u>\$ 2,156,583</u>

December 31, 2022

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00%-0.01%	0.00%-7.11%	2.90%	6.02%-16.95%	15.01%-100.00%	
Gross carrying amount	\$ 1,604,680	\$ 356,333	\$ 4,801	\$ 7,468	\$ 1,523	\$ 1,974,805
Loss allowance (Lifetime ECL)	<u>(122)</u>	<u>(848)</u>	<u>(139)</u>	<u>(1,248)</u>	<u>(1,315)</u>	<u>(3,672)</u>
Amortized cost	<u>\$ 1,604,558</u>	<u>\$ 355,485</u>	<u>\$ 4,662</u>	<u>\$ 6,220</u>	<u>\$ 208</u>	<u>\$ 1,971,133</u>

March 31, 2022

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00%-0.24%	0.11%-2.92%	3.70%-12.92%	4.39%-21.19%	100.00%	
Gross carrying amount	\$ 1,437,052	\$ 160,852	\$ 3,303	\$ 4,594	\$ 1,016	\$ 1,606,817
Loss allowance (Lifetime ECL)	<u>(90)</u>	<u>(1,268)</u>	<u>(280)</u>	<u>(290)</u>	<u>(1,016)</u>	<u>(2,944)</u>
Amortized cost	<u>\$ 1,436,962</u>	<u>\$ 159,584</u>	<u>\$ 3,023</u>	<u>\$ 4,304</u>	<u>\$ -</u>	<u>\$ 1,603,873</u>

The above aging schedule was based on overdue days.

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

	For the Three Months Ended March 31	
	2023	2022
Balance at January 1, 2023	\$ 3,672	\$ 3,009
Add (less): Net remeasurement of loss allowance	13,481	(107)
Less: Amounts written off	(470)	-
Foreign exchange gains and losses	<u>(48)</u>	<u>42</u>
Balance at March 31, 2023	<u>\$ 16,635</u>	<u>\$ 2,944</u>

2) Trade receivables at FVTOCI

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

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

March 31, 2023

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%	0%	0%	-	0%	
Gross carrying amount	\$ 494,404	\$ 561	\$ 4	\$ -	\$ 33	\$ 495,002
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 494,404</u>	<u>\$ 561</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 33</u>	<u>\$ 495,002</u>

December 31, 2022

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

March 31, 2022

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%	0%	0%	-	-	
Gross carrying amount	\$ 688,396	\$ 5,083	\$ 2,715	\$ -	\$ -	\$ 696,194
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 688,396</u>	<u>\$ 5,083</u>	<u>\$ 2,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 696,194</u>

Information related to the trade receivables factoring of the Group is as follows:

Counterparty	Beginning Balance Amount	Amount of Factoring for the Current Period	Cash Received in the Current Period	Amount of Factoring at the End of the Period	Advances as of the End of the Period	Annual Rate of Interest of Advances (%)	Retention for Receivable Factoring	Limit	Collaterals
<u>December 31, 2022</u>									
Citi Bank	<u>\$ 1,482</u> (Note 1)	<u>\$ 2,369,929</u> (Note 2)	<u>\$ 2,371,411</u> (Note 3)	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	-	-
<u>March 31, 2022</u>									
Citi Bank	<u>\$ 1,482</u> (Note 1)	<u>\$ 222,756</u> (Note 4)	<u>\$ 224,238</u> (Note 5)	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	-	-

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

Note 1: US\$53,588.

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

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

Note 4: US\$7,799,573.

Note 5: US\$7,853,161.

10. INVENTORIES

	March 31, 2023	December 31, 2022	March 31, 2022
Raw materials	\$ 1,231,070	\$ 1,392,285	\$ 1,423,327
Work-in-process	399,657	391,007	441,800
Finished goods	<u>1,347,634</u>	<u>1,513,288</u>	<u>1,470,131</u>
	<u>\$ 2,978,361</u>	<u>\$ 3,296,580</u>	<u>\$ 3,335,258</u>

For the three months ended March 31, 2023 and 2022, the cost of inventories recognized as cost of goods sold was \$2,118,775 thousand and \$2,631,475 thousand, respectively. Write-down of inventories to net realizable value of \$19,338 thousand and \$27,108 thousand were respectively included in the cost of goods sold during reporting period in 2023 and 2022.

11. SUBSIDIARIES

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

Note 1: In response to the operating requirements of the Group, in December 2021, the board of directors of Phihong approved the resolution for the capital reduction of PHI in the amount of US\$8,640 thousand. After the capital reduction, the capital of PHI became \$3,209,288 thousand (or US\$102,421 thousand); the base date for the capital reduction was January 6, 2022. The above capital reduction has been approved on April 14, 2022.

Note 2: In response to the operating requirements of the Group, in December 2021, the board of directors of Phihong approved the resolution for the capital injection of PHP through PHK in the amount of US\$8,640 thousand. The capital increase was completed in March 2022.

Note 3: With the resolution made by the board of directors on January 20, 2022, Phihong established the subsidiary Phehicle Co., Ltd. with a registered capital of \$1,000 thousand, of which Phihong holds 100% of the shares. For reorganization and specialization, the shareholders of Phihong resolved in their meeting on June 8, 2022 to split and transfer the EV energy business to Phehicle Co., Ltd., and to change Phehicle’s name to Zerova Technologies Taiwan Limited. The approval letter was obtained on June 20, 2022, and the alteration registration was completed at the same date. Phihong split and transferred its EV energy business to ZTM on September 1, 2022 (base date of the division). Phihong transferred the EV energy business (including assets and liabilities), valued at its net book value, to ZTM Company in exchange for 59,900 thousand new shares with a par value of \$10 per share, for a total of \$599,000 thousand. The approval letter was obtained on October 12, 2022, and the alteration registration was completed at the same date.

Note 4: ZKH was established in March 2022 and registered in the Cayman Islands with a registered capital of US\$12,000 thousand and Phihong holds 100% of the shares. As of March 31, 2023, Phihong has invested \$365,580 thousand (or US\$12,000 thousand).

Note 5: ZNS was established in June 2022 and registered in the Netherlands and ZKH holds 100% of the shares. As of March 31, 2023, ZKH has invested \$3 thousand (or EUR100).

Note 6: ZSH was established in July 2022 and registered in Singapore with a registered capital of US\$11,900 thousand and ZKH holds 100% of the shares. As of March 31, 2023, ZKH has invested \$327,964 thousand (or US\$11,900 thousand).

Note 7: ZCM was established in August 2022 and registered in China with a registered capital of US\$20,000 thousand and ZSH holds 100% of the shares. As of March 31, 2023, ZSH has invested \$28,942 thousand (or US\$950 thousand).

