Phihong Technology Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2018 and 2017 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Phihong Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") as of March 31, 2018 and 2017 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and related notes, including a summary of significant accounting policies "(collectively referred to as the consolidated financial statements)". Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting". 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 $173,949 thousand and $250,439 thousand as of March 31, 2018 and 2017, respectively, and the comprehensive gain (loss) from the investments of $922 thousand and $(1,039) thousand for the three months ended March 31, 2018 and 2017, respectively, were based on these investees' unreviewed financial statements.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of equity-method investees as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting”.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 11, 2018

Notice to Readers

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	$ 1,945,127	19	$ 1,758,856	17	$ 2,253,667	20
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	95,417	1	345,163	4	224,734	2
Trade receivables (Notes 4 and 10)	2,033,533	19	2,033,614	20	2,281,533	20
Trade receivables from related parties (Notes 4, 10 and 29)	-	-	9	-	-	-
Other receivables	80,339	1	123,733	1	135,453	1
Inventories (Note 11)	1,544,138	15	1,557,917	15	1,534,223	14
Prepayment for lease (Note 18)	2,826	-	2,778	-	3,343	-
Non-current assets held for sale, net (Note 12)	978,607	9	962,236	9	-	-
Other financial assets - current (Notes 4 and 6)	208,286	2	3,868	-	231,457	2
Other current assets	161,626	2	125,296	1	145,256	1
Total current assets	7,049,899	68	6,913,470	67	6,809,666	60
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4 and 8)	38,856	-	-	-	-	-
Financial assets measured at cost - non-current (Notes 3, 4 and 9)	-	-	43,936	1	44,759	-
Investments accounted for using equity method (Note 14)	173,949	2	188,171	2	250,439	2
Property, plant and equipment (Note 15)	2,908,297	28	2,923,572	28	3,503,374	31
Investment properties (Note 16)	-	-	-	-	543,073	5
Intangible assets (Note 17)	24,262	-	28,416	-	31,088	-
Deferred tax assets (Note 4)	48,215	-	46,465	1	53,010	1
Other financial assets - non-current (Notes 4 and 6)	25,450	-	25,450	-	25,450	-
Long-term prepayments for lease (Note 18)	104,826	1	103,768	1	125,363	1
Other non-current assets	51,029	1	37,628	-	37,705	-
Total non-current assets	3,374,884	32	3,397,406	33	4,614,261	40
TOTAL	$ 10,424,783	100	$ 10,310,876	100	$ 11,423,927	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 19)	$ -	-	$ 100,000	1	$ 90,915	1
Trade payables	2,151,628	21	2,377,151	23	2,719,288	24
Trade payables to related parties (Note 29)	49,682	-	59,806	1	66,276	1
Other payables (Note 21)	734,582	7	847,764	8	710,459	6
Current tax liabilities (Note 4)	48,114	-	75,875	1	96,724	1
Current portion of long-term borrowings (Notes 19 and 20)	11,642	-	11,908	-	1,093,795	9
Other current liabilities (Note 21)	808,461	8	146,114	1	109,328	1
Total current liabilities	3,804,109	36	3,618,618	35	4,886,785	43
NON-CURRENT LIABILITIES						
Bonds payable (Note 20)	998,570	10	998,453	10	998,094	9
Long-term borrowings (Note 19)	235,821	2	138,931	1	18,183	-
Deferred tax liabilities (Note 4)	79,832	1	79,832	1	79,832	-
Accrued pension liabilities (Notes 4 and 22)	95,470	1	95,614	1	87,794	1
Other non-current liabilities	3,985	-	3,918	-	7,040	-
Total non-current liabilities	1,413,678	14	1,316,748	13	1,190,943	10
Total liabilities	5,217,787	50	4,935,366	48	6,077,728	53
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)						
Common stock	3,376,884	32	3,376,884	33	3,376,884	30
Capital surplus	1,044,017	10	1,044,017	10	1,044,017	9
Retained earnings						
Legal reserve	1,113,185	11	1,113,185	11	1,113,185	10
Special reserve	230,859	2	230,859	2	230,859	2
Accumulated deficits	(255,034)	(2)	(128,997)	(1)	(100,552)	(1)
Total retained earnings	1,089,010	11	1,215,047	12	1,243,492	11
Other equity						
Exchange differences on translating the financial statements of foreign operations	(214,363)	(2)	(256,008)	(3)	(354,677)	(3)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 3)	(79,502)	(1)	-	-	-	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	4,825	-	45,891	-
Total other equity	(293,865)	(3)	(251,183)	(3)	(308,786)	(3)
Total equity attributable to owners of the Company	5,216,046	50	5,384,765	52	5,355,607	47
NON-CONTROLLING INTEREST (Note 23)	(9,050)	-	(9,255)	-	(9,408)	-
Total equity	5,206,996	50	5,375,510	52	5,346,199	47
TOTAL	$ 10,424,783	100	$ 10,310,876	100	$ 11,423,927	100

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

(With Deloitte & Touche review report dated May 11, 2018)

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)

	Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 33)	$ 2,509,921	100	$ 2,830,831	100
OPERATING COSTS (Notes 11 and 29)	2,329,449	93	2,453,711	87
GROSS PROFIT	180,472	7	377,120	13
OPERATING EXPENSES				
Sales and marketing expenses	99,661	4	124,521	4
General and administration expenses	113,692	4	127,774	5
Research and development expenses	146,301	6	147,700	5
Total operating expenses	359,654	14	399,995	14
LOSS FROM OPERATIONS	(179,182)	(7)	(22,875)	(1)
NONOPERATING INCOME (EXPENSES)				
Other income (Note 24)	39,185	1	46,394	2
Other gains and losses (Note 24)	(58,954)	(2)	36,528	1
Finance costs	(4,521)	-	(17,391)	-
Share of the profit of associates (Note 14)	5,867	-	10,520	-
Total nonoperating income (expenses)	(18,423)	(1)	76,051	3
(LOSS) PROFIT BEFORE INCOME TAX	(197,605)	(8)	53,176	2
INCOME TAX EXPENSE (Notes 4 and 25)	(2,735)	-	(24,940)	(1)
NET (LOSS) PROFIT	(200,340)	(8)	28,236	1
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income (Note 23)	679	-	-	-

(Continued)

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)

	Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 23)	$ 41,851	2	$ (262,622)	(9)
Share of the other comprehensive loss of associates accounted for using the equity method (Note 23)	(4,945)	-	(11,559)	(1)
Total other comprehensive income (loss)	37,585	2	(274,181)	(10)
TOTAL COMPREHENSIVE LOSS	$ (162,755)	(6)	$ (245,945)	(9)
NET (LOSS) PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ (200,339)	(8)	$ 28,240	1
Non-controlling interests	(1)	-	(4)	-
	$ (200,340)	(8)	$ 28,236	1
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ (162,960)	(6)	$ (246,553)	(9)
Non-controlling interests	205	-	608	-
	$ (162,755)	(6)	$ (245,945)	(9)
EARNING (LOSS) PER SHARE (Note 26)				
Basic	$ (0.59)		$ 0.10	
Diluted			$ 0.09	

