

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

**Consolidated Financial Statements for the
Six Months Ended June 30, 2018 and 2017 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Phihong Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") as of June 30, 2018 and 2017 and the related consolidated statements of comprehensive income for the three months and the six months ended June 30, 2018 and 2017, changes in equity and cash flows for the six months then ended, and related notes, including a summary of significant accounting policies "(collectively referred to as the consolidated financial statements)". Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting". 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 \$168,487 thousand and \$218,899 thousand as of June 30, 2018 and 2017, respectively, and the comprehensive loss from the investments of \$3,937 thousand and \$28,589 thousand, \$3,015 thousand and \$29,628 thousand for the three months and the six months ended June 30, 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 June 30, 2018 and 2017, its consolidated financial performance for the three months ended June 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2018 and 2017 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

August 10, 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)

ASSETS	June 30, 2018 (Reviewed)		December 31, 2017 (Audited)		June 30, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 1,428,156	13	\$ 1,758,856	17	\$ 1,469,139	14
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	410,066	4	345,163	4	194,031	2
Trade receivables (Notes 4 and 10)	2,464,130	22	2,033,614	20	2,468,247	24
Trade receivables from related parties (Notes 4, 10 and 29)	-	-	9	-	409	-
Other receivables	40,760	-	123,733	1	102,402	1
Inventories (Note 11)	1,703,354	15	1,557,917	15	1,425,496	14
Prepayment for lease (Note 18)	2,830	-	2,778	-	3,397	-
Non-current assets held for sale, net (Note 12)	980,047	9	962,236	9	184,411	2
Other financial assets - current (Notes 4 and 6)	443,215	4	3,868	-	6,929	-
Other current assets	183,255	2	125,296	1	144,633	1
Total current assets	<u>7,655,813</u>	<u>69</u>	<u>6,913,470</u>	<u>67</u>	<u>5,999,094</u>	<u>58</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4 and 8)	39,896	-	-	-	-	-
Financial assets measured at cost - non-current (Notes 3, 4 and 9)	-	-	43,936	1	44,759	1
Investments accounted for using equity method (Note 14)	168,487	2	188,171	2	218,899	2
Property, plant and equipment (Note 15)	2,950,046	27	2,923,572	28	3,515,779	34
Investment properties (Note 16)	-	-	-	-	359,823	4
Intangible assets (Note 17)	33,557	-	28,416	-	37,743	-
Deferred tax assets (Note 4)	44,825	-	46,465	1	44,080	-
Other financial assets - non-current (Notes 4 and 6)	25,450	-	25,450	-	25,450	-
Long-term prepayments for lease (Note 18)	104,273	1	103,768	1	126,537	1
Other non-current assets	70,500	1	37,628	-	24,144	-
Total non-current assets	<u>3,437,034</u>	<u>31</u>	<u>3,397,406</u>	<u>33</u>	<u>4,397,214</u>	<u>42</u>
TOTAL	<u>\$ 11,092,847</u>	<u>100</u>	<u>\$ 10,310,876</u>	<u>100</u>	<u>\$ 10,396,308</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 19)	\$ 170,205	1	\$ 100,000	1	\$ 91,110	1
Trade payables	2,666,260	24	2,377,151	23	2,469,213	24
Trade payables to related parties (Note 29)	61,532	1	59,806	1	68,431	-
Other payables (Note 21)	734,448	7	847,764	8	746,743	7
Current tax liabilities (Note 4)	36,176	-	75,875	1	76,997	1
Current portion of long-term borrowings (Notes 19 and 20)	12,230	-	11,908	-	12,148	-
Other current liabilities (Notes 12 and 21)	813,662	7	146,114	1	238,321	2
Total current liabilities	<u>4,494,513</u>	<u>40</u>	<u>3,618,618</u>	<u>35</u>	<u>3,702,963</u>	<u>35</u>
NON-CURRENT LIABILITIES						
Bonds payable (Note 20)	998,689	9	998,453	10	998,213	10
Long-term borrowings (Note 19)	233,057	2	138,931	1	140,185	1
Deferred tax liabilities (Note 4)	79,832	1	79,832	1	79,832	1
Accrued pension liabilities (Notes 4 and 22)	95,357	1	95,614	1	87,642	1
Other non-current liabilities	3,175	-	3,918	-	7,322	-
Total non-current liabilities	<u>1,410,110</u>	<u>13</u>	<u>1,316,748</u>	<u>13</u>	<u>1,313,194</u>	<u>13</u>
Total liabilities	<u>5,904,623</u>	<u>53</u>	<u>4,935,366</u>	<u>48</u>	<u>5,016,157</u>	<u>48</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)						
Common stock	3,376,884	31	3,376,884	33	3,376,884	33
Capital surplus	1,044,017	9	1,044,017	10	1,044,017	10
Retained earnings						
Legal reserve	1,113,185	10	1,113,185	11	1,113,185	11
Special reserve	230,859	2	230,859	2	230,859	2
Accumulated deficits	(324,684)	(3)	(128,997)	(1)	(95,039)	(1)
Total retained earnings	<u>1,019,360</u>	<u>9</u>	<u>1,215,047</u>	<u>12</u>	<u>1,249,005</u>	<u>12</u>
Other equity						
Exchange differences on translating the financial statements of foreign operations	(159,262)	(1)	(256,008)	(3)	(297,505)	(3)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 3)	(83,261)	(1)	-	-	-	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	4,825	-	17,188	-
Total other equity	<u>(242,523)</u>	<u>(2)</u>	<u>(251,183)</u>	<u>(3)</u>	<u>(280,317)</u>	<u>(3)</u>
Total equity attributable to owners of the Company	<u>5,197,738</u>	<u>47</u>	<u>5,384,765</u>	<u>52</u>	<u>5,389,589</u>	<u>52</u>
NON-CONTROLLING INTEREST (Note 23)	<u>(9,514)</u>	<u>-</u>	<u>(9,255)</u>	<u>-</u>	<u>(9,438)</u>	<u>-</u>
Total equity	<u>5,188,224</u>	<u>47</u>	<u>5,375,510</u>	<u>52</u>	<u>5,380,151</u>	<u>52</u>
TOTAL	<u>\$ 11,092,847</u>	<u>100</u>	<u>\$ 10,310,876</u>	<u>100</u>	<u>\$ 10,396,308</u>	<u>100</u>

