

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

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

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the carrying values of the Group’s investments accounted for using equity method of \$133,011 thousand and \$173,130 thousand as of June 30, 2021 and 2020, respectively, and the comprehensive (loss) income from the investments of \$(6,872) thousand and \$44,086 thousand, \$(16,676) thousand and \$35,920 thousand for the three months and the six months ended June 30, 2021 and 2020, respectively, were based on these investees’ unreviewed financial statements.

Qualified Conclusion

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 4, 2021

Notice to Readers

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$2,419,224	21	\$2,545,804	25	\$1,920,214	21
Financial assets at fair value through profit or loss - current (Note 7)	86,519	1	43,600	-	384,940	4
Financial assets at amortized cost-current (Note 9)	221,348	2	-	-	-	-
Trade receivables (Note 10)	2,183,288	19	2,019,406	20	2,014,133	22
Other receivables	23,134	-	25,329	-	32,132	-
Inventories (Note 11)	2,729,616	23	2,015,069	20	1,246,905	14
Non-current assets held for sale (Note 12)	243,596	2	245,819	2	235,543	3
Other current assets	167,815	1	102,907	1	128,537	1
Total current assets	8,074,540	69	6,997,934	68	5,962,404	65
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	64,496	1	65,828	1	49,146	1
Financial assets at amortized cost - non-current (Notes 9 and 30)	37,684	-	37,100	-	27,100	-
Investments accounted for using equity method (Note 14)	133,011	1	152,366	1	173,130	2
Property, plant and equipment (Note 15)	2,922,685	25	2,590,539	25	2,497,978	27
Right-of-use assets (Note 16)	308,257	3	282,788	3	291,364	3
Intangible assets (Note 17)	26,768	-	27,679	-	30,895	-
Deferred tax asset	62,133	1	57,043	1	56,976	1
Other non-current assets	58,590	-	151,394	1	82,995	1
Total non-current assets	3,613,624	31	3,364,737	32	3,209,584	35
TOTAL	\$11,688,164	100	\$10,362,671	100	\$9,171,988	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	\$1,302,553	11	\$256,320	2	\$150,000	2
Trade payables	2,885,862	25	2,846,732	27	2,000,975	22
Trade payables to related parties (Note 28)	83,563	1	82,497	1	58,461	1
Other payables (Note 20)	487,740	4	570,038	6	595,344	6
Current tax liabilities	29,203	-	19,558	-	36,061	-
Lease liabilities - current (Note 16)	20,356	-	7,786	-	7,694	-
Current portion of long-term borrowings (Note 18)	325,556	3	1,064,620	10	999,642	11
Other current liabilities (Notes 12 and 20)	312,811	3	291,113	3	227,641	2
Total current liabilities	5,447,644	47	5,138,664	49	4,075,818	44
NON-CURRENT LIABILITIES						
Bonds payable (Note 19)	698,079	6	-	-	-	-
Long-term borrowings (Note 18)	972,558	8	303,944	3	252,319	3
Deferred tax liabilities	66,390	1	67,820	1	84,754	1
Lease liabilities - non-current (Note 16)	33,659	-	12,665	-	14,732	-
Net defined benefit liability - non-current	87,877	1	94,068	1	99,947	1
Other non-current liabilities	625	-	629	-	572	-
Total non-current liabilities	1,859,188	16	479,126	5	452,324	5
Total liabilities	7,306,832	63	5,617,790	54	4,528,142	49
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22)						
Ordinary shares	3,376,884	29	3,376,884	33	3,376,884	37
Capital surplus	1,044,017	9	1,044,017	10	1,044,017	11
Retained earnings						
Legal reserve	767,660	6	767,660	7	767,660	8
Special reserve	230,859	2	230,859	2	230,859	3
Accumulated deficits	(436,726)	(4)	(154,744)	(1)	(195,528)	(2)
Total retained earnings	561,793	4	843,775	8	802,991	9
Other equity						
Exchange differences on translating the financial statements of foreign operations	(513,546)	(4)	(448,879)	(4)	(523,704)	(6)
Unrealized loss on financial assets at fair value through other comprehensive income	(79,078)	(1)	(62,007)	(1)	(47,101)	-
Total other equity	(592,624)	(5)	(510,886)	(5)	(570,805)	(6)
Total equity attributable to owners of the Company	4,390,070	37	4,753,790	46	4,653,087	51
NON-CONTROLLING INTERESTS (Note 22)	(8,738)	-	(8,909)	-	(9,241)	-
Total equity	4,381,332	37	4,744,881	46	4,643,846	51
TOTAL	\$11,688,164	100	\$10,362,671	100	\$9,171,988	100

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

(Reviewed, Not Audited)

	Three Months Ended June 30				Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 35)	\$2,823,470	100	\$2,457,198	100	\$5,365,959	100	\$4,056,351	100
OPERATING COSTS (Notes 11, 23 and 29)	2,503,853	89	2,139,082	87	4,804,033	89	3,554,281	88
GROSS PROFIT	319,617	11	318,116	13	561,926	11	502,070	12
OPERATING EXPENSES								
Sales and marketing expenses	139,894	5	117,186	5	261,867	5	208,491	5
General and administration expenses	114,728	4	114,859	5	236,675	4	229,984	5
Research and development expenses	171,101	6	158,983	6	345,093	7	315,570	8
Expected credit impairment loss (gain)	899	-	70	-	(79)	-	(511)	-
Total operating expenses	426,622	15	391,098	16	843,556	16	753,534	18
LOSS FROM OPERATIONS	(107,005)	(4)	(72,982)	(3)	(281,630)	(5)	(251,464)	(6)
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 23)	6,641	-	7,655	-	14,005	-	16,516	-
Other income (Notes 23 and 26)	25,667	1	67,971	3	38,177	1	89,459	2
Other gains and losses (Note 23)	(18,123)	(1)	(15,982)	(1)	(24,355)	(1)	(8,109)	-
Finance costs (Note 23)	(8,432)	-	(5,407)	-	(16,075)	-	(10,716)	-
Share of loss from associates accounted for using the equity method (Note 14)	(447)	-	(3,092)	-	(937)	-	(4,705)	-
Total non-operating income and expenses	5,306	-	51,145	2	10,815	-	82,445	2
LOSS BEFORE INCOME TAX	(101,699)	(4)	(21,837)	(1)	(270,815)	(5)	(169,019)	(4)
INCOME TAX EXPENSE (Notes 4 and 24)	(9,756)	-	(12,245)	-	(11,178)	-	(26,516)	(1)
NET LOSS FOR THE PERIOD	(111,455)	(4)	(34,082)	(1)	(281,993)	(5)	(195,535)	(5)
OTHER COMPREHENSIVE LOSS								
Items that may not reclassified subsequently to profit or loss:								
Unrealized loss on financial assets at fair value through other comprehensive loss (Note 22)	(340)	-	(5,967)	-	(1,332)	-	(8,165)	-
Share of the other comprehensive (loss) income of associates accounted for using the equity method (Notes 14 and 22)	(6,425)	-	47,178	2	(15,739)	(1)	40,625	1
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Note 22)	(52,634)	(2)	(107,088)	(5)	(64,485)	(1)	(107,380)	(3)
Total other comprehensive loss	(59,399)	(2)	(65,877)	(3)	(81,556)	(2)	(74,920)	(2)
TOTAL COMPREHENSIVE LOSS	(\$170,854)	(6)	(\$99,959)	(4)	(\$363,549)	(7)	(\$270,455)	(7)
NET LOSS ATTRIBUTABLE TO:								
Owners of the Company	(\$111,447)	(4)	(\$34,079)	(1)	(\$281,982)	(5)	(\$195,528)	(5)
Non-controlling interests	(8)	-	(3)	-	(11)	-	(7)	-
Total	(\$111,455)	(4)	(\$34,082)	(1)	(\$281,993)	(5)	(\$195,535)	(5)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:								
Owners of the Company	(\$171,038)	(6)	(\$100,151)	(4)	(\$363,720)	(7)	(\$270,586)	(7)
Non-controlling interests	184	-	192	-	171	-	131	-
Total	(\$170,854)	(6)	(\$99,959)	(4)	(\$363,549)	(7)	(\$270,455)	(7)
LOSS PER SHARE (Note 25)								
Basic	(\$0.33)		(\$0.10)		(\$0.84)		(\$0.58)	

