Phihong Technology Co., Ltd.

Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路 100 號 20 樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel : + 886 (2) 2725 - 9988
Fax: + 886 (2) 4051 - 6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Phihong Technology Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Company's consolidated financial statements as of and for the year ended December 31, 2019 is as follows.

The Accuracy of Sales Revenue from Telecom Brand Operation

Description of the key audit matter:

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

<u>*Notice to Readers*</u>

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

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

PHIHONG TECHNOLOGY CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,074,221	14	$ 1,233,861	15
Notes receivable (Notes 4 and 8)	2,022	-	-	-
Trade receivables (Notes 4 and 8)	535,126	7	859,931	10
Trade receivables from related parties (Notes 4 and 24)	95,031	1	229,814	3
Other receivables	28,472	-	41,846	-
Other receivables from related parties (Note 24)	562,052	7	220,050	3
Inventories (Notes 4 and 9)	38,353	1	105,892	1
Other financial assets - current (Notes 4 and 6)	-	-	201,113	2
Other current assets	22,255	-	87,318	1
Total current assets	2,357,532	30	2,979,825	35
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	49,513	1	29,522	-
Investments accounted for using the equity method (Notes 4 and 10)	4,734,023	59	4,646,531	55
Property, plant and equipment (Notes 4 and 11)	731,883	9	737,247	9
Right-of-use assets (Notes 3, 4 and 12)	1,619	-	-	-
Intangible assets (Notes 4 and 13)	17,691	-	16,494	-
Deferred tax assets (Notes 4 and 20)	53,325	1	46,037	1
Other financial assets - non-current (Notes 4, 6 and 25)	27,100	-	25,450	-
Other non-current assets	17,095	-	26,982	-
Total non-current assets	5,632,249	70	5,528,263	65
TOTAL	$ 7,989,781	100	$ 8,508,088	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables	$ 11,016	-	$ 11,472	-
Trade payables to related parties (Note 24)	539	-	295	-
Other payables (Notes 16 and 24)	1,358,177	17	1,737,356	21
Current tax liabilities (Notes 4 and 20)	11,145	-	18,301	-
Lease liabilities - current (Notes 3, 4 and 12)	572	-	-	-
Current portion of long-term borrowings (Note 14)	-	-	30,000	-
Other current liabilities	59,881	1	100,487	1
Total current liabilities	1,441,330	18	1,897,911	22
NON-CURRENT LIABILITIES				
Bonds payable (Note 15)	999,405	12	998,929	12
Long-term borrowings (Note 14)	295,739	4	150,000	2
Deferred tax liabilities (Notes 4 and 20)	79,832	1	79,832	1
Lease liabilities - non-current (Notes 3, 4 and 12)	1,056	-	-	-
Net defined benefit liability - non-current (Notes 4 and 17)	102,226	1	99,016	1
Other non-current liabilities (Note 10)	146,520	2	181,707	2
Total non-current liabilities	1,624,778	20	1,509,484	18
Total liabilities	3,066,108	38	3,407,395	40
EQUITY (Notes 4 and 18)				
Ordinary shares	3,376,884	42	3,376,884	40
Capital surplus	1,044,017	13	1,044,017	12
Retained earnings				
Legal reserve	808,806	10	1,113,185	13
Special reserve	230,859	3	230,859	3
Accumulated deficits	(41,146)	-	(304,379)	(4)
Total retained earnings	998,519	13	1,039,665	12
Other equity				
Exchange differences on translating the financial statements of foreign operations	(416,186)	(5)	(265,607)	(3)
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income	(79,561)	(1)	(94,266)	(1)
Total other equity	(495,747)	(6)	(359,873)	(4)
Total equity	4,923,673	62	5,100,693	60
TOTAL	$ 7,989,781	100	$ 8,508,088	100

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

PHIHONG TECHNOLOGY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 24)	$ 7,032,682	100	$ 8,146,643	100
OPERATING COSTS (Notes 4, 9 and 24)	6,216,102	88	7,483,831	92
GROSS PROFIT	816,580	12	662,812	8
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	7,373	-	(3,228)	-
GROSS PROFIT AND REALIZED GAIN FROM SUBSIDIARIES AND ASSOCIATES	823,953	12	659,584	8
OPERATING EXPENSES				
Sales and marketing expenses	220,881	3	331,690	4
General and administrative expenses	190,757	3	190,667	2
Research and development expenses	469,538	7	440,539	6
Expected credit (gain) loss	(585)	-	86	-
Total operating expenses	880,591	13	962,982	12
LOSS FROM OPERATIONS	(56,638)	(1)	(303,398)	(4)
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 19 and 24)	81,330	1	110,550	2
Other gains and losses (Note 19)	(17,370)	-	20,969	-
Finance costs	(22,300)	-	(17,949)	-
Share of loss of subsidiaries and associates (Notes 4 and 11)	(29,694)	(1)	(55,567)	(1)
Total non-operating income and expenses	11,966	-	58,003	1
LOSS BEFORE INCOME TAX	(44,672)	(1)	(245,395)	(3)
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 20)	6,536	-	(1,200)	-
NET LOSS FOR THE YEAR	(38,136)	(1)	(246,595)	(3)

(Continued)

PHIHONG TECHNOLOGY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	$ (3,762)	-	$ (3,861)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income or loss (Note 18)	(595)	-	2,674	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method (Note 18)	15,300	-	(28,230)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	752	-	772	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 18)	(150,579)	(2)	(9,599)	-
Total other comprehensive loss	(138,884)	(2)	(38,244)	(1)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (177,020)	(3)	$ (284,839)	(4)
LOSS PER SHARE (Note 21)				
Basic	$ (0.11)		$ (0.73)	

The accompanying notes are an integral part of the financial statements. (Concluded)