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

(With Deloitte & Touche review report dated May 11, 2018) (Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										
			Retained Earnings			Other Equity					
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2017	$ 2,776,884	$ 1,026,456	$ 1,113,185	$ 230,859	$ (128,792)	$ (91,443)	$ 57,450	$ -	$ 4,984,599	$ (10,016)	$ 4,974,583
Net income (loss) for the three months ended March 31, 2017	-	-	-	-	28,240	-	-	-	28,240	(4)	28,236
Other comprehensive (loss) income for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	(263,234)	(11,559)	-	(274,793)	612	(274,181)
Total comprehensive (loss) income for the three months ended March 31, 2017	-	-	-	-	28,240	(263,234)	(11,559)	-	(246,553)	608	(245,945)
Issuance of ordinary shares for cash (Note 23)	600,000	10,430	-	-	-	-	-	-	610,430	-	610,430
Issuance of ordinary shares under employee share options (Note 23)	-	7,131	-	-	-	-	-	-	7,131	-	7,131
BALANCE, MARCH 31, 2017	$ 3,376,884	$ 1,044,017	$ 1,113,185	$ 230,859	$ (100,552)	$ (354,677)	$ 45,891	$ -	$ 5,355,607	$ (9,408)	$ 5,346,199
BALANCE, JANUARY 1, 2018	$ 3,376,884	$ 1,044,017	$ 1,113,185	$ 230,859	$ (128,997)	$ (256,008)	$ 4,825	$ -	$ 5,384,765	$ (9,255)	$ 5,375,510
Effect of retrospective application (Note 3)	-	-	-	-	74,302	-	(4,825)	(75,236)	(5,759)	-	(5,759)
BALANCE AT JANUARY 1, 2018 AS RESTATED	3,376,884	1,044,017	1,113,185	230,859	(54,695)	(256,008)	-	(75,236)	5,379,006	(9,255)	5,369,751
Net loss for the three months ended March 31, 2018	-	-	-	-	(200,339)	-	-	-	(200,339)	(1)	(200,340)
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	41,645	-	(4,266)	37,379	206	37,585
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	(200,339)	41,645	-	(4,266)	(162,960)	205	(162,755)
BALANCE, MARCH 31, 2018	$ 3,376,884	$ 1,044,017	$ 1,113,185	$ 230,859	$ (255,034)	$ (214,363)	$ -	$ (79,502)	$ 5,216,046	$ (9,050)	$ 5,206,996

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

(With Deloitte & Touche review report dated May 11, 2018)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended March 31	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) income before income tax	$ (197,605)	$ 53,176
Adjustments for:		
Depreciation expense	75,294	81,059
Amortization expense	5,828	4,465
Net gain on fair value change of financial assets designated as at fair value through profit or loss	(527)	(385)
Finance costs	4,521	17,391
Interest income	(4,998)	(6,573)
Compensation costs of employee share options	-	7,131
Share of profit of associates	(5,867)	(10,520)
Gain on disposal of property, plant and equipment	(157)	(13,367)
Loss on disposal of intangible assets	2	-
Gain on disposal of non-current assets held for sale	-	(113,218)
Gain on disposal of investment	(1,461)	(2,394)
Gain on buy-back of bonds payable	-	(56)
Amortization of prepayments for leases	704	860
Net changes in operating assets and liabilities		
Trade receivables	81	382,199
Trade receivables from related parties	9	-
Other receivables	43,384	(50,429)
Inventories	13,779	(30,820)
Other current assets	(32,478)	(21,588)
Trade payables	(225,523)	(241,098)
Trade payables to related parties	(10,124)	(5,607)
Other payables	(102,214)	(127,214)
Other current liabilities	12,494	(83,963)
Reserve for retirement plan	(144)	(159)
Cash used in operating activities	(425,002)	(161,110)
Interest paid	(11,810)	(13,391)
Interest received	5,008	15,207
Income tax paid	(32,246)	(5,795)
Net cash used in operating activities	(464,050)	(165,089)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through profit or loss	251,705	184,456
Proceeds from disposal of non-current assets held for sale	649,853	124,213
Payments for property, plant and equipment	(31,468)	(33,434)
Proceeds from disposal of property, plant and equipment	5,474	25,961
Payments for intangible assets	(985)	(3,867)
Increase in refundable deposits	(457)	-

(Continued)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended March 31	
	2018	**2017**
Decrease in refundable deposits	$ -	$ 391
Purchase of other financial assets	(204,418)	-
Proceeds from sale of other financial assets	-	355,086
Increase in prepayments for equipment	(20,729)	(1,500)
Dividends received	14,902	10,859
Return of capital from investments accounted for using equity method	271	-
Net cash generated from investing activities	664,148	662,165
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(100,000)	-
Repayments of convertible bonds	-	(87,002)
Proceeds from long-term borrowings	96,624	-
Repayments of borrowings	-	(3,200)
Increase in guarantee deposits received	67	-
Decrease in guarantee deposits received	-	(21)
Proceeds from issuance of ordinary shares	-	612,000
Payments for transaction costs attribute to issuance of ordinary shares	-	(1,570)
Net cash (used in) generated from financing activities	(3,309)	520,207
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(10,518)	(76,379)
NET INCREASE IN CASH AND CASH EQUIVALENTS	186,271	940,904
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,758,856	1,312,763
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 1,945,127	$ 2,253,667

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

(With Deloitte & Touche review report dated May 11, 2018) (Concluded)

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on May 11, 2018.

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

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

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

IFRS 9 "Financial Instruments" and related amendment

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,758,856	$ 1,758,856	
Mutual funds	Held-for-trading	Mandatorily at FVTPL	345,163	345,163	1)
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	43,936	38,177	2)
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost	3,868	3,868	3)
Trade receivables and other receivables	Loans and receivables	Amortized cost	2,157,356	2,157,356	3)
Refundable deposits	Loans and receivables	Amortized cost	18,554	18,554	3)
Financial assets pledged as collateral or for security	Loans and receivables	Amortized cost	25,450	25,450	3)

1) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

2) The Group elected to designated all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of $(4,825) thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, a decrease of $5,759 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

   The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $74,302 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $74,302 thousand in retained earnings on January 1, 2018.

3) Trade receivables, trade receivables from related parties, other receivables, refundable deposits and other financial assets that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

(Concluded)

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

Except for the above impact, 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 (i.e. its subsidiaries, including structured entities).

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 7 and Table 8 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, 2017.

1) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and equity instruments at FVTOCI.

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. See Note 28 on financial instruments for re-measurement of fair value.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, trade receivables, other receivables, and other financial assets) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>2017</u>

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

e) Financial liabilities

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

f) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

2) Revenue recognition

<u>2018</u>

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

<u>Revenue from sale of goods</u>

Revenue from sale of goods comes from sales of power supply modules. Sales of power supply modules are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivable is recognized concurrently.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by the amount of estimated customer returns, rebates and other similar allowances. Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) Sale of goods

   i. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

   ii. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

   iii. The amount of revenue can be measured reliably;

   iv. It is probable that the economic benefits associated with the transaction will flow to the Group; and

   v. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

b) Dividend and interest income

   Dividend income from investments is recognized when the shareholder’s right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

   Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and applicable effective interest rate.

