

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2019 and 2018 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Phihong Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of March 31, 2019 and 2018 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-months periods then ended, and related notes, including a summary of significant accounting policies "(collectively referred to as the consolidated financial statements)". Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the carrying values of the Group's investments accounted for using equity method of \$153,211 thousand and \$173,949 thousand as of March 31, 2019 and 2018, respectively, and the comprehensive gain from the investments of \$8,945 thousand and \$922 thousand for the three months ended March 31, 2019 and 2018, respectively, were based on these investees' unreviewed financial statements.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of equity-method investees as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at March 31, 2019 and 2018, and its consolidated financial performance and its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Ker-Chang Wu and Yi-Min Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 10, 2019

Notice to Readers

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

| | March 31, 2019 (Reviewed) | | December 31, 2018 (Audited) | | March 31, 2018 (Reviewed) | |
|--|------------------------------|------------|--------------------------------|------------|------------------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | \$ 1,923,817 | 20 | \$ 2,113,226 | 20 | \$ 1,945,127 | 19 |
| Financial assets at fair value through profit or loss - current (Note 7) | 85,753 | 1 | 303,936 | 3 | 95,417 | 1 |
| Trade receivables (Note 9) | 2,151,282 | 23 | 2,204,672 | 21 | 2,033,533 | 19 |
| Other receivables | 63,656 | 1 | 56,606 | - | 80,339 | 1 |
| Inventories (Note 10) | 1,545,019 | 16 | 2,109,182 | 20 | 1,544,138 | 15 |
| Prepayment for lease (Note 17) | - | - | 2,728 | - | 2,826 | - |
| Non-current assets held for sale, net (Note 11) | - | - | - | - | 978,607 | 9 |
| Other financial assets - current (Note 6) | - | - | 201,113 | 2 | 208,286 | 2 |
| Other current assets | 304,558 | 3 | 183,880 | 2 | 161,626 | 2 |
| Total current assets | 6,074,085 | 64 | 7,175,343 | 68 | 7,049,899 | 68 |
| NON-CURRENT ASSETS | | | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Note 8) | 37,911 | 1 | 37,320 | - | 38,856 | - |
| Investments accounted for using equity method (Note 13) | 153,211 | 2 | 150,512 | 2 | 173,949 | 2 |
| Property, plant and equipment (Note 14) | 2,855,952 | 30 | 2,840,379 | 27 | 2,908,297 | 28 |
| Right-of-use assets (Note 15) | 113,872 | 1 | - | - | - | - |
| Intangible assets (Note 16) | 37,005 | - | 32,145 | - | 24,262 | - |
| Deferred tax assets (Note 4) | 44,107 | 1 | 46,037 | 1 | 48,215 | - |
| Other financial assets - non-current (Note 6) | 25,450 | - | 25,450 | - | 25,450 | - |
| Long-term prepayments for lease (Note 17) | - | - | 99,170 | 1 | 104,826 | 1 |
| Other non-current assets | 94,962 | 1 | 70,203 | 1 | 51,029 | 1 |
| Total non-current assets | 3,362,470 | 36 | 3,301,216 | 32 | 3,374,884 | 32 |
| TOTAL | \$ 9,436,555 | 100 | \$ 10,476,559 | 100 | \$ 10,424,783 | 100 |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Trade payables | \$ 1,911,715 | 20 | \$ 2,964,473 | 28 | \$ 2,151,628 | 21 |
| Trade payables to related parties (Note 28) | 64,490 | 1 | 76,846 | 1 | 49,682 | - |
| Other payables (Note 20) | 735,027 | 8 | 820,525 | 8 | 734,582 | 7 |
| Current tax liabilities (Note 4) | 23,289 | - | 21,354 | - | 48,114 | - |
| Lease liabilities - current (Note 15) | 5,090 | - | - | - | - | - |
| Current portion of long-term borrowings (Note 18) | 106,169 | 1 | 39,237 | - | 11,642 | - |
| Other current liabilities (Notes 11 and 20) | 116,220 | 1 | 130,888 | 1 | 808,461 | 8 |
| Total current liabilities | 2,962,000 | 31 | 4,053,323 | 38 | 3,804,109 | 36 |
| NON-CURRENT LIABILITIES | | | | | | |
| Bonds payable (Note 19) | 999,046 | 11 | 998,929 | 10 | 998,570 | 10 |
| Long-term borrowings (Note 18) | 180,000 | 2 | 150,000 | 1 | 235,821 | 2 |
| Deferred tax liabilities (Note 4) | 79,832 | 1 | 79,832 | 1 | 79,832 | 1 |
| Lease liabilities - non-current (Note 15) | 4,965 | - | - | - | - | - |
| Net defined benefit liability - non-current (Notes 4 and 21) | 98,858 | 1 | 99,016 | 1 | 95,470 | 1 |
| Other non-current liabilities | 4,471 | - | 4,357 | - | 3,985 | - |
| Total non-current liabilities | 1,367,172 | 15 | 1,332,134 | 13 | 1,413,678 | 14 |
| Total liabilities | 4,329,172 | 46 | 5,385,457 | 51 | 5,217,787 | 50 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22) | | | | | | |
| Ordinary shares | 3,376,884 | 36 | 3,376,884 | 32 | 3,376,884 | 32 |
| Capital surplus | 1,044,017 | 11 | 1,044,017 | 10 | 1,044,017 | 10 |
| Retained earnings | | | | | | |
| Legal reserve | 1,113,185 | 12 | 1,113,185 | 11 | 1,113,185 | 11 |
| Special reserve | 230,859 | 2 | 230,859 | 2 | 230,859 | 2 |
| Accumulated deficits | (388,175) | (4) | (304,379) | (3) | (255,034) | (2) |
| Total retained earnings | 955,869 | 10 | 1,039,665 | 10 | 1,089,010 | 11 |
| Other equity | | | | | | |
| Exchange differences on translating the financial statements of foreign operations | (178,823) | (2) | (265,607) | (2) | (214,363) | (2) |
| Unrealized loss on financial assets at fair value through other comprehensive income | (80,953) | (1) | (94,266) | (1) | (79,502) | (1) |
| Total other equity | (259,776) | (3) | (359,873) | (3) | (293,865) | (3) |
| Total equity attributable to owners of the Company | 5,116,994 | 54 | 5,100,693 | 49 | 5,216,046 | 50 |
| NON-CONTROLLING INTERESTS (Note 22) | (9,611) | - | (9,591) | - | (9,050) | - |
| Total equity | 5,107,383 | 54 | 5,091,102 | 49 | 5,206,996 | 50 |
| TOTAL | \$ 9,436,555 | 100 | \$ 10,476,559 | 100 | \$ 10,424,783 | 100 |

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

(With Deloitte & Touche review report dated May 10, 2019)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

| | Three Months Ended March 31 | | | |
|---|-----------------------------|------------|------------------|------------|
| | 2019 | | 2018 | |
| | Amount | % | Amount | % |
| OPERATING REVENUE (Note 34) | \$ 2,745,492 | 100 | \$ 2,509,921 | 100 |
| OPERATING COSTS (Notes 10 and 28) | <u>2,405,328</u> | <u>88</u> | <u>2,329,449</u> | <u>93</u> |
| GROSS PROFIT | <u>340,164</u> | <u>12</u> | <u>180,472</u> | <u>7</u> |
| OPERATING EXPENSES | | | | |
| Sales and marketing expenses | 126,320 | 4 | 99,661 | 4 |
| General and administration expenses | 127,297 | 5 | 113,692 | 4 |
| Research and development expenses | 156,806 | 6 | 146,301 | 6 |
| Excepted credit loss | <u>690</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total operating expenses | <u>411,113</u> | <u>15</u> | <u>359,654</u> | <u>14</u> |
| LOSS FROM OPERATIONS | <u>(70,949)</u> | <u>(3)</u> | <u>(179,182)</u> | <u>(7)</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other income (Note 23) | 28,833 | 1 | 39,185 | 1 |
| Other gains and losses (Note 23) | (3,297) | - | (58,954) | (2) |
| Finance costs | (6,152) | - | (4,521) | - |
| Share of profit or loss of associates (Note 13) | <u>(3,777)</u> | <u>-</u> | <u>5,867</u> | <u>-</u> |
| Total non-operating income and expenses | <u>15,607</u> | <u>1</u> | <u>(18,423)</u> | <u>(1)</u> |
| LOSS BEFORE INCOME TAX | (55,342) | (2) | (197,605) | (8) |
| INCOME TAX EXPENSE (Notes 4 and 24) | <u>(28,457)</u> | <u>(1)</u> | <u>(2,735)</u> | <u>-</u> |
| NET LOSS | <u>(83,799)</u> | <u>(3)</u> | <u>(200,340)</u> | <u>(8)</u> |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 22) | 591 | - | 679 | - |
| Share of the other comprehensive income (loss) of associates accounted for using the equity method (Note 22) | 12,722 | 1 | (4,945) | - |

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

| | Three Months Ended March 31 | | | |
|--|-----------------------------|------------|---------------------|------------|
| | 2019 | | 2018 | |
| | Amount | % | Amount | % |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating the financial statements of foreign operations (Note 22) | \$ 86,767 | 3 | \$ 41,851 | 2 |
| Total other comprehensive income | 100,080 | 4 | 37,585 | 2 |
| TOTAL COMPREHENSIVE INCOME (LOSS) | \$ 16,281 | 1 | \$ (162,755) | (6) |
| NET LOSS ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ (83,796) | (3) | \$ (200,339) | (8) |
| Non-controlling interests | (3) | - | (1) | - |
| | <u>\$ (83,799)</u> | <u>(3)</u> | <u>\$ (200,340)</u> | <u>(8)</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 16,301 | 1 | \$ (162,960) | (6) |
| Non-controlling interests | (20) | - | 205 | - |
| | <u>\$ 16,281</u> | <u>1</u> | <u>\$ (162,755)</u> | <u>(6)</u> |
| LOSS PER SHARE (Note 25) | | | | |
| Basic | \$ (0.25) | | \$ (0.59) | |