PHIHONG TECHNOLOGY CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity			
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE, JANUARY 1, 2018	$ 3,376,884	$ 1,044,017	$ 1,113,185	$ 230,859	$ (128,997)	$ (256,008)	$ 4,825	$ -	$ 5,384,765
Effect of retrospective application and retrospective restatement	-	-	-	-	74,302	-	(4,825)	(75,236)	(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
Net loss for the year ended December 31, 2018	-	-	-	-	(246,595)	-	-	-	(246,595)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(3,089)	(9,599)	-	(25,556)	(38,244)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(249,684)	(9,599)	-	(25,556)	(284,839)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income (Note 18)	-	-	-	-	-	-	-	6,526	6,526
BALANCE, DECEMBER 31, 2018	3,376,884	1,044,017	1,113,185	230,859	(304,379)	(265,607)	-	(94,266)	5,100,693
Legal reserve used to offset deficits (Note 18)	-	-	(304,379)	-	304,379	-	-	-	-
Net loss for the year ended December 31, 2019	-	-	-	-	(38,136)	-	-	-	(38,136)
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,010)	(150,579)	-	14,705	(138,884)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(41,146)	(150,579)	-	14,705	(177,020)
BALANCE, DECEMBER 31, 2019	$ 3,376,884	$ 1,044,017	$ 808,806	$ 230,859	$ (41,146)	$ (416,186)	$ -	$ (79,561)	$ 4,923,673

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

PHIHONG TECHNOLOGY CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	$ (44,672)	$ (245,395)
Adjustments for:		
Depreciation expenses	83,675	75,832
Amortization expenses	11,263	16,897
Expected credit loss recognized (reversed)	(585)	86
Finance costs	22,300	17,949
Interest income	(27,684)	(28,471)
Dividend income	(500)	-
Share of loss of subsidiaries and associates	29,694	55,567
Loss on disposal of intangible assets	-	240
Gain on disposal of investment	-	(29)
(Realized) unrealized gain on transactions with subsidiaries	(7,373)	3,228
Net changes in operating assets and liabilities		
Notes receivable	(2,022)	-
Trade receivables	325,390	(64,703)
Trade receivables from related parties	134,783	34,415
Other receivables	6,485	19,581
Other receivables from related parties	(342,002)	223,034
Inventories	67,539	(88,949)
Other current assets	72,158	(73,133)
Trade payables	(456)	2,411
Trade payables to related parties	244	(214)
Other payables	(379,798)	240,279
Other current liabilities	(40,606)	23,715
Net defined benefit liability	(552)	(459)
Cash (used in) generated from operating activities	(92,719)	211,881
Interest paid	(20,548)	(17,406)
Interest received	34,573	21,586
Income tax paid	(7,157)	(21,663)
Net cash (used in) generated from operating activities	(85,851)	194,398
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(20,586)	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	301
Net cash outflow on acquisition of subsidiaries	(308,467)	(62,052)
Return of capital from investments accounted for using equity method	8,402	72,847
Payments for property, plant and equipment	(52,144)	(57,375)
Payments for intangible assets	(8,845)	(14,432)
Increase in refundable deposits	(1,048)	(5,327)
Increase in other financial assets	-	(201,113)
Decrease in other financial assets	199,463	-

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PHIHONG TECHNOLOGY CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Increase in prepayments for equipment	$ (22,118)	$ (15,320)
Dividends received	20,246	25,059
Net cash used in investing activities	(185,097)	(257,412)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(100,000)
Proceeds from long-term borrowings	1,624,500	1,250,000
Repayments from long-term borrowings	(1,510,000)	(1,200,000)
Repayment of the principal portion of lease liabilities	(3,232)	-
Increase in guarantee deposits	40	-
Net cash generated from (used in) financing activities	111,308	(50,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(159,640)	(113,014)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,233,861	1,346,875
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,074,221	$ 1,233,861

The accompanying notes are an integral part of the financial statements. (Concluded)

1. GENERAL INFORMATION

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

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

The functional currency of Phihong is the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 13, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS 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) (collectively, the “IFRSs”) 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 did not have any material impact on the Company’s accounting policies:

   - IFRS 16 “Leases”

     IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

     Definition of a lease

     The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for short-term leases recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents 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 statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.16-1.20%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 5,496
Less: Recognition exemption for short-term leases	(605)
Undiscounted amounts on January 1, 2019	$ 4,891
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 4,823
Lease liabilities recognized on January 1, 2019	$ 4,823

The Company as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 4,823	$ 4,823
Total effect on assets	$ -	$ 4,823	$ 4,823
Lease liabilities - current	$ -	$ 3,195	$ 3,195
Lease liabilities - non-current	-	1,628	1,628
Total effect on liabilities	$ -	$ 4,823	$ 4,823

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’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
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the functional currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

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

f. Investment in subsidiaries

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

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

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries of parties that are not related to the Company.

g. Investments in associates

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

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

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

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

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

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

h. Property, plant and equipment

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

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

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

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company 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.

1) Financial assets

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

a) Measurement categories

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

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

Interest income is calculated by 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.

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company 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 Company always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Company recognizes lifetime ECLs 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The Company 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.

c) Derecognition of financial assets

The Company 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.

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.

2) Equity instruments

Debt and equity instruments issued by the Company 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 the Company are recognized at the proceeds received, net of direct issue costs.

The 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, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

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

l. Provision

Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provision for the expected cost of warranty obligations is recognized at the date of sale of the relevant products at the best estimate by the management of the Company of the expenditure required to settle the Company's obligations.

m. Revenue recognition

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

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

Revenue from the 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.

n. Leasing

<u>2019</u>

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

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, and variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

<u>2018</u>

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

o. Borrowing costs

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward, research and development expenditure to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) Current tax and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 911	$ 931
Checking accounts and demand deposits	1,073,310	1,171,350
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	-	61,580
	$ 1,074,221	$ 1,233,861

As of December 31, 2018, the time deposits with original maturities more than 3 months in the amount of $201,113 thousand had been reclassified to "other financial assets - current".

As of December 31, 2019 and 2018, bank balance in the amount of $27,100 thousand and $25,450 thousand had been pledged to secured domestic bonds and secured long-term debts, and reclassified to "other financial assets - non-current". Refer to Note 25.

