

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

**Consolidated Financial Statements for the  
Six Months Ended June 30, 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 June 30, 2019 and 2018 and the related consolidated statements of comprehensive income for the three months and the six months ended June 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the six months 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 \$144,555 thousand and \$168,487 thousand as of June 30, 2019 and 2018, respectively, and the comprehensive (loss) income from the investments of \$(8,656) thousand and \$(3,937) thousand, \$289 thousand and \$(3,015) thousand for the three months and the six months ended June 30, 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 consolidated financial position of the Group as at June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2019 and 2018 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

August 13, 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)

ASSETS	June 30, 2019 (Reviewed)		December 31, 2018 (Audited)		June 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 1,794,857	19	\$ 2,113,226	20	\$ 1,428,156	13
Financial assets at fair value through profit or loss - current (Note 7)	192,053	2	303,936	3	410,066	4
Trade receivables (Note 9)	2,149,949	23	2,204,672	21	2,464,130	22
Other receivables	65,122	1	56,606	-	40,760	-
Current tax assets (Note 4)	20,818	-	-	-	-	-
Inventories (Note 10)	1,444,746	15	2,109,182	20	1,703,354	15
Prepayment for lease (Note 17)	-	-	2,728	-	2,830	-
Non-current assets held for sale, net (Note 11)	-	-	-	-	980,047	9
Other financial assets - current (Note 6)	-	-	201,113	2	443,215	4
Other current assets	155,098	2	183,880	2	183,255	2
Total current assets	5,822,643	62	7,175,343	68	7,655,813	69
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	37,624	-	37,320	-	39,896	-
Investments accounted for using equity method (Note 13)	144,555	2	150,512	2	168,487	2
Property, plant and equipment (Note 14)	2,936,032	31	2,840,379	27	2,950,046	27
Right-of-use assets (Notes 4 and 15)	126,661	1	-	-	-	-
Intangible assets (Note 16)	36,438	-	32,145	-	33,557	-
Deferred tax assets (Note 4)	47,989	1	46,037	1	44,825	-
Other financial assets - non-current (Note 6)	25,450	-	25,450	-	25,450	-
Long-term prepayments for lease (Note 17)	-	-	99,170	1	104,273	1
Other non-current assets	262,126	3	70,203	1	70,500	1
Total non-current assets	3,616,875	38	3,301,216	32	3,437,034	31
<b>TOTAL</b>	<b>\$ 9,439,518</b>	<b>100</b>	<b>\$ 10,476,559</b>	<b>100</b>	<b>\$ 11,092,847</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 18)	\$ -	-	\$ -	-	\$ 170,205	1
Trade payables	1,983,918	21	2,964,473	28	2,666,260	24
Trade payables to related parties (Note 28)	60,722	1	76,846	1	61,532	1
Other payables (Note 20)	708,128	7	820,525	8	734,448	7
Current tax liabilities (Note 4)	31,992	-	21,354	-	36,176	-
Lease liabilities - current (Notes 4 and 15)	6,861	-	-	-	-	-
Current portion of long-term borrowings (Note 18)	-	-	39,237	-	12,230	-
Other current liabilities (Notes 11 and 20)	109,426	1	130,888	1	813,662	7
Total current liabilities	2,901,047	30	4,053,323	38	4,494,513	40
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable (Note 19)	999,165	11	998,929	10	998,689	9
Long-term borrowings (Note 18)	280,000	3	150,000	1	233,057	2
Deferred tax liabilities (Note 4)	79,832	1	79,832	1	79,832	1
Lease liabilities - non-current (Notes 4 and 15)	18,271	-	-	-	-	-
Net defined benefit liability - non-current (Notes 4 and 21)	98,710	1	99,016	1	95,357	1
Other non-current liabilities	4,406	-	4,357	-	3,175	-
Total non-current liabilities	1,480,384	16	1,332,134	13	1,410,110	13
Total liabilities	4,381,431	46	5,385,457	51	5,904,623	53
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)</b>						
Ordinary shares	3,376,884	36	3,376,884	32	3,376,884	31
Capital surplus	1,044,017	11	1,044,017	10	1,044,017	9
Retained earnings						
Legal reserve	808,806	9	1,113,185	11	1,113,185	10
Special reserve	230,859	2	230,859	2	230,859	2
Accumulated deficits	(95,141)	(1)	(304,379)	(3)	(324,684)	(3)
Total retained earnings	944,524	10	1,039,665	10	1,019,360	9
Other equity						
Exchange differences on translating the financial statements of foreign operations	(211,719)	(2)	(265,607)	(2)	(159,262)	(1)
Unrealized loss on financial assets at fair value through other comprehensive income	(85,925)	(1)	(94,266)	(1)	(83,261)	(1)
Total other equity	(297,644)	(3)	(359,873)	(3)	(242,523)	(2)
Total equity attributable to owners of the Company	5,067,781	54	5,100,693	49	5,197,738	47
<b>NON-CONTROLLING INTERESTS (Note 22)</b>	<b>(9,694)</b>	<b>-</b>	<b>(9,591)</b>	<b>-</b>	<b>(9,514)</b>	<b>-</b>
Total equity	5,058,087	54	5,091,102	49	5,188,224	47
<b>TOTAL</b>	<b>\$ 9,439,518</b>	<b>100</b>	<b>\$ 10,476,559</b>	<b>100</b>	<b>\$ 11,092,847</b>	<b>100</b>