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

(With Deloitte & Touche review report dated May 10, 2019)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

| | Equity Attributable to Owners of the Company | | | | | Other Equity | | | Total | Non-controlling Interests | Total Equity |
|--|--|---------------------|---------------------|-------------------|----------------------|--|---|---|---------------------|---------------------------|---------------------|
| | Ordinary Shares | Capital Surplus | Retained Earnings | | Accumulated Deficits | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | | | |
| | | | Legal Reserve | Special Reserve | | | | | | | |
| BALANCE, JANUARY 1, 2018 | \$ 3,376,884 | \$ 1,044,017 | \$ 1,113,185 | \$ 230,859 | \$ (128,997) | \$ (256,008) | \$ 4,825 | \$ - | \$ 5,384,765 | \$ (9,255) | \$ 5,375,510 |
| Effect of retrospective application | - | - | - | - | 74,302 | - | (4,825) | (75,236) | (5,759) | - | (5,759) |
| BALANCE AT JANUARY 1, 2018 AS RESTATED | 3,376,884 | 1,044,017 | 1,113,185 | 230,859 | (54,695) | (256,008) | - | (75,236) | 5,379,006 | (9,255) | 5,369,751 |
| Net loss for the three months ended March 31, 2018 | - | - | - | - | (200,339) | - | - | - | (200,339) | (1) | (200,340) |
| Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax | - | - | - | - | - | 41,645 | - | (4,266) | 37,379 | 206 | 37,585 |
| Total comprehensive income (loss) for the three months ended March 31, 2018 | - | - | - | - | (200,339) | 41,645 | - | (4,266) | (162,960) | 205 | (162,755) |
| BALANCE, MARCH 31, 2018 | <u>\$ 3,376,884</u> | <u>\$ 1,044,017</u> | <u>\$ 1,113,185</u> | <u>\$ 230,859</u> | <u>\$ (255,034)</u> | <u>\$ (214,363)</u> | <u>\$ -</u> | <u>\$ (79,502)</u> | <u>\$ 5,216,046</u> | <u>\$ (9,050)</u> | <u>\$ 5,206,996</u> |
| BALANCE, JANUARY 1, 2019 | \$ 3,376,884 | \$ 1,044,017 | \$ 1,113,185 | \$ 230,859 | \$ (304,379) | \$ (265,607) | \$ - | \$ (94,266) | \$ 5,100,693 | \$ (9,591) | \$ 5,091,102 |
| Net loss for the three months ended March 31, 2019 | - | - | - | - | (83,796) | - | - | - | (83,796) | (3) | (83,799) |
| Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax | - | - | - | - | - | 86,784 | - | 13,313 | 100,097 | (17) | 100,080 |
| Total comprehensive (loss) income for the three months ended March 31, 2019 | - | - | - | - | (83,796) | 86,784 | - | 13,313 | 16,301 | (20) | 16,281 |
| BALANCE, MARCH 31, 2019 | <u>\$ 3,376,884</u> | <u>\$ 1,044,017</u> | <u>\$ 1,113,185</u> | <u>\$ 230,859</u> | <u>\$ (388,175)</u> | <u>\$ (178,823)</u> | <u>\$ -</u> | <u>\$ (80,953)</u> | <u>\$ 5,116,994</u> | <u>\$ (9,611)</u> | <u>\$ 5,107,383</u> |

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

(With Deloitte & Touche review report dated May 10, 2019)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | Three Months Ended March 31 | |
|--|------------------------------------|------------------|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | \$ (55,342) | \$ (197,605) |
| Adjustments for: | | |
| Depreciation expense | 81,610 | 75,294 |
| Amortization expense | 6,149 | 5,828 |
| Excepted credit loss recognized | 690 | - |
| Net gain on fair value change of financial assets designated as at fair value through profit | - | (527) |
| Finance costs | 6,152 | 4,521 |
| Interest income | (9,437) | (4,998) |
| Dividend income | (500) | - |
| Share of loss (profit) of associates | 3,777 | (5,867) |
| Loss (gain) on disposal of property, plant and equipment | 12,479 | (157) |
| Loss on disposal of intangible assets | 28 | 2 |
| Gain on disposal of investment | (3,083) | (1,461) |
| Amortization of prepayments for leases | - | 704 |
| Net changes in operating assets and liabilities | | |
| Trade receivables | 52,634 | 81 |
| Trade receivables from related parties | - | 9 |
| Other receivables | (12,781) | 43,384 |
| Inventories | 564,163 | 13,779 |
| Other current assets | (120,362) | (32,478) |
| Trade payables | (1,052,758) | (225,523) |
| Trade payables to related parties | (12,356) | (10,124) |
| Other payables | (79,215) | (102,214) |
| Other current liabilities | (14,668) | 12,494 |
| Net defined benefit liability | (158) | (144) |
| Cash used in operating activities | (632,978) | (425,002) |
| Interest paid | (13,032) | (11,810) |
| Interest received | 15,168 | 5,008 |
| Income tax paid | (24,592) | (32,246) |
| Net cash used in operating activities | <u>(655,434)</u> | <u>(464,050)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of financial assets at fair value through loss | 221,266 | 251,705 |
| Proceeds from capital reduction of investments accounted for using equity method | - | 271 |
| Proceeds from disposal of non-current assets held for sale | - | 649,853 |
| Payments for property, plant and equipment | (43,230) | (31,468) |
| Proceeds from disposal of property, plant and equipment | - | 5,474 |
| Payments for intangible assets | (7,356) | (985) |
| Increase in refundable deposits | (277) | (457) |

(Continued)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | Three Months Ended March 31 | |
|---|------------------------------------|---------------------|
| | 2019 | 2018 |
| Increase in other financial assets | \$ - | \$ (204,418) |
| Decrease in other financial assets | 201,113 | - |
| Increase in prepayments for equipment | (36,741) | (20,729) |
| Dividends received | <u>6,746</u> | <u>14,902</u> |
| Net cash generated from investing activities | <u>341,521</u> | <u>664,148</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | - | (100,000) |
| Proceeds from long-term borrowings | 96,932 | 96,624 |
| Increase in guarantee deposits received | 114 | 67 |
| Repayment of the principal portion of lease liabilities | <u>(2,390)</u> | <u>-</u> |
| Net cash generated from (used in) financing activities | <u>94,656</u> | <u>(3,309)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>29,848</u> | <u>(10,518)</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (189,409) | 186,271 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>2,113,226</u> | <u>1,758,856</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>\$ 1,923,817</u> | <u>\$ 1,945,127</u> |

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

(With Deloitte & Touche review report dated May 10, 2019)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Per Share Data and Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 10, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at either an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 3.05%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

| | |
|---|------------------|
| The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 | \$ 13,817 |
| Less: Recognition exemption for short-term leases | <u>(1,179)</u> |
| Undiscounted amounts on January 1, 2019 | <u>\$ 12,638</u> |
| Discounted amounts using the incremental borrowing rate on January 1, 2019 | \$ 12,263 |
| Less: Adjustments relating to changes in the index or rate affecting variable payments | <u>(104)</u> |
| Lease liabilities recognized on January 1, 2019 | <u>\$ 12,159</u> |

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

| | As Originally Stated on January 1, 2019 | Adjustments Arising from Initial Application | Restated on January 1, 2019 |
|--------------------------------------|--|---|--|
| Prepayments for leases - current | \$ 2,728 | \$ (2,728) | \$ - |
| Prepayments for leases - non-current | 99,170 | (99,170) | - |
| Right-of-use assets | <u>-</u> | <u>114,057</u> | <u>114,057</u> |
| Total effect on assets | <u>\$ 101,898</u> | <u>\$ 12,159</u> | <u>\$ 114,057</u> |
| Lease liabilities - current | \$ - | \$ 6,487 | \$ 6,487 |
| Lease liabilities - non-current | <u>-</u> | <u>5,672</u> | <u>5,672</u> |
| Total effect on liabilities | <u>\$ -</u> | <u>\$ 12,159</u> | <u>\$ 12,159</u> |

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 3 “Definition of a Business” | January 1, 2020 (Note 2) |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture” | To be determined by IASB |
| IFRS 17 “Insurance Contracts” | January 1, 2021 |
| Amendments to IAS 1 and IAS 8 “Definition of Material” | January 1, 2020 (Note 3) |

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

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

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

See Note 12, Table 8 and Table 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, for the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2018.

1) Leases

2019

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

a) The Group as lessor

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

b) The Group as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

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

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

2018

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

a) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

2) Retirement benefit costs

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

3) Other long-term employee benefits

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

4) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|--|-----------------------|------------------------------|-----------------------|
| Cash on hand | \$ 3,774 | \$ 2,433 | \$ 11,793 |
| Checking accounts and demand deposits | 1,896,543 | 2,032,213 | 1,838,227 |
| Cash equivalent (investments with original maturities of less than 3 months) | | | |
| Time deposits | <u>23,500</u> | <u>78,580</u> | <u>95,107</u> |
| | <u>\$ 1,923,817</u> | <u>\$ 2,113,226</u> | <u>\$ 1,945,127</u> |

As of December 31, 2018 and March 31, 2018, the time deposits with original maturities more than 3 months in the amount of \$201,113 thousand and \$208,286 thousand, respectively, had been reclassified to “other financial assets - current”.

As of March 31, 2019, December 31, 2018 and March 31, 2018, bank balance in the amount of \$25,450 thousand had been pledged to secure short-term debts and reclassified to “other financial assets - non-current”. Refer to Note 29.

