

Stock code

2457

# **Phihong Technology Co., Ltd.**

## **2022 Annual Shareholders' Meeting**

### **Meeting Agenda**

Date: 9:00am Wednesday, June 8, 2022

Location: Fullon Hotel Taoyuan Airport Access MRT A8 (3F., No. 2, Fuxing 1st Rd.,  
Guishan Dist., Taoyuan City)

# Table of Contents

<b>One. Meeting Procedures</b> .....	1
<b>Two. Meeting Agenda</b> .....	3
<b>I. Reporting Issues</b>	
(1) The 2021 Operating Status and 2022 Business Outlook Report .....	5
(2) The Audit Committee’s Review Report on the 2021 Financial Statements ....	5
(3) The Report on the Capital Increase in Cash through the Private Offering of Ordinary Shares in 2021 .....	6
<b>II. Recognizing Issues</b>	
(1) Adoption of the 2021 Financial Statements.....	7
(2) Adoption of the Proposal for 2021 Deficit Compensation .....	7
<b>III. Issues to be Discussed</b>	
(1) Amendments to Provisions of the “Articles of Incorporation”.....	8
(2) Amendments to Provisions of the “Procedures for Acquisition or Disposal of Assets” .....	8
(3) Split-up of the Company’s Electric Vehicle Energy Business Group .....	8
<b>IV. Elections</b>	
(1) By-election of Two Seats of Directors .....	11
<b>V. Other Proposals</b>	
(1) Release of the Non-competition Restriction of Newly Elected Directors ....	12
<b>VI. Extempore Motions</b> .....	13
<b>Three. Attachment</b> .....	14
1. 2021 Annual Business Report.....	15~19
2. 2021 Private Offering of Ordinary Shares .....	20~22
3. 2021 Independent Auditors’ Report and Standalone Financial Statement .....	23~32
4. 2021 Independent Auditors’ Report and Consolidated Financial Statement.....	33~43
5. 2021 Deficit Compensation Statement .....	44
6. Comparison Table for the Provisions Before and After the Amendments to the “Articles of Incorporation”.....	45~46
7. Comparison Table for the Provisions Before and After the Amendments to the “Procedures for Acquisition or Disposal of Assets”.....	47~54
8. EV Energy Business Split-up Plan.....	55~74
9. Statements under Paragraph 3, Article 5 of the Business Mergers and Acquisitions Act .....	75
10. List of Director Candidates .....	76
11. Details for the Release of Director’s Non-competition Restrictions .....	77
<b>Four. Appendix</b> .....	78
1. Articles of Incorporation.....	79~83
2. Rules of Procedure for Shareholders’ Meetings .....	84~85
3. Regulations for the Election of Directors .....	86~87
4. Procedures for Acquisition or Disposal of Assets .....	88~101
5. The Impact of the Stock Grants on the Company's Business Performance, Earnings per Share and Shareholder’s Return on Investment to be Proposed at the Shareholders’ Meeting .....	102~103
6. Shareholding of Directors .....	104~105

# **Meeting Procedures**

**Phihong Technology Co., Ltd.**  
**Meeting procedures of 2022 shareholders' meeting**

- 1. Call to Order (Upon Reaching the Quorum)**
- 2. Chairman Takes Seat**
- 3. Speech Delivery by Chairman**
- 4. Reporting Issues**
- 5. Recognizing Issues**
- 6. Issues to be Discussed**
- 7. Elections**
- 8. Other Proposals**
- 9. Extempore Motions**
- 10. Meeting Adjourned**

# Meeting Agenda

# **Phihong Technology Co., Ltd.**

## **Agenda of 2022 shareholders' meeting**

**Method:** Physical shareholders' meeting.

**Time:** Wednesday, June 8, 2022, at 9:00 AM.

**Place:** Fullon Hotel Taoyuan Airport Access MRT A8 (3F., No. 2, Fuxing 1st Rd., Guishan Dist., Taoyuan City)

### **I. Speech Delivery by Chairman**

### **II. Reporting Issues:**

- (1) The 2021 Operating Status and 2022 Business Outlook Report.
- (2) The Audit Committee's Review Report on the 2021 Financial Statements.
- (3) The Report on the Capital Increase in Cash through the Private Offering of Ordinary Shares in 2021.

### **III. Recognizing Issues:**

- (1) Adoption of 2021 Financial Statements.
- (2) Adoption of the Proposal for 2021 Deficit Compensation.

### **IV. Issues to be Discussed:**

- (1) Amendments to Provisions of the "Articles of Incorporation."
- (2) Amendments to Provisions of the "Procedures for Acquisition or Disposal of Assets."
- (3) Split-up of the Company's Electric Vehicle Energy Business Group.

### **V. Elections**

- (1) By-election of Two Seats of Directors.

### **VI. Other Proposals:**

- (1) Release of the Non-competition Restriction of Newly Elected Directors.

### **VII. Extempore Motions**

### **VIII. Meeting Adjourned**

## Reporting Issues

1. **The 2021 Operating Status and 2022 Business Outlook Report, hereby submitted for review.** (Please refer to Attachment 1 on pages 15 to 19 of the Handbook)
2. **The Audit Committee's Review Report on the 2021 Financial Statements, hereby submitted for review.**

### **Phihong Technology Co., Ltd.**

#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2021 Business Report, 2021 Standalone and Consolidated Financial Statements, and the Proposal for Deficit Compensation. Deloitte & Touche has completed the audit on the 2021 Standalone and Consolidated Financial Statements, and has issued an audit report accordingly. The 2021 Business Report, 2021 Standalone and Consolidated Financial Statements, and the Proposal for Deficit Compensation above have been reviewed and determined to be adequate by the Audit Committee. Therefore, we hereby submit this report pursuant to relevant provisions of the Securities and Exchange Act and Company Act for you to review.

Sincerely,

2022 shareholders' meetings of Phihong Technology Co., Ltd.

Convener of the Audit Committee: Hong, Yu-Yuan

March 10, 2022

### **3. The Report on the Capital Increase in Cash through the Private Offering of Ordinary Shares in 2021, hereby submitted for review.**

- Description:** (1) The report is made according to Article 5 of the Directions for Public Companies Conducting Private Placements of Securities.
- (2) The extraordinary shareholders' meeting on December 16, 2021 passed a resolution to perform a capital increase in cash by way of private offering through the issuance of ordinary shares. The shares shall be issued in two batches within one year from the date of resolution made by the extraordinary shareholders' meeting; the issuance of shares shall not exceed 37,520,000 shares.
- (3) The payment of the offering was completed on December 24, 2021. The number of total ordinary shares under the private offering is 37,520,000 shares, with the private offering price of NT\$40.26 per share. The total amount of the private offering is NT\$1,510,555,200, which was used in supplementing the working capital, repayment of bank borrowings, or other capital requirements to improve the financial structure or conform to the long-term development of the Company, and fully utilized according to the plan in Q1 2022.
- (4) 2021 Private offering of ordinary shares (please refer to Attachment 2 on pages 20 to 22 of the Handbook).

## Recognizing Issues

### **1. Subject: Adoption of 2021 Financial Statements, hereby submitted for adoption. (Proposed by the Board of Directors)**

- Description:** (1) The Company's 2021 business report and financial statements were approved by the Board of Directors (the "Board") on March 10, 2022, and the financial statements were audited by CPAs Wu, Ke-Chang and Hong, Kuo-Tien from Deloitte & Touche.
- (2) The final account statements have been submitted to and reviewed by the Audit Committee of the Company, and the review report has been issued.
- (3) The following statements are enclosed:
1. 2021 Annual Business Report (please refer to Attachment 1 on pages 15 to 19 of the Handbook).
  2. 2021 standalone financial statements and consolidated financial statements (please refer to Attachment 3 and Attachment 4 on pages 23 to 43 of the Handbook).

#### **Resolution:**

### **2. Subject: Adoption of the Proposal for 2021 Deficit Compensation, hereby submitted for adoption. (Proposed by the Board of Directors)**

- Description:** (1) At the end of 2021, the Company's accumulated losses to be compensated were NT\$316,924,289, and the legal reserve was NT\$612,915,926. It is proposed to compensate for the losses by using the legal reserve. After the loss compensation, the legal reserve is NT\$295,991,637, and the loss to be compensated is NT\$0.
- (2) The Company recorded a net loss after tax for 2021; therefore, no shareholders' dividend will be distributed.
- (3) The "2021 Deficit Compensation Statement" is enclosed (please refer to Attachment 5 on page 44 of the Handbook).

#### **Resolution:**

## Issues to be Discussed

**1. Subject: Amendments to Provisions of the “Articles of Incorporation,” hereby submitted for determination. (Proposed by the Board of Directors)**

**Description:** In response to the requirements of amendments to laws and regulations and the Company’s practical operations, it is proposed to amend provisions of the Company’s “Articles of Incorporation,” and a comparison table of the provisions before and after the amendments is provided (please refer to Attachment 6 on pages 45 to 46 of the Handbook).

**Resolution:**

**2. Subject: Amendments to Provisions of the “Procedures for Acquisition or Disposal of Assets,” hereby submitted for determination. (Proposed by the Board of Directors)**

**Description:** (1) Performed according to Letter Jin-guan-zheng-fa-zi No.

1110380465 issued by the Financial Supervisory Commission on January 28, 2022.

(2) To comply with laws and regulations, it is proposed to amend provisions of the Company’s “Procedures for Acquisition or Disposal of Assets”. A comparison table of the provisions before and after the amendments is provided (please refer to Attachment 7 on pages 47 to 54 of the Handbook).

**Resolution:**

**3. Subject: Split-up of the Company’s Electric Vehicle Energy Business Group, hereby submitted for determination. (Proposed by the Board of Directors)**

**Description:** (1) The Company intends to split the businesses related to the Company’s Electric Vehicle Energy Business Group (including assets, liabilities, and operations, the “EV Energy Business”) to its existing wholly-owned subsidiary “Phehicle Co., Ltd.” (the

“Phehicle”); Phehicle shall succeed the EV Energy Business from the base date of the split-up, and Phehicle shall issue new shares to the Company as considerations (the “Split-up”), to realize the professional division of work in the hope of achieving diverse operations and improving the overall operating performances and market competitive strength under the independent operation.

- (2) The business value of the Split-up is provisionally based on the carrying amount of the Company as at December 31, 2021, and the assessment was performed taking into account the depreciation, capital expenditure plan, and the changes in the value of relevant items up to the base date of the split-up. It is estimated that the business value of the EV Energy Business is NT\$599,000,000. The Company offers NT\$10 of the business value in exchange for one issuable ordinary share. Phehicle shall issue 59,900,000 ordinary shares to the Company as the consideration; that is, the Company will obtain 59,900,000 issuable new shares of Phehicle due to the Split-up, with a nominal value of NT\$10 per share, NT\$599,000,000 in aggregate. The Split-up is an organizational adjustment, and Phehicle is a wholly-owned subsidiary of the Company before and after the split-up, which shall have no effect on shareholders’ interests in the Company.
- (3) The “Split-up Plan” (including the articles of incorporation of Phehicle, carrying amount of relevant business assets and liabilities of the EV Energy Business for the split-up, and the fairness opinion of the split-up conversion ratio regarding the Split-up issued by CPA Tang, Min-Tse from YAPRO CPAs, an independent expert appointed by the Company’s Audit Committee) has been prepared according to the Business Mergers and Acquisitions Act, the Company Act, and other laws and regulations (please refer to Attachment 8 on pages 55 to 74 of the Handbook).
- (4) Regarding the scope and amount (including assets and liabilities and operations) for the split-up of the EV Energy Business and

other relevant matters or unaddressed matters of the Split-up (including but not limited to the preparation, negotiation, or addition/amendments to the Split-up Plan and other contracts and documents related to the Split-up), the application or declaration made to the competent authority according to the law, the management of matters related to the Split-up Plan, and execution of or adjustments to the stock affairs agency, delivery, and other relevant matters of the Split-up, it is proposed that the Board be fully authorized to handle matters within the adjustable scope permitted under laws and regulations.

- (5) It is intended that September 1, 2022 shall be the base date for the split-up; however, when the base date for the split-up is required to be adjusted due to the operating schedule, it is proposed that the Chairman shall be fully authorized for handling.
- (6) According to paragraph 3, Article 5 of the Business Mergers and Acquisitions Act: “In the merger/consolidation and acquisition by a company, a director who has a personal interest in the transaction of merger/consolidation and acquisition shall explain to the Board meeting and the general meeting the essential contents of such personal interest and the cause of approval or dissent to the resolution of merger /consolidation or acquisition” (please see Attachment 9 on pages 75 of the Handbook).

**Resolution:**

# Elections

**1. Subject: By-election of Two Seats of Directors, hereby submitted for election.  
(Proposed by the Board of Directors)**

**Description:** (1) According to Article 13 of the Articles of Incorporation, the Company has 7 to 13 directors in place, and a candidate nomination system is adopted for the election of directors; the list of the director candidate is approved by the Board of the Company through a resolution, and shareholders shall elect the directors from the list of candidates (please refer to Attachment 10 on page 76 of the Handbook).

(2) The annual shareholders' meeting elects two seats of directors whose term of office will expire at the same time as the current directors (from June 8, 2022 to June 9, 2023).

(3) Regulations for Election of Directors (please refer to Appendix 3 on pages 86 to 87 of the Handbook).

**Election Result:**

## Other Proposals

**1. Subject: Release of the Non-competition Restriction of Newly Elected Directors, hereby submitted for determination. (Proposed by the Board of Directors)**

**Description:** (1) According to Article 209 of the Company Act: “A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.”

(2) In response to the operating requirement of the Company, with considerations to investments or other business development, it is intended to release the non-competition restriction of the newly elected directors and their representatives after the election (please refer to Attachment 11 on pages 77 of the Handbook).

**Resolution:**

## **Extempore Motions**

# **Attachment**


**Pihong Technology Co., Ltd.**  
**2021 Annual Business Report**

The ongoing US-China trade war and the increasing regional and geopolitics and economic risks affect the layout of the global industrial supply chain. The recurrent outbreaks of the pandemic worldwide at different times has resulted in a material imbalance of production and sales adjustments, the multiplied amount of freight, and the uncontrollable shipping schedule, together with challenges of parts and components shortage (in particular, the power semiconductor) as well as the surging prices, industries are going through tests to see whether they possess sufficient tenacity to face the markets with “changes” as the norm. The Company continues focusing on the development of advanced technologies and new products to respond to the changes in the external industrial environment and requirements, and concurrently and actively plan for the entrance into the emerging and niche market for applications. Through the information platform we integrated and updated step by step during recent years, we link the internal Big Data collected and the business development in the market, analyze potential issues for immediate improvement, and track market trends for advance planning to improve our competitiveness and room for profits, and maintain stable financial structures, so as to solidify the Company’s status in the energy industry. The operating results for 2021 and the business report for 2022 are as follows:

### I. 2021 Annual Business Report

#### (1) Implementation of business plan and budget execution

The Company’s operating revenue for 2021 was NT\$12,284,041 thousand, an increase of approximately 32.9% from the NT\$9,243,618 thousand for 2020. The loss after income tax for 2021 was NT\$312,600 thousand, an increase of approximately 102.2% from the NT\$154,594 thousand in 2020.

The overall profit did not meet the goal set by the Company.

#### (2) Analysis of financial income and expenditure and profitability

##### 1. Financial income and expenditure analysis

Item	Year	2020	2021	Changes %
	Non-operating income and expenses		219,189	41,374

The Company's non-operating income and expenditures in 2021 decreased compared with that in 2020, mainly because of the relief subsidies received from the government in response to the impact of the pandemic in 2020, such as government salary and working capital subsidies.

##### 2. Profitability analysis

Item	Year	2020	2021
	Return on assets (%)		(1.37)
Return on equity (%)		(3.20)	(5.91)
As a percentage of paid-in capital (%)	Loss from operations	(11.03)	(9.04)
	Loss before income tax	(4.54)	(7.94)
Profit margin (%)		(1.67)	(2.54)
Loss per share (NT\$) (Note)		(0.46)	(0.92)

Note: The loss per share has been adjusted retrospectively in consideration of the distribution of stock dividends over the years.

### (3) Implementation of Research and Development

#### 1. Focus on the Development and Design of Green Function Products

- (1) Cold Water Two-way Charging Technology R&D: Carry out the power module design (including function semiconductor modulization design, two-way PFC R&D design, and two-way DC/DC R&D design) and two-way CSU controller design to provide a two-way charging system as required by the CCS regulations by 2025 in the future, to feed the power back into the power grid or store the energy for utilization.
- (2) ESS Power Storage Technology R&D: Include the CSU control panel design and the integrated design of the power storage system and charging system. Develop a BMS auto-balance system related to ESS and combine the SCU control software with the ESS & Charger technologies.
- (3) Power Grid Balance Technology R&D: Include the integration of international power grid communication specifications and small-scale power storage grid management system algorithms. In the future, the power of electric vehicles (EV) will be able to be fed back into the power grid or the power storage system to effectively use the power and achieve a state of “smart grid.”

#### 2. Development of new technology

- (1) Integrate high-efficiency topological structure, zero-voltage and zero-current switching technology, GaN and SiC (wide bandgap semiconductor), and a digital control system to allow the power conversion efficiency to reach 95% and above maximum. In terms of crafts, we continued advancing the deployment and wiring skills of 3D parts, the power module design, planar transformer development, and the production process control of the unique GaN and SiC, allowing the power density to break through the design bottleneck in the industry by 16W/in<sup>3</sup> and realizing the development of light, thin, narrow, and small power suppliers, so as to fulfill the market application requirements of gaming, mobile fast-charging, and retail battery.
- (2) Adopt the digital power design to replace the traditional analog circuit design to concurrently achieve the simplification of circuit design, the exhibition of optimized parameter setting, and realization of the smart protection system, construction, and system communication, as well as other performance requirements, to allow improvement in the design, production, and testing flexibility.
- (3) Actively carry out the mid/high power product and technology development and combine with the high waterproof and dustproof level, robust thunder-proof design, low EMI, smart communication, and other high performance, to enter the high-end niche market, such as 5G communication, power battery charging, and robot and industrial control.
- (4) Focus on the development of the new USB PD 3.1 technology and products to satisfy the latest regulations regarding increasing the maximum output power from the current 100W to 240W, with the maximum output voltage increased from the current 20V to 48V, allowing the scope of USD PD power application to expand from supporting mobiles, tablets, general laptops, display, and various 3D products, to gaming laptops, electric tools, electric bicycles, and internet communication.

#### 3. Improve Design Quality and R&D Capacity

- (1) Make flexible use of the shared information of historical design cases via the KM platform to reinforce relevant design standards and design checklist, avoid the recurrence of prior anomalies, and minimize the risk of abnormal quality.
- (2) Hold design review meetings to detect potential design issues and production issues of products and carry out the pre-pilot production analysis and introduce countermeasures in the initial stage to improve the one-off pilot production

successful rate for minimizing the development costs and reducing the losses of inactive inventory arising from ECRN/DCN.