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

	December 31	
	2019	2018
Demand deposits and time deposits	0.001%-1.90%	0.001%-4.40%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Non-current		
Investments in equity instruments at FVTOCI		
Domestic unlisted ordinary shares	$ 49,513	$ 29,522

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

8. TRADE RECEIVABLES

	December 31	
	2019	2018
Notes receivable		
At amortized cost		
Gross carrying amount	$ 2,022	$ -
Less: Allowance for impairment loss	-	-
	$ 2,022	$ -
Trade receivables		
At amortized cost		
Gross carrying amount	$ 535,440	$ 860,830
Less: Allowance for impairment loss	(314)	(899)
	$ 535,126	$ 859,931

Trade Receivables

The average credit period of sales of goods was 60 to 90 days. No interest was charged on trade receivables. The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company'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 Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base

The Company 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 Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2019

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.03%	0.35-2.87%	-	-	-	
Gross carrying amount	$ 511,165	$ 24,275	$ -	$ -	$ -	$ 535,440
Loss allowance (Lifetime ECL)	(143)	(171)	-	-	-	(314)
Amortized cost	$ 511,022	$ 24,104	$ -	$ -	$ -	$ 535,126

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.03%	0.34-2.75%	12.74%	12.38%	23.36%	
Gross carrying amount	$ 800,289	$ 58,558	$ 739	$ 530	$ 714	$ 860,830
Loss allowance (Lifetime ECL)	(210)	(362)	(94)	(66)	(168)	(899)
Amortized cost	$ 800,079	$ 58,196	$ 645	$ 464	$ 547	$ 859,931

The movements of the loss allowance of trade receivables were as follows:

	December 31	
	2019	2018
Balance at January 1	$ 899	$ 813
Add: Net remeasurement of loss allowance	-	86
Less: Amounts written off	(585)	-
Balance at December 31	$ 314	$ 899

9. INVENTORIES

	December 31	
	2019	2018
Raw materials	$ 1,638	$ 1,818
Work-in-process	129	102
Merchandise	36,586	103,972
	$ 36,353	$ 105,892

As of December 31, 2019 and 2018, the Company's inventory write-downs were $16,555 thousand and $10,624 thousand, respectively.

For the years ended December 31, 2019 and 2018, the cost of inventories recognized as cost of goods sold was $6,216,102 thousand and $7,483,831 thousand, respectively. The cost of goods sold included inventory write-down of $5,931 thousand and $297 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	$ 4,703,855	$ 4,599,042
Investments in associates	30,168	47,489
	$ 4,734,023	$ 4,646,531

a. Investments in subsidiaries:

	December 31	
	2019	2018
Phihong International Corp.	$ 3,317,404	$ 3,166,809
Phitek International Co., Ltd.	(146,480)	(181,707)
Ascent Alliance Ltd.	90,833	190,997
Phihong USA Corp.	991,061	974,201
Phihong Technology Japan Co., Ltd.	146,020	136,140
Phihong Vietnam Co., Ltd.	212,114	-
Guan-Lai Investment Co., Ltd.	126,423	130,895
	4,557,375	4,417,335
Add: Reclassified to other non-current liabilities	146,480	181,707
	$ 4,703,855	$ 4,599,042

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

	December 31	
	2019	**2018**
Phihong International Corp.	100%	100%
Phitek International Co., Ltd.	100%	100%
Ascent Alliance Ltd.	100%	100%
Phihong USA Corp.	100%	100%
Phihong Technology Japan Co., Ltd.	100%	100%
Phihong Vietnam Co., Ltd.	100%	-
Guan-Lai Investment Co., Ltd.	100%	100%

As of December 31, 2019 and 2018, the investments of Phitek International Co., Ltd. had credit balances amounting to $146,480 thousand and $181,707 thousand, respectively, since its accumulated deficits exceeded its original investment amount, and have been reclassified to other non-current liabilities.

In November 2018, the board of directors of the Company approved to establish a subsidiary in Vietnam. To meet the demand for funds, the Company will undergo capital injection in stages following the investment process. The Company acquired the business license on February 16, 2019 and established a Vietnamese subsidiary, Phihong Vietnam Company Limited. The registered capital is US$10,000 thousand, and the Company's shareholding ratio is 100%. As of December 31, 2019, the Company's capital injection amounted to $308,467 thousand (or US$10,000 thousand).

In December 2019, the board of directors of the Company approved a capital reduction in Phihong Technology Japan Co., Ltd. The amount of the capital reduction was $54,302 thousand (or JPY$200,000 thousand). The capital reduction in Phihong Technology Japan Co., Ltd. has been completed in January 2020; thus, its paid-in capital amounted to $41,153 thousand (or JPY$150,000 thousand).

The Company provided financial guarantee for bank borrowings of Phihong International Corp. and Phihong USA Corp. As of December 31, 2018, subsidiaries' bank borrowings guaranteed by the Company were $9,237 thousand. Refer to Note 24.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the subsidiaries' financial statements audited by auditors for the same years.

b. Investments in associates:

	December 31	
	2019	**2018**
Associates that are not individually material	$ 30,168	$ 47,489

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	**2018**
The Company's share of:		
Net profit (loss) for the year	$ (2,673)	$ 12,246
Total comprehensive income (loss) for the year	$ (2,673)	$ 12,246

The associate that is not individually material, Hao-Xuan Venture Capital Co., Ltd. has been liquidated in January 2018, and the Company therefore recognized a gain of $29 thousand, which was presented under gain on disposal of investment.

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

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the subsidiaries’ financial statements audited by auditors for the same years, except for Hao-Xuan Venture Capital Co., Ltd. for the year ended December 31, 2018. The management considered that the unaudited financial report would not have significant impact on the Company.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Property in Construction	Total
Cost						
Balance at January 1, 2019	$ 185,202	$ 622,774	$ 163,044	$ 392,986	$ -	$ 1,364,006
Additions	-	804	15,910	33,865	2,184	52,763
Disposals	-	-	(3,385)	(11,034)	-	(14,419)
Reclassified as investment property	-	2,184	20,582	1,762	(2,184)	22,344
Balance at December 31, 2019	$ 185,202	$ 625,762	$ 196,151	$ 417,579	$ -	$ 1,424,694
Accumulated depreciation						
Balance at January 1, 2019	$ -	$ 204,488	$ 133,351	$ 288,740	$ -	$ 626,759
Disposals		-	(3,385)	(11,034)	-	(14,419)
Depreciation expense		21,353	15,094	44,024	-	80,471
Balance at December 31, 2019	$	$ 225,841	$ 145,240	$ 321,730	$ -	$ 692,811
Carrying amounts at December 31, 2019	$ 185,202	$ 399,921	$ 50,911	$ 321,730	$ -	$ 731,883
Cost						
Balance at January 1, 2018	$ 185,202	$ 619,772	$ 159,572	$ 359,805	$ -	$ 1,324,351
Additions	-	1,673	9,829	45,160	1,329	57,991
Disposals	-	-	(10,696)	(11,979)	-	(22,675)
Reclassified as investment property	-	1,329	4,339	-	(1,329)	4,339
Balance at December 31, 2018	$ 185,202	$ 622,774	$ 163,044	$ 392,986	$ -	$ 1,364,006
Accumulated depreciation						
Balance at January 1, 2018	$ -	$ 183,189	$ 133,791	$ 256,622	$ -	$ 573,602
Disposals	-	-	(10,696)	(11,979)	-	(22,675)
Depreciation expense	-	21,299	10,436	44,097	-	75,832
Balance at December 31, 2018	$ -	$ 204,488	$ 133,531	$ 288,740	$ -	$ 626,759
Carrying amounts at December 31, 2018	$ 185,202	$ 418,286	$ 29,513	$ 104,246	$ -	$ 737,247