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|-----------------------------------|-----------------------|------------------------------|-----------------------|
| Demand deposits and time deposits | 0.001%-2.4192% | 0.001%-4.40% | 0.001%-4.40% |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|----------------|----------------------|----------------|
| Financial assets at fair value through profit or loss (i.e. FVTPL) - current | | | |
| Financial assets mandatorily classified as at FVTPL | | | |
| Non-derivative financial assets | | | |
| Mutual funds | \$ 85,753 | \$ 303,936 | \$ 95,417 |

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|--|----------------|----------------------|----------------|
| <u>Non-current</u> | | | |
| Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI) | | | |
| Domestic unlisted ordinary shares | \$ 37,911 | \$ 37,320 | \$ 38,856 |

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

9. TRADE RECEIVABLES

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|-------------------------------------|------------------|----------------------|---------------------|
| <u>Trade receivables</u> | | | |
| At amortized cost | | | |
| Gross carrying amount | \$ 2,157,134 | \$ 2,209,768 | \$ 2,035,889 |
| Less: Allowance for impairment loss | <u>(5,852)</u> | <u>(5,096)</u> | <u>(2,356)</u> |
| | <u>2,151,282</u> | <u>\$ 2,204,672</u> | <u>\$ 2,033,533</u> |

Trade Receivable

The average credit period of sales of goods was 60 to 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management specialists annually.

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

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

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

March 31, 2019

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|-------------------------------|---------------------|--------------------------|----------------------|-----------------------|----------------------|---------------------|
| Expected credit loss rate | 0.001%-0.87% | 0.21%-25.77% | 5.98%-19.20% | 8.21%-11.21% | 13.05%-100% | |
| Gross carrying amount | \$ 2,019,204 | \$ 122,954 | \$ 9,264 | \$ 1,010 | \$ 4,702 | \$ 2,157,134 |
| Loss allowance (Lifetime ECL) | <u>(669)</u> | <u>(1,056)</u> | <u>(685)</u> | <u>(84)</u> | <u>(3,358)</u> | <u>(5,852)</u> |
| Amortized cost | <u>\$ 2,018,535</u> | <u>\$ 121,898</u> | <u>\$ 8,579</u> | <u>\$ 926</u> | <u>\$ 1,344</u> | <u>\$ 2,151,282</u> |

December 31, 2018

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|-------------------------------|---------------------|--------------------------|----------------------|-----------------------|----------------------|---------------------|
| Expected credit loss rate | 0.001%-0.63% | 0.21%-14.84% | 5.98%-12.74% | 8.21%-21.67% | 23.36%-100% | |
| Gross carrying amount | \$ 2,046,013 | \$ 152,793 | \$ 6,754 | \$ 795 | \$ 3,413 | \$ 2,209,768 |
| Loss allowance (Lifetime ECL) | <u>(671)</u> | <u>(1,017)</u> | <u>(454)</u> | <u>(88)</u> | <u>(2,866)</u> | <u>(5,096)</u> |
| Amortized cost | <u>\$ 2,045,342</u> | <u>\$ 151,776</u> | <u>\$ 6,300</u> | <u>\$ 707</u> | <u>\$ 547</u> | <u>\$ 2,204,672</u> |

March 31, 2018

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|-------------------------------|---------------------|--------------------------|----------------------|-----------------------|----------------------|---------------------|
| Expected credit loss rate | 0.001%-0.69% | 0.24%-21.20% | 6.97%-14.87% | 7.72%-21.64% | 12.68%-100% | |
| Gross carrying amount | \$ 2,013,841 | \$ 10,167 | \$ 4,634 | \$ 4,974 | \$ 2,273 | \$ 2,035,889 |
| Loss allowance (Lifetime ECL) | <u>(608)</u> | <u>(111)</u> | <u>(348)</u> | <u>(500)</u> | <u>(789)</u> | <u>(2,356)</u> |
| Amortized cost | <u>\$ 2,013,233</u> | <u>\$ 10,056</u> | <u>\$ 4,286</u> | <u>\$ 4,474</u> | <u>\$ 1,484</u> | <u>\$ 2,033,533</u> |

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

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

| | For the Three Months Ended March 31 | |
|--|--|-----------------|
| | 2019 | 2018 |
| Balance at January 1, 2019 per IFRS 9 | \$ 5,096 | \$ 2,386 |
| Add: Net remeasurement of loss allowance | 690 | - |
| Foreign exchange gains and losses | <u>66</u> | <u>(30)</u> |
| Balance at March 31, 2019 | <u>\$ 5,852</u> | <u>\$ 2,356</u> |

10. INVENTORIES

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|-----------------|-----------------------|------------------------------|-----------------------|
| Raw materials | \$ 581,506 | \$ 715,704 | \$ 670,908 |
| Work-in-process | 214,501 | 208,884 | 250,607 |
| Finished goods | 328,707 | 636,520 | 362,650 |
| Merchandise | <u>420,305</u> | <u>548,074</u> | <u>259,973</u> |
| | <u>\$ 1,545,019</u> | <u>\$ 2,109,182</u> | <u>\$ 1,544,138</u> |

As of March 31, 2019, December 31, 2018 and March 31, 2018, allowance of inventory value decline was \$335,813 thousand, \$338,559 thousand and \$350,552 thousand, respectively.

For the three months ended March 31, 2019 and 2018, the cost of inventories recognized as cost of goods sold was \$2,405,328 thousand and \$2,329,449 thousand, respectively. The cost of goods sold included inventory (gain from price recovery) write-downs of \$(10,786) thousand and \$12 thousand in March 31, 2019 and 2018.

11. NON-CURRENT ASSETS HELD FOR SALE

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|--|-----------------------|------------------------------|-----------------------|
| Phihong Electronics (Suzhou) Co., Ltd.'s investment properties, buildings and long-term prepayments for leases | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 978,607</u> |

In 2017, the Group planned to dispose of Phihong Electronics (Suzhou) Co., Ltd.'s investment properties, buildings and long-term prepayments for leases. Therefore, the assets were reclassified to non-current assets held for sale and presented separately in the consolidated balance sheets. The proceeds of the disposals are expected to exceed the net carrying amount of the related net assets. Accordingly, no impairment was recognized in reclassifying the assets to assets held for sale. The Group completed the procedures for the disposal in the fourth quarter of 2018 and recognized gains on disposals of non-current assets for sale of \$68,394 thousand, which was presented under other gains and losses.

The investment properties, buildings and long-term prepayments for leases reclassified as non-current assets held for sale were as follows:

| | March 31, 2018 |
|---|--------------------------|
| Buildings | \$ 721,854 |
| Investment properties | 658,611 |
| Less: Accumulated depreciation | <u>(442,300)</u> |
| | 938,165 |
| Long-term prepayments for leases | 24,071 |
| Effect of foreign currency exchange differences | <u>16,371</u> |
| | <u>\$ 978,607</u> |

As of March 31, 2018, the proceeds of the disposal had been received \$696,138 thousand which was presented under other current liabilities. Refer to Note 20.

12. SUBSIDIARIES

| Investor | Investee | Main Business | Percentage of Ownership | | | Note |
|--------------------------------|--|--|-------------------------|-------------------|----------------|--------|
| | | | March 31, 2019 | December 31, 2018 | March 31, 2018 | |
| Pihong | Pihong International Corp. (“PHI”) | Makes investments | 100.00 | 100.00 | 100.00 | |
| | Phitek International Co., Ltd. (“PHK”) | Makes investments | 100.00 | 100.00 | 100.00 | |
| | Ascent Alliance Ltd. (“PHQ”) | Makes investments | 100.00 | 100.00 | 100.00 | |
| | Pihong USA Corp. | Sells various power supplies | 100.00 | 100.00 | 100.00 | |
| | Pihong Technology Japan Co., Ltd. | Sells power components | 100.00 | 100.00 | 100.00 | |
| | Guang-Lai Investment Co., Ltd. (“Guang-Lai”) | Makes investments | 100.00 | 100.00 | 100.00 | |
| | Pihong Vietnam Co., Ltd. (“PHV”) | Manufactures and sells various power supplies | 100.00 | - | - | Note 1 |
| Pihong International Corp. | Pihong (Dongguan) Electronics Co., Ltd. | Manufactures and sells various power supplies | 100.00 | 100.00 | 100.00 | |
| | Pihong Electronics (Suzhou) Co., Ltd. | Manufactures and sells various power supplies and ballasts | 100.00 | 100.00 | 100.00 | |
| | N-Lighten Technologies, Inc. (“N-Lighten”) | Makes investments | 58.45 | 58.45 | 58.45 | |
| | Yanghong Trade (Shanghai) Co., Ltd. | Sells various lighting and power supplies | 100.00 | 100.00 | 100.00 | |
| Phitek International Co., Ltd. | Dongguan Phitek Electronics Co., Ltd. | Manufactures and sells various power supplies | 100.00 | 100.00 | 100.00 | |
| Ascent Alliance Ltd. | Dongguan Shuang-Ying Electronics Co., Ltd. | Manufactures and sells electronic materials | 100.00 | 100.00 | 100.00 | |
| | Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. | Manufactures and sells electronic materials | 100.00 | 100.00 | 100.00 | |
| Guang-Lai Investment Co., Ltd. | N-Lighten | Makes investments | 19.78 | 19.78 | 19.78 | |

On November, 2018, the board of directors of the Company approved to establish a subsidiary in Vietnam. To meet the demand for funds, the Company will invest capital in stages following the investment process. The Company acquired the business license on February 16, 2019 and established a Vietnamese subsidiary, Pihong Vietnam Company Limited. The registered capital is US\$10,000 thousand, and the Company’s shareholding ratio is 100%. As of March 31, 2019, the Company has invested \$207,615 thousand (or US\$6,728 thousand).

See Tables 8 and 9 for the information on places of incorporation and principal places of business.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|-------------------|----------------------|-------------------|
| Associates that are not individually material | <u>\$ 153,211</u> | <u>\$ 150,512</u> | <u>\$ 173,949</u> |

Aggregate information of associates that are not individually material:

| | For the Three Months Ended March 31 | |
|---------------------------------------|--|----------------|
| | 2019 | 2018 |
| The Group's share of: | | |
| Net (loss) profit for the year | \$ (3,777) | \$ 5,867 |
| Other comprehensive income (loss) | <u>12,722</u> | <u>(4,945)</u> |
| Total comprehensive loss for the year | <u>\$ 8,945</u> | <u>\$ 922</u> |

The associates that are not individually material, Hao-Xuan Venture Capital Co., Ltd, have been liquidated in January 2018, and recognized gain \$29 thousand, which was presented under gain on disposal of investment.