- (3) Activate the management progress of project development through regular project meetings and cooperate with crucial project incentive regulations to duly control the product design and quality of sample and shorten the time period between product development and mass production.
- (4) Before commencing product development design or proposal, improve the product's performance and the communication efficiency with customers through collecting and studying the customers' application requirements and the market trends and optimizing the analysis of competing products, in turn, increasing the success rate of project-opening.
- (5) Make good use of the design simulation tools, provide practical design parameter comparison to carry out the modification of models, and improve the reference of the design simulation results and the accuracy of values to shorten the product development timetable, reduce development costs, and improve the success rate of new projects.
- (6) Examine the adequacy of the existing internal specifications and relevant development procedures and establish friendly R&D platforms to facilitate the maximization of the use of R&D resources and improve product competitiveness.
- (7) Invest in the application studies of new materials and new technologies, discussion of relevant regulatory information, and information collection related to emerging or niche market product application requirements to ensure the accurate R&D directions and the leading position in technological abilities.
- (8) Make investments in ID design talent and improve diverse service values to respond to global trends.

## II. Summary of Business Plan for 2022

### (1) Business Policy

1. Continue to improve competitive strength related to technical capacity, product performance, quality, price, and delivery terms and provide returns to shareholders who invested by setting the business target as seeking profits.
2. Continue implementing internal control over operating costs, inventory management, and the activation of idle assets of the headquarters, branches, and plants to facilitate the maximization of the turnover of working capital.
3. Continue carrying out the strategical operations of consensus, focus on nine crucial improvement aspects of the Company for examination, as well as the discussion and planning of short, medium and long-term strategies. Together with the setting of KPIs, we establish effective and feasible improvement countermeasures and duly execute a performance evaluation system to improve the action and creation capacity of departments to achieve the business targets of the Company.
4. Reinforce data operating management, integrate various systems of the Company, introduce data analysis platforms to keep abreast of the instant changes in customer circumstances in the market, and provide instant decision-making for the response, in turn, set one step forward to the digital transformation from the digital platform at present.

### (2) Business goals

1. Prioritize the improvement in our gross margin to eliminate the deficit and reinforce the overall system to turn our losses into earnings.
2. Integrate and streamline the organization, human force, technical strength, and product development planning of different product business groups in favor of the increase in new customers, new applications, and the improvement in project success rate and quantity.

3. Actively expand the marketing of EV charging products and the forming of strategic partnerships to improve our market awareness and market share worldwide, so as to increase the turnover and products of the EV business group.
4. Reduce the ratio of low-power/low-gross profit machine types and contract more development of high-power/multiple-port fast charging/high-gross profit machine type projects.
5. Effectively manage the inventory amount of products and materials through the digital platform and strike a balance between the operational risks and the ability to secure orders.

### (3) Important production and sales policy

1. Optimize supply chain management and establish local supply chains to accurately understand the fluctuation of raw material prices in the market, supply and demand, and the delivery risks in the hope of minimizing the procurement costs and establishing and executing stocking plans in due course, as well as strengthening the product price and delivery competitiveness.
2. Establish the part engineering team to enhance the procurement engineering ability, assist in combining the standardized designed materials, and introduce substitute sources in the hope of improving the negotiation power of procurement, reducing product costs, and activating the use of material inventories.
3. Subject to the development of emerging industries and niche markets, such as industrial robots, AR/VR, Metaverse, AIoT, 5G communication (including LEO communication), POE power supply, gaming laptops, power battery charging, smart medication, USB PD power retail market, and EV charging pole, and other products, we shall actively commence our business activities and the development planning and sample presentation of relevant products to explore customer bases and increase the revenue of new products.
4. Reinforce the technological capacity for the power battery charger from 100W to 1KW, high-power/high-intensity adapters from 65W to 330W, and the power design from 15W to 930W PoE.
5. Formulate cost optimization countermeasures and pricing strategies to improve the gross profits of the top five customers in all product business groups.

### III. Future development strategy

- (1) Establish the physical/online management for operations worldwide at the same time, focus on the development of key customers and new niche markets, adhere to the customer-oriented philosophy, and value customers' satisfaction feedback.
- (2) Establish premium corporate culture and talent cultivation plans, encourage accountability spirits, and improve the competitiveness of our departments.
- (3) Introduce and optimize automated production to minimize the number of direct operators and improve the unit production capacity; keep abreast of customers' demands and fluctuation in the market supply chain during low and peak seasons and establish a comprehensive production and sales platform to minimize delivery and quality risks in the hope of achieving production stability.
- (4) Continue advancing our technological R&D and produce green energy products with high added value.
- (5) In response to the threats of the US-China trade war and the avoidance of risks related to the concentration in the Dongguan area, actively strengthen the ratio of production capacity and orders for the production base in Vietnam. Meanwhile, combine the production resources in the Dongguan area to improve the utilization and output value, benefiting our asset activation.
- (6) Continue advancing operations related to ESG sustainable operations, focus on risk management and carbon footprint inventory check, and formulate carbon dioxide emission reduction strategies (such as low-carbon/green energy product design, improving energy

efficiency, and adopting renewable energy, innovative crafts, and materials) to fulfill the requirements for the supply chain emission reduction stated by regulations and branded companies.

Looking into the annual operations of 2022, given the challenges of cost increases and difficulties in production and sales arrangements due to the increase in prices of raw materials arising from the US-China trade war, Russia-Ukraine dispute, expected inflation, and the gap in the supply of semiconductors, the new anti-pandemic policies to co-exist with COVID-19 adopted worldwide are beneficial for regaining the stability of physical requirements and commercial activities. Phihong's team will maintain the stability of its existing businesses and order opportunities in response to the changes in the abovementioned macroeconomic environment, and actively develop new businesses and market opportunities to achieve the steady growth of operations.

2022 is the 50<sup>th</sup> anniversary of Phihong. We would like to extend our appreciation to our customers, shareholders, and partners for the support provided to Phihong for the past half-century. Phihong Company will continue adhering to the business philosophy of "outstanding design, excellent quality, on-time delivery, reasonable prices, satisfactory service, and high-quality corporate culture" to constantly create growth momentum and generate optimum values for customers, shareholders, and employees.

Wish all our shareholders good health and all the best.

Chairman: Lin, Chung-Min

General Manager: Lin, Yang-Hong

Head of accounting: Chen, Kuei-Chih

## 2021 Private Offering of Ordinary Shares

Item	1 <sup>st</sup> private offering in 2021 Issued on: March 30, 2022	2 <sup>nd</sup> private offering in 2021 Issued on: March 30, 2022
Securities category of the private offering	Common Share	
Date and amount passed by the shareholders' meeting	Date: December 16, 2021 Amount: 18,760,000 shares	Date: December 16, 2021 Amount: 18,760,000 shares
Basis for the pricing and rationality	<p>1. The reference price for the pricing of ordinary shares under the private offering is calculated based on the following standards: (a) the stock price calculated by the simple arithmetic mean of the closing price of ordinary shares on either the 1st, 3rd, or 5th business day before the pricing date less the ex-rights and dividends distribution of stock grants, plus the reverse ex-right for capital reduction; and (b) the stock price calculated by the simple arithmetic mean of the closing price of ordinary shares of the 30 business days prior to the pricing date less the ex-rights and dividends distribution of stock grants, plus the reverse ex-right for capital reduction; the higher one shall be the reference price. Furthermore, the actual issue price of the private offering of ordinary shares is based on a price not lower than eighty-five percent (85%) of the reference price.</p> <p>2. The date of the Board meeting, December 22, 2021, is hereby set as the pricing date of the 1<sup>st</sup> and 2<sup>nd</sup> private offering of ordinary shares:                      (a) The stock price calculated by using the simple arithmetic mean of the closing price of ordinary shares on either the 1st, 3rd, or 5th business day before the pricing date is NT\$43.05, NT\$44.53, and NT\$44.73, respectively; the stock price calculated by the simple arithmetic mean of the closing price of ordinary shares on the fifth business day before the pricing date less the ex-rights and dividends distribution of stock grants, plus the reverse ex-right for capital reduction is NT\$44.73; (b) the stock price calculated by the simple arithmetic mean of the closing price of ordinary shares of the 30 business days prior to the pricing date less the ex-rights and dividends distribution of stock grants, plus the reverse ex-right for capital reduction is NT\$38.74; the higher of the two is set as the reference price; therefore, the reference price for the private offering is NT\$44.73.</p> <p>3. Furthermore, the actual issue price of the ordinary shares under the private offering shall be no less than eighty-five percent (85%) of the reference price; therefore, the actual private offering price for the 1<sup>st</sup> and 2<sup>nd</sup> private offering of ordinary shares is set at NT\$40.26 per share, representing ninety percent (90%) of the reference price. The total amount raised shall be NT\$1,510,555,200.</p> <p>4. The pricing for the ordinary shares under the private offering refers to the operating status, future prospects of the Company, and the restriction that securities under private offering shall not be transferred freely within three years, and the recent stock price of the Company and is subject to the “Directions for Public Companies Conducting Private Placements of Securities” and relevant laws and regulations; therefore, the pricing shall have its basis and rationale.</p>	

Selection method for designated persons	<p>1. The targets for the private offering are limited to designated persons who comply with requirements under Article 43-6 of the Securities Exchange Act (the “Securities Exchange Act”) and the Letter (91)-tai-cai-zheng-yi-zi No. 09100003455 issued by the Financial Supervisory Commission (FSC) on June 13, 2002.</p> <p>2. The subscribers of the private offering shall be strategic investors, and the selection of subscribers is to assist in the management and financial resources required by the Company’s operations, provision of operational management technologies, enhancing financial cost management, and assisting in business development and expansion, so as to improve the Company’s competitive strength, operational efficacy, and long-term development, which shall have positive benefits for shareholders’ interests.</p>				
Necessary reason for the private offering	<p>We consider the capital market status, the timeliness and feasibility of raising funds, the issuance costs, and the actual demand for introducing strategic investors, and take into account that private offering is relatively more efficient and simpler in terms of timeliness and that securities under private offering shall not be transferred freely within three years, which further ensures the long-term cooperative relationships with the strategic investors. In addition, by authorizing the Board to carry out the private offering in batches in due course in accordance with the actual requirements of the Company’s operations, it will also effectively improve the flexibility of the Company’s fund-raising.</p> <p>As such, we intend to adopt the issuance of ordinary shares through a private offering, rather than a public offering. It is expected that the execution of the plan has healthy financial structures and benefits of improving our operational efficacy, offering positive benefits for shareholders’ interests.</p>				
Completion date for the consideration payment	December 24, 2021				
Information of subscribers	1 <sup>st</sup> private offering in 2021:				
	Target of private offering	Qualifications	Quantity	Relationship with the Company	Participation in the Company’s operations
	Taiwan Cement Corporation	In compliance with subparagraph 2, paragraph 1, Article 43-6 of the Securities Exchange Act	18,760,000 shares	None	It is estimated to secure one seat of director at the annual shareholders’ meeting
	2 <sup>nd</sup> private offering in 2021:				
	Target of private offering	Qualifications	Quantity	Relationship with the Company	Participation in the Company’s operations
	Taiwan Cement Corporation	In compliance with subparagraph 2, paragraph 1, Article 43-6 of the Securities Exchange Act	18,760,000 shares	None	It is estimated to secure one seat of director at the annual shareholders’ meeting

Actual subscription (or conversion) price	NT\$40.26
Differences between the actual subscription (or conversion) price and the reference price	The actual subscription price is NT\$40.26, which is 90% of the reference price of NT\$44.73, in compliance with the resolution of no less than eighty-five percent (85%) of the reference price made at the 1 <sup>st</sup> extraordinary shareholders' meeting in 2021.
Effects of the private offering on shareholders' interests	It is expected that the execution of the plan has healthy financial structures and benefits of improving our operational efficacy, offering positive benefits for shareholders' interests.
Utilization of funds from the private offering and the execution progress of the plan	Funds from the private offering were used in supplementing the working capital, repayment of bank borrowings, or other capital requirements to improve the financial structure or conform to the long-term development of the Company, and fully utilized according to the plan in Q1 2022.
Exhibition of the private offering's benefits	Allow the diverse and flexible fund-raising channels and strengthen the Company's financial structure to expand the future business scale of the Company and improve the long-term competitive strength of the Company and shareholders' interests.

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

## The Accuracy of Sales Revenue from Telecom Brand Operation

Description of the key audit matter:

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

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

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

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

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

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

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

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

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

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 10, 2022

Notice to Readers

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

**Parent Company Only BALANCE SHEETS**

(In Thousands of New Taiwan Dollars)

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

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

# PHIHONG TECHNOLOGY CO., LTD.

## Parent Company Only STATEMENTS OF COMPREHENSIVE INCOME

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

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

(Continued on next page)

(Continued from previous page)

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

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

**PHIHONG TECHNOLOGY CO., LTD.**

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

(In Thousands of New Taiwan Dollars)

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

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

# PHIHONG TECHNOLOGY CO., LTD.

## Parent Company Only STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

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

(Continued on next page)

(Continued from previous page)

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

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

Phihong Technology Co., Ltd.

### **Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

#### The Accuracy of Sales Revenue from Telecom Brand Operation

Description of the key audit matter:

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

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

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

#### **Others Matters**

We have also audited the the parent company only financial statements of the Company as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

#### **Responsibilities of Management and Those Charged Governance for 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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 10, 2022

Notice to Readers

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$3,590,920	26	\$2,545,804	25
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	43,600	-
Financial assets at amortized cost - current (Notes 4 and 9)	224,588	2	-	-
Notes receivables (Notes 4 and 10)	16,886	-	-	-
Trade receivables (Notes 4 and 10)	2,229,231	16	2,019,406	20
Other receivables	21,905	-	25,329	-
Inventories (Notes 4 and 11)	3,204,432	24	2,015,069	20
Non-current assets held for sale (Note 12)	244,696	2	245,819	2
Other current assets	146,685	1	102,907	1
Total current assets	<u>9,679,343</u>	<u>71</u>	<u>6,997,934</u>	<u>68</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	87,226	1	65,828	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 30)	20,458	-	37,100	-
Investments accounted for using equity method (Notes 4 and 14)	111,326	1	152,366	1
Property, plant and equipment (Notes 4 and 15)	3,262,587	24	2,590,539	25
Right-of-use assets (Notes 4 and 16)	294,723	2	282,788	3
Other intangible assets (Notes 4 and 17)	30,540	-	27,679	-
Deferred tax assets (Notes 4 and 24)	53,114	-	57,043	1
Other non-current assets	73,343	1	151,394	1
Total non-current assets	<u>3,933,317</u>	<u>29</u>	<u>3,364,737</u>	<u>32</u>
<b>TOTAL</b>	<u>\$13,612,660</u>	<u>100</u>	<u>\$10,362,671</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 18)	\$962,781	7	\$256,320	2
Trade payables	3,200,680	24	2,846,732	27
Trade payables to related parties (Note 29)	61,122	-	82,497	1
Other payables (Note 20)	613,750	5	570,038	6
Current tax liabilities (Notes 4 and 24)	23,612	-	19,558	-
Lease liabilities - current (Notes 4 and 16)	20,547	-	7,786	-
Current portion of long-term borrowings (Notes 18 and 19)	832,930	6	1,064,620	10
Other current liabilities (Notes 12 and 20)	417,868	3	291,113	3
Total current liabilities	<u>6,133,290</u>	<u>45</u>	<u>5,138,664</u>	<u>49</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 19)	698,283	5	-	-
Long-term borrowings (Note 18)	766,108	6	303,944	3
Deferred tax liabilities (Notes 4 and 24)	56,520	-	67,820	1
Lease liabilities - non-current (Notes 4 and 16)	24,704	-	12,665	-
Net defined benefit liability - non-current (Notes 4 and 21)	87,092	1	94,068	1
Other non-current liabilities	9,305	-	629	-
Total non-current liabilities	<u>1,642,012</u>	<u>12</u>	<u>479,126</u>	<u>5</u>
Total liabilities	<u>7,775,302</u>	<u>57</u>	<u>5,617,790</u>	<u>54</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> (Notes 4 and 22)				
Ordinary shares	<u>3,752,084</u>	<u>28</u>	<u>3,376,884</u>	<u>33</u>
Capital surplus	<u>2,179,372</u>	<u>16</u>	<u>1,044,017</u>	<u>10</u>
Retained earnings				
Legal reserve	612,916	4	767,660	7
Special reserve	230,859	2	230,859	2
Accumulated deficits	<u>(316,924)</u>	<u>(2)</u>	<u>(154,744)</u>	<u>(1)</u>
Total retained earnings	<u>526,851</u>	<u>4</u>	<u>843,775</u>	<u>8</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	(523,866)	(4)	(448,879)	(4)
Unrealized loss on financial assets at fair value through other comprehensive income	<u>(88,412)</u>	<u>(1)</u>	<u>(62,007)</u>	<u>(1)</u>
Total other equity	<u>(612,278)</u>	<u>(5)</u>	<u>(510,886)</u>	<u>(5)</u>
Total equity attributable to owners of the Company	<u>5,846,029</u>	<u>43</u>	<u>4,753,790</u>	<u>46</u>
<b>NON-CONTROLLING INTERESTS</b> (Note 21)	<u>(8,671)</u>	<u>-</u>	<u>(8,909)</u>	<u>-</u>
Total equity	<u>5,837,358</u>	<u>43</u>	<u>4,744,881</u>	<u>46</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$13,612,660</u>	<u>100</u>	<u>\$10,362,671</u>	<u>100</u>

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

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE(Notes 4 and 35)	\$12,284,041	100	\$9,243,618	100
OPERATING COSTS (Notes 4, 11 and 29)	10,810,739	88	8,066,422	87
OPERATING GROSS PROFIT	1,473,302	12	1,177,196	13
OPERATING EXPENSES				
Sales and marketing expenses	549,147	5	442,814	5
General and administration expenses	502,237	4	474,929	5
Research and development expenses	760,997	6	632,909	7
Expected credit loss recognized (reversed)	245	-	(825)	-
Total operating expenses	1,812,626	15	1,549,827	17
LOSS FROM OPERATIONS	(339,324)	(3)	(372,631)	(4)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	28,000	-	33,113	-
Other income (Notes 23 and 26)	88,319	1	250,596	3
Other gains and losses (Note 23)	(26,496)	-	(37,358)	(1)
Finance costs (Note 23)	(40,297)	-	(22,517)	-
Share of loss of from associates account for using the equity method (Note 14)	(8,152)	-	(4,645)	-
Total non-operating income and expenses	41,374	1	219,189	2

(Continued on next page)

