

Phihong Technology Co., Ltd.

Standalone Financial Statements  
and Independent Auditors' Report  
Years Ended December 31, 2020 and 2019

## **Independent Auditors' Report**

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

### **Opinion**

We have audited the accompanying financial statements of Phihong Technology Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Company's consolidated financial statements as of and for the year ended December 31, 2020 is as follows.

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

Description of the key audit matter:

Due to the impact of the uncertain trade relation between the US and China on the Company's sales from the telecom brand operation, we identified the accuracy of the sales revenue from the telecom brand operation as a key audit matter. Refer to Note 4 to the accompanying consolidated financial statements for the related disclosures.

Corresponding audit procedures

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 5, 2021

Notice to Readers

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

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

Phihong Technology Co., Ltd.  
Standalone Balance Sheets  
December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
<b>Current assets</b>					
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 1,109,016	13	\$ 1,074,221	14
1150	Notes receivable (Notes 4 and 8)	-	-	2,022	-
1170	Accounts receivable (Notes 4 and 8)	834,166	10	535,126	7
1180	Accounts receivable - related parties (Notes 4, 8 and 25)	356,686	4	95,031	1
1200	Other receivables	12,847	-	28,472	-
1210	Other receivables - related parties (Note 25)	571,224	6	562,052	7
130X	Inventories (Notes 4 and 9)	52,363	1	38,353	1
1479	Other current assets	43,780	-	22,255	-
11XX	Total current assets	<u>2,980,082</u>	<u>34</u>	<u>2,357,532</u>	<u>30</u>
<b>Non-current assets</b>					
1520	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	63,671	1	49,513	1
1540	Financial assets at amortized cost - non-current (Notes 4, 6 and 26)	37,100	-	27,100	-
1550	Investments accounted for using equity method (Notes 4 and 10)	4,813,797	55	4,734,023	59
1600	Property, plant, and equipment (Notes 4 and 11)	671,666	8	731,883	9
1755	Right-of-use assets (Notes 4 and 12)	6,987	-	1,619	-
1780	Other intangible assets (Notes 4 and 13)	12,361	-	17,691	-
1840	Deferred income tax assets (Notes 4 and 20)	57,043	1	53,325	1
1990	Other non-current assets	104,097	1	17,095	-
15XX	Total non-current assets	<u>5,766,722</u>	<u>66</u>	<u>5,632,249</u>	<u>70</u>
1XXX	Total assets	<u>\$ 8,746,804</u>	<u>100</u>	<u>\$ 7,989,781</u>	<u>100</u>
<b>Liabilities and Equity</b>					
<b>Current liabilities</b>					
2100	Short-term borrowings (Note 14)	\$ 256,320	3	\$ -	-
2170	Accounts payable	11,780	-	11,016	-
2180	Accounts payable - related parties (Note 25)	1,198	-	539	-
2219	Other payables (Notes 16 and 25)	1,857,037	22	1,358,177	17
2230	Current income tax liabilities (Notes 4 and 20)	-	-	11,145	-
2280	Lease liabilities - current (Notes 4 and 12)	3,632	-	572	-
2320	Current portion of long-term borrowings (Notes 14 and 15)	1,064,620	12	-	-
2399	Other current liabilities	85,494	1	59,881	1
21XX	Total current liabilities	<u>3,280,081</u>	<u>38</u>	<u>1,441,330</u>	<u>18</u>
<b>Non-current liabilities</b>					
2530	Bonds payable (Note 15)	-	-	999,405	12
2540	Long-term borrowings (Note 14)	303,944	3	295,739	4
2570	Deferred income tax liabilities (Notes 4 and 20)	67,820	1	79,832	1
2580	Lease liabilities - non-current (Notes 4 and 12)	3,388	-	1,056	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 17)	94,068	1	102,226	1
2670	Other non-current liabilities (Notes 4 and 10)	243,713	3	146,520	2
25XX	Total non-current liabilities	<u>712,933</u>	<u>8</u>	<u>1,624,778</u>	<u>20</u>
2XXX	Total liabilities	<u>3,993,014</u>	<u>46</u>	<u>3,066,108</u>	<u>38</u>
<b>Equity (Notes 4 and 18)</b>					
3110	Ordinary shares	3,376,884	38	3,376,884	42
3200	Capital surplus	1,044,017	12	1,044,017	13
<b>Retained earnings</b>					
3310	Legal reserve	767,660	9	808,806	10
3320	Special reserve	230,859	3	230,859	3
3350	Accumulated losses	(154,744)	(2)	(41,146)	-
3300	Total retained earnings	<u>843,775</u>	<u>10</u>	<u>998,519</u>	<u>13</u>
<b>Other equity</b>					
3410	Exchange differences on translation of the financial statements of foreign operations	(448,879)	(5)	(416,186)	(5)
3422	Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income	(62,007)	(1)	(79,561)	(1)
3400	Total other equity	<u>(510,886)</u>	<u>(6)</u>	<u>(495,747)</u>	<u>(6)</u>
3XXX	Total equity	<u>4,753,790</u>	<u>54</u>	<u>4,923,673</u>	<u>62</u>
Total liabilities and equity		<u>\$ 8,746,804</u>	<u>100</u>	<u>\$ 7,989,781</u>	<u>100</u>

The notes attached are part of the Standalone Financial Statements.

Phihong Technology Co., Ltd.  
Standalone Statements of Comprehensive Income  
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars, Except Loss Per Share

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Notes 4 and 25)	\$ 6,805,700	100	\$ 7,032,682	100
5000	Operating cost (Notes 4 9, and 25)	<u>6,025,528</u>	<u>88</u>	<u>6,216,102</u>	<u>88</u>
5900	Gross profit	780,172	12	816,580	12
5920	(Unrealized) realized gain on transactions with subsidiaries and associates (Note 4)	( <u>37,645</u> )	( <u>1</u> )	<u>7,373</u>	<u>-</u>
5950	Gross profit and realized gain form subsidiaries and associates	<u>742,527</u>	<u>11</u>	<u>823,953</u>	<u>12</u>
	Operating expenses				
6100	Sales and marketing expenses	245,997	4	220,881	3
6200	General and administrative expenses	172,571	2	190,757	3
6300	Research and development expenses	453,762	7	469,538	7
6450	Expected credit loss recognized (reversed)	<u>947</u>	<u>-</u>	( <u>585</u> )	<u>-</u>
6000	Total operating expenses	<u>873,277</u>	<u>13</u>	<u>880,591</u>	<u>13</u>
6900	Loss from operations	( <u>130,750</u> )	( <u>2</u> )	( <u>56,638</u> )	( <u>1</u> )
	Non-operating income and expenses				
7100	Interest income (Note 19)	7,813	-	27,684	-
7010	Other income (Note 19)	201,738	3	53,646	1
7020	Other gains and losses (Note 19)	( 41,773 )	( 1 )	( 17,370 )	-
7050	Finance costs (Note 19)	( 21,459 )	-	( 22,300 )	-
7070	Share of profit or loss of equity-accounted subsidiaries and associates (Notes 4 and 10)	( <u>201,237</u> )	( <u>3</u> )	( <u>29,694</u> )	( <u>1</u> )
7000	Total non-operating income and expenses	( <u>54,918</u> )	( <u>1</u> )	<u>11,966</u>	<u>-</u>

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Code		2020		2019	
		Amount	%	Amount	%
7900	Net loss before income tax	( \$ 185,668 )	( 3 )	( \$ 44,672 )	( 1 )
7950	Income tax benefit (Notes 4 and 20)	<u>31,074</u>	<u>1</u>	<u>6,536</u>	<u>-</u>
8200	Net loss for the year	( <u>154,594</u> )	( <u>2</u> )	( <u>38,136</u> )	( <u>1</u> )
	Other comprehensive income(loss)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 17)	( 188 )	-	( 3,762 )	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income or loss (Note 18)	( 3,842 )	-	( 595 )	-
8320	Share of other comprehensive income of equity-accounted subsidiaries and associates (Note 18)	21,396	-	15,300	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	38	-	752	-
8360	Items that will may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations (Note 18)	( <u>32,693</u> )	<u>-</u>	( <u>150,579</u> )	( <u>2</u> )
8300	Total other comprehensive loss	( <u>15,289</u> )	<u>-</u>	( <u>138,884</u> )	( <u>2</u> )
8500	Total comprehensive loss for the year	( <u><u>169,883</u></u> )	( <u><u>2</u></u> )	( <u><u>177,020</u></u> )	( <u><u>3</u></u> )
	Loss per share (Note 21)				
9710	Basic	( <u><u>0.46</u></u> )		( <u><u>0.11</u></u> )	

The notes attached are part of the Standalone Financial Statements.



Phihong Technology Co., Ltd.  
Standalone Statements of Changes in Equity  
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code		Ordinary shares	Capital surplus	Retained earnings			Other equity		Total Equity
				Legal reserve	Special reserve	Accumulated losses	Exchange differences on translation of the financial statements of foreign operations	Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income	
A1	Balance as of January 1, 2019	\$ 3,376,884	\$ 1,044,017	\$ 1,113,185	\$ 230,859	(\$ 304,379)	(\$ 265,607)	(\$ 94,266)	\$ 5,100,693
B13	Legal reserve used to offset deficits	-	-	( 304,379 )	-	304,379	-	-	-
D1	Net loss for the year ended December 31, 2019	-	-	-	-	( 38,136 )	-	-	( 38,136 )
D3	Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	( 3,010 )	( 150,579 )	14,705	( 138,884 )
D5	Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	( 41,146 )	( 150,579 )	14,705	( 177,020 )
Z1	Balance as of December 31, 2019	3,376,884	1,044,017	808,806	230,859	( 41,146 )	( 416,186 )	( 79,561 )	4,923,673
B13	Legal reserve used to offset deficits	-	-	( 41,146 )	-	41,146	-	-	-
D1	Net loss for the year ended December 31, 2020	-	-	-	-	( 154,594 )	-	-	( 154,594 )
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	( 150 )	( 32,693 )	17,554	( 15,289 )
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	( 154,744 )	( 32,693 )	17,554	( 169,883 )
Z1	Balance as of December 31, 2020	<u>\$ 3,376,884</u>	<u>\$ 1,044,017</u>	<u>\$ 767,660</u>	<u>\$ 230,859</u>	<u>( \$ 154,744 )</u>	<u>( \$ 448,879 )</u>	<u>( \$ 62,007 )</u>	<u>\$ 4,753,790</u>

The notes attached are part of the Standalone Financial Statements.

Phihong Technology Co., Ltd.  
Standalone Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A10000	Net loss before income tax	( \$ 185,668 )	( \$ 44,672 )
A20010	Adjustments for:		
A20100	Depreciation expenses	81,047	83,675
A20200	Amortization expenses	7,403	11,263
A20300	Expected credit loss recognized (reversed)	947	( 585 )
A20900	Finance costs	21,459	22,300
A21200	Interest income	( 7,813 )	( 27,684 )
A21300	Dividend income	-	( 500 )
A22300	Share of loss of subsidiaries and associates	201,237	29,694
A22500	Gain on disposal of property, plant and equipment	( 206 )	-
A23700	Losses on inventory valuation loss and obsolescence	2,556	5,931
A23900	Unrealized (realized) gain on transactions with subsidiaries	37,645	( 7,373 )
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	2,022	( 2,022 )
A31150	Accounts receivable	( 299,987 )	325,390
A31160	Accounts receivable - related parties	( 261,655 )	134,783
A31180	Other receivables	15,626	6,485
A31190	Other receivables - related parties	( 9,172 )	( 342,002 )
A31200	Inventories	( 16,566 )	61,608
A31240	Other current assets	( 21,499 )	72,158
A32150	Accounts payable	764	( 456 )
A32160	Accounts payable - related parties	659	244
A32180	Other payables	499,669	( 379,798 )
A32230	Other current liabilities	25,613	( 40,606 )
A32240	Net defined benefit liability	( 8,346 )	( 552 )
A33000	Cash generated from (used in) operating activities	85,735	( 92,719 )
A33100	Interest received	7,812	34,573
A33300	Interest paid	( 18,834 )	( 20,548 )
A33500	Income tax returned (paid)	1,276	( 7,157 )
AAAA	Net cash generated from (used in) operating activities	<u>75,989</u>	<u>( 85,851 )</u>

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Code		2020	2019
	Cash flows from investing activities		
B00010	Purchase of financial assets at fair value through other comprehensive income	( \$ 18,000 )	( \$ 20,586 )
B00040	Purchase of financial assets measured at amortized cost	( 10,000 )	-
B00050	Proceeds from financial assets measured at amortized cost	-	199,463
B01800	Net cash outflow on acquisition of subsidiaries	( 298,726 )	( 308,467 )
B02400	Return of capital from investments accounted for using equity method	63,868	8,402
B02700	Payments for property, plant and equipment	( 11,067 )	( 52,144 )
B02800	Proceeds from disposal of property, plant and equipment	586	-
B04500	Payments for intangible assets	( 2,073 )	( 8,845 )
B03700	Increase in refundable deposits	( 785 )	( 1,048 )
B07100	Increase in prepayments for equipment	( 7,578 )	( 22,118 )
B07300	Increase in prepayments for land	( 84,075 )	-
B07600	Dividends received	<u>2,097</u>	<u>20,246</u>
BBBB	Net cash used in from investing activities	<u>( 365,753 )</u>	<u>( 185,097 )</u>
	Cash flows from financing activities		
C00100	Proceeds from Short-term borrowings	256,320	-
C01600	Proceeds from Long-term borrowings	566,040	1,624,500
C01700	Repayments of long-term borrowings	( 495,000 )	( 1,510,000 )
C03000	Increase in guarantee deposits received	-	40
C04020	Repayment of the principle portion of lease liabilities	<u>( 2,801 )</u>	<u>( 3,232 )</u>
CCCC	Net cash generated from financing activities	<u>324,559</u>	<u>111,308</u>
EEEE	Net increase (decrease) in cash and cash equivalents	34,795	( 159,640 )
E00100	Cash and cash equivalents at the beginning of the year	<u>1,074,221</u>	<u>1,233,861</u>
E00200	Cash and cash equivalents at the end of the period	<u>\$ 1,109,016</u>	<u>\$ 1,074,221</u>

The notes attached are part of the Standalone Financial Statements.

