

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

**Consolidated Financial Statements for the Nine Months
Ended September 30, 2021 and 2020, and Independent
Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Pihong Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2021 and 2020 the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2021 and 2020, and related notes, including a summary of significant accounting policies "(collectively referred to as the consolidated financial statements)." Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 14 to the consolidated financial statements, the carrying values of the Group's investments accounted for using equity method of \$116,229 thousand and \$144,943 thousand as of September 30, 2021 and 2020, respectively, and the comprehensive (loss) income from the investments of \$(16,782) thousand and \$(20,951) thousand, \$(33,458) thousand and \$14,969 thousand for the three months and the nine months ended September 30, 2021 and 2020, respectively, were based on these investees' unreviewed financial statements.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of equity-method investees as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021 and 2020, its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 4, 2021

Notice to Readers

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$2,026,039	18	\$2,545,804	25	\$2,181,113	23
Financial assets at fair value through profit or loss - current (Note 7)	-	-	43,600	-	397,039	4
Financial assets at amortized cost-current (Note 9)	225,684	2	-	-	-	-
Trade receivables (Note 10)	1,937,926	17	2,019,406	20	1,969,195	20
Other receivables	32,405	-	25,329	-	25,131	-
Inventories (Note 11)	3,135,264	27	2,015,069	20	1,418,932	15
Non-current assets held for sale (Note 12)	242,366	2	245,819	2	240,849	3
Other current assets	170,227	1	102,907	1	129,913	1
Total current assets	7,769,911	67	6,997,934	68	6,362,172	66
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	81,938	1	65,828	1	66,542	1
Financial assets at amortized cost - non-current (Notes 9 and 30)	37,684	-	37,100	-	36,600	-
Investments accounted for using equity method (Note 14)	116,229	1	152,366	1	144,943	1
Property, plant and equipment (Note 15)	3,078,956	27	2,590,539	25	2,570,425	27
Right-of-use assets (Note 16)	301,635	3	282,788	3	286,763	3
Intangible assets (Note 17)	27,177	-	27,679	-	29,973	-
Deferred tax asset	56,553	-	57,043	1	58,816	1
Other non-current assets	84,479	1	151,394	1	72,676	1
Total non-current assets	3,784,651	33	3,364,737	32	3,266,738	34
TOTAL	\$11,554,562	100	\$10,362,671	100	\$9,628,910	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$995,013	8	\$256,320	2	\$87,360	1
Trade payables	3,030,920	26	2,846,732	27	2,379,574	25
Trade payables to related parties (Note 29)	83,068	1	82,497	1	76,328	1
Other payables (Note 20)	556,493	5	570,038	6	555,021	6
Current tax liabilities	21,536	-	19,558	-	31,230	-
Lease liabilities - current (Note 16)	20,627	-	7,786	-	7,510	-
Current portion of long-term borrowings (Notes 18 and 19)	798,056	7	1,064,620	10	1,013,585	10
Other current liabilities (Notes 12 and 20)	336,731	3	291,113	3	272,091	3
Total current liabilities	5,842,444	50	5,138,664	49	4,422,699	46
NON-CURRENT LIABILITIES						
Bonds payable (Note 19)	698,181	6	-	-	-	-
Long-term borrowings (Note 18)	504,116	4	303,944	3	331,038	3
Deferred tax liabilities	60,120	1	67,820	1	77,193	1
Lease liabilities - non-current (Note 16)	29,707	-	12,665	-	13,023	-
Net defined benefit liability - non-current	84,782	1	94,068	1	96,913	1
Other non-current liabilities	620	-	629	-	584	-
Total non-current liabilities	1,377,526	12	479,126	5	518,751	5
Total liabilities	7,219,970	62	5,617,790	54	4,941,450	51
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)						
Ordinary shares	3,376,884	29	3,376,884	33	3,376,884	35
Capital surplus	1,044,017	9	1,044,017	10	1,044,017	11
Retained earnings						
Legal reserve	612,916	5	767,660	7	767,660	8
Special reserve	230,859	2	230,859	2	230,859	3
Accumulated deficits	(297,851)	(2)	(154,744)	(1)	(175,651)	(2)
Total retained earnings	545,924	5	843,775	8	822,868	9
Other equity						
Exchange differences on translating the financial statements of foreign operations	(532,871)	(4)	(448,879)	(4)	(479,118)	(5)
Unrealized loss on financial assets at fair value through other comprehensive income	(90,652)	(1)	(62,007)	(1)	(68,085)	(1)
Total other equity	(623,523)	(5)	(510,886)	(5)	(547,203)	(6)
Total equity attributable to owners of the Company	4,343,302	38	4,753,790	46	4,696,566	49
NON-CONTROLLING INTERESTS (Note 22)	(8,710)	-	(8,909)	-	(9,106)	-
Total equity	4,334,592	38	4,744,881	46	4,687,460	49
TOTAL	\$11,554,562	100	\$10,362,671	100	\$9,628,910	100

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

(With Deloitte & Touche review report dated November 4, 2021)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 36)	\$3,144,150	100	\$2,523,812	100	\$8,510,109	100	\$6,580,163	100
OPERATING COSTS (Notes 11 and 29)	2,746,904	87	2,178,402	86	7,550,937	89	5,732,683	87
OPERATING GROSS PROFIT	397,246	13	345,410	14	959,172	11	847,480	13
OPERATING EXPENSES								
Sales and marketing expenses	139,042	4	116,660	5	400,909	5	325,151	5
General and administration expenses	123,679	4	123,157	5	360,354	4	353,141	5
Research and development expenses	184,644	6	156,195	6	529,737	6	471,765	7
Excepted credit impairment gain	(165)	-	(1,172)	-	(244)	-	(1,683)	-
Total operating expenses	447,200	14	394,840	16	1,290,756	15	1,148,374	17
LOSS FROM OPERATIONS	(49,954)	(1)	(49,430)	(2)	(331,584)	(4)	(300,894)	(4)
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 23)	6,888	-	7,991	-	20,893	-	24,507	-
Other income (Notes 23 and 26)	30,081	1	79,213	3	68,258	1	168,672	2
Other gains and losses (Note 23)	8,968	-	(15,234)	-	(15,387)	-	(23,343)	-
Finance costs (Note 23)	(10,909)	-	(5,743)	-	(26,984)	(1)	(16,459)	-
Share of loss from associates account for using the equity method (Note 14)								
	(5,360)	-	(571)	-	(6,297)	-	(5,276)	-
Total non-operating income and expenses	29,668	1	65,656	3	40,483	-	148,101	2
PROFIT (LOSS) BEFORE INCOME TAX	(20,286)	-	16,226	1	(291,101)	(4)	(152,793)	(2)
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 24)	4,413	-	3,643	-	(6,765)	-	(22,873)	-
PROFIT (LOSS) FOR THE PERIOD	(15,873)	-	19,869	1	(297,866)	(4)	(175,666)	(2)
OTHER COMPREHENSIVE LOSS								
Items that may not reclassified subsequently to profit or loss:								
Unrealized loss on financial assets at fair value through other comprehensive income (Note 22)	(152)	-	(604)	-	(1,484)	-	(8,769)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Notes 14 and 22)	(11,422)	-	(20,380)	(1)	(27,161)	-	20,245	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 22)	(19,293)	(1)	44,729	2	(83,778)	(1)	(62,651)	(1)
Total other comprehensive income (loss)	(30,867)	(1)	23,745	1	(112,423)	(1)	(51,175)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS)	(\$46,740)	(1)	\$43,614	2	(\$410,289)	(5)	(\$226,841)	(3)
PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	(\$15,869)	-	\$19,877	1	(\$297,851)	(4)	(\$175,651)	(2)
Non-controlling interests	(4)	-	(8)	-	(15)	-	(15)	-
Total	(\$15,873)	-	\$19,869	1	(\$297,866)	(4)	(\$175,666)	(2)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	(\$46,768)	(1)	\$43,479	2	(\$410,488)	(5)	(\$227,107)	(3)
Non-controlling interests	28	-	135	-	199	-	266	-
Total	(\$46,740)	(1)	\$43,614	2	(\$410,289)	(5)	(\$226,841)	(3)
EARNING (LOSS) PER SHARE (Note 25)								
Basic	(\$0.05)		\$0.06		(\$0.88)		(\$0.52)	