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

(With Deloitte & Touche review report dated August 10, 2018)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Losses Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 29 and 33)	\$ 2,988,656	100	\$ 2,976,886	100	\$ 5,498,577	100	\$ 5,807,717	100
OPERATING COSTS (Notes 11 and 29)	<u>2,736,768</u>	<u>92</u>	<u>2,579,318</u>	<u>87</u>	<u>5,066,217</u>	<u>92</u>	<u>5,033,029</u>	<u>87</u>
GROSS PROFIT	<u>251,888</u>	<u>8</u>	<u>397,568</u>	<u>13</u>	<u>432,360</u>	<u>8</u>	<u>774,688</u>	<u>13</u>
OPERATING EXPENSES								
Sales and marketing expenses	127,393	4	123,193	4	227,054	4	247,714	4
General and administration expenses	119,465	4	121,396	4	233,157	4	249,170	5
Research and development expenses	<u>154,278</u>	<u>5</u>	<u>149,059</u>	<u>5</u>	<u>300,579</u>	<u>6</u>	<u>296,759</u>	<u>5</u>
Total operating expenses	<u>401,136</u>	<u>13</u>	<u>393,648</u>	<u>13</u>	<u>760,790</u>	<u>14</u>	<u>793,643</u>	<u>14</u>
LOSS FROM OPERATIONS	<u>(149,248)</u>	<u>(5)</u>	<u>3,920</u>	<u>-</u>	<u>(328,430)</u>	<u>(6)</u>	<u>(18,955)</u>	<u>(1)</u>
NONOPERATING INCOME (EXPENSES)								
Other income (Note 24)	45,737	1	29,802	1	84,922	1	76,196	1
Other gains and losses (Note 24)	94,099	3	6,381	-	35,145	1	42,909	1
Finance costs	(4,964)	-	(8,398)	-	(9,485)	-	(25,789)	-
Share of the profit of associates (Note 14)	<u>862</u>	<u>-</u>	<u>114</u>	<u>-</u>	<u>6,729</u>	<u>-</u>	<u>10,634</u>	<u>-</u>
Total nonoperating income (expenses)	<u>135,734</u>	<u>4</u>	<u>27,899</u>	<u>1</u>	<u>117,311</u>	<u>2</u>	<u>103,950</u>	<u>2</u>
(LOSS) PROFIT BEFORE INCOME TAX	(13,514)	(1)	31,819	1	(211,119)	(4)	84,995	1
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(56,144)</u>	<u>(2)</u>	<u>(26,316)</u>	<u>(1)</u>	<u>(58,879)</u>	<u>(1)</u>	<u>(51,256)</u>	<u>(1)</u>
NET (LOSS) PROFIT	<u>(69,658)</u>	<u>(3)</u>	<u>5,503</u>	<u>-</u>	<u>(269,998)</u>	<u>(5)</u>	<u>33,739</u>	<u>-</u>
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)	1,040	-	-	-	1,719	-	-	-

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Losses Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 23)	\$ 54,645	2	\$ 57,152	2	\$ 96,496	2	\$ (205,470)	(3)
Share of the other comprehensive loss of associates accounted for using the equity method (Note 23)	(4,799)	-	(28,703)	(1)	(9,744)	-	(40,262)	(1)
Total other comprehensive income (loss)	50,886	2	28,449	1	88,471	2	(245,732)	(4)
TOTAL COMPREHENSIVE LOSS	<u>\$ (18,772)</u>	<u>(1)</u>	<u>\$ 33,952</u>	<u>1</u>	<u>\$ (181,527)</u>	<u>(3)</u>	<u>\$ (211,993)</u>	<u>(4)</u>
NET (LOSS) PROFIT								
ATTRIBUTABLE TO:								
Owners of the Company	\$ (69,650)	(2)	\$ 5,513	-	\$ (269,989)	(5)	\$ 33,753	1
Non-controlling interests	(8)	-	(10)	-	(9)	-	(14)	-
	<u>\$ (69,658)</u>	<u>(2)</u>	<u>\$ 5,503</u>	<u>-</u>	<u>\$ (269,998)</u>	<u>(5)</u>	<u>\$ 33,739</u>	<u>1</u>
TOTAL COMPREHENSIVE (LOSS) INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	\$ (18,308)	(1)	\$ 33,982	1	\$ (181,268)	(3)	\$ (212,571)	(4)
Non-controlling interests	(464)	-	(30)	-	(259)	-	578	-
	<u>\$ (18,772)</u>	<u>(1)</u>	<u>\$ 33,952</u>	<u>1</u>	<u>\$ (181,527)</u>	<u>(3)</u>	<u>\$ (211,993)</u>	<u>(4)</u>
EARNING (LOSS) PER SHARE (Note 26)								
Basic	<u>\$ (0.21)</u>		<u>\$ 0.02</u>		<u>\$ (0.80)</u>		<u>\$ 0.11</u>	

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

(With Deloitte & Touche review report dated August 10, 2018)

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company					Other Equity			Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Retained Earnings		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			
			Legal Reserve	Special Reserve							
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 six months ended June 30, 2017	-	-	-	-	33,753	-	-	-	33,753	(14)	33,739
Other comprehensive (loss) income for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	(206,062)	(40,262)	-	(246,324)	592	(245,732)
Total comprehensive (loss) income for the six months ended June 30, 2017	-	-	-	-	33,753	(206,062)	(40,262)	-	(212,571)	578	(211,993)
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, JUNE 30, 2017	<u>\$ 3,376,884</u>	<u>\$ 1,044,017</u>	<u>\$ 1,113,185</u>	<u>\$ 230,859</u>	<u>\$ (95,039)</u>	<u>\$ (297,505)</u>	<u>\$ 17,188</u>	<u>\$ -</u>	<u>\$ 5,389,589</u>	<u>\$ (9,438)</u>	<u>\$ 5,380,151</u>
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 six months ended June 30, 2018	-	-	-	-	(269,989)	-	-	-	(269,989)	(9)	(269,998)
Other comprehensive income (loss) for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	96,746	-	(8,025)	88,721	(250)	88,471
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	(269,989)	96,746	-	(8,025)	(181,268)	(259)	(181,527)
BALANCE, JUNE 30, 2018	<u>\$ 3,376,884</u>	<u>\$ 1,044,017</u>	<u>\$ 1,113,185</u>	<u>\$ 230,859</u>	<u>\$ (324,684)</u>	<u>\$ (159,262)</u>	<u>\$ -</u>	<u>\$ (83,261)</u>	<u>\$ 5,197,738</u>	<u>\$ (9,514)</u>	<u>\$ 5,188,224</u>

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

(With Deloitte & Touche review report dated August 10, 2018)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) income before income tax	\$ (211,119)	\$ 84,995
Adjustments for:		
Depreciation expense	152,453	160,060
Amortization expense	10,273	10,430
Net gain on fair value change of financial assets designated as at fair value through profit or loss	(2,176)	(1,737)
Finance costs	9,485	25,789
Interest income	(15,019)	(8,179)
Compensation costs of employee share options	-	7,131
Share of profit of associates	(6,729)	(10,634)
Gain on disposal of property, plant and equipment	(220)	(12,877)
Gain on disposal of investment properties	(79,055)	-
Loss on disposal of intangible assets	2	-
Gain on disposal of non-current assets held for sale	-	(113,218)
Gain on disposal of investment	(2,678)	(3,635)
Gain on buy-back of bonds payable	-	(103)
Amortization of prepayments for leases	1,416	1,699
Net changes in operating assets and liabilities		
Trade receivables	(430,516)	195,485
Trade receivables from related parties	9	(409)
Other receivables	86,112	(24,989)
Inventories	(145,437)	77,907
Other current assets	(50,471)	(19,072)
Trade payables	289,109	(491,173)
Trade payables to related parties	1,726	(3,452)
Other payables	(28,235)	(94,562)
Other current liabilities	17,695	45,030
Reserve for retirement plan	(257)	(311)
Cash used in operating activities	(403,632)	(175,825)
Interest paid	(13,416)	(16,062)
Interest received	11,880	24,013
Income tax paid	(96,938)	(42,908)
Net cash used in operating activities	(502,106)	(210,782)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(60,078)	-
Proceeds from sale of financial assets at fair value through profit or loss	-	217,752
Proceeds from disposal of non-current assets held for sale	649,853	124,213
Payments for property, plant and equipment	(108,055)	(68,617)