Refer to Table 8 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

The equity-method investees' financial statements for the three months ended March 31, 2019 and 2018, which had been used to determine the carrying amount of the Group's investments and the share of profit and other comprehensive income of associates, had not been reviewed.

14. PROPERTY, PLANT AND EQUIPMENT

| <u>Cost</u> | Freehold Land | Buildings | Machinery and Equipment | Other Equipment | Construction in Progress | Total |
|---|-------------------|---------------------|----------------------------|--------------------|-----------------------------|---------------------|
| Balance at January 1, 2019 | \$ 250,320 | \$ 2,600,633 | \$ 2,460,635 | \$ 670,419 | \$ 31,053 | \$ 6,013,060 |
| Additions | - | 6,459 | 15,448 | 10,095 | 12,023 | 44,025 |
| Disposals | - | - | (37,003) | (10,075) | - | (47,078) |
| Effect of foreign currency exchange differences | 217 | 48,424 | 50,713 | 7,099 | 1,877 | 108,330 |
| Reclassification | - | 129 | 9,656 | - | (129) | 9,656 |
| Balance at March 31, 2019 | <u>\$ 250,537</u> | <u>\$ 2,655,645</u> | <u>\$ 2,499,449</u> | <u>\$ 677,538</u> | <u>\$ 44,824</u> | <u>\$ 6,127,993</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance at January 1, 2019 | \$ - | \$ 725,734 | \$ 1,921,378 | \$ 525,569 | \$ - | \$ 3,172,681 |
| Disposals | - | - | (24,929) | (9,670) | - | (34,599) |
| Depreciation expense | - | 21,529 | 40,329 | 16,707 | - | 78,565 |
| Effect of foreign currency exchange differences | - | 12,439 | 36,882 | 6,073 | - | 55,394 |
| Balance at March 31, 2019 | <u>\$ -</u> | <u>\$ 759,702</u> | <u>\$ 1,973,660</u> | <u>\$ 538,679</u> | <u>\$ -</u> | <u>\$ 3,272,041</u> |
| Carrying amounts at December 31, 2018 and January 1, 2019 | <u>\$ 250,320</u> | <u>\$ 1,874,899</u> | <u>\$ 539,257</u> | <u>\$ 144,850</u> | <u>\$ 31,053</u> | <u>\$ 2,840,379</u> |
| Carrying amounts at March 31, 2019 | <u>\$ 250,537</u> | <u>\$ 1,895,943</u> | <u>\$ 525,789</u> | <u>\$ 138,859</u> | <u>\$ 44,824</u> | <u>\$ 2,855,952</u> |

(Continued)

| | Freehold Land | Buildings | Machinery and Equipment | Other Equipment | Construction in Progress | Total |
|---|-------------------|---------------------|-------------------------|-------------------|--------------------------|---------------------|
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2018 | \$ 247,897 | \$ 2,625,161 | \$ 2,421,227 | \$ 662,526 | \$ 6,280 | \$ 5,963,091 |
| Additions | - | 522 | 12,115 | 13,705 | 1,564 | 27,906 |
| Disposals | - | - | (35,400) | (18,580) | - | (53,980) |
| Effect of foreign currency exchange differences | (497) | 30,481 | 30,985 | 5,075 | 133 | 66,177 |
| Reclassification | - | 2,295 | 7,191 | - | (5,655) | 3,831 |
| Balance at March 31, 2018 | <u>\$ 247,400</u> | <u>\$ 2,658,459</u> | <u>\$ 2,436,118</u> | <u>\$ 662,726</u> | <u>\$ 2,322</u> | <u>\$ 6,007,025</u> |
| <u>Accumulated depreciation</u> | | | | | | |
| Balance at January 1, 2018 | \$ - | \$ 652,588 | \$ 1,878,299 | \$ 508,632 | \$ - | \$ 3,039,519 |
| Disposals | - | - | (30,108) | (18,555) | - | (48,663) |
| Depreciation expense | - | 21,408 | 37,775 | 16,111 | - | 75,294 |
| Effect of foreign currency exchange differences | - | 6,514 | 21,857 | 4,207 | - | 32,578 |
| Balance at March 31, 2018 | <u>\$ -</u> | <u>\$ 680,510</u> | <u>\$ 1,907,823</u> | <u>\$ 510,395</u> | <u>\$ -</u> | <u>\$ 3,098,728</u> |
| Carrying amounts at March 31, 2018 | <u>\$ 247,400</u> | <u>\$ 1,977,949</u> | <u>\$ 528,295</u> | <u>\$ 152,331</u> | <u>\$ 2,322</u> | <u>\$ 2,908,297</u> |

(Concluded)

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

| | |
|-------------------------|------------|
| Buildings | |
| Main building | 50 years |
| Engineering system | 10 years |
| Machinery and equipment | 3-10 years |
| Other equipment | 3-5 years |

The above items of property, plant and equipment are freehold and used by the Group.

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

March 31, 2019

Carrying amounts

| | |
|----------------------------------|-------------------|
| Land (including land use rights) | \$ 105,434 |
| Buildings | 1,129 |
| Office equipment | 1,322 |
| Transportation equipment | 4,449 |
| Other equipment | <u>1,538</u> |
| | <u>\$ 113,872</u> |

**For the Three
Months Ended
March 31, 2019**

| | |
|---|-----------------|
| Additions to right-of-use assets | <u>\$ -</u> |
| Depreciation charge for right-of-use assets | |
| Land (including land use rights) | \$ 1,170 |
| Buildings | 897 |
| Office equipment | 169 |
| Transportation equipment | 747 |
| Other equipment | <u>62</u> |
| | <u>\$ 3,045</u> |

Right-of-use assets land use rights used by the Group and pledged as secure long-term borrowings are set out in Note 29.

b. Lease liabilities - 2019

March 31, 2019

Carrying amounts

| | |
|-------------|-----------------|
| Current | <u>\$ 5,090</u> |
| Non-current | <u>\$ 4,965</u> |

Range of discount rate for lease liabilities was as follows:

March 31, 2019

| | |
|--------------------------|-------------|
| Land | 1.20% |
| Buildings | 1.03%-5.22% |
| Office equipment | 4.88% |
| Transportation equipment | 1.16%-5.22% |
| Other equipment | 1.03% |

c. Material lease-in activities and terms

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

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

d. Other lease information

2019

**For the Three
Months Ended
March 31, 2019**

| | |
|---|-------------------|
| Expenses relating to short-term leases | \$ <u>2,634</u> |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | \$ <u>1,141</u> |
| Total cash (outflow) for leases | \$ <u>(6,165)</u> |

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

For the three months ended March 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied.

16. OTHER INTANGIBLE ASSETS

| | Computer Software |
|---|------------------------------|
| <u>Cost</u> | |
| Balance at January 1, 2019 | \$ 127,741 |
| Additions | 7,356 |
| Reclassification | 3,290 |
| Disposals | (3,620) |
| Effect of foreign currency exchange differences | <u>843</u> |
| Balance at March 31, 2019 | <u>\$ 135,610</u> |
| <u>Accumulated amortization</u> | |
| Balance at January 1, 2019 | \$ 95,596 |
| Amortization expense | 6,149 |
| Disposals | (3,592) |
| Effect of foreign currency exchange differences | <u>452</u> |
| Balance at March 31, 2019 | <u>\$ 98,605</u> |
| Carrying amounts at December 31, 2018 and January 1, 2019 | <u>\$ 32,145</u> |
| Carrying amounts at March 31, 2019 | <u>\$ 37,005</u> |

(Continued)

| | Computer Software |
|---|---------------------------------|
| <u>Cost</u> | |
| Balance at January 1, 2018 | \$ 128,650 |
| Additions | 985 |
| Reclassified | 545 |
| Disposals | (1,476) |
| Effect of foreign currency exchange differences | <u>371</u> |
| Balance at March 31, 2018 | <u>\$ 129,075</u> |
| <u>Accumulated amortization</u> | |
| Balance at January 1, 2018 | \$ 100,234 |
| Amortization expense | 5,828 |
| Disposals | (1,474) |
| Effect of foreign currency exchange differences | <u>225</u> |
| Balance at March 31, 2018 | <u>\$ 104,813</u> |
| Carrying amount at March 31, 2018 | <u>\$ 24,262</u> (Concluded) |

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

17. PREPAYMENTS FOR LEASES

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|-------------|-----------------------|------------------------------|-----------------------|
| Current | \$ - | \$ 2,728 | \$ 2,826 |
| Non-current | <u>-</u> | <u>99,170</u> | <u>104,826</u> |
| | <u>\$ -</u> | <u>\$ 101,898</u> | <u>\$ 107,652</u> |

As of December 31 and March 31, 2018, prepayments for leases are prepaid for land use rights for land located in mainland China.

Refer to Note 29 for the carrying amount of prepayments for lease that had been pledged by the Group to secure long-term borrowings.