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

(With Deloitte & Touche review report dated August 13, 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)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 33)	\$ 2,709,937	100	\$ 2,988,656	100	\$ 5,455,429	100	\$ 5,498,577	100
OPERATING COSTS (Notes 10 and 28)	<u>2,344,069</u>	<u>86</u>	<u>2,736,768</u>	<u>92</u>	<u>4,749,397</u>	<u>87</u>	<u>5,066,217</u>	<u>92</u>
GROSS PROFIT	<u>365,868</u>	<u>14</u>	<u>251,888</u>	<u>8</u>	<u>706,032</u>	<u>13</u>	<u>432,360</u>	<u>8</u>
OPERATING EXPENSES								
Sales and marketing expenses	117,144	5	127,393	4	243,464	5	227,054	4
General and administration expenses	128,186	5	119,465	4	255,483	5	233,157	4
Research and development expenses	170,211	6	154,278	5	327,017	6	300,579	6
Excepted credit loss	<u>1,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,476</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>417,327</u>	<u>16</u>	<u>401,136</u>	<u>13</u>	<u>828,440</u>	<u>16</u>	<u>760,790</u>	<u>14</u>
LOSS FROM OPERATIONS	<u>(51,459)</u>	<u>(2)</u>	<u>(149,248)</u>	<u>(5)</u>	<u>(122,408)</u>	<u>(3)</u>	<u>(328,430)</u>	<u>(6)</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 23)	50,153	2	45,737	1	78,986	1	84,922	1
Other gains and losses (Note 23)	(13,126)	-	94,099	3	(16,423)	-	35,145	1
Finance costs	(5,336)	-	(4,964)	-	(11,488)	-	(9,485)	-
Share of profit or loss of associates (Note 13)	<u>(3,971)</u>	<u>-</u>	<u>862</u>	<u>-</u>	<u>(7,748)</u>	<u>-</u>	<u>6,729</u>	<u>-</u>
Total non-operating income and expenses	<u>27,720</u>	<u>2</u>	<u>135,734</u>	<u>4</u>	<u>43,327</u>	<u>1</u>	<u>117,311</u>	<u>2</u>
LOSS BEFORE INCOME TAX	(23,739)	-	(13,514)	(1)	(79,081)	(2)	(211,119)	(4)
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 24)	<u>12,385</u>	<u>-</u>	<u>(56,144)</u>	<u>(2)</u>	<u>(16,072)</u>	<u>-</u>	<u>(58,879)</u>	<u>(1)</u>
NET LOSS	<u>(11,354)</u>	<u>-</u>	<u>(69,658)</u>	<u>(3)</u>	<u>(95,153)</u>	<u>(2)</u>	<u>(269,998)</u>	<u>(5)</u>
OTHER COMPREHENSIVE (LOSS) 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)	(287)	-	1,040	-	304	-	1,719	-
Share of the other comprehensive loss of associates accounted for using the equity method (Note 22)	(4,685)	-	(4,799)	-	8,037	-	(9,744)	-

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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)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 22)	\$ (32,970)	(1)	\$ 54,645	2	\$ 53,797	1	\$ 96,496	2
Total other comprehensive (loss) income	<u>(37,942)</u>	<u>(1)</u>	<u>50,886</u>	<u>2</u>	<u>62,138</u>	<u>1</u>	<u>88,471</u>	<u>2</u>
TOTAL COMPREHENSIVE LOSS	<u>\$ (49,296)</u>	<u>(1)</u>	<u>\$ (18,772)</u>	<u>(1)</u>	<u>\$ (33,015)</u>	<u>(1)</u>	<u>\$ (181,527)</u>	<u>(3)</u>
NET LOSS ATTRIBUTABLE TO:								
TO:								
Owners of the Company	\$ (11,345)	-	\$ (69,650)	(3)	\$ (95,141)	(2)	\$ (269,989)	(5)
Non-controlling interests	<u>(9)</u>	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>(9)</u>	<u>-</u>
	<u>\$ (11,354)</u>	<u>-</u>	<u>\$ (69,658)</u>	<u>(3)</u>	<u>\$ (95,153)</u>	<u>(2)</u>	<u>\$ (269,998)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:								
Owners of the Company	\$ (49,213)	(1)	\$ (18,308)	(1)	\$ (32,912)	(1)	\$ (181,268)	(3)
Non-controlling interests	<u>(83)</u>	<u>-</u>	<u>(464)</u>	<u>-</u>	<u>(103)</u>	<u>-</u>	<u>(259)</u>	<u>-</u>
	<u>\$ (49,296)</u>	<u>(1)</u>	<u>\$ (18,772)</u>	<u>(1)</u>	<u>\$ (33,015)</u>	<u>(1)</u>	<u>\$ (181,527)</u>	<u>(3)</u>
LOSS PER SHARE (Note 25)								
Basic	<u>\$ (0.03)</u>		<u>\$ (0.21)</u>		<u>\$ (0.28)</u>		<u>\$ (0.80)</u>	

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

(With Deloitte & Touche review report dated August 13, 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 six months ended June 30, 2018	-	-	-	-	(269,989)	-	-	-	(269,989)	(9)	(269,998)
Other comprehensive (loss) income for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	96,746	-	(8,025)	88,721	(250)	88,471
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	(269,989)	96,746	-	(8,025)	(181,268)	(259)	(181,527)
BALANCE, JUNE 30, 2018	<u>\$ 3,376,884</u>	<u>\$ 1,044,017</u>	<u>\$ 1,113,185</u>	<u>\$ 230,859</u>	<u>\$ (324,684)</u>	<u>\$ (159,262)</u>	<u>\$ -</u>	<u>\$ (83,261)</u>	<u>\$ 5,197,738</u>	<u>\$ (9,514)</u>	<u>\$ 5,188,224</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
Legal reserve used to offset accumulated deficits (Note 22)	-	-	(304,379)	-	304,379	-	-	-	-	-	-
Net loss for the six months ended June 30, 2019	-	-	-	-	(95,141)	-	-	-	(95,141)	(12)	(95,153)
Other comprehensive income (loss) for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	53,888	-	8,341	62,229	(91)	62,138
Total comprehensive (loss) income for the six months ended June 30, 2019	-	-	-	-	(95,141)	53,888	-	8,341	(32,912)	(103)	(33,015)
BALANCE, JUNE 30, 2019	<u>\$ 3,376,884</u>	<u>\$ 1,044,017</u>	<u>\$ 808,806</u>	<u>\$ 230,859</u>	<u>\$ (95,141)</u>	<u>\$ (211,719)</u>	<u>\$ -</u>	<u>\$ (85,925)</u>	<u>\$ 5,067,781</u>	<u>\$ (9,694)</u>	<u>\$ 5,058,087</u>

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

(With Deloitte & Touche review report dated August 13, 2019)