Phihong Technology Co., Ltd.  
Notes to Standalone Financial Statements  
For the Years Ended December 31, 2020 and 2019  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

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

In February 2000, the Company 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; instead, its stocks began to be traded on the Taiwan Stock Exchange.

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

2. Date and Procedure for Approval of Financial Statements

The standalone financial statements were approved by the Company’s board of directors on March 5, 2021.

3. Application of Newly Issued and Amended Standards and Interpretations

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

Except for the following, the application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the Company’s accounting policies:

Amendments to IAS 1 and IAS 8 “Definition of Materiality”

The Company adopted the amendments on January 1, 2020. The threshold for materiality was amended to be “can be reasonably expected to influence users”, and the disclosures in the standalone financial statements were adjusted by removing immaterial information which may obscure material information.

(2) IFRSs endorsed by FSC that are applicable from 2021 onwards

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IFRS 4 “Deferral of Effective Date of IFRS 9”	Effective immediately upon promulgation
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective for the annual reporting periods beginning on or after January 1, 2021
Amendments to IFRS 16 “COVID-19-Related Rent Concessions”	Effective for the annual reporting periods beginning on or after June 1, 2020

(3) IFRSs issued by IASB but not yet endorsed by the FSC

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2018-2020	January 1, 2022 (Note 2)
Amendment to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
IFRS17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless otherwise specified, each of the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after each said date.

Note 2: The amendment to IFRS 9 applies prospectively to modifications of terms of or exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoption of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendment applies to business combination with the acquisition date in the annual reporting periods beginning on or after January 1, 2022.

Note 4: The amendment applies to property, plant and equipment that are in line with the location and condition necessary for them to be capable of operating in the manner expected by the management on or after January 1, 2021.

Note 5: The amendment applies to the contracts with the obligations not fully fulfilled as of January 1, 2022.

As of the date the standalone financial statements were approved for release, the Company is continuously assessing the possible impact of the application of other standards and interpretations on its financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### 4. Summary of Significant Accounting Policies

##### (1) Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### (2) Basis of preparation

The standalone financial statements have been prepared on the historical cost basis in addition to the financial instruments measured at fair value.

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.

When preparing the standalone financial statements, the Company adopted the equity method to account for its investments in subsidiaries and associates. In order to enable the amounts of the net profit for the year, other comprehensive income for the year, and total equity in the standalone financial statements to be the same as the ones attributable to the owners of the Company in its consolidated financial statements, regarding the differences arising from accounting treatments between the parent company only basis and the consolidation basis, adjustments were made to the investments accounted for using the equity method, the share of profit or loss of equity-accounted subsidiaries and associates, the share of other comprehensive income of equity-accounted subsidiaries and associates, as well as relevant equity items, as appropriate, in the standalone financial statements.

(3) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the release of the financial statements); and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

(4) Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When preparing the standalone financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates that operate in countries or adopt the functional currencies different from the Company) are translated into New Taiwan dollar. Income and expense items are translated at the average exchange rates for the period. The resulting currency exchange differences are recognized in other comprehensive income.

(5) Inventories

Inventories consist of raw materials, supplies, finished goods and work in process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

(6) Investment in subsidiaries

The Company adopts the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of its subsidiaries. In addition, changes in the Company's other equity of its subsidiaries are recognized based on its ownership percentage.

Changes in the Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of an investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary exceeds its equity in said subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term equity that, in substance, forms part of the Company's net investment in said subsidiary), the Company continues recognizing its share of further losses.

When the Company assesses the impairment, it considers the cash-generating unit as a whole in the financial statements and compares its recoverable amount with the carrying amount. If the recoverable amount of an asset increases subsequently, the reversal of the impairment loss shall be recognized in gains, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount of the asset less amortization without impairment loss recognized.



When the Company loses control over a subsidiary, it measures its remaining investment in said subsidiary based on the fair value on the day when control is lost. The fair value of the remaining investment and the difference between any disposal price and the carrying amount of the investment on the day when control is lost are recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income related to said subsidiary are accounted for on the same basis as the one adopted for the Company's direct disposal of the relevant assets or liabilities.

The unrealized profit or loss on downstream transactions between the Company and its subsidiaries are eliminated in the standalone financial statements. Profit or loss on downstream and lateral transactions between the Company and its subsidiaries is recognized in the standalone financial statements only to the extent that it does not affect the Company's interests in the subsidiaries.

(7) Investments in associates

An associate is an entity on which the Company has significant influence and is not a subsidiary.

The Company adopts the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates based on the percentage of ownership.

When the Company's share of losses on an associate equals or exceeds its interest in the associate (including any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of said associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized only to the extent that the recoverable amount of the investment subsequently increases.

When an entity transacts with its associate, profits and losses resulting from the transactions with the associate is recognized in the Company's financial statements only to the extent of interests in the associate of parties that are not related to the Company.

(8) Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(9) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized using straight-line method over the useful lives. The Company conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

When derecognizing intangible assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in loss or profit.

(10) Impairment of property, plant, and equipment as well as right-of-use and intangible assets

The Company assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets on each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is a sign that the assets may be impaired.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit and loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or cash-generating unit, which was not recognized as impairment loss in prior years. The impairment loss reversed is recognized in profit or loss.

(11) Financial instruments

Financial assets and financial liabilities shall be recognized in the standalone balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement categories

Financial assets held by the Company are those measured at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

A. Financial assets at amortized cost

When the Company's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets at amortized cost:

- a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable at amortized cost, trade receivables at amortized cost, other receivables, refundable deposits and other financial assets, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

#### B. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when The Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(2) Impairment of financial assets

The Company assesses the impairment loss of financial assets at amortized cost (including accounts receivable) based on the expected credit loss on each balance sheet date.

Accounts receivable are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Company, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

- A. Internal or external information indicates that it is impossible for the debtor to settle the debt.
- B. It is overdue for more than 180 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

The Company recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(3) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized at the proceeds received, net of the cost of direct issue.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is recognized in profit or loss.

3. Financial liabilities

All of the Company's financial liabilities are at amortized cost in the effective interest method. The Company derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(12) Provision

The amount recognized in provision is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The warranty obligations of the Company under the sales contract are based on the management's best estimate of the expenditure required to settle the Company's obligations, and are recognized when the relevant products are recognized in revenue.

(13) Revenue recognition

After the Company identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

Revenue from sale of goods

Revenue from the sale of goods comes from sales of power supply modules and other relevant products. When the power supply modules and other relevant products are delivered to the location designated by customers, customers have the right to determine the price and the way the products are used while bearing the main responsibility for resale and the risk of obsolescence; thus, revenue and account receivable are recognized concurrently.

(14) Leasing

At the inception of a contract, the Company assesses whether the contract is (or contains) a lease.

1. The Company as lessor

Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

2. The Company as lessee

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

A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the standalone balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, in-substance fixed payments, and variable lease payments which depend on an index or a rate). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the index or rate used to determine the lease payment over the lease term lead to changes in future lease payments, the Company 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 has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the standalone balance sheets.

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

(15) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of said assets, until such time as the assets are substantially ready for their intended use or sale.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(16) Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods, in which the Company recognizes as expenses the relevant costs for which the grants are intended to compensate.



If government grants are used to compensate expenses or losses incurred, or are given to the Company for the purpose of immediate financial support without relevant future costs, they can be recognized in profit or loss in the period, during which the Company can receive said grants.

(17) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized as expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service cost (including the service cost for the current period) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

(18) Income tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current income tax

A surtax is imposed on the undistributed earnings pursuant to the Income Tax Act of the Republic of China (R.O.C.) is recognized via the resolution at the annual shareholders' meeting.

Adjustments to income tax payable from prior years are recognized in the current income tax.

## 2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carryforwards, research and development expenditure.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

## 3. Current and deferred income tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are recognized in other comprehensive income or directly in equity, respectively.

5. Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty

In the application of the Company’s accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

The Company takes into account the economic impact of the COVID-19 pandemic in its critical accounting estimates, and the management will constantly review the estimates and basic assumptions. If an amendment to estimates only affects the current period, it shall be recognized in the period of said amendment; if an amendment to accounting estimates affects the current year and future periods, it shall be recognized in the period of said amendment and future periods.

6. Cash and Cash Equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 949	\$ 911
Checking accounts and demand deposits	<u>1,108,067</u>	<u>1,073,310</u>
	<u>\$ 1,109,016</u>	<u>\$ 1,074,221</u>

As of December 31, 2020 and 2019, bank balance in the amount of 37,100 thousand and \$27,100 thousand had been pledged to secured domestic bonds and syndicated loans, and reclassified to “financial assets at amortized cost - non-current”. Refer to Note 26.

The market rate range of demand deposit at the balance sheet date is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Demand deposit	0.001%~0.20%	0.001%~1.90%

7. Financial Assets at Fair Value Through Other Comprehensive Income

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Investments in equity instruments at FVTOCI		
Domestic unlisted equity	<u>\$ 63,671</u>	<u>\$ 49,513</u>

The Company invested in the above-mentioned unlisted equity for medium to long-term strategic purposes, and expected to make profits in a long term. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believed that recognizing the short-term fair value fluctuations of such investments in profit and loss would be inconsistent with the aforementioned long-term investment strategy.

8. Notes Receivable and Accounts Receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ -	\$ 2,022
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>-</u>	<u>2,022</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	835,427	535,440
Less: Allowance for impairment loss	( <u>1,261</u> )	( <u>314</u> )
	<u>834,166</u>	<u>535,126</u>
<u>Accounts receivable - related parties</u>		
At amortized cost		
Gross carrying amount	356,686	95,031
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>356,686</u>	<u>95,031</u>
	<u>\$ 1,190,852</u>	<u>\$ 630,157</u>

The average credit period of sales of goods was 60 to 90 days. No interest was accrued for accounts receivable. The Company 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 Company continuously monitored its credit exposure and counterparties' credit ratings and spread the aggregate value of transactions among customers with qualified credit ratings, while appointing dedicated staff to review and approve counterparties' credit limits on an annual basis to control the credit exposure.

The Company recognized the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The ECLs on accounts receivable were estimated using a provision matrix with reference to customers' past default records, current financial position, and other forward-looking information. Based on the Company's history of credit losses, as there was no significant difference in the loss patterns among different customer groups, the customer groups were not further differentiated in the provision matrix, and only the ECLs rate was set based on the number of days for which accounts receivable was past due.

When there was information indicating that the counterparty was in severe financial difficulty and the Company could not reasonably expect the amount to be recovered, the Company would write off relevant accounts receivable and continued to collect the receivable due. The receivable recovered was recognized in profit or loss.

The following table details the loss allowance for accounts receivable based on the Company's provision matrix:

December 31, 2020

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
ECLs rate	0.02%	0.32~2.63%	-	-	17.44~100%	
Gross carrying amount	\$ 1,122,253	\$ 66,536	\$ -	\$ -	\$ 3,324	\$ 1,192,113
Loss allowance (lifetime ECLs)	( <u>190</u> )	( <u>247</u> )	<u>-</u>	<u>-</u>	( <u>824</u> )	( <u>1,261</u> )
Amortized cost	<u>\$ 1,122,063</u>	<u>\$ 66,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 1,190,852</u>

December 31, 2019

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
ECLs rate	0.03%	0.35~2.87%	-	-	-	
Gross carrying amount	\$ 606,196	\$ 24,275	\$ -	\$ -	\$ -	\$ 630,471
Loss allowance (lifetime ECLs)	( <u>143</u> )	( <u>171</u> )	<u>-</u>	<u>-</u>	<u>-</u>	( <u>314</u> )
Amortized cost	<u>\$ 606,053</u>	<u>\$ 24,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630,157</u>

The aging analysis above is based on the number of days overdue.

