

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2012 and 2011 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Phihong Technology Co., Ltd. and subsidiaries (collectively, the "Company") as of March 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the three months then ended (all expressed in thousands of New Taiwan dollars). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements," of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express an opinion on these consolidated financial statements.

As mentioned in Note 10 to the consolidated financial statements, certain of long-term equity investments accounted for under the equity method for the three months ended March 31, 2012 and 2011 were based on unreviewed financial statements. As of March 31, 2012 and 2011, the aggregate balances of the Company's investments in its investees whose financial statements have not been reviewed by independent accountants amounted to \$347,863 thousand and \$267,836 thousand, respectively. For the three months ended March 31, 2012 and 2011, the Company's investment income from such investments amounted to \$2,351 thousand and \$8,389 thousand, respectively. Furthermore, as mentioned in Note 1 to the consolidated financial statements, certain subsidiaries' assets amounted to \$90,293 thousand and \$47,971 thousand, which represented 0.88% and 0.43% of the consolidated total assets of the Company as of March 31, 2011 and 2012, respectively, were based on unreviewed financial statements of the subsidiary.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the long-term equity investments and investment income (loss) of investees mentioned above been recognized based on reviewed financial statements, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the interpretation No.0960064020 issued by Financial Supervisory Commission, Executive Yuan on November 15, 2007, and accounting principles generally accepted in the Republic of China.

April 27, 2012

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations 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 accepted and applied in the Republic of China.

For the convenience of readers, the accountants' 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 accountants' review report and financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Par Value)

(Reviewed, Not Audited)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Note 4)	\$ 2,206,937	21	\$ 2,160,030	19	Notes payable	\$ -	-	\$ 15	-
Accounts receivable (Note 5)	1,668,370	16	1,898,267	17	Accounts payable	1,766,301	17	2,299,362	21
Other financial assets, current (Note 6)	32,620	-	134,487	1	Accounts payable to related parties (Note 20)	18,382	-	35,075	-
Inventories (Note 7)	1,970,498	19	2,557,589	23	Income tax payable (Note 17)	229,771	2	389,949	3
Deferred income tax asset, current (Note 17)	47,930	1	89,189	1	Other payables (Note 13)	1,176,543	11	1,331,115	12
Other current assets	301,397	3	131,970	1	Other current liabilities	46,629	1	32,454	-
Total current assets	6,227,752	60	6,971,532	62	Total current liabilities	3,237,626	31	4,087,970	36
FUNDS AND LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Available-for-sale financial assets, noncurrent (Note 8)	41,888	1	458,607	4	Long-term debts (Note 12)	200,000	2	200,000	2
Financial assets carried at cost, noncurrent (Note 9)	93,254	1	164,723	2	OTHER LIABILITIES				
Long-term equity investments at equity method (Note 10)	347,863	3	267,836	2	Accrued pension cost	64,782	1	63,328	1
Total funds and long-term investments	483,005	5	891,166	8	Advance deposits received	956	-	932	-
PROPERTY, PLANT AND EQUIPMENT (Note 11)					Deferred income tax liabilities, noncurrent (Note 17)	69,632	1	69,842	1
Cost	5,483,139	53	4,909,998	44	Others	49,052	-	34,052	-
Less accumulated depreciation	(2,214,306)	(21)	(1,855,733)	(17)	Total other liabilities	184,422	2	168,154	2
Prepayments for purchase of equipment	134,415	1	97,568	1	Total liabilities	3,622,048	35	4,456,124	40
Property, plant and equipment, net	3,403,248	33	3,151,833	28	STOCKHOLDERS' EQUITY OF PARENT COMPANY				
INTANGIBLE ASSETS (Note 2)					Capital stock, \$10 par value (Note 14)				
Computer software	26,116	-	18,734	-	Authorized - 600,000 thousand shares and 600,000 thousand shares at March 31, 2012 and 2011				
Goodwill	-	-	1,355	-	Issued - 276,882 thousand shares and 274,748 thousand shares at March 31, 2012 and 2011	2,768,819	27	2,747,479	25
Land use rights	114,685	1	112,382	1	Advance collections for common stock	636	-	-	-
Total intangible assets	140,801	1	132,471	1	Capital surplus				
OTHER ASSETS					Additional paid-in capital - common stock	223,871	2	201,292	2
Deferred charges	-	-	22,538	-	Additional paid-in capital - bond conversion	661,582	6	661,582	6
Refundable deposits	31,941	1	28,562	1	Treasury stock transaction	48,234	1	48,234	-
Others	17,924	-	716	-	Long-term equity investments	11,305	-	11,132	-
Total other assets	49,865	1	51,816	1	Interest of bonds converted to common stock	13,243	-	13,243	-
TOTAL	\$ 10,304,671	100	\$ 11,198,818	100	Retained earnings (Note 16)				
					Legal reserve	909,627	9	748,423	7
					Unappropriated earnings	1,870,034	18	2,080,810	18
					Other adjustment of stockholders' equity				
					Cumulative translation adjustments	170,863	2	24,525	-
					Unrealized (loss) gain on financial instruments	(10,435)	-	169,505	2
					Unrealized revaluation increment	10,968	-	10,968	-
					Total stockholders' equity of parent company	6,678,747	65	6,717,193	60
					MINORITY INTEREST	3,876	-	25,501	-
					Total stockholders' equity	6,682,623	65	6,742,694	60
					TOTAL	\$ 10,304,671	100	\$ 11,198,818	100