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

(With Deloitte & Touche review report dated November 4, 2021)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company					Other equity		Total	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income			
			Legal reserve	Special reserve	Accumulated deficits					
Balance at January 1, 2020	\$3,376,884	\$1,044,017	\$808,806	\$230,859	(\$41,146)	(\$416,186)	(\$79,561)	\$4,923,673	(\$9,372)	\$4,914,301
Legal reserve used to offset accumulated deficits	-	-	(41,146)	-	41,146	-	-	-	-	-
Loss for the nine months ended September 30, 2020	-	-	-	-	(175,651)	-	-	(175,651)	(15)	(175,666)
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	(62,932)	11,476	(51,456)	281	(51,175)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	(175,651)	(62,932)	11,476	(227,107)	266	(226,841)
Balance at September 30, 2020	\$3,376,884	\$1,044,017	\$767,660	\$230,859	(\$175,651)	(\$479,118)	(\$68,085)	\$4,696,566	(\$9,106)	\$4,687,460
Balance at January 1, 2021	\$3,376,884	\$1,044,017	\$767,660	\$230,859	(\$154,744)	(\$448,879)	(\$62,007)	\$4,753,790	(\$8,909)	\$4,744,881
Legal reserve used to offset accumulated deficits	-	-	(154,744)	-	154,744	-	-	-	-	-
Loss for the nine months ended September 30, 2021	-	-	-	-	(297,851)	-	-	(297,851)	(15)	(297,866)
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	(83,992)	(28,645)	(112,637)	214	(112,423)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	(297,851)	(83,992)	(28,645)	(410,488)	199	(410,289)
Balance at September 30, 2021	\$3,376,884	\$1,044,017	\$612,916	\$230,859	(\$297,851)	(\$532,871)	(\$90,652)	\$4,343,302	(\$8,710)	\$4,334,592

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated November 4, 2021)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$291,101)	(\$152,793)
Adjustments for:		
Depreciation expense	215,106	235,199
Amortization expense	9,886	9,472
Excepted credit impairment gain	(244)	(1,683)
Net gain on fair value change of financial assets designated as at fair value through profit	-	(8,801)
Finance costs	26,984	16,459
Interest income	(20,893)	(24,507)
Share of loss from associates accounted for using the equity method	6,297	5,276
Loss on disposal of property, plant and equipment	3,392	2,507
Loss on disposal of intangible assets	8	92
Gain on disposal of investment	(795)	(321)
Allowance for inventory valuation and obsolescence loss	79,803	65,672
Net changes in operating assets and liabilities		
Notes receivables	-	2,022
Trade receivables	81,763	71,406
Other receivables	3,703	19,971
Inventories	(1,199,998)	(130,674)
Other current assets	(56,829)	(69,375)
Trade payables	184,188	167,027
Trade payables to related parties	571	6,802
Other payables	(11,526)	(145,551)
Other current liabilities	45,618	161,229
Net defined benefit liability	(9,286)	(5,313)
Cash (used in) generated from operating activities	(933,353)	224,116
Interest received	12,793	23,044
Interest paid	(28,486)	(16,701)
Income tax paid	(7,591)	(20,040)
Net cash (used in) generated from operating activities	(956,637)	210,419

(Continued)

	Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at fair value through other comprehensive income	(\$18,000)	(\$18,000)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	406	-
Purchase of financial assets at amortized cost	(477,564)	(9,500)
Proceeds from disposal of financial assets at amortized cost	239,674	-
Purchase of financial assets at fair value through profit or loss	(303,997)	(85,783)
Proceeds from sale of financial assets at fair value through profit or loss	347,361	42,763
Proceeds from capital reduction of investments accounted for using equity method	-	9,567
Payments for property, plant and equipment	(624,441)	(162,670)
Proceeds from disposal of property, plant and equipment	349	29,750
Increase in refundable deposits	-	(303)
Decrease in refundable deposits	418	-
Payments for intangible assets	(9,590)	(6,474)
Increase in prepayments for equipment	(47,292)	(79,317)
Dividends received	-	2,097
Net cash used in investing activities	<u>(892,676)</u>	<u>(277,870)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	738,693	87,360
Issuance of ordinary corporate bonds	700,000	-
Repayment of ordinary corporate bonds	(1,000,000)	-
Proceeds from long-term borrowings	1,501,960	442,699
Repayment of long-term borrowings	(569,837)	(395,000)
Decrease in guarantee deposits received	(9)	(80)
Repayment of the principal portion of lease liabilities	(13,884)	(6,354)
Payment for the cost of ordinary corporate bonds issuance	(2,028)	-
Net cash generated from financing activities	<u>1,354,895</u>	<u>128,625</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(25,347)</u>	<u>(30,960)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(519,765)	30,214
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,545,804</u>	<u>2,150,899</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$2,026,039</u>	<u>\$2,181,113</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated November 4, 2021)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Per Share Data and Unless Stated Otherwise)

(Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 4, 2021.

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

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by Financial Supervisory Commission (hereinafter referred to as the “FSC”).

Except for the following, whenever applied, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies.

b. IFRSs endorsed and issued into effect in 2022 by the FSC

New IFRSs	Effective Date Announced by IASB
“Annual Improvement of IFRSs 2018-2020”	January 1, 2022 (Note 1)
Amendment to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendment to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendment to IAS 37 “Onerous Contract -Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are applicable to the exchange or modification of terms of financial liabilities during the annual reporting period beginning after January 1, 2022; the amendment to IAS 41 “Agriculture” is applicable to the fair value measurement of the annual reporting period beginning after January 1, 2022; the amendment to IFRS 1 “First Adoption of IFRSs” is retrospectively applied to the annual reporting period beginning after January 1, 2022.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 3: Plants, property and equipment that will reach the necessary locations and conditions for management's expected operation mode after January 1, 2022 are applicable to this amendment.

Note 4: The Group shall apply these amendments to contracts that have not fulfilled all obligations as of January 1, 2022.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendment to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The Group shall apply these amendments prospectively to the changes of accounting estimates and accounting policies for annual reporting periods beginning after January 1, 2023.

Note 4: Except for temporary differences of the deferred income tax recognized for lease and decommissioning obligations on January 1, 2022, the amendments also apply to transactions incurring after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 13, Table 8 and Table 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, for the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefit costs

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

2) Other long-term employee benefits

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

3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group includes in its considerations the possible effects of the outbreak of COVID-19 on the development and economic environment in Taiwan, relating to cash flow estimation, growth rate, discount rate, and profitability. Management will continue to monitor, make estimations, and provide basic assumptions. If the revision of the estimate only affects the current period, it will be recognized in the current period of the revision; if the revision of the accounting estimate affects both the current period and the future period, it will be recognized in the current period and the future period of the revision.

6. CASH AND CASH EQUIVALENTS

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand	\$2,248	\$2,593	\$2,168
Checking accounts and demand deposits	1,724,723	2,244,282	2,028,296
Cash equivalent (investments with original maturities of less than 3 months)			
Time deposits	299,068	298,929	150,649
	<u>\$2,026,039</u>	<u>\$2,545,804</u>	<u>\$2,181,113</u>

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Demand deposits and time deposits	0.001%~3.045%	0.001%~2.500%	0.001%~4.250%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial assets at fair value through profit or loss (i.e. FVTPL) – current			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets- Mutual funds	\$-	\$43,600	\$397,039

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Non-current</u>			
Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI)			
Domestic unlisted ordinary shares	\$81,938	\$65,828	\$66,542

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Current</u>			
Time deposits with original maturity more than 3 months	<u>\$225,684</u>	<u>\$-</u>	<u>\$-</u>
<u>Non-current</u>			
Restricted bank deposits	<u>\$37,684</u>	<u>\$37,100</u>	<u>\$36,600</u>

On September 30, 2021, December 31 and September 30, 2020, the Group set up a special account for the project performance bond, a domestic guaranteed corporate bond, and a pledge for a joint loan case with deposits of \$37,684 thousand, \$37,100 thousand and \$36,600 thousand, please refer to Note 30.