(Continued from previous page)

	2021		2020	
	Amount	%	Amount	%
LOSS BEFORE INCOME TAX	(\$297,950)	(2)	(\$153,442)	(2)
INCOME TAX EXPENSE (Notes 4 and 24)	(14,668)	-	(1,171)	-
LOSS FOR THE YEAR	(312,618)	(2)	(154,613)	(2)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 21)	(5,405)	-	(188)	-
Unrealized loss on financial assets at fair value through other comprehensive income (Note 22)	3,804	-	(9,483)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Note 22)	(30,209)	-	27,037	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	1,081	-	38	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 22)	(74,731)	(1)	(32,211)	-
Total other comprehensive loss	(105,460)	(1)	(14,807)	-
TOTAL COMPREHENSIVE LOSS	(\$418,078)	(3)	(\$169,420)	(2)
LOSS ATTRIBUTABLE TO:				
Owners of the Company	(\$312,600)	(3)	(\$154,594)	(2)
Non-controlling interests	(18)	-	(19)	-
Total	(\$312,618)	(3)	(\$154,613)	(2)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	(\$418,316)	(3)	(\$169,883)	(2)
Non-controlling interests	238	-	463	-
Total	(\$418,078)	(3)	(\$169,420)	(2)
LOSS PER SHARE (Note 25)				
Basic	(\$0.92)		(\$0.46)	

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

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In Thousands of New Taiwan Dollars)

	Equity Attributable to owners of the company					Other equity		Total	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Exchange differences on translating the financial statements of foreign operations	Unrealized loss on financial assets at fair value through other comprehensive income			
			Legal reserve	Special reserve	Accumulated deficits					
Balance at January 1, 2020	\$3,376,884	\$1,044,017	\$808,806	\$230,859	(\$41,146)	(\$416,186)	(\$79,561)	\$4,923,673	(\$9,372)	\$4,914,301
Legal reserve used to offset accumulated deficits	-	-	(41,146)	-	41,146	-	-	-	-	-
Loss for the year ended December 31, 2020	-	-	-	-	(154,594)	-	-	(154,594)	(19)	(154,613)
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(150)	(32,693)	17,554	(15,289)	482	(14,807)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(154,744)	(32,693)	17,554	(169,883)	463	(169,420)
Balance at December 31, 2020	3,376,884	1,044,017	767,660	230,859	(154,744)	(448,879)	(62,007)	4,753,790	(8,909)	4,744,881
Capital increase (Note 22)	375,200	1,135,355	-	-	-	-	-	1,510,555	-	1,510,555
Legal reserve used to offset accumulated deficits (Note 22)	-	-	(154,744)	-	154,744	-	-	-	-	-
Loss for the year ended December 31, 2021	-	-	-	-	(312,600)	-	-	(312,600)	(18)	(312,618)
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(4,324)	(74,987)	(26,405)	(105,716)	256	(105,460)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(316,924)	(74,987)	(26,405)	(418,316)	238	(418,078)
Balance at December 31, 2021	\$3,752,084	\$2,179,372	\$612,916	\$230,859	(\$316,924)	(\$523,866)	(\$88,412)	\$5,846,029	(\$8,671)	\$5,837,358

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

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$297,950)	(\$153,442)
Adjustments for:		
Depreciation expense	285,785	308,178
Amortization expense	13,380	12,595
Expected credit loss recognized (reversed)	245	(825)
Gain on fair value changes of financial assets designated as at fair value through profit or loss	-	(3)
Finance costs	40,297	22,517
Interest income	(28,000)	(33,113)
Share of loss from associates accounted for using the equity method	8,152	4,645
Loss on disposal of property, plant and equipment	3,279	2,637
Loss on disposal of intangible assets	8	194
Gain on disposal of investment	(795)	(10,274)
Allowance for inventory valuation and obsolescence loss	63,120	48,139
Net changes in operating assets and liabilities		
Notes receivables	(16,886)	2,022
Trade receivables	(210,023)	20,355
Other receivables	13,487	19,666
Inventories	(1,252,483)	(709,278)
Other current assets	(23,436)	(22,702)
Trade payables	353,948	634,185
Trade payables to related parties	(21,375)	12,971
Other payables	43,047	(133,777)
Other current liabilities	126,755	180,251
Net defined benefit liability	(12,381)	(8,346)
Cash (used in) generated from operating activities	(911,826)	196,595
Interest received	17,937	31,757
Interest paid	(39,575)	(19,833)
Income tax paid	(12,473)	(24,516)
Net cash (used in) generated from operating activities	(945,937)	184,003

(Continued on next page)

(Continued from previous page)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Financial assets at fair value through other comprehensive income	(\$18,000)	(\$18,000)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	406	-
Purchase of financial assets at amortized cost	(485,788)	(10,000)
Proceeds from disposal of financial assets at amortized cost	265,124	-
Purchase of financial assets at fair value through profit or loss	(303,997)	(171,925)
Proceeds from sale of financial assets at fair value through profit or loss	347,361	484,970
Proceeds from capital reduction of investments accounted for using equity method	-	9,567
Payments for property, plant and equipment	(841,816)	(237,926)
Proceeds from disposal of property, plant and equipment	833	29,806
Payments for intangible assets	(15,886)	(7,196)
Increase in refundable deposits	(184)	(747)
Increase in prepayments for equipment	(63,599)	(81,381)
Increase in prepayments for land	-	(84,075)
Dividends received	2,679	2,097
Receive government grants	-	6,820
Net cash used in investing activities	<u>(1,112,867)</u>	<u>(77,990)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	706,461	256,320
Issuance of corporate bonds	700,000	-
Repayment of corporate bonds	(1,000,000)	-
Proceeds from long-term borrowings	2,251,960	566,040
Repayment of long-term borrowings	(1,023,399)	(495,000)
Increase in guarantee deposits received	8,676	-
Decrease in guarantee deposits received	-	(35)
Repayment of the principal portion of lease liabilities	(19,713)	(8,641)
Capital increase	1,510,555	-
Payment for the cost of ordinary corporate bonds issuance	(2,028)	-
Net cash generated from financing activities	<u>3,132,512</u>	<u>318,684</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(28,592)</u>	<u>(29,792)</u>

(Continued on next page)

(Continued from previous page)

	<u>2021</u>	<u>2020</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$1,045,116	\$394,905
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,545,804</u>	<u>2,150,899</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>\$3,590,920</u></u>	<u><u>\$2,545,804</u></u>

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

**Phihong Technology Co., Ltd.**  
**2021 Deficit Compensation Statement**

Unit: NT\$

Item	Amount	
	Subtotal	Total
Accumulated deficits at beginning of the period	-	
Less:		
Remeasurement of the defined benefit plans recognized in retained earnings	(4,324,100)	
Loss after tax for the year	(312,600,189)	
Accumulated losses to be compensated for the period		(316,924,289)
Item available for loss compensation		
Legal reserve		316,924,289
Accumulated losses to be compensated at the end of the period		-

Note: The accumulated loss to be compensated for the year is NT\$316,924,289, and the legal reserve is NT\$612,915,926. It is proposed to compensate the losses using the legal reserve. After compensation, the legal reserve is NT\$295,991,637, and the loss to be compensated is NT\$0.

Chairman: Lin, Chung-Min

President: Lin, Yang-Hong

Head of accounting: Chen, Kuei-Chih

**Phihong Technology Co., Ltd.**

**Comparison Table for the Provisions Before and After the Amendments to the “Articles of Incorporation”**

<b>Article</b>	<b>Provisions Before Amendments</b>	<b>Provisions After Amendments</b>	<b>Description</b>
Article 2	<p>The scope of business is as follows:</p> <ol style="list-style-type: none"> <li>1. CC01010 Power Generation, Transmission and Distribution Machinery Manufacturing.</li> <li>2. CC01020 Electric Wires and Cables Manufacturing.</li> <li>3. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.</li> <li>4. CC01060 Wired Communication Equipment and Apparatus Manufacturing.</li> <li>5. CC01080 Electronics Components Manufacturing.</li> <li>6. CC01110 Computer and Peripheral Equipment Manufacturing.</li> <li>7. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.</li> <li>8. CD01030 Motor Vehicles and Parts Manufacturing.</li> <li>9. CD01040 Motorcycles and Parts Manufacturing.</li> <li>10. F113020 Wholesale of Household Appliance.</li> <li>11. F113070 Wholesale of Telecom Instruments.</li> <li>12. F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories.</li> <li>13. Wholesale of Electronic Materials.</li> <li>14. International Trade.</li> <li>15. Retail Sale of Telecommunication Apparatus.</li> <li>16. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</li> </ol>	<p>The scope of business is as follows:</p> <ol style="list-style-type: none"> <li>1. CC01010 Power Generation, Transmission and Distribution Machinery Manufacturing.</li> <li>2. CC01020 Electric Wires and Cables Manufacturing.</li> <li>3. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.</li> <li>4. CC01060 Wired Communication Equipment and Apparatus Manufacturing.</li> <li>5. CC01080 Electronics Components Manufacturing.</li> <li>6. CC01110 Computer and Peripheral Equipment Manufacturing.</li> <li>7. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.</li> <li>8. CD01030 Motor Vehicles and Parts Manufacturing.</li> <li>9. CD01040 Motorcycles and Parts Manufacturing.</li> <li>10. F113020 Wholesale of Household Appliance.</li> <li>11. F113070 Wholesale of Telecom Instruments.</li> <li>12. F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories.</li> <li>13. Wholesale of Electronic Materials.</li> <li>14. International Trade.</li> <li>15. Retail Sale of Telecommunication Apparatus.</li> <li>16. <u>IG03010 Energy Technical Services.</u></li> <li>17. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</li> </ol>	<p>In accordance with the business requirements of the Company</p>

Article	Provisions Before Amendments	Provisions After Amendments	Description
Article 9	The shareholders' meetings are divided into annual shareholders' meetings and extraordinary shareholders' meetings. The annual shareholders' meeting shall be convened once a year by the Board within six months from the end of a fiscal year according to the law. Extraordinary meetings shall be convened according to the law when necessary.	The shareholders' meetings are divided into annual shareholders' meetings and extraordinary shareholders' meetings. The annual shareholders' meeting shall be convened once a year by the Board within six months from the end of a fiscal year according to the law. Extraordinary meetings shall be convened according to the law when necessary. <u>The shareholders' meetings of the Company may be conducted by way of video conferences or other methods announced by the competent central authority.</u>	Added the provision of allowing video conferences for shareholders' meetings
Article 13	The Company has 7 to <u>13</u> directors, with a term of office of three years, who may be re-elected and re-appointed.	The Company has 7 to <u>15</u> directors, with a term of office of three years, who may be re-elected and re-appointed.	Added the number of seats of directors in compliance with the practical requirements
Article 23	The Article was stipulated on December 7, 1972. The 1st amendment was made on May 1, 1973. . . The 34th amendment was made on December 16, 2021.	The Article was stipulated on December 7, 1972. The 1st amendment was made on May 1, 1973. . . The 34th amendment was made on December 16, 2021. <u>The 35th amendment was made on June 8, 2022.</u>	Added the date of amendments

Phihong Technology Co., Ltd.

Comparison Table for the Provisions Before and After the Amendments to the “Procedures for Acquisition or Disposal of Assets”

Provisions Before Amendments	Provisions After Amendments	Description
<p>3. Evaluation procedure:</p> <p>(1) When the Company acquires or disposes of investments in financial instruments (including transactions of derivatives), the financial and accounting departments shall analyze the relevant benefits and evaluate possible risks, while for the acquisition or disposal of real estate and other assets, each relevant unit shall draw up a capital expenditure plan in advance, and conduct a feasibility assessment on the purpose of the acquisition or disposal, expected benefits, etc. If it is a transaction with a related party, they shall assess the reasonableness of the transaction conditions in accordance with the provisions of Chapter II of the Procedures.</p> <p>(2) When the Company acquires or disposes of marketable securities, the Company shall obtain the most recent financial statements of the subject company that have been audited or reviewed by an accountant as a reference for assessing the transaction price. For the acquisition or disposal of marketable securities not traded in a centralized trading market or Taipei Exchange, privately placed securities and memberships, intangible assets, or their right-of-use assets, if the transaction amount reaches 20% of the company’s paid-in capital or NT\$300 million or more, besides having transactions with a domestic government agency, the Company shall also engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. <u>If an expert report is required, the Company shall follow the provisions of Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation.</u> However, if the securities are publicly quoted in an active market or as otherwise specified by the Financial Supervisory Commission (FSC),</p>	<p>3. Evaluation procedure:</p> <p>(1) When the Company acquires or disposes of investments in financial instruments (including transactions of derivatives), the financial and accounting departments shall analyze the relevant benefits and evaluate possible risks, while for the acquisition or disposal of real estate and other assets, each relevant unit shall draw up a capital expenditure plan in advance, and conduct a feasibility assessment on the purpose of the acquisition or disposal, expected benefits, etc. If it is a transaction with a related party, they shall assess the reasonableness of the transaction conditions in accordance with the provisions of Chapter II of the Procedures.</p> <p>(2) When the Company acquires or disposes of marketable securities, the Company shall obtain the most recent financial statements of the subject company that have been audited or reviewed by an accountant as a reference for assessing the transaction price. For the acquisition or disposal of marketable securities not traded in a centralized trading market or Taipei Exchange, privately placed securities and memberships, intangible assets, or their right-of-use assets, if the transaction amount reaches 20% of the company’s paid-in capital or NT\$300 million or more, besides having transactions with a domestic government agency, the Company shall also engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. However, if the securities are publicly quoted in an active market or as otherwise specified by the Financial Supervisory Commission (FSC), this shall not apply.</p> <p style="text-align: center;"><b>...omitted below</b></p>	<p>Amended in compliance with laws and regulations</p>

Provisions Before Amendments	Provisions After Amendments	Description
<p>this shall not apply.  <b>...omitted below</b></p>		
<p>5. Public announcement and report procedure:  (1) Under any of the monitoring systems top circumstances, the Company acquiring or disposing assets shall publicly announce and report the relevant information on the website designated by the FSC in the appropriate format as prescribed by regulations within 2 days from the date of the event.</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real estate or the right-of-use assets from or to a related party, or acquisition or disposal of assets other than real estate or the right-of-use assets from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets or NT\$300 million or more. This does not apply to trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. The losses from derivatives trading reaches the upper limit of all or individual contract losses as stipulated in Paragraph 4, Article 14 of Chapter III of the Procedures.</li> <li>4. Acquisition or disposal of equipment for business use or their right-of-use assets, and the transaction counterparty is not a related party, and the transaction amount exceeds NT\$500 million.</li> <li>5. The real estate is acquired under an arrangement of engaging others to build on the Company's own land or build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, and the transaction counterparty is not a related party, and that the amount the Company</li> </ol>	<p>5. Public announcement and report procedure:  (1) Under any of the monitoring systems top circumstances, the Company acquiring or disposing assets shall publicly announce and report the relevant information on the website designated by the FSC in the appropriate format as prescribed by regulations within 2 days from the date of the event.</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real estate or the right-of-use assets from or to a related party, or acquisition or disposal of assets other than real estate or the right-of-use assets from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets or NT\$300 million or more. This does not apply to trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. The losses from derivatives trading reaches the upper limit of all or individual contract losses as stipulated in Paragraph 4, Article 14 of Chapter III of the Procedures.</li> <li>4. Acquisition or disposal of equipment for business use or their right-of-use assets, and the transaction counterparty is not a related party, and the transaction amount exceeds NT\$500 million.</li> <li>5. The real estate is acquired under an arrangement of engaging others to build on the Company's own land or build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, and the transaction counterparty is not a related party, and that the amount the Company expects to invest in the transaction is</li> </ol>	<p>Amend ed in compli ance with laws and regulat ions</p>

Provisions Before Amendments	Provisions After Amendments	Description
<p>expects to invest in the transaction is more than NT\$500 million.</p> <p>6. In the case of asset transactions other than the ones specified in the preceding five paragraphs, claims disposed of by financial institutions or investment in mainland China, the amount of each transaction, the cumulative transaction amount of acquisitions and disposals of the same type of assets with the same transaction counterparty within the preceding year, the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real estate or their right-of-use assets within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year reaches 20% of the Company's paid-in capital or NT\$300 million or more. "Within the preceding year" herein refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with Regulations Governing the Acquisition and Disposal of Assets by Public Companies need not be counted toward the transaction amount. However, this does not apply to the following circumstances:</p> <p>(a) Trading of domestic government bonds.</p> <p>(b) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, or subscription by a securities firm of</p>	<p>more than NT\$500 million.</p> <p>6. In the case of asset transactions other than the ones specified in the preceding five paragraphs, claims disposed of by financial institutions or investment in mainland China, the amount of each transaction, the cumulative transaction amount of acquisitions and disposals of the same type of assets with the same transaction counterparty within the preceding year, the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real estate or their right-of-use assets within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year reaches 20% of the Company's paid-in capital or NT\$300 million or more. "Within the preceding year" herein refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with Regulations Governing the Acquisition and Disposal of Assets by Public Companies need not be counted toward the transaction amount. However, this does not apply to the following circumstances:</p> <p>(a) Trading of domestic government bonds <u>or foreign government bonds with credit ratings no less than the sovereign credit rating in Taiwan.</u></p> <p>(b) Where done by professional investors—securities trading on Stock Exchange or OTC markets, or subscription of <u>foreign government bonds</u>, ordinary corporate bonds, or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, <u>or subscription or repurchase of index investment securities</u>, or subscription by a</p>	

Provisions Before Amendments	Provisions After Amendments	Description
<p>securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(c) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format in the table into the website designated by the FSC by the 10th day of each month.</p> <p>(3) At the time of public announcement makes an error or omission in an item to be publicly announced and so is required to correct it, all the items shall be again publicly announced in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>(4) If any of the following circumstances occurs with respect to a transaction that has been publicly announced and reported in accordance with the provisions of (I), a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Change, termination, or rescission of a contract signed in regard to the original transaction.</li> <li>2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</li> <li>3. Change to the original publicly announced and reported information.</li> </ol>	<p>securities firm of securities as necessitated by its underwriting business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(c) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format in the table into the website designated by the FSC by the 10th day of each month.</p> <p>(3) At the time of public announcement makes an error or omission in an item to be publicly announced and so is required to correct it, all the items shall be again publicly announced in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>(4) If any of the following circumstances occurs with respect to a transaction that has been publicly announced and reported in accordance with the provisions of (I), a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Change, termination, or rescission of a contract signed in regard to the original transaction.</li> <li>2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</li> <li>3. Change to the original publicly announced and reported information.</li> </ol>	