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

(With Deloitte & Touche review report dated April 27, 2012)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
GROSS SALES AND REVENUES	\$ 2,650,416	100	\$ 3,738,959	100
LESS SALES RETURNS AND ALLOWANCES	<u>(843)</u>	<u>-</u>	<u>(2,891)</u>	<u>-</u>
NET SALES AND REVENUES	2,649,573	100	3,736,068	100
COST OF GOODS SOLD	<u>2,079,743</u>	<u>79</u>	<u>2,690,962</u>	<u>72</u>
GROSS PROFIT	<u>569,830</u>	<u>21</u>	<u>1,045,106</u>	<u>28</u>
OPERATING EXPENSES				
Sales and marketing	199,558	8	210,039	6
General and administration	137,011	5	160,700	4
Research and development	<u>116,512</u>	<u>4</u>	<u>151,912</u>	<u>4</u>
Total operating expenses	<u>453,081</u>	<u>17</u>	<u>522,651</u>	<u>14</u>
INCOME FROM OPERATIONS	<u>116,749</u>	<u>4</u>	<u>522,455</u>	<u>14</u>
NONOPERATING INCOME AND GAINS				
Interest income	4,481	-	2,160	-
Investment income recognized under equity method, net (Note 10)	2,351	-	8,389	-
Gain on disposal of investment	-	-	23,828	1
Foreign exchange gains, net	-	-	7,400	-
Others	<u>34,031</u>	<u>1</u>	<u>18,989</u>	<u>-</u>
Total nonoperating income and gains	<u>40,863</u>	<u>1</u>	<u>60,766</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	1,058	-	931	-
Investment loss recognized under equity method, net	1,516	-	2,075	-
Foreign exchange loss, net	57,538	2	-	-
Others	<u>3,169</u>	<u>-</u>	<u>3,787</u>	<u>-</u>
Total nonoperating expenses and losses	<u>63,281</u>	<u>2</u>	<u>6,793</u>	<u>-</u>
INCOME BEFORE INCOME TAX	94,331	3	576,428	15
INCOME TAX EXPENSE (Note 17)	<u>(57,426)</u>	<u>(2)</u>	<u>(122,045)</u>	<u>(3)</u>
CONSOLIDATED NET INCOME	<u>\$ 36,905</u>	<u>1</u>	<u>\$ 454,383</u>	<u>12</u>

(Continued)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
ATTRIBUTED TO				
Parent company's stockholders	\$ 41,672	1	\$ 459,118	12
Minority interest	<u>(4,767)</u>	<u>-</u>	<u>(4,735)</u>	<u>-</u>
	<u>\$ 36,905</u>	<u>1</u>	<u>\$ 454,383</u>	<u>12</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Note 18)				
Included income for minority interest	<u>\$ 0.34</u>	<u>\$ 0.13</u>	<u>\$ 2.10</u>	<u>\$ 1.66</u>
Attributed to shareholders of the parent company		<u>\$ 0.15</u>		<u>\$ 1.67</u>
DILUTED EARNINGS PER SHARE (Note 18)				
Included income for minority interest	<u>\$ 0.34</u>	<u>\$ 0.13</u>	<u>\$ 2.06</u>	<u>\$ 1.62</u>
Attributed to shareholders of the parent company		<u>\$ 0.15</u>		<u>\$ 1.64</u>

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

(With Deloitte & Touche review report dated April 27, 2012)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Capital Stock		Capital Surplus					Other Items of Stockholders' Equity					Total	
	Common Stock	Advance Collections for Common Stock	Additional Paid-in Capital Common Stock	Additional Paid-in Capital - Bond Conversion	Treasury Stock Transaction	Long-term Equity Investments	Interest of Bonds Converted to Common Stock	Retained Earnings		Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increment		Minority Interest
							Legal Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2012	\$ 2,749,329	\$ 16,154	\$ 203,406	\$ 661,582	\$ 48,234	\$ 11,305	\$ 13,243	\$ 909,627	\$ 1,828,362	\$ 250,296	\$ (22,304)	\$ 10,968	\$ 9,643	\$ 6,689,845
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(79,433)	-	-	-	(79,433)
Recognized unrealized gain on financial instruments of investees	-	-	-	-	-	-	-	-	-	-	3,338	-	-	3,338
Unrealized gain on available-for-sale financial instruments	-	-	-	-	-	-	-	-	-	-	8,531	-	-	8,531
Advance collections for common stock transferred to capital stock (Note 14)	7,880	(16,154)	8,274	-	-	-	-	-	-	-	-	-	-	-
Employee stock options (Note 14)	11,610	636	12,191	-	-	-	-	-	-	-	-	-	-	24,437
Changes of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Consolidated net income for the three months ended March 31, 2012	-	-	-	-	-	-	-	-	41,672	-	-	-	(4,767)	36,905
BALANCE, MARCH 31, 2012	<u>\$ 2,768,819</u>	<u>\$ 636</u>	<u>\$ 223,871</u>	<u>\$ 661,582</u>	<u>\$ 48,234</u>	<u>\$ 11,305</u>	<u>\$ 13,243</u>	<u>\$ 909,627</u>	<u>\$ 1,870,034</u>	<u>\$ 170,863</u>	<u>\$ (10,435)</u>	<u>\$ 10,968</u>	<u>\$ 3,876</u>	<u>\$ 6,682,623</u>
BALANCE, JANUARY 1, 2011	\$ 2,725,939	\$ 17,520	\$ 175,659	\$ 661,582	\$ 48,234	\$ 11,132	\$ 13,243	\$ 748,423	\$ 1,621,692	\$ (27,030)	\$ 185,552	\$ 10,968	\$ 29,898	\$ 6,222,812
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	51,555	-	-	-	51,555
Recognized unrealized gain on financial instruments of investees	-	-	-	-	-	-	-	-	-	-	9,815	-	-	9,815
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(25,862)	-	-	(25,862)
Advance collections for common stock transferred to capital stock (Note 14)	8,000	(17,520)	9,520	-	-	-	-	-	-	-	-	-	-	-
Employee stock options (Note 14)	13,540	-	16,113	-	-	-	-	-	-	-	-	-	-	29,653
Changes of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	338	338
Consolidated net income for the three months ended March 31, 2011	-	-	-	-	-	-	-	-	459,118	-	-	-	(4,735)	454,383
BALANCE, MARCH 31, 2011	<u>\$ 2,747,479</u>	<u>\$ -</u>	<u>\$ 201,292</u>	<u>\$ 661,582</u>	<u>\$ 48,234</u>	<u>\$ 11,132</u>	<u>\$ 13,243</u>	<u>\$ 748,423</u>	<u>\$ 2,080,810</u>	<u>\$ 24,525</u>	<u>\$ 169,505</u>	<u>\$ 10,968</u>	<u>\$ 25,501</u>	<u>\$ 6,742,694</u>