10. TRADE RECEIVABLES

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$1,940,454	\$2,022,217	\$1,971,166
Less: Allowance for impairment loss	<u>(2,528)</u>	<u>(2,811)</u>	<u>(1,971)</u>
	<u>\$1,937,926</u>	<u>\$2,019,406</u>	<u>\$1,969,195</u>

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

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

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

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

September 30, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00~0.02 %	0.22~4.70 %	12.36~40.04 %	-	13.97~100 %	
Gross carrying amount	\$1,849,777	\$87,443	\$1,975	\$-	\$1,259	\$1,940,454
Loss allowance (Lifetime ECL)	(326)	(592)	(790)	-	(820)	(2,528)
Amortized cost	<u>\$1,849,451</u>	<u>\$86,851</u>	<u>\$1,185</u>	<u>\$-</u>	<u>\$439</u>	<u>\$1,937,926</u>

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.02~0.74 %	0.22~8.91 %	2.62%	17.66%	11.59~100 %	
Gross carrying amount	\$1,888,308	\$128,563	\$878	\$156	\$4,312	\$2,022,217
Loss allowance (Lifetime ECL)	(467)	(685)	(23)	(28)	(1,608)	(2,811)
Amortized cost	<u>\$1,887,841</u>	<u>\$127,878</u>	<u>\$855</u>	<u>\$128</u>	<u>\$2,704</u>	<u>\$2,019,406</u>

September 30, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.02~0.74 %	0.28~8.91 %	2.86%	-	100%	
Gross carrying amount	\$1,905,014	\$65,083	\$3	\$-	\$1,066	\$1,971,166
Loss allowance (Lifetime ECL)	(541)	(364)	-	-	(1,066)	(1,971)
Amortized cost	<u>\$1,904,473</u>	<u>\$64,719</u>	<u>\$3</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,969,195</u>

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

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

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$2,811	\$3,847
Less: Reversed impairment losses for the period	(244)	(1,683)
Amounts written off	-	(139)
Foreign exchange gains and losses	(39)	(54)
Balance at September 30	<u>\$2,528</u>	<u>\$1,971</u>

11. INVENTORIES

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Raw materials	\$1,221,772	\$683,200	\$473,774
Work-in-process	369,026	212,145	206,020
Finished goods	1,544,466	1,119,724	739,138
	<u>\$3,135,264</u>	<u>\$2,015,069</u>	<u>\$1,418,932</u>

For the three months and the nine months ended September 30, 2021 and 2020, the cost of inventories recognized as cost of goods sold was \$2,746,904 thousand, \$2,178,402 thousand, \$7,550,937 thousand and \$5,732,683 thousand, respectively. The cost of goods sold for the three months and the nine months ended September 30, 2021 and 2020 included inventory valuation loss of \$21,135 thousand, \$29,742 thousand, \$79,803 thousand and \$65,672 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Dongguan Phitek Electronics Co., Ltd. Land use rights, Buildings, Machinery and Equipment, etc.	<u>\$242,366</u>	<u>\$245,819</u>	<u>\$240,849</u>

On February 27, 2020, the board of directors decided to dispose of the land use rights, buildings, machinery and equipment of Dongguan Phitek Electronics Co., Ltd. (hereinafter referred to as PHP Company), the subsidiary company, and these assets are reclassified as non-current assets held for sale based on their carrying amount on February 28, 2020 and expressed separately in the consolidated balance sheet.

The breakdown of PHP Company non-current assets held for sale is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Land use rights	\$4,042	\$4,042	\$4,042
Buildings	258,005	258,005	258,005
Machinery and Equipment	1,244	1,244	1,244
Other Equipment	19,262	19,262	19,262
Less: Accumulated depreciation	(39,850)	(39,850)	(39,850)
	<u>242,703</u>	<u>242,703</u>	<u>242,703</u>
Effect of foreign currency exchange differences	(337)	3,116	(1,854)
	<u>\$242,366</u>	<u>\$245,819</u>	<u>\$240,849</u>

The proceeds of the disposals are expected to exceed the net carrying amount of the related net assets. Accordingly, no impairment was recognized in reclassifying the assets to assets held for sale.

As of September 30, 2021, the proceeds of the disposal had been received \$163,374 thousand which was presented under other current liabilities. Refer to Note 20.

After signing the disposal contract for the above-mentioned non-current assets held for sale, due to delays in the administrative procedures for delivery and transfer, the delivery procedures have not been completed as of September 30, 2021.

13. SUBSIDIARIES

Investor	Investee	Main Business	Percentage of Ownership			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
Phihong	Phihong International Corp. (“PHI”)	Makes investments	100.00	100.00	100.00	
Phihong	Phitek International Co., Ltd. (“PHK”)	Makes investments	100.00	100.00	100.00	
Phihong	Ascent Alliance Ltd. (“PHQ”)	Makes investments	100.00	100.00	100.00	
Phihong	Phihong USA Corp. (“PHA”)	Sells various power supplies	100.00	100.00	100.00	
Phihong	Phihong Technology Japan Co., Ltd.	Sells power components	100.00	100.00	100.00	
Phihong	Guang-Lai Investment Co., Ltd. (“Guang-Lai”)	Makes investments	100.00	100.00	100.00	
Phihong	Phihong Vietnam Co., Ltd. (“PHV”)	Manufactures and sells various power supplies	100.00	100.00	100.00	
Phihong International Corp.	Phihong Dongguan Electronics Co. Ltd. (“PHC”)	Manufactures and sells various power supplies	100.00	100.00	100.00	Note 1
Phihong International Corp.	Phihong Electronics (Suzhou) Co., Ltd. (“PHZ”)	Manufactures and sells various power supplies	100.00	100.00	100.00	
Phihong International Corp.	N-Lighten Technologies, Inc. (“N-Lighten”)	Makes investments	58.45	58.45	58.45	
Phihong International Corp.	Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	100.00	100.00	100.00	
Phitek International Co., Ltd.	Dongguan Phitek Electronics Co., Ltd. (“PHP”)	Manufactures and sells various power supplies	100.00	100.00	100.00	
Ascent Alliance Ltd.	Dongguan Shuang-Ying Electronics Co., Ltd. (“PHSY”)	Manufactures and sells electronic materials	100.00	100.00	100.00	
Ascent Alliance Ltd.	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (“PHE”)	Manufactures and sells electronic materials	100.00	100.00	100.00	
Guang-Lai Investment Co., Ltd.	N-Lighten	Makes investments	19.78	19.78	19.78	

Note 1: Phihong Technology Co., Ltd. established a subsidiary, PHV, in Vietnam in 2019, with a registered capital of USD 50,000 thousand, and the Company’s shareholding ratio is 100%. To coordinate with the group’s funding arrangement, it is planned to process capital injections in stages according to the investment progress. For the nine months ended September 30, 2021, Phihong Technology Co., Ltd. issued shares by \$452,455 thousand (USD16,000 thousand); as of September 30, 2021, Phihong Technology Co., Ltd. has invested \$1,059,648 thousand (USD36,000 thousand).

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

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Associates that are not individually material	\$116,229	\$152,366	\$144,943

Associates that are not individually material

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
The Group's share of:				
Net loss for the period	(\$5,360)	(\$571)	(\$6,297)	(\$5,276)
Other comprehensive income (loss)	<u>(11,422)</u>	<u>(20,380)</u>	<u>(27,161)</u>	<u>20,245</u>
Total comprehensive income (loss)	<u>(\$16,782)</u>	<u>(\$20,951)</u>	<u>(\$33,458)</u>	<u>\$14,969</u>