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$ (79,081)	\$ (211,119)
Adjustments for:		
Depreciation expense	165,550	152,453
Amortization expense	9,670	10,273
Excepted credit loss recognized	2,476	-
Net gain on fair value change of financial assets designated as at fair value through profit or loss	-	(2,176)
Finance costs	11,488	9,485
Interest income	(19,656)	(15,019)
Dividend income	(500)	-
Share of loss (profit) of associates	7,748	(6,729)
Loss (gain) on disposal of property, plant and equipment	32,525	(220)
Gain on disposal of investment properties	-	(79,055)
Loss on disposal of intangible assets	368	2
Gain on disposal of investment	(3,746)	(2,678)
Amortization of prepayments for leases	-	1,416
Net changes in operating assets and liabilities		
Trade receivables	52,201	(430,516)
Trade receivables from related parties	-	9
Other receivables	(14,768)	86,112
Inventories	664,436	(145,437)
Other current assets	27,633	(50,471)
Other operating assets	(197,218)	-
Trade payables	(980,555)	289,109
Trade payables to related parties	(16,124)	1,726
Other payables	(117,595)	(28,235)
Other current liabilities	(21,462)	17,695
Net defined benefit liability	(306)	(257)
Cash used in operating activities	(476,916)	(403,632)
Interest paid	(15,793)	(13,416)
Interest received	25,908	11,880
Income tax paid	(28,204)	(96,938)
Net cash used in operating activities	(495,005)	(502,106)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	-	(60,078)
Proceeds from sale of financial assets at fair value through profit or loss	115,629	-
Proceeds from capital reduction of investments accounted for using equity method	-	271

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# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2019	2018
Proceeds from disposal of non-current assets held for sale	\$ -	\$ 649,853
Payments for property, plant and equipment	(204,858)	(108,055)
Proceeds from disposal of property, plant and equipment	117	7,147
Payments for intangible assets	(10,585)	(14,732)
Increase in refundable deposits	-	(376)
Decrease in refundable deposits	2,542	-
Increase in other financial assets	-	(439,347)
Decrease in other financial assets	201,113	-
Increase in prepayments for equipment	(43,109)	(76,837)
Dividends received	<u>6,746</u>	<u>16,427</u>
Net cash generated from (used in) investing activities	<u>67,595</u>	<u>(25,727)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	-	70,205
Proceeds from long-term borrowings	90,763	94,448
Increase in guarantee deposits received	49	-
Decrease in guarantee deposits received	-	(743)
Repayment of the principal portion of lease liabilities	<u>(4,265)</u>	<u>-</u>
Net cash generated from financing activities	<u>86,547</u>	<u>163,910</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>22,494</u>	<u>33,223</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(318,369)	(330,700)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		
	<u>2,113,226</u>	<u>1,758,856</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 1,794,857</u>	<u>\$ 1,428,156</u>

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

(With Deloitte & Touche review report dated August 13, 2019)

(Concluded)

# PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 13, 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 Financial Supervisory Commission (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:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
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. The IFRSs endorsed by the FSC for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: 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 2: 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.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

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

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Cash on hand	\$ 2,134	\$ 2,433	\$ 3,178
Checking accounts and demand deposits	1,769,223	2,032,213	1,178,626
Cash equivalents (investments with original maturities less than 3 months)			
Time deposits	<u>23,500</u>	<u>78,580</u>	<u>246,352</u>
	<u>\$ 1,794,857</u>	<u>\$ 2,113,226</u>	<u>\$ 1,428,156</u>

As of December 31, 2018 and June 30, 2018, the time deposits with original maturities more than 3 months in the amounts of \$201,113 thousand and \$443,215 thousand, respectively, had been reclassified to "other financial assets-current".

As of June 30, 2019, December 31, 2018 and June 30, 2018, bank balance in the amount of \$25,450 thousand had been pledged to secured domestic bonds 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:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Demand deposits and time deposits	0.001% - 2.4243 %	0.001% - 4.40%	0.001% - 4.40%



## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets at fair value through profit or loss <u>(i.e. FVTPL) - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	<u>\$ 192,053</u>	<u>\$ 303,936</u>	<u>\$ 410,066</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Non-current</u>			
Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI)			
Domestic unlisted ordinary shares	<u>\$ 37,624</u>	<u>\$ 37,320</u>	<u>\$ 39,896</u>

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

## 9. TRADE RECEIVABLES

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 2,155,827	\$ 2,209,768	\$ 2,466,558
Less: Allowance for impairment loss	<u>(5,878)</u>	<u>(5,096)</u>	<u>(2,428)</u>
	<u>\$ 2,149,949</u>	<u>\$ 2,204,672</u>	<u>\$ 2,464,130</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.

#### June 30, 2019

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Expected credit loss rate	0.03%-0.87%	0.26%-10.84%	6.00%-9.14%	12.82%	12.18%-100%	
Gross carrying amount	\$ 2,013,203	\$ 128,723	\$ 825	\$ 3,041	\$ 10,035	\$ 2,155,827
Loss allowance (Lifetime ECL)	<u>(706)</u>	<u>(870)</u>	<u>(50)</u>	<u>(390)</u>	<u>(3,862)</u>	<u>(5,878)</u>
Amortized cost	<u>\$ 2,012,497</u>	<u>\$ 127,853</u>	<u>\$ 775</u>	<u>\$ 2,651</u>	<u>\$ 6,173</u>	<u>\$ 2,149,949</u>

#### December 31, 2018

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
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>

#### June 30, 2018

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Expected credit loss rate	0.001%-0.61%	0.21%-2.75%	5.98%-22.04%	8.21%-19.91%	12.18%-100%	
Gross carrying amount	\$ 2,441,036	\$ 17,667	\$ 320	\$ 3,052	\$ 4,483	\$ 2,466,558
Loss allowance (Lifetime ECL)	<u>(793)</u>	<u>(41)</u>	<u>(25)</u>	<u>(273)</u>	<u>(1,296)</u>	<u>(2,428)</u>
Amortized cost	<u>\$ 2,440,243</u>	<u>\$ 17,626</u>	<u>\$ 295</u>	<u>\$ 2,779</u>	<u>\$ 3,187</u>	<u>\$ 2,464,130</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:

	<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 5,096	\$ 2,386
Add: Net remeasurement of loss allowance	2,476	-
Less: Amounts written off	(1,740)	-
Foreign exchange gains and losses	<u>46</u>	<u>42</u>
Balance at June 30	<u>\$ 5,878</u>	<u>\$ 2,428</u>

## 10. INVENTORIES

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Raw materials	\$ 502,493	\$ 715,704	\$ 715,643
Work-in-process	165,250	208,884	185,881
Finished goods	393,732	636,520	448,991
Merchandise	<u>383,271</u>	<u>548,074</u>	<u>352,839</u>
	<u>\$ 1,444,746</u>	<u>\$ 2,109,182</u>	<u>\$ 1,703,354</u>

As of June 30, 2019, December 31, 2018 and June 30, 2018, allowance of inventory value decline was \$318,123 thousand, \$338,559 thousand and \$348,802 thousand, respectively.