The movements of the loss allowance of accounts receivable are as follows:

	<u>2020</u>	<u>2019</u>
Balance as of January 1,	\$ 314	\$ 899
Add: Allowance for impairment loss (reversed)	<u>947</u>	( <u>585</u> )
Balance as of December 31,	<u>\$ 1,261</u>	<u>\$ 314</u>

9. Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ 9,668	\$ 1,638
Work in process	70	129
Finished goods	<u>42,625</u>	<u>36,586</u>
	<u>\$ 52,363</u>	<u>\$ 38,353</u>

The costs of sales related to inventories in 2020 and 2019 were \$6,025,528 thousand and \$6,216,102 thousand, respectively. The costs of sales in 2020 and 2019, including the inventory valuation losses recognized by writing down the cost of inventories to the net realizable value, were \$2,556 thousand and \$5,931 thousand, respectively.

10. Investments Accounted for Using Equity Method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investment in subsidiaries	\$ 4,792,604	\$ 4,703,855
Investments in associates	<u>21,193</u>	<u>30,168</u>
	<u>\$ 4,813,797</u>	<u>\$ 4,734,023</u>

(1) Investment in subsidiaries

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Phihong International Corp.	\$ 3,134,524	\$ 3,137,404
Phitek International Co., Ltd.	( 243,673 )	( 146,480 )
Ascent Alliance Ltd.	69,397	90,833
Phihong USA Corp.	923,714	991,061
Phihong Technology Japan Co., Ltd.	82,082	146,020
Phihong Vietnam Co., Ltd.	442,085	212,114
Guang-Lai Investment Co., Ltd.	<u>140,802</u>	<u>126,423</u>
	4,548,931	4,557,375
Add: Reclassified to other non-current liabilities	<u>243,673</u>	<u>146,480</u>
	<u>\$ 4,792,604</u>	<u>\$ 4,703,855</u>

<u>Subsidiary</u>	<u>Percentage of Ownership and Voting Rights</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Phihong International Corp.	100.00%	100.00%
Phitek International Co., Ltd.	100.00%	100.00%
Ascent Alliance Ltd.	100.00%	100.00%
Phihong USA Corp.	100.00%	100.00%
Phihong Technology Japan Co., Ltd.	100.00%	100.00%
Phihong Vietnam Co., Ltd.	100.00%	100.00%
Guang-Lai Investment Co., Ltd.	100.00%	100.00%

As of December 31, 2020 and 2019, the Company's accumulated losses on the investments in Phitek International Co., Ltd. recognized had exceeded the original investment amount, resulting credit balance of \$243,673 thousand and \$146,480 thousand in the long-term equity investments, respectively, which have been reclassified in "Other non-current liabilities".

The Company established the subsidiary Phihong Vietnam Co., Ltd. in Vietnam in 2019 with a registered capital of US\$50,000 and 100% ownership. In order to meet the Group's capital needs, it was planned to inject capital in stages based on the investment progress. As of December 31, 2020, the Company's capital injected amounted to \$607,193 thousand (US\$20,000 thousand).

In December 2019, the board of directors of the Company approved a capital reduction in the subsidiary Phihong Technology Japan Co., Ltd. in Japan in the amount of \$54,302 thousand (or JPY200,000 thousand). Said capital reduction had been completed in January 2020; thus, its paid-in capital was in the amount of \$41,153 thousand (JPY150,000 thousand).

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries' financial statements audited by auditors for the same years.

(2) Investments in associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associates that are not individually material	<u>\$ 21,193</u>	<u>\$ 30,168</u>
<u>Aggregate information of associates that are not individually material:</u>		
	<u>2020</u>	<u>2019</u>
The Company's share of:		
Net profit (loss) for the year	<u>\$ 2,689</u>	<u>( \$ 2,673 )</u>
Total comprehensive income (loss)	<u>\$ 2,689</u>	<u>( \$ 2,673 )</u>

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

11. Property, plant and equipment

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>Cost</u>						
Balance as of January 1, 2020	\$ 185,202	\$ 625,762	\$ 196,151	\$ 417,579	\$ -	\$ 1,424,694
Additions	-	333	5,449	4,025	277	10,084
Disposals	-	-	( 28,985 )	( 21,555 )	-	( 50,540 )
Reclassification	-	-	-	8,648	( 277 )	8,371
Balance as of December 31, 2020	<u>\$ 185,202</u>	<u>\$ 626,095</u>	<u>\$ 172,615</u>	<u>\$ 408,697</u>	<u>\$ -</u>	<u>\$ 1,392,609</u>
<u>Accumulated depreciation</u>						
Balance as of January 1, 2020	\$ -	\$ 225,841	\$ 145,240	\$ 321,730	\$ -	\$ 692,811
Disposals	-	-	( 28,959 )	( 21,201 )	-	( 50,160 )
Depreciation expenses	-	21,500	15,889	40,903	-	78,292
Balance as of December 31, 2020	<u>\$ -</u>	<u>\$ 247,341</u>	<u>\$ 132,170</u>	<u>\$ 341,432</u>	<u>\$ -</u>	<u>\$ 720,943</u>
Net amount as of December 31, 2020	<u>\$ 185,202</u>	<u>\$ 378,754</u>	<u>\$ 40,445</u>	<u>\$ 67,265</u>	<u>\$ -</u>	<u>\$ 671,666</u>
<u>Cost</u>						
Balance as of January 1, 2019	\$ 185,202	\$ 622,774	\$ 163,044	\$ 392,986	\$ -	\$ 1,364,006
Additions	-	804	15,910	33,865	2,184	52,763
Disposals	-	-	( 3,385 )	( 11,034 )	-	( 14,419 )
Reclassification	-	2,184	20,582	1,762	( 2,184 )	22,344
Balance as of December 31, 2019	<u>\$ 185,202</u>	<u>\$ 625,762</u>	<u>\$ 196,151</u>	<u>\$ 417,579</u>	<u>\$ -</u>	<u>\$ 1,424,694</u>
<u>Accumulated depreciation</u>						
Balance as of January 1, 2019	\$ -	\$ 204,488	\$ 133,531	\$ 288,740	\$ -	\$ 626,759
Disposals	-	-	( 3,385 )	( 11,034 )	-	( 14,419 )
Depreciation expenses	-	21,353	15,094	44,024	-	80,471
Balance as of December 31, 2019	<u>\$ -</u>	<u>\$ 225,841</u>	<u>\$ 145,240</u>	<u>\$ 321,730</u>	<u>\$ -</u>	<u>\$ 692,811</u>
Net amount as of December 31, 2019	<u>\$ 185,202</u>	<u>\$ 399,921</u>	<u>\$ 50,911</u>	<u>\$ 95,849</u>	<u>\$ -</u>	<u>\$ 731,883</u>

The Company's property, plant and equipment above are depreciated on a straight-line basis based on the estimated useful life below:

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

The Company's property, plant and equipment pledged as collateral for long-term borrowings are set out in Note 26.

12. Lease Agreements

(1) Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Carrying amount</u>		
Land	\$ 2,963	\$ 158
Transportation equipment	3,233	1,461
Other equipment	<u>791</u>	<u>-</u>
	<u>\$ 6,987</u>	<u>\$ 1,619</u>
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ 8,123</u>	<u>\$ -</u>
<u>Depreciation expenses of right-of-use assets</u>		
Land	\$ 1,880	\$ 1,894
Transportation equipment	480	1,310
Other equipment	<u>395</u>	<u>-</u>
	<u>\$ 2,755</u>	<u>\$ 3,204</u>

(2) Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Carrying amount</u>		
Current	<u>\$ 3,632</u>	<u>\$ 572</u>
Non-current	<u>\$ 3,388</u>	<u>\$ 1,056</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Range of discount rate for lease liabilities:</u>		
Current	1.155%~1.9872%	1.200%
Non-current	1.155%~1.9872%	1.155%



(3) Material lease-in activities and terms

The Company has leased land for parking over the lease terms of 2~3 years. Upon the termination of the lease term, the Company does not have preferential rights to acquire the land leased, and it is agreed that the Company shall not sublease or transfer all or part of the underlying asset leased without the consent of the lessor.

The Company has also leased transportation and other equipment for operations as well as product manufacturing and R&D over lease terms of 2 to 5 years. These agreements do not contain renewal or purchase options upon the expiration of the lease terms.

(4) Other lease information

	<u>2020</u>	<u>2019</u>
Short-term lease expenses	\$ <u>2,931</u>	\$ <u>2,078</u>
Total cash (outflow) from leases	( \$ <u>5,732</u> )	( \$ <u>5,310</u> )

The Company has elected to apply the recognition exemption for staff dormitory, office equipment, and transportation equipment, and, thus, did not recognize said leases in right-of-use assets and lease liabilities.

For the years ended December 31, 2020 and 2019, short-term lease expenses also include leases for which the lease terms ended on or before December 31, 2020 and 2019, and for which the recognition exemption applied.

13. Other Intangible Assets

	<u>Computer software</u>
<u>Cost</u>	
Balance as of January 1, 2020	\$ 80,606
Additions	<u>2,073</u>
Balance as of December 31, 2020	<u>\$ 82,679</u>
 <u>Accumulated amortization</u>	
Balance as of January 1, 2020	\$ 62,915
Amortization expenses	<u>7,403</u>
Balance as of December 31, 2020	<u>\$ 70,318</u>
 Net amount as of December 31, 2020	 <u>\$ 12,361</u>
 <u>Cost</u>	
Balance as of January 1, 2019	\$ 89,200
Additions	8,845
Reclassification	3,615
Disposals	( <u>21,054</u> )
Balance as of December 31, 2019	<u>\$ 80,606</u>
 <u>Accumulated amortization</u>	
Balance as of January 1, 2019	\$ 72,706
Amortization expenses	11,263
Disposals	( <u>21,054</u> )
Balance as of December 31, 2019	<u>\$ 62,915</u>
 Net amount as of December 31, 2019	 <u>\$ 17,691</u>

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

14. Borrowings

Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Unsecured borrowings</u>		
Bank borrowings	\$ 170,880	\$ -
<u>Secured borrowings</u>		
Bank borrowings	<u>85,440</u>	<u>-</u>
	<u>\$ 256,320</u>	<u>\$ -</u>

Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings</u>		
Bank borrowings	\$ 371,040	\$ 300,000
Less: Discount	( 2,359 )	( 4,261 )
Current portions	<u>( 64,737 )</u>	<u>-</u>
	<u>\$ 303,944</u>	<u>\$ 295,739</u>

- (1) As of December 31, 2020, the Company had short-term bank borrowings with the contract term from December 7, 2020 to February 9, 2021. As of December 31, 2020, the effective interest rate was 0.95% per annum, with the interest paid monthly .
- (2) The Company had long-term bank borrowings for the years ended December 31, 2020 and 2019 with the contract term from August 22, 2019 to September 10, 2023 and from August 22, 2019 to July 30, 2022, respectively. As of December 31, 2020 and 2019, the effective interest rate was from 1.2740% to 1.9872% and 2.1862%, respectively, per annum, with the interest paid monthly.
- (3) On April 30, 2019, the Company signed a 3-year syndicated loan agreement with seven participating banks led by the Taiwan Shin Kong Commercial Bank and co-led by the Yuanta Commercial Bank and the Hua Nan Commercial Bank. The credit line of the loan amounted to NT\$1 billion, including NT\$450 million for credit line A and NT\$550 million for credit line B. As such, the parent company should be able to support the investment plan for the establishment of a factory for the subsidiary Phihong Vietnam Co., Ltd. in Vietnam and to enrich the Group's working capital. Under the loan agreements with the Taiwan Shin Kong Commercial Bank, the Company should maintain the following financial ratios during the loan term, which are based on the annual and semi-annual consolidated financial statements audited by CPAs on a semi-annual basis:
  - (1) Ratio of current assets to current liabilities shall not be less than 100%.
  - (2) Ratio of total liabilities to tangible net worth shall not be more than 150%.
  - (3) Ratio of net income before tax, plus depreciation, amortization, and interest expenses to interest expenses shall be maintained at 200% or more.
  - (4) Tangible net worth (net worth less intangible assets) shall not be not less than NT\$4.5 billion.

For information on collateral and joint guarantee for the borrowings above, refer to Notes 25 and 26.

15. Bonds Payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Secured domestic bonds	\$ 999,883	\$ 999,405
Less: Current portions	( <u>999,883</u> )	<u>-</u>
	<u>\$ -</u>	<u>\$ 999,405</u>

Secured domestic corporate bonds

On April 1, 2016, the Company issued 100 units of a 5-year NTD-denominated secured common bond, with a par value of NT\$10,000 thousand per unit and a coupon rate of 0.95%. The principal is in the amount of NT\$1,000,000 thousand.

For information on collateral and joint guarantee for the secured domestic bond, refer to Notes 25 and 26.

16. Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salary and bonus payable	\$ 92,205	\$ 100,041
Compensated absences payable	27,693	23,628
Material purchased payable	1,569,113	953,171
Other payables - related parties (Note 25)	70,283	50,958
Others	<u>97,743</u>	<u>230,379</u>
	<u>\$ 1,857,037</u>	<u>\$ 1,358,177</u>

17. Post-employment Benefit Plans

(1) Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

(2) Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is the defined benefit plan under the management of the government (R.O.C.). Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes an amount, which equals to 2% to 15% of each employee's total monthly salary and wage, which is deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contribute an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment management strategy.

The amounts included in the standalone balance sheets in respect of the Company's defined benefit plan are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 139,331	\$ 138,071
Fair value of plan assets	( <u>45,263</u> )	( <u>35,845</u> )
Net defined benefit liability	<u>\$ 94,068</u>	<u>\$ 102,226</u>

Movements in net defined benefit liability (asset) are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability (asset)</u>
Balance as of January 1, 2020	\$ 138,071	( \$ 35,845 )	\$ 102,226
Service cost			
Current service cost	305	-	305
Interest expense (income)	<u>1,035</u>	( <u>274</u> )	<u>761</u>
Recognized in profit or loss	<u>1,340</u>	( <u>274</u> )	<u>1,066</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 1,315 )	( 1,315 )
Actuarial (gain) loss - changes in demographic assumptions	90	-	90
Actuarial (gain) loss - changes in financial assumptions	3,848	-	3,848
Actuarial (gain) loss - experience adjustments	( <u>2,435</u> )	<u>-</u>	( <u>2,435</u> )
Recognized in other comprehensive income	<u>1,503</u>	( <u>1,315</u> )	<u>188</u>
Contributions from the employer	-	( 9,412 )	( 9,412 )
Benefits paid	( <u>1,583</u> )	<u>1,583</u>	<u>-</u>
Balance as of December 31, 2020	<u>\$ 139,331</u>	( <u>\$ 45,263</u> )	<u>\$ 94,068</u>

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance as of January 1, 2019	\$ 137,254	( \$ 38,238 )	\$ 99,016
Service cost			
Current service cost	276	-	276
Interest expense (income)	<u>1,544</u>	( <u>441</u> )	<u>1,103</u>
Recognized in profit or loss	<u>1,820</u>	( <u>441</u> )	<u>1,379</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 1,368 )	( 1,368 )
Actuarial (gain) loss - changes in demographic assumptions	732	-	732
Actuarial (gain) loss - changes in financial assumptions	5,884	-	5,884
Actuarial (gain) loss - experience adjustments	( <u>1,486</u> )	<u>-</u>	( <u>1,486</u> )
Recognized in other comprehensive income	<u>5,130</u>	( <u>1,368</u> )	<u>3,762</u>
Contributions from the employer	-	( 1,931 )	( 1,931 )
Benefits paid	( <u>6,133</u> )	<u>6,133</u>	<u>-</u>
Balance as of December 31, 2019	<u>\$ 138,071</u>	( <u>\$ 35,845</u> )	<u>\$ 102,226</u>

Due to the pension plans under the Labor Standards Act, the Company is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the Company's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
2. Interest risk: A decrease in the interest rate will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect the net defined benefit liability .
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.500%	0.750%
Expected salary increase rate	3.5%	3.5%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
0.25% increase	( \$ 3,848 )	( \$ 3,966 )
0.25% decrease	<u>\$ 4,007</u>	<u>\$ 4,133</u>
Expected salary increase rate		
0.25% increase	<u>\$ 3,827</u>	<u>\$ 3,958</u>
0.25% decrease	( <u>\$ 3,698</u> )	( <u>\$ 3,821</u> )

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected contributions to the plan for the following year	<u>\$ 13,200</u>	<u>\$ 1,860</u>
The average duration of the defined benefit obligation	11.2 years	11.7 years

18. Equity

(1) Share capital

Ordinary shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Number of authorized shares (in thousands)	<u>600,000</u>	<u>600,000</u>
Authorized capital stock	<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>
Share capital issued	<u>\$ 3,376,884</u>	<u>\$ 3,376,884</u>

The ordinary shares issued, with a par value of \$10 per share, are entitled to one voting right per share and to the right to receive dividends.

(2) Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<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
Conversion of bonds	667,058	667,058
Treasury share transactions	48,234	48,234
Interest payable on bond conversion	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>\$ 1,044,017</u>	<u>\$ 1,044,017</u>

The capital surplus arising from shares issued in excess of the par value (including share premium from issuance of common shares, conversion of corporate 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; however, when it is transferred to share capital, it is limited to a certain percentage of the Company's paid-in capital.

(3) Retained earnings and dividend policy

Under the earnings distribution policy as set forth in the Company's Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, setting aside 10% of the remaining profit as legal reserve, 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 adopted by the Company's board of directors as the basis for proposing a distribution plan, which shall be resolved at the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration to directors and supervisors as set forth in the Company's Articles of Incorporation, refer to "Employees' compensation and remuneration to directors and supervisors" in Note 19-7.

Appropriation of earnings to legal reserve shall be made until the legal reserve reaches the total of the Company's paid-in capital. The legal reserve may be used to offset deficits. 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 share capital or distributed in cash.

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

The shareholders' meetings approved a deficit compensation proposal and resolved to offset the deficit in the amount of \$41,146 thousand from the legal reserve on June 10, 2020.



(4) Special reserve

Upon the first-time adoption of IFRSs, the Company transferred unrealized revaluation increments and cumulative translation adjustment to its retained earnings, in the amounts of \$10,968 thousand and \$250,296 thousand, respectively. The increase in retained earnings arising from the first-time adoption of IFRSs was insufficient for appropriation; therefore, the Company appropriated the increase in retained earnings arising from the transition to IFRSs to the special reserve in the amount of \$230,859 thousand.

(5) Other Equity

1. Exchange differences on translation of the financial statements of foreign operations

	<u>2020</u>	<u>2019</u>
Balance as of January 1	( \$ 416,186 )	( \$ 265,607 )
Exchange differences on translation of the net assets of foreign operations	( <u>32,693</u> )	( <u>150,579</u> )
Balance as of December 31	( <u>\$ 448,879</u> )	( <u>\$ 416,186</u> )

2. Unrealized Valuation Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income

	<u>2020</u>	<u>2019</u>
Balance as of January 1	( \$ 79,561 )	( \$ 94,266 )
Recognized for the year		
Unrealized gain or loss in equity instruments at fair value through other comprehensive income	( 3,842 )	( 595 )
Share of equity-accounted subsidiaries	<u>21,396</u>	<u>15,300</u>
Balance as of December 31	( <u>\$ 62,007</u> )	( <u>\$ 79,561</u> )

19. Net Profit from Continuing Operations

(1) Interest income

	<u>2020</u>	<u>2019</u>
Bank deposits	\$ 5,665	\$ 18,353
Others	<u>2,148</u>	<u>9,331</u>
	<u>\$ 7,813</u>	<u>\$ 27,684</u>

(2) Other income

	<u>2020</u>	<u>2019</u>
Government grant income (Note 22)	\$ 84,855	\$ -
Dividends	-	500
Others	<u>116,883</u>	<u>53,146</u>
	<u>\$ 201,738</u>	<u>\$ 53,646</u>

(3) Other gains and (losses)

	<u>2020</u>	<u>2019</u>
Net foreign currency exchange losses	( \$ 41,669 )	( \$ 16,250 )
Gain on disposal of property, plant and equipment	206	-
Others	<u>( 310 )</u>	<u>( 1,120 )</u>
	<u>( \$ 41,773 )</u>	<u>( \$ 17,370 )</u>

(4) Depreciation and amortization

	<u>2020</u>	<u>2019</u>
Property, plant and equipment	\$ 78,292	\$ 80,471
Right-of-use assets	2,755	3,204
Computer software	<u>7,403</u>	<u>11,263</u>
	<u>\$ 88,450</u>	<u>\$ 94,938</u>
Depreciation by function		
Operating costs	\$ 2,480	\$ 2,629
Operating expenses	<u>78,567</u>	<u>81,046</u>
	<u>\$ 81,047</u>	<u>\$ 83,675</u>
Amortization by function		
Operating expenses	<u>\$ 7,403</u>	<u>\$ 11,263</u>

(5) Financial cost

	<u>2020</u>	<u>2019</u>
Interest on bank borrowings	\$ 11,411	\$ 12,287
Interest on bonds payable	9,978	9,976
Interest on lease liabilities	<u>70</u>	<u>37</u>
	<u>\$ 21,459</u>	<u>\$ 22,300</u>

(6) Employee benefits expense

	2020	2019
Short-term employee benefits	\$ 498,263	\$ 502,550
Post-employment benefits (Note 17)		
Defined contribution plan	21,613	21,546
Defined benefit plan	1,066	1,379
Total employee benefits expense	\$ 520,942	\$ 525,475
An analysis of employee benefits expense by function		
Operating costs	\$ 39,398	\$ 39,958
Operating expenses	481,544	485,517
	\$ 520,942	\$ 525,475

Nature \ Function	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Salaries	\$ 32,469	\$ 401,288	\$ 433,757	\$ 32,933	\$ 402,975	\$ 435,908
Labor and health insurance premiums	3,219	36,709	39,928	3,023	35,531	38,554
Pension expenses	1,697	20,982	22,679	1,771	21,154	22,925
Remuneration to directors	-	1,283	1,283	-	2,872	2,872
Others	2,013	21,282	23,295	2,231	22,985	25,216
Total employee benefits expense	\$ 39,398	\$ 481,544	\$ 520,942	\$ 39,958	\$ 485,517	\$ 525,475

As of December 31, 2020 and 2019, the Company had 491 and 486 employees, respectively, and the number of directors who did not serve as employees concurrently were 10 and 9, respectively.

As of December 31, 2020 and 2019, the average employee benefits expense was \$1,080 thousand and \$1,096 thousand, respectively, and the average employee salary expense was \$902 thousand and \$914 thousand, respectively. The average adjustment of employee salary expense decreased by 1%.

Based on performance evaluation, the Company provides employees with salaries and remuneration that are not lower than the standards in the industry and market .

(7) Employees' compensation and remuneration to directors

The Company distributed employees' compensation and remuneration to directors at the rates of no less than 10% and no higher than 2% of the net profit before tax for the year, respectively. For the years ended December 31, 2020 and 2019, due to operating loss, the Company did not appropriate an amount for employees' compensation and remuneration to directors.

If there is a change in the proposed amounts after the annual standalone financial statements were approved for release, the differences will be recorded as a change in the accounting estimate and accounted for in the next year.

Information on the employees' compensation and remuneration to directors resolved by the Company's board of directors for 2020 and 2019 is available on the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

(8) Foreign currency exchange gains and losses

	<u>2020</u>	<u>2019</u>
Foreign currency exchange gains	\$ 9,407	\$ 5,428
Foreign currency exchange losses	( <u>51,076</u> )	( <u>21,678</u> )
Net loss	( <u>\$ 41,669</u> )	( <u>\$ 16,250</u> )

20. Income Tax of Continuing Operations

(1) Income tax recognized in profit or loss

Major components of income tax benefit are as follows:

	<u>2020</u>	<u>2019</u>
Current income tax		
Recognized in prior years	( \$ 15,382 )	\$ -
Deferred income tax		
Recognized in the year	( <u>15,692</u> )	( <u>6,536</u> )
Income tax benefit recognized in profit or loss	( <u>\$ 31,074</u> )	( <u>\$ 6,536</u> )

A reconciliation of accounting profit and income tax benefit is as follows:

	<u>2020</u>	<u>2019</u>
Net loss before income tax	( <u>\$ 185,688</u> )	( <u>\$ 44,672</u> )
Net loss before income tax expense at statutory tax rate	\$ -	\$ -
Income tax expenses of prior years adjusted to the current year	( <u>15,382</u> )	-
Current income tax	( 15,382 )	-
Deferred income tax		
Temporary differences	( <u>15,692</u> )	( <u>6,536</u> )
Income tax benefit recognized in profit or loss	( <u>\$ 31,074</u> )	( <u>\$ 6,536</u> )

(2) Income tax recognized in other comprehensive income

	<u>2020</u>	<u>2019</u>
<u>Deferred income tax</u>		
Recognized in the year		
Actuarial gains and losses on defined benefit plan	( \$ <u>38</u> )	( \$ <u>752</u> )
Income tax recognized in other comprehensive income	( \$ <u>38</u> )	( \$ <u>752</u> )

(3) Current income tax liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current income tax liabilities		
Income tax payable	\$ <u>-</u>	\$ <u>11,145</u>

(4) Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

2020

	<u>Balance, Beginning of year</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Balance, Ending of year</u>
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized inventory valuation losses	\$ 3,310	\$ 510	\$ -	\$ 3,820
Unrealized bad debt losses	1,770	( 1,770 )	-	-
Unrealized gross profit	8,850	7,530	-	16,380
Unrealized pension expenses	12,520	1,670	-	14,190
Unrealized loss carryforwards	5,196	-	-	5,196
Others	<u>21,679</u>	<u>( 4,260 )</u>	<u>38</u>	<u>17,457</u>
	<u>\$ 53,325</u>	<u>\$ 3,680</u>	<u>\$ 38</u>	<u>\$ 57,043</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Unrealized gain on investments	\$ 79,832	( \$ 12,012 )	\$ -	\$ 67,820

2019

	Balance, Beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, Ending of year
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized inventory valuation losses	\$ 2,120	\$ 1,190	\$ -	\$ 3,310
Unrealized bad debt losses	1,770	-	-	1,770
Unrealized gross profit	10,330	( 1,480 )	-	8,850
Unrealized pension expenses	12,410	110	-	12,520
Unrealized loss carryforwards	-	5,196	-	5,196
Others	<u>19,407</u>	<u>1,520</u>	<u>752</u>	<u>21,679</u>
	<u>\$ 46,037</u>	<u>\$ 6,536</u>	<u>\$ 752</u>	<u>\$ 53,325</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Unrealized gain on investments	<u>\$ 79,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,832</u>

- (5) Unused loss carryforwards in income tax assets that were not recognized in the standalone balance sheets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Loss carryforwards	<u>\$ 114,381</u>	<u>\$ 115,196</u>

- (6) Income tax assessments

The Company's profit-seeking enterprise business income tax filings have been certified by the tax authorities up till 2018.