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

Investment and the Group using the equity method to determine the share of profits and losses and other comprehensive profits and losses enjoyed by them is calculated based on financial reports that have not been reviewed by accountants. However, the management of the Group believes that the financial reports of the investee companies not having been reviewed by accountants will not have a significant impact.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2021	\$246,480	\$2,464,136	\$2,431,495	\$656,924	\$86,289	\$5,885,324
Additions	194,068	6,882	34,441	24,953	366,487	626,831
Disposals	-	(23,971)	(107,010)	(38,067)	-	(169,048)
Effect of foreign currency exchange differences	(2,544)	(30,914)	(26,705)	(3,820)	(4,120)	(68,103)
Reclassification	84,075	137	17,186	12,049	(15,392)	98,055
Balance at September 30, 2021	<u>\$522,079</u>	<u>\$2,416,270</u>	<u>\$2,349,407</u>	<u>\$652,039</u>	<u>\$433,264</u>	<u>\$6,373,059</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$-	\$849,145	\$1,908,013	\$537,627	\$-	\$3,294,785
Disposals	-	(22,634)	(104,608)	(38,065)	-	(165,307)
Depreciation expense	-	60,745	100,445	35,570	-	196,760
Effect of foreign currency exchange differences	-	(9,981)	(19,205)	(2,949)	-	(32,135)
Balance at September 30, 2021	<u>\$-</u>	<u>\$877,275</u>	<u>\$1,884,645</u>	<u>\$532,183</u>	<u>\$-</u>	<u>\$3,294,103</u>
Carrying amounts at December 31, 2020 and January 1, 2021	<u>\$246,480</u>	<u>\$1,614,991</u>	<u>\$523,482</u>	<u>\$119,297</u>	<u>\$86,289</u>	<u>\$2,590,539</u>
Carrying amounts at September 30, 2021	<u>\$522,079</u>	<u>\$1,538,995</u>	<u>\$464,762</u>	<u>\$119,856</u>	<u>\$433,264</u>	<u>\$3,078,956</u>
<u>Cost</u>						
Balance at January 1, 2020	\$248,931	\$2,704,125	\$2,411,321	\$709,254	\$10,909	\$6,084,540
Additions	-	3,211	99,651	15,116	43,696	161,674
Disposals	-	(662)	(147,382)	(40,736)	-	(188,780)
Effect of foreign currency exchange differences	(1,363)	(18,221)	(16,708)	(2,219)	(85)	(38,596)
Reclassification	-	(258,005)	57,839	(7,151)	(650)	(207,967)
Balance at September 30, 2020	<u>\$247,568</u>	<u>\$2,430,448</u>	<u>\$2,404,721</u>	<u>\$674,264</u>	<u>\$53,870</u>	<u>\$5,810,871</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$-	\$789,989	\$1,886,186	\$554,948	\$-	\$3,231,123
Disposals	-	(662)	(116,772)	(39,089)	-	(156,523)
Depreciation expense	-	61,047	117,725	44,893	-	223,665
Effect of foreign currency exchange differences	-	(4,713)	(11,450)	(1,806)	-	(17,969)
Reclassification	-	(26,239)	(1,214)	(12,397)	-	(39,850)
Balance at September 30, 2020	<u>\$-</u>	<u>\$819,422</u>	<u>\$1,874,475</u>	<u>\$546,549</u>	<u>\$-</u>	<u>\$3,240,446</u>
Carrying amounts at September 30, 2020	<u>\$247,568</u>	<u>\$1,611,026</u>	<u>\$530,246</u>	<u>\$127,715</u>	<u>\$53,870</u>	<u>\$2,570,425</u>

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

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

Property, plant and equipment used by the Group and pledged as secure long-term borrowings are set out in Note 30.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Carrying amounts			
Land (including land use rights)	\$254,003	\$266,040	\$270,359
Buildings	9,379	10,986	12,147
Machinery and Equipment	30,916	-	-
Office equipment	-	324	455
Transportation equipment	6,176	3,563	1,713
Other Equipment	1,161	1,875	2,089
	<u>\$301,635</u>	<u>\$282,788</u>	<u>\$286,763</u>

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Additions to right-of-use assets			<u>\$43,192</u>	<u>\$6,169</u>
Depreciation charge for right-of-use assets				
Land (including land use rights)	\$2,208	\$2,265	\$6,662	\$6,861
Buildings	1,026	931	2,929	2,822
Machinery and Equipment	3,100	-	6,217	-
Office equipment	79	125	319	381
Transportation equipment	594	346	1,601	1,037
Other Equipment	204	210	618	433
	<u>\$7,211</u>	<u>\$3,877</u>	<u>\$18,346</u>	<u>\$11,534</u>

Except for the additional and recognized depreciation expenses above, the right-of-use assets of the Company have no significant sublease and impairment for the nine months ended September 30, 2021 and 2020.

Right-of-use assets land use rights used by the Group and pledged as secure long-term borrowings are set out in Note 30.

b. Lease liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Carrying amounts			
Current	\$20,627	\$7,786	\$7,510
Non-current	\$29,707	\$12,665	\$13,023

Range of discount rate for lease liabilities was as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Freehold land	1.200%	1.200%	1.200%
Buildings	1.030%~5.220%	1.030%~5.220%	1.030%~5.220%
Machinery and Equipment	4.000%	-	-
Office equipment	-	4.875%	4.875%
Transportation equipment	1.155%~5.220%	1.155%~5.220%	1.155%~5.220%
Other Equipment	1.030%	1.030%	1.030%

c. Material lease-in activities and terms

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

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

d. Other lease information

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Expenses relating to short-term leases	\$2,184	\$4,200	\$9,435	\$12,902
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$102	\$1,075	\$397	\$1,670
Total cash (outflow) for leases			(\$23,716)	(\$20,926)

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

17. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$118,623
Additions	9,590
Disposals	(6,045)
Effect of foreign currency exchange differences	(599)
Balance at September 30, 2021	<u>\$121,569</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$90,944
Amortization expense	9,886
Disposals	(6,037)
Effect of foreign currency exchange differences	(401)
Balance at September 30, 2021	<u>\$94,392</u>
Carrying amounts at December 31, 2020 and January 1, 2021	<u>\$27,679</u>
Carrying amounts at September 30, 2021	<u>\$27,177</u>
<u>Cost</u>	
Balance at January 1, 2020	\$118,748
Additions	6,474
Disposals	(4,776)
Effect of foreign currency exchange differences	(422)
Balance at September 30, 2020	<u>\$120,024</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$85,532
Amortization expense	9,472
Disposals	(4,684)
Effect of foreign currency exchange differences	(269)
Balance at September 30, 2020	<u>\$90,051</u>
Carrying amounts at September 30, 2020	<u>\$29,973</u>

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

18. BORROWINGS

Short-term borrowings

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Unsecured loan</u>			
Phihong	\$722,670	\$256,320	\$87,360
Phihong Vietnam Co., Ltd.	183,852	-	-
	<u>906,522</u>	<u>256,320</u>	<u>87,360</u>
<u>Secured loan</u>			
Phihong (Dongguan) Electronics Co., Ltd.	88,491	-	-
	<u>\$995,013</u>	<u>\$256,320</u>	<u>\$87,360</u>

Long-term borrowings

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Unsecured loan</u>			
Phihong	\$762,776	\$314,208	\$303,508
PHA (Note 26)	-	-	30,158
	762,776	314,208	333,666
<u>Secured loan</u>			
Phihong	540,387	56,832	14,032
Less: discount	(991)	(2,359)	(2,837)
Long-term loans payable			
- current portion	(798,056)	(64,737)	(13,823)
	<u>\$504,116</u>	<u>\$303,944</u>	<u>\$331,038</u>

- a. The short-term bank loan period of Phihong Technology Co., Ltd. on September 30, 2021, December 31, and September 30, 2020 is from August 20, 2021 to December 29, 2021, December 7, 2020 to February 9, 2021 and September 29, 2020 to November 26, 2020, respectively. As of September 30, 2021, and December 31 and September 30, 2020, the effective annual interest rates are 0.6900%~0.8450%, 0.9500% and 0.9900%, respectively, and interest is paid monthly.
- b. The short-term loan period of PHV on September 30, 2021 is from August 4, 2021 to August 3, 2022. As of September 30, 2021, the effective annual interest rate is 1.3%, and interest is paid monthly.
- c. The short-term loan period of PHC on September 30, 2021 is from August 20, 2021 to March 15, 2022. As of September 30, 2021, the effective annual interest rate is 4%, and interest is paid monthly.
- d. PHA Company has obtained loans from the Paycheck Protection Program (PPP) provided by the U.S. Government. The borrowing period is from April 24, 2020 to April 24, 2022. As of September 30, 2020, the effective interest rate per annum is 1%. In November 2020, the U.S. Government approved the exemption of repayment. Please refer to Notes 26 and 32.