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company					Other equity		Total	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Accumulated deficits	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income			
Balance at January 1, 2020	\$3,376,884	\$1,044,017	\$808,806	\$230,859	(\$41,146)	(\$416,186)	(\$79,561)	\$4,923,673	(\$9,372)	\$4,914,301
Legal reserve used to offset accumulated deficits	-	-	(41,146)	-	41,146	-	-	-	-	-
Net loss for the six months ended June 30, 2020	-	-	-	-	(195,528)	-	-	(195,528)	(7)	(195,535)
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	(107,518)	32,460	(75,058)	138	(74,920)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	(195,528)	(107,518)	32,460	(270,586)	131	(270,455)
Balance at June 30, 2020	\$3,376,884	\$1,044,017	\$767,660	\$230,859	(\$195,528)	(\$523,704)	(\$47,101)	\$4,653,087	(\$9,241)	\$4,643,846
Balance at January 1, 2021	\$3,376,884	\$1,044,017	\$767,660	\$230,859	(\$154,744)	(\$448,879)	(\$62,007)	\$4,753,790	(\$8,909)	\$4,744,881
Net loss for the six months ended June 30, 2021	-	-	-	-	(281,982)	-	-	(281,982)	(11)	(281,993)
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	(64,667)	(17,071)	(81,738)	182	(81,556)
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	(281,982)	(64,667)	(17,071)	(363,720)	171	(363,549)
Balance at June 30, 2021	\$3,376,884	\$1,044,017	\$767,660	\$230,859	(\$436,726)	(\$513,546)	(\$79,078)	\$4,390,070	(\$8,738)	\$4,381,332

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Six Months Ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$270,815)	(\$169,019)
Adjustments for:		
Depreciation expense	144,311	158,490
Amortization expense	6,417	6,262
Excepted credit impairment gain	(79)	(511)
Net gain on fair value change of financial assets designated as at fair value through profit	(113)	(5,385)
Finance costs	16,075	10,716
Interest income	(14,005)	(16,516)
Share of loss from associates accounted for using the equity method	937	4,705
Loss on disposal of property, plant and equipment	1,670	771
Loss on disposal of intangible assets	8	1
Gain on disposal of investment	(625)	(321)
Allowance for inventory valuation and obsolescence loss	58,668	35,930
Net changes in operating assets and liabilities		
Notes receivables	-	2,022
Trade receivables	(163,772)	25,291
Other receivables	9,610	12,041
Inventories	(773,215)	71,095
Other current assets	(64,271)	(73,577)
Trade payables	39,130	(211,572)
Trade payables to related parties	1,066	(11,065)
Other payables	(77,088)	(103,587)
Other current liabilities	21,698	116,779
Net defined benefit liability	(6,191)	(2,279)
Cash used in from operations	(1,070,584)	(149,729)
Interest received	9,269	15,982

(Continued)

	Six Months Ended June 30	
	2021	2020
Interest paid	(\$19,405)	(\$14,030)
Income tax paid	(3,642)	(9,006)
Net cash used in from operating activities	<u>(1,084,362)</u>	<u>(156,783)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(472,322)	-
Proceeds from disposal of financial assets at amortized cost	239,674	-
Purchase of financial assets at fair value through profit or loss	(304,306)	(85,783)
Proceeds from sale of financial assets at fair value through profit or loss	261,094	42,763
Proceeds from capital reduction of investments accounted for using equity method	-	2,331
Payments for property, plant and equipment	(394,715)	(75,370)
Proceeds from disposal of property, plant and equipment	1,185	13,976
Payments for intangible assets	(5,651)	(4,346)
Decrease in refundable deposits	340	154
Increase in prepayments for equipment	(11,917)	(36,679)
Dividends received	-	2,097
Net cash used in investing activities	<u>(686,618)</u>	<u>(140,857)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,046,233	150,000
Issuance of ordinary corporate bonds	700,000	-
Repayment of ordinary corporate bonds	(1,000,000)	-
Proceeds from long-term borrowings	1,001,960	300,635
Repayment of long-term borrowings	(73,448)	(345,000)
Decrease in guarantee deposits received	(4)	(92)
Repayment of the principal portion of lease liabilities	(8,026)	(4,150)
Payment for the cost of ordinary corporate bonds issuance	<u>(2,028)</u>	<u>-</u>
Net cash generated from financing activities	<u>1,664,687</u>	<u>101,393</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(20,287)</u>	<u>(34,438)</u>

(Continued)

	Six Months Ended June 30	
	2021	2020
NET DECREASE IN CASH AND CASH EQUIVALENTS	(\$126,580)	(\$230,685)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,545,804</u>	<u>2,150,899</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$2,419,224</u>	<u>\$1,920,214</u>

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

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

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020

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

(Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvement of IFRSs 2018-2020”	January 1, 2022 (Note 2)
Amendment to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendment to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 8)
Amendment to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendment to IAS 37 “Onerous Contract -Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are applicable to the exchange or modification of terms of financial liabilities during the annual reporting period beginning after January 1, 2022; the amendment to IAS 41 “Agriculture” is applicable to the fair value measurement of the annual reporting period beginning after January 1, 2022; the amendment to IFRS 1 “First Adoption of IFRSs” is retrospectively applied to the annual reporting period beginning after January 1, 2022.

Note 3: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: Plants, property and equipment that will reach the necessary locations and conditions for management’s expected operation mode after January 1, 2021 are applicable to this amendment.

Note 5: The Group shall apply these amendments to contracts that have not fulfilled all obligations as of January 1, 2022.