Note 8: ZCS was established in August 2022 and registered in China with a registered capital of US\$900 thousand and ZSH holds 100% of the shares. As of March 31, 2023, ZSH has invested \$6,430 thousand (or US\$200 thousand).

Note 9: ZJS was established in September 2022 and registered in Japan with a registered capital of JPY80,000 thousand and ZSH holds 100% of the shares. As of March 31, 2023, ZSH has invested \$16,848 thousand (or JPY80,000 thousand).

Note 10: ZAH was established in July 2022 and registered in the United States with a registered capital of US\$1,050 thousand and ZSH holds 100% of the shares. As of March 31, 2023, ZSH has invested \$32,692 thousand (or US\$1,050 thousand).

Note 11: ZAS was established in the United States in July 2022 and ZAH holds 100% of the shares.

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

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	March 31, 2023	December 31, 2022	March 31, 2022
Associates that are not individually material	<u>\$ 109,657</u>	<u>\$ 112,871</u>	<u>\$ 107,339</u>

Aggregate information of associates that are not individually material:

	For the Three Months Ended March 31	
	2023	2022
The Group's share of:		
Net profit (loss) for the reporting period	\$ 1,390	\$ (646)
Other comprehensive loss	<u>(4,604)</u>	<u>(3,341)</u>
Total comprehensive loss for the year	<u>\$ (3,214)</u>	<u>\$ (3,987)</u>

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 547,188	\$ 3,366,507	\$ 2,470,190	\$ 692,500	\$ 429,822	\$ 7,506,207
Additions	-	5,359	12,976	7,366	32,660	58,361
Disposals	-	-	(18,671)	(260)	-	(18,931)
Effects of foreign currency exchange differences	(57)	(2,654)	3,404	883	1,148	2,724
Reclassification	-	-	6,974	2,131	(2,294)	6,811
Balance at March 31, 2023	<u>\$ 547,131</u>	<u>\$ 3,369,212</u>	<u>\$ 2,474,873</u>	<u>\$ 702,620</u>	<u>\$ 461,336</u>	<u>\$ 7,555,172</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	\$ 990,550	\$ 1,953,366	\$ 576,116	\$ -	\$ 3,520,032
Disposals	-	-	(18,588)	(260)	-	(18,848)
Depreciation expenses	-	26,690	36,736	12,264	-	75,690
Effects of foreign currency exchange differences	-	1,987	3,115	701	-	5,803
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ 1,019,227</u>	<u>\$ 1,974,629</u>	<u>\$ 588,821</u>	<u>\$ -</u>	<u>\$ 3,582,677</u>
Carrying amounts at December 31, 2022 and January 1, 2023	<u>\$ 547,188</u>	<u>\$ 2,375,957</u>	<u>\$ 516,824</u>	<u>\$ 116,384</u>	<u>\$ 429,822</u>	<u>\$ 3,986,175</u>
Carrying amounts at March 31, 2023	<u>\$ 547,131</u>	<u>\$ 2,349,985</u>	<u>\$ 500,244</u>	<u>\$ 113,799</u>	<u>\$ 461,336</u>	<u>\$ 3,972,495</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 521,412	\$ 2,428,902	\$ 2,353,841	\$ 673,319	\$ 626,613	\$ 6,604,087
Additions	-	5,256	39,721	3,303	89,154	137,434
Disposals	-	(112)	(12,438)	(6,021)	-	(18,571)
Effects of foreign currency exchange differences	958	60,893	60,151	9,018	23,636	154,656
Reclassification	-	1,698	13,956	210	(1,698)	14,166
Balance at March 31, 2022	<u>\$ 522,370</u>	<u>\$ 2,496,637</u>	<u>\$ 2,455,231</u>	<u>\$ 679,829</u>	<u>\$ 737,705</u>	<u>\$ 6,891,772</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 902,028	\$ 1,901,348	\$ 538,124	\$ -	\$ 3,341,500
Disposals	-	(112)	(12,099)	(5,831)	-	(18,042)
Depreciation expenses	-	19,990	33,299	12,520	-	65,809
Effects of foreign currency exchange differences	-	21,894	45,091	6,346	-	73,331
Balance at March 31, 2022	<u>\$ -</u>	<u>\$ 943,800</u>	<u>\$ 1,967,639</u>	<u>\$ 551,159</u>	<u>\$ -</u>	<u>\$ 3,462,598</u>
Carrying amounts at March 31, 2022	<u>\$ 522,370</u>	<u>\$ 1,552,837</u>	<u>\$ 487,592</u>	<u>\$ 128,670</u>	<u>\$ 737,705</u>	<u>\$ 3,429,174</u>

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

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

Property, plant and equipment pledged by the Group as collateral for long-term borrowings are set out in Note 29.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Carrying amount</u>			
Land (including land use rights)	\$ 288,553	\$ 287,488	\$ 280,026
Buildings	34,260	40,774	7,560
Machinery	16,493	20,173	25,847
Transportation equipment	7,250	8,278	4,999
Other Equipment	<u>281</u>	<u>329</u>	<u>1,128</u>
	<u>\$ 346,837</u>	<u>\$ 357,042</u>	<u>\$ 319,560</u>
		For the Three Months Ended March 31	
		2023	2022
Additions to right-of-use assets		<u>\$ 28,003</u>	<u>\$ 22,691</u>
Depreciation charge for right-of-use assets			
Land (including land use rights)		\$ 2,927	\$ 2,397
Buildings		5,200	1,017
Machinery		3,782	3,172
Transportation equipment		1,029	657
Other equipment		<u>52</u>	<u>240</u>
		<u>\$ 12,990</u>	<u>\$ 7,483</u>

b. Lease liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Carrying amount</u>			
Current	<u>\$ 42,825</u>	<u>\$ 44,518</u>	<u>\$ 23,491</u>
Non-current	<u>\$ 45,732</u>	<u>\$ 51,292</u>	<u>\$ 40,120</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Land	1.200%-1.250%	1.200%-1.250%	1.200%-1.250%
Buildings	1.030%-6.000%	1.030%-4.875%	1.030%-4.875%
Machinery	4.000%	4.000%	4.000%
Transportation equipment	1.155%-5.007%	1.155%-5.007%	1.155%-4.000%
Other Equipment	1.030%-1.155%	1.030%-1.155%	1.030%-1.155%

c. Material lease-in activities and terms

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

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

d. Other lease information

	For the Three Months Ended March 31	
	2023	2022
Expenses relating to short-term leases	<u>\$ 2,222</u>	<u>\$ 1,897</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 260</u>	<u>\$ 143</u>
Total cash outflow for leases	<u>\$ (14,192)</u>	<u>\$ (8,134)</u>