- e. The long-term bank loan period of Pihong Technology Co., Ltd on September 30, 2021, December 31, and September 30, 2020 is from August 22, 2019 to April 7, 2036, August 22, 2019 to September 10, 2023 and August 22, 2019 to July 30, 2022, respectively. As of September 30, 2021, and December 31 and September 30, 2020, the effective annual interest rates are 1.0500%~1.9872%, 1.2740%~1.9872% and 1.2740%~1.9872%, respectively, and interest is paid monthly.
- f. Pihong Technology Co., Ltd. signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank and co-sponsored by Yuanta Commercial Bank along with 7 other banks participating in the loan, on April 30, 2019. The contract period is 3 years with the total credit limit of NTD \$1 billion, including NTD \$450 million of item A loan limit and NTD \$550 million for item B loan limit, which will be used by the company to support the factory investment plan of the Vietnamese subsidiary and enrich the group operating turnover fund. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, Pihong Technology Co., Ltd. shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial report with an accountant's visa which is to be reviewed every half year):
- a) The current ratio (current assets/current liabilities) shall not be less than 100%.
 - b) The net debt ratio (total debt/net tangible value) shall not be higher than 150%.
 - c) The interest protection multiples [(pre-tax profit + depreciation + amortization + interest expense)/interest expense] shall be maintained at more than two times (inclusive).
 - d) Net tangible value (net value minus intangible assets) shall not be less than NTD \$4.5 billion.

For information on pledged properties and endorsements/guarantees, refer to Notes 29 and 30.

- g. As of September 30, 2021, Pihong Technology Co., Ltd.'s net debt ratio, interest protection multiples, and net tangible value did not meet the above requirements. Pihong Technology Co., Ltd. is required to make improvement within a period from the date of submission of the consolidated financial statements for the second quarter of 2021 to the date of submission of the consolidated financial statements for the year ended December 31, 2021. During this period, Pihong Technology Co., Ltd. is not considered in default and shall, based on the loan balance, pay a fee to the bank at an annual rate of 0.1% according to the contract terms.

19. BONDS PAYABLE

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Secured domestic bonds	\$698,181	\$999,883	\$999,762
Less: Long-term loans payable - current portion	-	(999,883)	(999,762)
	<u>\$698,181</u>	<u>\$-</u>	<u>\$-</u>

Secured domestic bonds

On April 1, 2016, the Company issued 100 units of \$10,000 thousand, 0.95% secured bonds in Taiwan, with an aggregate principal of \$1,000,000 thousand, and it has been liquidated on April 1, 2021.

On March 25, 2021, the Company issued 70 units of \$10,000 thousand, 0.60% secured bonds in Taiwan, with an aggregate principal of \$700,000 thousand.

For information on pledged properties and endorsements/guarantees, refer to Notes 29 and 30.

20. OTHER PAYABLES

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Current</u>			
Other payables			
Payables for salaries and bonuses	\$189,668	\$200,932	\$180,987
Payables for annual leave	52,889	45,537	45,326
Payables for purchases of equipment	10,011	7,621	6,526
Others	303,925	315,948	322,182
	<u>\$556,493</u>	<u>\$570,038</u>	<u>\$555,021</u>
Other liabilities			
Temporary receipts	\$73,526	\$62,484	\$50,388
Advance payment for sale of plant land (Note 12)	163,374	170,466	167,020
Others	99,831	58,163	54,683
	<u>\$336,731</u>	<u>\$291,113</u>	<u>\$272,091</u>

21. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020, employee benefit expenses in respect of the Group's defined benefit retirement plans were \$205 thousand, \$266 thousand, \$614 thousand and \$799 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019.

22. EQUITY

a. Share Capital

Ordinary shares

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Number of shares authorized (in thousands)	600,000	600,000	600,000
Shares authorized	<u>\$6,000,000</u>	<u>\$6,000,000</u>	<u>\$6,000,000</u>
Number of shares issued and fully paid (in thousands)	337,688	337,688	337,688
Shares issued	<u>\$3,376,884</u>	<u>\$3,376,884</u>	<u>\$3,376,884</u>

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

b. Capital Surplus

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u>			
Issuance of common shares	\$244,117	\$244,117	\$244,117
Conversion of bonds	667,058	667,058	667,058
Treasury share transactions	48,234	48,234	48,234
Interest payable on bond conversion	13,243	13,243	13,243
<u>May be used to offset a deficit only</u>			
Treasury share transactions	71,365	71,365	71,365
	<u>\$1,044,017</u>	<u>\$1,044,017</u>	<u>\$1,044,017</u>

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

c. Retained Earnings and Dividend Policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special

reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders’ meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees’ compensation and remuneration of directors and supervisors after the amendment, refer to “Employees’ compensation and remuneration of directors and supervisors” in Note 23-g.

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

If undistributed earnings in the previous period are insufficient to set aside the special reserve, the Company shall include income after tax for the current period, plus items other than income after tax, in the undistributed earnings for the current period. Before the amendments to the Articles of Incorporation, the Company set aside special reserves from undistributed earnings in the previous period according to law.

The Company held shareholders’ meetings on July 30, 2021 and June 10, 2020, where the deficit compensation for 2020 and 2019 respectively was passed as follows:

	Deficit Compensation	
	2020	2019
Legal reserve used to offset accumulated deficits	\$154,744	\$41,146

d. Special Reserves

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

e. Other Equity Items

1) Exchange difference on translating the financial statements of foreign operations

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	(\$448,879)	(\$416,186)
Exchange differences arising on translating the financial statements of foreign operations	(83,992)	(62,932)
Balance at September 30	<u>(\$532,871)</u>	<u>(\$479,118)</u>

2) Unrealized gain on financial assets at FVTOCI

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	(\$62,007)	(\$79,561)
Generated in current period		
Unrealized loss on financial assets at fair value through other comprehensive income	(1,484)	(8,769)
Share from associates accounted for using the equity method	(27,161)	20,245
Balance at September 30	<u>(\$90,652)</u>	<u>(\$68,085)</u>

f. Non-Controlling Interests

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	(\$8,909)	(\$9,372)
Attributable to non-controlling interests:		
Loss for the period	(15)	(15)
Exchange differences on translating the financial statements of foreign operations	214	281
Balance at September 30	<u>(\$8,710)</u>	<u>(\$9,106)</u>

23. NET PROFIT RELATING TO CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Bank deposits	\$6,649	\$7,807	\$20,052	\$23,245
Others	239	184	841	1,262
	<u>\$6,888</u>	<u>\$7,991</u>	<u>\$20,893</u>	<u>\$24,507</u>

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Government subsidies (Note 26)	\$-	\$26,593	\$-	\$58,309
Others	30,081	52,620	68,258	110,363
	<u>\$30,081</u>	<u>\$79,213</u>	<u>\$68,258</u>	<u>\$168,672</u>

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Net foreign exchange gains (losses)	\$11,985	(\$15,589)	(\$9,156)	(\$25,929)
Loss on disposal of property, plant and equipment	(1,722)	(1,736)	(3,392)	(2,507)
Loss on disposal of intangible assets	-	(91)	(8)	(92)
Fair value changes of financial assets and financial liabilities				
Financial assets mandatorily at FVTPL	(113)	3,416	-	8,801
Gain on disposal of investment	170	-	795	321
Others	(1,352)	(1,234)	(3,626)	(3,937)
	<u>\$8,968</u>	<u>(\$15,234)</u>	<u>(\$15,387)</u>	<u>(\$23,343)</u>

d. Depreciation and amortization

	For the Three Months Ended September 30, 2021		For the Nine Months Ended September 30, 2021	
	2021	2020	2021	2020
Property, plant and equipment	\$63,584	\$72,832	\$196,760	\$223,665
Right-of-use assets	7,211	3,877	18,346	11,534
Computer Software	3,469	3,210	9,886	9,472
	<u>\$74,264</u>	<u>\$79,919</u>	<u>\$224,992</u>	<u>\$244,671</u>
An analysis of depreciation by function				
Operating costs	\$34,011	\$37,322	\$104,286	\$113,740
Operating expenses	36,784	39,387	110,820	121,459
	<u>\$70,795</u>	<u>\$76,709</u>	<u>\$215,106</u>	<u>\$235,199</u>
An analysis of amortization expense by function				
Operating costs	\$973	\$893	\$2,842	\$2,445
Operating expenses	2,496	2,317	7,044	7,027
	<u>\$3,469</u>	<u>\$3,210</u>	<u>\$9,886</u>	<u>\$9,472</u>

e. Finance costs

	For the Three Months Ended September 30, 2021		For the Nine Months Ended September 30, 2021	
	2021	2020	2021	2020
Bank loans interest	\$9,248	\$3,052	\$20,902	\$8,341
Bonds payable interest	1,152	2,495	4,870	7,483
Lease liabilities interest	509	196	1,212	635
	<u>\$10,909</u>	<u>\$5,743</u>	<u>\$26,984</u>	<u>\$16,459</u>

f. Employee benefits expense

	For the Three Months Ended September 30, 2021		For the Nine Months Ended September 30, 2021	
	2021	2020	2021	2020
Short-term employee benefits	\$599,823	\$524,840	\$1,734,723	\$1,446,676
Post-employment benefits				
Defined contribution plans	5,613	5,348	16,518	16,203
Defined benefit plans (Note 21)	205	266	614	799
Total employee benefits expense	<u>\$605,641</u>	<u>\$530,454</u>	<u>\$1,751,855</u>	<u>\$1,463,678</u>
An analysis of employee benefits expense by function				
Operating costs	\$375,224	\$318,629	\$1,079,441	\$833,858
Operating expenses	230,417	211,825	672,414	629,820
	<u>\$605,641</u>	<u>\$530,454</u>	<u>\$1,751,855</u>	<u>\$1,463,678</u>

g. Employees' compensation and remuneration to directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 10% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the nine months ended September 30, 2021 and 2020, because of operation loss, the Company did not estimate the bonus to employees and the remuneration to directors and supervisors.