Note 6: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The Group shall apply these amendments prospectively to the changes of accounting estimates and accounting policies for annual reporting periods beginning after January 1, 2023.

Note 8: Except for temporary differences of the deferred income tax recognized for lease and decommissioning obligations on January 1, 2022, the amendments also apply to transactions incurring after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

d. Other significant accounting policies

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

1) Retirement benefit costs

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

2) Other long-term employee benefits

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

3) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash on hand	\$2,281	\$2,593	\$2,102
Checking accounts and demand deposits	2,156,334	2,244,282	1,727,095
Cash equivalent (investments with original maturities of less than 3 months)			
Time deposits	260,609	298,929	191,017
	<u>\$2,419,224</u>	<u>\$2,545,804</u>	<u>\$1,920,214</u>

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

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial assets at fair value through profit or loss (i.e. FVTPL) - current			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	<u>\$86,519</u>	<u>\$43,600</u>	<u>\$384,940</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Non-current</u>			
Investments in equity instruments at fair value through other comprehensive income (i.e. FVTOCI)			
Domestic unlisted ordinary shares	<u>\$64,496</u>	<u>\$65,828</u>	<u>\$49,146</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Current</u>			
Time deposits with original maturity more than 3 months	<u>\$221,348</u>	<u>\$-</u>	<u>\$-</u>
<u>Non-current</u>			
Restricted bank deposits	<u>\$37,684</u>	<u>\$37,100</u>	<u>\$27,100</u>

On June 30, 2021, December 31 and June 30, 2020, the Group set up a special account for the project performance bond, a domestic guaranteed corporate bond, and a pledge for a joint loan case with deposits of \$37,684 thousand, \$37,100 thousand and \$27,100 thousand, please refer to Note 30.

10. TRADE RECEIVABLES

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Trade receivables			
At amortized cost			
Gross carrying amount	\$2,185,989	\$2,022,217	\$2,017,281
Less: Allowance for impairment loss	<u>(2,701)</u>	<u>(2,811)</u>	<u>(3,148)</u>
	<u>\$2,183,288</u>	<u>\$2,019,406</u>	<u>\$2,014,133</u>

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

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

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

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

June 30, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.00 ~0.02%	0.22~4.71 %	40.20%	6.36%	11.45~100 %	
Gross carrying amount	\$2,100,106	\$80,149	\$1,945	\$2,696	\$1,093	\$2,185,989
Loss allowance (Lifetime ECL)	(355)	(501)	(782)	(172)	(891)	(2,701)
Amortized cost	<u>\$2,099,751</u>	<u>\$79,648</u>	<u>\$1,163</u>	<u>\$2,524</u>	<u>\$202</u>	<u>\$2,183,288</u>

December 31, 2020

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

June 30, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0.02~0.74%	0.29~2.63%	3.03~15.42%	12.37%	17.44~100%	
Gross carrying amount	\$1,882,328	\$128,066	\$2,557	\$41	\$4,289	\$2,017,281
Loss allowance (Lifetime ECL)	(603)	(912)	(225)	(4)	(1,404)	(3,148)
Amortized cost	<u>\$1,881,725</u>	<u>\$127,154</u>	<u>\$2,332</u>	<u>\$37</u>	<u>\$2,885</u>	<u>\$2,014,133</u>

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

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

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	\$2,811	\$3,847
Less: Reversed impairment losses for the period	(79)	(511)
Amounts written off	-	(139)
Foreign exchange gains and losses	(31)	(49)
Balance at June 30	<u>\$2,701</u>	<u>\$3,148</u>

11. INVENTORIES

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Raw materials	\$1,046,998	\$683,200	\$438,980
Work-in-process	267,085	212,145	155,939
Finished goods	1,415,533	1,119,724	651,986
	<u>\$2,729,616</u>	<u>\$2,015,069</u>	<u>\$1,246,905</u>

For the three months and the six months ended June 30, 2021 and 2020, the cost of inventories recognized as cost of goods sold was \$2,503,853 thousand, \$2,139,082 thousand, \$4,804,033 thousand and \$3,554,281 thousand, respectively. The cost of goods sold for the three months and the six months ended June 30, 2021 and 2020 included inventory valuation loss of \$30,797 thousand, \$31,467 thousand, \$58,668 thousand and \$35,930 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Dongguan Phitek Electronics Co., Ltd.			
Land use rights, Buildings, Machinery and Equipment, and Buildings, etc.	<u>\$243,596</u>	<u>\$245,819</u>	<u>\$235,543</u>

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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Land use rights	\$4,042	\$4,042	\$4,042
Buildings	258,005	258,005	258,005
Machinery and equipment	1,244	1,244	1,244
Other equipment	19,262	19,262	19,262
Less: Accumulated depreciation	<u>(39,850)</u>	<u>(39,850)</u>	<u>(39,850)</u>
	242,703	242,703	242,703
Effect of foreign currency exchange differences	<u>893</u>	<u>3,116</u>	<u>(7,160)</u>
	<u>\$243,596</u>	<u>\$245,819</u>	<u>\$235,543</u>

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

As of June 30, 2021, the proceeds of the disposal had been received \$164,203 thousand which was presented under other current liabilities. Refer to Note 20.

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

13. SUBSIDIARIES

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

Note 1: Phihong Technology Co., Ltd. established a subsidiary, PHV, in Vietnam in 2019, with a registered capital of USD 50,000 thousand, and the Company's shareholding ratio is 100%. To coordinate with the group's funding arrangement, it is planned to process capital injections in stages according to the investment progress. As of June 30, 2021, the Company has invested \$920,473 thousand (USD31,000 thousand).

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

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Associates that are not individually material	\$133,011	\$152,366	\$173,130

Associates that are not individually material

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
The Group's share of:				
Net loss for the period	(\$447)	(\$3,092)	(\$937)	(\$4,705)
Other comprehensive income (loss)	(6,425)	47,178	(15,739)	40,625
Total comprehensive income (loss)	(\$6,872)	\$44,086	(\$16,676)	\$35,920