18. BORROWINGS

Long-term Borrowings

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|----------------|----------------------|----------------|
| <u>Secured loan</u> | | | |
| Medium-term loan | | | |
| Repayable from March 9, 2018 to March 9, 2020; interest rate was 1.20% on March 31, 2018. Interest is paid monthly and principal is due on March 9, 2020. Principal was fully repaid in December 2018. | \$ - | \$ - | \$ 100,000 |
| Repayable from December 22, 2017 to December 22, 2019; interest rate was 1.20% on March 31, 2018 and December 31, 2018. Interest is paid monthly and principal is due on December 22, 2019. Principal was fully repaid in March 2019. | - | 30,000 | 30,000 |
| Repayable from December 27, 2017 to June 15, 2019; interest rate was 1.26% on March 31, 2018. Interest is paid monthly and principal is due on June 15, 2019. Principal was fully repaid in June 2018. | - | - | 100,000 |
| Repayable from September 17, 2018 to June 15, 2020; interest rate was 1.20% on March 31, 2019 and December 31, 2018. Interest is paid monthly and principal is due on June 15, 2020. | 50,000 | 50,000 | - |
| Repayable from December 10, 2018 to December 10, 2020; interest rate was 1.24% on December 31, 2018. Interest is paid monthly and principal is due on December 10, 2020. Principal was fully repaid in January 2019. | - | 100,000 | - |
| Repayable from March 11, 2019 to March 11, 2021; interest rate was 1.20% on March 31, 2019. Interest is paid monthly and principal is due on March 11, 2021. | 30,000 | - | - |
| Repayable from March 27, 2019 to March 27, 2021; interest rate was 1.20% on March 31, 2019. Interest is paid monthly and principal is due on March 27, 2021. | 100,000 | - | - |
| Repayable from March 4, 2019 to March 9, 2020; interest rate was 1.20% on March 31, 2019. Interest is paid monthly and principal is due on March 9, 2020. | 100,000 | - | - |
| | | | (Continued) |

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|-----------------------|------------------------------|----------------------------------|
| Repayable from July 19, 2016 to July 19, 2019; interest rates were 5.88225%, 5.65188% and 4.93128% on March 31, 2019 and December 31, 2018 and March 31, 2018, respectively. Principal was repaid quarterly beginning October 19, 2016. | \$ 6,169 | \$ 9,237 | \$ 17,463 |
| | 286,169 | 189,237 | 247,463 |
| Less: Long-term loans payable - current portion | <u>(106,169)</u> | <u>(39,237)</u> | <u>(11,642)</u> |
| | <u>\$ 180,000</u> | <u>\$ 150,000</u> | <u>\$ 235,821</u> (Concluded) |

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

19. BONDS PAYABLE

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|------------------------|-----------------------|------------------------------|-----------------------|
| Secured domestic bonds | <u>\$ 999,046</u> | <u>\$ 998,929</u> | <u>\$ 998,570</u> |

Secured Domestic Bonds

On April 1, 2016, the Company issued 100 units of \$10,000 thousand, 0.95% secured bonds in Taiwan, with an aggregate principal of \$1,000,000 thousand.

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

20. OTHER PAYABLES

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|-------------------------------------|-----------------------|------------------------------|-----------------------|
| <u>Current</u> | | | |
| Other payables | | | |
| Payables for salaries and bonuses | \$ 167,299 | \$ 206,593 | \$ 149,907 |
| Payables for annual leave | 38,092 | 40,829 | 50,410 |
| Payables for purchases of equipment | 9,204 | 8,409 | 7,291 |
| Others | <u>520,432</u> | <u>564,694</u> | <u>526,974</u> |
| | <u>\$ 735,027</u> | <u>\$ 820,525</u> | <u>\$ 734,582</u> |
| Other liabilities | | | |
| Temporary receipts (Note 11) | \$ 1,870 | \$ 2,735 | \$ 699,462 |
| Others | <u>114,350</u> | <u>128,153</u> | <u>108,999</u> |
| | <u>\$ 116,220</u> | <u>\$ 130,888</u> | <u>\$ 808,461</u> |

21. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2019 and 2018, employee benefit expenses in respect of the Group's defined benefit retirement plans were \$345 thousand and \$391 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

22. EQUITY

Share Capital

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---------------------|----------------------|---------------------|
| Number of shares authorized (in thousands) | <u>600,000</u> | <u>600,000</u> | <u>600,000</u> |
| Shares authorized | <u>\$ 6,000,000</u> | <u>\$ 6,000,000</u> | <u>\$ 6,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>337,688</u> | <u>337,688</u> | <u>337,688</u> |
| Shares issued | <u>\$ 3,376,884</u> | <u>\$ 3,376,884</u> | <u>\$ 3,376,884</u> |

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

Capital Surplus

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---------------------|----------------------|---------------------|
| <u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u> | | | |
| Issuance of common shares | \$ 244,117 | \$ 244,117 | \$ 244,117 |
| Conversion of bonds | 667,058 | 667,058 | 667,058 |
| Treasury share transactions | 48,234 | 48,234 | 48,234 |
| Interest payable on bond conversion | 13,243 | 13,243 | 13,243 |
| <u>May be used to offset a deficit only</u> | | | |
| Treasury share transactions | <u>71,365</u> | <u>71,365</u> | <u>71,365</u> |
| | <u>\$ 1,044,017</u> | <u>\$ 1,044,017</u> | <u>\$ 1,044,017</u> |

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

Retained Earnings and Dividend Policy

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

shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 23-e.

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

Special Reserves

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

Other Equity Items

- a. Exchange difference on translating the financial statements of foreign operations

| | For the Three Months Ended March 31 | |
|--|--|---------------------|
| | 2019 | 2018 |
| Balance at January 1 | \$ (265,607) | \$ (256,008) |
| Exchange differences arising on translating the financial statements of foreign operations | <u>86,784</u> | <u>41,645</u> |
| Balance at March 31 | <u>\$ (178,823)</u> | <u>\$ (214,363)</u> |

- b. Unrealized gain (loss) on financial assets at FVTOCI

| | For the Three Months Ended March 31 | |
|---|--|--------------------|
| | 2019 | 2018 |
| Balance at January 1 | \$ (94,266) | \$ (75,236) |
| Unrealized gain (loss) - equity instruments | 591 | 679 |
| Share from associates accounted for using the equity method | <u>12,722</u> | <u>(4,945)</u> |
| Balance at March 31 | <u>\$ (80,953)</u> | <u>\$ (79,502)</u> |

Non-controlling Interests

| | For the Three Months Ended March 31 | |
|---|--|-------------------|
| | 2019 | 2018 |
| Balance at January 1 | \$ (9,591) | \$ (9,255) |
| Attributable to non-controlling interests: | | |
| Share of loss for the period | (3) | (1) |
| Exchange differences on translation the financial statements of foreign entities | <u>(17)</u> | <u>206</u> |
| Balance at March 31 | <u>\$ (9,611)</u> | <u>\$ (9,050)</u> |

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

| | For the Three Months Ended March 31 | |
|-----------------|--|------------------|
| | 2019 | 2018 |
| Interest income | \$ 9,437 | \$ 4,998 |
| Dividend income | 500 | - |
| Others | <u>18,896</u> | <u>34,187</u> |
| | <u>\$ 28,833</u> | <u>\$ 39,185</u> |

b. Other gains and losses

| | For the Three Months Ended March 31 | |
|--|--|--------------------|
| | 2019 | 2018 |
| Net foreign exchange gains (losses) | \$ 7,845 | \$ (14,347) |
| (Loss) gain on disposal of property, plant and equipment | (12,479) | 157 |
| Loss on disposal of intangible assets | (28) | (2) |
| Fair value changes of financial assets and financial liabilities | | |
| Financial assets mandatorily at FVTPL | - | 527 |
| Gain on disposal of investments | 3,083 | 1,461 |
| Others | <u>(1,718)</u> | <u>(46,750)</u> |
| | <u>\$ (3,297)</u> | <u>\$ (58,954)</u> |

c. Depreciation and amortization

| | For the Three Months Ended March 31 | |
|---|--|------------------|
| | 2019 | 2018 |
| Property, plant and equipment | \$ 78,565 | \$ 75,294 |
| Right-of-use assets | 3,045 | - |
| Computer software | <u>6,149</u> | <u>5,828</u> |
| | <u>\$ 87,759</u> | <u>\$ 81,122</u> |
| An analysis of depreciation by function | | |
| Operating costs | \$ 39,739 | \$ 37,309 |
| Operating expenses | <u>41,871</u> | <u>37,985</u> |
| | <u>\$ 81,610</u> | <u>\$ 75,294</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 665 | \$ 370 |
| Operating expenses | <u>5,484</u> | <u>5,458</u> |
| | <u>\$ 6,149</u> | <u>\$ 5,828</u> |

d. Employee benefits expense

| | For the Three Months Ended March 31 | |
|--|--|-------------------|
| | 2019 | 2018 |
| Short-term employee benefits | \$ 513,402 | \$ 454,541 |
| Post-employment benefits | | |
| Defined contribution plans | 5,282 | 5,049 |
| Defined benefit plans (Note 21) | <u>345</u> | <u>391</u> |
| | <u>\$ 519,029</u> | <u>\$ 459,981</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 298,176 | \$ 251,157 |
| Operating expenses | <u>220,853</u> | <u>208,824</u> |
| | <u>\$ 519,029</u> | <u>\$ 459,981</u> |

e. Employees' compensation and remuneration to directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 10% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months ended March 31, 2019 and 2018, because of operation loss and accumulated deficits, the Company did not estimate the bonus to employees and the remuneration to directors and supervisors.

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

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

- f. Gain or loss on foreign currency exchange

| | For the Three Months Ended March 31 | |
|-------------------------|--|--------------------|
| | 2019 | 2018 |
| Foreign exchange gains | \$ 16,719 | \$ 25,544 |
| Foreign exchange losses | <u>(8,874)</u> | <u>(39,891)</u> |
| | <u>\$ 7,845</u> | <u>\$ (14,347)</u> |

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Three Months Ended March 31 | |
|---|--|-----------------|
| | 2019 | 2018 |
| Current tax | | |
| In respect of the current period | \$ <u>26,527</u> | \$ <u>4,485</u> |
| Deferred tax | | |
| In respect of the current period | 1,930 | 6,450 |
| Adjustments to deferred tax attributable to change in tax rates and laws | <u>-</u> | <u>(8,200)</u> |
| | <u>1,930</u> | <u>1,750</u> |
| Total income tax expense recognized in profit or loss | <u>\$ 28,457</u> | <u>\$ 2,735</u> |

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income/expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

- b. Income tax assessments

The Company's income tax returns through 2016 have been assessed by the tax authorities.