Provisions Before Amendments	Provisions After Amendments	Description
<p>6. Asset valuation procedure: When the Company acquires or disposes of real estate, equipment, or right-of-use assets where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets held for business use, the Company shall obtain an appraisal report (refer to Attachment 1 for matters to be specified) prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions. However, in the event that the Company acquires or disposes of assets through a court auction process, a court certificate may be issued in lieu of an appraisal report or an accountant's opinion.</p> <p>(1) If, for special reasons, the transaction price is based on a limited price, a specific price or a special price, the transaction shall be submitted to and approved by the Board of Directors, and any future changes to the terms of the transaction shall be subject to the same procedures as above.</p> <p>(2) If the transaction amount is more than NT\$1 billion, the Company shall ask two or more professional appraisers for appraisal.</p> <p>(3) If any of the following circumstances applies to the professional appraiser's appraisal results, except where the appraisal results of the assets acquired is higher than the transaction amount or the appraisal results of the assets disposed of is lower than the transaction amount, an accountant shall be requested to <u>comply with the provisions of Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation of the Republic of China and</u> express a specific opinion on the reason for the difference and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20% or more.</li> <li>2. The discrepancy between the appraisal</li> </ol>	<p>6. Asset valuation procedure: When the Company acquires or disposes of real estate, equipment, or right-of-use assets where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets held for business use, the Company shall obtain an appraisal report (refer to Attachment 1 for matters to be specified) prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions. However, in the event that the Company acquires or disposes of assets through a court auction process, a court certificate may be issued in lieu of an appraisal report or an accountant's opinion.</p> <p>(1) If, for special reasons, the transaction price is based on a limited price, a specific price or a special price, the transaction shall be submitted to and approved by the Board of Directors, and any future changes to the terms of the transaction shall be subject to the same procedures as above.</p> <p>(2) If the transaction amount is more than NT\$1 billion, the Company shall ask two or more professional appraisers for appraisal.</p> <p>(3) If any of the following circumstances applies to the professional appraiser's appraisal results, except where the appraisal results of the assets acquired is higher than the transaction amount or the appraisal results of the assets disposed of is lower than the transaction amount, an accountant shall be requested to express a specific opinion on the reason for the difference and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20% or more.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more.</li> </ol> <p>(4) The date of issuance of the professional appraiser's report shall not exceed three</p>	<p>Amended in compliance with laws and regulations</p>

Provisions Before Amendments	Provisions After Amendments	Description
<p>results of two or more professional appraisers is 10% or more.</p> <p>(4) The date of issuance of the professional appraiser's report shall not exceed three months from the date of contract formation; provided, however, that if the current value of the appraisal applies to the same period of publication and is less than six months old, an opinion may be issued by the original professional appraiser.</p>	<p>months from the date of contract formation; provided, however, that if the current value of the appraisal applies to the same period of publication and is less than six months old, an opinion may be issued by the original professional appraiser.</p>	
<p>11. Resolution procedure:</p> <p>When the Company intends to acquire or dispose of real estate or the right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real estate or the right-of-use assets from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to and verified by the Audit Committee and approved by the Board of Directors:</p> <p>(1) The purpose, necessity, and expected benefits of acquiring or disposing of the assets.</p> <p>(2) Reasons for selecting the related party as the transaction counterparty.</p> <p>(3) With respect to the acquisition of real estate or the right-of-use assets from a related party, information regarding appraisal of the Acquisition of the preliminary transaction terms in accordance with the exceptions clause specified in Article 12 or Article 13.</p> <p>(4) Matters regarding the date and price and the transaction counterparty in the original acquisition by the related party, and the relationship between said counterparty, the Company, and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in</p>	<p>11. Resolution procedure:</p> <p>When the Company intends to acquire or dispose of real estate or the right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real estate or the right-of-use assets from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to and verified by the Audit Committee and approved by the Board of Directors:</p> <p>(1) The purpose, necessity, and expected benefits of acquiring or disposing of the assets.</p> <p>(2) Reasons for selecting the related party as the transaction counterparty.</p> <p>(3) With respect to the acquisition of real estate or the right-of-use assets from a related party, information regarding appraisal of the Acquisition of the preliminary transaction terms in accordance with the exceptions clause specified in Article 12 or Article 13.</p> <p>(4) Matters regarding the date and price and the transaction counterparty in the original acquisition by the related party, and the relationship between said counterparty, the Company, and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in</p>	<p>Amended in compliance with laws and regulations</p>

Provisions Before Amendments	Provisions After Amendments	Description
<p>compliance with the former article.</p> <p>(7) Restrictions on this transaction and other important agreed matters.</p> <p>The calculation of the transaction amount in the preceding paragraph shall be conducted in accordance with Paragraph 2, Article 31 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and the “within the preceding year” herein refers to the year preceding the date of occurrence of the current transaction. Items submitted to the Audit Committee and the Board of Directors for approval in accordance with the provisions need not be counted toward the transaction amount.</p> <p>Where the Company, its subsidiaries, or its subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or total share capital engage in the following transactions with each other, the board of directors may authorize the chairman to make decisions for a transaction amounting to no more than NT\$500 million and then to report to the next board meeting for ratification.</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of equipment for business use or assets with rights of use.</li> <li>2. Acquisition or disposal of real estate assets for use in business.</li> </ol> <p>When the Company’s acquisition or disposal of assets from/to a related party is submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.</p>	<p>compliance with the former article.</p> <p>(7) Restrictions on this transaction and other important agreed matters.</p> <p>The calculation of the transaction amount in the preceding paragraph shall be conducted in accordance with Paragraph 2, Article 31 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and the “within the preceding year” herein refers to the year preceding the date of occurrence of the current transaction. Items submitted to the Audit Committee and the Board of Directors for approval in accordance with the provisions need not be counted toward the transaction amount.</p> <p>Where the Company, its subsidiaries, or its subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or total share capital engage in the following transactions with each other, the board of directors may authorize the chairman to make decisions for a transaction amounting to no more than NT\$500 million and then to report to the next board meeting for ratification.</p> <p><u>When the subsidiary of the Company or a non-domestically-listed company has the transaction stated in paragraph 1, and when the transaction amount reaches 10% of the Company’s total assets or above, the Company may only enter into the transaction contract and make payment after submitting the information stated in paragraph 1 to the shareholders’ meeting for approval. However, this shall not apply to transactions between the Company and its subsidiaries or between the subsidiaries.</u></p> <p>The calculation of the transaction amount in <u>paragraph 1 and</u> the preceding paragraph shall be conducted in accordance with Paragraph 2, Article 31 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and “within a year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the <u>shareholders’ meeting</u>, Audit Committee, and the board of directors for approval in accordance with the provisions of said regulations need not be counted toward the transaction amount.</p>	

Provisions Before Amendments	Provisions After Amendments	Description
<p>27. The 1st amendment was made on June 16, 1997.  The 2nd amendment was made on June 18, 1998  The 3rd amendment was made on November 25, 1999.  The 4th amendment was made on June 9, 2003.  The 5th amendment was made on June 14, 2005.  The 6th amendment was made on June 9, 2006.  The 7th amendment was made on June 13, 2007.  The 8th amendment was made on June 15, 2011.  The 9th amendment was made on June 19, 2012.  The 10th amendment was made on June 19, 2014.  The 11th amendment was made on June 14, 2017.  The 12th amendment was made on June 19, 2019.  The 13th amendment was made on June 10, 2020.  The 14th amendment was made on July 30, 2021.</p>	<p>27. The 1st amendment was made on June 16, 1997.  The 2nd amendment was made on June 18, 1998.  The 3rd amendment was made on November 25, 1999.  The 4th amendment was made on June 9, 2003.  The 5th amendment was made on June 14, 2005.  The 6th amendment was made on June 9, 2006.  The 7th amendment was made on June 13, 2007.  The 8th amendment was made on June 15, 2011.  The 9th amendment was made on June 19, 2012.  The 10th amendment was made on June 19, 2014.  The 11th amendment was made on June 14, 2017.  The 12th amendment was made on June 19, 2019.  The 13th amendment was made on June 10, 2020.  The 14th amendment was made on July 30, 2021.  <a href="#">The 15th amendment was made on June 8, 2022.</a></p>	<p>Added the date of amendments</p>

**Phihong Technology Co., Ltd.  
EV Energy Business Split-up Plan**

Phihong Technology Co., Ltd. (the “Party A”)

Contracting Parties:

Phehicle Co., Ltd (the “Party B”)

In response to the requirements of the Group’s future development and the expansion of the electric vehicle energy business, Party A intends to split the businesses related to its “Electric Vehicle Energy Business Group” (including assets, liabilities, and operations, the “EV Energy Business”) to Party B, its existing wholly-owned subsidiary; Part B shall succeed the EV Energy Business from the base date of the split-up, and Party B shall issue new shares to Party A as considerations (the “Split-up”). Therefore, according to the Business Merger and Acquisitions Act, the Company Act, and other relevant laws and regulations, the split-up plan (the “Split-up Plan”) is established as follows:

**Article 1 Split-up Method and Companies Involved:**

- I. Split-up method: The Split-up adopts the method of existing split-up under Article 35 of the Business Merger and Acquisitions Act; that is, Party A shall transfer its EV Energy Business to Party B, existing and wholly-owned by Party A, on the base date of the split-up, and Party B shall issue new shares to Party A as the consideration.
- II. Split company: Phihong Technology Co., Ltd. (tax ID No.: 30435973); its authorized capital is NT\$6,000,000,000, divided into 600,000,000 shares, with a nominal value of NT\$10 per share; the paid-up capital is NT\$3,752,084,160, divided into 375,208,416 shares. (Note: The capital increase of NT\$375,200,000 in the paid-up capital was completed on December 24, 2021; at present, the alteration registration is to be performed by the Ministry of Economic Affairs; the letter of approval is to be obtained.)
- III. Existing company succeeding the business: Phehicle Co., Ltd (tax ID No.: 90637397); its authorized capital is NT\$1,000,000, divided into 100,000 shares, with a nominal value of NT\$10 per share; the paid-up capital is NT\$1,000,000, divided into 100,000 shares.

**Article 2 Alteration to be Made for the Existing Company Succeeding the Business:**

Party B intends to amend its articles of incorporation, as shown in Appendix 1, due to the Split-up.

**Article 3 Scope of Business, Business Value, and Assets and Liabilities of the Split Company and the Existing Company**

- I. The scope of business for the split and transfer in the split company under the Split-up

1. Operations, businesses, and employees related to the EV Energy Business.
2. Machines, equipment, inventories, bank deposits, account receivables, amount payables, and other relevant assets (including tangible and intangible assets) and relevant liabilities required by the EV Energy Business.
3. Contracts (including but not limited to sales contracts, technical authorization contracts, technical service contracts, supply contracts, lease contracts, borrowing contracts, and other relevant contracts), litigations, legal relations, legal status, license, permits, and relevant interests related to the EV Energy Business. However, the transfer of the abovementioned contracts, litigations, legal relations, legal status, license, permits, and relevant interests that requires the consent from the counterparty or a third party according to the contract or laws and regulations shall only become effective after receiving the consent of counterparty or the third party.
4. Apart from the transfer of trademarks or patents related to the EV Energy Business to Party B under the Split-up, technologies, software, know-how, business secrets, and other intellectual properties developed and owned by Party A on the base day of the split-up that are related to the EV Energy Business shall be entirely split and transferred to Party B. Party A and Party B shall cooperate with one another for the right transfer procedures, technology transfer procedures, right maintenance procedures, of the abovementioned intellectual properties, and the provision of relevant information documents, and programs, benefiting the other party to exercise relevant rights; the right maintenance fees after the base day of the split-up shall be borne by Party B. The split-up of the intellectual property rights has no effect on the rights granted to and obligation of confidentiality assumed by others before the split.
5. Other assets, liabilities, rights and obligation relationships, interests, tax incentives enjoyed but not expired or not credited regarding the split and transferred business/property, licenses, permits, and relevant legal relationships, factual relations and status related to the EV Energy Business.

## II. Business value split and transferred

Based on the split and transferred assets less liabilities, the business value is estimated to be NT\$599,000,000, as shown in Appendix 2. Considering the business value of the EV Energy Business and the fairness opinion for the split-up conversion issued by an expert,

Party B estimates to issue 59,900,000 new shares to Party A.

III. Assets split and transferred

Assets expected to be split and transferred are set out in Appendix 2; it is estimated to be NT\$812,002,000.

IV. Liabilities split and transferred

Liabilities expected to be split and transferred are set out in Appendix 2; it is estimated to be NT\$213,002,000.

V. The business value, assets, and liabilities of the Split-up are provisionally based on the carrying amount of Party A as at December 31, 2021, and the assessment was performed taking into account the depreciation, capital expenditure plan, and the changes in the value of relevant items up to the base date of the split-up. The actual amount shall be subject to the carrying amount on the base day of the split-up. When there is any difference between the business value, assets, and liabilities upon actual split-up and transfer with the estimated amounts above, cash adjustments may apply.

VI. When adjustments are required for the split and transferred assets and liabilities above, the board of directors of both Party A and Party B shall jointly negotiate for adjustments; when the business value of the ratio of the number of shares issued by Party B or the issue price is required to be adjusted, the same shall apply.

**Article 4 Ratio for the Number of New Shares Issued by the Existing Company that Succeeds the Business Acquired by the Split Company Due to the Split and Transferred Business Value, Assets, and Liabilities and the Calculation Method:**

I. Ratio for the number of shares issued acquired

Party A estimates that the business value of the EV Energy Business shall be NT\$599,000,000, and offers NT\$10 of the business value in exchange for one ordinary share issued by Party B; Party A offers to exchange for 59,900,000 new ordinary shares issued by Party B, with a nominal value of NT\$10; for any amount not sufficient for the exchange of 1 share, Party B shall convert the business value not sufficient for the exchange of shares into cash once and make payments to Party A within 30 days from the completion of the alteration registration.

II. Calculation basis

The abovementioned ratio of the number of shares issued over the share conversion refers to the carrying amount of assets and

liabilities to be split and transferred by Party A, net value per share, and the fairness opinion for the split-up conversion issued by an expert. The opinion issued by an independent expert is set out in Appendix 3.

**Article 5 Adjustments to the Split Company Due to the Business Value, Assets, and Liabilities Due to the Split and Transfer, and to the Number of Shares and Ratio Issued by the Existing Company that Succeeds the Business for Conversion:**

From the execution day of the Plan to the base day of the split-up, when the contemplated conversion of the number of shares issued by Party B and the ratio through the split-up of the EV Energy Business under the Split-up occurs under the following circumstances, the board of directors of both Party A and Party B may jointly negotiate the adjustments to the number of shares issued and/or price per share, and the business value acquired by Party B due to the split-up shall also be adjusted, accordingly:

- I. A capital increase in cash by Party B after the execution of the Plan.
- II. Assets acquired by Party A after the execution of the Plan to be added to the scope of assets split and transferred.
- III. The necessity for adjustments to be made to the business value due to the changes in the scope or value of assets or liabilities or other reasons for the business to be transferred under the Plan on the base day of the split-up.
- IV. Changes in the breakdown or amount of assets and liabilities to be split and transferred by Party A due to business activities, investments, or financing acts, or due to asset revaluation, depreciation, amortization, addition, or impairment.
- V. The necessity for adjustments considered by the board of directors of both parties or the necessity for adjustments due to the changes in laws and regulations or the instructions by relevant competent authorities.

**Article 6 Total Number of Shares Issued by the Existing Company that Succeeds the Business, Category, and Quantity:**

- I. The business value succeeded by Party B due to the Split-up is NT\$599,000,000, and it shall issue a total of 59,900,000 shares to Party A.
- II. Party B shall complete the alteration registration after the base day of the split-up and issue the share certificate of ordinary shares to Party A. After the completion of the Split-up, Party A still directly holds 100% shares of Party B.

**Article 7 Acquisition and Elimination of Dissenting Shareholders' Shares:**

For Party A's shareholders who express dissenting opinions on matters related to the Split-up or the Plan according to the law, Party A shall repurchase shares held by the dissenting shareholders according to the law; shares repurchased thereof may be disposed of or canceled for alteration registration after being permitted by the competent authority.

**Article 8 Obligation of Notice to Creditors and Announcement:**

- I. After the Split-up is resolved by the shareholders' meeting of Party A and the split-up is passed by the board of directors of Party B on behalf of the shareholders' meeting, they shall prepare the balance sheets and list of properties, respectively, and shall notify their respective creditors of and publish announcements regarding the resolution of the split-up, and designate a period of over 30 days for creditors to propose their dissenting opinions within the prescribed period. For any dissenting opinions proposed by the creditors of the respective companies within the prescribed period, the respective companies shall handle them according to relevant laws and regulations.
- II. When Party A settles the debts with creditors who proposed dissenting opinions according to the requirements in the preceding paragraph that fall into the scope of split-up and transfer under the Plan, the board of directors of Party A and Party B shall jointly negotiate the adjustments to the scope of business, business value, and assets and liabilities stated in Article 3; when it is necessary to make adjustments to the ratio or price regarding the new shares issued by Party B, the same shall apply.

**Article 9 Succession of Rights and Obligations After the Split-up and Relevant Matters:**

- I. From the base day of the split-up, all assets and liabilities split and transferred to Party B, and all its rights and obligations remain effective as of the base day of the split-up by Party A shall be succeeded by Party B according to the law, except when otherwise agreed in the Plan; Party A shall cooperate with relevant transfer procedures necessary.
- II. Except for liabilities split and transferred under the Split-up and liabilities of Party A before the Split-up that may be divided, Party B shall be held jointly responsible with Party A for the settlement regarding the part of liabilities assumed by Party A within the scope of capital contributions in the succeeded business before the Split-up according to paragraph 7, Article 35 of the Business Merger and Acquisitions Act. However, the right of claim for the joint settlement

owned by creditors shall be eliminated within two years from the base day of the split-up when not exercised.

**Article 10 Transfer of Employees for Employment:**

Party A and Party B will determine employees to be retained and inquire about their intention for retention according to legal procedures. For employees who agreed to the retention, Party B shall adopt their years of services with Party A before the base day of the split-up, or Party A shall negotiate with employees regarding other methods that are sufficient to protect the existing interests of employees.

**Article 11 Exclusion of Employees for the Subscription of the Newly Issued Shares:**

New shares issued by Party B due to the split-up shall not be subject to the requirements related to the retention of 10% to 15% of the total new shares issued for employees to subscribe under the Company Act.

**Article 12 Base Day of the Split-up:**

- I. After the Split-up is resolved by the shareholders' meeting of Party A, the split-up is passed by the board of directors of Party B on behalf of the shareholders' meeting, and the license or approval from relevant competent authorities is received, the board of directors of Party A and Party B is authorized to jointly negotiate and determine the base day of the split-up. Currently, it is provisionally set on September 1, 2022; when it is necessary to adjust the base day of the split-up, chairmen of Party A and Party B are authorized to set the day.
- II. On the base day of the split-up, Party A shall transfer the business, employees, equipment, and other relevant assets and liabilities of its EV Energy Business to Party B according to the requirements under the Plan.