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2021	\$246,480	\$2,464,136	\$2,431,495	\$656,924	\$86,289	\$5,885,324
Additions	194,068	6,882	24,222	8,941	160,572	391,767
Disposals	-	(11,064)	(75,219)	(10,059)	-	(96,342)
Effect of foreign currency exchange differences	(2,211)	(21,953)	(18,238)	(2,539)	(2,128)	(47,069)
Reclassification	84,075	137	13,946	6,793	(6,184)	101,685
Balance at June 30, 2021	<u>\$522,412</u>	<u>\$2,438,138</u>	<u>\$2,376,206</u>	<u>\$660,060</u>	<u>\$238,549</u>	<u>\$6,235,365</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$-	\$849,145	\$1,908,013	\$537,627	\$-	\$3,294,785
Disposals	-	(11,064)	(72,367)	(10,056)	-	(93,487)
Depreciation expense	-	40,606	68,809	23,761	-	133,176
Effect of foreign currency exchange differences	-	(6,870)	(12,989)	(1,935)	-	(21,794)
Balance at June 30, 2021	<u>\$-</u>	<u>\$871,817</u>	<u>\$1,891,466</u>	<u>\$549,397</u>	<u>\$-</u>	<u>\$3,312,680</u>
Carrying amounts at December 31, 2020 and January 1, 2021						
	<u>\$246,480</u>	<u>\$1,614,991</u>	<u>\$523,482</u>	<u>\$119,297</u>	<u>\$86,289</u>	<u>\$2,590,539</u>
Carrying amounts at June 30, 2021						
	<u>\$522,412</u>	<u>\$1,566,321</u>	<u>\$484,740</u>	<u>\$110,663</u>	<u>\$238,549</u>	<u>\$2,922,685</u>
<u>Cost</u>						
Balance at January 1, 2020	\$248,931	\$2,704,125	\$2,411,321	\$709,254	\$10,909	\$6,084,540
Additions	-	2,877	52,053	12,684	4,923	72,537
Disposals	-	(662)	(89,166)	(17,357)	-	(107,185)
Effect of foreign currency exchange differences	(609)	(47,039)	(47,817)	(7,578)	(354)	(103,397)
Reclassification	-	(258,005)	10,106	(6,724)	(373)	(254,996)
Balance at June 30, 2020	<u>\$248,322</u>	<u>\$2,401,296</u>	<u>\$2,336,497</u>	<u>\$690,279</u>	<u>\$15,105</u>	<u>\$5,691,499</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$-	\$789,989	\$1,886,186	\$554,948	\$-	\$3,231,123
Disposals	-	(662)	(75,688)	(16,088)	-	(92,438)
Depreciation expense	-	41,173	79,025	30,635	-	150,833
Effect of foreign currency exchange differences	-	(15,008)	(34,892)	(6,248)	-	(56,148)
Reclassification	-	(26,239)	(1,214)	(12,396)	-	(39,849)
Balance at June 30, 2020	<u>\$-</u>	<u>\$789,253</u>	<u>\$1,853,417</u>	<u>\$550,851</u>	<u>\$-</u>	<u>\$3,193,521</u>
Carrying amounts at June 30, 2020						
	<u>\$248,322</u>	<u>\$1,612,043</u>	<u>\$483,080</u>	<u>\$139,428</u>	<u>\$15,105</u>	<u>\$2,497,978</u>

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

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

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

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Carrying amounts			
Land (including land use rights)	\$257,250	\$266,040	\$273,471
Buildings	10,443	10,986	12,964
Machinery and equipment	34,183	-	-
Office equipment	79	324	589
Transportation equipment	4,926	3,563	2,041
Other equipment	1,376	1,875	2,299
	<u>\$308,257</u>	<u>\$282,788</u>	<u>\$291,364</u>
	For the Six Months Ended June 30		
	2021	2020	
Additions to right-of-use assets	<u>\$41,336</u>	<u>\$5,870</u>	
<u>Depreciation charge for right-of-use assets</u>			
Land (including land use rights)	\$4,454	\$4,596	
Buildings	1,903	1,891	
Machinery and equipment	3,117	-	
Office equipment	240	256	
Transportation equipment	1,007	691	
Other equipment	414	223	
	<u>\$11,135</u>	<u>\$7,657</u>	

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

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

b. Lease liabilities

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Carrying amounts			
Current	<u>\$20,356</u>	<u>\$7,786</u>	<u>\$7,694</u>
Non-current	<u>\$33,659</u>	<u>\$12,665</u>	<u>\$14,732</u>

Range of discount rate for lease liabilities was as follows:

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

c. Material lease-in activities and terms

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

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

d. Other lease information

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	<u>\$2,197</u>	<u>\$3,913</u>	<u>\$7,251</u>	<u>\$8,702</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$148</u>	<u>\$299</u>	<u>\$295</u>	<u>\$595</u>
Total cash (outflow) for leases			<u>(\$15,573)</u>	<u>(\$13,447)</u>

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

17. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$118,623
Additions	5,651
Disposals	(4,565)
Effect of foreign currency exchange differences	(421)
Balance at June 30, 2021	<u>\$119,288</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$90,944
Amortization expense	6,417
Disposals	(4,557)
Effect of foreign currency exchange differences	(284)
Balance at June 30, 2021	<u>\$92,520</u>
Carrying amounts at December 31, 2020 and January 1, 2021	<u>\$27,679</u>
Carrying amounts at June 30, 2021	<u>\$26,768</u>
<u>Cost</u>	
Balance at January 1, 2020	\$118,748
Additions	4,346
Disposals	(898)
Effect of foreign currency exchange differences	(1,014)
Balance at June 30, 2020	<u>\$121,182</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$85,532
Amortization expense	6,262
Disposals	(897)
Effect of foreign currency exchange differences	(610)
Balance at June 30, 2020	<u>\$90,287</u>
Carrying amounts at June 30, 2020	<u>\$30,895</u>

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

18. BORROWINGS

Short-term borrowings

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Unsecured loan</u>			
Phihong	\$1,302,553	\$256,320	\$150,000

Long-term borrowings

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Unsecured loan</u>			
Phihong	\$735,310	\$314,208	\$225,000
PHA (Note 26)	-	-	30,635
	<u>735,310</u>	<u>314,208</u>	<u>255,635</u>
<u>Secured loan</u>			
Phihong	564,241	56,832	-
Less: discount	(1,437)	(2,359)	(3,316)
Long-term loans payable			
- current portion	<u>(325,556)</u>	<u>(64,737)</u>	<u>-</u>
	<u>\$972,558</u>	<u>\$303,944</u>	<u>\$252,319</u>

- a. The short-term bank loan period of Phihong Technology Co., Ltd on June 30, 2021, December 31, and June 30, 2020 is from May 13, 2021 to August 27, 2021, December 7, 2020 to February 9, 2021 and June 30, 2020 to September 4, 2020, respectively. As of June 30, 2021, and December 31 and June 30, 2020, the effective annual interest rates are 0.6900%~1.2544%, 0.9500% and 1.0400%, respectively, and interest is paid monthly.
- b. PHA Company has obtained loans from the Paycheck Protection Program (PPP) provided by the U.S. Government. The borrowing period is from April 24, 2020 to April 24, 2022. As of June 30, 2020, the effective interest rate per annum is 1%. In November 2020, the U.S. Government approved the exemption of repayment. Please refer to Notes 26 and 33.
- c. The long-term bank loan period of Phihong Technology Co., Ltd on June 30, 2021, December 31, and June 30, 2020 is from August 22, 2019 to April 7, 2036, August 22, 2019 to September 10, 2023 and August 22, 2019 to July 30, 2022, respectively. As of June 30, 2021, and December 31 and June 30, 2020, the effective annual interest rates are 1.0500%~1.9872%, 1.2740%~1.9872% and 1.9885%, respectively, and interest is paid monthly.
- d. Phihong Technology Co., Ltd signed a joint credit agreement mainly hosted by Taiwan Shin Kong Commercial Bank and co-sponsored by Yuanta Commercial Bank along with 7 other banks participating in the loan, on April 30, 2019. The contract period is 3 years with the total credit limit of NTD \$1 billion, including NTD \$450 million of item A loan limit and NTD \$550 million for item B loan limit, which will be used by the company to support the factory investment plan

of the Vietnamese subsidiary and enrich the group operating turnover fund. According to the loan contract in the joint loan case of Taiwan Shin Kong Commercial Bank, Phihong Technology Co., Ltd shall maintain the following financial ratios during the loan period (according to the annual and semi-annual consolidated financial report with an accountant's visa which is to be reviewed every half year):