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	2017
Proceeds from disposal of property, plant and equipment	\$ 7,147	\$ 26,370
Payments for intangible assets	(14,732)	(13,854)
Increase in refundable deposits	(376)	(40)
Purchase of other financial assets	(439,347)	-
Proceeds from sale of other financial assets	-	579,614
Increase in prepayments for equipment	(76,837)	-
Dividends received	16,427	13,811
Return of capital from investments accounted for using equity method	<u>271</u>	<u>-</u>
Net cash (used in) generated from investing activities	<u>(25,727)</u>	<u>879,249</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	70,205	-
Repayments of convertible bonds	-	(1,171,839)
Proceeds from long-term borrowings	94,448	118,600
Increase in guarantee deposits received	-	261
Decrease in guarantee deposits received	(743)	-
Proceeds from issuance of ordinary shares	-	612,000
Payments for transaction costs attribute to issuance of ordinary shares	<u>-</u>	<u>(1,570)</u>
Net cash generated from (used in) financing activities	<u>163,910</u>	<u>(442,548)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>33,223</u>	<u>(69,543)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(330,700)	156,376
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>1,758,856</u>	<u>1,312,763</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,428,156</u>	<u>\$ 1,469,139</u>

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

(With Deloitte & Touche review report dated August 10, 2018)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2018 AND 2017

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

(Reviewed, Not Audited)

1. GENERAL INFORMATION

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

In February 2000, Phihong was authorized to trade its stocks on the 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 August 10, 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)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI - Equity instruments	\$ -	\$ 43,936	\$ (5,759)	\$ 38,177	\$ 74,302	\$ (80,061)	2)
Add: Reclassification from available-for-sale (IAS 39)	43,936	(43,936)	-	-	-	-	2)
	<u>\$ 43,936</u>	<u>\$ -</u>	<u>\$ (5,759)</u>	<u>\$ 38,177</u>	<u>\$ 74,302</u>	<u>\$ (80,061)</u>	

- 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 designate 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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019 (Note 3)
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

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.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lease

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (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 8 and Table 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

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

2018

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.

2017

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

2018

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

Revenue from sale of goods

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 rereasurement 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

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	\$ 3,178	\$ 17,271	\$ 1,961
Checking accounts and demand deposits	1,178,626	1,712,938	1,467,178
Cash equivalents (investments with original maturities less than 3 months)			
Time deposits	<u>246,352</u>	<u>28,647</u>	<u>-</u>
	<u>\$ 1,428,156</u>	<u>\$ 1,758,856</u>	<u>\$ 1,469,139</u>

As of June 30, 2018, December 31, 2017 and June 30, 2017, the time deposits with original maturities more than three months in the amounts of \$443,215 thousand, \$3,868 thousand and \$6,929 thousand, respectively, had been reclassified to “other financial assets-current”.

As of June 30, 2018, December 31, 2017 and June 30, 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:

	June 30, 2018	December 31, 2017	June 30, 2017
Demand deposits and time deposits	0.001%-4.4%	0.001%-4.4%	0.001%-1.75%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial assets at FVTPL - current</u>			
Financial assets designated as at FVTPL			
Non-derivative financial assets			
Mutual funds	\$ -	\$ 345,163	\$ 194,031
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	<u>410,066</u>	<u>-</u>	<u>-</u>
	<u>\$ 410,066</u>	<u>\$ 345,163</u>	<u>\$ 194,031</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2018
<u>Non-current</u>	
Investments in equity instruments at FVTOCI	
Domestic unlisted ordinary shares	<u>\$ 39,896</u>

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.

9. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017	June 30, 2017
<u>Non-current</u>		
Domestic unlisted common shares	<u>\$ 43,936</u>	<u>\$ 44,759</u>
<u>Classified according to financial assets measurement categories</u>		
Available-for-sale financial assets	<u>\$ 43,936</u>	<u>\$ 44,759</u>

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.

These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 8 for information relating to their reclassification and comparative information for 2017.

10. TRADE RECEIVABLES

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 2,466,558	\$ 2,036,000	\$ 2,470,660
Less: Allowance for impairment loss	<u>(2,428)</u>	<u>(2,386)</u>	<u>(2,413)</u>
	<u>2,464,130</u>	<u>2,033,614</u>	<u>2,468,247</u>
<u>Trade receivables from related parties (Note 29)</u>			
At amortized cost			
Gross carrying amount	-	9	409
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>9</u>	<u>409</u>
	<u>\$ 2,464,130</u>	<u>\$ 2,033,623</u>	<u>\$ 2,468,656</u>

Trade Receivable

For the six months ended June 30, 2018

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.

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 expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

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:

June 30, 2018

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue 61 Days and Longer
Not overdue and not impaired	\$ 2,439,541	\$ 2,439,541	\$ -	\$ -
Not overdue but impaired	1,495	1,495	-	-
Overdue and not impaired	24,589	-	17,667	6,922
Overdue and impaired	<u>933</u>	<u>-</u>	<u>-</u>	<u>933</u>
	<u>\$ 2,466,558</u>	<u>\$ 2,441,036</u>	<u>\$ 17,667</u>	<u>\$ 7,855</u>

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:

	For the Six Months Ended June 30, 2018
Balance at January 1, 2018 per IAS 39	\$ 2,386
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	2,386
Foreign exchange gains and losses	<u>42</u>
Balance at June 30, 2018	<u>\$ 2,428</u>

For the six months ended June 30, 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	<u>909</u>	<u>-</u>	<u>-</u>	<u>909</u>
	<u>\$ 2,036,009</u>	<u>\$ 1,982,916</u>	<u>\$ 30,670</u>	<u>\$ 22,423</u>

June 30, 2017

	Total Receivables	Not Overdue	Overdue under 60 Days	Overdue 61 Days and Longer
Not overdue and not impaired	\$ 2,431,603	\$ 2,431,603	\$ -	\$ -
Not overdue but impaired	1,490	1,490	-	-
Overdue and not impaired	37,053	-	26,366	10,687
Overdue and impaired	<u>923</u>	<u>-</u>	<u>-</u>	<u>923</u>
	<u>\$ 2,471,069</u>	<u>\$ 2,433,093</u>	<u>\$ 26,366</u>	<u>\$ 11,610</u>

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	<u>-</u>	<u>(98)</u>	<u>(98)</u>
Balance at June 30, 2017	<u>\$ -</u>	<u>\$ 2,413</u>	<u>\$ 2,413</u>

As of June 30, 2017, trade receivables of PHA in the amount of \$935,535 thousand had been pledged to secure short-term borrowings. Please refer to Note 30.

11. INVENTORIES

	June 30, 2018	December 31, 2017	June 30, 2017
Raw materials	\$ 715,643	\$ 618,924	\$ 501,132
Work-in-process	185,881	161,121	202,797
Finished goods	448,991	425,084	348,592
Merchandise	<u>352,839</u>	<u>352,788</u>	<u>372,975</u>
	<u>\$ 1,703,354</u>	<u>\$ 1,557,917</u>	<u>\$ 1,425,496</u>

As of June 30, 2018, December 31, 2017 and June 30, 2017, allowance of inventory value decline was \$348,802 thousand, \$345,590 thousand and \$301,764 thousand, respectively.