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

Property, plant and equipment pledged as collateral for long-term borrowings are set out in Note 25.

12. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land (including land use rights)	$ 158
Transportation equipment	1,461
	$ 1,619

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ -
Depreciation charge for right-of-use assets	
Land (including land use rights)	$ 1,894
Transportation equipment	1,310
	$ 3,204

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 572
Non-current	$ 1,056

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.20%
Transportation equipment	1.16%

c. Material lease-in activities and terms

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

The Company leases transportation equipment for the use of product manufacturing and R&D with lease terms of 6 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 2,078
Total cash (outflow) for leases	$ (5,310)

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

For the year ended December 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied.

13. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2019	$ 89,200
Additions	8,845
Reclassification	3,615
Disposals	(21,045)
Balance at December 31, 2019	$ 80,606

(Continued)

	Computer Software
Accumulated amortization	
Balance at January 1, 2019	$ 72,706
Amortization expense	11,263
Disposals	(21,045)
Balance at December 31, 2019	$ 62,915
Carrying amount at December 31, 2019	$ 17,691
Cost	
Balance at January 1, 2018	$ 93,438
Additions	14,432
Reclassification	545
Disposals	(19,215)
Balance at December 31, 2018	$ 89,200
Accumulated amortization	
Balance at January 1, 2018	$ 74,784
Amortization expense	16,897
Disposals	(18,975)
Balance at December 31, 2018	$ 72,706
Carrying amount at December 31, 2018	$ 16,494

(Concluded)

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

14. BORROWINGS

Long-term Borrowings

	December 31	
	2019	2018
Secured borrowings		
Bank loan	$ 300,000	$ 180,000
Less: Discount	(4,261)	-
Long-term loans payable - current portions	-	(30,000)
	$ 295,739	$ 150,000

a. On December 31, 2019 and 2018, PHT had the long-term bank borrowings with contract terms from August 22, 2019 to July 30, 2022 and December 22, 2017 to December 10, 2020, respectively. As of December 31, 2019 and 2018, the range of effective interest rates of the secured borrowings was 2.1862% and 1.20%-1.24% per annum, respectively.

b. On April 30, 2019, in order to invest in PHV and to meet the demand for funds, PHT signed a 3-year syndicated loan agreement with seven participating banks mandated by Shin Kong Commercial Bank and co-mandated by Yuanta Commercial Bank and Hua Nan Commercial Bank. The credit line of the loan was amounted to NT$1 billion, consisting of NT$450 million of line A and NT$550 million of line B. Under the loan agreements with Taiwan Shin Kong Commercial Bank, the Company should maintain certain financial ratios during the loan term, which are based on the annual and semi-annual consolidated financial statements audited by the independent auditors. The financial ratios are as follows:

   1) Ratio of current assets to current liabilities not less than 100%;

   2) Ratio of total liabilities less cash and cash equivalents to tangible net worth not more than 150%;

   3) Ratio of net income before interest expenses, taxation, depreciation and amortization to interest expenses not less than 200%; and

   4) Tangible net worth (net worth less intangible assets) not less than NT$4,500,000 thousand.

For information on pledged properties and endorsements/guarantees, refer to Notes 24 and 25.

15. BONDS PAYABLE

	December 31	
	2019	2018
Secured domestic bonds	$ 999,405	$ 998,929

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 24 and 25.

16. OTHER PAYABLES

	December 31	
	2019	2018
Payables for salaries and bonuses	$ 100,041	$ 95,446
Payables for annual leave	23,628	19,918
Payables for materials and procurements	953,171	1,315,603
Other payables to related parties (Note 24)	50,958	54,028
Others	230,379	252,361
	$ 1,358,177	$ 1,737,356

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 138,070	$ 137,254
Fair value of plan assets	(35,844)	(38,238)
Net defined benefit liability	$ 102,226	$ 99,016

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2019	$ 137,254	$ (38,238)	$ 99,016
Service cost			
Current service cost	276	-	276
Net interest expense (income)	1,544	(441)	1,103
Recognized in profit or loss	1,820	(441)	1,379
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,368)	(1,368)
Actuarial (gain) loss - changes in demographic assumptions	732	-	732
Actuarial (gain) loss - changes in financial assumptions	5,884	-	5,884
Actuarial (gain) loss - experience adjustments	(1,486)	-	(1,486)
Recognized in other comprehensive income	5,130	(1,368)	3,762

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Contributions from the employer	$ -	$ (1,931)	$ (1,931)
Benefits paid	(6,133)	6,133	-
Balance at December 31, 2019	$ 138,701	$ (35,845)	$ 102,226
Balance at January 1, 2018	$ 137,526	$ (41,912)	$ 95,614
Service cost			
Current service cost	383	-	383
Net interest expense (income)	1,719	(538)	1,181
Recognized in profit or loss	2,102	(538)	1,564
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,139)	(1,139)
Actuarial (gain) loss - changes in demographic assumptions	7,736	-	7,736
Actuarial (gain) loss - changes in financial assumptions	1,896	-	1,896
Actuarial (gain) loss - experience adjustments	(4,632)	-	(4,632)
Recognized in other comprehensive income	5,000	(1,139)	3,861
Contributions from the employer	-	(2,023)	(2,023)
Benefits paid	(7,374)	7,374	-
Balance at December 31, 2018	$ 137,254	$ (38,238)	$ 99,016