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

15. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2023	\$ 139,513
Additions	1,156
Disposals	(10)
Effects of foreign currency exchange differences	<u>28</u>
Balance at March 31, 2023	<u>\$ 140,687</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2023	\$ 98,415
Amortization expense	4,173
Disposals	(10)
Effects of foreign currency exchange differences	<u>32</u>
Balance at March 31, 2023	<u>\$ 102,610</u>
Carrying amounts at December 31, 2022 and January 1, 2023	<u>\$ 41,098</u>
Carrying amounts at March 31, 2023	<u>\$ 38,077</u>

(Continued)

	Computer Software
<u>Cost</u>	
Balance at January 1, 2022	\$ 124,250
Additions	1,253
Reclassified	172
Disposals	(6)
Effects of foreign currency exchange differences	<u>1,364</u>
Balance at March 31, 2022	<u>\$ 127,033</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 93,710
Amortization expense	3,398
Disposals	(5)
Effects of foreign currency exchange differences	<u>963</u>
Balance at March 31, 2022	<u>\$ 98,066</u>
Carrying amount at March 31, 2022	<u>\$ 28,967</u> (Concluded)

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

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Unsecured borrowings</u>			
Phihong	\$ 460,000	\$ 832,900	\$ 571,200
PHV	<u>490,819</u>	<u>495,170</u>	<u>188,912</u>
	<u>950,819</u>	<u>1,328,070</u>	<u>760,112</u>
<u>Secured borrowings</u>			
PHC	<u>645,476</u>	<u>-</u>	<u>148,711</u>
	<u>\$ 1,596,295</u>	<u>\$ 1,328,070</u>	<u>\$ 908,823</u>
The range of interest rates	1.907%-6.350%	1.700%-6.350%	0.870%-1.390%

b. Short-term bills payable

	March 31, 2023	December 31, 2022	March 31, 2022
Commercial paper	\$ 150,000	\$ 70,000	\$ -
Less: Unamortized discounts on bills payable	<u>(339)</u>	<u>(260)</u>	<u>-</u>
	<u>\$ 149,661</u>	<u>\$ 69,740</u>	<u>\$ -</u>

The undue short-term bills payable are as follows:

March 31, 2023

Issuing and Paying Agent (IPA)	Face Value	Discount Amount	Carrying Amount	Interest Rate Range
<u>Commercial paper payable</u>				
IBFC bills	<u>\$ 80,000</u>	<u>\$ 150</u>	<u>\$ 79,850</u>	1.80%
MEGA bills	<u>\$ 70,000</u>	<u>\$ 189</u>	<u>\$ 69,811</u>	1.72%

December 31, 2022

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

c. Long-term borrowings

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Unsecured borrowings</u>			
Phihong	\$ 960,550	\$ 980,150	\$ 375,320
<u>Secured borrowings</u>			
Phihong	598,002	752,025	453,126
ZTM	150,000	-	-
Less: Discount	-	-	(158)
Long-term loans payable - current portion	<u>(348,285)</u>	<u>(398,592)</u>	<u>(215,554)</u>
	<u>\$ 1,360,267</u>	<u>\$ 1,333,583</u>	<u>\$ 612,734</u>
The range of interest rates	1.8000% - 2.9234%	1.2740% - 2.5450%	1.2740% - 1.9878%

- 1) On March 31, 2023, December 31 and March 31, 2022, Phihong had the short-term bank borrowings with contract terms from January 7, 2023 to June 19, 2023, October 11, 2022 to March 21, 2023 and March 1, 2022 to May 9, 2022, respectively, with and the interest is paid on a monthly.
- 2) On March 31, 2023, December 31 and March 31, 2022, PHV Company had the short-term bank borrowings with contract terms from May 10, 2022 to October 10, 2023, May 10, 2022 to October 10, 2023 and July 12, 2021 to August 3, 2022, respectively, with and the interest is paid on a monthly.
- 3) On March 31, 2023, December 31 and March 31, 2022, PHC Company had the short-term bank borrowings with contract terms from February 7, 2023 to August 4, 2023, December 27, 2021 to June 24, 2022 and December 27, 2021 to June 24, 2022, respectively, with interest upon expiry.
- 4) On March 31, 2023, December 31 and March 31, 2022, Phihong had the long-term bank borrowings with contract terms from August 17, 2020 to April 7, 2036, March 20, 2020 to April 7, 2036 and August 22, 2019 to April 7, 2036, respectively, with and the interest is paid on a monthly.
- 5) On March 31, 2023, ZTM Company had the long-term bank borrowings with contract terms from January 10, 2023 to April 7, 2023 with and the interest is paid on a monthly.
- 6) Phihong signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank and co-sponsored by Yuanta Commercial Bank and Hua Nan Commercial Bank, along with 7 other banks in the agreement, on April 30, 2019. The contract period is 3 years with the total credit limit of NT\$1 billion, including NT\$450 million of item A loan limit and NT\$550 million for item B loan limit, which will be used by Phihong to support the factory investment plan of PHV and enrich the group operating turnover fund. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, Phihong shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial report certified by CPAs. The ratios are reviewed on a semi-annual basis):
 - a) The current ratio (current assets/current liabilities) shall not be less than 100%.
 - b) The net debt ratio (total debt/net tangible value) shall not be higher than 150%.
 - c) The interest protection multiples [(pre-tax profit + Depreciation + Amortization + Interest expense)/Interest expense] shall be maintained at more than two times (inclusive).
 - d) Net tangible value (net value minus intangible assets) shall not be less than NT\$4.5 billion.

For information on pledged properties and endorsements/guarantees, refer to Notes 28 and 29.

- 7) On December 15, 2021, Phihong applied to extend the credit line of the loan agreement, which was signed on April 30, 2019, from July 30, 2022 to July 30, 2024. The application has been approved by the participating banks. The financial ratios and requirements above are reviewed based on the annual and semi-annual consolidated financial statements audited by the independent auditors, who the loan arranger recognized.

- 8) As of December 31, 2021, the amount drawn down from the syndicated loan was \$882,500 thousand, and Phihong failed to comply with the requirement regarding the times interest earned ratio. Therefore, the period within the announcement dates of the second quarterly and annual consolidated financial statements in 2021 was seen as the improvement period. During the period, the violation regarding the requirement of the ratio above was not deemed as a default. In addition, Phihong has paid the loan arranger service charges at the annual rate of 0.1% of the unused credit line, based on the loan contract. However, on December 30, 2021, Phihong has applied for exemption from the violation regarding the requirement of the ratios by reviewing the figures of the consolidated financial statements for the year ended 2021 and received the approval of the participating banks on March 1, 2022.

17. BONDS PAYABLE

	March 31, 2023	December 31, 2022	March 31, 2022
Secured domestic bonds	<u>\$ 698,788</u>	<u>\$ 698,688</u>	<u>\$ 698,383</u>

Secured Domestic Bonds

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

For information on pledged properties and endorsements/guarantees, refer to Notes 28 and 29.