For the three months and the six months ended June 30, 2018 and 2017, the cost of inventories recognized as cost of goods sold was \$2,736,768 thousand, \$2,579,318 thousand, \$5,066,217 thousand and \$5,033,029 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	June 30, 2018	December 31, 2017	June 30, 2017
Phihong Electronics (Suzhou) Co., Ltd. ("PHZ")'s investment properties, buildings and long-term prepayments for leases	<u>\$ 980,047</u>	<u>\$ 962,236</u>	<u>\$ 184,411</u>

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:

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

As of June 30, 2018 and December 31, 2017, the proceeds of the disposal had been received \$697,163 thousand and \$45,512 thousand, respectively, which was presented under other current liabilities. Refer to Note 21.

13. SUBSIDIARIES

Investor	Investee	Main Business	Percentage of Ownership			Notes
			June 30, 2018	December 31, 2017	June 30, 2017	
Pihong	Pihong 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	
	Pihong USA Corp. ("PHA")	Sells various power supplies	100.00	100.00	100.00	
	Pihong 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	
Pihong International Corp.	Pihong (Dongguan) Electronics Co., Ltd.	Manufactures and sells various power supplies	100.00	100.00	100.00	
	Pihong 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 8 and 9 for the information on places of incorporation and principal places of business.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	June 30, 2018	December 31, 2017	June 30, 2017
Material associates			
H&P Venture Capital Co., Ltd.	\$ 41,303	\$ 52,794	\$ 92,746
Han-Yu Venture Capital Co., Ltd.	102,265	108,666	95,677
Spring City Resort Co., Ltd.	<u>24,919</u>	<u>26,440</u>	<u>30,205</u>
	168,487	187,900	218,628
Associates that are not individually material	<u>-</u>	<u>271</u>	<u>271</u>
	<u>\$ 168,487</u>	<u>\$ 188,171</u>	<u>\$ 218,899</u>

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

	June 30, 2018	December 31, 2017	June 30, 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 8 "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

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 six months ended June 30, 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
<u>Cost</u>						
Balance at January 1, 2017	\$ 265,069	\$ 2,191,234	\$ 2,403,438	\$ 643,424	\$ 1,210,132	\$ 6,713,297
Additions	-	2,411	24,936	17,452	3,125	47,924
Disposals	(12,384)	-	(15,473)	(5,201)	-	(33,058)
Effect of foreign currency exchange differences	(3,411)	(61,230)	(78,468)	(11,253)	(45,556)	(199,918)
Reclassified	-	1,163	7,743	4,541	(3,732)	9,715
Balance at June 30, 2017	<u>\$ 249,274</u>	<u>\$ 2,133,578</u>	<u>\$ 2,342,176</u>	<u>\$ 648,963</u>	<u>\$ 1,163,969</u>	<u>\$ 6,537,960</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2017	\$ -	\$ 734,339	\$ 1,794,482	\$ 455,744	\$ -	\$ 2,984,565
Disposals	-	-	(14,603)	(4,962)	-	(19,565)
Depreciation expense	-	37,596	73,648	33,603	-	144,847
Effect of foreign currency exchange differences	-	(22,379)	(56,426)	(8,861)	-	(87,666)
Balance at June 30, 2017	<u>\$ -</u>	<u>\$ 749,556</u>	<u>\$ 1,797,101</u>	<u>\$ 475,524</u>	<u>\$ -</u>	<u>\$ 3,022,181</u>
Carrying amounts at June 30, 2017	<u>\$ 249,274</u>	<u>\$ 1,384,022</u>	<u>\$ 545,075</u>	<u>\$ 173,439</u>	<u>\$ 1,163,969</u>	<u>\$ 3,515,779</u>
<u>Cost</u>						
Balance at January 1, 2018	\$ 247,897	\$ 2,625,161	\$ 2,421,227	\$ 662,526	\$ 6,280	\$ 5,963,091
Additions	-	522	54,495	33,303	17,876	106,196
Disposals	-	-	(42,235)	(22,408)	-	(64,643)
Effect of foreign currency exchange differences	2,132	39,220	36,864	5,473	150	83,839
Reclassified	-	4,520	39,384	830	(7,997)	36,737
Balance at June 30, 2018	<u>\$ 250,029</u>	<u>\$ 2,669,423</u>	<u>\$ 2,509,735</u>	<u>\$ 679,724</u>	<u>\$ 16,309</u>	<u>\$ 6,125,220</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2018	\$ -	\$ 652,588	\$ 1,878,299	\$ 508,632	\$ -	\$ 3,039,519
Disposals	-	-	(35,336)	(22,380)	-	(57,716)
Depreciation expense	-	43,097	76,525	32,831	-	152,453
Effect of foreign currency exchange differences	-	9,252	27,093	4,573	-	40,918
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ 704,937</u>	<u>\$ 1,946,581</u>	<u>\$ 523,656</u>	<u>\$ -</u>	<u>\$ 3,175,174</u>
Carrying amounts at December 31, 2017 and January 1, 2018	<u>\$ 247,897</u>	<u>\$ 1,972,573</u>	<u>\$ 542,928</u>	<u>\$ 153,894</u>	<u>\$ 6,280</u>	<u>\$ 2,923,572</u>
Carrying amounts at June 30, 2018	<u>\$ 250,029</u>	<u>\$ 1,964,486</u>	<u>\$ 563,154</u>	<u>\$ 156,068</u>	<u>\$ 16,309</u>	<u>\$ 2,950,046</u>

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
<u>Cost</u>	
Balance at January 1, 2017	\$ 961,026
Reclassified	(278,000)
Effect of foreign currency exchange differences	<u>(36,141)</u>
Balance at June 30, 2017	<u>\$ 646,885</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2017	\$ 379,719
Depreciation expense	15,213
Reclassified	(93,589)
Effect of foreign currency exchange differences	<u>(14,281)</u>
Balance at June 30, 2017	<u>\$ 287,062</u>
Carrying amount at June 30, 2017	<u>\$ 359,823</u>

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 June 2018 and August 2017, the disposal gains of \$79,055 thousand and \$129,588 thousand were recognized, respectively.

17. INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2017	\$ 111,363
Additions	13,854
Disposals	(36)
Effect of foreign currency exchange differences	(1,219)
Reclassified	<u>2,476</u>
Balance at June 30, 2017	<u>\$ 126,438</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2017	\$ 79,197
Amortization expense	10,430
Disposals	(36)
Effect of foreign currency exchange differences	<u>(896)</u>
Balance at June 30, 2017	<u>\$ 88,695</u>
Carrying amount at June 30, 2017	<u>\$ 37,743</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 128,650
Additions	14,732
Disposals	(17,540)
Effect of foreign currency exchange differences	675
Reclassified	<u>545</u>
Balance at June 30, 2018	<u>\$ 127,062</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2018	\$ 100,234
Amortization expense	10,273
Disposals	(17,538)
Effect of foreign currency exchange differences	<u>536</u>
Balance at June 30, 2018	<u>\$ 93,505</u>
Carrying amount at December 31, 2017 and January 1, 2018	<u>\$ 28,416</u>
Carrying amount at June 30, 2018	<u>\$ 33,557</u>

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

	June 30, 2018	December 31, 2017	June 30, 2017
Current	\$ 2,830	\$ 2,778	\$ 3,397
Non-current	<u>104,273</u>	<u>103,768</u>	<u>126,537</u>
	<u>\$ 107,103</u>	<u>\$ 106,546</u>	<u>\$ 129,934</u>

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

Refer to Note 30 for the carrying amount of prepayments for lease that had been pledged by the Group to secure long-term borrowings.