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

(With Deloitte & Touche review report dated April 27, 2012)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 36,905	\$ 454,383
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	122,314	95,671
Recovery from loss on doubtful accounts	(15)	(707)
Investment income recognized under the equity method	(2,351)	(8,389)
Net loss on disposal of property, plant and equipment	1,516	2,075
Cash dividends received from equity method investees	13,429	9,832
Proceeds from disposal of available-for-sale financial instruments	-	(23,828)
Net changes in operating assets and liabilities		
Accounts receivable	267,753	(85,892)
Other financial assets, current	52,664	92,747
Inventories	109,502	(68,441)
Deferred income tax asset, current	7,930	26,961
Other current assets	(82,279)	(20,248)
Other assets	382	(13)
Notes payable	-	(8)
Accounts payable	(262,396)	(92,471)
Accounts payable to related parties	(35,936)	35,070
Income tax payable	25,139	17,053
Other payables	(29,909)	(54,918)
Other current liabilities	(19,696)	(9,338)
Deferred income tax liability, noncurrent	(30)	(100)
Reserve for retirement plan	134	443
Net cash provided by operating activities	<u>205,056</u>	<u>369,882</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale financial assets, current	-	29,660
Acquisition of property, plant and equipment	(121,549)	(167,367)
Acquisition of intangible assets	-	(49)
Proceeds from disposal of property, plant and equipment	-	250
Decrease in refundable deposits	497	294
Increase in deferred charges	-	(4,797)
Increase in computer software	(4,380)	(474)
Net cash used in investing activities	<u>(125,432)</u>	<u>(142,483)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee stock options	24,437	29,653
Decrease in advance deposits received	(172)	(515)
Increase in minority interest	(1,000)	338
Net cash provided by financing activities	<u>23,265</u>	<u>29,476</u>

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2012	2011
EFFECT OF EXCHANGE RATE CHANGES	\$ (15,338)	\$ 12,911
NET INCREASE IN CASH AND CASH EQUIVALENTS	87,551	269,786
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,119,386</u>	<u>1,890,244</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,206,937</u>	<u>\$ 2,160,030</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (excluding interest capitalized)	\$ 1,058	\$ 703
Income tax	<u>\$ 24,386</u>	<u>\$ 50,209</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Translation adjustments on foreign long-term equity investments	\$ (79,433)	\$ 51,555
Recognized unrealized gain on financial instruments of investees	<u>\$ 3,338</u>	<u>\$ 9,815</u>
Change in unrealized gain (loss) on available-for-sale financial instruments	<u>\$ 8,531</u>	<u>\$ (25,862)</u>
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Increase in property, plant and equipment acquired	\$ 121,635	\$ 168,658
Add payables for acquisition of property, plant and equipment, beginning of period	256	1,352
Less payables for acquisition of property, plant and equipment, end of period	<u>(342)</u>	<u>(2,643)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 121,549</u>	<u>\$ 167,367</u>

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

(With Deloitte & Touche review report dated April 27, 2012)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Per Share Data and Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Phihong Technology Co., Ltd. (“Phihong”), 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 have its stocks traded on the over-the-counter (OTC) securities exchange in Taiwan. In September 2001, Phihong’s stocks ceased to be OTC traded and Phihong later obtained authorization to have its stocks listed on the Taiwan Stock Exchange.

Besides Phihong, the consolidated financial statements included the following companies:

Name	Place of Incorporation	Phihong and Its Subsidiaries’ Ownership Percentage
Phihong International Corp.	British Virgin Islands	100.00
Phitek International Co., Ltd.	British Virgin Islands	100.00
Ascent Alliance Ltd.	British Virgin Islands	100.00
Phihong USA Corp.	USA	100.00
American Ballast Corp.	USA	100.00
Guang-Lai Investment Co., Ltd.	Republic of China	100.00
Phihong Technology Japan Co., Ltd.	Japan	100.00

Phihong International Corp. (PHI), a 100% subsidiary of Phihong incorporated in the British Virgin Islands in 1996, sells power supplies as well as invests in its subsidiaries in China to manufacture various power supplies.

PHI’s subsidiaries were as follows:

Name	Place of Incorporation	Direct Ownership Percentage	Primary Operations
Phihong (Dongguan) Electronics Co., Ltd.	Mainland China	100.00	Manufactures various power supplies
Phitek (Tianjin) Electronics Co., Ltd.	Mainland China	100.00	Manufactures various power supplies
Phihong Electronics (Suzhou) Co., Ltd.	Mainland China	100.00	Manufactures various power supplies and ballasts
Value Dynamic Investment Ltd.	British Virgin Islands	100.00	Makes investments
N-Lighten Technologies, Inc.	USA	58.45	Makes investments

Phihong acquired 78.23% ownership of N-Lighten Technologies, Inc. through PHI and Guang-Lai investment Co., Ltd. as of March 31, 2012.

Value Dynamic's subsidiary was as follows:

Name	Place of Incorporation	Direct Ownership Percentage	Primary Operations
Yanghong Lighting Trade Co., Ltd.	Mainland China	100.00	Manufactures various lighting supplies

Phitek International Co., Ltd. (PHK), a 100% subsidiary of Phihong incorporated in the British Virgin Islands in 1999, is an agent for selling power supplies as well as an investor in its subsidiary in China which manufactures various power supplies.

PHK's subsidiary was as follows:

Name	Place of Incorporation	Direct Ownership Percentage	Primary Operations
Dongguan Phitek Electronics Co., Ltd.	Mainland China	100.00	Manufactures various power supplies
Suzhou Xin Phihong Electronics Co., Ltd.	Mainland China	10.12	Manufactures and sells lighting supplies

Suzhou Xin Phihong Electronics Co., Ltd., a subsidiary of PHK and Phihong Electronics (Suzhou) Co., Ltd. in China, manufactures and sells lighting supplies. PHK and Phihong Electronics (Suzhou) Co., Ltd. acquired 10.12% and 89.88% ownership of Suzhou Xin Phihong Electronics Co., Ltd., respectively.

Ascent Alliance Ltd. (PHQ), a 100% subsidiary of Phihong incorporated in the British Virgin Islands in 2004, is an agent for selling electronic materials as well as an investor in its subsidiary in China which manufactures various electronic materials.

PHQ's subsidiaries were as follows:

Name	Place of Incorporation	Direct Ownership Percentage	Primary Operations
Dongguan Shuang-Ying Electronics Co., Ltd.	Mainland China	100.00	Manufactures and sells electronic materials
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Mainland China	100.00	Manufactures and sells the electronic materials and transformers

Phihong USA Corp. (PHA), a 100% subsidiary of Phihong incorporated in the USA in 1997, sells various power supplies.

American Ballast Corp. (PHAB), a 100% subsidiary of Phihong incorporated in the USA in 2004, sells various ballasts.

Guang-Lai Investment Co., Ltd. ("Guang-Lai"), was incorporated in Taiwan in October 2001, primarily engages in investments.