For the three months and the six months ended June 30, 2019 and 2018, the cost of inventories recognized as cost of goods sold was \$2,344,069 thousand, \$2,736,768 thousand, \$4,749,397 thousand and \$5,066,217 thousand, respectively. The cost of goods sold for the three months and the six months ended June 30, 2019 and 2018 included inventory reversals of inventory write-downs of \$13,707 thousand, \$3,207 thousand, \$24,493 thousand and \$3,195 thousand, respectively.

## 11. NON-CURRENT ASSETS HELD FOR SALE

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Phihong Electronics (Suzhou) Co., Ltd.'s investment properties, buildings and long-term prepayments for leases	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 980,047</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:

	<b>June 30, 2018</b>
Buildings	\$ 721,854
Investment properties	658,611
Less: Accumulated depreciation and impairment	<u>(442,300)</u>
	938,165
Long-term prepayments for leases	24,071
Effect of foreign currency exchange differences	<u>17,811</u>
	<u><b>\$ 980,047</b></u>

As of June 30, 2018, the proceeds of the disposal had been received \$697,163 thousand which was presented under other current liabilities. Refer to Note 20.

## 12. SUBSIDIARIES

Investor	Investee	Main Business	Percentage of Ownership			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
Phihong	Phihong 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	
	Phihong USA Corp.	Sells various power supplies	100.00	100.00	100.00	
	Phihong 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	
	Phihong Vietnam Co., Ltd.	Manufactures and sells various power supplies	100.00	-	-	Note
PHI	Phihong (Dongguan) Electronics Co., Ltd.	Manufactures and sells various power supplies	100.00	100.00	100.00	
	Phihong 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	
PHK.	Dongguan Phitek Electronics Co., Ltd.	Manufactures and sells various power supplies	100.00	100.00	100.00	
PHQ	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	N-Lighten	Makes investments	19.78	19.78	19.78	

Note: 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, Phihong Vietnam Company Limited. The registered capital is US\$10,000 thousand, and the Company’s shareholding ratio is 100%. As of June 30, 2019, the Company has invested \$290,925 thousand (or US\$9,430 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:

	June 30, 2019	December 31, 2018	June 30, 2018
Associates that are not individually material	<u>\$ 144,555</u>	<u>\$ 150,512</u>	<u>\$ 168,487</u>

Aggregate information of associates that are not individually material:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
The Group's share of:				
Net (loss) profit for the year	\$ (3,971)	\$ 862	\$ (7,748)	\$ 6,729
Other comprehensive (loss) income	<u>(4,685)</u>	<u>(4,799)</u>	<u>8,037</u>	<u>(9,744)</u>
Total comprehensive (loss) income for the year	<u>\$ (8,656)</u>	<u>\$ (3,937)</u>	<u>\$ 289</u>	<u>\$ (3,015)</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 six months ended June 30, 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

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 250,320	\$ 2,600,633	\$ 2,460,635	\$ 670,419	\$ 31,053	\$ 6,013,060
Additions	-	7,601	69,921	19,818	117,471	214,811
Disposals	-	(831)	(100,619)	(15,562)	-	(117,012)
Effect of foreign currency exchange differences	1,106	22,746	22,655	3,030	4,945	54,482
Reclassified	<u>-</u>	<u>129</u>	<u>43,898</u>	<u>31,667</u>	<u>(31,913)</u>	<u>43,781</u>
Balance at June 30, 2019	<u>\$ 251,426</u>	<u>\$ 2,630,278</u>	<u>\$ 2,496,490</u>	<u>\$ 709,372</u>	<u>\$ 121,556</u>	<u>\$ 6,209,122</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Accumulated depreciation</u>						
Balance at January 1, 2019	\$ -	\$ 725,734	\$ 1,921,378	\$ 525,569	\$ -	\$ 3,172,681
Disposals	-	(498)	(68,771)	(15,101)	-	(84,370)
Depreciation expense	-	43,052	82,527	34,092	-	159,671
Effect of foreign currency exchange differences	-	5,645	16,830	2,633	-	25,108
Reclassified	-	-	(123)	123	-	-
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 773,933</u>	<u>\$ 1,951,841</u>	<u>\$ 547,316</u>	<u>\$ -</u>	<u>\$ 3,273,090</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 June 30, 2019	<u>\$ 251,426</u>	<u>\$ 1,856,345</u>	<u>\$ 544,649</u>	<u>\$ 162,056</u>	<u>\$ 121,556</u>	<u>\$ 2,936,032</u>
<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	54,495	33,303	17,876	106,196
Disposals	-	-	(42,235)	(22,408)	-	(64,643)
Effect of foreign currency exchange differences	2,132	39,220	36,864	5,473	150	83,839
Reclassified	-	4,520	39,384	830	(7,997)	36,737
Balance at June 30, 2018	<u>\$ 250,029</u>	<u>\$ 2,669,423</u>	<u>\$ 2,509,735</u>	<u>\$ 679,724</u>	<u>\$ 16,309</u>	<u>\$ 6,125,220</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2018	\$ -	\$ 652,588	\$ 1,878,299	\$ 508,632	\$ -	\$ 3,039,519
Disposals	-	-	(35,336)	(22,380)	-	(57,716)
Depreciation expense	-	43,097	76,525	32,831	-	152,453
Effect of foreign currency exchange differences	-	9,252	27,093	4,573	-	40,918
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ 704,937</u>	<u>\$ 1,946,581</u>	<u>\$ 523,656</u>	<u>\$ -</u>	<u>\$ 3,175,174</u>
Carrying amounts at June 30, 2018	<u>\$ 250,029</u>	<u>\$ 1,964,486</u>	<u>\$ 563,154</u>	<u>\$ 156,068</u>	<u>\$ 16,309</u>	<u>\$ 2,950,046</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

	<b>June 30, 2019</b>
<u>Carrying amounts</u>	
Land (including land use rights)	\$ 102,757
Buildings	17,544
Office equipment	1,161
Transportation equipment	3,675
Other equipment	<u>1,524</u>
	<u>\$ 126,661</u>
	<b>For the Six Months Ended June 30, 2019</b>
Additions to right-of-use assets	<u>\$ 17,230</u>
Depreciation charge for right-of-use assets	
Land (including land use rights)	\$ 2,339
Buildings	1,581
Office equipment	340
Transportation equipment	1,492
Other equipment	<u>127</u>
	<u>\$ 5,879</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