25. LOSS PER SHARE

| | For the Three Months Ended March 31 | |
|----------------------|--|------------------|
| | 2019 | 2018 |
| Basic loss per share | \$ <u>(0.25)</u> | \$ <u>(0.59)</u> |

Net Loss for the Period

| | For the Three Months Ended March 31 | |
|--|--|---------------------|
| | 2019 | 2018 |
| Loss used in the computation of basic loss per share | <u>\$ (83,796)</u> | <u>\$ (200,339)</u> |

Ordinary Shares Outstanding

| | For the Three Months Ended March 31 | |
|--|--|----------------|
| | 2019 | 2018 |
| Weighted average number of ordinary shares used in computation of basic loss per share | <u>337,688</u> | <u>337,688</u> |

26. CAPITAL MANAGEMENT

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

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

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

27. FINANCIAL INSTRUMENTS

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

- Fair value hierarchy

March 31, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|------------------|-------------|------------------|------------------|
| Financial assets at FVTPL | | | | |
| Mutual funds | <u>\$ 85,753</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 85,753</u> |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Unlisted shares | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 37,911</u> | <u>\$ 37,911</u> |

December 31, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|----------------|------------------|-------------------|
| Financial assets at FVTPL | | | | |
| Mutual funds | <u>\$ 303,936</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 303,936</u> |
| Financial assets at FVTOCI | | | | |
| Investment in equity instruments at FVTOCI | | | | |
| Unlisted shares | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 37,320</u> | <u>\$ 37,320</u> |

March 31, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|------------------|----------------|------------------|------------------|
| Financial assets at FVTPL | | | | |
| Mutual funds | <u>\$ 95,417</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 95,417</u> |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments at FVTOCI | | | | |
| Unlisted shares | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 38,856</u> | <u>\$ 38,856</u> |

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

b. Categories of financial instruments

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|-----------------------|--------------------------|-----------------------|
| <u>Financial assets</u> | | | |
| FVTPL | | | |
| Mandatorily at FVTPL | \$ 85,753 | \$ 303,936 | \$ 95,417 |
| Financial assets at amortized cost (1) | 4,188,580 | 4,625,165 | 4,311,747 |
| Financial assets at FVTOCI | | | |
| Equity instruments | 37,911 | 37,320 | 38,856 |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortized cost (2) | 4,000,918 | 5,054,367 | 4,185,910 |

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other receivables, other financial assets and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise trade payables, trade payables to related parties, other payables, bonds payable, long-term borrowings and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, trade receivables, trade receivables from related parties, other receivables, other financial assets, refundable deposits, trade payables, trade payables to related parties, other payables, long-term borrowings, bonds payable and guarantee deposits received. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the

financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

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

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

Sensitivity analysis

The Group was mainly exposed to the USD and CNY.

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

| | For the Three Months Ended March 31 | |
|-----|--|-------------|
| | 2019 | 2018 |
| USD | \$ 6,501 | \$ 6,798 |
| CNY | 1,993 | 4,442 |

b) Interest rate risk

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

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|-------------------------------|-----------------------|------------------------------|-----------------------|
| Fair value interest rate risk | | | |
| Financial liabilities | \$ 1,239,101 | \$ 1,098,929 | \$ 1,098,570 |
| Cash flow interest rate risk | | | |
| Financial liabilities | 56,169 | 89,237 | 147,463 |

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Group had available unutilized short-term bank loan facilities set out in (b) below.

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

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

March 31, 2019

| | On Demand or Less than 1 Year | 1 to 3 Years | Over 3 Years | Total |
|---|--|---------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing | \$ 2,711,232 | \$ - | \$ - | \$ 2,711,232 |
| Lease liabilities | 5,090 | 3,644 | 1,321 | 10,055 |
| Variable interest rate instrument | 6,169 | 50,000 | - | 56,169 |
| Fixed interest rate instrument | <u>100,000</u> | <u>1,129,046</u> | <u>-</u> | <u>1,229,046</u> |
| | <u>\$ 2,822,491</u> | <u>\$ 1,182,690</u> | <u>\$ 1,321</u> | <u>\$ 4,006,502</u> |

December 31, 2018

| | On Demand or Less than 1 Year | 1 to 3 Years | Over 3 Years | Total |
|---|--|---------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing | \$ 3,861,844 | \$ - | \$ - | \$ 3,861,844 |
| Variable interest rate instrument | 39,237 | 50,000 | - | 89,237 |
| Fixed interest rate instrument | <u>-</u> | <u>1,098,929</u> | <u>-</u> | <u>1,098,929</u> |
| | <u>\$ 3,901,081</u> | <u>\$ 1,148,929</u> | <u>\$ -</u> | <u>\$ 5,050,010</u> |

March 31, 2018

| | On Demand or Less than 1 Year | 1 to 3 Years | Over 3 Years | Total |
|---|--|---------------------|---------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Non-interest bearing | \$ 2,935,892 | \$ - | \$ - | \$ 2,935,892 |
| Variable interest rate instrument | 11,642 | 135,821 | - | 147,463 |
| Fixed interest rate instrument | <u>-</u> | <u>1,098,570</u> | <u>-</u> | <u>1,098,570</u> |
| | <u>\$ 2,947,534</u> | <u>\$ 1,234,391</u> | <u>\$ -</u> | <u>\$ 4,181,925</u> |

b) Financing facilities

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|----------------------------|-----------------------|------------------------------|-----------------------|
| Unsecured bank facilities: | | | |
| Amount used | \$ - | \$ - | \$ - |
| Amount unused | <u>185,070</u> | <u>184,740</u> | <u>174,630</u> |
| | <u>\$ 185,070</u> | <u>\$ 184,740</u> | <u>\$ 174,630</u> |
| Secured bank facilities: | | | |
| Amount used | \$ 286,169 | \$ 189,237 | \$ 247,463 |
| Amount unused | <u>2,016,654</u> | <u>2,109,221</u> | <u>2,031,647</u> |
| | <u>\$ 2,302,823</u> | <u>\$ 2,298,458</u> | <u>\$ 2,279,110</u> |

28. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

| <u>Related Party</u> | <u>Relationship with the Group</u> |
|--|------------------------------------|
| Heng Hui Co., Ltd. | Other related parties |
| Dongguan Song Xiang Metal Products Co., Ltd. | Other related parties |
| Hua Jung Co., Ltd. | Other related parties |
| Spring City Resort Co., Ltd. | Other related parties |
| Yao Yu Design Co., Ltd. | Other related parties |
| Hong Ding Educational Technology Co., Ltd. | Other related parties |
| Peter Lin | Phihong's chairman |

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

b. Trading transactions

| | For the Three Months Ended March 31 | |
|--------------------------|--|------------------|
| | 2019 | 2018 |
| <u>Purchase of goods</u> | | |
| Other related parties | <u>\$ 25,348</u> | <u>\$ 23,958</u> |

The prices of the finished goods purchased by the Group are negotiated in consideration of the product type, cost and market price, etc.

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|------------------------------------|-----------------------|------------------------------|-----------------------|
| <u>Payables to related parties</u> | | | |
| Other related parties | <u>\$ 64,490</u> | <u>\$ 76,846</u> | <u>\$ 49,682</u> |

c. Compensation of key management personnel

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

| | For the Three Months Ended March 31 | |
|--------------------------|--|-----------------|
| | 2019 | 2018 |
| Short-term benefits | \$ 6,724 | \$ 6,316 |
| Post-employment benefits | <u>108</u> | <u>108</u> |
| | <u>\$ 6,832</u> | <u>\$ 6,424</u> |

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

d. Other transactions with related parties

The Company's chairman has guaranteed the payments of the loans of the Group. As of March 31, 2019, December 31, 2018 and March 31, 2018, the amounts of the guarantees were \$1,285,215 thousand, \$1,188,166 thousand and \$1,246,033 thousand, respectively.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|--------------------------------------|-----------------------|------------------------------|-----------------------|
| Pledge deposits | \$ 25,450 | \$ 25,450 | \$ 25,450 |
| Freehold land | 185,202 | 185,202 | 185,202 |
| Long-term prepayments for lease | - | 16,874 | - |
| Right-of-use assets - land use right | 17,188 | - | - |
| Buildings | <u>496,936</u> | <u>395,414</u> | <u>317,152</u> |
| | <u>\$ 724,776</u> | <u>\$ 622,940</u> | <u>\$ 527,804</u> |

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|--|-----------------------|------------------------------|-----------------------|
| Acquisition of property, plant and equipment | | | |
| Signed amount | \$ 195,123 | \$ 194,775 | \$ - |
| Unpaid amount | 39,025 | 136,342 | - |

31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In April, 2019, the Company entered into \$1 billion syndicated credit agreement with Shin Kong Commercial Bank Co., Ltd. The credit agreement is used in the Company's investment plan and the Group working capital. As of May 10, 2019, the Company unused the credit amount.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

March 31, 2019

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount |
|------------------------------|--|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 50,849 | 30.84500 | \$ 1,568,438 |
| CNY | 47,413 | 4.58573 | 217,425 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 29,772 | 30.84500 | 918,317 |
| CNY | 3,958 | 4.58573 | 18,148 |

December 31, 2018

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount |
|------------------------------|--|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 69,851 | 30.79000 | \$ 2,150,713 |
| CNY | 47,298 | 4.46918 | 211,382 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 45,939 | 30.79000 | 1,414,463 |

March 31, 2018

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount |
|------------------------------|--|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 59,716 | 29.10500 | \$ 1,738,020 |
| CNY | 96,029 | 4.62858 | 444,477 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 36,360 | 29.10500 | 1,058,247 |
| CNY | 62 | 4.62858 | 287 |

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 10)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

34. SEGMENT INFORMATION

The Group's power supply products segment is the only one reportable segment. The power supply products segment mainly engages in the manufacturing and selling of AC/DC power adapters, charger bases, and power supply modules for computers. The Group's other operating segments did not exceed the quantitative threshold so they are not disclosed as reportable segments. These segments mainly engage in manufacturing and selling of lighting supply and developing, manufacturing and selling monitors.