- a) The current ratio (current assets/current liabilities) shall not be less than 100%.
- b) The net debt ratio (total debt/net tangible value) shall not be higher than 150%.
- c) The interest protection multiples [(pre-tax profit + depreciation + amortization + interest expense)/interest expense] shall be maintained at more than two times (inclusive).
- d) Net tangible value (net value minus intangible assets) shall not be less than NTD \$4.5 billion.

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

19. BONDS PAYABLE

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Secured domestic bonds	\$698,079	\$999,883	\$999,642
Less: Long-term loans payable - current portion	-	(999,883)	(999,642)
	<u>\$698,079</u>	<u>\$-</u>	<u>\$-</u>

Secured domestic bonds

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

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

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

20. OTHER PAYABLES

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Current</u>			
Other payables			
Payables for salaries and bonuses	\$159,823	\$200,932	\$148,978
Payables for annual leave	48,864	45,537	43,141
Payables for purchases of equipment	7,590	7,621	7,163
Others	<u>271,463</u>	<u>315,948</u>	<u>396,062</u>
	<u>\$487,740</u>	<u>\$570,038</u>	<u>\$595,344</u>
Other liabilities			
Temporary receipts	\$73,221	\$62,484	\$42,023
Advance payment for sale of plant land (Note 12)	164,203	170,466	135,560
Others	<u>75,387</u>	<u>58,163</u>	<u>50,058</u>
	<u>\$312,811</u>	<u>\$291,113</u>	<u>\$227,641</u>

21. RETIREMENT BENEFIT PLANS

For the three months ended June 30, 2021 and 2020 and the six months ended June 30, 2021 and 2020, employee benefit expenses in respect of the Group's defined benefit retirement plans were \$204 thousand, \$267 thousand, \$409 thousand and \$533 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019.

22. EQUITY

a. Share Capital

Ordinary shares

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

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

b. Capital surplus

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

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

c. Retained Earnings and Dividend Policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 23-g.

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

In response to the "Measures Related to the Delay of Shareholders' Meeting due to the Outbreak" announced by the FSC, the Group ceases the convening of the shareholders' meeting as scheduled. The proposal of earning distribution for 2020 is to be determined at the annual shareholders' meeting

convened on July 30, 2021.

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.

d. Special Reserves

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

e. Other Equity Items

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

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	(\$448,879)	(\$416,186)
Exchange differences arising on translating the financial statements of foreign operations	(64,667)	(107,518)
Balance at June 30	<u>(\$513,546)</u>	<u>(\$523,704)</u>

2) Unrealized loss on financial assets at FVTOCI

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	(\$62,007)	(\$79,561)
Generated in current period		
Unrealized loss - equity instruments	(1,332)	(8,165)
Share from associates accounted for using the equity method	(15,739)	40,625
Balance at June 30	<u>(\$79,078)</u>	<u>(\$47,101)</u>

f. Non-Controlling Interests

	For the Six Months Ended June 30	
	2021	2020
Balance at January 1	(\$8,909)	(\$9,372)
Attributable to non-controlling interests:		
Net loss for the period	(11)	(7)
Exchange differences on translating the financial statements of foreign operations	182	138
Balance at June 30	<u>(\$8,738)</u>	<u>(\$9,241)</u>

23. NET PROFIT RELATING TO CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Bank deposits	\$6,399	\$7,541	\$13,403	\$15,438
Others	242	114	602	1,078
	<u>\$6,641</u>	<u>\$7,655</u>	<u>\$14,005</u>	<u>\$16,516</u>

b. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Government subsidies (Note 25)	\$-	\$31,716	\$-	\$31,716
Others	25,667	36,255	38,177	57,743
	<u>\$25,667</u>	<u>\$67,971</u>	<u>\$38,177</u>	<u>\$89,459</u>

c. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Net foreign exchange losses	(\$16,446)	(\$18,021)	(\$21,141)	(\$10,340)
Gain (loss) on disposal of property, plant and equipment	(1,087)	22	(1,670)	(771)
Loss on disposal of intangible assets	(8)	(1)	(8)	(1)
Fair value changes of financial assets and financial liabilities				
Financial assets mandatorily at FVTPL	70	2,421	113	5,385
Gain on disposal of investment	329	321	625	321
Others	(981)	(724)	(2,274)	(2,703)
	<u>(\$18,123)</u>	<u>(\$15,982)</u>	<u>(\$24,355)</u>	<u>(\$8,109)</u>

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Property, plant and equipment	\$65,469	\$71,937	\$133,176	\$150,833
Right-of-use assets	7,156	3,848	11,135	7,657
Computer software	3,337	3,177	6,417	6,262
	<u>\$75,962</u>	<u>\$78,962</u>	<u>\$150,728</u>	<u>\$164,752</u>
An analysis of depreciation by function				
Operating costs	\$35,917	\$36,369	\$70,275	\$76,418
Operating expenses	36,708	39,416	74,036	82,072
	<u>\$72,625</u>	<u>\$75,785</u>	<u>\$144,311</u>	<u>\$158,490</u>
An analysis of amortization expense by function				
Operating costs	\$935	\$819	\$1,869	\$1,552
Operating expenses	2,402	2,358	4,548	4,710
	<u>\$3,337</u>	<u>\$3,177</u>	<u>\$6,417</u>	<u>\$6,262</u>

e. Finance costs

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Bank loans interest	\$6,744	\$2,699	\$11,654	\$5,289
Bonds payable interest	1,151	2,494	3,718	4,988
Lease liabilities interest	537	214	703	439
	<u>\$8,432</u>	<u>\$5,407</u>	<u>\$16,075</u>	<u>\$10,716</u>

f. Employee benefits expense

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$576,598	\$510,566	\$1,134,900	\$921,836
Post-employment benefits				
Defined contribution plans	5,501	5,427	10,905	10,855
Defined benefit plans (Note 20)	204	267	409	533
Total employee benefits expense	<u>\$582,303</u>	<u>\$516,260</u>	<u>\$1,146,214</u>	<u>\$933,224</u>
An analysis of employee benefits expense by function				
Operating costs	\$361,384	\$309,651	\$704,217	\$515,229
Operating expenses	220,919	206,609	441,997	417,995
	<u>\$582,303</u>	<u>\$516,260</u>	<u>\$1,146,214</u>	<u>\$933,224</u>

g. Employees' compensation and remuneration to directors and supervisors

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

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

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

h. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Foreign exchange gains	\$-	\$-	\$12,576	\$12,982
Foreign exchange losses	(16,446)	(18,021)	(33,717)	(23,322)
	<u>(\$16,446)</u>	<u>(\$18,021)</u>	<u>(\$21,141)</u>	<u>(\$10,340)</u>