Guang-Lai was holding 25.33% ownership interest of Ai-Hon Investment Co., Ltd. (“Ai-Hon”). Spring City Resort Co., Ltd. (“Spring City Resort”) merged with Ai-Hon on December 31, 2011 and Spring City Resort is the surviving company.

N-Lighten Technologies’ Inc., a subsidiary of PHI and Guang-Lai incorporated in the USA, invests in its subsidiary in China.

N-Lighten Technologies’ subsidiary was as follows:

Name	Place of Incorporation	Direct Ownership Percentage	Primary Operations
N-Lighten (Shanghai) Trading Inc. (Formerly name N-Lighten (Shanghai) Technologies Inc.)	Mainland China	100.00	Develops, manufactures and sells various equipment and monitors

Phihong Technology Japan Co., Ltd. (“PHJ”) was incorporated in Japan in April 2010. It primarily engages in sales of power components.

Except PHJ’s financial statements were based on its unreviewed financial statements as of and for the three months ended March 31, 2012 and 2011, the other financial statements were reviewed as of and for the three months ended March 31, 2012 and 2011.

Phihong and its subsidiaries (collectively, the “Company”) had 9,472 and 11,123 employees as of March 31, 2012 and 2011, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Interpretation No. 0960064020 issued by Financial Supervisory Commission, Executive Yuan on November 15, 2007, and accounting principles generally accepted in the ROC. Except for the Note 3 to the consolidated financial statements, the adoption of the accounting policies by the consolidated financial statements for the three months ended March 31, 2012 and 2011 were same as the consolidated financial statements for the years ended December 31, 2011 and 2010, respectively.

3. CHANGES IN ACCOUNTING PRINCIPLES

Accounting Treatment for the Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, “Financial Instruments: Recognition and Measurement.” The main revisions includes loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change did not have a significant effect on the Company’s financial statements as of and for the period ended March 31, 2011.

Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires identification and disclosure of operating segments on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. This statement supersedes SFAS No. 20, "Segment Reporting." The Company conformed to the disclosure requirements as of and for the period ended March 31, 2012 and 2011.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2012 and 2011 were as follows:

	2012	2011
Cash on hand	\$ 2,200	\$ 2,859
Checking accounts	2,874	23,365
Savings accounts	105,025	143,290
Foreign-currency deposits	1,195,083	1,283,631
Time deposits	103,500	124,721
Marketable securities - short-term notes	<u>798,255</u>	<u>582,164</u>
	<u>\$ 2,206,937</u>	<u>\$ 2,160,030</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable as of March 31, 2012 and 2011 were as follows:

	2012	2011
Accounts receivable	\$ 1,719,912	\$ 1,947,599
Less allowance for doubtful accounts	<u>(51,542)</u>	<u>(49,332)</u>
	<u>\$ 1,668,370</u>	<u>\$ 1,898,267</u>

As of March 31, 2012 and 2011, accounts receivable of PHA in the amounts of \$440,632 thousand and \$910,156 thousand, respectively, had been pledged to secure long-term debts (the credit was not used as of March 31, 2012 and 2011, respectively). See Note 21 to the consolidated financial statements.

6. OTHER FINANCIAL ASSETS, CURRENT

Other financial assets, current as of March 31, 2012 and 2011 were as follows:

	2012	2011
Other receivables	\$ 31,664	\$ 134,119
Others	<u>956</u>	<u>368</u>
	<u>\$ 32,620</u>	<u>\$ 134,487</u>

7. INVENTORIES

Inventories as of March 31, 2012 and 2011 were as follows:

	2012	2011
Raw materials	\$ 623,462	\$ 830,375
Work-in-process	251,694	313,260
Finished goods	303,562	262,389
Merchandise	<u>791,780</u>	<u>1,151,565</u>
	<u>\$ 1,970,498</u>	<u>\$ 2,557,589</u>

As of March 31, 2012 and 2011, allowance of inventory devaluation was \$266,594 thousand and \$130,009 thousand, respectively.

For the three months ended March 31, 2012 and 2011, the Company's cost of goods sold were \$2,079,743 thousand and \$2,690,962 thousand, respectively. Provision for inventory devaluation and obsolescence in the amount of \$4,616 thousand and \$8,987 thousand were included in the cost of goods sold for the three months ended March 31, 2012 and 2011, respectively.

As of March 31, 2012 and 2011, accounts receivable of PHA in the amounts of \$403,435 thousand and \$950,424 thousand, respectively, had been pledged to secure long-term debts (the credit was not used as of March 31, 2012 and 2011, respectively). See Note 21 to the consolidated financial statements.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sales financial asset as of March 31, 2012 and 2011 were as follows:

	2012	2011
Hua Jung Component Co., Ltd	\$ 41,888	\$ -
JK Yaming International Holding Ltd.	<u>-</u>	<u>458,607</u>
Available-for-sale financial assets, noncurrent	<u>\$ 41,888</u>	<u>\$ 458,607</u>

PHI sold all of its own shares of JK Yaming International Holdings Ltd. in May 2011. As a result, the gain on such disposal of investment in the amount of \$189,319 thousand was recorded as gain on disposal of investment for the six months ended June 30, 2011.

9. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

Financial assets carried at cost, noncurrent as of March 31, 2012 and 2011 were as follows:

	2012	2011
Yong-Li Investment Ltd.	\$ 50,000	\$ 50,000
Bao-Dian Venture Capital Co., Ltd.	30,000	30,000
Yuan-Jing Venture Capital Co., Ltd.	33,500	50,000
TC-1 Culture Fund	30,000	30,000
Hui-Cheng Electronic Co., Ltd.	15,248	15,248

(Continued)

	2012	2011
Asiatech Taiwan Venture Fund	\$ 15,057	\$ 15,057
Neo Pac Lighting Limited	32,224	32,224
Less: Accumulated impairment loss	<u>(112,775)</u>	<u>(57,806)</u>
	<u>\$ 93,254</u>	<u>\$ 164,723</u>
		(Concluded)

The stocks and other investments mentioned above do not have open pricing and reliable fair values, thus they are carried at cost. They are tested for impairment periodically.

Bao-Dian Venture Capital Co., Ltd., Yong-Li Investment Ltd., TC-1 Culture Fund, and NeoPac Lighting Limited have experienced continuous operating loss; thus, the Company recognized \$54,969 thousand impairment loss for the year ended December 31, 2011.