21. Loss per share

	Unit: \$ Per share	
	<u>2020</u>	<u>2019</u>
Basic loss per share	( <u>\$ 0.46</u> )	( <u>\$ 0.11</u> )

The loss per share and the weighted average number of ordinary shares used in the computation of loss per share are as follows:

Net loss for the year

	<u>2020</u>	<u>2019</u>
Net loss used in the computation of basic loss per share	( <u>\$ 154,594</u> )	( <u>\$ 38,136</u> )

Ordinary Shares Outstanding

	Unit: Thousand shares	
	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares used in the computation of basic loss per share	<u>337,688</u>	<u>337,688</u>

22. Government grants

The Company's salary and working capital subsidy application was approved by the Industrial Development Bureau, Ministry of Economic Affairs (MOEA) in 2020, and it was estimated that a total of \$84,855 thousand for the subsidy would be obtained and accounted for in "Other income". As of December 31, 2020, an amount of NT\$76,216 thousand had been received, and the remaining NT\$8,639 thousand was accounted for in "Other receivables". Please refer to Notes 19 and 30.

23. Capital Risk Management

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

The capital structure of the Company consists of its net debt (borrowings less cash and cash equivalents) and equity (comprising share capital, reserves, retained earnings, and other equity).

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

24. Financial instruments

- (1) Fair value—financial instruments at fair value on a recurring basis

Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets at FVTOCI</u>				
Investment in equity instruments				
Domestic unlisted equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,671</u>	<u>\$ 63,671</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets at FVTOCI</u>				
Investment in equity instruments				
Domestic unlisted equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,513</u>	<u>\$ 49,513</u>

There were no transfers between Level 1 and Level 2 fair value in 2020 and 2019.

(2) Types of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 2,938,919	\$ 2,341,119
<u>Financial Assets at FVTOCI</u>		
Investment in equity instruments	63,671	49,513
<u>Financial liabilities</u>		
At amortized cost (Note 2)	3,494,939	2,664,916

Note 1: The balances included financial assets at amortized cost, comprising cash and cash equivalents, notes receivable, account receivables, account receivables - related parties, other receivables, other receivables - related parties, and refundable deposits.

Note 2: The balances included financial liabilities at amortized cost, comprising short-term borrowings, account payables, account payables to related parties, other payables, bonds payable, long-term borrowings, and guarantee deposits received.

(3) Financial risk management objective and policy

The Company's major financial instruments included cash and cash equivalents, financial assets at amortized cost, equity instrument investments, notes receivable, account receivables, account receivables - related parties, other receivables, other receivables - related parties, guarantee deposits paid (received), short-term borrowings, account payables, account payables - related parties, other payables, long-term borrowings, bonds payable, and lease liabilities. The Company's financial management entity provides services to various business units, coordinates operations in domestic and international financial markets, as well as monitors and manages financial risks related to the operations of the Company through internal risk reports that analyze risk exposure based on the degree and magnitude of risks. Such risks include market risk, credit risk, and liquidity risk.

1. Market risk

The main financial risks for the Company's operating activities are the risk of changes in foreign currency exchange rates (see (1) below) and the risk of changes in interest rates (see (2) below).

(1) Foreign currency risk

The Company are engaged in sale and purchase transactions denominated in foreign currencies, which has caused the Company to be exposed to the risk of exchange rate fluctuations. After assessment, the positions of the Company's foreign currency assets and liabilities were not exposed to significant exchange rate risks, and it did not adopt additional hedging measures. Therefore, no relevant hedging accounting treatment applied.



For the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies at the balance sheet date, please refer to Note 29.

Sensitivity analysis

The Company was mainly affected by the fluctuations in the exchange rates of USD and CNY.

The following table details the Company's sensitivity analysis when the New Taiwan dollar (functional currency) increases and decreases by 1% against each relevant foreign currency. The sensitivity analysis only included monetary items in foreign currencies in circulation, and were adjusted by 1% in the exchange rates for the year-end translation. The positive numbers in the table below indicate the amount by which the net income before tax will be reduced when the New Taiwan dollar appreciates by 1% against the relevant currencies; when the New Taiwan dollar depreciates by 1% against the relevant foreign currencies, the net income before tax will be the negative number of the same amount.

	<u>2020</u>	<u>2019</u>
USD	\$ 8,187	\$ 3,553
CNY	12	19

(2) Interest rate risk

The Company's interest rate risk was mainly from long-term and short-term borrowings, corporate bonds payable, and lease liabilities at both fixed and floating interest rates, which exposed the Company to fair value and cash flow interest rate risks.

The carrying amounts of the Company's financial assets and liabilities with exposure to the interest rate risk at the balance sheet date were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value interest rate risk		
-Financial liabilities	\$ 1,177,783	\$ 1,001,033
Cash flow interest rate risk		
-Financial liabilities	454,121	295,739

2. Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Company. At the balance sheet date, the Company's maximum exposure to credit risk, which might cause financial losses due to a counterparty's failure to perform its obligations and the Company's provision of financial guarantees, approximated the carrying amounts of the financial assets recognized in the standalone balance sheet.

The Company 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 Company continuously monitored its credit exposure and counterparties' credit ratings and spread the aggregate value of transactions among customers with qualified credit ratings, while appointing dedicated staff to review and approve counterparties' credit limits on an annual basis to control the credit exposure.

As for the accounts receivable, many customers in different industries and geographic regions were involved. The Company continuously evaluated the financial position of the customers involved in the accounts receivable and would also purchase credit guarantee insurance policy when necessary.

3. Liquidity risk

The Company managed and maintained sufficient cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The management of the Company monitored the use of the bank financing facilities and ensured compliance with the terms of the borrowing terms.

Bank borrowings were an important source of liquidity for the Company. As of December 31, 2020 and 2019, for the Company's unutilized credit facilities, please refer to (2) below for description of financing facilities.

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

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Company might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period, regardless of the probability of exercise of the right by banks. The maturity analysis of other non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

December 31, 2020

	Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest- bearing liabilities	\$ 1,870,015	\$ -	\$ -	\$ 1,870,015
Lease liabilities	3,632	3,388	-	7,020
Floating interest rate instruments	150,177	303,944	-	454,121
Fixed interest rate instruments	<u>1,170,763</u>	<u>-</u>	<u>-</u>	<u>1,170,763</u>
	<u>\$ 3,194,587</u>	<u>\$ 307,332</u>	<u>\$ -</u>	<u>\$ 3,501,919</u>

Additional information about the maturity analysis of lease liabilities:

	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>
Lease liabilities	<u>\$ 3,632</u>	<u>\$ 3,388</u>

December 31, 2019

	<u>Less than 1 Year</u>	<u>1 to 3 Years</u>	<u>Over 3 Years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>				
Non-interest- bearing liabilities	\$ 1,369,732	\$ -	\$ -	\$ 1,369,732
Lease liabilities	572	1,056	-	1,628
Floating interest rate instruments	-	295,739	-	295,739
Fixed interest rate instruments	-	999,405	-	999,405
	<u>\$ 1,370,304</u>	<u>\$ 1,296,200</u>	<u>\$ -</u>	<u>\$ 2,666,504</u>

Additional information about the maturity analysis of lease liabilities:

	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>
Lease liabilities	<u>\$ 572</u>	<u>\$ 1,056</u>

(2) Financing facilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank facilities		
Drawdown amount	\$ 170,880	\$ -
Undrawn amount	<u>-</u>	<u>180,120</u>
	<u>\$ 170,880</u>	<u>\$ 180,120</u>
Secured bank facilities		
Drawdown amount	\$ 456,480	\$ 300,000
Undrawn amount	<u>2,883,710</u>	<u>2,572,315</u>
	<u>\$ 3,340,190</u>	<u>\$ 2,872,315</u>

25. Related-party Transactions

(1) The Company's related parties and relationship

<u>Related party</u>	<u>Relationship with the Company</u>
Phihong USA Corp. (PHA)	Subsidiaries
Phihong International Corp. (PHI)	Subsidiaries
Phihong Technology Japan Co., Ltd. (PHJ)	Subsidiaries
Phihong Vietnam Co., Ltd. (PHV)	Subsidiaries
Phihong (Dongguan) Electronics Co., Ltd. (PHC)	Subsidiaries
Dongguan Phitek Electronics Co., Ltd. (PHP)	Subsidiaries
Phihong Electronics (Suzhou) Co., Ltd. (PHZ)	Subsidiaries
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (PHE)	Subsidiaries
Dongguan Shuang-Ying Electronics Co., Ltd. (PHSY)	Subsidiaries
Yanghong Trade (Shanghai) Co., Ltd. (Yanghong Trade)	Subsidiaries
Peter Lin	Chairman of Phihong
Spring City Resort Co., Ltd.	Associates
Yao Yu Design Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties

(2) Operating revenue

<u>Category of related parties</u>	<u>2020</u>	<u>2019</u>
Subsidiaries		
PHA	\$ 2,989,208	\$ 2,832,510
Others	<u>176,883</u>	<u>384,105</u>
	<u>\$ 3,166,091</u>	<u>\$ 3,216,615</u>

The prices of finished goods sold by the Company to related parties were determined by the product type, cost, market price, market competition, etc., while based on mutual agreement.

(3) Purchase of goods

<u>Category of related parties</u>	<u>2020</u>	<u>2019</u>
Subsidiaries		
PHC	\$ 5,226,352	\$ 6,071,375
PHV	725,800	38,661
Others	<u>55,521</u>	<u>24,981</u>
	<u>\$ 6,007,673</u>	<u>\$ 6,135,017</u>

The prices of purchases made by the Company from related parties were determined by the product type, cost, market price, market competition, etc., and showed no significant differences with non-related parties.

## (4) Receivables from related parties

Category of related parties	December 31, 2020	December 31, 2019
Subsidiaries		
PHA	\$ 325,929	\$ 81,811
PHJ	30,667	12,263
Others	<u>90</u>	<u>957</u>
	<u>\$ 356,686</u>	<u>\$ 95,031</u>

## (5) Payables to related parties

Category of related parties	December 31, 2020	December 31, 2019
Subsidiaries		
PHSY	\$ <u>225</u>	\$ <u>18</u>
Other related parties		
Heng Hui Co., Ltd.	941	516
Hua Jung Co., Ltd.	<u>32</u>	<u>5</u>
	<u>973</u>	<u>521</u>
	<u>\$ 1,198</u>	<u>\$ 539</u>

## (6) Other receivables - related parties

Category of related parties	December 31, 2020	December 31, 2019
Subsidiaries		
PHV	\$ 246,244	\$ 322,427
PHC	241,122	86,188
PHP	80,647	118,035
PHA	3,190	35,384
Others	<u>21</u>	<u>17</u>
	<u>571,224</u>	<u>562,051</u>
Other related parties	<u>-</u>	<u>1</u>
	<u>\$ 571,224</u>	<u>\$ 562,052</u>

The above-mentioned other receivables from related parties are mainly loans to related parties and receivables from related parties for purchasing materials on their behalf.

(7) Other payables - related parties

<u>Category of related parties</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries		
PHE	\$ 6,004	\$ 750
PHSY	53	2,902
PHJ	<u>-</u>	<u>210</u>
	<u>6,057</u>	<u>3,862</u>
Other related parties		
Heng Hui Co., Ltd.	60,885	46,942
Others	<u>3,341</u>	<u>154</u>
	<u>64,226</u>	<u>47,096</u>
	<u>\$ 70,283</u>	<u>\$ 50,958</u>

The above-mentioned other payables to related parties are payables to related parties for purchasing materials on the Company's behalf.