19. BORROWINGS

Short-term Borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Secured loan</u>			
Bank borrowings	<u>\$ 170,205</u>	<u>\$ 100,000</u>	<u>\$ 91,110</u>
Interest rate	5.22%	1.14%	3.625%

Long-term Borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Secured loan</u>			
Medium-term loan			
Repayable from March 9, 2018 to March 9, 2020; interest rate was 1.20% on June 30, 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 June 30, 2018 and December 31, 2017. Interest is paid monthly and principal is due on December 22, 2019.	30,000	30,000	-
Repayable from June 14, 2018 to July 3, 2019; interest rate was 1.255% on June 30, 2018. Interest is paid monthly and principal is due on July 3, 2019.	100,000	-	-
Repayable from December 27, 2017 to June 15, 2019; interest rate was 1.26% on December 31, 2017. Interest is paid monthly and principal is due on June 15, 2019. Principal was fully repaid in June 2018.	-	100,000	-

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Repayable from July 19, 2016 to July 19, 2019; interest rates were 5.26826%, 4.6088% and 4.36111% on June 30, 2018 and December 31, 2017 and June 30, 2017, respectively. Principal was repaid quarterly beginning October 19, 2016.	\$ 15,287	\$ 20,839	\$ 27,333
Repayable from June 8, 2017 to June 8, 2019; interest rate was 1.2% on June 30, 2017. Interest is paid monthly and principal is due on June 8, 2019. Principal was fully repaid in September 2017.	-	-	100,000
Repayable from June 27, 2017 to June 27, 2019; interest rate was 1.2% on June 30, 2017. Interest is paid monthly and principal is due on June 27, 2019. Principal was fully repaid in August 2017.	-	-	<u>25,000</u>
	<u>245,287</u>	<u>150,839</u>	<u>152,333</u>
Less: Long-term loans payable - current portion	<u>(12,230)</u>	<u>(11,908)</u>	<u>(12,148)</u>
	<u>\$ 233,057</u>	<u>\$ 138,931</u>	<u>\$ 140,185</u> (Concluded)

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

20. BONDS PAYABLE

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured domestic convertible bonds	\$ -	\$ -	\$ -
Secured domestic bonds	<u>998,689</u>	<u>998,453</u>	<u>998,213</u>
	<u>\$ 998,689</u>	<u>\$ 998,453</u>	<u>\$ 998,213</u>

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.

Liability component at January 1, 2017	\$ 1,163,926
Interest charged at an effective interest rate of 1.70%	8,016
Redemption of bonds payable	<u>(1,171,942)</u>
Liability component at June 30, 2017	<u>\$ _____</u> -

The Company bought back unsecured convertible bonds from the open market, and recognized a gain on the buy-back of bonds payable of \$103 thousand for the six months ended June 30, 2017, which was presented under other gains and losses, moreover, the Company redeemed all of the expired unsecured convertible bonds on June 4, 2017, and reclassified \$56,175 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

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Current</u>			
Other payables			
Payables for salaries or bonuses	\$ 185,459	\$ 208,724	\$ 205,083
Payables for annual leave	33,579	39,533	33,518
Payables for purchases of equipment	8,994	10,853	14,011
Others	<u>506,416</u>	<u>588,654</u>	<u>494,131</u>
	<u>\$ 734,448</u>	<u>\$ 847,764</u>	<u>\$ 746,743</u>
Other liabilities			
Temporary receipts (Note 12)	\$ 699,221	\$ 45,912	\$ 131,012
Others	<u>114,441</u>	<u>100,202</u>	<u>107,309</u>
	<u>\$ 813,662</u>	<u>\$ 146,114</u>	<u>\$ 238,321</u>

22. RETIREMENT BENEFIT PLANS

For the three months and the six months ended June 30, 2018 and 2017, employee benefit expenses in respect of the Group’s defined benefit retirement plans were \$391 thousand, \$383 thousand, \$782 thousand and \$766 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2017 and 2016.

23. EQUITY

Share Capital

	June 30, 2018	December 31, 2017	June 30, 2017
Number of shares authorized (in thousands)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>337,688</u>	<u>337,688</u>	<u>337,688</u>
Shares issued	<u>\$ 3,376,884</u>	<u>\$ 3,376,884</u>	<u>\$ 3,376,884</u>

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

On November 10, 2016, Phihong's board of directors resolved to issue 60,000 thousand ordinary shares, with a par value of NT\$10. 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 set the subscription base date as at January 21, 2017.

Capital Surplus

	June 30, 2018	December 31, 2017	June 30, 2017
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u>			
Issuance of common shares	\$ 244,117	\$ 244,117	\$ 244,117
Conversion of bonds	667,058	667,058	667,058
Treasury share transactions	48,234	48,234	48,234
Interest payable on bond conversion	13,243	13,243	13,243
<u>May be used to offset a deficit only</u>			
Treasury share transactions	<u>71,365</u>	<u>71,365</u>	<u>71,365</u>
	<u>\$ 1,044,017</u>	<u>\$ 1,044,017</u>	<u>\$ 1,044,017</u>

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

Retained Earnings and Dividend Policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 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 Six Months Ended June 30	
	2018	2017
Balance at January 1	\$ (256,008)	\$ (91,443)
Exchange differences arising on translating the financial statements of foreign operations	<u>96,746</u>	<u>(206,062)</u>
Balance at June 30	<u>\$ (159,262)</u>	<u>\$ (297,505)</u>

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

	For the Six Months Ended June 30	
	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	<u>-</u>	<u>(40,262)</u>
Balance at June 30	<u>\$ -</u>	<u>\$ 17,188</u>

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

	For the Six Months Ended June 30, 2018
Balance at January 1 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>(75,236)</u>
Balance at January 1 per IFRS 9	(75,236)
Unrealized gain (loss) - equity instruments	1,719
Share from associates accounted for using the equity method	<u>(9,744)</u>
Balance at June 30	<u>\$ (83,261)</u>

Non-controlling Interests

	For the Six Months Ended June 30	
	2018	2017
Balance at January 1	\$ (9,255)	\$ (10,016)
Attributable to non-controlling interests:		
Share of loss for the period	(9)	(14)
Exchange difference arising on translation of foreign entities	<u>(250)</u>	<u>592</u>
Balance at June 30	<u>\$ (9,514)</u>	<u>\$ (9,438)</u>

24. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest income	\$ 10,021	\$ 1,606	\$ 15,019	\$ 8,179
Others	<u>35,716</u>	<u>28,196</u>	<u>69,903</u>	<u>68,017</u>
	<u>\$ 45,737</u>	<u>\$ 29,802</u>	<u>\$ 84,922</u>	<u>\$ 76,196</u>