10. LONG-TERM EQUITY INVESTMENTS

Long-term equity investments as of March 31, 2012 and 2011 were as follows:

	2012			2011	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Hao-Xuan Venture Capital Co., Ltd.	\$ 70,830	\$ 68,252	24.67	\$ 98,762	24.67
Han-Yu Venture Capital C., Ltd.	100,000	97,603	22.22	134,270	22.22
Spring City Resort Co., Ltd.	190,000	34,652	25.33	34,804	25.33
Phihong PWM Brasil Ltda.	8,258	-	60.00	-	60.00
First International Computer Do Brasil Ltda.	67,618	-	33.85	-	33.85
H&P Venture Capital Co., Ltd.	<u>150,000</u>	<u>147,356</u>	32.26	<u>-</u>	-
	<u>\$ 586,706</u>	<u>\$ 347,863</u>		<u>\$ 267,836</u>	

Long-term equity investment income (loss) for the three months ended March 31, 2012 and 2011 is summarized as follows:

	2012	2011
Hao-Xuan Venture Capital Co., Ltd.	\$ (110)	\$ 908
Han-Yu Venture Capital Co., Ltd.	(1,310)	4,571
Spring City Resort Co., Ltd.	3,945	2,910
H&P Venture Capital Co., Ltd.	<u>(174)</u>	<u>-</u>
	<u>\$ 2,351</u>	<u>\$ 8,389</u>

Long-term equity investments accounted for under the equity method for the three months ended March 31, 2012 and 2011 were based on unreviewed financial statements.

Hao-Xuan Venture Capital Co., Ltd. (Hao-Xuan) was incorporated in May 2004 to engage in investing activities. It decreased and returned its capital in the amount of \$99,846 thousand in 2011; accordingly, its paid-in capital was \$287,154 thousand as of March 31, 2012.

Han-Yu Venture Capital Co., Ltd. ("Han-Yu") was incorporated in June 2004 to engage in investments. Its paid-in capital was \$450,000 thousand as of March 31, 2012.

Ai-Hon Investment Co., Ltd. (“Ai-Hon”), which was invested by Phihong, was primarily engaged in investment business. Spring City Resort Co., Ltd. (“Spring City Resort”), which was a wholly-owned subsidiary of Ai-Hon, was founded in 1975 and is primarily engaged in hotel, restaurant and bathroom services. Spring City Resort merged with Ai-Hon on December 31, 2011, Spring City Resort is the surviving company and its paid-in capital was \$112,000 thousand as of that date.

Phihong’s investments in Brazil include 60% ownership interest of Phihong PWM Brasil Ltda. and 33.85% ownership interest of First International Computer Do Brasil Ltda. Additionally, Phihong PWM Brasil Ltda. also holds 21.15% ownership interest of First International Computer Do Brasil Ltda. The other 40% ownership interest of Phihong PWM Brasil Ltda. is held by the local management team. According to cooperation mode between the Company and the local management team and under Brazilian local laws, the Company has no controlling power over Phihong PWM Brasil Ltda. Because the recoverability of the investments in Phihong PWM Brasil Ltda. and First International Computer Do Brasil Ltda. is considered remote, the Company reduced the carrying value of both investments to zero.

H&P Venture Capital Investment Corp. was incorporated in May 2011. It primarily engages in investing activities. Its paid-in capital was \$465,000 thousand as of March 31, 2012.

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2012 and 2011 were as follows:

	2012			2011
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	\$ 255,182	\$ -	\$ 255,182	\$ 169,925
Buildings and improvements	2,471,861	764,031	1,707,830	1,792,236
Machinery and equipment	2,180,060	1,052,310	1,127,750	931,170
Transportation equipment	36,892	25,683	11,209	15,306
Furniture, fixtures and office equipment	279,142	222,733	56,409	71,103
Other equipment	260,002	149,549	110,453	74,525
Construction in progress and prepayments for purchase of land and equipment	<u>134,415</u>	<u>-</u>	<u>134,415</u>	<u>97,568</u>
	<u>\$ 5,617,554</u>	<u>\$ 2,214,306</u>	<u>\$ 3,403,248</u>	<u>\$ 3,151,833</u>

In March 2011, Phihong has purchased a parcel of land in the amount of \$85,136 in Yongkang Dist, Tainan City for factory.

As of March 31, 2012 and 2011, land and buildings and improvements of Phihong in the amount of \$279,682 thousand and \$288,460 thousand, respectively had been pledged to secure its bank loans. See Note 21 to the consolidated financial statements.

12. LONG-TERM DEBTS

Long-term debts as of March 31, 2012 and 2011 were as follows:

	2012	2011
Hua Nan Bank		
Middle-term secured loan. Repayable from December 29, 2011 to December 29, 2013; interest rate was 1.37% on March 31, 2012. Interest is paid monthly. Interest is paid monthly and principal is paid on December 29, 2013.	\$ 200,000	\$ -
Hua Nan Bank		
Middle-term secured loan. Repayable from September 30, 2010 to September 30, 2017; interest rate was 1.40% on March 31, 2011. Interest is paid monthly. The principal is due in monthly installments commencing from September 30, 2012. Principal was fully repaid in December 2011.	<u>-</u>	<u>200,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

For pledged properties and endorsements/guarantees, please see Notes 11, 20 and 21 to the consolidated financial statements.

13. OTHER PAYABLES

	2012	2011
Accrued expenses	\$ 695,748	\$ 772,401
Bonus payable	264,119	373,527
Salaries payable	156,452	152,593
Others	<u>60,224</u>	<u>32,594</u>
	<u>\$ 1,176,543</u>	<u>\$ 1,331,115</u>

14. CAPITAL STOCK

	<u>March 31</u>	
	2012	2011
Authorized capital		
Shares (in thousands)	<u>600,000</u>	<u>600,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Issued capital		
Shares (in thousands)	<u>276,882</u>	<u>274,748</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 2,768,819</u>	<u>\$ 2,747,479</u>

As of January 1, 2012 the Company's outstanding capital amounted to \$2,749,329. The employee stock warrant holders exercised 1,161 thousand common shares at an exercise price of \$20.5, and exercised 788 thousand common shares for advance collections for capital stock transferred to capital stock between January 1, 2012 to March 31, 2012. As of March 31, 2012, the Company's outstanding capital amounted to \$2,768,819 thousand; divided into 276,882 thousand common shares with a par value of NT\$10.