3) 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.

4) 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.

5) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets - 2018

   The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

   When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventories

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

d. Impairment and useful lives of property, plant and equipment

   The Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date. The impairment of equipment is based on the recoverable amounts of the assets, which is the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to recognition of additional impairment losses or reversal of impairment losses.

6. CASH AND CASH EQUIVALENTS

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand	$ 11,793	$ 17,271	$ 1,729
Checking accounts and demand deposits	1,838,227	1,712,938	1,558,435
Cash equivalents (investments with original maturities less than 3 months)			
Time deposits	95,107	28,647	693,503
	$ 1,945,127	$ 1,758,856	$ 2,253,667

As of March 31, 2018, December 31, 2017 and March 31, 2017, the time deposits with original maturities more than three months in the amounts of $208,286 thousand, $3,868 thousand and $231,457 thousand, respectively, had been reclassified to "other financial assets-current".

As of March 31, 2018, December 31, 2017 and March 31, 2017, bank balance in the amount of $25,450 thousand had been pledged to secure short-term borrowings and reclassified to "other financial assets - non-current". Please refer to Note 30.

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

	March 31, 2018	December 31, 2017	March 31, 2017
Demand deposits and time deposits	0.001%-4.4%	0.001%-4.4%	0.001%-3.5%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets at FVTPL - current			
Financial assets designated as at FVTPL			
Non-derivative financial assets			
Mutual funds	$ -	$ 345,163	$ 224,734
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	95,417	-	-
	$ 95,417	$ 345,163	$ 224,734

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	March 31, 2018
Non-current	
Investments in equity instruments at FVTOCI	
Domestic unlisted ordinary shares	$ 38,856

These investments in equity instruments are not held for trading. Instead, they 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. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017	March 31, 2017
Non-current		
Domestic unlisted common shares	$ 43,936	$ 44,759
Classified according to financial assets measurement categories		
Available-for-sale financial assets	$ 43,936	$ 44,759

Management believed that the above unlisted equity investments held by the Group have fair value that cannot be reliably measured because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of reporting period.

10. TRADE RECEIVABLES

	March 31, 2018	December 31, 2017	March 31, 2017
Trade receivables			
At amortized cost			
Gross carrying amount	$ 2,035,889	$ 2,036,000	$ 2,283,941
Less: Allowance for impairment loss	(2,356)	(2,386)	(2,408)
	2,033,533	2,033,614	2,281,533
Trade receivables from related parties			
At amortized cost			
Gross carrying amount	-	9	-
Less: Allowance for impairment loss	-	-	-
	-	9	-
	$ 2,033,533	$ 2,033,623	$ 2,281,533

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 committee annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables, 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 aging of receivables was as follows:

March 31, 2018

	Total Receivables	**Not Overdue**	**Overdue under 60 Days**	**Overdue 61 Days and Longer**
Not overdue and not impaired	$ 2,012,379	$ 2,012,379	$ -	$ -
Not overdue but impaired	1,462	1,462	-	-
Overdue and not impaired	21,154	-	10,167	10,987
Overdue and impaired	894	-	-	894
	$ 2,035,889	$ 2,013,841	$ 10,167	$ 11,881

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

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

	2018
Balance at January 1, 2018 per IAS 39	$ 2,386
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	2,386
Foreign exchange gains and losses	(30)
Balance at March 31, 2018	$ 2,356

For the three months ended March 31, 2017

The Group applied the same credit policy in 2018 and 2017. Allowance for doubtful accounts was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to credit risk level of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

December 31, 2017

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue 61 Days and Longer
Not overdue and not impaired	$ 1,981,439	$ 1,981,439	$ -	$ -
Not overdue but impaired	1,477	1,477	-	-
Overdue and not impaired	52,184	-	30,670	21,514
Overdue and impaired	909	-	-	909
	$ 2,036,009	$ 1,982,916	$ 30,670	$ 22,423

March 31, 2017

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue 61 Days and Longer
Not overdue and not impaired	$ 2,264,159	$ 2,264,159	$ -	$ -
Not overdue but impaired	1,489	1,489	-	-
Overdue and not impaired	17,374	-	8,286	9,088
Overdue and impaired	919	-	-	919
	$ 2,283,941	$ 2,265,648	$ 8,286	$ 10,007

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

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

	Individual Impairment Losses	Groups Impairment Losses	Total
Balance at January 1, 2017	$ 813	$ 1,698	$ 2,511
Impairment losses (reversed) recognized on receivables	(813)	813	-
Foreign exchange translation gains and losses	-	(103)	(103)
Balance at March 31, 2017	$ -	$ 2,408	$ 2,408

As of March 31, 2017, trade receivables of PHA in the amount of $997,761 thousand had been pledged to secure short-term borrowings. Please refer to Note 30.

11. INVENTORIES

	March 31, 2018	December 31, 2017	March 31, 2017
Raw materials	$ 670,908	$ 618,924	$ 568,702
Work-in-process	250,607	161,121	355,783
Finished goods	362,650	425,084	256,974
Merchandise	259,973	352,788	352,764
	$ 1,544,138	$ 1,557,917	$ 1,534,223

As of March 31, 2018, December 31, 2017 and March 31, 2017, allowance of inventory value decline was $350,552 thousand, $345,590 thousand and $302,359 thousand, respectively.

For the three months ended March 31, 2018 and 2017, the cost of inventories recognized as cost of goods sold was $2,329,449 thousand and $2,453,711 thousand, respectively. Reversal of inventory devaluation and obsolescence in the amounts of $12 thousand and $1,546 thousand was included in the cost of goods sold for the three months ended March 31, 2018 and 2017, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	March 31, 2018	December 31, 2017	March 31, 2017
Phihong Electronics (Suzhou) Co., Ltd. (“PHZ”)’s investment properties, buildings and long-term prepayments for leases	$ 978,607	$ 962,236	$ -

The Company planned to dispose of the PHZ’s investment properties, buildings and long-term prepayments for leases and planned to complete the procedures for the disposals in 12 months. Therefore, the assets were reclassified to non-current assets held for sale and presented separately in the consolidated balance sheets. The proceeds of the disposals are expected to exceed the net carrying amount of the related net assets. Accordingly, no impairment was recognized in reclassifying the assets to assets held for sale.

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

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

As of March 31, 2018 and December 31, 2017, the proceeds of the disposal had been received $696,138 thousand and $45,512 thousand, respectively, which was presented under temporary receipts. Refer to Note 21.