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$11,773	\$12,801	\$19,008	\$24,862
Generated in the previous period	693	383	(1,310)	383
	<u>12,466</u>	<u>13,184</u>	<u>17,698</u>	<u>25,245</u>
Deferred tax				
In respect of the current period	(2,710)	(939)	(6,520)	1,271
Total income tax expense recognized in profit or loss	<u>\$9,756</u>	<u>\$12,245</u>	<u>\$11,178</u>	<u>\$26,516</u>

b. Income tax assessments

The Company's income tax returns through 2018 have been assessed by the tax authorities.

25. LOSS PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Basic loss per share	<u>(\$0.33)</u>	<u>(\$0.10)</u>	<u>(\$0.84)</u>	<u>(\$0.58)</u>
<u>Net Loss for the Period</u>				
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Loss used in the computation of basic loss per share	<u>(\$111,447)</u>	<u>(\$34,079)</u>	<u>(\$281,982)</u>	<u>(\$195,528)</u>
<u>Number of Shares</u>				
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares used in computation of basic loss per share	<u>337,688</u>	<u>337,688</u>	<u>337,688</u>	<u>337,688</u>

26. Government Grant

The Industrial Development Bureau, MOEA, approved and included the Company in the salary and working capital subsidy project in June 2020. The Company estimates obtaining a subsidy of NT\$31,716 thousand, which is accounted for under "Other Income." As of June 30, 2020, the Company has received NT\$22,932 thousand; the remaining NT\$8,784 thousand is accounted for under "Other Receivables." Please refer to Notes 23 and 33.

PHA Company obtained loans from the PPP provided by the U.S. Government in April 2020. As of June 30, 2020, as the U.S. Government had not approved exemption of repayment for the PHA Company, the loans were accounted for under "Long-term Borrowings." The exemption of repayment was approved in November 2020, and such loans were transferred to "Other Income." Please refer to Notes 18 and 33.

27. CAPITAL MANAGEMENT

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

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

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

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value

Fair value hierarchy

June 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds	<u>\$86,519</u>	<u>\$-</u>	<u>\$-</u>	<u>\$86,519</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Unlisted shares	<u>\$-</u>	<u>\$-</u>	<u>\$64,496</u>	<u>\$64,496</u>

December 31, 2020

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

June 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual funds	<u>\$384,940</u>	<u>\$-</u>	<u>\$-</u>	<u>\$384,940</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Unlisted shares	<u>\$-</u>	<u>\$-</u>	<u>\$49,146</u>	<u>\$49,146</u>

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

b. Categories of financial instruments

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Financial assets</u>			
FVTPL			
Mandatorily at FVTPL	\$86,519	\$43,600	\$384,940
Financial assets at amortized cost (Note 1)	4,907,513	4,650,814	4,015,854
Financial assets at FVTOCI			
Investments in equity instruments at FVTOCI	64,496	65,828	49,146
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	6,756,536	5,124,780	4,057,313

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

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

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, financial liabilities at amortized cost, investment in equity instruments, trade receivables, other receivables, refundable deposits/guarantee deposits received, short-term borrowings, trade payables, trade payables to related parties, other payables, long-term borrowings, bonds payable and lease liabilities. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the

operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

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

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

	For the Six Months Ended June 30	
	2021	2020
USD	(\$5,707)	\$2,802
CNY	35	38
VND	1,972	646

b) Interest rate risk

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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Fair value interest rate risk			
Financial liabilities	\$1,207,619	\$1,191,214	\$1,202,703
Cash flow interest rate risk			
Financial liabilities	2,145,142	454,121	221,684

2) Credit risk

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2021, and 2020, the Group had available unutilized bank loan facilities set out in b) below.

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

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

June 30, 2021

	On Demand or Less than 1 Year	1-3 years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$3,457,165	\$-	\$-	\$3,457,165
Lease liabilities	20,356	32,873	786	54,015
Variable interest rate instrument	1,628,109	338,633	178,400	2,145,142
Fixed interest rate instrument	455,525	-	698,079	1,153,604
	<u>\$5,561,155</u>	<u>\$371,506</u>	<u>\$877,265</u>	<u>\$6,809,926</u>

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	<u>\$20,356</u>	<u>\$33,659</u>	<u>\$-</u>

December 31, 2020

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

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

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

June 30, 2020

	On Demand or Less than 1 Year	1-3 years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$2,654,780	\$-	\$-	\$2,654,780
Lease liabilities	7,694	10,765	3,967	22,426
Variable interest rate instrument	-	221,684	-	221,684
Fixed interest rate instrument	1,180,277	-	-	1,180,277
	<u>\$3,842,751</u>	<u>\$232,449</u>	<u>\$3,967</u>	<u>\$4,079,167</u>

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

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	\$7,694	\$14,732	\$-

b) Financing facilities

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Unsecured bank facilities:			
Amount used	\$2,037,863	\$570,528	\$375,000
Amount unused	1,321,137	2,332,692	2,669,720
	<u>\$3,359,000</u>	<u>\$2,903,220</u>	<u>\$3,044,720</u>
Secured bank facilities:			
Amount used	\$564,241	\$56,832	\$-
Amount unused	129,610	911,405	500,000
	<u>\$698,851</u>	<u>\$968,237</u>	<u>\$500,000</u>

29. RELATED-PARTY TRANSACTIONS

- a. The Group's related parties and relationship

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

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

- b. Trading transactions

<u>Payables to related parties</u>	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2021	2020	2021	2020
Other related parties	\$41,485	\$38,626	\$83,099	\$58,364

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

- c. Accounts receivable due from related parties

<u>Payables to related parties</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Other related parties	\$83,563	\$82,497	\$58,461

d. Compensation of key management personnel

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

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$6,669	\$6,322	\$13,388	\$12,963
Post-employment benefits	108	108	216	216
	<u>\$6,777</u>	<u>\$6,430</u>	<u>\$13,604</u>	<u>\$13,179</u>