	<b>June 30, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 6,861</u>
Non-current	<u>\$ 18,271</u>

Range of discount rate for lease liabilities was as follows:

	<b>June 30, 2019</b>
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

	<b>For the Three Months Ended June 30, 2019</b>	<b>For the Six Months Ended June 30, 2019</b>
Expenses relating to short-term leases	<u>\$ 2,990</u>	<u>\$ 5,624</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 1,173</u>	<u>\$ 2,314</u>
Total cash (outflow) for leases		<u>\$ (12,203)</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 six months ended June 30, 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

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2019	\$ 127,741
Additions	10,585
Disposals	(16,868)
Effect of foreign currency exchange differences	361
Reclassified	<u>3,615</u>
Balance at June 30, 2019	<u>\$ 125,434</u>

(Continued)



	<b>Computer Software</b>
<u>Accumulated amortization</u>	
Balance at January 1, 2019	\$ 95,596
Amortization expense	9,670
Disposals	(16,500)
Effect of foreign currency exchange differences	<u>230</u>
Balance at June 30, 2019	<u>\$ 88,996</u>
Carrying amount at December 31, 2018 and January 1, 2019	<u>\$ 32,145</u>
Carrying amount at June 30, 2019	<u>\$ 36,438</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 128,650
Additions	14,732
Disposals	(17,540)
Effect of foreign currency exchange differences	675
Reclassified	<u>545</u>
Balance at June 30, 2018	<u>\$ 127,062</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2018	\$ 100,234
Amortization expense	10,273
Disposals	(17,538)
Effect of foreign currency exchange differences	<u>536</u>
Balance at June 30, 2018	<u>\$ 93,505</u>
Carrying amount at June 30, 2018	<u>\$ 33,557</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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Current	\$ -	\$ 2,728	\$ 2,830
Non-current	<u>-</u>	<u>99,170</u>	<u>104,273</u>
	<u>\$ -</u>	<u>\$ 101,898</u>	<u>\$ 107,103</u>

As of December 31 and June 30, 2018, prepayments for leases are prepaid for land use rights for land located in mainland China.

prepayments for leases used by the Group and pledged as secure long-term borrowings are set out in Note 29.

## 18. BORROWINGS

### Short-term Borrowings

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Secured loan</u>			
Bank borrowings	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>170,205</u>

The market rate intervals of short-term bank borrowings at the end of the reporting period were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Bank borrowings	-	-	5.22%

### Long-term Borrowings

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Secured loan</u>			
Phihong	\$ 280,000	\$ 180,000	\$ 230,000
PHI	<u>          -</u>	<u>      9,237</u>	<u>     15,287</u>
	280,000	189,237	245,287
Less: Long-term loans payable - current portion	<u>          -</u>	<u>    (39,237)</u>	<u>    (12,230)</u>
	<u>\$ 280,000</u>	<u>\$ 150,000</u>	<u>\$ 233,057</u>

- a. As of June 30, 2019, December 31, 2018 and June 30, 2018, Phihong had the long-term bank borrowings with contract terms from March 11, 2019 to June 21, 2021, December 22, 2017 to December 10, 2020 and December 22, 2017 to March 9, 2020, respectively. As of June 30, 2019, December 31, 2018 and June 30, 2018, the range of weighted average effective interest rates of the long-term bank borrowings was 1.2%, 1.20%-1.24% and 1.2%-1.255% per annum, respectively. Interest is paid monthly and principal is repaid at maturity.
- b. As of June 30, 2019, December 31, 2018 and June 30, 2018, PHI had the long-term bank borrowings with contract terms from July 19, 2016 to July 19, 2019. As of December 31, 2018 and June 30, 2018, the range of weighted average effective interest rates of the long-term bank borrowings was 5.65188% and 5.26826% per annum, respectively. Interest is paid monthly and principal is repaid at maturity. Principal is repaid quarterly and interest is paid quarterly. PHI was fully repaid in April 2019.

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

## 19. BONDS PAYABLE

	June 30, 2019	December 31, 2018	June 30, 2018
Secured domestic bonds	\$ <u>999,165</u>	\$ <u>998,929</u>	\$ <u>998,689</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 LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Current</u>			
Other payables			
Payables for salaries or bonuses	\$ 152,080	\$ 206,593	\$ 185,459
Payables for annual leave	39,214	40,829	33,579
Payables for purchases of equipment	18,362	8,409	8,994
Others	<u>498,472</u>	<u>564,694</u>	<u>506,416</u>
	<u>\$ 708,128</u>	<u>\$ 820,525</u>	<u>\$ 734,448</u>
Other current liabilities			
Temporary receipts (Note 11)	\$ 2,245	\$ 2,735	\$ 699,221
Others	<u>107,181</u>	<u>128,153</u>	<u>114,441</u>
	<u>\$ 109,426</u>	<u>\$ 130,888</u>	<u>\$ 813,662</u>

## 21. RETIREMENT BENEFIT PLANS

For the three months and the six months ended June 30, 2019 and 2018, employee benefit expenses in respect of the Group's defined benefit retirement plans were \$344 thousand, \$391 thousand, \$689 thousand and \$782 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

## 22. EQUITY

### Share Capital

	June 30, 2019	December 31, 2018	June 30, 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

	June 30, 2019	December 31, 2018	June 30, 2018
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u>			
Issuance of ordinary 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 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.