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	2018
Discount rate(s)	0.750%	1.125%
Expected rate(s) of salary increase	3.5%	3.5%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	$ (3,966)	$ (4,039)
0.25% decrease	$ 4,133	$ 4,210
Expected rate(s) of salary increase		
0.25% increase	$ 3,958	$ 4,047
0.25% decrease	$ (3,821)	$ (3,905)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
The expected contributions to the plan for the next year	$ 1,860	$ 2,016
The average duration of the defined benefit obligation	11.7 years	12 years

18. EQUITY

Share Capital

	December 31	
	2019	2018
Number of shares authorized (in thousands)	600,000	600,000
Shares authorized	$ 6,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	337,688	337,688
Shares issued	$ 3,376,884	$ 3,376,884

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

Capital Surplus

	December 31	
	2019	**2018**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	$ 244,117	$ 244,117
Conversion of bonds	667,058	667,058
Treasury share transactions	48,234	48,234
Interest payable on bond conversion	13,243	13,243
May be used to offset a deficit only		
Treasury share transactions	71,365	71,365
	$ 1,044,017	$ 1,044,017

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

Retained Earnings and Dividend Policy

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

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 in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The deficit compensation for 2018 that was approved in the shareholders' meetings on June 19, 2019, was as follows:

	Deficit Compensation
	For the Year Ended December 31, 2018
Legal reserve used to offset accumulated deficits	$ 304,379

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 differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ (265,607)	$ (256,008)
Exchange differences on translating the financial statements of foreign operations	(150,579)	(9,599)
Balance at December 31	$ (416,186)	$ (265,607)

b. Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ (94,266)	$ (75,236)
Recognized for the year		
Unrealized gain (loss) - equity instruments	(595)	2,674
Share from associates accounted for using the equity method	15,300	(28,230)
Reclassification adjustment		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	6,526
Balance at December 31	$ (79,561)	$ (94,266)

19. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	**2018**
Interest income	$ 27,684	$ 28,471
Dividend income	500	-
Others	53,146	82,079
	$ 81,330	$ 110,550

b. Other gains and losses

	For the Year Ended December 31	
	2019	**2018**
Net foreign exchange (losses) gains	$ (16,250)	$ 21,407
Loss on disposal of intangible assets	-	(240)
Gain on disposal of investments	-	29
Others	(1,120)	(227)
	$ (17,370)	$ 20,969

c. Depreciation and amortization

	For the Year Ended December 31	
	2019	**2018**
Property, plant and equipment	$ 80,471	$ 75,832
Right-of-use assets	3,204	-
Computer software	11,263	16,897
	$ 94,938	$ 92,729
An analysis of depreciation by function		
Operating costs	$ 2,629	$ 2,326
Operating expenses	81,046	73,506
	$ 83,675	$ 75,832
An analysis of amortization by function		
Operating expenses	$ 11,263	$ 16,897

d. Employee benefits expense

	For the Year Ended December 31	
	2019	**2018**
Short-term employee benefits	$ 502,550	$ 480,305
Post-employment benefits (Note 17)		
Defined contribution plans	21,546	20,398
Defined benefit plans	1,379	1,564
	$ 525,475	$ 502,267
An analysis of employee benefits expense by function		
Operating costs	$ 39,958	$ 38,544
Operating expenses	485,517	463,723
	$ 525,475	$ 502,267

Nature \ Function	2019			2018		
	Operating Costs	**Operating Expenses**	**Total**	**Operating Costs**	**Operating Expenses**	**Total**
Personnel expenses						
Salaries	$ 32,933	$ 402,975	$ 435,908	$ 31,572	$ 385,255	$ 416,827
Labor insurance and health insurance	3,023	35,531	38,554	2,873	32,921	35,794
Pension cost	1,771	21,154	22,925	1,737	20,225	21,962
Remuneration to directors	-	2,872	2,872	-	340	340
Others	2,231	22,985	25,216	2,362	24,982	27,344
Total	$ 39,958	$ 485,517	$ 525,475	$ 38,544	$ 463,723	$ 502,267

As of December 31, 2019 and 2018, the Company had 486 and 461 employees, respectively, and the number of directors who have not served as employees were both 9.

As of December 31, 2019 and 2018, the average employee benefit expense was $1,096 thousand and $1,110 thousand, respectively, and the average employee salary expense was $914 thousand and $922 thousand, respectively. The average employee salary expense decreased by 1%.

e. Employees' compensation and remuneration to directors

The Company accrued employees' compensation and remuneration of directors 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. For the years ended December 31, 2019 and 2018, due to the accumulated deficits and operation loss, the Company did not estimate employees' compensation and the remuneration to directors.

If there is a change in the proposed amounts after the annual consolidated 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 resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2019	**2018**
Foreign exchange gains	$ 5,428	$ 25,515
Foreign exchange losses	(21,678)	(4,108)
Net (losses) gains	$ (16,250)	$ 21,407

20. 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 Year Ended December 31	
	2019	**2018**
Deferred tax		
In respect of the current year	$ 6,536	$ (9,400)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	8,200
	6,536	(1,200)
Total income tax benefit (expense) recognized in profit or loss	$ 6,536	$ (1,200)

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

	For the Year Ended December 31	
	2019	**2018**
Loss before tax	$ (44,672)	$ (245,395)
Income tax expense calculated at the statutory rate	$ -	$ (23,039)
Unrecognized loss carryforwards	-	23,039
Current income tax expense	-	-
Deferred income tax assets (liabilities)		
Temporary differences	6,536	(9,400)
Effect of tax rate changes	-	8,200
Income tax benefit (expense) recognized in profit or loss	$ 6,536	$ (1,200)

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	$ 752	$ 772
Total income tax recognized in other comprehensive income	$ 752	$ 772

c. Current tax liabilities

	For the Year Ended December 31	
	2019	**2018**
Current tax liabilities		
Income tax payable	$ 11,145	$ 18,301

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory value decline loss	$ 2,120	$ 1,190	$ -	$ 3,310
Allowance for doubtful accounts	1,770	-	-	1,770
Unrealized gross profit	10,330	(1,480)	-	8,850
Deferred pension costs	12,410	110	-	12,520
Unrealized loss carryforwards	-	5,196	-	5,196
Others	19,407	1,520	752	21,679
	$ 46,037	$ 6,536	$ 752	$ 53,325
Deferred tax liabilities				
Temporary differences				
Unrealized gain on financial instruments	$ 79,832	$ -	$ -	$ 79,832