The Company's outstanding capital amounted to \$2,725,939 thousand on January 1, 2011. The employee stock warrant holders exercised 1,354 thousand shares at an exercise price of \$21.90, and exercised 800 thousand common shares for advance collections for capital stock transferred to capital stock, between January 1, 2011 to March 31, 2011. As of March 31, 2011, the Company's outstanding capital amounted to \$2,747,479 thousand; divided into 274,748 thousand common shares with a par value of NT\$10.

As the registration procedures were still in process, the amounts of \$636 thousand were recorded as "advance collections for capital stock" as of March 31, 2012.

15. EMPLOYEE STOCK OPTION PLANS

At the November 23, 2007 meeting, the Board of Directors of Phihong resolved to issue employee stock warrants in accordance with Securities and Exchange Law Article 28-3 within the quantity of 15,000 units. Each individual employee stock warrant is granted the right to purchase 1,000 new issued common shares. The exercise price is the closing price of the Phihong's common shares at the employee stock warrants' issuance date. The warrant holders can exercise the right up to half of the granted warrant units no earlier than two years from the granted date. After three years from the granted date, the warrants holders are eligible to exercise the right up to three-fourth of the granted warrant units. After four years from the granted date, the warrants holders are eligible to exercise all the warrants owned. The options granted are valid for six years and the warrant holders can not exercise the right after six years from the granted date. As of December 28, 2007, the Company issued stock warrants of 15,000 units at an exercise price of \$21.30 per share. The exercise price will be adjusted according to a calculation formula when there are stock and cash dividends and issuance of capital stock. As a result, the exercise price was 20.50 per share as of March 31, 2012.

Information about employee stock option plans was as follows:

	Three Months Ended March 31			
	2012		2011	
	Number of Exercisable Shares (Thousands)	Weighted- average Exercise Price (NT\$)	Number of Exercisable Shares (Thousands)	Weighted- average Exercise Price (NT\$)
Balance, beginning of period	6,867	\$20.50	9,194	\$21.90
Options exercised	<u>(1,192)*</u>	20.50	<u>(1,354)</u>	21.90
Balance, end of period	<u>5,675</u>	20.50	<u>7,840</u>	21.90
Options exercisable, end of period	<u>5,675</u>		<u>4,090</u>	
Weighted-average fair value of options granted (NT\$)	<u>10.40</u>		<u>\$ 10.40</u>	

* Included options exercised but not outstanding in the amounts of 31 thousand shares recognized as "Advance collections for capital stock".

Information about outstanding and exercisable options as of March 31, 2012 and 2011 was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Exercisable Shares (Thousands)	Weighted-average Remaining Life (Years)	Weighted-average Exercisable Price (NT\$)	Number of Exercisable Shares (Thousands)	Weighted-average Exercisable Price (NT\$)
<u>March 31, 2012</u>					
\$20.50	<u>5,675</u>	<u>1.75</u>	<u>\$ 20.50</u>	<u>5,675</u>	<u>\$ 20.50</u>
<u>March 31, 2011</u>					
\$21.90	<u>7,840</u>	<u>2.75</u>	<u>\$ 21.90</u>	<u>4,090</u>	<u>\$ 21.90</u>

Had the Company recognized the compensation cost under the fair value method using the Black-Scholes pricing model, the assumptions and pro forma results of the Company for the three months ended March 31, 2011 would have been as follows:

	2011
Assumptions	
Risk-free interest rate	2.41%
Expected life	6 years
Expected volatility	48.59%
Expected dividend yield	-
Net income	
As reported	\$ 459,118
Pro forma (attributed to shareholders of the parent company)	\$ 456,882
Basic after income tax earnings per share (NT\$)	
As reported (attributed to shareholders of the parent company)	\$1.67
Pro forma (attributed to shareholders of the parent company)	\$1.66

The fair value method using the black-scholes did not affect on the Company's consolidated financial statements for the three months ended March 31, 2012.

16. RETAINED EARNINGS

Under the Company Law of the ROC and Phihong's Articles of Incorporation, 10% of Phihong's annual earnings, net of tax and any deficit, should first be appropriated as legal reserve until such reserve equals to the amount of Phihong's capital, and then a special reserve should be appropriated as required by laws or domestic authorities.

Any remaining amount, unless to be retained partially by Phihong, should then be appropriated as follows:

- a. Not greater than 2% as remuneration to directors and supervisors;
- b. Not less than 10% as bonuses to employees; and
- c. Remainders as dividends, of which at least 10% should be cash dividends.

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from shares issued in excess of par may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term investments may not be used for any purpose.

For the three months ended March 31, 2012 and 2011, the bonus to employees was \$6,751 thousand and \$74,377 thousand, respectively, and the remuneration to directors and supervisors was \$750 thousand and \$8,264 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 20% of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

The appropriations of earnings for 2010 had been approved in the shareholders' meetings on June 15, 2011. The appropriations and dividends per share were as follows:

	For Year 2012	
	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 161,204	\$ -
Cash dividends	<u>1,057,779</u>	3.85
	<u>\$ 1,218,983</u>	

The stockholders' meeting approved the following appropriation of the 2010 earnings: \$1,057,779 thousand as cash dividends; \$267,167 thousand as employees' bonuses and \$23,000 thousand as remuneration to directors and supervisors. The approved amounts of the bonus to employees and the remuneration to directors and supervisors have no difference from the accrual amounts.

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

The appropriations of 2011 earnings had been proposed by the board of directors on March 22, 2012. The appropriations and dividends per share were as follows:

	For Year 2012	
	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 142,565	\$ -
Cash dividends	995,969	3.60

The bonus to employees and the remuneration to directors and supervisors for 2011 will be determined in the stockholders' meetings on June 19, 2012.