The deficit compensation for 2018 that was approved in the shareholders' meetings on June 19, 2019, was as follows:

	<b>Deficit Compensation For the Year Ended December 31, 2018</b>
Legal reserve used to offset accumulated deficits	<u>\$ 304,379</u>

## 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 Six Months Ended June 30	
	2019	2018
Balance at January 1	\$ (265,607)	\$ (256,008)
Exchange differences arising on translating the financial statements of foreign operations	<u>53,888</u>	<u>96,746</u>
Balance at June 30	<u>\$ (211,719)</u>	<u>\$ (159,262)</u>

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

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	\$ (94,266)	\$ (75,236)
Recognized for the period		
Unrealized gain (loss) - equity instruments	304	1,719
Share from associates accounted for using the equity method	<u>8,037</u>	<u>(9,744)</u>
Balance at June 30	<u>\$ (85,925)</u>	<u>\$ (83,261)</u>

## Non-controlling Interests

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	\$ (9,591)	\$ (9,255)
Attributable to non-controlling interests:		
Share of loss for the period	(12)	(9)
Exchange difference arising on translation of foreign entities	<u>(91)</u>	<u>(250)</u>
Balance at June 30	<u>\$ (9,694)</u>	<u>\$ (9,514)</u>

## 23. NET PROFIT FROM CONTINUING OPERATIONS

### a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest income	\$ 10,219	\$ 10,021	\$ 19,656	\$ 15,019
Dividend income	-	-	500	-
Others	<u>39,934</u>	<u>35,716</u>	<u>58,830</u>	<u>69,903</u>
	<u>\$ 50,153</u>	<u>\$ 45,737</u>	<u>\$ 78,986</u>	<u>\$ 84,922</u>

### b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Net foreign exchange gains	\$ 9,604	\$ 37,488	\$ 17,449	\$ 23,141
(Loss) gain on disposal of property, plant and equipment	(20,046)	63	(32,525)	220
Gain on disposal of investment properties	-	79,055	-	79,055
Loss on disposal of intangible assets	(340)	-	(368)	(2)
Fair value changes of financial assets and financial liabilities Financial assets mandatorily at FVTPL	-	1,649	-	2,176
Gain on disposal of investments	663	1,217	3,746	2,678
Others	<u>(3,007)</u>	<u>(25,373)</u>	<u>(4,725)</u>	<u>(72,123)</u>
	<u>\$ (13,126)</u>	<u>\$ 94,099</u>	<u>\$ (16,423)</u>	<u>\$ 35,145</u>

### c. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Property, plant and equipment	\$ 81,106	\$ 77,159	\$ 159,671	\$ 152,453
Right-of-use assets	2,834	-	5,879	-
Computer software	<u>3,521</u>	<u>4,445</u>	<u>9,670</u>	<u>10,273</u>
	<u>\$ 87,461</u>	<u>\$ 81,604</u>	<u>\$ 175,220</u>	<u>\$ 162,726</u>
An analysis of depreciation by function				
Operating costs	\$ 39,908	\$ 38,149	\$ 79,647	\$ 75,458
Operating expenses	<u>44,032</u>	<u>39,010</u>	<u>85,903</u>	<u>76,995</u>
	<u>\$ 83,940</u>	<u>\$ 77,159</u>	<u>\$ 165,550</u>	<u>\$ 152,453</u>

(Continued)

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
An analysis of amortization by function				
Operating costs	\$ 778	\$ 601	\$ 1,443	\$ 971
Operating expenses	<u>2,743</u>	<u>3,844</u>	<u>8,227</u>	<u>9,302</u>
	<u>\$ 3,521</u>	<u>\$ 4,445</u>	<u>\$ 9,670</u>	<u>\$ 10,273</u>
				(Concluded)

d. Employee benefits expense

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 515,551	\$ 477,338	\$ 1,028,953	\$ 931,879
Post-employment benefits				
Defined contribution plans	5,418	5,029	10,700	10,078
Defined benefit plans (Note 21)	<u>344</u>	<u>391</u>	<u>689</u>	<u>782</u>
	<u>\$ 521,313</u>	<u>\$ 482,758</u>	<u>\$ 1,040,342</u>	<u>\$ 942,739</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 307,509	\$ 275,777	\$ 605,685	\$ 526,934
Operating expenses	<u>213,804</u>	<u>206,981</u>	<u>434,657</u>	<u>415,805</u>
	<u>\$ 521,313</u>	<u>\$ 482,758</u>	<u>\$ 1,040,342</u>	<u>\$ 942,739</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 six months ended June 30, 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 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or losses on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Foreign exchange gains	\$ 11,035	\$ 37,488	\$ 27,754	\$ 54,310
Foreign exchange losses	<u>(1,431)</u>	<u>-</u>	<u>(10,305)</u>	<u>(31,169)</u>
	<u>\$ 9,604</u>	<u>\$ 37,488</u>	<u>\$ 17,449</u>	<u>\$ 23,141</u>

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax (benefit) expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	<u>\$ (8,503)</u>	<u>\$ 52,754</u>	<u>\$ 18,024</u>	<u>\$ 57,239</u>
Deferred tax				
In respect of the current period	(3,882)	3,390	(1,952)	9,840
Adjustments to deferred tax attributable to change in tax rates and laws	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,200)</u>
	<u>(3,882)</u>	<u>3,390</u>	<u>(1,952)</u>	<u>1,640</u>
Total income tax (benefit) expense recognized in profit or loss	<u>\$ (12,385)</u>	<u>\$ 56,144</u>	<u>\$ 16,072</u>	<u>\$ 58,879</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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Basic loss per share	<u>\$ (0.03)</u>	<u>\$ (0.21)</u>	<u>\$ (0.28)</u>	<u>\$ (0.80)</u>



## Net Loss for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Loss used in the computation of basic loss per share	<u>\$ (11,345)</u>	<u>\$ (69,650)</u>	<u>\$ (95,141)</u>	<u>\$ (269,989)</u>

## Ordinary Shares Outstanding (In Thousands)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares in computation of basic loss per share	<u>337,688</u>	<u>337,688</u>	<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

June 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 192,053</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,053</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,624</u>	<u>\$ 37,624</u>

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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>

June 30, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	<u>\$ 410,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,066</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,896</u>	<u>\$ 39,896</u>

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

b. Categories of financial instruments

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
<u>Financial assets</u>			
FVTPL			
Mandatorily at FVTPL	\$ 192,053	\$ 303,936	\$ 410,066
Financial assets at amortized cost (1)	4,056,934	4,625,165	4,420,641
Financial assets at FVTOCI			
Equity instruments	37,624	37,320	39,896
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	4,036,339	5,054,367	4,879,596

- 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, lease liabilities 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 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 31.

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 the balances below would be negative.

	<u>USD Impact</u>		<u>CNY Impact</u>	
	<u>For the Six Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit or loss	\$ 6,055	\$ 3,367	\$ 59	\$ 6,669

b) Interest rate risk

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

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Fair value interest rate risk			
Financial liabilities	\$ 1,254,297	\$ 1,098,929	\$ 1,198,689
Cash flow interest rate risk			
Financial liabilities	50,000	89,237	215,492

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group had available unutilized bank loan facilities set out in (b) below.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has 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.