18. OTHER PAYABLES

	March 31, 2023	December 31, 2022	March 31, 2022
Other payables			
Payables for salaries and bonuses	\$ 155,536	\$ 271,580	\$ 158,082
Payables for annual leave	67,464	65,818	53,321
Payables for purchases of equipment	19,187	26,683	28,492
Employee compensation payable	19,003	13,462	-
Director compensation payable	3,801	2,692	-
Others	<u>376,083</u>	<u>518,232</u>	<u>299,974</u>
	<u>\$ 641,074</u>	<u>\$ 898,467</u>	<u>\$ 539,869</u>

19. RETIREMENT BENEFIT PLANS

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

20. EQUITY

a. Share capital

	March 31, 2023	December 31, 2022	March 31, 2022
Number of shares authorized (in thousands of shares)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>375,208</u>	<u>375,208</u>	<u>375,208</u>
Shares issued and fully paid	<u>\$ 3,752,084</u>	<u>\$ 3,752,084</u>	<u>\$ 3,752,084</u>

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

Considering the long-term cooperation with strategic investors, improvement in financial structure and enhancement of operational efficiency, the Company held the special meeting of shareholders for the private placement of its ordinary shares on December 16, 2021. In the meeting, the shareholders of the Company resolved the proposal and authorized the board of the directors to carry out the non-public offering twice, of which the shares to be issued should not exceed 37,520 thousand shares in total, within one year from the resolution date of the special meeting of shareholders.

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

b. Capital surplus

	March 31, 2023	December 31, 2022	March 31, 2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital			
Issuance of common shares	\$ 1,379,472	\$ 1,379,472	\$ 1,379,472
Conversion of bonds	667,058	667,058	667,058
Treasury share transactions	48,234	48,234	48,234
Interest payable on bond conversion	13,243	13,243	13,243
<u>May be used to offset a deficit only</u>			
Treasury share transactions	<u>71,365</u>	<u>71,365</u>	<u>71,365</u>
	<u>\$ 2,179,372</u>	<u>\$ 2,179,372</u>	<u>\$ 2,179,372</u>

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

c. Retained earnings and dividend policy

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

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

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

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

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

The distribution for 2022 is pending resolution at the general meeting of shareholders to be held in June 9, 2023.

d. Special reserves

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

e. Other equity items

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

	For the Three Months Ended March 31	
	2023	2022
Balance at January 1	\$ (244,171)	\$ (523,866)
Exchange differences on the translation of the financial statements of foreign operations	<u>(11,574)</u>	<u>159,228</u>
Balance at March 31	<u>\$ (255,745)</u>	<u>\$ (364,638)</u>

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

	For the Three Months Ended March 31	
	2023	2022
Balance at January 1	\$ (80,339)	\$ (88,412)
Unrealized gain (loss) - equity instruments	3,226	6,181
Share from associates accounted for using the equity method	<u>(4,604)</u>	<u>(3,341)</u>
Balance at March 31	<u>\$ (81,717)</u>	<u>\$ (85,572)</u>

3) Non-controlling Interests

	For the Three Months Ended March 31	
	2023	2022
Balance at January 1	\$ (9,653)	\$ (8,671)
Attributable to non-controlling interests:		
Share of loss for the period	(4)	(3)
Exchange differences on translation the financial statements of foreign entities	<u>85</u>	<u>(282)</u>
Balance at March 31	<u>\$ (9,572)</u>	<u>\$ (8,956)</u>

21. REVENUE

	For the Three Months Ended March 31	
	2023	2022
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 2,799,899	\$ 2,946,555
Other operating revenue		
Other revenue	<u>-</u>	<u>22,554</u>
	<u>\$ 2,799,899</u>	<u>\$ 2,969,109</u>

Contract balances

	March 31	
	2023	2022
Contract liabilities		
Contract liabilities - current	<u>\$ 1,105,992</u>	<u>\$ 19,112</u>

22. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended March 31	
	2023	2022
Bank deposits	\$ 16,673	\$ 4,823
Others	<u>-</u>	<u>185</u>
	<u>\$ 16,673</u>	<u>\$ 5,008</u>

b. Other income

	For the Three Months Ended March 31	
	2023	2022
Sample revenue	\$ 15,767	\$ 15,680
Dividend income	1,543	-
Others (Note 28)	<u>29,780</u>	<u>6,184</u>
	<u>\$ 47,090</u>	<u>\$ 21,864</u>

c. Other gains and (losses)

	For the Three Months Ended March 31	
	2023	2022
Net foreign exchange (losses) gains	\$ (16,809)	\$ 47,873
Loss on disposal of property, plant and equipment	-	(328)
Gain on lease modification	256	-
Gain on disposal of non-current assets held for sale	-	11,765
Others	<u>(1,341)</u>	<u>(1,953)</u>
	<u>\$ (17,894)</u>	<u>\$ 57,357</u>

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2023	2022
Property, plant and equipment	\$ 75,690	\$ 65,809
Right-of-use assets	12,990	7,483
Computer software	<u>4,173</u>	<u>3,398</u>
	<u>\$ 92,853</u>	<u>\$ 76,690</u>
 An analysis of depreciation by function		
Operating costs	\$ 40,703	\$ 34,112
Operating expenses	<u>47,977</u>	<u>39,180</u>
	<u>\$ 88,680</u>	<u>\$ 73,292</u>
 An analysis of amortization by function		
Operating costs	\$ 1,150	\$ 1,033
Operating expenses	<u>3,023</u>	<u>2,365</u>
	<u>\$ 4,173</u>	<u>\$ 3,398</u>

e. Finance costs

	For the Three Months Ended March 31	
	2023	2022
Bank loans interest	\$ 22,688	\$ 8,209
Bonds payable interest	2,646	1,082
Lease liabilities interest	829	454
Interest on the disposal of trade receivables	-	967
Other finance costs	<u>1,440</u>	<u>2,517</u>
	<u>\$ 27,603</u>	<u>\$ 13,229</u>

f. Employee benefits expense

	For the Three Months Ended March 31	
	2023	2022
Short-term employee benefits	\$ 590,711	\$ 588,726
Post-employment benefits (Note 19)		
Defined contribution plans	10,901	8,479
Defined benefit plans	<u>159</u>	<u>184</u>
	<u>\$ 601,771</u>	<u>\$ 597,389</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 267,345	\$ 347,820
Operating expenses	<u>334,426</u>	<u>249,569</u>
	<u>\$ 601,771</u>	<u>\$ 597,389</u>

g. Employees' compensation and remuneration to directors

Phihong accrued employees' compensation and remuneration of directors at the rates no less than 10% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The compensation of employees and the remuneration of directors for the three months ended March 31, 2023 and 2022 are as follows:

Accrual rate

	For the Three Months Ended March 31	
	2023	2022
Compensation of employees	10%	-
Remuneration of directors	2%	-

Amount

	For the Three Months Ended March 31	
	2023	2022
Compensation of employees	\$ 5,541	\$ -
Remuneration of directors	1,109	-

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

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

	2022
Compensation of employees	\$ 13,462
Remuneration of directors	2,692

Because of the Company had loss after tax in 2021, therefore the appropriations of employees' compensation and remuneration of directors were not be appropriated.