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Net foreign exchange gains (losses)	\$ 37,488	\$ 11,878	\$ 23,141	\$ (72,341)
Gain (loss) on disposal of property, plant and equipment	63	(490)	220	12,877
Gain on disposal of investment properties (Note 16)	79,055	-	79,055	-
Gain on disposal of non-current assets held for sale	-	-	-	113,218
Loss on disposal of intangible assets	-	-	(2)	-
Fair value changes of financial assets and financial liabilities				
Financial assets designated as at FVTPL	-	1,352	-	1,737
Financial assets mandatorily at FVTPL	1,649	-	2,176	-
Gain on buy-back of bonds payable	-	47	-	103
Gain on disposal of investments	1,217	1,241	2,678	3,635
Others	<u>(25,373)</u>	<u>(7,647)</u>	<u>(72,123)</u>	<u>(16,320)</u>
	<u>\$ 94,099</u>	<u>\$ 6,381</u>	<u>\$ 35,145</u>	<u>\$ 42,909</u>

c. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Property, plant and equipment	\$ 77,159	\$ 71,494	\$ 152,453	\$ 144,847
Investment properties	-	7,507	-	15,213
Computer software	<u>4,445</u>	<u>5,965</u>	<u>10,273</u>	<u>10,430</u>
	<u>\$ 81,604</u>	<u>\$ 84,966</u>	<u>\$ 162,726</u>	<u>\$ 170,490</u>
An analysis of depreciation by function				
Operating costs	\$ 38,149	\$ 35,124	\$ 75,458	\$ 71,626
Operating expenses	39,010	36,370	76,995	73,221
Non-operating expenses	<u>-</u>	<u>7,507</u>	<u>-</u>	<u>15,213</u>
	<u>\$ 77,159</u>	<u>\$ 79,001</u>	<u>\$ 152,453</u>	<u>\$ 160,060</u>
An analysis of amortization by function				
Operating costs	\$ 601	\$ 508	\$ 971	\$ 1,111
Operating expenses	<u>3,844</u>	<u>5,457</u>	<u>9,302</u>	<u>9,319</u>
	<u>\$ 4,445</u>	<u>\$ 5,965</u>	<u>\$ 10,273</u>	<u>\$ 10,430</u>

d. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	\$ 477,338	\$ 515,625	\$ 931,879	\$ 1,021,333
Post-employment benefits				
Defined contribution plans	5,029	5,010	10,078	9,994
Defined benefit plans (Note 22)	<u>391</u>	<u>383</u>	<u>782</u>	<u>766</u>
	<u>\$ 482,758</u>	<u>\$ 521,018</u>	<u>\$ 942,739</u>	<u>\$ 1,032,093</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 275,777	\$ 314,638	\$ 526,934	\$ 606,811
Operating expenses	<u>206,981</u>	<u>206,380</u>	<u>415,805</u>	<u>425,282</u>
	<u>\$ 482,758</u>	<u>\$ 521,018</u>	<u>\$ 942,739</u>	<u>\$ 1,032,093</u>

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 six months ended June 30, 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 June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Foreign exchange gains	\$ 37,488	\$ 49,416	\$ 54,310	\$ 86,408
Foreign exchange losses	<u>-</u>	<u>(37,538)</u>	<u>(31,169)</u>	<u>(158,749)</u>
	<u>\$ 37,488</u>	<u>\$ 11,878</u>	<u>\$ 23,141</u>	<u>\$ (72,341)</u>

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 June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current tax				
In respect of the current period	<u>\$ 52,754</u>	<u>\$ 17,386</u>	<u>\$ 57,239</u>	<u>\$ 44,636</u>
Deferred tax				
In respect of the current period	3,390	8,930	9,840	6,620
Adjustments to deferred tax attributable to change in tax rates and laws	<u>-</u>	<u>-</u>	<u>(8,200)</u>	<u>-</u>
	<u>3,390</u>	<u>8,930</u>	<u>1,640</u>	<u>6,620</u>
Total income tax expense recognized in the current period	<u>\$ 56,144</u>	<u>\$ 26,316</u>	<u>\$ 58,879</u>	<u>\$ 51,256</u>

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

b. Income tax assessments

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

26. EARNINGS (LOSS) PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Basic earnings (loss) per share	<u>\$ (0.21)</u>	<u>\$ 0.02</u>	<u>\$ (0.80)</u>	<u>\$ 0.11</u>
Net Profit (Loss) for the Period				
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Earnings (loss) used in the computation of basic earnings (loss) per share	<u>\$ (69,650)</u>	<u>\$ 5,513</u>	<u>\$ (269,989)</u>	<u>\$ 33,753</u>

Ordinary Shares Outstanding (In Thousands)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	<u>337,688</u>	<u>337,688</u>	<u>337,688</u>	<u>315,478</u>

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

June 30, 2018

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

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 345,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,163</u>

June 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 194,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,031</u>

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

b. Categories of financial instruments

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial assets</u>			
FVTPL			
Designated as at FVTPL	\$ -	\$ 345,163	\$ 194,031
Mandatorily at FVTPL	410,066	-	-
Loans and receivables (1)	-	3,964,084	4,091,624
Available-for-sale financial assets (2)	-	43,936	44,759
Financial assets at amortized cost (3)	4,420,641	-	-
Financial assets at FVTOCI			
Equity instruments	39,896	-	-
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (4)	4,879,596	4,537,932	4,533,365

- 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 USD and CNY.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis is for a 1% change in foreign currency rates and included only outstanding foreign currency denominated monetary items at the end of the reporting period. A positive number below indicates a decrease in pre-tax profit 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.

	USD Impact	
	For the Six Months Ended	
	June 30	
	2018	2017
Profit or loss	\$ 3,367	\$ 3,378

	CNY Impact	
	For the Six Months Ended	
	June 30	
	2018	2017
Profit or loss	6,669	103

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:

	June 30, 2018	December 31, 2017	June 30, 2017
Fair value interest rate risk			
Financial liabilities	\$ 1,198,689	\$ 1,098,453	\$ 1,123,213
Cash flow interest rate risk			
Financial liabilities	215,492	150,839	118,443

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 June 30, 2018, December 31, 2017 and June 30, 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.

June 30, 2018

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

December 31, 2017

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

June 30, 2017

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,284,387	\$ -	\$ -	\$ 3,284,387
Variable interest rate instrument	103,258	15,185	-	118,443
Fixed interest rate instrument	<u>-</u>	<u>125,000</u>	<u>998,213</u>	<u>1,123,213</u>
	<u>\$ 3,387,645</u>	<u>\$ 140,185</u>	<u>\$ 998,213</u>	<u>\$ 4,526,043</u>

b) Financing facilities

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bank facilities:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>183,450</u>	<u>178,620</u>	<u>182,220</u>
	<u>\$ 183,450</u>	<u>\$ 178,620</u>	<u>\$ 182,220</u>
Secured bank facilities:			
Amount used	\$ 415,492	\$ 250,839	\$ 243,443
Amount unused	<u>1,851,406</u>	<u>2,031,324</u>	<u>1,676,045</u>
	<u>\$ 2,266,898</u>	<u>\$ 2,282,163</u>	<u>\$ 1,919,488</u>

29. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and relationship

<u>Related Party</u>	<u>Relationship with the Group</u>
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Spring Cith Resort Co., Ltd.	Other related parties
Yao Yu Design Co., Ltd.	Other related parties
Hong Ding Educational Technology Co., Ltd.	Other related parties
Peter Lin	Phihong's chairman