June 30, 2019

	<b>On Demand or Less than 1 Year</b>	<b>1 to 3 Years</b>	<b>Over 3 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,752,768	\$ -	\$ -	\$ 2,752,768
Lease liabilities	6,861	9,706	8,565	25,132
Variable interest rate instrument	-	50,000	-	50,000
Fixed interest rate instrument	-	<u>1,229,165</u>	-	<u>1,229,165</u>
	<u>\$ 2,759,629</u>	<u>\$ 1,288,871</u>	<u>\$ 8,565</u>	<u>\$ 4,057,065</u>

December 31, 2018

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

June 30, 2018

	<b>On Demand or Less than 1 Year</b>	<b>1 to 3 Years</b>	<b>Over 3 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,462,240	\$ -	\$ -	\$ 3,462,240
Variable interest rate instrument	182,435	33,057	-	215,492
Fixed interest rate instrument	<u>-</u>	<u>1,198,689</u>	<u>-</u>	<u>1,198,689</u>
	<u>\$ 3,644,675</u>	<u>\$ 1,231,746</u>	<u>\$ -</u>	<u>\$ 4,876,421</u>

b) Financing facilities

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Unsecured bank facilities:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>186,480</u>	<u>184,740</u>	<u>183,450</u>
	<u>\$ 186,480</u>	<u>\$ 184,740</u>	<u>\$ 183,450</u>
Secured bank facilities:			
Amount used	\$ 280,000	\$ 189,237	\$ 415,492
Amount unused	<u>2,894,523</u>	<u>2,109,221</u>	<u>1,851,406</u>
	<u>\$ 3,174,523</u>	<u>\$ 2,298,458</u>	<u>\$ 2,266,898</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

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<u>Purchase of goods</u>				
Other related parties	<u>\$ 32,721</u>	<u>\$ 36,199</u>	<u>\$ 58,069</u>	<u>\$ 60,157</u>

The prices of the finished goods purchased by the Group are negotiated in consideration of the product type, cost and market price, etc. The market prices between the Group and its related parties did not have significant difference as those between the Group and non-related parties.

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
	<u>Payables to related parties</u>		
Other related parties	<u>\$ 60,722</u>	<u>\$ 76,846</u>	<u>\$ 61,532</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:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Short-term benefits	\$ 6,335	\$ 6,270	\$ 12,609	\$ 12,586
Post-employment benefits	<u>108</u>	<u>108</u>	<u>216</u>	<u>216</u>
	<u>\$ 6,443</u>	<u>\$ 6,378</u>	<u>\$ 12,825</u>	<u>\$ 12,802</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 bonds payable and loans of the Group. As of June 30, 2019, December 31, 2018 and June 30, 2018, the amounts of the guarantees were \$1,279,165 thousand, \$1,188,166 thousand and \$1,414,181 thousand, respectively.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	June 30, 2019	December 31, 2018	June 30, 2018
Pledge deposits	\$ 25,450	\$ 25,450	\$ 25,450
Freehold land	185,202	185,202	185,202
Long-term prepayments for leases	-	16,874	17,757
Right-of-use assets - land use right	16,813	-	-
Buildings	<u>487,464</u>	<u>395,414</u>	<u>382,432</u>
	<u>\$ 714,929</u>	<u>\$ 622,940</u>	<u>\$ 610,841</u>

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Acquisition of property, plant and equipment			
Signed amount	\$ 148,757	\$ 294,122	\$ -
Unpaid amount	28,542	228,110	-

## 31. 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:

June 30, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 50,257	31.08000	\$ 1,562,003
CNY	1,295	4.51889	5,853
<u>Financial liabilities</u>			
Monetary items			
USD	30,777	31.08000	956,544



December 31, 2018

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 69,851	30.79000	\$ 2,150,713
CNY	47,298	4.46918	211,382

Financial liabilities

Monetary items			
USD	45,939	30.79000	1,414,463

June 30, 2018

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 48,021	30.57500	\$ 1,468,243
CNY	143,864	4.63539	666,868

Financial liabilities

Monetary items			
USD	37,009	30.57500	1,131,554

### **32. 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.

### **33. 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 from continuing operations by reportable segment.

	<b>Power Supply</b>	<b>Others</b>	<b>Total</b>
<u>For the six months ended June 30, 2019</u>			
Revenue from external customers	<u>\$ 5,444,320</u>	<u>\$ 11,109</u>	<u>\$ 5,455,429</u>
Segment losses	<u>\$ (118,176)</u>	<u>\$ (4,232)</u>	\$ (122,408)
Other income			78,986
Other gain and losses			(16,423)
Finance costs			(11,488)
Share of loss of associates			<u>(7,748)</u>
Loss before income tax			<u>\$ (79,081)</u>
<u>For the six months ended June 30, 2018</u>			
Revenue from external customers	<u>\$ 5,446,024</u>	<u>\$ 52,553</u>	<u>\$ 5,498,577</u>
Segment losses	<u>\$ (322,979)</u>	<u>\$ (5,451)</u>	\$ (328,430)
Other income			84,922
Other gain and losses			35,145
Finance costs			(9,485)
Share of profit of associates			<u>6,729</u>
Loss before income tax			<u>\$ (211,119)</u>

b. Segment assets and liabilities

	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2018</b>
Power supply segment assets	\$ 8,995,066	\$ 9,890,933	\$ 10,329,779
Other assets	<u>444,452</u>	<u>585,626</u>	<u>763,068</u>
Total assets	<u>\$ 9,439,518</u>	<u>\$ 10,476,559</u>	<u>\$ 11,092,847</u>
Power supply segment liabilities	\$ 4,287,661	\$ 5,281,233	\$ 5,786,653
Other liabilities	<u>93,770</u>	<u>104,224</u>	<u>117,970</u>
Total liabilities	<u>\$ 4,381,431</u>	<u>\$ 5,385,457</u>	<u>\$ 5,904,623</u>