17. INCOME TAX

The income tax expense for the three months ended March 31, 2012 and 2010 was as follows:

	2012	2011
Income tax expense - current period	\$ 57,238	\$ 135,142
Adjustments to prior year's income tax expense	<u>188</u>	<u>(13,097)</u>
Income tax expense, net	<u>\$ 57,426</u>	<u>\$ 122,045</u>

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

The components of deferred tax asset (liability) as of March 31, 2012 and 2011 were as follows:

	2012	2011
Deferred tax asset (liability)		
Unrealized exchange losses	\$ 1,140	\$ 1,485
Unrealized inventory devaluation losses	9,070	9,070
Unrealized bad debt expense	13,920	8,430
Unrealized profit from intercompany transactions	15,460	64,414
Unrealized export trading losses	8,340	5,790
Unrealized pension expense	10,200	9,990
Long-term equity investments income	<u>(79,832)</u>	<u>(79,832)</u>
Deferred tax (liability) asset	(21,702)	19,347
Deferred tax asset - current	<u>(47,930)</u>	<u>(89,189)</u>
Deferred tax liability - noncurrent	<u>\$ (69,632)</u>	<u>\$ (69,842)</u>

Current income tax expense and income tax payable as of March 31, 2012 and 2011 were reconciled as follows:

	2012	2011
Income tax expense at statutory rate of 17%	\$ 45,059	\$ 125,353
Long-term equity investment loss recognized under the equity method	12,188	13,910
Gain on sale of investments	-	(4,050)
Others	<u>(9)</u>	<u>(71)</u>
Income tax expense	57,238	135,142
Provision (reversal) of deferred income tax assets		
Unrealized exchange losses	(207)	(12,780)
Unrealized bad-debt expenses	3,860	(2,900)
Unrealized gain on disposal of property, plant and equipment	-	(20)

(Continued)

	2012	2011
Unrealized profit from intercompany transactions	\$ (11,560)	\$ (11,281)
Unrealized pension expense	<u>30</u>	<u>120</u>
	49,361	108,281
Add prior year's income tax payable	187,672	288,840
Less current year's temporary tax payments and withholding income tax	<u>(7,262)</u>	<u>(7,172)</u>
Income tax payable as of March 31, 2012	<u>\$ 229,771</u>	<u>\$ 389,949</u> (Concluded)

The income tax returns examined and approved by the tax authorities were summarized as follows:

	Year
Pihong	2009
Guang-Lai	2009

Information on the integrated income tax system as of March 31, 2012 was as follows:

Balance of imputation credit account	<u>\$ 391,026</u>
Undistributed earnings generated until 1997	<u>\$ -</u>
Undistributed earnings generated since 1998	<u>\$ 1,870,034</u>
Expected imputation credit (IC) ratio for earnings distribution in 2012	<u>20.91%</u>
Actual IC ratio for earnings distribution in 2011	<u>20.48%</u>

In the balance of imputation credit account as of March 31, 2012, the income tax payable for 2011 had been taken into account.

18. EARNINGS PER SHARE

Earnings per share ("EPS") before and after income tax for the three months ended March 31, 2012 and 2011 were as follows:

	2012						
	Income Before Tax	Income After Tax	Income After Tax (Attributed to Parent's Shareholders)	Weighted Average Number of Common Shares (Outstanding in Thousands)	Income Before Tax	Income After Tax	Income After Tax (Attributed to Parent's Shareholders)
Basic earnings per share							
Net income attributed to holders of common shares	<u>\$ 94,331</u>	<u>\$ 36,905</u>	<u>\$ 41,672</u>	276,567	<u>\$ 0.34</u>	<u>\$ 0.13</u>	<u>\$ 0.15</u>
Effect of dilutive potential common shares							
Stock-based compensation				2,757			
Employee bonus				<u>161</u>			
Diluted earnings per share							
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	<u>\$ 94,331</u>	<u>\$ 36,905</u>	<u>\$ 41,672</u>	<u>279,485</u>	<u>\$ 0.34</u>	<u>\$ 0.13</u>	<u>\$ 0.15</u>

	2011						
	Income Before Tax	Income After Tax	Income After Tax (Attributed to Parent's Shareholders)	Weighted Average Number of Common Shares (Outstanding in Thousands)	Income Before Tax	Income After Tax	Income After Tax (Attributed to Parent's Shareholders)
Basic earnings per share							
Net income attributed to holders of common shares	<u>\$ 576,428</u>	<u>\$ 454,383</u>	<u>\$ 459,118</u>	274,438	<u>\$ 2.10</u>	<u>\$ 1.66</u>	<u>\$ 1.67</u>
Effect of dilutive potential common shares							
Stock-based compensation				4,451			
Employee bonus				<u>1,467</u>			
Diluted earnings per share							
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	<u>\$ 576,428</u>	<u>\$ 454,383</u>	<u>\$ 459,118</u>	<u>280,356</u>	<u>\$ 2.06</u>	<u>\$ 1.62</u>	<u>\$ 1.64</u>

Potential shares from bonus to employees which will be distributed in shares will be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employees by the closing price of the common shares on the balance sheet date. The dilutive effect of the potential shares should be considered until the shares of employee bonus are resolved in the shareholders' meeting in the following year.

19. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The fair values of nonderivative financial instruments as of March 31, 2012 and 2011 were summarized as follows:

Nonderivative Financial Instruments	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	\$ 2,206,937	\$ 2,206,937	\$ 2,160,030	\$ 2,160,030
Accounts receivable	1,668,370	1,668,370	1,898,267	1,898,267
Other financial assets, current	32,620	32,620	134,487	134,487
Available-for-sale financial assets, noncurrent	41,888	41,888	458,607	458,607
Financial assets carried at cost, noncurrent	93,254	-	164,723	-
Long-term equity investments	347,863	347,863	267,836	267,836
Refundable deposits	31,941	31,941	28,562	28,562
Liabilities				
Notes payable	-	-	15	15
Accounts payable	1,766,301	1,766,301	2,299,362	2,299,362
Accounts payable to related parties	18,382	18,382	35,075	35,075
Other payables	1,176,543	1,176,543	1,331,115	1,331,115
Long-term debts	200,000	200,000	200,000	200,000
Advance deposits received	956	956	932	932

Reporting of Derivative Instruments in the Financial Statements

Approaches and assumptions used to assess the fair value of financial instruments are summarized as follows:

- a. Fair values of current assets and liabilities, cash and cash equivalents, accounts receivable, other financial assets - current, refundable deposits, notes payable, accounts payable, accounts payable to related parties, other payable, advance deposits received, etc. are based on their carrying values because of their short maturities.
- b. Available-for-sale financial assets are determined using the market value in the open market or estimated by evaluation method according to the open information in the market.
- c. Fair values of long-term equity investments are estimated based on the net value of investees as of March 31, 2012 and 2011.
- d. Financial assets carried at cost are investments in unquoted shares, which have no quoted price in an active market and entail an unreasonably high cost to obtain verifiable fair value. Therefore, no fair value is presented.
- e. Fair values of long-term debts are determined using the present value of future cash flows discounted at interest rates for similar long-term debts.

The amounts of financial assets determined by market value in the open market or estimated by evaluation method as of March 31, 2012 and 2011 were summarized as follows:

	Market Value in the Open Market		By Valuation Method	
	2012	2011	2012	2011
Available for sale financial assets, noncurrent	\$ 41,888	\$ 458,607	\$ -	\$ -

For the three months ended March 31, 2011, the net foreign exchange gain on forward contracts was \$2,315 thousand, which was recorded as non-operating expenses and losses.