13. SUBSIDIARIES

Investor	Investee	Main Business	Percentage of Ownership March 31, 2018	Percentage of Ownership December 31, 2017	Percentage of Ownership March 31, 2017	Notes
Phihong	Phihong International Corp. ("PHI")	Makes investments	100.00	100.00	100.00	
	Phitek International Co., Ltd. ("PHK")	Makes investments	100.00	100.00	100.00	
	Ascent Alliance Ltd. ("PHQ")	Makes investments	100.00	100.00	100.00	
	Phihong USA Corp. ("PHA")	Sells various power supplies	100.00	100.00	100.00	
	Phihong Technology Japan Co., Ltd. ("PHJ")	Sells power components	100.00	100.00	100.00	
	Guang-Lai Investment Co., Ltd. ("Guang-Lai")	Makes investments	100.00	100.00	100.00	
Phihong International Corp.	Phihong (Dongguan) Electronics Co., Ltd.	Manufactures and sells various power supplies	100.00	100.00	100.00	
	Phihong Electronics (Suzhou) Co., Ltd.	Manufactures and sells various power supplies	100.00	100.00	100.00	
	N-Lighten Technologies, Inc. ("N-Lighten")	Makes investments	58.45	58.45	58.45	
	Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	100.00	100.00	100.00	
Phitek International Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Manufactures and sells various power supplies	100.00	100.00	100.00	
Ascent Alliance Ltd.	Dongguan Shuang-Ying Electronics Co., Ltd.	Manufactures and sells electronic materials	100.00	100.00	100.00	
	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufactures and sells electronic materials	100.00	100.00	100.00	
Guang-Lai Investment Co., Ltd.	N-Lighten	Makes investments	19.78	19.78	19.78	

See Tables 7 and 8 for the information on places of incorporation and principal places of business.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	March 31, 2018	December 31, 2017	March 31, 2017
Material associates			
H&P Venture Capital Co., Ltd.	$ 39,903	$ 52,794	$ 116,148
Han-Yu Venture Capital Co., Ltd.	105,731	108,666	102,050
Spring City Resort Co., Ltd.	28,315	26,440	31,883
	173,949	187,900	250,081
Associates that are not individually material	-	271	358
	$ 173,949	$ 188,171	$ 250,439

At the end of the reporting period, the percentages of ownership and voting rights in associates held by the Group were as follows:

a. Material associates

	March 31, 2018	December 31, 2017	March 31, 2017
H&P Venture Capital Co., Ltd.	32.26%	32.26%	32.26%
Han-Yu Venture Capital Co., Ltd.	22.22%	22.22%	22.22%
Spring City Resort Co., Ltd.	25.33%	25.33%	25.33%

Refer to Table 7 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the associates.

b. Aggregate information of associates that are not individually material

	For the Three Months Ended March 31	
	2018	2017
The Group’s share of:		
Net loss for the year	$ -	$ -
Other comprehensive income (loss)	-	-
Total comprehensive loss for the year	$ -	$ -

The associates that are not individually material have been liquidated in January 2018, and recognized gain 29 thousand, which was presented under gain on disposal of investment.

The equity-method investees’ financial statements for the three months ended March 31, 2018 and 2017, which had been used to determine the carrying amount of the Group’s investments and the share of profit and other comprehensive income of associates, had not been reviewed.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance at January 1, 2017	$ 265,069	$ 2,191,234	$ 2,403,438	$ 643,424	$ 1,210,132	$ 6,713,297
Additions	-	-	6,677	5,896	-	12,573
Disposals	(12,384)	-	(3,554)	(2,426)	-	(18,364)
Effect of foreign currency exchange differences	(3,383)	(83,091)	(108,603)	(15,890)	(64,025)	(274,992)
Reclassified	-	-	4,119	-	(2,542)	1,577
Balance at March 31, 2017	$ 249,302	$ 2,108,143	$ 2,302,077	$ 631,004	$ 1,143,565	$ 6,434,091
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ -	$ 734,339	$ 1,794,482	$ 455,744	$ -	$ 2,984,565
Disposals	-	-	(3,349)	(2,421)	-	(5,770)
Depreciation expense	-	18,950	37,463	16,940	-	73,353
Effect of foreign currency exchange differences	-	(30,846)	(78,050)	(12,535)	-	(121,431)
Balance at March 31, 2017	$ -	$ 722,443	$ 1,750,546	$ 457,728	$ -	$ 2,930,717
Carrying amounts at March 31, 2017	$ 249,302	$ 1,385,700	$ 551,531	$ 173,276	$ 1,143,565	$ 3,503,374
Cost						
Balance at January 1, 2018	$ 247,897	$ 2,625,161	$ 2,421,227	$ 662,526	$ 6,280	$ 5,963,091
Additions	-	522	12,115	13,705	1,564	27,906
Disposals	-	-	(35,400)	(18,580)	-	(53,980)
Effect of foreign currency exchange differences	(497)	30,481	30,985	5,075	133	66,177
Reclassified	-	2,295	7,191	-	(5,655)	3,831
Balance at March 31, 2018	$ 247,400	$ 2,658,459	$ 2,436,118	$ 662,726	$ 2,322	$ 6,007,025

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
Accumulated depreciation and impairment						
Balance at January 1, 2018	$ -	$ 652,588	$ 1,878,299	$ 508,632	$ -	$ 3,039,519
Disposals	-	-	(30,108)	(18,555)	-	(48,663)
Depreciation expense	-	21,408	37,775	16,111	-	75,294
Effect of foreign currency exchange differences	-	6,514	21,857	4,207	-	32,578
Balance at March 31, 2018	$ -	$ 680,510	$ 1,907,823	$ 510,395	$ -	$ 3,098,728
Carrying amounts at December 31, 2017 and January 1, 2018	$ 247,897	$ 1,972,573	$ 542,928	$ 153,894	$ 6,280	$ 2,923,572
Carrying amounts at March 31, 2018	$ 247,400	$ 1,977,949	$ 528,295	$ 152,331	$ 2,322	$ 2,908,297

(Concluded)

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

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

Refer to Note 30 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure long-term borrowings.

16. INVESTMENT PROPERTIES

Investment Properties Measured at Cost

	Total
Cost	
Balance at January 1, 2017	$ 961,026
Effect of foreign currency exchange differences	(50,834)
Balance at March 31, 2017	$ 910,192
Accumulated depreciation and impairment	
Balance at January 1, 2017	$ 379,719
Depreciation expense	7,706
Effect of foreign currency exchange differences	(20,306)
Balance at March 31, 2017	$ 367,119
Carrying amount at March 31, 2017	$ 543,073

The investment properties are depreciated using the straight-line method over their estimated useful life as follows:

Main buildings	30 years
Others	10 years

The Group disposed of an investment property in August 2017. The carrying amount of the investment property at the time of sale was $186,858 thousand, as of December 31, 2017, and a disposal gain of $129,588 thousand has been recognized.

17. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2017	$ 111,363
Additions	3,867
Disposals	(36)
Effect of foreign currency exchange differences	(1,665)
Balance at March 31, 2017	$ 113,529
Accumulated amortization and impairment	
Balance at January 1, 2017	$ 79,197
Amortization expense	4,465
Disposals	(36)
Effect of foreign currency exchange differences	(1,185)
Balance at March 31, 2017	$ 82,441
Carrying amount at March 31, 2017	$ 31,088
Cost	
Balance at January 1, 2018	$ 128,650
Additions	985
Reclassified	545
Disposals	(1,476)
Effect of foreign currency exchange differences	371
Balance at March 31, 2018	$ 129,075
Accumulated amortization and impairment	
Balance at January 1, 2018	$ 100,234
Amortization expense	5,828
Disposals	(1,474)
Effect of foreign currency exchange differences	225
Balance at March 31, 2018	$ 104,813
Carrying amount at December 31, 2017 and January 1, 2018	$ 28,416
Carrying amount at March 31, 2018	$ 24,262

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

18. PREPAYMENTS FOR LEASES

	March 31, 2018	December 31, 2017	March 31, 2017
Current	$ 2,826	$ 2,778	$ 3,343
Non-current	104,826	103,768	125,363
	$ 107,652	$ 106,546	$ 128,706

Prepayments for leases are prepaid land use rights for land located in mainland China.

19. BORROWINGS

Short-term Borrowings

	March 31, 2018	December 31, 2017	March 31, 2017
Secured loan			
Bank borrowings	$ -	$ 100,000	$ 90,915
Interest rate	-	1.14%	3.375%

Long-term Borrowings

	March 31, 2018	December 31, 2017	March 31, 2017
Secured loan			
Medium-term loan			
Repayable from March 9, 2018 to March 9, 2020; interest rate was 1.20% on March 31, 2018. Interest is paid monthly and principal is due on March 9, 2020.	$ 100,000	$ -	$ -
Repayable from December 22, 2017 to December 22, 2019; interest rate was 1.20% on March 31, 2018 and December 31, 2017. Interest is paid monthly and principal is due on December 22, 2019.	30,000	30,000	-

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
Repayable from December 27, 2017 to June 15, 2019; interest rate was 1.26% on March 31, 2018 and December 31, 2017. Interest is paid monthly and principal is due on June 15, 2019.	$ 100,000	$ 100,000	$ -
Repayable from July 19, 2016 to July 19, 2019; interest rates were 4.93128%, 4.60888% and 4.14639% on March 31, 2018 and December 31, 2017 and March 31, 2017, respectively. Principal was repaid quarterly beginning October 19, 2016.	17,463	20,839	30,305
	247,463	150,839	30,305
Less: Long-term loans payable - current portion	(11,642)	(11,908)	(12,122)
	$ 235,821	$ 138,931	$ 18,183

(Concluded)

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

20. BONDS PAYABLE

	March 31, 2018	December 31, 2017	March 31, 2017
Unsecured domestic convertible bonds	$ -	$ -	$ 1,081,673
Secured domestic bonds	998,570	998,453	998,094
Less: Current portion	-	-	(1,081,673)
	$ 998,570	$ 998,453	$ 998,094

Unsecured Domestic Convertible Bonds

On June 4, 2014, the Company issued 15 thousand units of $100 thousand 0% NTD unsecured convertible bonds in Taiwan, with an aggregate principal of $1,500,000 thousand, and proceeds from the issue was $1,503,000 thousand.

The holder is entitled to convert each bond into ordinary shares of the Company at a conversion price of $20.4 per share. If the Company changes its capital or pays cash dividends, the conversion price will be adjusted by the formula set up in the prospectus. After March 6, 2017, the conversion price has been adjusted to $18.6 per share. Conversion may occur at any time between July 5, 2014 and May 25, 2017. If the bonds are not converted, they will be redeemed on June 4, 2017 at $100 thousand each.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus. The effective interest rate of the liability component was 1.70% per annum on initial recognition.

Proceeds from issue (less transaction costs $5,669 thousand)	$ 1,497,331
Equity component (less transaction costs allocated to the equity component of $272 thousand)	(71,878)
Liability component at the date of issue	1,425,453
Interest charged at an effective interest rate of 1.70%	13,944
Conversion to common shares	(10,208)
Liability component at December 31, 2014	$ 1,429,189

Liability component at January 1, 2017	$ 1,163,926
Interest charged at an effective interest rate of 1.70%	4,805
Redemption of bonds payable	(87,058)
Liability component at March 31, 2017	$ 1,081,673

The Company bought back unsecured convertible bonds from the open market, and recognized a gain on the buy-back of bonds payable of $56 thousand for the three months ended March 31, 2017, which was presented under other gains and losses, and reclassified $4,188 thousand of "capital surplus - convertible bonds" to "capital surplus - treasury share transactions", moreover, the Company redeemed all of the expired unsecured convertible bonds on June 4, 2017, and reclassified $51,987 thousand of "capital surplus - convertible bonds" to "capital surplus - treasury share transactions". Refer to Notes 23 and 24.

Secured Domestic Bonds

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

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

21. OTHER LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Current			
Other payables			
Payables for salaries or bonuses	$ 149,907	$ 208,724	$ 185,479
Payables for annual leave	50,410	39,533	33,097
Payables for purchases of equipment	7,291	10,853	13,843
Others	526,974	588,654	478,040
	$ 734,582	$ 847,764	$ 710,459
Other liabilities			
Temporary receipts (Note 12)	$ 699,462	$ 45,912	$ 1,537
Others	108,999	100,202	107,791
	$ 808,461	$ 146,114	$ 109,328

22. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2018 and 2017, employee benefit expenses in respect of the Group's defined benefit retirement plans were $391 thousand and $383 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2017 and 2016.

23. EQUITY

Share Capital

	March 31, 2018	December 31, 2017	March 31, 2017
Number of shares authorized (in thousands)	600,000	600,000	600,000
Shares authorized	$ 6,000,000	$ 6,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	337,688	337,688	337,688
Shares issued	$ 3,376,884	$ 3,376,884	$ 3,376,884

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

On November 10, 2016, Phihong's board of directors resolved to issue 60,000 thousand ordinary shares, with a par value of NT$10 each. On January 6, 2017, Phihong's board of directors resolved to issue 60,000 thousand ordinary shares for a consideration of NT$10.2 per share, and increased the issued and fully paid share capital to $3,376,884 thousand. The Company used the Black-Scholes model to evaluate the compensation costs of the options granted to employees on January 6, 2017 and increased the capital surplus by $7,131 thousand. The January 6, 2017 issue of ordinary shares was approved by the FSC on December 15, 2016, and the board of directors had set the subscription base date as at January 21, 2017.

Capital Surplus

	March 31, 2018	December 31, 2017	March 31, 2017
May be used to offset a deficit, distributed as cash dividends or transferred to share capital			
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
May be used to offset a deficit only			
Treasury share transactions	71,365	71,365	19,378
May not be used for any purpose			
Equity component of convertible bonds	-	-	51,987
	$ 1,044,017	$ 1,044,017	$ 1,044,017

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

Retained Earnings and Dividend Policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, please refer to "Employees' compensation and remuneration of directors and supervisors" in Note 24-e.