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

h. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2023	2022
Foreign exchange gains	\$ 78,160	\$ 59,750
Foreign exchange losses	<u>(94,969)</u>	<u>(11,877)</u>
Net (losses) gains	<u>\$ (16,809)</u>	<u>\$ 47,873</u>

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended March 31	
	2023	2022
Current tax		
In respect of the current period	\$ 56,261	\$ 8,025
Adjustments for prior year	<u>232</u>	<u>-</u>
	56,493	8,025
Deferred tax		
In respect of the current period	<u>410</u>	<u>1,260</u>
Income tax expense recognized in profit or loss	<u>\$ 56,903</u>	<u>\$ 9,285</u>

- b. Income tax assessments

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

24. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2023	2022
Basic earnings (loss) per share	<u>\$ 0.12</u>	<u>\$ (0.21)</u>
Diluted earnings per share	<u>\$ 0.12</u>	

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

Net Profit (Loss) for the Period

	For the Three Months Ended March 31	
	2023	2022
Profit (loss) used in the computation of basic earnings (loss) per share	<u>\$ 43,774</u>	<u>\$ (80,410)</u>
Profit used in the computation of diluted earnings per share	<u>\$ 43,774</u>	

Ordinary Shares Outstanding

	Unit: In Thousands of Shares	
	For the Three Months Ended March 31	
	2023	2022
Weighted average number of ordinary shares used in computation of basic earnings (loss) per share	375,208	<u>375,208</u>
Effect of potentially dilutive ordinary shares		
Employee compensation	<u>278</u>	
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>375,486</u>	

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. GOVERNMENT GRANTS

PHC received \$4,057 thousand in government grants for acquiring energy-saving equipment in 2022. Such amounts have been deducted from the carrying amounts of the relevant assets while recognized in profit or loss within the useful lives of the assets by reducing the depreciation expenses. For the Three Months Ended March 31, 2023, the depreciation expenses decreased by \$522 thousand.

26. CAPITAL MANAGEMENT

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

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

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

27. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

March 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>123,992</u>	\$ <u>123,992</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investment in equity instruments at FVTOCI				
Unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>99,764</u>	\$ <u>99,764</u>

March 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>93,407</u>	\$ <u>93,407</u>

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Financial assets</u>			
Balance at January 1, 2023	\$ 99,764	\$ 87,226	\$ 87,226
Recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOCI)	3,226	(862)	6,181
Additions	21,000	16,104	-
Repayment from capital reduction	-	(2,704)	-
Effect of foreign currency exchange differences	<u>2</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2023	\$ <u>123,992</u>	\$ <u>99,764</u>	\$ <u>93,407</u>

b. Categories of financial instruments

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 6,601,460	\$ 6,308,002	\$ 4,749,921
Financial assets at FVTOCI			
Equity instruments	123,992	99,764	93,407

Financial liabilities

Financial liabilities at amortized cost (2)	7,883,313	7,995,482	5,966,723
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- 1) The balances included cash and cash equivalents, financial assets measured at amortized cost, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties and refundable deposits.
- 2) The balances included short-term borrowings, short bills payable, contract liabilities, trade payables, trade payables to related parties, other payables, bonds payable, long-term borrowings, lease liabilities and guarantee deposits received.

c. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

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

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

	For the Three Months Ended	
	March 31	
	2023	2022
USD	\$ 20,017	\$ 2,171
RMB	25	35
VND	4,102	2,769

b) Interest rate risk

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
Fair value interest rate risk			
Financial liabilities	\$ 2,042,483	\$ 2,197,138	\$ 910,705
Cash flow interest rate risk			
Financial liabilities	2,199,370	1,727,345	1,588,400

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2023 and 2022, the Group had available unutilized bank loan facilities set out in (b) below.

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

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

March 31, 2023

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,641,460	\$ -	\$ -	\$ 3,641,460
Lease liabilities	42,825	28,940	16,792	88,557
Variable interest rate instrument	1,683,104	363,883	152,383	2,199,370
Fixed interest rate instrument	<u>411,138</u>	<u>844,000</u>	<u>698,788</u>	<u>1,953,926</u>
	<u>\$ 5,778,527</u>	<u>\$ 1,236,823</u>	<u>\$ 867,963</u>	<u>\$ 7,883,313</u>

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

	Less than 1 Year	1 to 5 Years	5 to 10 Years
Lease liabilities	<u>\$ 42,825</u>	<u>\$ 36,139</u>	<u>\$ 9,593</u>

December 31, 2022

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 4,070,999	\$ -	\$ -	\$ 4,070,999
Lease liabilities	44,518	35,668	15,624	95,810
Variable interest rate instrument	1,061,762	509,483	156,100	1,727,345
Fixed interest rate instrument	<u>734,640</u>	<u>668,000</u>	<u>698,688</u>	<u>2,101,328</u>
	<u>\$ 5,911,919</u>	<u>\$ 1,213,151</u>	<u>\$ 870,412</u>	<u>\$ 7,995,482</u>

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

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

March 31, 2022

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,467,618	\$ -	\$ -	\$ 3,467,618
Lease liabilities	23,491	25,954	14,166	63,611
Variable interest rate instrument	975,666	445,483	167,251	1,588,400
Fixed interest rate instrument	<u>148,711</u>	<u>-</u>	<u>698,383</u>	<u>847,094</u>
	<u>\$ 4,615,486</u>	<u>\$ 471,437</u>	<u>\$ 879,800</u>	<u>\$ 5,966,723</u>

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

	Less than 1 Year	1 to 5 Years	5 to 10 Years
Lease liabilities	<u>\$ 23,491</u>	<u>\$ 32,797</u>	<u>\$ 7,323</u>

b) Financing facilities

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured bank facilities:			
Amount used	\$ 1,971,247	\$ 2,377,690	\$ 1,175,106
Amount unused	<u>2,098,408</u>	<u>1,578,635</u>	<u>2,139,914</u>
	<u>\$ 4,069,655</u>	<u>\$ 3,956,325</u>	<u>\$ 3,315,020</u>
Secured bank facilities:			
Amount used	\$ 1,373,274	\$ 721,760	\$ 601,837
Amount unused	<u>1,093,940</u>	<u>1,141,700</u>	<u>1,279,757</u>
	<u>\$ 2,467,214</u>	<u>\$ 1,863,460</u>	<u>\$ 1,881,594</u>

28. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

Related Party	Relationship with the Group
Heng Hui Co., Ltd.	Related party
Dongguan Song Xiang Metal Products Co., Ltd.	Related party
Dongguan Quan Hong Metal Products Co., Ltd.	Related party
Hua Jung Co., Ltd.	Related party
TCC Energy Storage Technology Corporation	Related party
Spring City Resort Co., Ltd.	Associates
Peter Lin	Phihong's chairman
Kevin Lin	Related party

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

b. Trading transactions

Item	Related Party Category	For the Three Months Ended March 31	
		2023	2022
Operating revenue	Related party	<u>\$ 294</u>	<u>\$ -</u>
Operating costs	Related party	<u>\$ 30,339</u>	<u>\$ 37,408</u>

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

c. Contract liabilities

Related Party Category	March 31, 2023	December 31, 2022	March 31, 2022
Related party	<u>\$ 18,247</u>	<u>\$ 20,526</u>	<u>\$ -</u>

d. Receivables from related parties

Item	Related Party Category	March 31, 2023	December 31, 2022	March 31, 2022
Trade receivables	Related party	<u>\$ 2,519</u>	<u>\$ -</u>	<u>\$ -</u>
Other receivables	Related party	<u>\$ 3,654</u>	<u>\$ 3,654</u>	<u>\$ -</u>

e. Payables to related parties

Item	Related Party Category	March 31, 2023	December 31, 2022	March 31, 2022
Trade payables	Related party	<u>\$ 76,107</u>	<u>\$ 86,319</u>	<u>\$ 64,409</u>

f. Operating expenses

Item	Related Party Category	For the Three Months Ended March 31	
		2023	2022
Operating expenses	Related party	<u>\$ 7,360</u>	<u>\$ 1,617</u>

g. Remuneration of key management personnel

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

	For the Three Months Ended March 31	
	2023	2022
Short-term benefits	\$ 8,028	\$ 6,994
Post-employment benefits	<u>81</u>	<u>108</u>
	<u>\$ 8,109</u>	<u>\$ 7,102</u>

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

h. Other transactions with related parties

Phihong's chairman served as the joint guarantor for Phihong's short-term borrowings, short bills payable, bonds payable and long-term borrowings. As of March 31, 2023, December 31, 2022 and March 31, 2022, the amounts of the guarantees were \$3,017,000 thousand, \$3,333,504 thousand and \$2,097,871 thousand, respectively.

i. Others

Item	Related Party Category	For the Three Months Ended March 31	
		2023	2022
Non-operating income	Related party	\$ <u>20</u>	\$ <u>-</u>

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets at amortized cost - current (Note 8)	\$ 500	\$ 500	\$ -
Financial assets at amortized cost - non-current (Note 8)	12,000	22,030	20,009
Freehold land	463,345	463,345	463,345
Right-of-use assets - land use right	68,666	67,404	37,235
Buildings	<u>445,049</u>	<u>423,816</u>	<u>480,991</u>
	\$ <u>989,560</u>	\$ <u>977,095</u>	\$ <u>1,001,580</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. Based on tariff and relevant regulations, the Group issue tariff letters of credit to import goods and meet the needs of post-release duty payment. The amount of tariff letters of credit were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
Tariff letters of credit	\$ 2,500	\$ 2,500	\$ -

- b. The Group entered into a contract for the construction of new plants on the Group's own land. The amount of the unrecognized commitments were as follow:

	March 31, 2023	December 31, 2022	March 31, 2022
Acquisition of property, plant and equipment			
Signed amount	\$ 1,502,922	\$ 1,500,991	\$ 1,242,279
Unpaid amount	126,898	190,172	546,564

31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

- a. In November 2022, the Company obtained the board of directors' approval for the matter of share conversion between ZTM Company and ZSH Company. This conversion was facilitated through the issuance of new shares by ZSH Company, resulting the acquisition of 100% equity ownership in ZTM Company. The share conversion ratio entailed the exchange of 1 ordinary share of ZTM Company for 0.33 ordinary shares of ZSH Company. It is anticipated that on the April 17, 2023, ZSH Company will acquire 100% equity ownership in ZTM Company through share conversion and issuance of new shares. The aforementioned equity transaction falls within the purview of organizational restructuring under shared control. The relevant transactions involving the sale and acquisition of equity shall be accounted for using the book value method and shall be deemed to have initially occurred.
- b. In February 2023, the Company's subsidiary, ZKH Company, obtained the board of directors' approval for the matter of share conversion between ZNS Company and ZSH Company. This conversion was facilitated through the issuance of new shares by ZSH Company, resulting the acquisition of 100% equity ownership in ZNS Company. The share conversion ratio entailed the exchange of 1 ordinary share of ZNS Company for 1.08 ordinary shares of ZSH Company. It is anticipated that on the April 14, 2023, ZSH Company will acquire 100% equity ownership in ZNS Company through share conversion and issuance of new shares. The aforementioned equity transaction falls within the purview of organizational restructuring under shared control. The relevant transactions involving the sale and acquisition of equity shall be accounted for using the book value method and shall be deemed to have initially occurred.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

March 31, 2023

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 98,404	30.45500	\$ 2,996,879
RMB	559	4.42107	2,469
VND	402,897,879	0.00130	523,767
<u>Financial liabilities</u>			
Monetary items			
USD	32,676	30.45500	995,139
VND	87,378,230	0.00130	113,592

December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 90,458	30.72500	\$ 2,779,316
RMB	9,068	4.40230	39,919
VND	393,378,124	0.00130	511,392
<u>Financial liabilities</u>			
Monetary items			
USD	53,050	30.72500	1,629,965
RMB	58,489	4.40230	257,484
VND	103,942,821	0.00130	135,126

March 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 83,363	28.56000	\$ 2,380,854
RMB	772	4.49297	3,467
VND	242,469,056	0.00125	303,086
<u>Financial liabilities</u>			
Monetary items			
USD	75,763	28.56000	2,163,804
VND	20,968,152	0.00125	26,210

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 9) Trading in derivative instruments. (None)
 - 10) Intercompany relationships and significant intercompany transactions. (Table 6)
 - 11) Information on investees. (Table 7)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 9)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