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

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Foreign exchange gains	\$25,484	\$2,501	\$38,060	\$15,483
Foreign exchange losses	(13,499)	(18,090)	(47,216)	(41,412)
Net gains or losses	<u>\$11,985</u>	<u>(\$15,589)</u>	<u>(\$9,156)</u>	<u>(\$25,929)</u>

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	(\$3,635)	\$5,757	\$15,373	\$30,619
Generated in the previous period	(88)	-	(1,398)	383
	<u>(3,723)</u>	<u>5,757</u>	<u>13,975</u>	<u>31,002</u>
Deferred tax				
In respect of the current period	(690)	(9,400)	(7,210)	(8,129)
Income tax (benefit) expense recognized in profit or loss	<u>(\$4,413)</u>	<u>(\$3,643)</u>	<u>\$6,765</u>	<u>\$22,873</u>

b. Income tax assessments

The Company's income tax returns through 2019 have been assessed by the tax authorities.

25. EARNING (LOSS) PER SHARE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Basic earning (loss) per share	<u>(\$0.05)</u>	<u>\$0.06</u>	<u>(\$0.88)</u>	<u>(\$0.52)</u>

Profit (loss) for the period

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit (loss) used in the computation of basic earning (loss) per share	<u>(\$15,869)</u>	<u>\$19,877</u>	<u>(\$297,851)</u>	<u>(\$175,651)</u>

Number of Shares

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares used in computation of basic earning (loss) per share	<u>337,688</u>	<u>337,688</u>	<u>337,688</u>	<u>337,688</u>

26. GOVERNMENT GRANT

The Industrial Development Bureau, MOEA, approved and included the Company in the salary and working capital subsidy project in September 2020. The Company estimates obtaining a subsidy of NT\$58,309 thousand, which is accounted for under “Other Income.” As of September 30, 2021, the total amount of subsidy is received. Please refer to Notes 23 and 32.

PHA Company obtained loans from the PPP provided by the U.S. Government in April 2020. As of September 30, 2020, as the U.S. Government had not approved exemption of repayment for the PHA Company, the loans were accounted for under “Long-term Borrowings.” The exemption of repayment was approved in November 2020, and such loans were transferred to “Other Income.” Please refer to Notes 18 and 32.

27. CAPITAL MANAGEMENT

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

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

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

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value

Fair value hierarchy

September 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds	\$-	\$-	\$-	\$-
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$-	\$-	\$81,938	\$81,938

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds	\$43,600	\$-	\$-	\$43,600
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$-	\$-	\$65,828	\$65,828

September 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds	\$397,039	\$-	\$-	\$397,039
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$-	\$-	\$66,542	\$66,542

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

b. Categories of financial instruments

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets</u>			
FVTPL			
Mandatorily at FVTPL	\$-	\$43,600	\$397,039
Financial assets at amortized cost (Note 1)	4,282,493	4,650,814	4,234,771
Financial assets at FVTOCI			
Investments in equity instruments at FVTOCI	81,938	65,828	66,542
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	6,666,468	5,124,780	4,443,490

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, trade receivables, other receivables, and refundable deposits.

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

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, financial assets at amortized cost, investment in equity instruments, trade receivables, other receivables, refundable deposits/guarantee deposits received, short-term borrowings, trade payables, trade payables to related parties, other payables, bonds payable, long-term borrowings, and lease liabilities. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group believed that its foreign currency

assets and liabilities were not significantly exposed to foreign currency risk; thus, after assessing its balance of foreign currency assets and liabilities, it did not hedge the risk and did not adopt hedge accounting.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Group was mainly exposed to the USD, CNY, and VND.

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

	<u>For the Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>
USD	(\$6,511)	\$534
CNY	35	38
VND	2,926	318

b) Interest rate risk

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fair value interest rate risk			
Financial liabilities	\$1,109,850	\$1,191,214	\$1,050,453
Cash flow interest rate risk			
Financial liabilities	1,935,850	454,121	402,063

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group had available unutilized short-term bank loan facilities set out in (b) below.

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

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

regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

September 30, 2021

	On Demand or Less than 1 Year	1-3 years	Over 3 years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$3,670,481	\$-	\$-	\$3,670,481
Lease liabilities	20,627	29,559	148	50,334
Variable interest rate instrument	1,431,734	329,432	174,684	1,935,850
Fixed interest rate instrument	361,335	-	698,181	1,059,516
	<u>\$5,484,177</u>	<u>\$358,991</u>	<u>\$873,013</u>	<u>\$6,716,181</u>

Further information on the lease liability maturity analysis is as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	<u>\$20,627</u>	<u>\$29,707</u>	<u>\$-</u>

December 31, 2020

	On Demand or Less than 1 Year	1-3 years	Over 3 years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$3,499,267	\$-	\$-	\$3,499,267
Lease liabilities	7,786	10,769	1,896	20,451
Variable interest rate instrument	150,177	303,944	-	454,121
Fixed interest rate instrument	1,170,763	-	-	1,170,763
	<u>\$4,827,993</u>	<u>\$314,713</u>	<u>\$1,896</u>	<u>\$5,144,602</u>

Further information on the lease liability maturity analysis is as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	<u>\$7,786</u>	<u>\$12,665</u>	<u>\$-</u>

September 30, 2020

	On Demand or Less than 1 Year	1-3 years	Over 3 years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$3,010,923	\$-	\$-	\$3,010,923
Lease liabilities	7,510	10,095	2,928	20,533
Variable interest rate instrument	87,360	314,703	-	402,063
Fixed interest rate instrument	1,013,585	16,335	-	1,029,920
	<u>\$4,119,378</u>	<u>\$341,133</u>	<u>\$2,928</u>	<u>\$4,463,439</u>

Further information on the lease liability maturity analysis is as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	\$7,510	\$13,023	\$-

b) Financing facilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Unsecured bank facilities:			
Amount used	\$1,669,298	\$570,528	\$390,868
Amount unused	1,692,192	2,332,692	2,921,312
	<u>\$3,361,490</u>	<u>\$2,903,220</u>	<u>\$3,312,180</u>
Secured bank facilities:			
Amount used	\$628,878	\$56,832	\$14,032
Amount unused	83,077	911,405	599,799
	<u>\$711,955</u>	<u>\$968,237</u>	<u>\$613,831</u>

29. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Group</u>
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Spring City Resort Co., Ltd.	Associates
Peter Lin	Phihong's chairman
Chien, Shu-Nu	Spouse of Phihong's chairman

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

b. Trading transactions

<u>Payables to related parties</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Other related parties	\$41,541	\$37,781	\$124,640	\$96,145

The purchase price of the Group from the above-mentioned related parties is based on factors such as product type, cost, market price, and market competition, and is not significantly different from that of ordinary manufacturers.

c. Accounts payable due from related parties

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Payables to related parties</u>			
Other related parties	\$83,068	\$82,497	\$76,328

d. Property transactions

Phihong Technology Co., Ltd. purchased transportation equipment from related parties at \$550 thousand in August 2021.

e. Compensation of key management personnel

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$6,944	\$6,568	\$20,332	\$19,531
Post-employment benefits	108	108	324	324
	<u>\$7,052</u>	<u>\$6,676</u>	<u>\$20,656</u>	<u>\$19,855</u>

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

f. Other transactions with related parties

The Company's chairman has guaranteed the payments of the loans of the Group. As of September 30, 2021, December 31, 2020 and September 30, 2020, the amounts of the guarantees were \$2,811,514 thousand, \$1,454,004 thousand and \$1,401,825 thousand, respectively.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Group have been provided as collateral for the project performance bond, bank loan, and domestic secured corporate bonds:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial assets at amortized cost-non-current (Note 9)	\$37,684	\$37,100	\$36,600
Freehold land	463,345	185,202	185,202
Right-of-use assets - land use right	14,927	15,499	15,304
Buildings	415,761	436,406	443,664
	<u>\$931,717</u>	<u>\$674,207</u>	<u>\$680,770</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Payments for property, plant and equipment			
Signed amount	\$1,157,745	\$627,710	\$442,801
Unpaid amount	588,969	464,866	263,260

32. OTHER ITEMS

Due to the effects of the global outbreak of COVID-19, the Group's operating income dropped significantly from January to September 2020. Due to the slowdown of the outbreak and the relaxation of policies, the operation of the Group has been returning to normality.