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE SIX MONTHS ENDED JUNE 30, 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			
0	Phihong	Phihong Vietnam Co., Ltd.	Other receivables from related parties	Yes	\$ 279,720 (US\$ 9,000,000)	\$ 279,720 (US\$ 9,000,000)	\$ 93,240	3.5%	b	\$ -	Capital movement	\$ -	-	\$ -	\$ 1,013,556	\$ 2,027,112	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	903,778 (CNY 200,000,000)	903,778 (CNY 200,000,000)	-	4.35%	b	-	Capital movement	-	-	\$ -	1,603,568	1,603,568	
2	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	1,310,479 (CNY 290,000,000)	1,310,479 (CNY 290,000,000)	1,265,290	4.35%-4.75%	b	-	Capital movement	-	-	-	1,621,732	1,621,732	

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 SIX MONTHS ENDED JUNE 30, 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	Phihong USA Corp.	Subsidiary of the Company	\$ 1,520,334	\$ 155,400 (US\$ 5,000,000)	\$ 155,400 (US\$ 5,000,000)	\$ -	\$ -	3.07	\$ 2,533,890	Y	N	N	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	1,603,568	225,945 (CNY50,000,000)	225,945 (CNY50,000,000)	-	-	14.09	1,603,568	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 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 5: 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

JUNE 30, 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	June 30, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Phihong	<u>Ordinary shares</u> Pao- Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	270,565	\$ 4,406	10.49	\$ 4,406	
	Zhong-Xuan Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,500,000	25,420	8.62	25,420	
Guang-Lai	<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	42,500,000	192,053	-	192,053	

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 SIX MONTHS ENDED JUNE 30, 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)	119,600,000	541,661 (CNY 119,600,000)	130,000,000	587,540 (CNY 130,332,428)	586,028 (CNY 130,000,000)	1,512 (CNY 332,428)	42,500,000	192,053 (CNY 42,500,000)

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 SIX MONTHS ENDED JUNE 30, 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	
Phihong	Phihong USA Corp.	Subsidiary of the Company	Sale	\$ (1,423,878)	(39.60)	By agreement	-	-	\$ 208,744	25.99	
	Phihong Technology Japan Co., Ltd.	Subsidiary of the Company	Sale	(266,352)	(7.41)	By agreement	-	-	36,504	4.55	
	Phihong (Dongguan) Electronics Co., Ltd.	Subsidiary of the Company	Purchase	3,179,091	99.81	By agreement	-	-	-	-	
Phihong USA Corp.	Phihong	Parent entity	Purchase	1,423,878	97.12	By agreement	-	-	(208,744)	(82.60)	
Phihong Technology Japan Co., Ltd.	Phihong	Parent entity	Purchase	266,352	100.00	By agreement	-	-	(36,504)	(100.00)	
Phihong (Dongguan) Electronics Co., Ltd.	Phihong	Parent entity	Sale	(3,179,091)	(97.76)	By agreement	-	-	-	-	



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

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

**JUNE 30, 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		
Phihong	Phihong USA Corp.	Subsidiary of the Company	Account receivable \$ 208,744	14.70	\$ -	-	\$ 165,627	\$ -
Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables 1,289,796	-	-	-	181,651	-

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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 1,423,878	By agreement	26
		Phihong Technology Japan Co., Ltd.	1	Sale	266,352	By agreement	5
		Phihong (Dongguan) Electronics Co., Ltd.	1	Purchase	3,179,091	No significant difference	58
		Phihong USA Corp.	1	Account receivables	208,744	-	2
		Phihong (Dongguan) Electronics Co., Ltd.	1	Other receivables	75,757	-	1
		Dongguan Phitek Electronics Co., Ltd.	1	Other receivables	97,776	-	1
		Phihong Vietnam Co., Ltd.	1	Other receivables	98,194	-	1
1	Phihong Electronics (Suzhou) Co., Ltd	Dongguan Phitek Electronics Co., Ltd.	3	Other receivables	1,289,796	-	14

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

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

Note 2: Nature of relationship is as follows:

- From the parent company to its subsidiary: 1.
- From a subsidiary to its parent company: 2.
- 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 June 30, 2019. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 2019.

## PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE SIX MONTHS ENDED JUNE 30, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2019	December 31, 2018	Shares	%	Carrying Amount			
Phihong	PHI	British Virgin Islands	Makes investments	\$ 3,448,270	\$ 3,448,270	111,061,351	100.00	\$ 3,163,969	\$ (31,343)	\$ (39,916)	
	Phihong USA Corp.	California, USA	Sells various power supplies	207,203	207,203	3,100,000	100.00	1,015,000	23,354	23,354	
	PHK	British Virgin Islands	Makes investments	314,956	314,956	10,200,000	100.00	(186,355)	(359)	(2,475)	
	PHQ	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100.00	145,174	(49,099)	(48,361)	
	Guang-Lai	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	120,412	(2,934)	(2,934)	
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	31,707	31,707	3,170,682	32.26	38,423	1,687	(4,824)	
	Phihong Technology Japan Co., Ltd.	Japan	Sells power components	191,738	191,738	7,000	100.00	151,625	7,780	7,780	
				(JPY 550,000,000)	(JPY 550,000,000)						
	Phihong Vietnam Co., Ltd.	Vietnam	Manufactures and sells various power supplies	290,925	-	9,430,000	100.00	268,335	(22,770)	(22,770)	
PHI	N-Lighten	California, USA	Makes investments	409,851	409,851	110,834,223	58.45	(26,028)	(57)	(33)	PHI and Guang-Lai holds 78.23%
Guang-Lai	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	20,447	(3,505)	(785)	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	85,685	(9,624)	(2,139)	
	N-Lighten	California, USA	Makes investments	206,084	206,084	37,498,870	19.78	(8,808)	(57)	(11)	PHI and Guang-Lai 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 SIX MONTHS ENDED JUNE 30, 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 June 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of June 30, 2019	Accumulated Repatriation of Investment Income as of June 30, 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)	\$ (68,294)	100.00	\$ (68,294)	\$ 1,603,568	\$ -	
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)	22,575	100.00	22,575	1,621,732	-	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)	(3,120)	100.00	(3,120)	736	-	
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)	(407)	100.00	(407)	(187,542)	-	
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)	(2,235)	100.00	(2,235)	69,032	-	
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)	(46,811)	100.00	(46,811)	73,550	-	
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. 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 June 30, 2019	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$4,212,439	\$4,624,313	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 SIX MONTHS ENDED JUNE 30, 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	\$ 3,179,091	99.81	No significant difference	No significant difference	-	\$ -	-	\$ -	