34. SEGMENT INFORMATION

a. Basic information of operation segments

1) Classification of operating segments

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

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

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

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

b. Segment revenues and results

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

	Power Supply	EV Energy	Total
<u>For the three months ended March 31, 2023</u>			
Revenues from external customers	<u>\$ 1,942,428</u>	<u>\$ 837,471</u>	<u>\$ 2,779,899</u>
Segment (loss) income	<u>\$ (34,097)</u>	<u>\$ 115,114</u>	\$ 81,017
Interest income			16,673
Other income			47,090
Other gain and losses			(17,894)
Finance costs			(27,603)
Share of profit of associates			<u>1,390</u>
Gain before income tax			<u>\$ 100,673</u>
<u>For the three months ended March 31, 2022</u>			
Revenue from external customers	<u>\$ 2,807,624</u>	<u>\$ 161,485</u>	<u>\$ 2,969,109</u>
Segment loss	<u>\$ (60,403)</u>	<u>\$ (81,079)</u>	\$ (141,482)
Interest income			5,008
Other income			21,864
Other gain and losses			57,357
Finance costs			(13,229)
Share of loss of associates			<u>(646)</u>
Loss before income tax			<u>\$ (71,128)</u>

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
													Item	Value			
0	Pihong	ZSH	Other receivables from related parties	Yes	\$ 532,963 (US\$ 17,500,000)	\$ 532,963 (US\$ 17,500,000)	\$ 91,365	3.00%	b	\$ -	Capital movement	\$ -	-	\$ -	\$ 1,251,178	\$ 2,502,356	
		ZCM	"	"	456,825 (US\$ 15,000,000)	456,825 (US\$ 15,000,000)	-	3.00%	"	-	"	-	-	-	1,251,178	2,502,356	
		ZCS	"	"	152,275 (US\$ 5,000,000)	152,275 (US\$ 5,000,000)	-	3.00%	"	-	"	-	-	-	1,251,178	2,502,356	
		ZAS	"	"	152,275 (US\$ 5,000,000)	152,275 (US\$ 5,000,000)	-	3.00%	"	-	"	-	-	-	1,251,178	2,502,356	
		ZNS	"	"	152,275 (US\$ 5,000,000)	152,275 (US\$ 5,000,000)	30,455	3.00%	"	-	"	-	-	-	1,251,178	2,502,356	
		ZJS	"	"	76,138 (US\$ 2,500,000)	76,138 (US\$ 2,500,000)	-	3.00%	"	-	"	-	-	-	1,251,178	2,502,356	
		PHJ	"	"	69,600 (JPY 300,000,000)	69,600 (JPY 300,000,000)	-	1.50%	"	-	"	-	-	-	1,251,178	2,502,356	
		1	PHC	PHP	"	"	221,054 (RMB 50,000,000)	221,054 (RMB 50,000,000)	-	4.35%	"	-	"	-	-	-	2,149,211
PHE	"			"	44,211 (RMB 10,000,000)	44,211 (RMB 10,000,000)	44,211	4.90%	"	-	"	-	-	-	2,149,211	2,149,211	
2	PHZ	PHP	"	"	1,215,794 (RMB 275,000,000)	1,215,794 (RMB 275,000,000)	1,215,794	4.75%	"	-	"	-	-	-	1,970,137	1,970,137	
3	ZTM	ZSH	"	"	63,956 (US\$ 2,100,000)	63,956 (US\$ 2,100,000)	-	5.00%	"	-	"	-	-	-	936,513	936,513	
		ZCM	"	"	63,956 (US\$ 2,100,000)	63,956 (US\$ 2,100,000)	-	5.00%	"	-	"	-	-	-	936,513	936,513	
		ZCS	"	"	21,319 (US\$ 700,000)	21,319 (US\$ 700,000)	-	5.00%	"	-	"	-	-	-	936,513	936,513	
		ZAS	"	"	21,319 (US\$ 700,000)	21,319 (US\$ 700,000)	-	5.00%	"	-	"	-	-	-	936,513	936,513	
		ZNS	"	"	21,319 (US\$ 700,000)	21,319 (US\$ 700,000)	-	5.00%	"	-	"	-	-	-	936,513	936,513	
		ZJS	"	"	21,319 (US\$ 700,000)	21,319 (US\$ 700,000)	-	5.00%	"	-	"	-	-	-	936,513	936,513	
							700,000 (US\$ 700,000)	700,000 (US\$ 700,000)	-								

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

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

Note 2: Reasons for financing are as follows:

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong	PHV	Subsidiary of the Company	\$ 1,876,767	\$ 60,910 (US\$ 2,000,000)	\$ 60,910 (US\$ 2,000,000)	\$ 60,910	\$ -	0.97	\$ 3,127,946	Y	N	N	
		ZTM	Subsidiary of the Company	1,876,767	600,000	600,000	450,000	-	9.59	3,127,946	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 8, 2022, the board of directors approved that the Company's endorsements/guarantees amount to PHV is US\$2 million.

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE THREE MONTHS ENDED MARCH 31, 2023

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Phihong	<u>Ordinary shares</u>							
	Pao- Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	229,980	\$ 3,041	10.49	\$ 3,041	
	Zhong-Xuan Venture Capital Co., Ltd.	"	Financial assets at FVTOCI - non-current	2,488,276	21,389	8.62	21,389	
	BMC Venture Capital Investment Corporation	"	Financial assets at FVTOCI - non-current	6,000,000	70,714	9.84	70,714	
	RFIC Technology Corporation	"	Financial assets at FVTOCI - non-current	1,000,000	4,432	3.50	4,432	
	BMD Venture Capital Investment Corporation	"	Financial assets at FVTOCI - non-current	2,100,000	21,000	9.31	21,000	
Guang-Lai	<u>Ordinary shares</u>							
	Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non-current	3,000,000	3,312	10.83	3,312	
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 are related to shares, debentures and beneficiary certificates and the derivative products caused by those of "IFRS 9 Financial Instruments".

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Phihong	PHA	Subsidiary of the Company	Sale	\$ (546,961)	(34.99)	To be agreed by both parties	-	-	\$ 86,119	7.98	
	PHC	Subsidiary of the Company	Purchase	668,305	48.32	To be agreed by both parties	-	-	-	-	
	PHP	Subsidiary of the Company	Purchase	102,250	7.39	To be agreed by both parties	-	-	-	-	
	PHV	Subsidiary of the Company	Purchase	582,209	42.10	To be agreed by both parties	-	-	4	-	
ZSH	ZAS	Subsidiary of ZSH	Sale	(647,836)	(72.45)	To be agreed by both parties	-	-	586,621	81.65	

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Phihong	PHC	Subsidiary of the Company	Other receivables \$ 118,610	-	\$ -	-	\$ 45,176	\$ -
	PHV	Subsidiary of the Company	Other receivables 414,166	-	-	-	110,200	-
PHZ	PHP	Sister company	Other receivables 1,230,232	-	-	-	-	-
ZSH	ZAS	Subsidiary of ZSH	Trade receivables 586,621	5.92	-	-	101,080	-