The Group adopted operating profits as the measurement threshold. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 4.

a. Segment revenues and results

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

| | Power Supply | Others | Total |
|--|---------------------|-------------------|---------------------|
| <u>For the three months ended March 31, 2019</u> | | | |
| Revenues from external customers | <u>\$ 2,739,959</u> | <u>\$ 5,533</u> | <u>\$ 2,745,492</u> |
| Segment revenues | <u>\$ (68,143)</u> | <u>\$ (2,806)</u> | \$ (70,949) |
| Other revenues | | | 28,833 |
| Other gain and loss | | | (3,297) |
| Finance costs | | | (6,152) |
| Share of loss of associates | | | <u>(3,777)</u> |
| Loss before income tax | | | <u>\$ (55,342)</u> |
| <u>For the three months ended March 31, 2018</u> | | | |
| Revenue from external customers | <u>\$ 2,479,258</u> | <u>\$ 30,663</u> | <u>\$ 2,509,921</u> |
| Segment losses | <u>\$ (174,824)</u> | <u>\$ (4,358)</u> | \$ (179,182) |
| Other income | | | 39,185 |
| Other gain and losses | | | (58,954) |
| Finance costs | | | (4,521) |
| Share of profit of associates | | | <u>5,867</u> |
| Loss before income tax | | | <u>\$ (197,605)</u> |

b. Segment assets and liabilities

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|----------------------------------|-----------------------|------------------------------|-----------------------|
| Power supply segment assets | \$ 9,061,362 | \$ 9,890,933 | \$ 9,984,163 |
| Other assets | <u>375,193</u> | <u>585,626</u> | <u>440,620</u> |
| Total assets | <u>\$ 9,436,555</u> | <u>\$ 10,476,559</u> | <u>\$ 10,424,783</u> |
| Power supply segment liabilities | \$ 4,226,969 | \$ 5,281,233 | \$ 5,104,206 |
| Other liabilities | <u>102,203</u> | <u>104,224</u> | <u>113,581</u> |
| Total liabilities | <u>\$ 4,329,172</u> | <u>\$ 5,385,457</u> | <u>\$ 5,217,787</u> |

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. (Note 1) | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing (Note 2) | Business Transaction Amount | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower (Notes 3 and 4) | Aggregate Financing Limit (Notes 3 and 4) | Note |
|-----------------|--|--|--|---------------|-----------------------------------|-----------------------------------|-------------------------|---------------|------------------------------|-----------------------------|----------------------------------|-------------------------------|------------|-------|---|---|------|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | Phihong (Dongguan) Electronics Co., Ltd. | Dongguan Phitek Electronics Co., Ltd. | Other receivables from related parties | Yes | \$ 1,375,719 (CNY 300,000,000) | \$ 1,375,719 (CNY 300,000,000) | \$ - | 4.35% | b | \$ - | Capital movement | \$ - | - | \$ - | \$ 1,623,527 | \$ 1,623,527 | |
| 2 | Phihong International Corp. | Phihong (Dongguan) Electronics Co., Ltd. | Other receivables from related parties | Yes | 37,014 (US\$ 1,200,000) | 37,014 (US\$ 1,200,000) | 6,169 | 5.00% | b | - | Capital movement | - | - | - | 3,198,301 | 3,198,301 | |
| 3 | Phihong Electronics (Suzhou) Co., Ltd. | Dongguan Phitek Electronics Co., Ltd. | Other receivables from related parties | Yes | 1,375,719 (CNY 300,000,000) | 1,375,719 (CNY 300,000,000) | 1,375,719 | 4.35%-4.75% | b | - | Capital movement | - | - | - | 1,612,668 | 1,612,668 | |

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

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

Note 2: Reasons for financing are as follows:

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

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

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

Note 4: The aggregate financing amount between subsidiaries shall not exceed the net worth of the lending subsidiary's latest financial statements, according to the subsidiary's procedures for the management of loans to others.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. (Note 1) | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 3) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China | Note |
|-----------------|--|---------------------------------------|---------------------------|--|--|--|-------------------------------|--|--|---|--|--|---|------|
| | | Name | Relationship | | | | | | | | | | | |
| 0 | Phihong Technology Co., Ltd. | Phihong International Corp. | Subsidiary of the Company | \$ 1,535,098 | \$ 37,014 (US\$ 1,200,000) | \$ 37,014 (US\$ 1,200,000) | \$ 6,169 | \$ - | 0.72 | \$ 2,558,497 | Y | N | N | |
| | | Phihong USA Corp. | Subsidiary of the Company | 1,535,098 | 154,225 (US\$ 5,000,000) | 154,225 (US\$ 5,000,000) | - | - | 3.01 | 2,558,497 | Y | N | N | |
| 1 | Phihong (Dongguan) Electronics Co., Ltd. | Dongguan Phitek Electronics Co., Ltd. | Sister company | 1,623,527 | 229,287 (CNY50,000,000) | 229,287 (CNY50,000,000) | - | - | 14.12 | 1,623,527 | N | N | Y | |

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

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

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

Note 3: According to the Company's subsidiary to subsidiary procedures for the Management of Endorsements and Guarantees, the aggregate amount of endorsements/guarantees between subsidiaries shall not exceed the endorser/guarantor's net worth, which is based on the latest financial statements.

Note 4: On May 6, 2016, the board of directors approved that the Company's endorsements/guarantees amount to its subsidiary Phihong International Corp. is US\$1.2 million.

Note 5: On August 11, 2017, the board of directors approved that the Company's endorsements/guarantees amount to its subsidiary Phihong USA Corp. is US\$5 million.

Note 6: On August 30, 2018, the board of directors approved that Phihong (Dongguan) Electronics Co., Ltd.'s endorsements/guarantees amount to Dongguan Phitek Electronics Co., Ltd. is CNY50 million.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE THREE MONTHS ENDED MARCH 31, 2019

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | March 31, 2019 | | | | Note |
|--|---|---------------------------------------|--|------------------|-----------------|-----------------------------|------------|------|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Phihong Technology Co., Ltd. | <u>Ordinary shares</u> Pao- Dian Venture Capital Co., Ltd. | None | Financial assets at FVTOCI - non-current | 270,565 | \$ 4,434 | 10.49 | \$ 4,434 | |
| | Zhong-Xuan Venture Capital Co., Ltd. | None | Financial assets at FVTOCI - non-current | 2,500,000 | 25,679 | 8.62 | 25,679 | |
| Guang-Lai Investment Co., Ltd. | <u>Ordinary shares</u> Yong-Li Investment Co., Ltd. | None | Financial assets at FVTOCI - non-current | 403,226 | - | 8.06 | - | |
| | Taiwan Cultural & Creativity No. 1 Co., Ltd. | None | Financial assets at FVTOCI - non-current | 3,000,000 | 7,798 | 10.83 | 7,798 | |
| Phihong Electronics (Suzhou) Co., Ltd. | <u>Fund</u> Shanghai Pudong Development Bank Principal and Income Protected Financial Products | None | Financial assets at FVTPL - current | 18,700,000 | 85,753 | - | 85,753 | |

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

Note 2: For information on the investments in subsidiaries and associates, refer to Tables 8 and 9.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Type and Name of Marketable Securities (Note 1) | Financial Statement Account | Counterparty (Note 2) | Relationship (Note 2) | Beginning Balance | | Acquisition (Note 3) | | Disposal (Note 3) | | | | Ending Balance | |
|--|--|-------------------------------------|----------------------------------|-----------------------|-------------------|-------------------------------|----------------------|--------------------------------|-------------------|--------------------------------|--------------------------------|---------------------------|------------------|----------------------------|
| | | | | | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | Number of Shares | Amount |
| Phihong (Dongguan) Electronics Co., Ltd. | Agricultural Bank of China Ben-Li-Feng Financial Products | Financial assets at FVTPL - current | Agricultural Bank of China | None | 15,000,000 | \$ 67,516 (CNY 15,107,029) | 53,000,000 | \$ 244,256 (CNY 52,892,971) | 68,000,000 | \$ 313,549 (CNY 68,387,334) | \$ 311,772 (CNY 68,000,000) | \$ 1,777 (CNY 387,334) | - | \$ - |
| Dongguan Phitek Electronics Co., Ltd. | Agricultural Bank of China Ben-Li-Feng Financial Products | Financial assets at FVTPL - current | Agricultural Bank of China | None | - | - | 93,000,000 | 425,945 (CNY 93,000,000) | 93,000,000 | 426,903 (CNY 93,209,234) | 425,945 (CNY 93,000,000) | 958 (CNY 209,234) | - | - |
| Phihong Electronics (Suzhou) Co., Ltd. | Shanghai Pudong Development bank Principle and Income Protected Financial Products | Financial assets at FVTPL - current | Shanghai Pudong Development bank | None | 52,900,000 | 236,420 (CNY 52,900,000) | 95,800,000 | 435,362 (CNY 95,800,000) | 130,000,000 | 586,877 (CNY130,186,451) | 586,029 (CNY130,000,000) | 848 (CNY 186,451) | 18,700,000 | 85,753 (CNY 18,700,000) |

Note 1: The marketable securities stated here include shares, debentures and beneficiary certificates and the derivative products caused by those.

Note 2: Investors whose marketable securities accounted for using the equity method are required to be disclosed.

Note 3: The marketable securities acquired and disposed of shall be calculated separately at market value in order to determine whether the amount reaches \$300 million or 20% of the paid-in capital.