**Article 13 Execution Progress, Estimated Completion Schedule, and Overdue Process of the Plan:**

- I. Party A estimates to convene the shareholders' meeting on June 8, 2022 to pass the Split-up; Party B estimates to pass the Split-up by the board of directors on behalf of the shareholders' meeting on the same day; however, the board of directors of Party A and Party B may otherwise agree on the date of the shareholders' meeting according to the actual circumstances.
- II. When the Plan and its estimated execution progress are not completed past due, the board of directors of Party A and Party B shall make other necessary disposals based on the actual circumstances within the scope permitted by the laws and

regulations.

**Article 14 Taxation and Expense Apportion:**

- I. Except as otherwise agreed in the Plan, for all taxes and expenses arising from the execution or performance of the Plan, excluding those exempted from taxation or conscription according to the requirements, each of Party A and Party B shall borne half; however, for those otherwise stated in laws and regulations, comply with the requirements. When the Plan is not effective as it is not passed by the shareholders' meeting of Party A, passed by Party B's board of directors on behalf of the shareholders' meeting, or rejected by relevant competent authorities, or due to other causes, the attorney's fees, CPA fees, and relevant expenses incurred shall be borne by Party A.
- II. When the Split-up may apply for relevant applicable tax incentives or preferential measures, both parties shall work together for the application.

**Article 15 Violation Handling:**

- I. When Party A or Party B violates relevant requirements of the Plan, when the violating party fails to make corrections after being notified by the other party in writing for correction within a period of 30 days, the other party may notify the violating party in writing to terminate the Plan.
- II. For any damage incurred to a party involved due to the other party involved violating the Plan and failing to make corrections past due after being notified by the party of making corrections or when the circumstance is material, the violating party shall make compensation to the party involved with damages incurred regarding any expenses arising thereof (including but not limited to expenses related to attorneys and CPAs, losses or other damages arising from the Split-up). Both parties have also agreed that, when performing matters related to the Plan, for any losses (including but not limited to the claims made by a third party) incurred to the other party involved due to reasons attributable to a party, the responsible party involved shall compensate the losses of the party involved.

**Article 16 Changes in the Paid-in Capital of the Split Company:**

Except for the capital reduction due to the cancelation of shares stated in Article 7 or otherwise stated by the law, Party A's paid-in capital shall not be reduced due to the Split-up.

**Article 17      The manner of handling changes in the number of participating entities or companies:**

After the disclosures of information related to the Plan, when there is any increase, decrease, or change in the target or the number of targets of the split-up, all participating companies shall redo all completed procedures or legal acts completed initially. For unaddressed matters in the Article, the board of directors of Party A and Party B shall comply with relevant laws and regulations.

**Article 18      Applicable Law:**

- I.      The Split-up is performed according to the Business Merger and Acquisitions Act. For any newly promulgated and implemented laws (including those promulgated after the base day of the split-up) that are more favorable, the most favorable laws shall be applied.
- II.     The Plan shall be interpreted according to the laws of the Republic of China. For any dispute arising from the Plan, Taiwan Taoyuan District Court shall be the governing court for the first trial.

**Article 19      Other matters:**

- I.      When any term of the Plan becomes invalid for any conflict with relevant laws and regulations, only the conflicting part shall become invalid, and the other terms shall remain effective. For the terms that became invalid due to conflicts with relevant laws and regulations, the board of directors of Party A and Party B shall otherwise make agreements within the scope permitted by the law according to relevant laws and regulations.
- II.     For any changes in any terms of the Plan required according to the instructions of relevant competent authorities, the board of directors of Party A and Party B shall make amendments according to the instructions of relevant competent authorities.
- III.    The effectiveness of the Plan is subject to the approval of Party A's shareholders' meeting and Party B's board of directors on behalf of the shareholders' meeting. When the Plan fails to obtain the approval or permit from relevant competent authorities, the Plan shall not remain invalid.
- IV.    Unaddressed matters in the Plan shall be subject to the requirements of relevant laws and regulations, and requirements of the competent authority; when there is no requirement set by the competent authority, the board of directors of Party A and Party B shall have the full discretion for handling.
- V.      Attachments of the Plan form a part of the Plan.

The Plan is made in duplicate, and both parties shall each keep one for reference.

Contracting  
Parties:

Phihong Technology Co., Ltd.

Chairman: Lin, Chung-Min

Phehicle Co., Ltd

Chairman: Lin, Fei-Hong

March 10, 2022

## **【Appendix 1 of Attachment 8】**

### Articles of Incorporation of Phehicle Co., Ltd

#### Chapter I - General Provisions

- Article 1 The Company is formed according to the requirements of the company limited under the Company Act and named “飛也可股份有限公司,” and “Phehicle Co., Ltd.” in English.
- Article 2 The scope of business is as follows:
- I. CC01010 Power Generation, Transmission and Distribution Machinery Manufacturing.
  - II. CC01020 Electric Wires and Cables Manufacturing.
  - III. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
  - IV. CC01060 Wired Communication Equipment and Apparatus Manufacturing.
  - V. CC01080 Electronics Components Manufacturing.
  - VI. CC01110 Computer and Peripheral Equipment Manufacturing.
  - VII. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
  - VIII. CD01030 Motor Vehicles and Parts Manufacturing.
  - IX. CD01040 Motorcycles and Parts Manufacturing.
  - X. F113020 Wholesale of Household Appliance.
  - XI. F113070 Wholesale of Telecom Instruments.
  - XII. F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
  - XIII. F119010 Wholesale of Electronic Materials.
  - XIV. F401010 International Trade.
  - XV. F213060 Retail Sale of Telecommunication Apparatus.
  - XVI. IG03010 Energy Technical Services.
  - XVII. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The Company may provide guarantees to external parties for business requirements.
- Article 4 The headquarters of the Company is located in Tainan City, and the Company may establish branches at appropriate domestic or overseas locations.

#### Chapter II Shares

- Article 5 The total capital of the Company is NT\$600,000,000 only, divided into 60,000,000 shares with a nominal value of NT\$10 per share, issued in full.

- Article 6 Shareholders shall notify the Company of their names or titles, domiciles or residences, and the number of shares for recording in the register of members and deliver their seal cards to the Company for keeping and future reference. The corporate shareholders shall also request their registered representatives to deliver their seal cards to the Company for keeping and future reference.
- Article 7 When shareholders lose their seals, they shall provide guarantees and apply for the change of new seals with the Company.
- Article 8 For any share transfer, the transferor and the transferee shall complete the application, sign, and affix their seals to apply for the transfer with the Company; any transfer not recorded in the Company's register of members shall not be used against the Company.
- Article 9 Changes in the register of members are suspended 30 days prior to the annual shareholders' meeting, 15 days prior to the extraordinary shareholders' meeting, or 5 days before the base day on which the Company determines the distribution of dividends and bonuses or other interests.

### Chapter III Shareholders' Meeting

- Article 10 Shareholders' meetings of the Company are divided into the following two types:
- I. Annual shareholders' meeting: Convene at least once a year within six months from the end of each fiscal year.
  - II. Extraordinary shareholders' meeting: Convene according to the Company Act when necessary.
- Article 11 Shareholders shall be notified of the meeting date, time, venue, and reasons 20 days prior to the annual shareholders' meeting and 10 days prior to the extraordinary shareholders' meeting.
- Article 12 Functions of the Company's shareholders' meeting are as follows:
- I. Amendments to the Articles of Incorporation.
  - II. Election and dismissal of directors.
  - III. Ratification of annual financial statements.
  - IV. Determination of the increase/decrease of the total capital.
  - V. Determination of the proposal of earning distribution or loss compensation.
  - VI. Determination of the remunerations of directors.
  - VII. Determination of the proposal for the dissolution, merger, or split of the Company.
  - VIII. Other functions granted under the Company Act or other laws and regulations.
- Article 13 Unless otherwise provided in the Company Law or the Articles of Incorporation, a resolution at a shareholders' meeting shall be made with the consent of a majority of the shareholders present and representing a majority

of the total number of issued shares.

Article 14 Unless otherwise provided by law, shareholders of the Company are entitled to one voting right for each share possessed.

Article 15 When a shareholder is unable to attend the shareholders' meeting, it may issue a proxy affixed with the seal it kept with the Company to set the scope of authorization for appointing a proxy to attend the shareholders' meeting. Except for a trust business or a stock agency approved by the competent securities authority, if a person is appointed by more than two shareholders at the same time, the voting rights of the proxy shall not exceed 3% of the total number of issued shares, and the voting rights in excess of this shall not be counted.

A proxy shall be issued by a member and shall be limited to one person and shall be delivered later than 5 days before the date of the general meeting.

Shareholder meetings may be conducted via video conferences or other methods announced by the central competent authority.

For video conferences, a shareholder who participates in the meeting through a video call shall be deemed as attending the meeting in person.

Article 16 When a shareholders' meeting is convened by the board of directors, the Chairman shall chair the meeting. When the Chairman is on leave or unable to exercise its functions due to other reasons, its proxy shall comply with Article 208 of the Company Act.

When a shareholders' meeting is convened by a person who has the power to convene other than the board of directors, the person who has the power to convene shall chair the meeting; when there are more than two persons who have the power to convene, a chairman shall be elected among themselves.

Article 17 The meeting minutes of the shareholders' meeting shall be signed or affixed a seal by the chairman, together with the sign-in book for attending shareholders and the proxy forms for appointing proxies, and kept by the Company.

The meeting minutes shall record the year, month, date, venue, name of the chairman, resolution method, course of procedures, and the results, which shall be permanently kept during the existence period of the Company. Except for otherwise stated by the Company Act, the sign-in book for attending shareholders and the proxy forms for appointing proxies shall be preserved for a period of at least one year.

Article 18 When the Company only has one corporate shareholder, the directors shall be appointed by the corporate shareholder, and the functions of the Company's shareholders' meeting shall be exercised by the board of directors, and requirements related to shareholders' meetings in the Articles shall not apply.

#### Chapter IV Directors and Managerial Officers

- Article 19 The Company has three directors whose term of office shall be three years.; When the Company only has one corporate shareholder, there will be no supervisor established.
- Article 20 For the execution of the Company's business, except for matters to be determined by the shareholders' meeting as stated in the Company Act and the Articles, they shall be determined through the resolutions made by the board of directors, including but not limited to the following items:
- I. Preparation of the business plan.
  - II. Proposal for earning distribution or loss compensation.
  - III. Proposal for capital increase/reduction.
  - IV. Preparation of significant rules and regulations of the Company according to the law.
  - V. Appointment and dismissal of the Company's managers.
  - VI. Approval of investments in other businesses.
  - VII. Establishment and removal of branches.
  - VIII. Preparation of budgets and final account.
  - IX. Appointment and dismissal of CPAs and chief accountants.
  - X. Approval for the share capital offset by the money claim against the Company or technologies required by the Company owned by shareholders within the scope of authorized capital.
  - XI. Approval for the issuance of new shares by the Company as consideration for receiving the transfer of another company's shares within the scope of authorized capital.
  - XII. Determination of the issuance of employee stock options.
  - XIII. Determination on the purchase of the Company's shares for transferring to employees.
  - XIV. Determination on applying for the public offering with the competent authority for securities.
  - XV. Other functions granted under the Company Act, or the resolutions made by the shareholders' meeting.
- Article 21 A Chairman shall be elected with the consent of over half of the attending directors at a board meeting with two-thirds of directors attended. The Chairman represents the Company. When the Chairman is on leave or is not able to exercise its functions due to other reasons, its proxy shall comply with Article 208 of the Company Act.
- Article 22 Except for otherwise stated in the Company Act, the meeting of the board of directors shall be convened and chaired by the Chairman. Except for otherwise stated in the Company Act, the resolutions of the board of directors shall receive

the consent from over half of the directors at a meeting with more than half of the directors attended.

Directors of the Company may exercise their voting rights in writing regarding the resolutions at the board meeting without carrying out a physical meeting; however, it shall be agreed to by all directors.

Article 23 A notice, which shall set out the reason for convening the board meeting, shall be provided to directors three days in advance. However, when there is any emergency, the board meeting may be convened at any time. The notice to convene the board meeting of the Company may be made in writing or through e-mail or facsimile.

Article 24 When a director is unable to attend the board meeting in person, it may appoint another director to attend the meeting on its behalf; a director may only be appointed as up to one proxy of another director above.

Article 25 The Company may have managers whose appointment, dismissal, and remunerations of the Company shall be subject to the requirements of the Company Act.

#### Chapter V Accounting

Article 26 The fiscal year of the Company is from January 1 to December 31 each year. A final account shall be made at the end of each fiscal year, and the board of directors shall prepare the following books and statements and submit them for ratification according to the Company Act.

I. Business Report.

II. Financial Statement.

III. Proposals for the distribution of profits or deficit compensation.

For any earnings from the final account for the year, the Company shall pay taxes, compensate accumulated losses, and appropriate 10% as the legal reserve; however, when the legal reserve has reached its paid-in capital, the Company is exempted from the appropriation. The remaining balances shall be combined with the undistributed earnings at the beginning of the period, and the board of directors shall prepare the proposal for the earning distribution and submit it to the shareholders' meeting to request the distribution of shareholders' dividends or bonuses.

Article 27 For any profits of the year, the Company shall appropriate no less than 10% as remunerations of employees, and the board of directors shall determine to distribute in stock or in cash. The proposal for the remunerations of employees shall be reported at the shareholders' meeting.

However, if the Company has accumulated losses, it shall reserve the amount for compensation, and distribute the employee compensation according to the aforesaid ratio.

The payment targets for the treasury shares, employee stock options, employees' subscription of new shares, restricted stock awards, and remunerations of employees of the Company include employees of companies controlled by the Company or subordinates who fulfill certain conditions.

Chapter VI Supplementary Provisions

- Article 28 The organizational rules and bylaws of the Company shall be otherwise established.
- Article 29 Unaddressed matters in the Articles shall be subject to the requirements under the Company Act.
- Article 30 The Articles of Incorporation was stipulated on February 24, 2022.

Sole corporate shareholder: Phihong Technology Co., Ltd.

Phehicle Co., Ltd

Chairman: Lin, Fei-Hong

## 【Appendix 2 of Attachment 8】

Phihong Technology Co., Ltd.

Carrying Amount of Business Assets and Liabilities Related to the EV Energy Business for  
the Split-up and Transfer

Base Day for the Calculation of Conversion Ratio: December 31, 2021

Item	Amount (NT\$)	Item	Amount (NT\$)
<b>Total Asset (A)</b>	812,002,000	<b>Total liabilities (B)</b>	213,002,000
		<b>Total Business Value Split (A)-(B)</b>	599,000,000

## **【Appendix 3 of Attachment 8 - Fairness Opinion of the Split-up conversion Ratio】**

YAPRO, CPAs Tel: 886 2 27126100

3F, No. 154, Fuxing N. Road, Taipei 104

PROFESSIONAL & PROFICIENT

Fairness of the Business Value and Split-up Conversion Ratio

Opinion of Independent Expert

Addressee: Phihong Technology Co., Ltd.

Date: March 2, 2022

Subject: We accept the appointment of Phihong Technology Co., Ltd. to review the fairness regarding the business value and split-up conversion ratio related to its EV Energy Business that it intends to understand; we have completed the review by adopting the necessary analysis and review procedures, and the review results are described as follows:

Description:

### I. Transaction Background

According to Phihong Technology Co., Ltd. (the “Phihong Technology”), considering the Group’s future operating development and organizational structure and optimization, it is intended to split and transfer operations (including assets, liabilities, and operations) related to the Electric Vehicle Energy Business Group (the “EV Energy Business”), the target under evaluation, to Phehicle Co., Ltd. (the “Phehicle”), a newly established subsidiary wholly-owned by Phihong Technology that is under preparation for the establishment, and Phehicle shall, in general, succeed operations (including assets, liabilities, and operations) related to the EV Energy Business on September 1, 2022, the base day for the split-up, and issue new shares with a nominal value of NT\$10 per share to Phihong Technology as the consideration; for an amount not sufficient to exchange for a share, the business value not sufficient for the exchange shall be converted into cash for payment.

### II. Purpose for the Fairness Assessment

To understand the business value of the target under evaluation, Phihong Technology appointed us to adopt the necessary review procedure to express our opinion on the fairness of its business value according to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and we have completed our assessment.

### III. Declaration

We are independent of Phihong Technology; we exert our due care based on our expertise to review the fairness of the value and conversion ratio regarding the target under evaluation and express our opinion. The financial information contained hereof includes the self-assessed balance sheet of the EV Energy Business as of December 31, 2021 provided by Phihong Technology, relevant industrial introduction, and written references from different sources. Based on the scope of our appointment, we have not performed an audit in accordance with GAAP on the abovementioned information, and have not carried out independent verification for its accuracy or adequacy; we assumed that all such information is true, reliable, and trustworthy;

therefore, we do not express any opinion on or provide any guarantee for the financial information. The accuracy hereof refers to the appropriate and reasonable use of data sources.

#### IV. Opinion on the Review for the Fairness of Split-up Business Value

The evaluation date of the case is December 31, 2021. With reference to the self-assessed financial statements related to the target under evaluation, we reviewed the carrying amount of the assets and liabilities of the target under evaluation and examined its balances of all items and relevant accounting as of the evaluation date; the fairness of the transaction price is described as follows:

As the EV Energy Business of the target under evaluation is a business under the common control of Pihong Technology; furthermore, before the transaction, Pihong Technology held the business value of the target under evaluation; therefore, Pihong Technology will indirectly hold the business value of the target under evaluation after the transaction; even when the business value will be held by Pheicle, the ownership and the control are not substantially transferred; therefore, from the aspect of the transaction substance, the split-up and transfer of the business value of the target under evaluation by Pihong Technology to Pheicle shall be deemed as an organizational restructure.

As of the evaluation date, the carrying amount of assets of the target under evaluation for split-up and transfer by Pihong Technology was NT\$812,002 thousand, and the carrying amount of liabilities was NT\$213,002 thousand, and the net value was NT\$599,000 thousand. However, the actual split-up value shall be subject to the carrying amount on the base day of the split-up. The carrying amount of assets and liabilities of the target under evaluation on the evaluation date is as follows:

Item	Carrying amount on the evaluation date (NT\$1,000)
Total Assets (A)	812,002
Total liabilities (B)	213,002
Net value (business value, A-B)	599,000
Source: Provided by Pihong Technology; compiled by YAPRO, CPAs	

As mentioned above, we consider that the split-up and transfer of the case shall be the business merger under common control, which complies with requirements in 2(C) of the International Financial Report 3 Business Merger (the “IFRS3”), and relevant accounting of IFRS3 is not applicable. In addition, according to the Response to IFRS Q&A issued by the Accounting Research and Development Foundation on October 26, 2018, IFRS3 has no specific provisions for business mergers under common control; therefore, the requirements in the relevant interpretation letter issued shall apply, and the carrying amount method shall be adopted for accounting.