The information of financial risk was summarized as follows:

Market Risk

The Company is exposed to investing risk because it invests in the listed companies; therefore, the fair values of the stock are fluctuated due to changes in market price. One percentage decline in market rate will cause the fair value of financial instruments to decline by \$419 thousand.

Credit Risk

Financial instruments are evaluated for credit risk which represents the potential loss that would be incurred by the Company if the counterparties or third parties breached the contracts. The risk factors include centralization of credit, components, contract term, and accounts receivable. The Company requires significant clients to provide guarantees or other rights of guarantee to reduce credit risk of the Company effectively.

Liquidity Risk

The Company has the ability to meet its financial obligations; thus, liquidity risks virtually do not exist.

Cash Flow Interest Rate Risk

The Company's long-term borrowings had floating interest rate. Therefore, cash flows are expected to fluctuate due to changes in market interest rates. One percent increase in market rate will cause the Company to increase its cash-out by \$2,000 thousand.

Hedge of fair value, hedge of cash flow, and hedge of a net investment in a foreign operation: None.

20. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

<u>Related Party</u>	<u>Relationship with the Company</u>
Xu Sheng Technology Co., Ltd. ("Xu Sheng")	The chairman of Xu Sheng is a director of Pihong
Shine Tech Ltd.	Related party in substance
Peter Lin	Pihong's chairman

The Company's major transactions with the related parties were summarized as follows:

Cost of Sales - Purchases

Purchases from related parties for the three months ended March 31, 2012 and 2011 were summarized as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>Percentage to Total Purchases</u>	<u>Amount</u>	<u>Percentage to Total Purchases</u>
Shine Tech Ltd.	<u>\$ 18,448</u>	<u>1</u>	<u>\$ 35,026</u>	<u>1</u>

There is no significant difference between related parties and unrelated parties for purchase price.

Accounts Payable

Accounts payable due to related parties as of March 31, 2012 and 2011 were summarized as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Shine Tech Ltd.	\$ 18,380	1	\$ 35,046	2
Othrs	<u>2</u>	<u>-</u>	<u>29</u>	<u>-</u>
	<u>\$ 18,382</u>	<u>1</u>	<u>\$ 35,075</u>	<u>-</u>

Credit Guarantees

See Note 22 to the consolidated financial statements.

Related parties have guaranteed the payments of loans of Phihong as follows:

Related Party	Nature	2012	2011
Peter Lin	Long-term debts	<u>\$ 200,000</u>	<u>\$ 200,000</u>

21. PLEDGED PROPERTIES

As of March 31, 2012 and 2011, Phihong offered the property, plant and equipment in the amount of \$279,682 thousand and \$288,460 thousand as collateral for long term loan.

As of March 31, 2012 and 2011, the following assets of PHA, had been pledged to secure PHA's bank loans:

	2012	2011
Accounts receivable	\$ 440,632	\$ 910,156
Inventory	403,435	950,424
Time deposits (under other financial assets - current)	<u>-</u>	<u>29,480</u>
	<u>\$ 844,067</u>	<u>\$ 1,890,060</u>

22. COMMITMENTS AND CONTINGENCIES

Loan Guarantees

As of March 31, 2012, the Company had guaranteed the US\$6,000 thousand loan of Phihong USA Corp. and American Ballast Corp.

23. OTHERS

As of March 31, 2012 and 2011, significant foreign currency financial assets and liabilities were as follows:

	2012			2011		
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>						
Monetary items						
JPY	\$ 224,461	0.3573	\$ 80,806	\$ 172,807	0.3575	\$ 62,211
RMB	60,648	4.6963	285,046	56,678	4.4949	254,484
USD	83,091	29.5550	2,456,170	129,062	29.4800	3,804,748
HKD	5,603	3.8068	21,347	4,700	3.7826	17,766
EUR	3	39.4200	113	1	41.5200	59
Available-for-sale financial assets						
SGD	-	-	-	19,641	23.3500	458,617

(Continued)

	2012			2011		
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)
<u>Financial liabilities</u>						
Monetary items						
RMB	\$ 63,936	4.6963	\$ 300,499	\$ 109,916	4.4949	\$ 493,523
JPY	45,673	0.3573	16,442	27,811	0.3575	10,012
USD	61,323	29.5550	1,812,708	88,048	29.4800	2,595,655
HKD	5,342	3.8068	20,353	22,585	3.7826	85,371
AUD	5	30.6900	143	1	30.3900	37
						(Concluded)

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

24. OPERATING SEGMENTS

The Company's power supply segment is the only one reportable segment. The power supply segment mainly engages in the manufacturing and selling of AC/DC power adapters, charger bases, and power supply modules for computers. The Company'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 Company 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 2.

The Company's operating segment information was as follows:

a.

	Segment Revenues		Segment Profit	
	Three Months Ended March 31		Three Months Ended March 31	
	2012	2011	2012	2011
Power supply	\$ 2,457,852	\$ 3,554,020	\$ 165,307	\$ 675,476
Others	191,721	182,048	(48,558)	(153,021)
Income from continuing operations	<u>\$ 2,649,573</u>	<u>\$ 3,736,068</u>	116,749	522,455
Unappropriated amounts				
Selling expense			-	-
General and administrative expenses			-	-
Consolidated operating income			116,749	522,455
Interest income			4,481	2,160
Investment income recognized under equity method			2,351	8,389
Gain on disposal of property, plant and equipment			(1,516)	(2,075)
Gain on disposal of investment			-	23,828
Foreign exchange gains (losses), net			(57,538)	7,400
Interest expense			(1,058)	(931)
Other income			34,031	18,989
Other expenses			(3,169)	(3,787)
Income before income tax			<u>\$ 94,331</u>	<u>\$ 576,428</u>

b. Segment assets and liabilities

	2012	2011
Operating segment assets	\$ 1,561,504	\$ 1,794,142
Other assets	<u>8,743,167</u>	<u>9,404,676</u>
	<u>\$ 10,304,671</u>	<u>\$ 11,198,818</u>
Operating segment liabilities	\$ 1,670,367	\$ 2,206,386
Other liabilities	<u>1,951,681</u>	<u>2,249,738</u>
	<u>\$ 3,622,048</u>	<u>\$ 4,456,124</u>