(8) Endorsements and guarantees

Endorsements/Guarantees Provided to Company

<u>Category of related parties</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries		
PHA		
Amount endorsed	<u>\$ 142,400</u>	<u>\$ 150,100</u>
Amount utilized	<u>\$ -</u>	<u>\$ -</u>

(9) Compensation to key management personnel

The amounts of the remuneration to directors and other key members of the management are as follows:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 25,838	\$ 27,201
Post-employment benefits	<u>432</u>	<u>432</u>
	<u>\$ 26,270</u>	<u>\$ 27,633</u>

The remuneration to directors and key members of the management was determined by the Remuneration Committee based on individual performance and market trends.

(10) Other transactions with related parties

The Company's chairman served as the joint guarantor for the Company's bonds payable and short- and long-term borrowings. As of December 31, 2020 and 2019, the amounts of the borrowings were \$1,454,004 thousand and \$1,295,144 thousand, respectively.

26. Assets Pledged as Collateral

The Company's assets below have been provided as contractual performance bonds and collateral for bank borrowings and domestic secured bonds:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets measured at amortized cost - non-current (Note 6)	\$ 37,100	\$ 27,100
Land	185,202	185,202
Buildings	<u>378,754</u>	<u>399,921</u>
	<u>\$ 601,056</u>	<u>\$ 612,223</u>

27. Material Contingent Liabilities and Unrecognized Contractual Commitments

Unrecognized contractual commitments of the Company are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Acquisition of property, plant and equipment		
Contractual amount signed	\$ 284,595	\$ -
Amount unpaid	200,520	-

28. Significant Events After the Balance Sheet Date

The Company's board of directors passed the resolution of a new Phase 2 factory plan in Tainan on November 6, 2020, for a total amount of around \$284,595 thousand. As of December 31, 2020, the Company had prepaid \$84,075 thousand for the land and had already completed the transfer of ownership in January 2021.

29. Information on Significant Assets and Liabilities Denominated in Foreign Currencies

The aggregate information below is presented in foreign currencies other than the functional currency adopted by the Company. The exchange rates disclosed refer to the rates at which these foreign currencies were exchanged to the functional currency. Information on significant assets and liabilities denominated in foreign currencies is as follows:

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
<u>Monetary item</u>			
USD	\$ 96,939	28.48	\$ 2,760,821
CNY	269	4.35974	1,174
<u>Non-monetary item</u>			
Investments accounted for using equity method			
USD	160,454	28.48	4,569,719
JPY	298,471	0.27501	82,082
<u>Financial liabilities</u>			
<u>Monetary item</u>			
USD	68,194	28.48	1,942,156

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
<u>Monetary item</u>			
USD	\$ 45,497	30.02000	\$ 1,365,823
CNY	450	4.30055	1,934
<u>Non-monetary item</u>			
Investments accounted for using equity method			
USD	142,575	30.02000	4,422,672
JPY	532,240	0.27435	146,020
<u>Financial liabilities</u>			
<u>Monetary item</u>			
USD	33,661	30.02000	1,010,501

Note: The exchange rate is the amount per unit of foreign currency converted into New Taiwan dollars.



30. Other Matters

The Company was affected by the global COVID-19 pandemic, which caused a significant drop in its operating income from January to June 2020. With the alleviation of the pandemic and loosening of policies, the Company expects that operations will gradually return to normal.

In response to the impact of the pandemic, the Company has applied for various subsidies, such as paycheck, working capital, and relief loans from the R.O.C. government. After review and approval of the applications, the Company expects to receive a total of \$84,855 thousand for paycheck and working capital subsidies. Please refer to Notes 19 and 22.

31. Additional Disclosures

- (1) Significant transactions and (2) Information on investees:
1. Financing provided to others. (Table 1)
  2. Endorsements/guarantees provided to others. (Table 2)
  3. Marketable securities held at the end of the period (excluding investment in subsidiaries and associates). (Table 3)
  4. Marketable securities acquired or sold amounting to at least NT\$300 million or 20% of the paid-in capital. (Table 4)
  5. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital. (None)
  6. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital. (Table 5)
  7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
  8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
  9. Trading in derivative instruments. (None)
  10. Information on investees. (Table 8)
- (3) Information on investments in mainland China:
1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment income or loss, carrying amount of the investment at the end of the period, repatriation 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 investees in mainland China, either directly or indirectly through a third region, and the price, payment term, and unrealized gains or losses: (Table 10)
  - (1) The amount and percentage of purchases and the balance and percentage of the relevant payables at the end of the period.
  - (2) The amount and percentage of sales and the balance and percentage of the relevant receivables at the end of the period.
  - (3) The amount of property transactions and the amount of the resulting gains or losses.
  - (4) The balance of negotiable instrument endorsements or guarantees or collateral pledged at the end of the period and the purposes.
  - (5) The highest balance, the closing balance, the interest rate range, and total current-period interest with respect to financing of funds.
  - (6) 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 labor services.
  
- (4) Information on major shareholders: The name of shareholders with a shareholding ratio of 5% or more, and the number and percentage of shares held. (Table 11)

32. Segment Information

The Company has disclosed the segment information in the consolidated financial statements, and does not disclose relevant information in the standalone financial statements.

Phihong Technology Co., Ltd.  
Financing Provided to Others  
For the year ended December 31, 2020

Table 1

In Thousands of New Taiwan Dollars,  
Unless Specified Otherwise

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party Status	Highest Balance for the Period	Balance, Ending of year	Actual Borrowing Amount	Interest Rate (Range)	Nature of Financing (Note 2)	Business Transaction Amount	Reason 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 Technology Co., Ltd.	Phihong Vietnam Co., Ltd.	Other receivables - related parties	Yes	\$ 256,320 USD 9,000,000	\$ - -	\$ -	3.50%	2	\$ -	Capital movement in the Group	\$ -	-	\$ -	\$ 950,758	\$ 1,901,516	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	"	"	871,948 RMB 200,000,000	435,974 RMB 100,000,000	-	4.35%	"	-	"	-	-	-	1,706,066	1,706,066	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	"	"	43,597 RMB 10,000,000	43,597 RMB 10,000,000	43,597	4.90%	"	-	"	-	-	-	1,706,066	1,706,066	
2	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	"	"	1,264,325 RMB 290,000,000	1,046,338 RMB 240,000,000	1,046,338	4.75%	"	-	"	-	-	-	1,211,634	1,211,634	

Note 1: The information on the Company and its subsidiaries' financing provided to others shall be separated and indicated in the No. column. The Company and its subsidiaries are coded in the No. column as follows:

1. The Company is coded "0".
2. The subsidiaries are coded sequentially beginning from "1" by each individual company.

Note 2: The description of the nature of financing is as follows:

1. Business relationship.
2. The need for short-term financing.

Note 3: According to the Company's operating procedures for financing provided to others, the aggregate amount of financing provided to others shall not exceed 40% of its net worth, which is based on the latest financial statements audited or attested by CPAs. The maximum financing limit for each borrower is set based on the types of financing reasons below:

1. Business relationship: Each of the financing amounts shall not exceed the amount of the total purchases from or sales to a borrower in the most recent year or in the current year, whichever is higher.
2. 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 financial statements audited or attested by CPAs.

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

Phihong Technology Co., Ltd.  
Endorsements/Guarantees Provided to Others.  
For the year ended December 31, 2020

Table 2

In Thousands of New Taiwan Dollars,  
Unless Specified Otherwise

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Provided to Each Party (Notes 2 and 3)	Maximum Amount of Endorsement/ Guarantee Provided During the Period	Balance of Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount of Endorsement/ Guarantee with Property as Collateral	Proportion of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements (%)	Maximum Limit on Endorsement/ Guarantee (Notes 2 and 3)	Endorsement/ Guarantee Provided by the Company to Subsidiaries	Endorsement/ Guarantee Provided by Subsidiaries to the Company	Endorsement/ Guarantee Provided to Companies in Mainland China	Note
		Company Name	Relationship											
0	Phihong Technology Co., Ltd.	Phihong USA Corp.	Subsidiary of the Company	\$ 1,426,137	\$ 142,400 USD 5,000,000	\$ 142,400 USD 5,000,000	\$ -	\$ -	3.00	\$ 2,376,895	Y	N	N	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	1,706,066	217,987 RMB 50,000,000	-	-	-	-	1,706,066	N	N	Y	

Note 1: The information on the Company and its subsidiaries' endorsement/guarantee provided shall be separated and indicated in the No. column. The Company and its subsidiaries are coded in the No. column as follows:

1. The Company is coded "0".
2. The subsidiaries are coded sequentially beginning from "1" by each individual company.

Note 2: According to the Company's operating procedures for provision of endorsement/guarantee to others, the aggregate amount of endorsements/guarantees provided to others by the Company shall not exceed 50% of its net worth based on its latest financial statements. In particular, the amount of endorsement/guarantee provided by the Company to any single entity shall not exceed 30% of the Company's net worth based on its latest financial statements.

Note 3: According to the Company's operating procedures for provision of endorsement/guarantee to others, the aggregate amount of endorsements/guarantees provided among the subsidiaries shall not exceed the net worth based on their latest financial statements.

Note 4: On August 13, 2019, the board of directors approved that the amount of the Company's endorsement/guarantee provided to its subsidiary Phihong USA Corp. was US\$5 million.

Note 5: On November 8, 2019, the board of directors approved that Phihong (Dongguan) Electronics Co., Ltd.'s amount of endorsement/guarantee provided to Dongguan Phitek Electronics Co., Ltd. was CNY50 million.

Phihong Technology Co., Ltd.  
Marketable Securities Held  
December 31, 2020

Table 3

In Thousands of New Taiwan Dollars,  
Unless Specified Otherwise

Holding Company Name	Type and Name of Marketable Securities Held	Relationship with Marketable Securities Issuer	Financial Statement Account	End of Period				Note
				Number of Shares	Carrying Amount	Percentage of ownership (%)	Fair Value	
Phihong Technology Co., Ltd.	<u>Ordinary Shares</u>							
	Pao-Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI – non current	270,565	\$ 2,837	10.49	\$ 2,837	
	Zhong-Xuan Venture Capital Co., Ltd.	”	”	2,758,621	23,054	8.62	23,054	
Guang-Lai Investment Co., Ltd.	Wan-Chang Venture Capital Co., Ltd.	”	”	3,600,000	37,780	9.84	37,780	
	<u>Ordinary Shares</u>							
Phihong Electronics (Suzhou) Co., Ltd.	Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI – non current	3,000,000	2,157	10.83	2,157	
	<u>Fund</u>							
	China Construction Bank Principal and Income Protected Financial Products	”	”	10,000,000	43,600	-	43,600	

Note 1: The marketable securities stated in this table refer to shares, debentures, beneficiary certificates, and their derivative products within the scope 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.  
 Marketable Securities Acquired or Sold Amounting to at Least NT\$300 Million or 20% of the Paid-in Capital.  
 For the year ended December 31, 2020

Table 4

In Thousands of New Taiwan Dollars,  
 Unless Specified Otherwise

Company Name	Type and Name of Marketable Securities Held (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Balance, Beginning of year		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Book Cost	Gain or Loss on Disposal	Number of Shares	Amount
Phihong Electronics (Suzhou) Co., Ltd.	China Construction Bank Principal and Income Protected Financial Products	Financial assets at FVTPL - current	China Construction Bank	None	80,000,000	\$ 344,044	-	\$ -	80,000,000	\$ 357,393 RMB83,086,767	\$ 344,044 RMB80,000,000	\$ 13,349 RMB 3,086,767	-	\$ -

Note 1: The marketable securities stated in this table refer to shares, debentures, beneficiary certificates, and the marketable securities derived from said items.

Note 2: Investors whose marketable securities accounted for under the equity method are required to make disclosure.

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

Note 4: The paid-in capital refers to the paid-in capital of the parent company. If the share issued by an issuer has no face value or the face value is not NT\$10 per share, with regard to the rule of a transaction amounting to 20% of the paid-in capital, then the benchmark of 10% of equity attributable to owners of the Company on the balance sheet shall apply.

Phihong Technology Co., Ltd.  
Disposal of Real Estate Amounting to at Least NT\$300 Million or 20% of the Paid-in Capital.  
For the year ended December 31, 2020

Table 5

In Thousands of New Taiwan Dollars,  
Unless Specified Otherwise

Company Name	Property	Date of Fact	Original Acquisition Date	Carrying Amount	Transaction Amount	Status of Payment Collection	Gain or Loss on Disposal	Counterparty	Relationship	Purpose of Disposal	Basis for Price Determination	Other Agreed Terms
Dongguan Phitek Electronics Co., Ltd.	Land and factory in Dongguan	2020.02.27 (Note 1)	May 2001	\$ 241,752 RMB 56,383,755	\$ 358,016 RMB 83,500,000	\$170,466 thousand received	\$ 21,107 (Note 2)	Blackview High Technology Enterprise in Dongguan City	Non-related parties	To liquidate unprofitable idle assets	Professional appraisal reports and market conditions	—

Note 1: Date of signing the contract.

Note 2: Amount after deducting the estimated relevant expenses and taxes.