Moreover, according to Letter (91)-ji-mi-zi No. 128 issued by the Accounting Research and Development Foundation on June 14, 2002, when an enterprise (transferor) transfers its revenue to another company (transferee) and obtains the equity issued by the company, in the case where the transferor and the transferee are affiliates (i.e., the parent company and the subsidiary become subsidiaries of the same parent company), the nature shall be deemed as an organizational restructuring; therefore, the accounting shall use the net value calculated by the initial carrying amount of the asset (for any asset impairment, use the amount of the losses recognized as the basis) less liabilities as the cost for the acquisition of the equity, and the exchange gains shall not be recognized; the transferee shall also use the carrying amount of the initial assets and liabilities (for any asset impairment, use the amount of the losses recognized as the basis) from the transferor as the cost for acquiring the assets and liabilities, adopt the net values of both assets and liabilities as the basis, and the nominal value as share capital; the part exceeding the nominal value shall become the capital reserve.

Therefore, both Phehicle paying the business value of the target under evaluation by issuing new shares to Phihong Technology and Phihong Technology performing the split-up at the carrying amount of net assets amounted to NT\$599,000 thousand comply with the relevant accounting requirements.

#### V. Conclusion on the Fairness of the Conversion Ratio

The calculation for the business value of the EV Energy Business for split-up and the conversion ratio is estimated based on the value of assets and liabilities related to the target under evaluation intended for the split-up as at December 31, 2021, and the accounting is performed based on the relevant Q&A and letter of interpretation issued by the Accounting Research and Development Foundation; therefore, Phehicle's intention to issue 59,900,000 ordinary shares (or amount not sufficient to exchange for a share, the business value not sufficient for the exchange shall be converted into cash for payment) with a nominal value of NT\$10 per share to Phihong Technology in exchange for equivalent net assets is deemed fair; also, Phehicle is a subsidiary wholly-owned by Phihong Technology before and after the split-up, the Split-up shall have no effect on shareholders' interests of Phihong Technology.

#### VI. Restriction on the Use of the Opinion

The opinion is only provided to Phihong Technology as a reference for its internal decision-making and as an attachment for making declarations or announcements according to relevant laws and regulations; please do not provide our opinion to other third parties for use before obtaining consent from us, and the opinion shall not be used for other purposes. We do not assume any responsibility of care for any third party.

We evaluate the fairness of the transaction consideration as an independent third party, and have

not participated in the design and planning of the transaction structure. The evaluation date of the opinion is December 31, 2021; as the opinion does not consider the subsequent changes, such as inconsistency between the actual transaction and the descriptions above, whether there are significant changes in the industry, and whether there are significant changes in the overall economic and non-economic environment. For any inconsistency between the actual transaction and the descriptions above, the conclusion of the opinion will also change accordingly; the actual split-up amount shall still be subject to the carrying amount on the base day of the split-up. After the issuance of the opinion, we will not make any update for the changes in actual circumstances, unless we are appointed for the re-evaluation.

YAPRO, CPAs

CPA: Tang, Min-Tse

March 2, 2022

## **【Attachment 9】**

I, Lin, Fei-Hong, based on relevant requirements under the Business Merger and Acquisitions Act, hereby declare as follows:

1. Material content related to my interests:

I am a director of the Company and the corporate representative appointed as the director of Pheicle by the Company, and hold the position as the chairman of Pheicle.

2. Reason to vote for the merger:

To benefit the Company in realizing the professional division of work in the hope of achieving diverse operations and improving the overall operating performances and market competitive strength under the independent operation, it is intended to split the EV Energy Business to Pheicle. Based on the Company's interests, I vote for the Split-up.

3. Exercise of the voting right for the split-up:

The split-up is the Group's organizational adjustment. I am a director of the Company, and also the corporate representative appointed by the Company as the director of Pheicle. As such, I have personal interests in the Split-up; I recuse myself from the discussion and voting for the Split-up.

**Phihong Technology Co., Ltd.**

**List of Director Candidates**

No.	Category of Nominee	Name	Shareholding (Note)	Primary Education, Experience, and Current Position
1	Director	Taiwan Cement Corporation Representative: Wang, Chien-Chuan	37,520,000 shares	<ul style="list-style-type: none"> <li>● <u>Education</u> Department of Mechanic Engineering, Feng Chia University</li> <li>● <u>Experience</u> Vice President, Taiwan Cement Corporation</li> <li>● <u>Current Position</u> Vice President, Taiwan Cement Corporation</li> </ul>
2	Director	Kuan Feng Investment Ltd. Representative: Yang, Shih-Hsiung	3,034,905 shares	<ul style="list-style-type: none"> <li>● <u>Education</u> Doctoral Degree, the Institute of Computer Science and Engineering at National Chiao Tung University (NCTU)</li> <li>● <u>Experience</u> President of Service, Nortel Networks (Greater China Region)</li> <li>● <u>Current Position</u> Chief Consultant, eASPNet Taiwan Inc.</li> </ul>

Note: The shareholding is based on the information as of April 10, 2022, the book closure date for the shareholders' meeting.

**Phihong Technology Co., Ltd.**

**Details for the Release of Director’s Non-competition Restrictions**

Title	Name	Details of Non-competition Restriction	
	Taiwan Cement Corporation	Chairman, TCEC Corporation Chairman, Taiwan Transport & Storage Corp. Chairman, Ho-Ping Renewable Energy Company Chairman, TCC Recycle Energy Technology Company Chairman, E-One Moli Energy Corp. Chairman, Molie Quantum Energy Corporation Chairman, Feng Shehg Enterprise Company Chairman, Ta-Ho Rsea Environment Co., Ltd. Director, CTCI Corporation Director, TCC Liuzhou Company Limited Director, TCC Jiuyuan (Xuyong) Environmental Technology Co., Ltd Director, TCC Guigang Conch New Materials Technology Co., Ltd. Director, TCC Jinyu (Daixian) Environmental Technology Co., Ltd.	
	Director	Representative: Wang, Chien-Chuan	Vice President, Taiwan Cement Corporation Chairman, Ta-Ho Rsea Environment Co., Ltd. Chairman, He-Sheng Mining Co., Ltd. Director, TCEC Corporation Director, Taiwan Transport & Storage Corp. Director, TCC Chemical Corporation Director and President, Ho-Ping Renewable Energy Company Director, TCC Liuzhou Company Limited Director, TCC Guigang Dongyuan Environmental Technology Co., LTD. Director, TCC Jiuyuan (Xuyong) Environmental Technology Co., Ltd Director, TCC Kaili Environmental Technology Co., Ltd. Director, TCC Beijing Environmental Technology Co., Ltd. Director, TCC Jurong Environmental Protection Co., LTD. Director, TCC Guigang Conch New Materials Technology Co., Ltd. Director, TCC Yongren (Hangzhou) Renewable Resource Technology Co., Ltd. Director, TCC (Shaoguan) Environmental Technology Co., Ltd. Director, TCC Jiuyuan (Xuyong) Environmental Technology Co., Ltd Supervisor, Guizhou Kaili Rui’an Building Materials Corporation President, TCC (Hangzhou) Renewable Resource Technology Co., Ltd.

# Appendix

## **Phihong Technology Co., Ltd.**

### **Articles of Incorporation**

#### **Chapter I General Provisions**

- Article 1 The Company is organized according to the Company Act and named “飛宏科技股份有限公司” in Chinese and “PHIHONG TECHNOLOGY CO., LTD.” in English.
- Article 2 The scope of business of the Company is as follows:
1. CC01010 Power Generation, Transmission and Distribution Machinery Manufacturing.
  2. CC01020 Electric Wires and Cables Manufacturing.
  3. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
  4. CC01060 Wired Communication Equipment and Apparatus Manufacturing.
  5. CC01080 Electronics Components Manufacturing.
  6. CC01110 Computer and Peripheral Equipment Manufacturing.
  7. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
  8. CD01030 Motor Vehicles and Parts Manufacturing.
  9. CD01040 Motorcycles and Parts Manufacturing.
  10. F113020 Wholesale of Household Appliance.
  11. F113070 Wholesale of Telecom Instruments.
  12. F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
  13. Wholesale of Electronic Materials.
  14. International Trade.
  15. Retail Sale of Telecommunication Apparatus.
  16. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The Company may provide guarantees to external parties for business requirements.
- Article 4 The announcement method of the Company shall be subject to Article 28 of the Company.
- Article 5 The headquarters of the Company is located in Taoyuan City, and the Company may establish branches, offices, and operating joints at appropriate domestic or overseas locations.
- Article 5-1 (Deleted)
- Article 5-2 The Company may invest in other businesses for its business requirements and may become a shareholder with limited responsibility of another company, and the Company shall not be subject to the restrictions relating to the total investment not exceeding 40% of the Company’s share capital under Article 13 of the Company Act.

#### **Chapter II Shares**

- Article 6 The Company’s total capital is NT\$6,000,000,000, divided into 600,000,000 shares, with a par value of NT\$10 per share, and the Board is authorized to issue in batches according to the actual requirements.

Within the scope of the total capital above, 80,000,000 shares shall be preserved for the Company to issue the employee stock options, corporate bonds with warrants, and preferential shares with options.

The payment targets for the treasury shares, employee stock options, employees' subscription of new shares, restricted stock awards, and remunerations of employees of the Company include employees of companies controlled by the Company or subordinates who fulfill certain conditions.

Article 6-1 For the issuance of employee stock options with a subscription price lower than the closing price of the ordinary shares of the Company on the issue date, the Company shall obtain consent from more than two-thirds of the votes from the shareholders attended at a shareholders' meeting attended by shareholders representing more than half of the total issued shares.

When the Company transfers shares to employees at a price lower than the actual average price for repurchases of such shares, the Company shall submit the proposal to and obtain consent from the shareholders attended at the upcoming shareholders' meeting attended by shareholders representing more than half of the total issued shares before the transfer.

Article 7 The share certificates of the Company are registered, signed or affixed with a seal by the director representing the Company, and issued after being certified by a bank eligible for being the certifying institution for the share certificate issuance. The issued shares of the Company are exempted from the printing of share certificates; however, the Company shall register with a securities centralized depository institution.

Article 8 The transfer of shares shall be suspended 60 days prior to the annual shareholders' meeting, 30 days prior to the extraordinary shareholders' meeting, or 5 days prior to the base date on which the Company determines the distribution of share dividends and bonuses, or other interests. Stock affairs are subject to requirements of relevant laws and regulations and the competent authority.

### **Chapter III Shareholders' Meeting**

Article 9 The shareholders' meetings are divided into annual shareholders' meetings and extraordinary shareholders' meetings. The annual shareholders' meeting shall be convened once a year by the Board within six months from the end of a fiscal year according to the law. Extraordinary meetings shall be convened according to the law when necessary.

Article 10 When a shareholder is unable to attend the shareholders' meeting, it may issue a proxy printed by the Company that is signed and affixed with the seal to set the scope of authorization for appointing a proxy to attend the shareholders' meeting according to the Company Act and the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authority. The abovementioned proxy shall be delivered to the Company five days prior to the shareholders' meeting.

Article 11 Except as otherwise stated by laws and regulations, shareholders of the Company are entitled to one voting right for each share possessed.

Article 12 Except for otherwise stated by the Company Act and the Securities Exchange Act, the

resolutions made at the shareholders' meeting shall obtain consent from more than half of the votes from the shareholders attended at a shareholders' meeting attended by shareholders representing more than half of the total issued shares. According to the requirements of the competent authority, shareholders of the Company may exercise their voting rights by adopting an electronic method; shareholders who exercised their voting rights by adopting an electronic method shall be deemed as attending the meeting in person; relevant matters shall be subject to laws and regulations.

#### **Chapter IV Board of Directors**

Article 13 The Company has 7 to 13 directors with a term of office of three years; they may be re-elected and re-appointed.

Article 13-1 Within the quota of the directors in the preceding Article, the Company shall have at least three independent directors.

The election of the Company's directors adopts the candidate nomination system stated in Article 192-1 under the Company Act. The acceptance method for the nomination of director candidates and matters related to the announcement shall be subject to requirements under the Company Act, Securities Exchange Act, and relevant laws and regulations.

Article 13-2 The Company established the Audit Committee according to Article 14-4 of the Securities Exchange Act, and the Audit Committee is responsible for exercising the functions of supervisors under the Company Act, Securities Exchange Act, and other laws and regulations.

Article 14 The directors shall form the Board and elect a Chairman according to Article 208 of the Company Act; the Chairman shall represent the Company to external parties.

Article 14-1 A notice, which shall set out the reason for convening the Board meeting, shall be provided to directors three days in advance. However, when there is any emergency, the Board meeting may be convened at any time.

The notice to convene the Board meeting in the preceding paragraph may be made in writing or through e-mail or facsimile.

Article 15 (Deleted)

Article 16 (Deleted)

Article 17 When the Chairman takes leave or fails to exercise his/her authority for any reason, his/her proxy shall act pursuant to Article 208 of the Company Act.

Article 17-1 In case a director is unable to attend a board meeting, he/she may appoint another director to attend the meeting on his/her behalf, where he/she shall issue a written proxy each time and state therein the scope of authority for the subjects to be discussed at the meeting.

The proxy referred to in the preceding Paragraph shall be limited to be entrusted by one director only.

Article 18 The remuneration of all directors is subject to be authorized by the Board of Directors,

which shall be determined based on the degree of participation and contributions of the directors to the Company's operations as well as the level of remuneration normally paid among the industry.

Article 18-1 (Deleted)

### **Chapter V Managerial officers**

Article 19 The Company has established managerial officers, who shall be appointed according to the provisions of Article 29 of the Company Act.

### **Chapter VI Accounting**

Article 20 At the close of each fiscal year, the Company's board of directors shall prepare the following statements and records and submit them to the shareholders' meeting for recognition pursuant to the regulatory procedures.

1. Business Report.
2. Financial Statements.
3. Proposals for the distribution of profits or deficit compensation.

Article 21 The Company shall distribute no less than 10% of its profit for the year as employee compensation, which may be distributed by stock or cash upon resolution adopted by the board of directors. The target of distribution includes employees of the companies controlled by the Company who meet certain conditions; the Company may, upon resolution adopted by the board of directors, distribute no more than 2% of its profit for the year as the directors' remuneration. The distribution of employee compensation and the directors' remuneration shall be reported in the shareholders' meeting. However, if the Company has accumulated losses, it shall reserve the amount for compensation, and distribute the employee compensation and the directors' remuneration according to the aforesaid ratio.

Article 21-1 If the Company makes a profit in a year, it shall pay taxes in accordance with the laws and regulations and make up for any accumulated losses first, and set aside 10% of the remaining amount as legal reserve, unless the legal reserve has already reached the total capital; then, the Company may set aside or reverse special reserves according to the statutory requirements. After the dividends are distributed, the shareholders' meeting shall decide whether to distribute bonuses to shareholders using the surplus, if any, and submit the proposal to the board of directors to make resolutions for distributing bonuses to shareholders.

The Company's dividend policy is based on the consideration of future capital needs and long-term financial planning. The distribution of dividends will not be less than 50% of the after-tax surplus earning of the year, and cash dividend will not be less than 10% of the total amount of dividends distributed each year.

### **Chapter VII Supplementary Provisions**

Article 22 The matters that are not covered in the Articles of Incorporation shall be subject to the provisions of the Company Act and the Securities and Exchange Act.

Article 23 The Articles of Incorporation was stipulated on December 7, 1972.

The 1st amendment was made on May 1, 1973.

The 2nd amendment was made on March 29, 1974.

The 3rd amendment was made on November 17, 1977.

The 4th amendment was made on November 17, 1977.

The 5th amendment was made on September 18, 1979.

The 6th amendment was made on December 15, 1980.

The 7th amendment was made on June 15, 1981.

The 8th amendment was made on June 15, 1981.

The 9th amendment was made on October 29 1983.

The 10th amendment was made on September 25, 1985.

The 11th amendment was made on November 10, 1987.

The 12th amendment was made on November 14, 1989.

The 13th amendment was made on June 17, 1990.

The 14th amendment was made on May 26, 1991.

The 15th amendment was made on January 31, 1994.

The 16th amendment was made on June 18, 1998.

The 17th amendment was made on April 26, 2000.

The 18th amendment was made on April 27, 2001.

The 19th amendment was made on June 10, 2002.

The 20th amendment was made on June 10, 2002.

The 21st amendment was made on June 9, 2003.

The 22nd amendment was made on June 9, 2003.

The 23rd amendment was made on June 14, 2005.

The 24th amendment was made on June 13, 2008.

The 25th amendment was made on June 10, 2009.

The 26th amendment was made on June 15, 2010.

The 27th amendment was made on June 15, 2011.

The 28th amendment was made on June 19, 2012.

The 29th amendment was made on June 14, 2013.

The 30th amendment was made on June 11, 2015.

The 31st amendment was made on June 8, 2016.

The 32nd amendment was made on June 13, 2018.

The 33rd amendment was made on July 30, 2021.

The 34th amendment was made on December 16, 2021.

**Phihong Technology Co., Ltd.**

**Rules of Procedure for Shareholders' Meetings**

1. Unless otherwise provided by law, the Company's Shareholders' Meeting (hereinafter referred to as the "Meeting") shall be conducted in accordance with the Rules of Procedure for Shareholders' Meetings.
2. The Company shall keep a sign-in book for attendance by the members present in person or by the presentation of a sign-in card by the members present to sign in for them. The number of shares for attending the session shall be calculated on the basis of the number of shares specified in the sign-in book or the attendance cards submitted for registration to the session.
3. The attendance of the shareholders and voting at a shareholders' meeting shall be based on the number of shares.
4. A general meeting shall be convened at the place where the Company is located or at a place convenient for the shareholders to attend and suitable for the holding of a general meeting, and shall commence no earlier than 9:00 a.m. or later than 3:00 p.m.
5. If a shareholders' meeting is convened by the board of directors, the chairman of the meeting shall be the chairman of the board of directors. In case the chairman of the board of directors is on leave or absent or can not exercise his power and authority for any cause, the vice chairman shall act on his behalf. In case there is no vice chairman, or the vice chairman is also on leave or absent or unable to exercise his power and authority for any cause, the chairman of the board of directors shall designate one of the managing directors, or where there is no managing directors, one of the directors to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting chairman of the board of directors.
6. The Company may appoint the lawyers, certified public accountants, or related personnel to attend the shareholders' meeting as observers.
7. The audio or video recordings of all shareholders' meetings shall be kept for at least one year.
8. The chairman shall declare a meeting open at the time when it is due to commence, provided that if members representing more than half of the total number of shares in issue are not present, the chairman may adjourn the meeting for a period not exceeding one hour in total. If there are not enough shareholders representing at least one-third of the total number of issued shares to attend the meeting after the second postponement, a bogus resolution may be made in accordance with Paragraph 1, Article 175 of the Company Act.