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

e. Other transactions with related parties

The Company's chairman has guaranteed the payments of the loans of the Group. As of June 30, 2021, December 31, 2020 and June 30, 2020, the amounts of the guarantees were \$3,131,376 thousand, \$1,454,004 thousand and \$1,371,326 thousand, respectively.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2021	December 31, 2020	June 30, 2020
Financial assets at amortized cost – non-current (Note 9)	\$37,684	\$37,100	\$27,100
Freehold land	463,345	185,202	185,202
Right-of-use assets - land use right	15,122	15,499	15,082
Buildings	425,322	436,406	450,376
	<u>\$941,473</u>	<u>\$674,207</u>	<u>\$677,760</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Payments for property, plant and equipment			
Signed amount	\$955,319	\$627,710	\$-
Unpaid amount	688,893	464,866	-

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$82,339	27.895	\$2,296,860
CNY	814	4.32032	3,519
VND	198,102,397	0.00121	239,704
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	102,799	27.895	2,867,581
VND	35,093,599	0.00121	42,463

December 31, 2020

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

June 30, 2020

	<u>Foreign Currencies (In Thousands)</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$43,551	29.58000	\$1,288,350
CNY	919	4.17749	3,838
VND	71,519,365	0.00127	90,830
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	34,081	29.58000	1,008,130
VND	20,638,920	0.00127	26,211

33. OTHER ITEMS

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

Due to the effects of the outbreak, the Group applied for subsidies of salary, working capital, and relief loans from Taiwan and the U.S. governments. Salary and working capital subsidies, amounting to NT\$31,716 thousand in aggregate, were approved for the Company. Loans from the PPP of NT\$30,635 thousand were approved by the U.S. Government for PHA Company, and the exemption of repayment was approved in November 2020. Please refer to Notes 18, 23 and 26.

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

b. Information on investments in mainland China

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

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

35. SEGMENT INFORMATION

a. Basic Information of Operation Segments

1) Classification of operating segments

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

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

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

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

b. Segment revenues and results

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

	<u>Power Supply</u>	<u>Others</u>	<u>Total</u>
<u>For the six months ended June</u>			
<u>30, 2021</u>			
Revenues from external customers	\$5,363,739	\$2,220	\$5,365,959
Segment revenues	(\$278,019)	(\$3,611)	(\$281,630)
Interest income			14,005
Other revenues			38,177
Other gains and losses			(24,355)
Finance costs			(16,075)
Share of loss of associates			(937)
Loss before income tax			(\$270,815)

	<u>Power Supply</u>	<u>Others</u>	<u>Total</u>
<u>For the six months ended June 30, 2020</u>			
Revenues from external customers	\$4,055,440	\$911	\$4,056,351
Segment revenues	<u>(\$250,238)</u>	<u>(\$1,226)</u>	(\$251,464)
Interest income			16,516
Other revenues			89,459
Other gains and losses			(8,109)
Finance costs			(10,716)
Share of loss of associates			<u>(4,705)</u>
Loss before income tax			<u>(\$169,019)</u>

c. Segment assets and liabilities

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Power supply segment assets	\$11,369,509	\$9,701,757	\$8,526,265
Other assets	318,655	660,914	645,723
Total assets	<u>\$11,688,164</u>	<u>\$10,362,671</u>	<u>\$9,171,988</u>
Power supply segment assets	\$7,250,777	\$5,561,974	\$4,470,353
Other liabilities	56,055	55,816	57,789
Total liabilities	<u>\$7,306,832</u>	<u>\$5,617,790</u>	<u>\$4,528,142</u>

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate Range	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3 and Note 4)	Aggregate Financing Limit (Note 3 and Note 4)	Note
													Item	Value			
1	Phihong (Dongguan) Electronics Co. Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	\$432,032 RMB100,000,000	\$432,032 RMB100,000,000	\$34,563	4.35%	2	\$-	Capital movement	\$-	-	\$-	\$1,451,734	\$1,451,734	
2	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Other receivables from related parties	Yes	1,036,877 RMB240,000,000	1,036,877 RMB240,000,000	1,036,877	4.75%	2	-	Capital movement	-	-	-	1,218,200	1,218,200	
1	Phihong (Dongguan) Electronics Co. Ltd.	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Other receivables from related parties	Yes	43,203 RMB10,000,000	43,203 RMB10,000,000	43,203	4.90%	2	-	Capital movement	-	-	-	1,451,734	1,451,734	

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

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

Note 2: Reasons for financing are as follows:

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

(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 (Note 2 and Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Ending Balance Amount Endorsed/Guaranteed During the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Limit on Endorsement/ Guarantee (Note 2 and Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Phihong	Phihong USA Corp.	Subsidiary of the Company	\$1,317,021	\$139,475 USD5,000,000	\$139,475 USD5,000,000	\$-	\$-	3.18	\$2,195,035	Y	N	N	

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

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

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2021

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Number of Shares	Carrying amount	Percentage of Ownership (%)	Fair value	
Pihong	<u>Ordinary shares</u>							
	Pao-Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	270,565	\$2,805	10.49	\$2,952	
	Zhong-Xuan Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non-current	2,758,621	22,873	8.62	22,697	
Guang-Lai Investment Co., Ltd.	BMC Venture Capital Investment Corporation	None	Financial assets at FVTOCI - non-current	3,600,000	37,256	9.84	36,945	
	<u>Ordinary shares</u>							
	Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non-current	3,000,000	1,902	10.83	1,902	
Pihong Electronics (Suzhou) Co., Ltd.	<u>Fund</u>							
	ICBC's capital-guaranteed and floating-income wealth management products	None	Financial assets at FVTPL - current	20,000,000	86,519	-	86,519	

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Related Party (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				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 Electronics (Suzhou) Co., Ltd.	ICBC's capital-guaranteed and floating-income wealth management products	Financial assets at FVTPL - current	Industrial and Commercial Bank of China	None	10,000,000	\$430,600 RMB10,000,000	70,000,000	\$304,306	60,000,000	\$261,094	\$260,469	\$625	20,000,000	\$86,519

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

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

Buyer	Related Party	Relationship	Transaction Details			Abnormal Transaction		Notes/Trade Receivable (Payable)		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance		% to Total
Phihong	Phihong USA Corp.	Subsidiary of the Company	Sale	(\$1,668,884)	(40.07)	To be agreed by both parties	-	—	\$629,715	46.75	
	Phihong Technology Japan Co., Ltd.	Subsidiary of the Company	Sale	(111,312)	(2.67)	To be agreed by both parties	-	—	46,290	3.44	
Phihong	Phihong (Dongguan) Electronics Co. Ltd.	Subsidiary of the Company	Purchase	3,116,752	81.03	To be agreed by both parties	-	—	-	-	
Phihong	Phihong Vietnam Co., Ltd.	Subsidiary of the Company	Purchase	663,201	17.24	To be agreed by both parties	-	—	-	-	
Phihong USA Corp.	Phihong	Parent Entity	Purchase	1,668,884	97.70	To be agreed by both parties	-	—	(629,715)	(97.80)	
Phihong Technology Japan Co., Ltd.	Phihong	Parent Entity	Purchase	111,312	100.00	To be agreed by both parties	-	—	(46,290)	(100.00)	
Phihong (Dongguan) Electronics Co. Ltd.	Phihong	The Ultimate Parent Entity	Sale	(3,116,752)	(100.00)	To be agreed by both parties	-	—	-	-	
Phihong Vietnam Co., Ltd.	Phihong	The Ultimate Parent Entity	Sale	(663,201)	(100.00)	To be agreed by both parties	-	—	-	-	