For the year ended December 31, 2018

	Opening Balance	Tax Rate Adjustments	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for inventory value decline loss	$ 1,760	$ 310	$ 50	$ -	$ 2,120
Allowance for doubtful accounts	9,930	1,760	(9,920)	-	1,770
Unrealized gross profit	8,230	1,450	650	-	10,330
Deferred pension costs	10,470	1,850	90	-	12,410
Others	16,075	2,830	(270)	772	19,407
	$ 46,465	$ 8,200	$ (9,400)	$ 772	$ 46,037
Deferred tax liabilities					
Temporary differences					
Unrealized gain on financial instruments	$ 79,832	$ -	$ -	$ -	$ 79,832

e. Unused loss carryforwards for which no deferred tax assets has been recognized in the consolidated balance sheets

	For the Year Ended December 31	
	2019	**2018**
Loss carryforwards	$ 115,196	$ 115,196

f. Income tax assessments

The Company's income tax returns through 2017 have been assessed by the tax authorities.

21. LOSS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic loss per share	$ (0.11)	$ (0.73)

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

Net Loss for the Year

	For the Year Ended December 31	
	2019	**2018**
Loss used in the computation of basic loss per share	$ (38,136)	$ (246,595)

Ordinary Shares Outstanding

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic loss per share	337,688	337,688

22. CAPITAL MANAGEMENT

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

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

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

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value on a recurring basis

- Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investment in equity instruments				
Unlisted shares	$ -	$ -	$ 49,513	$ 49,513

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investment in equity instruments				
Unlisted shares	$ -	$ -	$ 29,522	$ 29,522

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

b. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Financial assets at amortized cost (1)	$ 2,341,119	$ 2,828,112
Financial assets at FVTOCI		
Equity instruments	49,513	29,522
Financial liabilities		
Financial liabilities at amortized cost (2)	2,664,916	2,928,052

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

2) 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 Company's major financial instruments included cash and cash equivalents, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties, refundable deposits, trade payables, trade payables to related parties, other payables, long-term borrowings, short-term borrowings, bonds payable, lease liabilities and guarantee deposits received. The Company'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 Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Company'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

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The Company 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 Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Company was mainly exposed to the USD and CNY.

The following table details the Company'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 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 the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2019	**2018**
Profit or loss	$ 3,553	$ 5,653

	CNY Impact	
	For the Year Ended December 31	
	2019	**2018**
Profit or loss	$ 19	$ 2,089

b) Interest rate risk

The Company 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 Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial liabilities	$ 1,001,033	$ 1,098,929
Cash flow interest rate risk		
Financial liabilities	295,739	80,000

2) Credit risk

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

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

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

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Company had available unutilized short-term bank loan facilities set out in (b) below.

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

The following tables detail the Company'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 Company 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.

December 31, 2019

	On Demand or Less Than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 1,369,732	$ -	$ -	$ 1,369,732
Variable interest rate instrument	572	1,056	-	1,628
Fixed interest rate instrument	-	295,739	-	295,739
Financial guarantee contracts	-	999,405	-	999,405
	$ 1,370,304	$ 1,296,200	$ -	$ 2,666,504

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1 to 5 Years
Lease liabilities	$ 588	$ 1,071

December 31, 2018

	On Demand or Less Than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 1,749,123	$ -	$ -	$ 1,749,123
Variable interest rate instrument	30,000	50,000	-	80,000
Fixed interest rate instrument	-	1,098,929	-	1,098,929
Financial guarantee contracts	9,237	-	-	9,237
	$ 1,788,360	$ 1,148,929	$ -	$ 2,937,289

b) Financing facilities

	For the Year Ended December 31	
	2019	2018
Unsecured bank facilities:		
Amount used	$ -	$ -
Amount unused	180,120	184,740
	$ 180,120	$ 184,740
Secured bank facilities:		
Amount used	$ 300,000	$ 180,000
Amount unused	2,572,315	1,687,120
	$ 2,872,315	$ 1,867,120

24. RELATED-PARTY TRANSACTIONS

a. Names and relationships of the related parties

Related Party	Relationship with the Company
Phihong USA Corp. (“PHA”)	Subsidiary
Phihong International Corp. (“PHI”)	Subsidiary
Phihong Technology Japan Co., Ltd. (“PHJ”)	Subsidiary
Phihong Vietnam Co., Ltd. (“PHV”)	Subsidiary
Phihong (Dongguan) Electronics Co., Ltd. (“PHC”)	Subsidiary
Dongguan Phitek Electronics Ltd. (“PHP”)	Subsidiary
Phihong Electronics (Suzhou) Co., Ltd. (“PHZ”)	Subsidiary
Jin-Sheng Hong (Jiangxi) Electronics Co., Ltd. (“PHE”)	Subsidiary
Dongguan Shuang-Ying Electronics Co., Ltd. (“PHSY”)	Subsidiary
Yanghong Trading (Shanghai) Co., Ltd. (“Yanghong”)	Subsidiary
Peter Lin	The Company’s chairman
Spring City Resort Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Hong Ding Educational Technology Co., Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties
Yao Yu Design Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Product Co., Ltd	Other related parties

b. Trading transactions

	For the Year Ended December 31	
	2019	2018
Sales		
Subsidiaries		
PHA	$ 2,832,510	$ 3,068,359
Others	384,105	433,243
	$ 3,216,615	$ 3,501,602

Prices were determined by mutual agreements of the Company and related parties based on the category, cost, market price and market competition, etc.

	For the Year Ended December 31	
	2019	2018
Purchase of goods		
Subsidiaries		
PHC	$ 6,071,375	$ 7,518,931
Others	63,642	28,927
	$ 6,135,017	$ 7,547,858

Prices of purchases from related parties were determined by the category, cost, market price and market competition, etc., and had no significant differences with non-related parties.

	December 31	
	2019	2018
Receivables from related parties		
Subsidiaries		
PHA	$ 81,811	$ 178,643
PHJ	12,263	50,003
Others	957	1,168
	$ 95,031	$ 229,814
Payables to related parties		
Subsidiaries		
PHSY	$ 18	$ -
Other related parties		
Heng Hui Co., Ltd.	$ 516	$ 243
Hua Jung Co., Ltd	5	52
	$ 521	$ 295
	$ 539	$ 295
Other receivable from related parties		
Subsidiaries		
PHV	$ 322,427	$ -
PHC	86,188	83,378
PHP	118,035	110,599
PHA	35,384	25,435
Others	17	638
	562,051	220,050
Other related parties	1	-
	$ 562,052	$ 220,050

Other receivables were loans to related parties and the Company's temporary payments for materials procured on behalf of related parties.