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

b. Trading transactions

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2018	2017	2018	2017
<u>Sales</u>				
Other related parties	<u>\$ -</u>	<u>\$ 389</u>	<u>\$ -</u>	<u>\$ 389</u>

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

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2018	2017	2018	2017
<u>Purchase of goods</u>				
Other related parties	<u>\$ 36,199</u>	<u>\$ 37,949</u>	<u>\$ 60,157</u>	<u>\$ 70,718</u>

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

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Receivables from related parties</u>			
Other related parties	\$ <u>-</u>	\$ <u>9</u>	\$ <u>409</u>
<u>Payable to related parties</u>			
Other related parties	\$ <u>61,532</u>	\$ <u>59,806</u>	\$ <u>68,431</u>

c. Compensation of key management personnel

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

	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2018	2017	2018	2017
Short-term benefits	\$ 6,270	\$ 6,967	\$ 12,586	\$ 13,908
Post-employment benefits	108	135	216	270
Share-based payments	<u>-</u>	<u>938</u>	<u>-</u>	<u>938</u>
	<u>\$ 6,378</u>	<u>\$ 8,040</u>	<u>\$ 12,802</u>	<u>\$ 15,116</u>

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

d. Other transactions with related parties

The Company's chairman has guaranteed the payments of the loans of the Group. As of June 30, 2018, December 31, 2017 and June 30, 2017, the amounts of the guarantees were \$1,414,181 thousand, \$1,249,292 thousand and \$1,150,546 thousand, respectively.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	June 30, 2018	December 31, 2017	June 30, 2017
Pledge deposits	\$ 25,450	\$ 25,450	\$ 25,450
Freehold land	185,202	185,202	185,202
Long-term prepayments for leases	17,757	-	-
Buildings	382,432	319,281	323,540
Trade receivable	<u>-</u>	<u>-</u>	<u>935,535</u>
	<u>\$ 610,841</u>	<u>\$ 529,933</u>	<u>\$ 1,469,727</u>

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 48,021	30.57500	\$ 1,468,243
JPY	122,898	0.27797	34,162
HKD	871	3.89576	3,393
CNY	143,864	4.63539	666,868
<u>Financial liabilities</u>			
Monetary items			
USD	37,009	30.57500	1,131,554
JPY	7,009	0.27797	1,948
HKD	7,280	3.89576	28,360

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
Monetary items			
USD	40,762	29.77000	1,213,481
JPY	13,715	0.26300	3,607
HKD	4,787	3.81082	18,242

June 30, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 55,554	30.37000	\$ 1,687,169
JPY	102,455	0.27034	27,698
HKD	3,750	3.89191	14,593
CNY	2,299	4.47012	10,276
<u>Financial liabilities</u>			
Monetary items			
USD	44,429	30.37000	1,349,309
JPY	14,915	0.27034	4,032
HKD	7,202	3.89191	28,030

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 10)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

33. SEGMENT INFORMATION

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

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

a. Segment revenues and results

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

	Power Supply	Others	Total
<u>For the six months ended June 30, 2018</u>			
Revenue from external customers	<u>\$ 5,446,024</u>	<u>\$ 52,553</u>	<u>\$ 5,498,577</u>
Segment losses	<u>\$ (322,979)</u>	<u>\$ (5,451)</u>	\$ (328,430)
Other income			84,922
Other gain and losses			35,145
Financial cost			(9,485)
Investment income recognized under equity method, net			<u>6,729</u>
Income before income tax			<u>\$ (211,119)</u>
<u>For the six months ended June 30, 2017</u>			
Revenue from external customers	<u>\$ 5,700,467</u>	<u>\$ 107,250</u>	<u>\$ 5,807,717</u>
Segment losses	<u>\$ (12,280)</u>	<u>\$ (6,675)</u>	\$ (18,955)
Other income			76,196
Other gain and losses			42,909
Financial cost			(25,789)
Investment income recognized under equity method, net			<u>10,634</u>
Income before income tax			<u>\$ 84,995</u>

b. Segment assets and liabilities

	June 30, 2018	December 31, 2017	June 30, 2017
Power supply segment assets	\$ 10,329,779	\$ 9,575,476	\$ 9,718,218
Other assets	<u>763,068</u>	<u>735,400</u>	<u>678,090</u>
Total assets	<u>\$ 11,092,847</u>	<u>\$ 10,310,876</u>	<u>\$ 10,396,308</u>
Power supply segment liabilities	\$ 5,786,653	\$ 4,813,297	\$ 4,896,728
Other liabilities	<u>117,970</u>	<u>122,069</u>	<u>119,429</u>
Total liabilities	<u>\$ 5,904,623</u>	<u>\$ 4,935,366</u>	<u>\$ 5,016,157</u>

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 1,066,140 (CNY 230,000,000)	\$ 463,539 (CNY 100,000,000)	\$ 194,686	4.35%	b	\$ -	Capital movement	\$ -	-	\$ -	\$ 1,578,039	\$ 1,578,039	
2	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	1,182,025 (CNY 255,000,000)	788,016 (CNY 170,000,000)	788,016	4.35%	b	-	Capital movement	-	-	-	1,547,095	1,547,095	
3	Phihong Electronics (Suzhou) Co., Ltd.	Phihong (Dongguan) Electronics Co., Ltd.	Other receivables from related parties	Yes	324,477 (CNY 70,000,000)	324,477 (CNY 70,000,000)	324,477	4.35%	b	-	Capital movement	-	-	-	1,547,095	1,547,095	
4	Phihong International Corp.	Phihong (Dongguan) Electronics Co., Ltd.	Other receivables from related parties	Yes	36,690 (US\$ 1,200,000)	36,690 (US\$ 1,200,000)	15,288	5.00%	b	-	Capital movement	-	-	-	3,050,259	3,050,259	

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

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

Note 2: Reasons for financing are as follows:

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 1,559,321	\$ 36,690 (US\$ 1,200,000)	\$ 36,690 (US\$ 1,200,000)	\$ 15,288	\$ -	0.71	\$ 2,598,869	Y	N	N	
		Phihong USA Corp.	Subsidiary of the Company	1,559,321	152,875 (US\$ 5,000,000)	152,875 (US\$ 5,000,000)	-	-	2.94	2,598,869	Y	N	N	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	1,578,039	278,123 (CNY60,000,000)	278,123 (CNY60,000,000)	170,205	-	17.62	1,578,039	N	N	Y	

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

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

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

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

Note 4: On 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.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 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	June 30, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Phihong Technology Co., Ltd.	<u>Ordinary shares</u> Pao- Dian Venture Capital Co., Ltd.	None	Financial assets measured at cost - non-current	300,628	\$ 3,431	10.49	\$ 3,431	
	Zhong-Xuan Venture Capital Co., Ltd.	None	Financial assets measured at cost - non-current	2,500,000	25,667	8.62	25,667	
Guang-Lai Investment Co., Ltd.	<u>Ordinary shares</u> 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	10,798	10.83	10,798	