If, before the conclusion of the meeting, the number of shares represented by the shareholders present reaches more than half of the total number of issued shares, the chairman may submit the bogus resolution to the shareholders' meeting for a new vote in accordance with Article 174 of the Company Act.

9. Where the shareholders' meeting is convened by the Board of Directors, the agenda shall be decided by the Board of Directors. The agenda shall proceed accordingly, and is not allowed to be changed without a resolution rendered by the shareholders' meeting.

The foregoing provisions shall apply if the shareholders' meeting is convened by a person having the right to convene other than the Board.

Unless otherwise resolved at the shareholders' meeting, the chairman shall not announce adjournment of the meeting unless the scheduled agenda items (including extempore motions) set

forth in the preceding two paragraphs are concluded. The shareholders cannot designate any other person as chairman and continue the meeting in the same place or any other place after the meeting is adjourned. In the event that the chairman of the meeting adjourns the meeting in violation of the rules of procedure, the other members of the Board of Directors shall elect a chairman by a majority of the voting rights of the shareholders present and continue the meeting.

10. Before a shareholder attends to speak, he/she shall fill in a speech slip stating summary of the speech, the shareholder's account number (or attendance card number) and his/her name, and the chairman shall determine the order of his/her speech.

A member present who merely refers to the speech slip but does not speak shall be deemed not to have spoken. If there is any discrepancy between the contents of the speech and the speech slip, the contents of the speech shall prevail.

When a shareholder is present to speak, no other shareholder shall interfere with his/her speech except with the consent of the chairman and the shareholder speaking, and the chairman shall stop any such interruption.

11. Each member shall not speak more than twice on the same motion and each time for not more than five minutes without the consent of the chairman, provided that the chairman may stop any member speaking in contravention of the rules or outside the scope of the question.

If a legal entity is entrusted to attend a shareholders' meeting, it may only appoint one representative to attend. Where a corporate shareholder has appointed more than two representatives to attend a shareholders' meeting, only one person may speak on the same motion.

After a shareholder in session has presented the speech, the chairman shall respond to the speech in person or appoint a concerned personnel to respond to the speech.

12. For the discussion of motions, when the chairman considers that the motions have reached the level of being ready for voting, he/she may declare that the discussion has ceased and put the motions to vote.

The chairman of the meeting shall appoint a scrutineer and a teller of votes for a motion, but the scrutineer shall be a shareholder. The result of voting shall be immediately announced at the meeting and placed on record.

13. Unless otherwise provided in the Company Act or the Articles of Incorporation, the voting of a motion shall be deemed passed with the consent of a majority of the shareholders present. A motion shall be deemed passed if no objection is voiced by any of the attending shareholders after being proposed by the chairman.

14. During the meeting, the chairman may decide to suspend the meeting for recess.

15. In the event of amendments or substitutions to the same motion, the Chairman shall determine the order of voting thereon together with the original motion. If one of the motions has been passed, the other motions shall be deemed to be rejected and no further vote shall be taken.

The chairman may direct a marshal (or security officer) to assist in the maintenance of order in the meeting room. When present to assist in the maintenance of order, the marshal (or security officer) shall wear an armband bearing the word "marshal".

16. The Rules of Procedure shall come into full force after passing by the shareholders' meeting. The same procedure is applicable to any amendments thereto.

**Phihong Technology Co., Ltd.**

**Regulations for the Election of Directors**

- Article 1 The election of the Company’s directors shall be subject to the Regulations, except for otherwise stated in the Company Act and the Articles of Incorporation.
- Article 2 Directors of the Company shall be elected by the shareholders’ meeting from persons of competent capacity. According to the number of seats stated in the Articles of Association, those who received the votes representing more suffrage shall be elected as directors based on the sequence. When there are two persons receiving the same votes, but the number of directors elected has exceeded the quota, a random draw shall be adopted to determine the elected one among those receiving the same votes; the chairman shall draw the lot on behalf of persons who are absent.  
The election of the Company’s directors adopts the candidate nomination system stated in Article 192-1 under the Company Act. The acceptance method for the nomination of director candidates and matters related to the announcement shall be subject to requirements under the Company Act, Securities Exchange Act, and relevant laws and regulations.
- Article 3 For the election of the Company’s directors, each share shall be entitled to suffrage equivalent to the number of persons to be elected; the votes may be concentrated to elect one person or distributed to elect several persons.
- Article 4 The Board shall prepare the voting papers equivalent to the number of directors to be elected with weights added and distribute them to shareholders who attend the shareholders’ meeting.
- Article 5 The chairman shall appoint scrutineers and counting agents before the commencement of the election to execute relevant functions.
- Article 6 For the election of directors, the Board shall set up the voting boxes, and the scrutineers shall open and check the boxes in front of the public before voting.
- Article 7 When the candidate is a shareholder, the voters shall fill out the “candidate” column with the account name and shareholder’s account number of the candidate on the voting papers; when the candidate is not a shareholder, voters shall fill out the name and ID number of the candidate. However, when the government or a corporate shareholder is the candidate, the account name column of the candidate on the voting paper shall be the title of the government of the corporate; the voter may also fill in the title of the government of the corporate, or the name of its representative; when there are multiple representatives, the name of the representative shall be additionally added.
- Article 8 Voting papers with any of the following circumstances shall be deemed invalid:  
I. Voting papers not put into the voting box.

- II. Voting papers not subject to the Regulations.
- III. Blank voting papers not completed by voters.
- IV. When the identity and the shareholder's account number of the candidate, who is a shareholder, are not consistent with the register of members; when the name and ID number of the candidate, who is not a shareholder, are inconsistent upon verification.
- V. When other alphabets and characters are written on the voting papers apart from the name and shareholder's account number or ID number of the candidate.
- VI. Voting papers with unidentifiable writing.
- VII. Voting papers with any of the altered or erased names, account numbers, and election weights regarding the candidate.
- VIII. When the name of the candidate is the same as another shareholder and the shareholder's account number or ID number is not specified for identification.

Article 9 After the completion of the vote, the box shall be opened on-site, and the results shall be announced by the chairman on-site.

Article 10 The Regulations are implemented after being passed by the shareholders' meeting; the same shall apply upon any amendment.  
The 1st amendment was made on June 8, 2016.  
The 2nd amendment was made on June 19, 2019.

## **Phihong Technology Co., Ltd.**

### **Procedures for Acquisition or Disposal of Assets**

#### **Chapter I General Provisions**

##### **1. Purpose and basis of law:**

In order to strengthen asset management and implement information disclosure, the Procedures are formulated in accordance with Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

##### **2. The scope of assets:**

- (1) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- (2) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- (3) Memberships.
- (4) Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- (5) Right-of-use assets
- (6) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- (7) Derivatives: Forward contracts, option contracts, futures contracts, leveraged margin contracts, swap contracts, and combinations of these contracts, or combined contracts embedded in derivatives or structured commodities, whose value is derived from specific interest rates, financial instrument prices, commodity prices, exchange rates, price or rate indices, credit ratings or credit indices, or other variables. The term "forward contracts" excludes insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term import (sales) contracts.  
If the Company engages in bond margin trading, it shall also handle it in accordance with the provisions of the Procedures.
- (8) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law: Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law, the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act, or other laws, or the issuance of new shares to acquire shares of other companies in accordance with Article 156, Paragraph 3 of the Company Act (hereinafter referred to as transfer of shares).
- (9) Other major assets.

##### **3. Evaluation procedure:**

- (1) When the Company acquires or disposes of investments in financial instruments (including transactions of derivatives), the financial and accounting departments shall analyze the relevant benefits and evaluate possible risks, while for the acquisition or disposal of real estate and other assets, each relevant unit shall draw up a capital expenditure plan in advance, and conduct a feasibility assessment on the purpose of the acquisition or disposal, expected benefits, etc. If it is a transaction with a related party, they shall assess the reasonableness of the transaction conditions in accordance with the provisions of Chapter II of the Procedures.
- (2) When the Company acquires or disposes of marketable securities, the Company shall obtain the most recent financial statements of the subject company that have been audited or

reviewed by an accountant as a reference for assessing the transaction price. For the acquisition or disposal of marketable securities not traded in a centralized trading market or Taipei Exchange, privately placed securities and memberships, intangible assets, or their right-of-use assets, if the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, besides having transactions with a domestic government agency, the Company shall also engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. If an expert report is required, the Company shall follow the provisions of Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation. However, if the securities are publicly quoted in an active market or as otherwise specified by the Financial Supervisory Commission (FSC), this shall not apply.

- (3) If the Company acquires or disposes of real estates, equipment or their right-of-use assets of which the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, the Company shall engage a professional and impartial appraiser to issue an appraisal report prior to the date of occurrence of the fact and handle them in accordance with the asset appraisal procedure in the Procedures.
- (4) The Company's merger, demerger, acquisition, or transfer of shares shall be handled in accordance with Article 18 of the Procedures.
- (5) The method and reference basis for determining the price of assets acquired or disposed of by the Company shall be handled based on the following circumstances, in addition to referring to the appraisal report and opinions of CPAs and other relevant experts in accordance with the aforementioned provisions:
  1. The acquisition or disposal of marketable securities traded in the centralized trading market or Taipei Exchange shall be determined by the prevailing price of the equity or bonds.
  2. The acquisition or disposal of marketable securities not traded in the centralized trading market or Taipei Exchange shall be determined by taking into account the net value per share, technology and profitability, future development potential, market interest rates, coupon rates of bonds, debtors' creditworthiness and prevailing trading prices.
  3. The acquisition or disposal of membership shall be determined by taking into account the benefits that it can produce and prevailing trading prices. The acquisition or disposal of intangible assets, such as patents, copyrights, trademarks, franchise rights, shall refer to international or market practices, the valid period, and the impact on the Company's technology and business.
  4. The acquisition or disposal of real estate and equipment shall refer to the current value, current value assessed, actual transaction price or book value of the neighboring real estate, and supplier quotations. If the real estate is purchased from a related party, it shall first be calculated according to the method specified in Chapter II of the Procedures to assess whether the transaction price is reasonable.
  5. The trading of derivatives shall take into account the transaction in the futures market, exchange rates, and interest rate trends, etc.
  6. Any merger, demerger, acquisition, or transfer of shares shall take into account the nature of business, net value per share, asset value, technology and profitability, production capacity, and future growth potential.

#### 4. Operating procedures:

##### (1) Authorization limits and levels

1. Marketable securities: The General Manager is authorized to trade within the limit set in Article 7 of the Procedures. If a transaction meets the standard for announcement and report specified in Article 5, it must be reported to the Chairman for reference on the next day and submitted to the most recent Board of Directors for ratification. However, for the acquisition or disposal of

stocks, corporate bonds, and privately placed securities not traded in a centralized trading market or Taipei Exchange, with the transaction amount reaches the standard for announcement and report, it must be approved by the Board of Directors before trading. In addition, investment in mainland China shall be approved by the shareholders' meeting or be conducted by the Board of Directors after authorized by the shareholders' meeting, with the approval of the Investment Commission, Ministry of Economic Affairs.

2. Derivatives trading

The Company engages in derivatives trading only for hedging purposes. Based on changes in the Company's revenue and risk positions, the division of responsibilities and the amount authorized for such transactions shall be handled in accordance with Paragraph 5, Article 14 of the Procedures.

3. Related party transactions: Relevant information shall be prepared in accordance with the provisions of Chapter II of the Procedures and submitted to the Audit Committee and the Board of Directors for approval.

4. Mergers, demergers, acquisitions, or transfer of shares: Relevant procedures and materials shall be prepared in accordance with the provisions of Chapter IV of the Procedures. Mergers, demergers, and acquisitions must be conducted only after approved by the shareholders' meeting, except for those that are exempted from the approval by the shareholders' meeting in accordance with other laws and regulations. In addition, the transfer of shares shall be conducted after the approval of the Board of Directors.

5. Others: It shall be handled in accordance with the operating procedures stipulated by the internal control system and the decision-making authority. If the transaction amount reaches the standard for announcement and declaration specified in Article 5, except for the acquisition or disposal of equipment or right-of-use assets held for business use that may be reported to the Board of Directors for ratification afterwards, it shall be approved by the Board of Directors first before execution. For any circumstances stipulated in Article 185 of the Company Act, it shall be approved by the shareholders' meeting first before execution.

(2) Execution unit and transaction process:

As for the execution unit of the Company's investments in financial instruments (including derivatives trading), the accounting department and the personnel designated by the Chairman is responsible for marketable securities and derivatives trading; the user department and relevant responsible units are the execution units of real estate and other assets, while mergers, demergers, acquisitions, or transfer of shares shall be handled by the execution unit designated by the Chairman. After an asset to be acquired or disposed of is assessed and approved in accordance with regulations, the execution unit shall proceed to conduct the transaction procedures, from signing of the contract, receipt and payment, delivery to acceptance, and comply with operating procedures related to the internal control system based on the nature of the asset. In addition, the acquisition of real estate or right-of-use assets from a related party, trading of derivatives, mergers, demergers, acquisitions, or transfer of share shall be handled in accordance with the provisions of Chapters II to IV of the Procedures.

5. Public announcement and report procedure:

(1) Under any of the monitoring systems top circumstances, the Company acquiring or disposing assets shall publicly announce and report the relevant information on the website designated by the FSC in the appropriate format as prescribed by regulations within 2 days from the date of the event.

1. Acquisition or disposal of real estate or the right-of-use assets from or to a related party, or acquisition or disposal of assets other than real estate or the right-of-use assets from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets or NT\$300 million or more. This does not apply to trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

2. Merger, demerger, acquisition, or transfer of shares.

3. The losses from derivatives trading reaches the upper limit of all or individual contract

losses as stipulated in Paragraph 4, Article 14 of Chapter III of the Procedures.

4. Acquisition or disposal of equipment for business use or their right-of-use assets, and the transaction counterparty is not a related party, and the transaction amount exceeds NT\$500 million.
  5. The real estate is acquired under an arrangement of engaging others to build on the Company's own land or build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, and the transaction counterparty is not a related party, and that the amount the Company expects to invest in the transaction is more than NT\$500 million.
  6. In the case of asset transactions other than the ones specified in the preceding five paragraphs, claims disposed of by financial institutions or investment in mainland China, the amount of each transaction, the cumulative transaction amount of acquisitions and disposals of the same type of assets with the same transaction counterparty within the preceding year, the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real estate or their right-of-use assets within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year reaches 20% of the Company's paid-in capital or NT\$300 million or more. "Within the preceding year" herein refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with Regulations Governing the Acquisition and Disposal of Assets by Public Companies need not be counted toward the transaction amount. However, this does not apply to the following circumstances:
    - (I) Trading of domestic government bonds.
    - (II) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
    - (III) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (2) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format in the table into the website designated by the FSC by the 10th day of each month.
  - (3) At the time of public announcement makes an error or omission in an item to be publicly announced and so is required to correct it, all the items shall be again publicly announced in their entirety within two days counting inclusively from the date of knowing of such error or omission.
  - (4) If any of the following circumstances occurs with respect to a transaction that has been publicly announced and reported in accordance with the provisions of (I), a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
    1. Change, termination, or rescission of a contract signed in regard to the original transaction.

2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the original publicly announced and reported information.

6. Asset valuation procedure:

When the Company acquires or disposes of real estate, equipment, or right-of-use assets where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets held for business use, the Company shall obtain an appraisal report (refer to Attachment 1 for matters to be specified) prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions. However, in the event that the Company acquires or disposes of assets through a court auction process, a court certificate may be issued in lieu of an appraisal report or an accountant's opinion.

- (1) If, for special reasons, the transaction price is based on a limited price, a specific price or a special price, the transaction shall be submitted to and approved by the Board of Directors, and any future changes to the terms of the transaction shall be subject to the same procedures as above.
- (2) If the transaction amount is more than NT\$1 billion, the Company shall ask two or more professional appraisers for appraisal.
- (3) If any of the following circumstances applies to the professional appraiser's appraisal results, except where the appraisal results of the assets acquired is higher than the transaction amount or the appraisal results of the assets disposed of is lower than the transaction amount, an accountant shall be requested to comply with the provisions of Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation of the Republic of China and express a specific opinion on the reason for the difference and the appropriateness of the transaction price:
  1. The discrepancy between the appraisal result and the transaction amount is 20% or more.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more.
- (4) The date of issuance of the professional appraiser's report shall not exceed three months from the date of contract formation; provided, however, that if the current value of the appraisal applies to the same period of publication and is less than six months old, an opinion may be issued by the original professional appraiser.

7. Investment scope and limit:

In addition to acquiring assets for business use, the Company and its subsidiaries may invest in real estate and its right-of-use assets or marketable securities that are not for business use. The respective limits are as follows. When calculating the limits in subparagraphs (4) and (5), the investments made by those who participate in the establishment of the investments or serve as directors or supervisors and intend to hold them on a long term may not be included in the calculation.

- (1) The aggregate amount of real estate not for business use shall not exceed 50% of the Company's net value in its most recent financial statements, while for its subsidiaries, it shall not exceed 30% of the subsidiary's net value its most recent financial statements.
- (2) The aggregate amount of marketable securities not for business use shall not exceed 40% of the Company's net value in its most recent financial statements, while for its subsidiaries, it shall not exceed 40% of the subsidiary's net value its most recent financial statements.
- (3) The aggregate amount invested in each marketable security shall not exceed 30% of the Company's net value in its most recent financial statements, while for its subsidiaries, it shall

not exceed 20% of the subsidiary's net value its most recent financial statements.

- (4) The respective net investment by the Company and its subsidiaries in a single TWSE/GTSM listed company shall not exceed 10% of the respective company's net value in its most recent financial statements.
- (5) The total ownership by the Company and its subsidiaries for a single TWSE/GTSM listed company shall not exceed 10% of the total issued shares of the said TWSE/GTSM listed company.  
(Note: For subparagraphs (1)–(3), please regulate the proportion or amount, such as a certain percentage of the capital; subparagraphs (4)–(5) are Taiwan Stock Exchange's and Taipei Exchange's requirements for companies applying for listing.)
- (6) Securities investments, asset purchases, or mergers made for strategic purposes are not subject to the above-mentioned limit of amount or percentage; however, the Board of Directors' prior approval or afterwards approval is required.