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

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

Special Reserves

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

Other Equity Items

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

	For the Three Months Ended March 31	
	2018	**2017**
Balance at January 1	$ (256,008)	$ (91,443)
Exchange differences arising on translating the financial statements of foreign operations	41,645	(263,234)
Balance at March 31	$ (214,363)	$ (354,677)

b. Unrealized gain (loss) on available for sale financial assets

	For the Three Months Ended March 31	
	2018	2017
Balance at January 1 per IAS 39	$ 4,825	$ 57,450
Adjustment on initial application of IFRS 9	(4,825)	-
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates accounted for using the equity method	-	(11,559)
Balance at March 31	$ -	$ 45,891

c. Unrealized gain/(loss) on financial assets at FVTOCI

	For the Three Months Ended March 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	(75,236)
Balance at January 1 per IFRS 9	(75,236)
Effect of change in tax rate	
Unrealized gain (loss) - equity instruments	679
Share from associates accounted for using the equity method	(4,945)
Balance at March 31	$ (79,502)

Non-controlling Interests

	For the Three Months Ended March 31	
	2018	2017
Balance at January 1	$ (9,255)	$ (10,016)
Attributable to non-controlling interests:		
Share of loss for the period	(1)	(4)
Exchange difference arising on translation of foreign entities	206	612
Balance at March 31	$ (9,050)	$ (9,408)

24. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Three Months Ended March 31	
	2018	2017
Interest income	$ 4,998	$ 6,573
Others	34,187	39,821
	$ 39,185	$ 46,394

b. Other gains and losses

	For the Three Months Ended March 31	
	2018	**2017**
Net foreign exchange losses	$ (14,347)	$ (84,219)
Gain on disposal of property, plant and equipment	157	13,367
Loss on disposal of intangible assets	(2)	-
Gain on disposal of non-current assets held for sale	-	113,218
Fair value changes of financial assets and financial liabilities		
Financial assets designated as at FVTPL	-	385
Financial assets mandatorily at FVTPL	527	-
Gain on buy-back of bonds payable	-	56
Gain on disposal of investments	1,461	2,394
Others	(46,750)	(8,673)
	$ (58,954)	$ 36,528

c. Depreciation and amortization

	For the Three Months Ended March 31	
	2018	**2017**
Property, plant and equipment	$ 75,294	$ 73,353
Investment properties	-	7,706
Computer software	5,828	4,465
	$ 81,122	$ 85,524
An analysis of depreciation by function		
Operating costs	$ 37,309	$ 36,502
Operating expenses	37,985	36,851
Non-operating expenses	-	7,706
	$ 75,294	$ 81,059
An analysis of amortization by function		
Operating costs	$ 370	$ 603
Operating expenses	5,458	3,862
	$ 5,828	$ 4,465

d. Employee benefits expense

	For the Three Months Ended March 31	
	2018	**2017**
Short-term employee benefits	$ 454,541	$ 505,708
Post-employment benefits		
Defined contribution plans	5,049	4,984
Defined benefit plans (Note 22)	391	383
	$ 459,981	$ 511,075
An analysis of employee benefits expense by function		
Operating costs	$ 251,157	$ 292,173
Operating expenses	208,824	218,902
	$ 459,981	$ 511,075

e. Employee's compensation and remuneration to directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 10% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months ended March 31, 2018 and 2017, because of operation loss and accumulated deficits, the Company did not estimate the bonus to employees and the remuneration to directors and supervisors.

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

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

f. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2018	**2017**
Foreign exchange gains	$ 25,544	$ 36,992
Foreign exchange losses	(39,891)	(121,211)
	$ (14,347)	$ (84,219)

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2018	2017
Current tax		
In respect of the current period	$ 4,485	$ 27,250
Deferred tax		
In respect of the current period	6,450	(2,310)
Adjustments to deferred tax attributable to change in tax rates and laws	(8,200)	-
	1,750	(2,310)
Total income tax expense recognized in the current period	$ 2,735	$ 24,940

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

b. Income tax assessments

The Company's tax returns through 2015 have been assessed by the tax authorities.

26. EARNINGS (LOSS) PER SHARE

	For the Three Months Ended March 31	
	2018	2017
Basic earnings (loss) per share	$ (0.59)	$ 0.10
Diluted earnings per share		$ 0.09

Net Profit for the Period

	For the Three Months Ended March 31	
	2018	2017
Earnings (loss) used in the computation of basic earnings per share	$ (200,339)	$ 28,240
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)		4,805
Earnings used in the computation of diluted earnings per share		$ 33,045

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Three Months Ended March 31	
	2018	2017
Weighted average number of ordinary shares in computation of basic earnings per share	337,688	292,355
Effect of potentially dilutive ordinary shares:		
Convertible bonds		63,027
Weighted average number of ordinary shares used in the computation of diluted earnings per share		355,382

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 on a recurring basis

- Fair value hierarchy

March 31, 2018

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

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 345,163	$ -	$ -	$ 345,163

March 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 224,734	$ -	$ -	$ 224,734

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

b. Categories of financial instruments

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets			
FVTPL			
Designated as at FVTPL	$ -	$ 345,163	$ 224,734
Mandatorily at FVTPL	95,417	-	-
Loans and receivables (1)	-	3,964,084	4,946,177
Available-for-sale financial assets (2)	-	43,936	44,759
Financial assets at amortized cost (3)	4,311,747	-	-
Financial assets at FVTOCI			
Equity instruments	38,856	-	-
Financial liabilities			
Financial liabilities at amortized cost (4)	4,185,910	4,537,932	5,704,050

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, trade receivables, trade receivables from related parties, other receivables, other financial assets and refundable deposits.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other receivables, other financial assets and refundable deposits.

4) The balances included financial liabilities measured 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, trade receivables, trade receivables from related parties, other receivables, other financial assets, refundable deposits, short-term borrowings, trade payables, trade payables to related parties, other payables, long-term borrowings, bonds payable and guarantee deposits received. The Group’s Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the currency USD and currency CNY.

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

	Currency USD Impact	
	For the Three Months Ended March 31	
	2018	**2017**
Profit or loss	$ 6,798	$ 2,329

	Currency CNY Impact	
	For the Three Months Ended March 31	
	2018	**2017**
Profit or loss	$ 4,442	$ 6,076

b) Interest rate risk

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

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

	March 31, 2018	December 31, 2017	March 31, 2017
Fair value interest rate risk			
Financial liabilities	$ 1,098,570	$ 1,098,453	$ 2,079,767
Cash flow interest rate risk			
Financial liabilities	147,463	150,839	121,220

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 committee annually.