The Company provides unguaranteed short-term borrowings of $270,180 thousand (or US$9,000 thousand) to PHV with the period of 11 months and an interest rate of 3.5%. The interest income recognized due to the loan was $4,036 thousand.

	December 31	
	2019	2018
Other payable to related parties		
Subsidiaries		
PHSY	$ 3,652	$ -
PHJ	210	-
	$ 3,862	$ -
Other related parties		
Heng Hui Co., Ltd.	$ 46,942	$ 48,085
Others	154	5,943
	$ 47,096	$ 54,028
	$ 50,958	$ 54,028

Other payables were the temporary payments for materials procurement made by related parties on behalf of the Company.

Endorsements and guarantees

Endorsements and guarantees provided by the Company

	December 31	
	2019	2018
Subsidiaries		
PHI		
Amount endorsed	$ -	$ 36,948
Amount utilized	$ -	$ 9,237
PHA		
Amount endorsed	$ 150,000	$ 153,950
Amount utilized	$ -	$ -

c. Compensation of key management personnel

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

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 27,201	$ 20,215
Post-employment benefits	432	432
	$ 27,633	$ 20,647

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 had provided guarantee for bonds payable and long-term borrowings of the Group. As of December 31, 2019 and 2018, the amounts of the guarantees were $1,295,144 thousand and $1,188,166 thousand, respectively.

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and secured domestic bonds:

	December 31	
	2019	2018
Pledge deposits	$ 27,100	$ 25,450
Freehold land	185,202	185,202
Buildings	399,921	310,831
	$ 612,223	$ 521,483

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company's unrecognized commitments were as follows:

	December 31	
	2019	2018
Acquisition of property, plant and equipment		
Signed amount	$ -	$ 294,122
Unpaid amount	-	228,110

27. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

a. Disposal of plant and machinery equipment of Dongguan Phitek Electronics Co., Ltd.

On February 27, 2020, the board of directors of the Group approved the disposal of part of the plant and machinery equipment of Dongguan Phitek Electronics Co., Ltd., which were located in Dongguan City, Guangdong Province, Mainland China. The proceeds of the disposal were amounted to $359,096 thousand (or CNY$83,500 thousand), with estimated disposal gain amounting to $21,170 thousand (or CNY$4,923 thousand).

b. The outbreak of novel coronavirus pneumonia.

The outbreak of severe pneumonia with novel pathogens in January 2020 caused the temporarily suspended operation of the customers of the Company located in Mainland China. Due to the inability to assess the disease control situation as of the date the financial report was authorized for issue, the Company could not reasonably estimate the customers' payment ability as well as the extent of the impact on the operation and the entire industry.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's 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:

December 31, 2019

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

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 62,522	30.79000	$ 1,925,061
CNY	46,751	4.46918	208,941
Non-monetary items			
Investments accounted for by the equity method			
USD	31,640	30.79000	974,201
JPY	491,551	0.27696	136,140
Financial liabilities			
Monetary items			
USD	44,343	30.79000	1,359,765

Note: Exchange rate represents the amount of New Taiwan dollars for which one foreign currency could be exchanged.

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

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

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 4)

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

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

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

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)

9) Trading in derivative instruments. (None)

10) Information on investees. (Table 7)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 9)

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

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

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

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

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

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

30. SEGMENT INFORMATION

The Company provided the operating segments disclosure in the consolidated financial statements for the year ended December 31, 2019.

TABLE 1

PHIHONG TECHNOLOGY CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	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			
0	Phihong Technology Co., Ltd.	Phihong Vietnam Co., Ltd.	Other receivables from related parties	Yes	$ 270,180 (US$ 9,000,000)	$ 270,180 (US$ 9,000,000)	$ 271,180	3.5%	b	$ -	Capital movement	$ -	-	$ -	$ 984,734	$ 1,969,469	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	860,110 (CNY 200,000,000)	860,110 (CNY 200,000,000)	-	4.35%	b	-	Capital movement	-	-	-	1,602,092	1,602,092	
2	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	1,247,160 (CNY 290,000,000)	1,247,160 (CNY 290,000,000)	1,032,132	4.35%-4.75%	b	-	Capital movement	-	-	-	1,573,961	1,573,961	

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 amount 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.

TABLE 2

PHIHONG TECHNOLOGY CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 USA Corp.	Subsidiary of the Company	$ 1,477,101	$ 150,100 (US$ 5,000,000)	$ 150,100 (US$ 5,000,000)	-	-	3.05	$ 2,461,836	Y	N	N	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	1,602,092	215,028 (CNY50,000,000)	215,028 (CNY50,000,000)	-	-	13.42	1,602,092	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 its net worth. Meanwhile, the amount of endorsements/guarantees provided by the Company for any single entity shall not exceed 30% of the Company's net worth. The net worth is based on the Company's latest parent-company-only financial statements.

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

Note 4: On August 13, 2019, the board of directors approved that the Company's endorsements/guarantees amount to its subsidiary Phihong USA Corp. is US$5 million.

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

PHIHONG TECHNOLOGY CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(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	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Phihong Technology Co., Ltd.	Ordinary shares							
	Pao-Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	270,565	$ 4,430	10.49	$ 4,430	
	Zhong-Xuan Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,758,621	27,656	8.62	27,656	
	Wan-Chang Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	1,800,000	17,427	9.84	17,427	
Guang-Lai Investment Co., Ltd.	Ordinary shares							
	Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non-current	3,000,000	7,798	10.83	7,798	
Phihong Electronics (Suzhou) Co., Ltd.	Fund							
	China Construction Bank Principal and Income Protected Financial Products	None	Financial assets at FVTPL - current	80,000,000	347,841	-	347,841	

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.