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Pihong (Dongguan) Electronics Co., Ltd.	CR Yuanta Fund	Financial assets at fair value through profit or loss - current	Noah Upright (Shanghai) Fund Investment	None	-	\$ -	83,517,414	\$ 388,286 (CNY 83,517,414)	56,000,000	\$ 260,732 (CNY 56,000,000)	\$ 260,732 (CNY 56,000,000)	\$ -	27,517,414	\$ 127,554 (CNY 27,517,414)
Dongguan Phitek Electronics Co., Ltd.	CR Yuanta Fund	Financial assets at fair value through profit or loss - current	Noah Upright (Shanghai) Fund Investment	None	-	-	85,500,000	396,085 (CNY 85,526,881)	42,500,000	196,830 (CNY 42,541,017)	196,639 (CNY 42,500,000)	191 (CNY 41,017)	43,000,000	199,446 (CNY 43,026,881)
Pihong Electronics (Suzhou) Co., Ltd.	CR Yuanta Fund	Financial assets at fair value through profit or loss - current	Noah Upright (Shanghai) Fund Investment	None	-	-	114,500,000	534,882 (CNY 114,643,142)	96,500,000	451,547 (CNY 96,663,305)	450,781 (CNY 96,500,000)	766 (CNY 163)	18,000,000	84,101 (CNY 18,143,142)

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

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

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

Note 4: The paid-in capital amount is the paid-in capital of the parent company. If the issued share has no face value or the face value is not NT\$10 per share, in regard to the 20% of the paid-in capital transaction rule, then the marketable securities acquired and disposed of shall be calculated separately at market value in order to determine whether the amount reaches 10% of the equity attributable to owners of the Company.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 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	
Pihong Technology Co., Ltd.	Pihong USA Corp.	Subsidiary of the Company	Sale	\$ (1,474,225)	(41.28)	No significant difference	-	-	\$ 257,135	28.85	
	Pihong Technology Japan Co., Ltd.	Subsidiary of the Company	Sale	(129,540)	(3.63)	No significant difference	-	-	30,478	3.42	
	Pihong (Dongguan) Electronics Co., Ltd.	Subsidiary of the Company	Purchase	3,202,147	99.73	No significant difference	-	-	-	-	
Pihong USA Corp.	Pihong Technology Co., Ltd.	Parent entity	Purchase	1,474,225	100.00	No significant difference	-	-	(257,135)	(93.36)	
Pihong Technology Japan Co., Ltd.	Pihong Technology Co., Ltd.	Parent entity	Purchase	129,540	71.53	No significant difference	-	-	(30,478)	(94.61)	
Pihong (Dongguan) Electronics Co., Ltd.	Pihong Technology Co., Ltd.	Parent entity	Sale	(3,202,147)	(100.00)	No significant difference	-	-	-	-	

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

JUNE 30, 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			
Pihong Technology Co., Ltd.	Pihong USA Corp.	Subsidiary of the Company	Account receivable	\$ 257,135	11.97	\$ -	-	\$ 154,690	\$ -
	Pihong (Dongguan) Electronics Co., Ltd.	Subsidiary of the Company	Other receivables	342,412	-	-	-	313,861	-
	Dongguan Phitek Electronics Co., Ltd.	Subsidiary of the Company	Other receivables	128,993	-	-	-	28,203	-
Pihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables	202,012	-	-	-	3,552	-
Pihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables	794,235	-	-	-	-	-
	Pihong (Dongguan) Electronics Co., Ltd.	Sister company	Other receivables	330,476	-	-	-	-	-

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Phihong	PHA	1	Sale	\$ 1,474,225	No significant difference	27
		PHJ	1	Sale	129,540	No significant difference	2
		PHC	1	Purchase	3,202,147	No significant difference	58
		PHA	1	Account receivables	257,135	No significant difference	2
		PHC	1	Other receivables	342,412	No significant difference	3
		PHP	1	Other receivables	128,993	No significant difference	1
1	PHC	PHP	3	Other receivables	202,012	No significant difference	2
2	PHZ	PHP	3	Other receivables	794,235	No significant difference	7
		PHC	3	Other receivables	330,476	No significant difference	3

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

- a. The 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 June 30, 2018.

For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the six months ended June 30, 2018.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2018	December 31, 2017	Shares	%	Carrying Amount			
Pihong Technology Co., Ltd.	Pihong International Corp.	British Virgin Islands	Makes investments	\$ 3,386,218	\$ 3,386,218	109,054,817	100.00	\$ 3,022,848	\$ (149,180)	\$ (146,698)	Hao-Xuan Venture Capital Co., Ltd. was put into liquidation in March 2018
	Pihong USA Corp.	California, USA	Sells various power supplies	207,203	207,203	3,100,000	100.00	982,139	34,845	34,845	
	Phitek International Co., Ltd.	British Virgin Islands	Makes investments	314,956	314,956	10,200,000	100.00	(208,619)	(115,033)	(115,087)	
	Ascent Alliance Ltd.	British Virgin Islands	Makes investments	352,043	424,619	12,012,600	100.00	232,664	(25,871)	(25,135)	
	Guang-Lai Investment Co., Ltd.	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	161,760	(3,404)	(3,404)	
	Hao-Xuan Venture Capital Co., Ltd.	Taiwan	Makes investments	-	18,253	-	-	-	-	-	
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	31,707	31,707	3,170,682	32.26	41,303	31,410	10,132	
	Pihong Technology Japan Co., Ltd.	Japan	Sells power components	191,738 (JPY 550,000,000)	191,738 (JPY 550,000,000)	7,000	100.00	127,988	(646)	(646)	
Pihong International Corp.	N-Lighten Technologies, Inc.	California, USA	Makes investments	409,851	409,851	110,834,223	58.45	(25,544)	(40)	(23)	Pihong 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	24,919	(7,363)	(1,521)	Pihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	102,265	(11,188)	(1,882)	
	N-Lighten Technologies, Inc.	California, USA	Makes investments	206,084	206,084	37,498,870	19.78	(8,644)	(40)	(8)	

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 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 January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2018	Accumulated Repatriation of Investment Income as of June 30, 2018	Note
					Outward	Inward							
Phihong (Dongguan) Electronics Co., Ltd.	Manufactures and sells various power supplies	\$ 1,813,724 (HK\$ 451,600,000)	Indirect investment in mainland China through PHI	\$ 1,677,679 (HK\$ 419,000,000)	\$ -	\$ -	\$ 1,677,679 (HK\$ 419,000,000)	\$ (138,701)	100.00	\$ (138,701)	\$ 1,578,039	\$ -	
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)	53,796	100.00	53,796	1,547,095	-	Note 2
Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	26,291 (US\$ 880,000)	Indirect investment in mainland China through PHI	63,934 (US\$ 2,140,000)	-	-	63,934 (US\$ 2,140,000)	(3,336)	100.00	(3,336)	9,269	-	
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)	(115,147)	100.00	(115,147)	(212,559)	-	
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)	11,866	100.00	11,866	70,955	-	
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)	(29,648)	100.00	(29,648)	159,926	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 (US\$ 12,366,400)	-	-	387,406 (US\$ 12,366,400)	-	-	-	-	-	Note 3

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

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

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

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

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

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 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 30, 2018, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount of investment in mainland China.

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE SIX MONTHS ENDED JUNE 30, 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	\$ 3,202,147	99.73	No significant difference	No significant difference	-	\$ -	-	\$ -	