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2018, December 31, 2017 and March 31, 2017, 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 has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

March 31, 2018

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

December 31, 2017

	On Demand or Less than 1 Year	**1 to 3 Years**	**Over 3 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 3,284,721	$ -	$ -	$ 3,284,721
Variable interest rate instrument	11,908	138,931	-	150,839
Fixed interest rate instrument	100,000	-	998,453	1,098,453
	$ 3,396,629	$ 138,931	$ 998,453	$ 4,534,013

March 31, 2017

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 4,577,696	$ -	$ -	$ 4,577,696
Variable interest rate instrument	103,037	18,183	-	121,220
Fixed interest rate instrument	-	-	998,094	998,094
	$ 4,680,733	$ 18,183	$ 998,094	$ 5,697,010

b) Financing facilities

	March 31, 2018	December 31, 2017	March 31, 2017
Unsecured bank facilities:			
Amount used	$ -	$ -	$ -
Amount unused	174,630	178,620	181,830
	$ 174,630	$ 178,620	$ 181,830
Secured bank facilities:			
Amount used	$ 247,463	$ 250,839	$ 121,220
Amount unused	1,753,933	1,758,255	1,700,818
	$ 2,001,396	$ 2,009,094	$ 1,822,038

29. RELATED-PARTY TRANSACTIONS

a. The Group’s related parties and relationship

Related Party	Relationship with the Group
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 Cith Resort	Other related parties
Hong Ding Educational Technology Co., Ltd.	Other related parties
Peter Lin	Phihong’s chairman

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

b. Trading transactions

	For the Three Months Ended March 31	
	2018	**2017**
Purchase of goods		
Other related parties	$ 23,958	$ 32,769

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

	March 31, 2018	**December 31, 2017**	**March 31, 2017**
Receivables from related parties			
Other related parties	$ -	$ 9	$ -
Payable to related parties			
Other related parties	$ 49,682	$ 59,806	$ 66,276

c. Compensation of key management personnel

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

	For the Three Months Ended March 31	
	2018	**2017**
Short-term benefits	$ 6,316	$ 6,941
Post-employment benefits	108	135
	$ 6,424	$ 7,076

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

d. Other transactions with related parties

The Company's chairman has guaranteed the payments of the loans of the Group. As of March 31, 2018, December 31, 2017 and March 31, 2017, the amounts of the guarantees were $1,246,033 thousand, $1,249,292 thousand and $1,028,399 thousand, respectively.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	March 31, 2018	December 31, 2017	March 31, 2017
Pledge deposits	$ 25,450	$ 25,450	$ 25,450
Freehold land	185,202	185,202	185,202
Buildings	317,152	319,281	325,669
Trade receivable	-	-	997,761
	$ 527,804	$ 529,933	$ 1,534,082

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

March 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 59,716	29.10500	$ 1,738,020
JPY	44,600	0.27339	12,193
HKD	2,169	3.70865	8,042
CNY	96,029	4.62858	444,477
Financial liabilities			
Monetary items			
USD	36,360	29.10500	1,058,247
JPY	7,854	0.27339	2,147
HKD	6,883	3.70865	25,528
CNY	62	4.62858	287

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 72,913	29.77000	$ 2,170,623
JPY	84,189	0.26300	22,142
HKD	382	3.81082	1,456
CNY	6,417	4.55115	29,203
Financial liabilities			
Monetary items			
USD	40,762	29.77000	1,213,481
JPY	13,715	0.26300	3,607
HKD	4,787	3.81082	18,242

March 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 52,678	30.30500	$ 1,596,407
JPY	14,238	0.27273	3,883
HKD	4,052	3.90060	15,804
CNY	138,111	4.39911	607,567
Financial liabilities			
Monetary items			
USD	44,994	30.30500	1,363,556
JPY	8,522	0.27273	2,324
HKD	5,452	3.90060	21,267

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisitions of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital. (None)

6) Disposals 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 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 6)

11) Information on investees. (Table 7)

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 8)

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 9)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

33. SEGMENT INFORMATION

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

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

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Power Supply	Others	Total
For the three months ended March 31, 2018			
Revenue from external customers	$ 2,479,258	$ 30,663	$ 2,509,921
Segment losses	$ (174,824)	$ (4,358)	$ (179,182)
Other income			39,185
Other gain and losses			(58,954)
Financial cost			(4,521)
Investment income recognized under equity method, net			5,867
Income before income tax			$ (197,605)
For the three months ended March 31, 2017			
Revenue from external customers	$ 2,768,598	$ 62,233	$ 2,830,831
Segment losses	$ (18,784)	$ (4,091)	$ (22,875)
Other income			46,394
Other gain and losses			36,528
Financial cost			(17,391)
Investment income recognized under equity method, net			10,520
Income before income tax			$ 53,176

b. Segment assets and liabilities

	March 31, 2018	December 31, 2017	March 31, 2018
Power supply segment assets	$ 9,984,163	$ 9,575,476	$ 10,814,368
Other assets	440,620	735,400	609,559
Total assets	$ 10,424,783	$ 10,310,876	$ 11,423,927
Power supply segment liabilities	$ 5,104,206	$ 4,813,297	$ 5,968,918
Other liabilities	113,581	122,069	108,810
Total liabilities	$ 5,217,787	$ 4,935,366	$ 6,077,728

TABLE 1

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
													Item	Value			
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	$ 601,715 (CNY 130,000,000)	$ 462,858 (CNY 100,000,000)	$ 428,144	4.35%	b	$ -	Capital movement	$ -	-	$ -	$ 1,684,751	$ 1,684,751	
2	Dongguan Shuang-Ying Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	92,572 (CNY 20,000,000)	92,572 (CNY 20,000,000)	16,200	4.35%	b	-	Capital movement	-	-	-	137,857	137,857	
3	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	902,574 (CNY 195,000,000)	810,002 (CNY 175,000,000)	479,058	4.35%	b	-	Capital movement	-	-	-	1,465,951	1,465,951	
4	Phihong Electronics (Suzhou) Co., Ltd.	Phihong (Dongguan) Electronics Co., Ltd.	Other receivables from related parties	Yes	324,001 (CNY 70,000,000)	324,001 (CNY 70,000,000)	324,001	4.35%	b	-	Capital movement	-	-	-	1,465,951	1,465,951	
5	Phihong International Corp.	Phihong (Dongguan) Electronics Co., Ltd.	Other receivables from related parties	Yes	34,926 (US$ 1,200,000)	34,926 (US$ 1,200,000)	17,463	5.00%	b	-	Capital movement	-	-	-	3,140,713	3,140,713	

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

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

Note 2: Reasons for financing are as follows:

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong Technology Co., Ltd.	Phihong International Corp.	Subsidiary of the Company	$ 1,564,813	$ 34,926 (US$ 1,200,000)	$ 34,926 (US$ 1,200,000)	$ 17,463	$ -	0.67	$ 2,608,023	Y	N	N	
		Phihong USA Corp.	Subsidiary of the Company	1,564,813	145,525 (US$ 5,000,000)	145,525 (US$ 5,000,000)	-	-	2.79	2,608,023	Y	N	N	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	1,684,751	277,715 (CNY60,000,000)	277,715 (CNY60,000,000)	-	-	16.67	1,684,751	N	N	Y	

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

a. The parent company is coded “0”.

b. The subsidiaries are coded consecutively beginning from “1” in the order presented in the table above.

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

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

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

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

Note 6: On August 11, 2017, the board of directors approved that PHC’s endorsements/guarantees amount to PHP is CNY60 million.