#### 8. Control and management of assets acquired or disposed of by subsidiaries:

- (1) Subsidiaries of the Company shall also formulate the Procedures for Acquisition or Disposal of Assets in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, which shall be approved by the Audit Committee and the Board of Directors of the Company, and the same applies to any amendment thereto.
- (2) The acquisition or disposal of assets by the subsidiaries of the Company shall be handled in accordance with the "internal control system" and the Procedures for Acquisition or Disposal of Assets established by each subsidiary, and the subsidiaries shall report the status of their derivatives trading as of the end of the previous month to the Company in a written summary by the 5th day of each month.
- (3) If a subsidiary of the Company is not a public company, and the assets acquired or disposed of meet the standard for public announcement and report, it shall notify the Company within the day when the event occurs, and the Company shall conduct the announcement and report on the website designated in accordance with the regulations.

The standard for public announcement and report as in Article 5 regarding the amount of paid-in capital or total assets applies to the subsidiary in the preceding paragraph, and the amount of paid-in capital or total assets of the Company shall prevail.

#### 9. Penalty:

When the relevant handling personnel involved in the Company's acquisition or disposal of assets violate the FSC's Regulations Governing the Acquisition and Disposal of Assets by Public Companies or the Procedures, the violation shall be handled in accordance with the following regulations depending on the circumstances. The violation will be recorded and used as a reference for the annual personal performance evaluation.

- (1) Violation of the decision-making authority: The first-time violator shall be given a verbal warning, the personnel who violate the regulations again shall be given a written warning and participate mandatorily in the internal control system training classes. Repeat violators or those with serious circumstances shall be transferred from the original job.
- (2) Violation of valuation procedures: The first-time violator shall be given a verbal warning, the personnel who violate the regulations again shall be given a written warning and participate mandatorily in the internal control system training classes. Repeat violators or those with serious circumstances shall be transferred from the original job.
- (3) Violation of the public announcement and report: The first-time violator shall be given a verbal warning, the personnel who violate the regulations again shall be given a written warning. Repeat violators or those with serious circumstances shall be transferred from the original job.

- (4) The supervisor of the violator shall also receive penalty except for those who can reasonably explain that they have taken preventive measures beforehand.
- (5) Where the Board of Directors or directors violate relevant regulations and the resolutions of the shareholders' meeting when performing duties, the Audit Committee shall notify the Board of Directors or directors to stop the violation in accordance with Article 218-2 of the Company Act.

## **Chapter II Related-party Transactions**

### **10. Basis for identification:**

If the Company acquires or disposes of assets from a related party and the transaction amount reaches more than 10% of the Company's total assets, an appraisal report issued by a professional appraiser or CPA's opinion shall also be obtained in accordance with the provisions of the preceding section.

The calculation of the transaction amount in the preceding paragraph shall be conducted in accordance with Article 12 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

### **11. Resolution procedure:**

When the Company intends to acquire or dispose of real estate or the right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real estate or the right-of-use assets from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to and verified by the Audit Committee and approved by the Board of Directors:

- (1) The purpose, necessity, and expected benefits of acquiring or disposing of the assets.
- (2) Reasons for selecting the related party as the transaction counterparty.
- (3) With respect to the acquisition of real estate or the right-of-use assets from a related party, information regarding appraisal of the Acquisition of the preliminary transaction terms in accordance with the exceptions clause specified in Article 12 or Article 13.
- (4) Matters regarding the date and price and the transaction counterparty in the original acquisition by the related party, and the relationship between said counterparty, the Company, and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the former article.
- (7) Restrictions on this transaction and other important agreed matters.

The calculation of the transaction amount in the preceding paragraph shall be conducted in accordance with Paragraph 2, Article 31 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and the "within the preceding year" herein refers to the year preceding the date of occurrence of the current transaction. Items submitted to the Audit Committee and the Board of Directors for approval in accordance with the provisions need not be counted toward the transaction amount.

Where the Company, its subsidiaries, or its subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or total share capital engage in the following transactions with each other, the board of directors may authorize the chairman to make decisions for a transaction amounting to no more than NT\$500 million and then to report to the next board meeting for ratification.

- I. Acquisition or disposal of equipment for business use or assets with rights of use.
- II. Acquisition or disposal of real estate assets for use in business.

When the Company's acquisition or disposal of assets from/to a related party is submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.

12. Evaluation of the reasonableness of transaction conditions:

Where the Company acquires real estate or right-of-use assets thereof from a related party, except that the related party acquires real property or right-to-use assets thereof (1) through inheritance or as a gift; (2) with more than five years having elapsed from the time the related party signed the contract to obtain the real estate or right-of-use assets thereof to the signing date for the current transaction; (3) through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land; or (4) the real estate right-of-use assets for business use are acquired between the Company and its subsidiaries or subsidiaries in which it directly or indirectly holds 100% of the issued shares or total share capital, the Company shall evaluate the reasonableness of transaction costs according to the following methods, and engage a CPA to review and express a specific opinions.

- (1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the asset; provided that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- (2) Total loan value appraised by a financial institution where the related party has previously created a mortgage on the asset as security for a loan; provided that the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the asset and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- (3) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

13. Matters to be conducted when the transaction cost is assumed to be lower than the transaction price:

When the results of the Company's appraisal conducted in accordance with the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 3. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and a CPA have been obtained, this restriction shall not apply:

- (1) Where a related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - I. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average operating profit margin of the related party's construction division over the most recent three years or the gross

profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- II. Completed transactions by unrelated parties within a year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
- (2) Where the Company that acquires real estate or obtains real estate right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within a year.

The completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in said transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real estate or obtainment of right-of-use assets thereof.

- (3) Where the Company acquires real estate or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding article are uniformly lower than the transaction price, the following steps shall be taken:
  - I. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 4 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the company's equity stake in the other company.
  - II. The Audit Committee shall handle it in accordance with Article 278 of the Company Act.
  - III. The handling status with regard to the preceding two paragraphs shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.

### **Chapter 3 Control and Management of Derivatives Trading**

#### **14. Trading principles and policy:**

- (1) Type of trading: The types of derivatives that the Company may trade are currently limited to foreign currency forward, foreign exchange options, interest rate options (IRO), index option, equity derivatives, cross currency swap, interest rate swap, asset swap, interest futures, index futures, and commodity futures, warrants, and other structured derivatives.
- (2) Operation or hedging strategy: The Company engages in derivatives trading for hedging purposes. The strategy shall aim to circumvent operating risks, and the choice of trading products shall focus on circumventing risks of foreign exchange revenue, expenditure, assets, or liabilities arising from the Company's business operations.
- (3) Total amount of transaction contract:  
In principle, the foreign exchange position (including the position expected to be generated in the future) after assets and liabilities are offset shall be the upper limit for hedging.

(4) The upper limit of losses for all and individual contracts

The upper limit of total contract loss shall not exceed 20% of the total contract amount, and is applicable to the upper limit of each individual contract loss.

(5) Division of responsibilities and authorized transaction limits

I. Authorized transaction limit

Authorized level	Daily limit	
	Spot transaction	Derivative—non-spot
Financial Manager	US\$2 million or less	-
Chief of Finance and Accounting	US\$2 million–US\$5 million (inclusive)	US\$5 million or less
General Manager	More than US\$ 5 million	US\$5 million–US\$10 million (inclusive)
Chairman	-	More than US\$10 million

Daily transactions must be authorized by the responsible supervisor before conducted.

II. Trading personnel: The executive personnel of the Company's derivatives trading, with the approval of the board of directors, shall be responsible for the formulation of trading strategies within the authorized scope, execution of trading instructions, disclosure of future trading risks, and provision of real-time information to relevant departments for reference.

III. Accounting unit: It shall account for trading, retain the trading data, regularly evaluate the fair market value of the positions held for the trading personnel, and disclose the relevant matters of the derivatives in the financial statements in accordance with relevant regulations.

IV. Financial unit: It is responsible for the confirmation of trading and the settlement of derivatives trading.

(6) Essentials of performance evaluation

I. Hedging transactions: The performance evaluation is based on the cost of exchange (interest) rate on the Company's book and the profit and loss generated from the derivatives trading. The evaluation shall be conducted at least twice a month, and the results shall be submitted to the management for reference.

II. Purpose-specific transactions: The performance evaluation is based on the actual profit and loss generated, and shall be conducted at least once a week, and the results shall be submitted to the management for reference.

15. Risk management measures:

For the derivatives trading by the Company, the scope of its risk management and risk management measures to be adopted are as follows:

- (1) Credit risk: The Company chooses financial institutions and futures brokers that have a good reputation and can provide professional information as the trading counterparties.
- (2) Market risk: As the possible losses caused by future market price fluctuations of derivatives are uncertain, the stop-loss points set shall be strictly adhered to after a position is created.
- (3) Liquidity risk: In order to ensure the liquidity of products traded, the institutions the Company trades with must have sufficient equipment, information, and trading capabilities and be able to trade in any market.
- (4) Operational risk: The authorized limit and operating process must be strictly observed to avoid operational risks.
- (5) Legal risk: For any contractual documents signed with financial institutions, international standardized documents shall be adopted as much as possible to avoid any legal risk.
- (6) Commodity risk: Internal traders shall have complete and correct professional knowledge of the derivative commodities traded, so as to avoid misuse of derivative commodities leading

to losses.

- (7) Risk of settlement in cash: Authorized traders shall strictly abide by the regulations on the authorized limit, and shall also pay attention to the Company's cash flow regularly, to ensure that there is sufficient cash for settlement.
- (8) Trading, confirmation, and settlement personnel shall not be served by the same personnel concurrently.
- (9) Confirmation personnel should regularly verify and confirm statements with the correspondent bank, and inspect whether the total transaction amount exceeds the upper limit stipulated in the Procedure at any time.
- (10) The risk evaluation, supervisory, and control personnel shall belong to different departments from the personnel as in (I), and shall report to the board of directors or to senior executives who are not responsible for making decisions on trading or positions.
- (11) The positions held shall be evaluated at least once a week, but the transactions for hedging conducted for the business needs shall be evaluated at least twice a month, and the evaluation report shall be submitted to a senior executive authorized by the board of directors (Note: The senior executive designated shall not from an execution unit).

#### 16. Internal audit system:

- (1) The internal auditors of the Company shall regularly examine the adequacy of the internal control of derivatives trading, conduct a monthly audit of the trading department's compliance with the operating procedures for derivatives trading, and prepare an audit report. If they discover a material violation, they shall report to the chairman and the senior executives designated by the board of directors immediately, while informing the Audit Committee in writing.
- (2) The Company's auditors shall include derivatives trading in the audit plan, and report on the implementation of the previous year's annual audit plan to the competent authority by the end of February in the following year, while reporting on the improvement of anomalies to the competent authority no later than the end of May in the following year for future reference.

#### 17. Regular assessment methods and anomaly handling:

- (1) The trading of derivatives shall be evaluated on a monthly or weekly basis, and the profit and loss for the current month or week shall be summarized and submitted to the chairman and the senior executives authorized by the board of directors as a reference for management performance evaluation and risk evaluation.
- (2) The senior executives designated by the board of directors of the Company shall always pay attention to the supervision and control of derivatives trading risks. The board of directors shall also assess whether the performance of derivatives trading is in line with the established business strategy and whether such risks are within the Company's range of risk tolerance.
- (3) Senior executives authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
  - I. Regularly evaluate whether the risk management measures currently adopted are appropriate and are indeed handled in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the relevant provisions of the Procedure.
  - II. Supervise the trading and the profit and loss situation, and if any anomaly is found, the senior executives shall take necessary countermeasures and report to the board of directors immediately. The company has engaged independent directors, and the board of directors shall have independent directors present and express their opinions.
  - III. The Company is engaged in derivatives trading and authorizes relevant personnel to handle it in accordance with the provisions of the Procedure, who shall report to the next board

meeting afterwards.

- (4) The Company shall establish a log book, in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, monthly or weekly periodic evaluation reports, and periodic evaluations by the senior executives authorized by the board of directors shall be recorded in detail.

#### **Chapter IV Mergers, demergers, acquisitions, or transfer of shares**

18. The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the stock swap ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a subsidiary, in which the Company directly or indirectly holds 100% of the issued shares or total share capital, or in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or total share capital.
19. The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding article when sending shareholders the notice of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution for some reason, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, demerger, or acquisition shall immediately publicly explain the reason, the subsequent measures, and the scheduled date of the next shareholders' meeting.
20. The Company participating in a merger, demerger, or acquisition shall convene a board meeting and shareholders' meeting on the same day as other participating companies to resolve matters relevant to the merger, demerger, or acquisition, while convening a board meeting on the same day as the other participating companies for transfer of shares unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. In the case of a merger, demerger, acquisition, or transfer of shares, a participating company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:
  - (1) Basic identification data of personnel: It shall include the job title, name, and national ID number (or passport number in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of shares prior to disclosure of the information.
  - (2) Dates of material events: It shall include the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board meeting.
  - (3) Important documents and minutes: It shall include merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board meetings.
21. Stock swap ratio or acquisition price  
The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the stock swap ratio or acquisition price unless under any of the circumstances below:

- (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of stock dividends, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
- (2) An action, such as a disposal of major assets, that affects the company's financial operations.
- (3) An event, such as a major disaster or major change in technology, that affects shareholders' equity or share price.
- (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares, buys back treasury stock.
- (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- (6) Other terms/conditions that may be changed as stipulated in the contract and have been publicly disclosed.

22. Items that contracts shall record:

When the Company engages in a merger, demerger, acquisition, or transfer of shares, the contract shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

- (1) Handling of breach of contract.
- (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share swap ratio, and the principles for handling thereof.
- (4) The manner of handling changes in the number of participating entities or companies.
- (5) Progress scheduled for plan execution and anticipated completion date.
- (6) Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.

23. Other matters to be noted when the Company participates in a merger, demerger, acquisition, or transfer of shares:

- (1) Those who participate in or know about the merger, demerger, acquisition, or transfer of shares shall be required to issue a written confidentiality commitment. Before the information is disclosed, the content of the plan shall not be disclosed to any third party, nor may they buy or sell all participating companies' stocks and other equity-based securities in the name of their own or others.
- (2) After public disclosure of the information regarding a merger, demerger, acquisition, or transfer of shares, if the Company intends further to carry out a merger, demerger, acquisition, or transfer of shares with another company, they shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such that another shareholders meeting may be exempted from being called to resolve the matter anew.
- (3) A company involved in a merger, demerger, acquisition or transfer of shares listed or traded in a securities dealer's office shall, within two days of the date of approval by the Board of Directors, report the information in subparagraphs 1 and 2 of the preceding paragraph in the prescribed form on the Internet information system for FSC records.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by Article 20 of the Procedures and provisions of the preceding two paragraphs.

## Chapter V Other Important Matters

24. The Company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for at least 5 years unless otherwise provided in law.
25. Appraisal reports, CPA, attorney, and securities underwriter opinions of the Company provided by professional appraisers and their officers, CPAs, attorneys or securities underwriters shall be handled in accordance with Article 5 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
26. The Procedures shall be implemented after they have been approved by the Audit Committee, passed by the Board of Directors, and submitted to the shareholders' meeting for approval. The same shall apply to any amendments hereto.

Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each independent director and each independent director's opinions shall be taken into full consideration. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board meeting.

If the said matter in the first paragraph is not approved by a majority of members of the Audit Committee, it may be implemented with the approval of more than two-thirds of all directors, and the resolution of the Audit Committee shall be specified in the minutes of the board meeting.

27. The 1st amendment was made on June 16, 1997.

The 2nd amendment was made on September 18, 1998.

The 3rd amendment was made on November 25, 1999.

The 4th amendment was made on June 9, 2003.

The 5th amendment was made on June 14, 2005.

The 6th amendment was made on June 9, 2006.

The 7th amendment was made on June 13, 2007.

The 8th amendment was made on June 15, 2011.

The 9th amendment was made on June 19, 2012.

The 10th amendment was made on June 19, 2014.

The 11th amendment was made on June 14, 2017.

The 12th amendment was made on June 19, 2019.

The 13th amendment was made on June 10, 2020.

The 14th amendment was made on July 30, 2021.

**【Appendix 5】**

**The Impact of the Stock Grants on the Company's Business Performance, Earnings per Share and Shareholder's Return on Investment to be Proposed at the Shareholders' Meeting**

Unit: NT\$

Item		Year	2022 (estimated)
Paid-in Capital, Beginning of Year			3,752,084,160
Share allotment/dividend distribution for the year	Cash dividend per share		Note 1
	Number of share allotment for each share regarding the capital increase from earnings		Note 2
	Stock dividend per share through capital reserve		Note 2
Changes in business performance	Operating Income		Note 3
	Increase/decrease in operating income YoY		
	Net income		
	Increase/decrease in net income YoY (%)		
	Earnings per share		
	Increase/decrease in earnings per share YoY		
	Annual average return on investment		
Pro forma earnings per share & price-	Capital increase through earnings - cash dividend only	Pro forma earnings per	
		Pro forma annual average return on investment	
	No capital increase	Pro forma earnings per	

to-earnings ratio	through capital reserve	Pro forma annual average return on investment	
	No capital increase through capital reserve & capital increase through earnings - cash dividend only	Pro forma earnings per	
		Pro forma annual average return on investment	

Note 1: The Company recorded a net loss after tax for 2021; therefore, no dividend will be distributed.

Note 2: There are no retained earnings transferred to common stock or capital surplus transferred to common stock adopted for the period.

Note 3: This is not applicable because, according to “Regulations Governing the Publication of Financial Forecasts of Public Companies”, the Company did not report 2022 Financial Forecast.

## Phihong Technology Co., Ltd.

### Shareholding of Directors

As of the book closure date of the shareholders' meeting (April 10, 2022), the Company has issued a total of 375,208,416 shares. The number of shares held by individual and all directors is listed in the table below:

Title	Name	Number of Shares	Percentage of the total number of shares at present (%)
Chairman	Lin, Chung-Min	51,703,063	13.78%
Director	Kuan Feng Investment Ltd. Representative: Lin, Yang-Hong	3,034,905	0.80%
Director	Lin, Fei-Hong	3,376,000	0.90%
Director	Wang, Chia-Kun	0	0.00%
Director	Chou, Ta-Jen	0	0.00%
Director	Chiang, Wei-Feng	0	0.00%
Director	Chou, Ming-Chih	0	0.00%
Independent Director	Hong, Yu-Yuan	0	0.00%
Independent Director	Lin, Kuei-Hong	20,578	0.01%
Independent Director	Chang, Hsien-Ta	0	0.00%
<b>Total</b>		<b>58,134,546</b>	<b>15.50%</b>

Note 1: The number of authorized shares held by all directors is 15,008,336 shares. The number of shares held as of the book closure date of the shareholders' meeting was 58,113,968 shares

(excluding the shares held by independent directors), at a ratio which has already met the standard as stipulated in Article 26 of the Securities and Exchange Act.

Note 2: The Company has set up an Audit Committee, so the number of shares that shall be held by supervisors does not apply.