Phihong Technology Co., Ltd.

Total Purchases from or Sales to Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital

For the year ended December 31, 2020

Table 6

In Thousands of New Taiwan Dollars,  
Unless Specified Otherwise

Buyer (Seller)	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	Proportion of Total Purchases (Sales) (%)	Payment Term	Unit Price	Payment Term	Ending Balance	Proportion of Total Notes/Accounts Receivable (%)	
Phihong Technology Co., Ltd.	Phihong USA Corp.	Subsidiary of the Company	Sale	( \$ 2,989,208 )	( 43.92 )	Determined by mutual agreement	-	—	\$ 325,929	27.37	
”	Phihong Technology Japan Co., Ltd.	”	Sale	( 158,816 )	( 2.33 )	”	-	—	30,667	2.58	
”	Phihong (Dongguan) Electronics Co., Ltd.	”	Purchase of goods	5,226,352	86.97	”	-	—	-	-	
”	Phihong Vietnam Co., Ltd.	”	”	725,800	12.08	”	-	—	-	-	
Phihong USA Corp.	Phihong Technology Co., Ltd.	Parent company	”	2,989,208	96.67	”	-	—	( 325,929 )	( 95.25 )	
Phihong Technology Japan Co., Ltd.	”	”	”	158,816	100	”	-	—	( 30,667 )	( 100 )	
Phihong (Dongguan) Electronics Co., Ltd.	”	Ultimate parent company	Sale	( 5,226,352 )	( 100 )	”	-	—	-	-	
Phihong Vietnam Co., Ltd.	”	”	”	( 725,800 )	( 99.42 )	”	-	—	-	-	



Phihong Technology Co., Ltd.  
Receivables from Related Parties Amounting to at Least NT\$100 Million or 20% of the Paid-in Capital  
December 31, 2020

Table 7

In Thousands of New Taiwan Dollars,  
Unless Specified 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	Response		
Phihong Technology Co., Ltd.	Phihong USA Corp.	Subsidiary of the Company	Accounts receivable \$ 325,929	15	\$ -	—	\$ 278,611	\$ -
”	Phihong (Dongguan) Electronics Co., Ltd.	”	Other receivables 241,122	-	-	—	240,985	-
”	Phihong Vietnam Co., Ltd.	”	Other receivables 246,244	-	-	—	192,296	-
Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables 1,046,338	-	-	—	-	-

Phihong Technology Co. Ltd.  
Information on Investees with Direct or Indirect Material Influence or Control  
For the year ended December 31, 2020

Table 8

In Thousands of New Taiwan Dollars,  
Unless Specified Otherwise

Investor	Investee	Location	Main Business and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) on Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	(%)	Carrying Amount			
Phihong Technology Co., Ltd.	Phihong International Corp.	British Virgin Islands	Making investments	\$ 3,448,270	\$ 3,448,270	111,061,351	100.00	\$ 3,134,524	(\$ 62,826)	(\$ 49,208)	
	Phihong USA Corp.	California, U.S.	Selling a variety of power supplies	207,203	207,203	3,100,000	100.00	923,714	25,020	25,020	
	Phitek International Co., Ltd.	British Virgin Islands	Making investments	314,956	314,956	10,200,000	100.00	( 243,673)	( 94,712)	( 93,489)	
	Ascent Alliance Ltd.	British Virgin Islands	Making investments	352,043	352,043	12,012,600	100.00	69,397	( 21,576)	( 22,275)	
	Guang-Lai Investment Co., Ltd.	Taiwan	Making investments	139,758	139,758	13,975,828	100.00	140,802	( 7,454)	( 7,454)	
	H&P Venture Capital Co., Ltd.	Taiwan	Making investments	13,738	23,305	1,373,801	32.26	21,193	9,466	2,689	
	Phihong Technology Japan Co., Ltd.	Japan	Selling power components	137,436	191,738	3,000	100.00	82,082	( 9,537)	( 9,537)	
	Phihong Vietnam Co., Ltd.	Vietnam	Manufacturing and selling a variety of power supplies	JPY 150,000,000 607,193	JPY 550,000,000 308,468	20,000,000	100.00	442,085	( 47,192)	( 46,983)	
Phihong International Corp.	N-Lighten Technologies, Inc.	California, U.S.	Making investments	409,851	409,851	110,834,223	58.45	( 23,921)	( 86)	( 50)	PHI and Guang-Lai jointly held 78.23%
Guang-Lai Investment Co., Ltd.	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	11,891	( 22,925)	( 5,715)	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Making investments	100,000	100,000	10,000,000	22.22	119,282	( 7,286)	( 1,619)	
	N-Lighten Technologies, Inc.	California, U.S.	Making investments	206,084	206,084	37,498,870	19.78	( 8,095)	( 86)	( 17)	PHI and Guang-Lai jointly held 78.23%

Note 1: For information on investees in mainland China, refer to Table 9.

Pihong Technology Co., Ltd.  
Information on Investment in Mainland China  
For the year ended December 31, 2020

Table 9

In Thousands of New Taiwan Dollars,  
Unless Specified Otherwise

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

Investee	Main Business and Products	Paid-in Capital	Investment Method	Accumulated Investment Remitted from Taiwan, as of January 1, 2020	Remittance of Funds		Accumulated Investment Remitted from Taiwan, as of December 31, 2020	Gain or Loss on Investee in the Period	% of Ownership in Direct or Indirect Investment	Investment Gain (Loss) in the Period (Note 4)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Pihong (Dongguan) Electronics Co., Ltd.	Manufacturing and selling a variety of power supplies	\$ 1,988,018 HKD 495,450,000	Indirect investment in mainland China through PHI	\$ 1,677,679 HKD 419,000,000	\$ -	\$ -	\$ 1,677,679 HKD 419,000,000	( \$ 93,014 )	100.00	( \$ 93,014 )	\$ 1,706,066	\$ -	
Phitek (Tianjin) Electronics Co., Ltd.	Manufacturing and selling a variety of power supplies	-	"	25,327 USD 255,127	-	-	25,327 USD 255,127	-	-	-	-	-	Note 1
Pihong Electronics (Suzhou) Co., Ltd.	Manufacturing and selling a variety of power supplies	1,097,139 USD 31,960,000	"	1,343,033 USD 40,600,000	-	-	1,343,033 USD 40,600,000	35,645	100.00	35,645	1,211,634	-	
Yanghong Trade (Shanghai) Co., Ltd.	Selling a variety of lighting products and power supplies	26,291 USD 880,000	"	63,934 USD 2,865,000	-	-	63,934 USD 2,865,000	( 5,448 )	100.00	( 5,448 )	12,684	-	
Dongguan Phitek Electronics Co., Ltd.	Manufacturing and selling a variety of power supplies	362,042 USD 11,500,000	Indirect investment in mainland China through PHK	315,258 USD 10,000,000	-	-	315,258 USD 10,000,000	( 94,419 )	100.00	( 94,419 )	( 245,387 )	-	
Dongguan Shuang-Ying Electronics Co., Ltd.	Manufacturing and selling electronic materials	39,678 HKD 9,000,000	Indirect investment in mainland China through PHQ	39,678 HKD 9,000,000	-	-	39,678 HKD 9,000,000	1,655	100.00	1,655	55,328	-	
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufacturing and selling electronic materials	360,124 USD 11,500,000	"	360,124 USD 11,500,000	-	-	360,124 USD 11,500,000	( 23,128 )	100.00	( 23,128 )	12,637	-	
N-Lighten (Shanghai) Trading Inc.	R&D, manufacturing, and selling a variety of optoelectronic equipment and displays	-	Indirect investment in mainland China through N-Lighten	387,406 USD 12,366,400	-	-	387,406 USD 12,366,400	-	-	-	-	-	Note 2

Note 1: The liquidation of Phitek (Tianjin) Electronics Co., Ltd. was completed on March 24, 2017.

Note 2: The liquidation of N-Lighten (Shanghai) Trading Inc. was completed on June 18, 2015.

Note 3: The amount was recognized based on financial statements audited by CPAs entrusted by the parent company in Taiwan.

Note 4: The foreign currencies in this are converted into New Taiwan dollars at the exchange rates at the investment dates, except for the investment income and expense items which were translated based on the monthly weighted average exchange rates in 2020.

2. Limit on investment amount in mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment Amount Stipulated by Investment Commission, MOEA
\$4,212,439	\$4,816,767	Note

Note 1: 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.

Phihong Technology Co., Ltd.

Any of the Following Significant Transactions with Investees in Mainland China, Either Directly or Indirectly Through a Third Region, and the Price, Payment Term, Unrealized Gains or Losses, and Other Information

For the year ended December 31, 2020

Table 10

In Thousands of New Taiwan Dollars,  
Unless Specified Otherwise

Investee	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain)/Loss	Note
		Amount	%		Payment Terms	Comparison with General Transaction	Ending Balance	%		
Phihong (Dongguan) Electronics Co., Ltd.	Purchase of goods	\$ 5,226,352	86.97%	Determined by mutual agreement	Determined by mutual agreement	—	\$ -	-	\$ -	

Pihong Technology Co., Ltd.  
Major Shareholder Information  
December 31, 2020

Table 11

Name of Major Shareholder	Shares	
	Number of Shares Held	Percentage of ownership
Peter Lin	51,703,063	15.31%

Note 1: The major shareholder information in this table is based on Taiwan Depository & Clearing Corporation's data of shareholders who hold more than 5% of the Company's ordinary shares and preferred stock (including treasury shares), for which electronic registration and delivery were completed, on the last business day of the quarter. The share capital recorded in the Company's standalone financial statements and the actual number of shares, for which electronic registration and delivery were completed, may not be consistent due to different bases for preparation and calculation.

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Phihong Technology Co., Ltd.  
Statement of Cash and Cash Equivalents  
December 31, 2020

Statement 1 In Thousands of New Taiwan Dollars;  
\$1 for Foreign Currencies

Item	Summary	Amount
Cash on hand		\$ 949
Check deposit		529
Demand deposit		48,890
Foreign currency deposit	JPY37,817,215; USD36,760,800.48; HKD45,846.90; EUR3,561.47; RMB230,873.04	1,058,648
		<u>\$ 1,109,016</u>

Note: The exchange rate at the end of December 31, 2020-

USD : NTD = 1 : 28.48

JPY : NTD = 1 : 0.27501

HKD : NTD = 1 : 3.67330

EUR : NTD = 1 : 34.94

RMB : NTD = 1 = 4.35974

VND : NTD = 1 : 0.00123

Phihong Technology Co., Ltd.  
Statement of Accounts Receivable  
December 31, 2020

Statement 2

In Thousands of New Taiwan Dollars

Customer Name	Summary	Amount
Customer A	Supply payment from non-related parties	\$ 237,991
Customer B	”	115,315
Customer C	”	64,349
Customer D	”	44,873
Others (Note)	”	<u>372,899</u>
		835,427
Less: Allowance for Impairment Loss		( <u>1,261</u> )
		<u>\$ 834,166</u>

Note: The amount of a single customer did not exceed 5% of the account.



Phihong Technology Co., Ltd.  
Statement of Accounts Receivable - Related Parties  
December 31, 2020

Statement 3

In Thousands of New Taiwan Dollars

Customer Name	Summary	Amount
Phihong USA Corp.	Supply payment from related parties	\$ 325,929
Phihong Technology Japan Co., Ltd.	”	30,667
Others (Note)		90
		\$ 356,686

Note: The amount of a single customer did not exceed 5% of the account.

Phihong Technology Co., Ltd.  
Statement of Other Receivables  
December 31, 2020

Statement 4

In Thousands of New Taiwan Dollars

Item	Summary	Amount
Other receivables	Related to molds and safety regulations	\$ 12,846
Non-operating revenues receivable	Interest receivable on time deposits, etc.	<u>1</u>
		<u>\$ 12,847</u>

Phihong Technology Co., Ltd.  
Statement of Other Receivables - Related Parties  
December 31, 2020

Statement 5

In Thousands of New Taiwan Dollars

Name	Summary	Amount
Phihong Vietnam Co., Ltd.	Material purchased for related parties	\$ 246,244
Phihong (Dongguan) Electronics Co., Ltd.	”	241,122
Dongguan Phitek Electronics Co., Ltd.	”	80,647
Phihong USA Corp.	Related to molds and safety regulations	3,190
Others (Note)		<u>21</u>
		<u>\$ 571,224</u>

Note: The amount of a single customer did not exceed 5% of the account.

Phihong Technology Co., Ltd.