TABLE 3

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Phihong Technology Co., Ltd.	Ordinary shares							
	Pao- Dian Venture Capital Co., Ltd.	None	Financial assets measured at cost - non-current	300,628	$ 3,442	10.49	$ 3,442	
	Zhong-Xuan Venture Capital Co., Ltd.	None	Financial assets measured at cost - non-current	2,500,000	24,499	8.62	24,499	
Guang-Lai Investment Co., Ltd.	Ordinary shares							
	Yong-Li Investment Co., Ltd.	None	Financial assets measured at cost - non-current	1,055,807	-	8.06	-	
	Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets measured at cost - non-current	3,000,000	10,915	10.83	10,915	

Note: For information on the investments in subsidiaries and associates, refer to Tables 7 and 8.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Phihong Technology Co., Ltd.	Phihong USA Corp.	Subsidiary of the Company	Sale	$ (595,760)	(36.22)	No significant difference	-	-	$ 42,959	5.50	
	Phihong (Dongguan) Electronics Co., Ltd.	Subsidiary of the Company	Purchase	1,492,359	99.93	No significant difference	-	-	-	-	
Phihong USA Corp.	Phihong Technology Co., Ltd.	Parent entity	Purchase	595,760	98.28	No significant difference	-	-	(42,959)	(77.24)	
Phihong (Dongguan) Electronics Co., Ltd.	Phihong Technology Co., Ltd.	Parent entity	Sale	(1,492,359)	(100.00)	No significant difference	-	-	-	-	

TABLE 5

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Phihong Technology Co., Ltd.	Phihong (Dongguan) Electronics Co., Ltd.	Subsidiary of the Company	Other receivables $279,450	-	$ -	-	$ 279,450	$ -
	Dongguan Phitek Electronics Co., Ltd.	Subsidiary of the Company	Other receivables $120,014	-	-	-	61,779	-
Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables $440,879	-	-	-	98,412	-
Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables $486,834	-	-	-	69,429	-

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	Phihong	PHA	1	Sale	$ 595,760	No significant difference	24
		PHJ	1	Sale	43,165	No significant difference	2
		PHC	1	Purchase	1,492,359	No significant difference	59
		PHC	1	Other receivables	279,450	No significant difference	3
		PHP	1	Other receivables	120,014	No significant difference	1
1	PHC	PHP	3	Other receivables	440,879	No significant difference	4
2	PHZ	PHP	3	Other receivables	486,834	No significant difference	5

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: Nature of relationship is as follows:

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

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets.
For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of March 31, 2018.
For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the three months ended March 31, 2018.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2018	March 31, 2017	Shares	%	Carrying Amount			
Phihong Technology Co., Ltd.	Phihong International Corp.	British Virgin Islands	Makes investments	$ 3,386,218	$ 3,386,218	109,054,817	100.00	$ 3,089,954	$ (76,011)	$ (75,244)	
	Phihong USA Corp.	California, USA	Sells various power supplies	207,203	207,203	3,100,000	100.00	917,470	18,498	18,498	
	Phitek International Co., Ltd.	British Virgin Islands	Makes investments	314,956	314,956	10,200,000	100.00	(132,119)	(37,967)	(38,177)	
	Ascent Alliance Ltd.	British Virgin Islands	Makes investments	352,043	424,619	12,012,600	100.00	232,486	(26,384)	(25,006)	
	Guang-Lai Investment Co., Ltd.	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	167,639	1,726	1,726	
	Hao-Xuan Venture Capital Co., Ltd.	Taiwan	Makes investments	-	18,253	-	-	-	-	-	Hao-Xuan Venture Capital Co., Ltd. was put into liquidation in March 2018
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	31,707	31,707	3,170,682	32.26	39,903	12,863	4,149	
	Phihong Technology Japan Co., Ltd.	Japan	Sells power components	191,738 (JPY 550,000,000)	191,738 (JPY 550,000,000)	7,000	100.00	123,553	(2,951)	(2,951)	
Phihong International Corp.	N-Lighten Technologies, Inc.	California, USA	Makes investments	409,851	409,851	110,834,223	58.45	(24,297)	(7)	(4)	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	28,315	6,042	1,875	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	105,731	(3,424)	(157)	
	N-Lighten Technologies, Inc.	California, USA	Makes investments	206,084	206,084	37,498,870	19.78	(8,222)	(7)	(1)	Phihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%

Note: Information on investees in mainland China, refer to Table 8.

TABLE 8

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2018	Remittance of Funds: Outward	Remittance of Funds: Inward	Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2018	Accumulated Repatriation of Investment Income as of March 31, 2018	Note
Phihong (Dongguan) Electronics Co., Ltd.	Manufactures and sells various power supplies	$ 1,813,724 (HK$ 451,600,000)	Indirect investment in mainland China through PHI	$ 1,677,679 (HK$ 419,000,000)	$ -	$ -	$ 1,677,679 (HK$ 419,000,000)	$ (47,406)	100.00	$ (47,406)	$ 1,666,175	$ -	
Phitek (Tianjin) Electronics Co., Ltd.	Manufactures and sells various power supplies	-	Indirect investment in mainland China through PHI	25,327 (US$ 255,127)	-	-	25,327 (US$ 255,127)	-	-	-	-	-	Note 1
Phihong Electronics (Suzhou) Co., Ltd.	Manufactures and sells various power supplies	1,343,033 (US$ 40,600,000)	Indirect investment in mainland China through PHI	1,343,033 (US$ 40,600,000)	-	-	1,343,033 (US$ 40,600,000)	8,034	100.00	8,034	1,498,962	-	Note 2
Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	26,291 (US$ 880,000)	Indirect investment in mainland China through PHI	63,934 (US$ 2,140,000)	-	-	63,934 (US$ 2,140,000)	44	100.00	44	12,603	-	
Dongguan Phitek Electronics Co., Ltd.	Manufactures and sells various power supplies	362,042 (US$ 11,500,000)	Indirect investment in mainland China through PHK	315,258 (US$ 10,000,000)	-	-	315,258 (US$ 10,000,000)	(37,877)	100.00	(37,877)	(135,699)	-	
Dongguan Shuang-Ying Electronics Co., Ltd.	Manufactures and sells electronic materials	39,678 (HK$ 9,000,000)	Indirect investment in mainland China through PHQ	39,678 (HK$ 9,000,000)	-	-	39,678 (HK$ 9,000,000)	3,771	100.00	3,771	62,790	-	
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufactures and sells electronic materials	360,124 (US$ 11,500,000)	Indirect investment in mainland China through PHQ	360,124 (US$ 11,500,000)	-	-	360,124 (US$ 11,500,000)	(22,173)	100.00	(22,173)	167,165	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 (US$ 12,366,400)	-	-	387,406 (US$ 12,366,400)	-	-	-	-	-	Note 3

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

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

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

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

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

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$4,212,439	$4,876,160	Note

Note: In accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" passed on June 29, 2015, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount of investment in Mainland China.

(Concluded)

TABLE 9

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Ending Balance	%		
Phihong (Dongguan) Electronics Co., Ltd.	Purchase	$ 1,492,359	99.93	No significant difference	No significant difference	-	$ -	-	$ -	