Due to the effects of the outbreak, the Group applied for subsidies of salary, working capital, and relief loans from Taiwan and the U.S. governments. Salary and working capital subsidies, amounting to NT\$58,309 thousand in aggregate, were approved for the Company. Loans from the PPP of NT\$30,158 thousand were approved by the U.S. Government for PHA Company, and the exemption of repayment was approved in November 2020. Please refer to Notes 18, 23 and 26.

33. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

To increase working capital, improve finances or secure funds for long-term development, and to stay competitive, the Company's board of directors resolved to pass the issuance of common shares through private placement on October 28, 2021, with the total number of common shares to be issued less than 37,520 thousand. The board of directors is authorized to handle such private placement in two installments within one year from the date of the resolution at the extraordinary shareholders' meeting. The issuance of 18,760 thousand shares in the first installment and 18,760 thousand shares in the second installment is expected, and the number of shares to be issued may be adjusted as needed. In each issuance, all or part of the previously unissued shares and/or expected shares to be issued subsequently may be issued at the same time, but the total number of issued shares shall not exceed 37,520 thousand shares. The issuance of common shares through private placement is slated for discussion at the first extraordinary shareholders' meeting on December 16, 2021.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$67,956	27.79500	\$1,888,842
CNY	804	4.29851	3,456
VND	264,562,969	0.00122	322,767
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	91,380	27.79500	2,539,912
VND	24,765,320	0.00122	30,214

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$78,435	28.48000	\$2,233,832
CNY	855	4.35974	3,730
VND	47,432,187	0.00123	58,342
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	65,868	28.48000	1,875,919
VND	32,010,796	0.00123	39,373

September 30, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$49,188	29.12000	\$1,432,347
CNY	885	4.27161	3,781
VND	42,457,947	0.00126	53,497
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	47,354	29.12000	1,378,935
VND	17,186,606	0.00126	21,655

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

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

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- c. Information of major shareholders: the names of shareholders with a shareholding ratio of 5% or more, their shareholding amount, and their proportional shareholdings. (Table 11)

36. SEGMENT INFORMATION

a. Basic information of operation segments

1) Classification of operating segments

The segments of the Group to be reported are as follows:

Power Supply Products Segment: Mainly responsible for the R&D, design, manufacturing, sales, and after-sales service of power supply products.

2) Principles for measuring profit and loss, assets, and liabilities of the operating segment

The accounting policies of each operating segment are the same as the important accounting policies described in Note 4. The profit and loss, assets, and liabilities of the operating segment of the Group are measured by the operating profit and loss that can be controlled by the segment manager, and are used as the basis for management performance evaluations.

b. Segment revenues and results

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

	<u>Power Supply</u>	<u>Others</u>	<u>Total</u>
<u>For the Nine Months Ended</u>			
<u>September 30, 2021</u>			
Revenues from external customers	\$8,507,889	\$2,220	\$8,510,109
Segment revenues	<u>(\$326,257)</u>	<u>(\$5,327)</u>	<u>(\$331,584)</u>
Interest income			20,893
Other revenues			68,258
Other gains and losses			(15,387)
Finance costs			(26,984)
Share of loss of associates			<u>(6,297)</u>
Loss before income tax			<u>(\$291,101)</u>
<u>For the Nine Months Ended</u>			
<u>September 30, 2020</u>			
Revenues from external customers	\$6,575,256	\$4,907	\$6,580,163
Segment revenues	<u>(\$301,153)</u>	<u>\$259</u>	<u>(\$300,894)</u>
Interest income			24,507
Other revenues			168,672
Other gains and losses			(23,343)
Finance costs			(16,459)
Share of loss of associates			<u>(5,276)</u>
Loss before income tax			<u>(\$152,793)</u>

c. Segment assets and liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Power supply segment assets	\$11,323,264	\$9,701,757	\$8,978,743
Other assets	231,298	660,914	650,167
Total assets	<u>\$11,554,562</u>	<u>\$10,362,671</u>	<u>\$9,628,910</u>
Power supply segment assets	\$7,164,342	\$5,561,974	\$4,884,483
Other liabilities	55,628	55,816	56,967
Total liabilities	<u>\$7,219,970</u>	<u>\$5,617,790</u>	<u>\$4,941,450</u>

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest rate range	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Item Financing Limit for Each Borrower (Note 3 and Note 4)	Aggregate Financing Limit (Note 3 and Note 4)	Note
													Item	Value			
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	\$429,851 RMB100,000,000	\$429,851 RMB100,000,000	\$240,717	4.35%	2	\$-	Capital movement	\$-	-	\$-	\$1,466,317	\$1,466,317	
2	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	1,031,642 RMB240,000,000	1,031,642 RMB240,000,000	1,031,642	4.75%	2	-	Capital movement	-	-	-	1,220,875	1,220,875	
1	Phihong (Dongguan) Electronics Co., Ltd.	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Other receivables from related parties	Yes	42,985 RMB10,000,000	42,985 RMB10,000,000	42,985	4.90%	2	-	Capital movement	-	-	-	1,466,317	1,466,317	

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

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

Note 2: Reasons for financing are as follows:

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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

No. (Note 1)	Endorser/Guarantor Name	Endorsee/Guarantee		Limit on Endorsement/Guarantee Given on Behalf of Each Party (Note 2 and Note 3)	Maximum Amount Endorsed/Guaranteed During the Period	Ending Balance Amount Endorsed/Guaranteed During the Period	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collateral	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Limit on Endorsement/ Guarantee (Note 2 and Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong	Phihong USA Corp.	Subsidiary of the Company	\$1,302,990	\$138,975 USD5,000,000	\$138,975 USD5,000,000	\$-	\$-	3.20	\$2,171,651	Y	N	N	

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

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

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

Note 3: In accordance with the operating procedures of the Group's subsidiaries, the total amount of endorsements between subsidiaries shall not exceed the net value of the most recent financial statement.

Note 4: On August 4, 2021, the board of directors approved that the Company's endorsements/guarantees amount to Phihong USA Corp. is USD 5 million.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2021

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2021				Note
				Number of Shares	Carrying amount	Percentage of Ownership (%)	Fair value	
Phihong	<u>Ordinary shares</u> Pao- Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	229,980	\$3,375	10.49	\$3,375	
	Zhong-Xuan Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,758,621	22,520	8.62	22,520	
	BMC Venture Capital Investment Corporation	None	Financial assets at FVTOCI - non-current	5,400,000	54,141	9.84	54,141	
Guang-Lai Investment Co., Ltd.	<u>Ordinary shares</u> Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non-current	3,000,000	1,902	10.83	1,902	

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Related Party (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				September 30, 2021	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Phihong Electronics (Suzhou) Co., Ltd.	ICBC's capital-guaranteed and floating-income wealth management products	Financial assets at FVTPL - current	Industrial and Commercial Bank of China	None	10,000,000	\$430,600 RMB10,000,000	70,000,000	\$303,997	80,000,000	\$347,361	\$346,566	\$795	-	\$-