Note 4: The paid-in capital amount is the paid-in capital of the parent company. If the issued share has no face value or the face value is not NT\$10 per share, in regard to the 20% of the paid-in capital transaction rule, then the marketable securities acquired and disposed of shall be calculated separately at market value in order to determine whether the amount reaches 10% of the equity attributable to owners of the Company.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2019

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

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---------------------------|---------------------|--------------|---------------|---------------------------|----------------------|------------------|--|---------------|------|
| | | | Purchase/ Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| Pihong Technology Co., Ltd. | Pihong USA Corp. | Subsidiary of the Company | Sale | \$ (691,788) | (38.22) | No significant difference | - | - | \$ 200,066 | 22.57 | |
| | Pihong Technology Japan Co., Ltd. | Subsidiary of the Company | Sale | (153,513) | (8.48) | No significant difference | - | - | 56,091 | 6.33 | |
| | Pihong (Dongguan) Electronics Co., Ltd. | Subsidiary of the Company | Purchase | 1,536,044 | 99.72 | No significant difference | - | - | - | - | |
| Pihong USA Corp. | Pihong Technology Co., Ltd. | Parent entity | Purchase | 691,788 | 100.00 | No significant difference | - | - | (200,066) | (94.08) | |
| Pihong Technology Japan Co., Ltd. | Pihong Technology Co., Ltd. | Parent entity | Purchase | 153,513 | 97.38 | No significant difference | - | - | (56,091) | (95.72) | |
| Pihong (Dongguan) Electronics Co., Ltd. | Pihong Technology Co., Ltd. | Parent entity | Sale | (1,536,044) | (97.15) | No significant difference | - | - | - | - | |

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship | Financial Statement Account and Ending Balance | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Impairment Loss | |
|---------------------------------------|---|--|--|---------------|---------|---------------|--------------------------------------|-------------------------------|------|
| | | | | | Amount | Actions Taken | | | |
| Pihong Technology Co., Ltd. | Pihong USA Corp. Pihong (Dongguan) Electronics Co., Ltd. | Subsidiary of the Company Subsidiary of the Company | Account receivable | \$ 200,066 | 14.61 | \$ - | - | \$ 174,709 | \$ - |
| | | | Other receivables | 171,877 | - | - | - | 171,877 | - |
| Pihong Electronics (Suzhou) Co., Ltd. | Dongguan Phitek Electronics Co., Ltd. | Sister company | Other receivables | 1,396,173 | - | - | - | - | - |

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)**

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details | | | |
|-----------------|--|--|--------------------------|------------------------------|------------|---------------------------|---|
| | | | | Financial Statement Accounts | Amount | Payment Terms | % to Total Sales or Assets (Note 3) |
| 0 | Phihong | Phihong USA Corp. | 1 | Sale | \$ 691,788 | No significant difference | 25 |
| | | Phihong Technology Japan Co., Ltd. | 1 | Sale | 153,513 | No significant difference | 6 |
| | | Phihong (Dongguan) Electronics Co., Ltd. | 1 | Purchase | 1,536,044 | No significant difference | 56 |
| | | Phihong USA Corp. | 1 | Account receivables | 200,066 | - | 2 |
| | | Phihong Technology Japan Co., Ltd. | 1 | Account receivables | 56,091 | - | 1 |
| | | Phihong (Dongguan) Electronics Co., Ltd. | 1 | Other receivables | 171,877 | - | 2 |
| 1 | Phihong Electronics (Suzhou) Co., Ltd. | Dongguan Phitek Electronics Co., Ltd. | 3 | Other receivables | 1,396,173 | - | 15 |

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

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

Note 2: Nature of relationship is as follows:

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

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of March 31, 2019. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2019.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of March 31, 2019 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|--------------------------------|-----------------------------------|------------------------|---|----------------------------|----------------------|----------------------|--------|-----------------|--------------------------------------|---------------------------|--|
| | | | | March 31, 2019 | December 31, 2018 | Shares | % | Carrying Amount | | | |
| Pihong Technology Co., Ltd. | Pihong International Corp. | British Virgin Islands | Makes investments | \$ 3,448,270 | \$ 3,448,270 | 111,061,351 | 100.00 | \$ 3,171,253 | \$ (83,530) | \$ (79,583) | |
| | Pihong USA Corp. | California, USA | Sells various power supplies | 207,203 | 207,203 | 3,100,000 | 100.00 | 992,863 | 11,337 | 11,337 | |
| | Phitek International Co., Ltd. | British Virgin Islands | Makes investments | 314,956 | 314,956 | 10,200,000 | 100.00 | (185,554) | 1,357 | 1,091 | |
| | Ascent Alliance Ltd. | British Virgin Islands | Makes investments | 352,043 | 352,043 | 12,012,600 | 100.00 | 170,977 | (26,020) | (24,862) | |
| | Guang-Lai Investment Co., Ltd. | Taiwan | Makes investments | 139,758 | 139,758 | 13,975,828 | 100.00 | 142,474 | 915 | 915 | |
| | H&P Venture Capital Co., Ltd. | Taiwan | Makes investments | 31,707 | 31,707 | 3,170,682 | 32.26 | 38,595 | 2,103 | (4,690) | |
| | Pihong Technology Japan Co., Ltd. | Japan | Sells power components | 191,738 | 191,738 | 7,000 | 100.00 | 143,841 | 7,437 | 7,437 | |
| | | | (JPY 550,000,000) | (JPY 550,000,000) | | | | | | | |
| | Pihong Vietnam Co., Ltd. | Vietnam | Manufactures and sells various power supplies | 207,615 | - | 6,727,775 | 100.00 | 207,298 | (268) | (268) | |
| Pihong International Corp. | N-Lighten Technologies, Inc. | California, USA | Makes investments | 409,851 | 409,851 | 110,834,223 | 58.45 | (25,807) | (16) | (9) | Pihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23% |
| Guang-Lai Investment Co., Ltd. | Spring City Resort Co., Ltd. | Taiwan | Hotel and restaurant | 190,000 | 190,000 | 2,837,343 | 25.33 | 22,920 | 6,662 | 1,687 | |
| | Han-Yu Venture Capital Co., Ltd. | Taiwan | Makes investments | 100,000 | 100,000 | 10,000,000 | 22.22 | 91,696 | (3,485) | (774) | |
| | N-Lighten Technologies, Inc. | California, USA | Makes investments | 206,084 | 206,084 | 37,498,870 | 19.78 | (8,733) | (16) | (3) | Pihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23% |

Note: Information on investees in mainland China, refer to Table 9.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2019 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 4) | Carrying Amount as of March 31, 2019 | Accumulated Repatriation of Investment Income as of March 31, 2019 | Note |
|--|---|------------------------------------|---|---|---------------------|--------|--|-----------------------------------|--|---------------------------------|--------------------------------------|--|--------|
| | | | | | Outward | Inward | | | | | | | |
| Phihong (Dongguan) Electronics Co., Ltd. | Manufactures and sells various power supplies | \$ 1,813,724 (HK\$ 451,600,000) | Indirect investment in mainland China through PHI | \$ 1,677,679 (HK\$ 419,000,000) | \$ - | \$ - | \$ 1,677,679 (HK\$ 419,000,000) | \$ (71,426) | 100.00 | \$ (71,426) | \$ 1,623,527 | \$ - | |
| Phitek (Tianjin) Electronics Co., Ltd. | Manufactures and sells various power supplies | - | Indirect investment in mainland China through PHI | 25,327 (US\$ 255,127) | - | - | 25,327 (US\$ 255,127) | - | - | - | - | - | Note 1 |
| Phihong Electronics (Suzhou) Co., Ltd. | Manufactures and sells various power supplies | 1,343,033 (US\$ 40,600,000) | Indirect investment in mainland China through PHI | 1,343,033 (US\$ 40,600,000) | - | - | 1,343,033 (US\$ 40,600,000) | (10,129) | 100.00 | (10,129) | 1,612,668 | - | Note 2 |
| Yanghong Trade (Shanghai) Co., Ltd. | Sells various lighting and power supplies | 26,291 (US\$ 880,000) | Indirect investment in mainland China through PHI | 63,934 (US\$ 2,140,000) | - | - | 63,934 (US\$ 2,140,000) | (1,525) | 100.00 | (1,525) | 2,356 | - | |
| Dongguan Phitek Electronics Co., Ltd. | Manufactures and sells various power supplies | 362,042 (US\$ 11,500,000) | Indirect investment in mainland China through PHK | 315,258 (US\$ 10,000,000) | - | - | 315,258 (US\$ 10,000,000) | 1,349 | 100.00 | 1,349 | (188,550) | - | |
| Dongguan Shuang-Ying Electronics Co., Ltd. | Manufactures and sells electronic materials | 39,678 (HK\$ 9,000,000) | Indirect investment in mainland China through PHQ | 39,678 (HK\$ 9,000,000) | - | - | 39,678 (HK\$ 9,000,000) | (310) | 100.00 | (310) | 72,007 | - | |
| Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. | Manufactures and sells electronic materials | 360,124 (US\$ 11,500,000) | Indirect investment in mainland China through PHQ | 360,124 (US\$ 11,500,000) | - | - | 360,124 (US\$ 11,500,000) | (25,720) | 100.00 | (25,720) | 95,895 | - | |
| N-Lighten (Shanghai) Trading Inc. | Develops, manufactures and sells various equipment and monitors | - | Indirect investment in mainland China through N-Lighten | 387,406 (US\$ 12,366,400) | - | - | 387,406 (US\$ 12,366,400) | - | - | - | - | - | Note 3 |

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

Note 2: Phihong Electronics (Suzhou) Co., Ltd. merged with Phihong Electronics (Shanghai) Co., Ltd., with Phihong Electronics (Suzhou) Co. as the surviving entity. The merger took effect on January 23, 2007. The surviving company was officially renamed as Phihong Electronics (Suzhou) Co., Shanghai Branch on February 27, 2007. Hence, the initial investment of US\$3 million in Phihong Electronics (Shanghai) Co., Ltd. was merged into Phihong Electronics (Suzhou) Co.

Note 3: N-Lighten (Shanghai) Trading Inc. was put into liquidation on June 18, 2015.

Note 4: The amount was recognized based on audited financial statements.

Note 5: The foreign currencies in this table are converted into New Taiwan dollars using exchange rates of the investment date, except for income and expense items which are translated at the average exchange rates for the period.

(Continued)

| Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2019 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|--|---|---|
| \$4,212,439 | \$4,967,615 | Note |

Note: In accordance with the provisions of the “Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area” passed on June 26, 2018, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount of investment in mainland China.

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Transaction Type | Purchase/Sale | | Price | Transaction Details | | Notes/Accounts Receivable (Payable) | | Unrealized (Gain) Loss | Note |
|--|------------------|---------------|-------|---------------------------|---------------------------|------------------------------------|-------------------------------------|---|------------------------|------|
| | | Amount | % | | Payment Term | Comparison with Normal Transaction | Ending Balance | % | | |
| Phihong (Dongguan) Electronics Co., Ltd. | Purchase | \$ 1,536,044 | 99.72 | No significant difference | No significant difference | - | \$ - | - | \$ - | |