Statement of Inventories

December 31, 2020

Statement 6

In Thousands of New Taiwan Dollars

Item	Cost	Net Realizable Value
Raw materials	\$ 10,104	\$ 9,668
Work in process	271	70
Finished goods	61,099	42,625
Less: Allowance to reduce inventory to market	( <u>19,111</u> )	<u>-</u>
	<u>\$ 52,363</u>	<u>\$ 52,363</u>

Phihong Technology Co., Ltd.  
Statement of Other Current Assets  
December 31, 2020

Statement 7

In Thousands of New Taiwan Dollars

Item	Summary	Amount
Prepayments	Prepayment for purchase and excess business tax paid	\$ 24,444
Prepayment for income tax		2,961
Prepayment for expenses	Prepayment for rents and insurance premiums	11,092
Others		5,283
		\$ 43,780

Phihong Technology Co., Ltd.  
Statement of Changes in Financial Assets at FVTOCI  
For the Years Ended December 31, 2020

Statement 8

In Thousands of New Taiwan Dollars,  
Unless Specified Otherwise

Name	Balance, January 1, 2020		Increase		Decrease		Unrealized valuation gain or loss on investments in equity instruments at FVTOCI	Balance, December 31, 2020		
	Number of Shares	Book Value	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Book Value	Collateral
Pao-Dian Venture Capital Co., Ltd.	270,565	\$ 4,430	-	\$ -	-	\$ -	( \$ 1,593 )	270,565	\$ 2,837	None
Zhong-Xuan Venture Capital Co., Ltd.	2,758,621	27,656	-	-	-	-	( 4,602 )	2,758,621	23,054	”
Wan-Chang Venture Capital Co., Ltd.	1,800,000	<u>17,427</u>	1,800,000	<u>18,000</u>	-	-	<u>2,353</u>	3,600,000	<u>37,780</u>	”
		<u>\$ 49,513</u>		<u>\$ 18,000</u>		<u>\$ -</u>	<u>( \$ 3,842 )</u>		<u>\$ 63,671</u>	

Phihong Technology Co., Ltd.  
Statement of Changes in Long-term Equity Investments Under Equity Method  
For the Years Ended December 31, 2020

Statement 9

In Thousands of New Taiwan Dollars,  
Unless Specified Otherwise

Investee	Balance, January 1, 2020		Increase (Note 1)		Decrease (Note 2)		Balance, December 31, 2020			Market Value or Net Assets Value		Valuation Basis	Collateral
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Percentage of Ownership (%)	Amount	Unit Price (NTD)	Total		
Phihong International Corp.	111,061,351	\$ 3,137,404	-	\$ -	-	\$ 2,880	111,061,351	100	\$ 3,134,524	-	\$ 3,155,784	Equity Method	None
Phihong USA Corp.	3,100,000	991,061	-	-	-	67,347	3,100,000	100	923,714	-	1,005,096	Equity Method	”
Phitek International Co., Ltd.	10,200,000	( 146,480)	-	-	-	97,193	10,200,000	100	( 243,673)	-	( 241,733)	Equity Method	”
Ascent Alliance Ltd.	12,012,600	90,833	-	-	-	21,436	12,012,600	100	69,397	-	68,541	Equity Method	”
Guang-Lai Investment Co., Ltd.	13,975,828	126,423	-	14,379	-	-	13,975,828	100	140,802	-	140,802	Equity Method	”
H&P Venture Capital Co., Ltd.	2,330,451	30,168	-	-	956,650	8,975	1,373,801	32.26	21,193	-	21,193	Equity Method	”
Phihong Technology Japan Co., Ltd.	7,000	146,020	-	-	4,000	63,938	3,000	100	82,082	-	82,615	Equity Method	”
Phihong Vietnam Co., Ltd.	10,000,000	<u>212,114</u>	10,000,000	<u>229,971</u>	-	<u>-</u>	20,000,000	100	<u>442,085</u>	-	<u>441,866</u>	Equity Method	”
		4,587,543		<u>\$ 244,350</u>		<u>\$ 261,769</u>			4,570,124		<u>\$ 4,674,164</u>		
Reclassified in other non-current liabilities		<u>146,480</u>							<u>243,673</u>				
		<u>\$ 4,734,023</u>							<u>\$ 4,813,797</u>				

Note 1: The increase in the current period included capital increase in the investees, the recognition of investment income under the equity method, and the cumulative conversion adjustments, and the unrealized gains on financial assets.

Note 2: The decrease in the current period included the capital reduction of the investees for refund of payment for shares, surplus distribution of the investees, recognition of investment losses under the equity method, cumulative conversion adjustments, unrealized losses on financial assets.

Phihong Technology Co., Ltd.  
Statement of Changes in Right-of-use Assets  
December 31, 2020

Statement 10

In Thousands of New Taiwan Dollars

	Land	Transportation equipment	Other equipment	Total
<u>Cost</u>				
Balance as of January 1, 2020	\$ 2,052	\$ 1,878	\$ -	\$ 3,930
Additions	4,685	2,252	1,186	8,123
Disposals	( <u>2,052</u> )	-	-	( <u>2,052</u> )
Balance as of December 31, 2020	<u>\$ 4,685</u>	<u>\$ 4,130</u>	<u>\$ 1,186</u>	<u>\$ 10,001</u>
<u>Accumulated depreciation</u>				
Balance as of January 1, 2020	\$ 1,894	\$ 417	\$ -	\$ 2,311
Depreciation	1,880	480	395	2,755
Disposals	( <u>2,052</u> )	-	-	( <u>2,052</u> )
Balance as of December 31, 2020	<u>\$ 1,722</u>	<u>\$ 897</u>	<u>\$ 395</u>	<u>\$ 3,014</u>
Net amount as of December 31, 2020	<u>\$ 2,963</u>	<u>\$ 3,233</u>	<u>\$ 791</u>	<u>\$ 6,987</u>



Phihong Technology Co., Ltd.  
Statement of Other Non-current Assets  
December 31, 2020

Statement 11

In Thousands of New Taiwan Dollars

Item	Summary	Amount
Prepayment for equipment		\$ 2,142
Prepayment for land		84,075
Refundable deposits	Including guarantee deposits for leasing parking spaces for office premises and for telephone	<u>17,880</u>
		<u>\$ 104,097</u>

Phihong Technology Co., Ltd.  
Statement of Short-term Borrowings  
For the Years Ended December 31, 2020

Statement 12

In Thousands of New Taiwan Dollars

Type of Borrowing and Creditor	Borrowing Period	Annual Interest Rate (%)	Balance	Financing facilities	Collateral
Short-term bank borrowings					
HSBC Bank	2020.12.07–2021.02.05	0.95	\$ 170,880	\$ 170,880	Unsecured Peter Lin, Chairman
Cathay United Bank	2020.12.28–2021.02.09	0.95	<u>85,440</u>	<u>85,440</u>	
Total			<u>\$ 256,320</u>	<u>\$ 256,320</u>	

Phihong Technology Co., Ltd.  
Statement of Accounts Payable  
December 31, 2020

Statement 13

In Thousands of New Taiwan Dollars

<u>Name</u>	<u>Summary</u>	<u>Amount</u>
Others (Note)	Supply payment from non-related parties	<u>\$ 11,780</u>

Note: The amount of a single customer did not exceed 5% of the account.

Phihong Technology Co., Ltd.  
Statement of Accounts Payable - Related Parties  
December 31, 2020

Statement 14

In Thousands of New Taiwan Dollars

Name	Summary	Amount
Heng Hui Co., Ltd.	Supply payment from related parties	\$ 941
Dongguan Shuang-Ying Electronics Co., Ltd.	”	225
Others (Note)	”	<u>32</u>
		<u>\$ 1,198</u>

Note: The amount of a single customer did not exceed 5% of the account.

Phihong Technology Co., Ltd.  
Statement of Other Current Liabilities  
December 31, 2020

Statement 15

In Thousands of New Taiwan Dollars

Item	Summary	Amount
Temporary credits	Payments received/paid on behalf of others	\$ 42,023
Provision for other short-term liabilities	Provision for warranty liabilities and export losses	33,824
Advance sales receipts	Supply payment from non-related parties	9,016
Others		631
		\$ 85,494

Phihong Technology Co., Ltd.  
Statement of Long-term Borrowings  
December 31, 2020

Statement 16

In Thousands of New Taiwan Dollars

Creditor	Summary	Amount			Contract Period	Annual Interest Rate (%)	Collateral or Guarantee
		Maturity within one year	Maturity in more than one year	Total			
Long-term bank borrowings							
Syndicated loan	Secured borrowings	\$ 45,000	\$ 255,000	\$ 300,000	2019.08.22–2022.07.30	1.9871-1.9872	Peter Lin, Chairman; land and buildings
EnTie Bank	”	7,662	17,878	25,540	2020.09.10–2023.09.10	1.2740	Peter Lin, Chairman
Taiwan Cooperative Bank	”	1,125	7,875	9,000	2020.09.07–2023.09.07	1.5000	”
Chang Hwa Bank	”	<u>10,950</u>	<u>25,550</u>	<u>36,500</u>	2020.09.07–2023.09.07	1.4200	”
		<u>\$ 64,737</u>	<u>\$ 306,303</u>	<u>\$ 371,040</u>			

Phihong Technology Co., Ltd.

Statement of Lease Liabilities

December 31, 2020

Statement 17

In Thousands of New Taiwan Dollars

Item	Summary	Contract Period	Discount rate (%)	Balance, Ending of year	Note
Land	Parking space land	2020.02.01–2023.01.31	1.2000	\$ 2,098	None
Land	Parking space land	2020.02.01–2021.12.31	1.2000	882	None
Transportation equipment	Electric vehicle renting	2018.07.01–2023.06.30	1.1550	1,055	None
”	Electric vehicle renting	2020.11.24–2023.11.23	1.9872	2,192	None
Other equipment	Image dimension measurement system	2020.05.01–2022.04.30	1.1550	793	None
Less: Lease liabilities due within one year				( <u>3,632</u> )	None
				<u>\$ 3,388</u>	

Pihong Technology Co., Ltd.  
Statement of Bonds Payable  
December 31, 2020

Statement 18

In Thousands of New Taiwan Dollars

Name of Bond	Trustee	Period	Interest Payment Date and Repayment Method	Annual Interest Rate (%)	Amount				Collateral	
					Total Amount of Issue	Amount Repaid	Balance, Ending of year	Unamortized premium (discount)		Carrying Amount
Secured domestic bonds	Bank SinoPac	2016.04-2021.04	Principal is repaid in a lump sum upon maturity, and interest is paid once a year	0.95	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>( \$ 117 )</u>	<u>\$ 999,883</u>	Peter Lin, Chairman; bank deposits, land, and buildings



Phihong Technology Co., Ltd.  
Statement of Operating Revenue  
For the Years Ended December 31, 2020

Statement 19

In Thousands of New Taiwan Dollars

Name	Number	Amount
Power supplies	80,890 thousand	\$ 6,800,044
Others		<u>5,656</u>
		<u>\$ 6,805,700</u>

Phihong Technology Co., Ltd.  
Statement of Operating Cost  
For the Years Ended December 31, 2020

Statement 20

In Thousands of New Taiwan Dollars

Item	Amount
Raw materials	
Balance, beginning of year	\$ 2,345
Add:Raw materials purchased	24,024
Less:Raw materials, end of year	( 10,104 )
Sales of raw materials	( <u>1,783</u> )
Raw materials consumed in year	14,482
Manufacturing expenses	<u>50,827</u>
Manufacturing costs	65,309
Add:Work in process, beginning of year	185
Purchases of work in process	193
Less:Work in process, end of year	( 271 )
Sales of work in process	( <u>89</u> )
Costs of finished goods	65,327
Add:Finished goods, beginning of year	52,378
Purchases of finished goods	5,969,436
Less:Finished goods, end of year	( <u>61,099</u> )
Cost of sales of finished goods	6,026,042
Add: Cost of sales of raw materials	1,872
Less: Transferred to operating expenses	( 4,942 )
Inventory valuation losses	<u>2,556</u>
	<u>\$ 6,025,528</u>

Phihong Technology Co., Ltd.  
Statement of Sales and Marketing Expenses  
For the Years Ended December 31, 2020

Statement 21

In Thousands of New Taiwan Dollars

Item	Summary	Amount
Salary and wages		\$ 99,481
Shipping fee		38,031
Commissions expense		20,874
Sample expense		14,052
Other expenses (Note)	Management expense for offices in Europe	73,559
		\$ 245,997

Note: The amount of each item did not exceed 5% of the account.

Phihong Technology Co., Ltd.  
Statement of General and Administrative Expenses  
For the Years Ended December 31, 2020

Statement 22

In Thousands of New Taiwan Dollars

Item	Summary	Amount
Salary and wages		\$ 83,217
Depreciation		26,788
Labor service expense		14,780
Other expenses (Note)	Insurance premiums, pensions, etc.	47,786
		\$ 172,571

Note: The amount of each item did not exceed 5% of the account.

Phihong Technology Co., Ltd.  
Statement of Research and Development Expenses  
For the Years Ended December 31, 2020

Statement 23

In Thousands of New Taiwan Dollars

Item	Summary	Amount
Salary and wages		\$ 218,590
Depreciation		50,606
Safety regulation-related expense		40,067
Sample expense		36,150
Other expenses (Note)	Insurance premiums, repair expense, etc.	108,349
		\$ 453,762

Note: The amount of each item did not exceed 5% of the account.