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

JUNE 30, 2021

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

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Phihong	Phihong USA Corp.	Subsidiary of the Company	Trade receivables \$629,715	6.99	\$-	—	\$285,218	\$-
Phihong	Phihong (Dongguan) Electronics Co. Ltd.	Subsidiary of the Company	Other receivables 382,921	-	-	—	158,914	-
Phihong	Phihong Vietnam Co., Ltd.	Subsidiary of the Company	Other receivables 299,946	-	-	—	55,190	-
Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables 1,061,503	-	-	—	-	-

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Transaction Details	% to Total Sales or Assets (Note 3)
0	Phihong	Phihong USA Corp.	1	Sale	\$1,668,884	To be agreed by both parties	31%
0	Phihong	Phihong Technology Japan Co., Ltd.	1	Sale	111,312	To be agreed by both parties	2%
0	Phihong	Phihong (Dongguan) Electronics Co., Ltd.	1	Purchase	3,116,752	No significant difference	58%
0	Phihong	Dongguan Phitek Electronics Co., Ltd.	1	Purchase	65,636	No significant difference	1%
0	Phihong	Phihong Vietnam Co., Ltd.	1	Purchase	663,201	No significant difference	12%
0	Phihong	Phihong USA Corp.	1	Trade receivables	629,715	—	5%
0	Phihong	Phihong (Dongguan) Electronics Co., Ltd.	1	Other receivables	382,921	—	3%
0	Phihong	Dongguan Phitek Electronics Co., Ltd.	1	Other receivables	75,373	—	1%
0	Phihong	Phihong Vietnam Co., Ltd.	1	Other receivables	299,946	—	3%
1	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	3	Other receivables	1,061,503	—	9%

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

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

Note 2: Nature of relationship is as follows:

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

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

Investor	Investee Company	Location	Main Businesses and Product	Original Investment Amount		As of June 30, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2021	December 31, 2020	Number of Shares	%	Carrying amount			
Phihong	Phihong International Corp.	British Virgin Islands	Makes investments	\$3,448,270	\$3,448,270	111,061,351	100.00	\$2,887,795	(\$230,379)	(\$222,661)	
	Phihong USA Corp.	California, USA	Sells various power supplies	207,203	207,203	3,100,000	100.00	929,063	39,054	39,054	
	Phitek International Co., Ltd.	British Virgin Islands	Makes investments	314,956	314,956	10,200,000	100.00	(324,988)	(84,347)	(83,933)	
	Ascent Alliance Ltd.	British Virgin Islands	Makes investments	352,043	352,043	12,012,600	100.00	52,972	(16,909)	(15,948)	
	Guang-Lai Investment Co., Ltd.	Taiwan	Makes investments	139,758	139,758	13,975,828	100.00	124,156	(819)	(819)	
	H&P Venture Capital Co., Ltd.	Taiwan	Makes investments	13,738	13,738	1,373,801	32.26	18,358	(388)	(156)	
	Phihong Technology Japan Co., Ltd.	Japan	Sells power components	137,436	137,436	3,000	100.00	75,506	(334)	(334)	
	Phihong Vietnam Co., Ltd.	Vietnam	Manufactures and sells various power supplies	JPY150,000,000	JPY150,000,000	31,000,000	100.00	734,642	(5,100)	(5,322)	
Phihong International Corp.	N-Lighten Technologies, Inc.	California, USA	Makes investments	409,851	409,851	110,834,223	58.45	(23,460)	(52)	(30)	Phihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%
Guang-Lai Investment Co., Ltd.	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	7,507	(17,187)	(4,384)	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Makes investments	100,000	100,000	10,000,000	22.22	107,146	16,217	3,603	
	N-Lighten Technologies, Inc.	California, USA	Makes investments	206,084	206,084	37,498,870	19.78	(7,939)	(52)	(10)	Phihong International Corp. and Guang-Lai Investment Co., Ltd. holds 78.23%

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

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

Investee Company	Main Businesses and Product	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of June 30, 2021	Accumulated Repatriation of Investment Income as of June 30, 2021	Note
					Outward	Inward							
Phihong (Dongguan) Electronics Co. Ltd.	Manufactures and sells various power supplies	\$1,988,018 HKD495,450,000	Indirect investment in mainland China through PHI	\$1,677,679 HKD419,000,000	\$-	\$-	\$1,677,679 HKD419,000,000	(\$240,961)	100.00	(\$240,961)	\$1,451,734	\$-	
Phitek (Tianjin) Electronics Co., Ltd.	Manufactures and sells various power supplies	-	Indirect investment in mainland China through PHI	25,327 USD255,127	-	-	25,327 USD255,127	-	-	-	-	-	Note 1
Phihong Electronics (Suzhou) Co., Ltd.	Manufactures and sells various power supplies	1,097,139 USD31,960,000	Indirect investment in mainland China through PHI	1,343,033 USD40,600,000	-	-	1,343,033 USD40,600,000	17,658	100.00	17,658	1,218,200	-	
Yanghong Trade (Shanghai) Co., Ltd.	Sells various lighting and power supplies	26,291 USD880,000	Indirect investment in mainland China through PHI	63,934 USD2,865,000	-	-	63,934 USD2,865,000	(2,296)	100.00	(2,296)	10,291	-	
Dongguan Phitek Electronics Co., Ltd.	Manufactures and sells various power supplies	362,042 USD11,500,000	Indirect investment in mainland China through PHK	315,258 USD10,000,000	-	-	315,258 USD10,000,000	(84,256)	100.00	(84,256)	(327,025)	-	
Dongguan Shuang-Ying Electronics Co., Ltd.	Manufactures and sells electronic materials	39,678 HKD9,000,000	Indirect investment in mainland China through PHQ	39,678 HKD9,000,000	-	-	39,678 HKD9,000,000	(417)	100.00	(417)	54,443	-	
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufactures and sells electronic materials	360,124 USD11,500,000	Indirect investment in mainland China through PHQ	360,124 USD11,500,000	-	-	360,124 USD11,500,000	(16,405)	100.00	(16,405)	(3,776)	-	
N-Lighten (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	-	Indirect investment in mainland China through N-Lighten	387,406 USD12,366,400	-	-	387,406 USD12,366,400	-	-	-	-	-	Note 2

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

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

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

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

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

Note 1: In accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" passed on June 18, 2021, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount of investment in mainland China.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Trade Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Term	Comparison with Normal Transaction	Amount	%		
Phihong (Dongguan) Electronics Co. Ltd.	Purchase	\$3,116,752	81.03%	To be agreed by both parties	To be agreed by both parties	—	\$-	-	\$-	

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

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

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