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Phihong	Phihong USA Corp.	Subsidiary of the Company	Sale	(\$2,594,377)	(38.44)	To be agreed by both parties	-	—	\$691,048	48.20	
Phihong	Phihong Technology Japan Co., Ltd.	Subsidiary of the Company	Sale	(164,775)	(2.44)	To be agreed by both parties	-	—	34,362	2.40	
Phihong	Phihong (Dongguan) Electronics Co., Ltd.	Subsidiary of the Company	Purchase	4,913,184	79.52	To be agreed by both parties	-	—	-	-	
Phihong	Dongguan Phitek Electronics Co., Ltd.	Subsidiary of the Company	Purchase	160,216	2.59	To be agreed by both parties	-	—	-	-	
Phihong	Phihong Vietnam Co., Ltd.	Subsidiary of the Company	Purchase	1,103,713	17.86	To be agreed by both parties	-	—	33	-	
Phihong USA Corp.	Phihong	Parent Entity	Purchase	2,594,377	95.25	To be agreed by both parties	-	—	(691,048)	(91.53)	
Phihong Technology Japan Co., Ltd.	Phihong	Parent Entity	Purchase	164,775	100.00	To be agreed by both parties	-	—	(34,362)	(100.00)	
Phihong (Dongguan) Electronics Co., Ltd.	Phihong	The Ultimate Parent Entity	Sale	(4,913,184)	(100.00)	To be agreed by both parties	-	—	-	-	
Dongguan Phitek Electronics Co., Ltd.	Phihong	The Ultimate Parent Entity	Sale	(160,216)	(8.33)	To be agreed by both parties	-	—	-	-	
Phihong Vietnam Co., Ltd.	Phihong	The Ultimate Parent Entity	Sale	(1,103,713)	(100.00)	To be agreed by both parties	-	—	(33)	-	

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2021

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

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Phihong	Phihong USA Corp.	Subsidiary of the Company	Trade receivables \$691,048	6.80	\$-	—	\$308,484	\$-
Phihong	Phihong (Dongguan) Electronics Co., Ltd.	Subsidiary of the Company	Other receivables 497,769	-	-	—	143,308	-
Phihong	Phihong Vietnam Co., Ltd.	Subsidiary of the Company	Other receivables 308,272	-	-	—	78,702	-
Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables 253,672	-	-	—	6,139	-
Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables 1,068,395	-	-	—	-	-

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Transaction Details	% to Total Sales or Assets (Note 3)
0	Phihong	Phihong USA Corp.	1	Sale	\$2,594,377	To be agreed by both parties	30%
0	Phihong	Phihong Technology Japan Co., Ltd.	1	Sale	164,775	To be agreed by both parties	2%
0	Phihong	Phihong (Dongguan) Electronics Co., Ltd.	1	Purchase	4,913,184	No significant difference	58%
0	Phihong	Dongguan Phitek Electronics Co., Ltd.	1	Purchase	160,216	No significant difference	2%
0	Phihong	Phihong Vietnam Co., Ltd.	1	Purchase	1,103,713	No significant difference	13%
0	Phihong	Phihong USA Corp.	1	Trade receivables	691,048	—	6%
0	Phihong	Phihong (Dongguan) Electronics Co., Ltd.	1	Other receivables	497,769	—	4%
0	Phihong	Phihong Vietnam Co., Ltd.	1	Other receivables	308,272	—	3%
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	3	Other receivables	253,672	—	2%
2	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	3	Other receivables	1,068,395	—	9%

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

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

Note 2: Nature of relationship is as follows:

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

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of September 30, 2021. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2021.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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

Investor	Investee Company	Location	Main Businesses and Product	Original Investment Amount		As of September 30, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2021	December 31, 2020	Number of Shares	%	Carrying amount			
Phihong	Phihong International Corp.	British Virgin Islands	Makes investments	\$3,448,270	\$3,448,270	111,061,351	100.00	\$2,899,839	(\$201,514)	(\$197,113)	
	Phihong USA Corp.	California, USA	Sells various power supplies	207,203	207,203	3,100,000	100.00	910,688	25,978	25,978	
	Phitek International Co., Ltd.	British Virgin Islands	Makes investments	314,956	314,956	10,200,000	100.00	(408,065)	(169,991)	(168,876)	
	Ascent Alliance Ltd.	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100.00	55,646	(12,921)	(13,009)	
	Guang-Lai Investment Co., Ltd.	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	107,443	(6,138)	(6,138)	
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	13,738	13,738	1,373,801	32.26	18,295	(582)	(219)	
	Phihong Technology Japan Co., Ltd.	Japan	Sells power components	137,436	137,436	3,000	100.00	73,372	(1,570)	(1,570)	
	Phihong Vietnam Co., Ltd.	Vietnam	Manufactures and sells various power supplies	JPY150,000,000 1,059,648	JPY150,000,000 607,193	36,000,000	100.00	901,540	25,637	25,406	
Phihong International Corp.	N-Lighten	California, USA	Makes investments	409,851	409,851	110,834,223	58.45	(23,385)	(67)	(39)	Phihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%
Guang-Lai Investment Co., Ltd.	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	2,324	(37,648)	(9,567)	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	95,610	15,704	3,489	
	N-Lighten	California, USA	Makes investments	206,084	206,084	37,498,870	19.78	(7,914)	(67)	(13)	Phihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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

Investee Company	Main Businesses and Product	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of September 30, 2021	Accumulated Repatriation of Investment Income as of September 30, 2021	Note
					Outward	Inward							
Phihong (Dongguan) Electronics Co., Ltd.	Manufactures and sells various power supplies	\$1,988,018 HKD495,450,000	Indirect investment in mainland China through PHI	\$1,677,679 HKD419,000,000	\$-	\$-	\$1,677,679 HKD419,000,000	(\$219,005)	100.00	(\$219,005)	\$1,466,317	\$-	
Phitek (Tianjin) Electronics Co., Ltd.	Manufactures and sells various power supplies	-	Indirect investment in mainland China through PHI	25,327 USD255,127	-	-	25,327 USD255,127	-	-	-	-	-	Note 1
Phihong Electronics (Suzhou) Co., Ltd.	Manufactures and sells various power supplies	1,097,139 USD31,960,000	Indirect investment in mainland China through PHI	1,343,033 USD40,600,000	-	-	1,343,033 USD40,600,000	26,498	100.00	26,498	1,220,875	-	
Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	26,291 USD880,000	Indirect investment in mainland China through PHI	63,934 USD2,865,000	-	-	63,934 USD2,865,000	(3,442)	100.00	(3,442)	9,096	-	
Dongguan Phitek Electronics Co., Ltd.	Manufactures and sells various power supplies	362,042 USD11,500,000	Indirect investment in mainland China through PHK	315,258 USD10,000,000	-	-	315,258 USD10,000,000	(169,824)	100.00	(169,824)	(410,726)	-	
Dongguan Shuang-Ying Electronics Co., Ltd.	Manufactures and sells electronic materials	39,678 HKD9,000,000	Indirect investment in mainland China through PHQ	39,678 HKD9,000,000	-	-	39,678 HKD9,000,000	3,220	100.00	3,220	57,795	-	
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufactures and sells electronic materials	360,124 USD11,500,000	Indirect investment in mainland China through PHQ	360,124 USD11,500,000	-	-	360,124 USD11,500,000	(16,052)	100.00	(16,052)	(3,404)	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 USD12,366,400	-	-	387,406 USD12,366,400	-	-	-	-	-	Note 2

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

Note 2: N-Lighten (Shanghai) Trading Inc. was put into liquidation on June 18, 2015.

Note 3: The amount was recognized based on audited financial statements.

Note 4: The foreign currencies in this table are converted into New Taiwan dollars using exchange rates of the investment date, except for income and expense items which are translated at the average exchange rates for the period.

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2021	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,212,439	\$ 4,816,767	Note 1

Note 1: In accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" passed on June 18, 2021, 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. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Trade Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Amount	%		
Phihong (Dongguan) Electronics Co., Ltd.	Purchase	\$4,913,184	79.52%	To be agreed by both parties	To be agreed by both parties	—	\$-	-	\$-	
Dongguan Phitek Electronics Co., Ltd.	Purchase	160,216	2.59%	To be agreed by both parties	To be agreed by both parties	—	-	-	-	

TABLE 11

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES
INFORMATION OF MAJOR SHAREHOLDER
SEPTEMBER 30, 2021

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Peter Lin	51,703,063	15.31%

Note 1: The information on major shareholders in this table is based on the last business day at the end of the quarter, including the data of the shareholders holding more than 5% of the company's ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the company's consolidated financial report and the actual number of shares delivered without physical registration may be different due to the difference of calculation basis.