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 YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Phihong Technology Co., Ltd.	Phihong Vietnam Co., Ltd.	Investments accounted for using equity method	Phihong Vietnam Co., Ltd.	Subsidiary	-	$ -	-	$ 308,467	-	$ -	$ -	$ -	-	$ 212,114 (Note 5)
Phihong (Dongguan) Electronics Co., Ltd.	Agricultural Bank of China Ben-Li-Feng Financial Products	Financial assets at FVTPL - current	Agricultural Bank of China	None	15,000,000	67,516 (CNY 15,107,029)	53,000,000	244,256 (CNY 52,892,971)	68,000,000	313,549 (CNY 68,387,334)	311,772 (CNY 68,000,000	1,777 (CNY 387,334)	-	-
Dongguan Phitek Electronics Co., Ltd.	Agricultural Bank of China Ben-Li-Feng Financial Products	Financial assets at FVTPL - current	Agricultural Bank of China	None	-	-	93,000,000	425,945 (CNY 93,000,000)	93,000,000	426,903 (CNY 93,209,234)	425,945 (CNY 93,000,000)	958 (CNY 209,234)	-	-
Phihong Electronics (Suzhou) Co., Ltd.	Shanghai Pudong Development Bank Principal and Income Protected Financial Products	Financial assets at FVTPL - current	Shanghai Pudong Development Bank	None	52,900,000	236,420 (CNY 52,900,000)	159,600,000	722,328 (CNY159,600,000)	212,500,000	960,982 (CNY212,993,916)	958,748 (CNY212,500,000)	2,234 (CNY 493,916)	-	-
	China Construction Bank Principal and Income Protected Financial Products	Financial assets at FVTPL - current	China Construction Bank	None	-	-	80,000,000	344,044 (CNY 80,000,000)	-	-	-	-	80,000,000	344,044 (CNY 80,000,000)

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.

Note 5: The balance of the investments accounted for using equity method included share of loss $(90,699) thousands and exchange differences on translating the financial statements of foreign operations $(5,654) thousands.

TABLE 5

PHIHONG TECHNOLOGY CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Phihong Technology Co., Ltd.	Phihong USA Corp.	Subsidiary of the Company	Sale	$ (2,832,510)	(40.28)	Determined by mutual agreements	-	-	$ 81,811	12.94	
	Phihong Technology Japan Co., Ltd.	Subsidiary of the Company	Sale	(374,381)	(5.32)	Determined by mutual agreements	-	-	12,263	1.94	
	Phihong (Dongguan) Electronics Co., Ltd.	Subsidiary of the Company	Purchase	6,071,375	98.96	Determined by mutual agreements	-	-	-	-	
Phihong USA Corp.	Phihong Technology Co., Ltd.	Parent entity	Purchase	2,832,510	97.31	Determined by mutual agreements	-	-	(81,811)	(64.26)	
Phihong Technology Japan Co., Ltd.	Phihong Technology Co., Ltd.	Parent entity	Purchase	374,381	98.46	Determined by mutual agreements	-	-	(12,263)	(99.99)	
Phihong (Dongguan) Electronics Co., Ltd.	Phihong Technology Co., Ltd.	Parent entity	Sale	(6,071,375)	(98.96)	Determined by mutual agreements	-	-	-	-	

TABLE 6

PHIHONG TECHNOLOGY CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Phihong Technology Co., Ltd.	Phihong Vietnam Co., Ltd.	Subsidiary of the Company	Other receivables of $322,427	-	$ -	-	$ -	$ -
	Dongguan Phitek Electronics Co., Ltd.	Subsidiary of the Company	Other receivables of $118,035	-	-	-	83,269	-
Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister Company	Other receivables of $1,032,132	-	-	-	-	-

PHIHONG TECHNOLOGY CO., LTD.

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount			
Phihong Technology Co Ltd	Phihong International Corp.	British Virgin Islands	Makes investments	$ 3,448,270	$ 3,448,270	111,061,351	100.00	$ 3,137,404	$ 95,864	$ 91,982	
	Phihong USA Corp.	California, USA	Sells various power supplies	207,203	207,203	3,100,000	100.00	991,061	38,681	38,681	
	Phitek International Co., Ltd.	British Virgin Islands	Makes investments	314,956	314,956	10,200,000	100.00	(146,480)	30,456	28,128	
	Ascent Alliance Ltd.	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100.00	90,833	(97,240)	(96,831)	
	Guang-Lai Investment Co., Ltd.	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	126,423	(6,490)	(6,490)	
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	23,305	31,707	2,330,451	32.26	30,168	8,355	(2,673)	
	Phihong Technology Japan Co., Ltd.	Japan	Sells power components	191,738 (JPY 550,000,000)	191,738 (JPY 550,000,000)	7,000	100.00	146,020	8,208	8,208	
	Phihong Vietnam Co., Ltd.	Vietnam		308,467	-	10,000,000	100.00	212,114	(90,708)	(90,699)	
Phihong International Corp.	N-Lighten Technologies, Inc.	California, USA	Makes investments	409,851	409,851	110,834,223	58.45	(25,163)	(98)	(57)	Phihong and Guang-Lai 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	17,607	(14,717)	(3,626)	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	93,864	(12,740)	(2,831)	
	N-Lighten Technologies, Inc.	California, USA	Makes investments	206,084	206,084	37,498,870	19.78	(8,515)	(98)	(19)	Phihong and Guang-Lai holds 78.23%

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

PHIHONG TECHNOLOGY CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	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)	$ 10,302	100.00	$ 10,302	$ 1,602,093	$ -	
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)	75,608	100.00	75,608	1,573,962	-	Note 2
Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	26,291 (US$ 880,000)	Indirect investment in mainland China through PHI	63,934 (US$ 2,865,000)	-	-	63,934 (US$ 2,865,000)	(7,377)	100.00	(7,377)	18,005	-	
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)	30,599	100.00	30,599	(147,263)	-	
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)	(15,195)	100.00	(15,195)	52,874	-	
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)	(81,963)	100.00	(81,963)	35,726	-	
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. The surviving company was officially renamed as Phihong Electronics (Suzhou) Co., Shanghai Branch on February 27, 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 December 31, 2019	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$4,212,439	$4,647,049	Note

Note: In accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" passed on June 26, 2018, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount of investment in mainland China.

(Concluded)

TABLE 9

PHIHONG TECHNOLOGY CO., LTD.

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 YEAR ENDED DECEMBER 31, 2019
(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	$ 6,071,375	98.96	Determined by mutual agreements	Determined by mutual agreements	-	$ -	-	$ -	