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2023

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Phihong	PHA	1	Sales revenue	\$ 546,961	To be agreed by both parties	20
		PHJ	"	"	26,020	"	1
		PHC	"	Purchase	668,305	No significant difference	24
		PHP	"	"	102,250	"	4
		PHV	"	"	582,209	"	21
		ZTM	"	"	16,975	"	1
		PHA	"	Trade receivables	86,119	-	1
		PHC	"	Other receivables	118,610	-	1
		PHV	"	"	414,166	-	3
		ZNS	"	"	30,848	-	3
		ZSH	"	"	89,015	-	3
		1	PHZ	PHP	3	Other receivables	1,230,232
2	ZTM	ZSH	3	Trade receivables	219,662	-	2
		"	"	Sale revenue	84,090	To be agreed by both parties	3
		"	"	Service revenue	137,508	"	5
3	ZSH	ZAS	3	Sale revenue	647,836	To be agreed by both parties	23
		"	"	Trade receivables	586,621	-	4

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

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

Note 2: Nature of relationship is as follows:

- Parent company to subsidiary.
- Subsidiary to parent company.
- Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of March 31, 2023. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the year ended March 31, 2023.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	
				March 31, 2023	December 31, 2022	Shares	%	Carrying Amount				
Phihong	PHI	British Virgin Islands	Makes investments	\$ 3,209,288	\$ 3,209,288	102,421,351	100.00	\$ 2,715,389	\$ (29,118)	\$ (27,929)		
	PHA	The United States	Sells various power supplies	207,203	207,203	3,100,000	100.00	1,147,927	7,511	7,511		
	PHK	British Virgin Islands	Makes investments	554,154	554,154	18,840,000	100.00	(347,912)	(47,541)	(46,498)		
	PHQ	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100.00	61,969	(8,968)	(5,387)		
	Guang-Lai	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	109,422	1,198	1,198		
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	13,738	13,738	1,373,801	32.26	11,211	588	190		
	PHJ	Japan	Sells power components	137,436	137,436	3,000	100.00	78,256	(170)	(170)		
				(JPY 150,000,000)	(JPY 150,000,000)							
		PHV	Vietnam	Manufactures and sells various power supplies	1,906,713	1,906,713	65,000,000	100.00	1,591,752	(3,502)	(3,575)	
				(US\$ 65,000,000)	(US\$ 65,000,000)							
	ZTM	Vietnam	Manufactures and sells of electrical equipment	600,000	600,000	60,000,000	100.00	624,282	(5,520)	(5,515)		
	ZKH	Cayman Islands	Makes investments	365,580	365,580	120,000,001	100.00	307,033	88,435	90,799		
				(US\$ 12,000,000)	(US\$ 12,000,000)							
PHI	N-Lighten	The United States	Makes investments	409,851	409,851	110,834,223	58.45	(25,700)	(18)	(3)	PHI and Guang-Lai holds 78.23%	
Guang-Lai	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	4,738	7,607	1,949		
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	93,708	(3,325)	(749)		
	N-Lighten	The United States	Makes investments	206,084	206,084	37,498,870	19.78	(8,697)	(18)	(10)	PHI and Guang-Lai holds 78.23%	
ZKH	ZNS	Netherlands	Provides electric vehicle charging solutions	3	-	100	100.00	(2,796)	(2,127)	(2,451)		
				(EUR 100)								
	ZSH	Singapore	Makes investments and sales of electrical equipment	362,534	362,534	11,900,000	100.00	312,439	140,226	92,070		
				(US\$ 11,900,000)	(US\$ 11,900,000)							
ZSH	ZJS	Japan	Provides electric vehicle charging solutions	16,848	-	8,000	100.00	13,984	(3,519)	(3,519)		
				(JPY 80,000,000)								
	ZAH	The United States	Makes investments	32,692	32,692	1,050,000	100.00	68,664	35,684	35,684		
				(US\$ 1,050,000)	(US\$ 1,050,000)							
ZAH	ZAS	The United States	Provides electric vehicle charging solutions	31,620	31,620	1,000,000	100.00	67,396	35,686	35,926		
				(US\$ 1,000,000)	(US\$ 1,000,000)							

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of March 31, 2023	Accumulated Repatriation of Investment Income as of March 31, 2023	Note
					Outward	Inward							
PHC	Manufactures and sells various power supplies	\$ 1,988,018 (HK\$ 495,450,000)	Indirect investment in mainland China through PHI	\$ 1,677,679 (HK\$ 419,000,000)	\$ -	\$ -	\$ 1,677,679 (HK\$ 419,000,000)	\$ (39,357)	100.00	\$ (39,357)	\$ 1,432,808	\$ -	
PHZ	Manufactures and sells various power supplies	1,097,139 (US\$ 31,960,000)	"	1,097,139 (US\$ 31,960,000)	-	-	1,097,139 (US\$ 31,960,000)	9,977	100.00	9,977	1,313,424	-	
Yanghong	Sells various lighting and power supplies	49,027 (US\$ 1,605,000)	"	63,934 (US\$ 2,865,000)	-	-	63,934 (US\$ 2,865,000)	391	100.00	391	4,696	-	
PHP	Manufactures and sells various power supplies	604,135 (US\$ 20,140,000)	Indirect investment in mainland China through PHK	554,456 (US\$ 18,640,000)	-	-	554,456 (US\$ 18,640,000)	(47,494)	100.00	(47,494)	(334,795)	-	
PHSY	Manufactures and sells electronic materials	39,678 (HK\$ 9,000,000)	Indirect investment in mainland China through PHQ	39,678 (HK\$ 9,000,000)	-	-	39,678 (HK\$ 9,000,000)	(2,437)	100.00	(2,437)	70,132	-	
PHE	Manufactures and sells electronic materials	360,124 (US\$ 11,500,000)	"	360,124 (US\$ 11,500,000)	-	-	360,124 (US\$ 11,500,000)	(6,512)	100.00	(6,512)	(11,488)	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 (US\$ 12,366,400)	-	-	387,406 (US\$ 12,366,400)	-	-	-	-	-	Note 1
ZCM	Manufactures and sells of electrical equipment	28,942 (US\$ 950,000)	Indirect investment in mainland China through ZSH	28,942 (US\$ 950,000)	-	-	28,942 (US\$ 950,000)	(7,949)	100.00	(7,949)	(6,179)	-	
ZCS	Provide electric vehicle charging solutions	6,145 (US\$ 200,000)	"	6,145 (US\$ 200,000)	-	-	6,145 (US\$ 200,000)	(4,254)	100.00	(4,254)	1,573	-	

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

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

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

(Continued)

2. Limit on investment amount in Mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2023	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$4,234,685	\$5,160,924	Note

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

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Ending Balance	%		
PHC	Purchase	\$ 668,305	48.32	To be agreed by both parties	To be agreed by both parties	-	\$ -	-	\$ -	
PHP	"	102,205	7.39	"	"	-	-	-	-	

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2023**

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

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