Stock code
2457

Phihong Technology Co., Ltd.

Year 2020
Annual Report

Websites for Annual Report Publication
Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw
Company Website: https://www.phihong.com.tw
Published Date: May 19, 2021

I. Company's Spokesperson:

Spokesperson:
Name: Allan Lin
Title: General Manager
Telephone Number: (03)327-7288
E-mail: spokesman@phihong.com.tw

Deputy Spokesperson:
Name: Peter Lin
Title: Chairman and CEO
Telephone Number: (03)327-7288
E-mail: spokesman@phihong.com.tw

II. Address of the Company:

Address: No.568, Fuxing 3rd Rd., Guishan Dist., Taoyuan City 333, Taiwan
Telephone Number: (03)327-7288

III. Common Share Transfer Agent and Registrar:

Name: The Transfer Agency Department of Chinatrust Comercial Bank
Address: 5/F, No.83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan
Telephone Number: (02)6636-5566
Website: http://www.ctbcbank.com

IV. Auditors

Name: Yi-Min Huang and Ker-Chang Wu
Company: Deloitte & Touche
Address: 20F, Taipei Nan Shan Plaza No. 100, Songren Rd., Xinyi Dist., Taipei 110, Taiwan
Telephone Number: (02)2725-9988
Website: https://www.deloitte.com

V. Overseas Securities Exchange: None

VI. Phihong Technology Co., Ltd. Website:

https://www.phihong.com.tw/

TABLE OF CONTENTS

I、Letter to the Shareholders

Under this wave of trade wars and the COVID-19 pandemic, coupled with the instability of the world's major economies and the challenge of rising component prices, the crisis also represents a turning point. The Company has responded to the problem through solid and advanced technological capabilities and carried out industrial adjustment and planning promptly for the changes in the environment. In recent years, the Company has continued to track and analyze internal problems and market trends through big data analyses and collection of market information to improve problems continuously and instantly while planning ahead to enhance the competitiveness and overall gross income, maintain a stable financial structure and continue to consolidate the Company's position in the power supply industry. The Company's 2020 operating status and 2021 business plan are hereby reported as follows:

I. Business Report for 2020

(I) The implementation results of the business plan and budget execution

The Company’s net operating revenue for 2020 was NT$9,243,618 thousand, a decrease of approximately 13.6% from the NT$10,694,604 thousand for 2019. The net loss after income tax for 2020 was NT$154,594 thousand, an increase of approximately 305.4% from the NT$38,136 thousand in 2019.The overall revenue and profit failed to achieve the targets set internally.

(II) Analysis of financial income and expenditure and profitability

1. Financial income and expenditure analysis

Item / Year	2019	2020	Increase/Decrease (%)
Non-operating income and expenses	36,311	219,189	503.64

The Company's non-operating income and expenditures in 2020 increased compared with that in 2019, mainly because of the relief subsidies received from the government in response to the impact of the pandemic in 2020, such as government salary and working capital subsidies.

2. Profitability analysis

Item / Year			2019	2020
Profitability	Return on assets (%)		(0.20)	(1.37)
	Return on equity (%)		(0.76)	(3.20)
	As a percentage of paid-in capital (%)	Loss from operations	(2.32)	(11.03)
		Net loss before income tax	(1.25)	(4.54)
	Profit margin (%)		(0.36)	(1.67)
	Loss per share (NTD) (Note)		(0.11)	(0.46)

Note: The loss per share has been adjusted retrospectively in consideration of the distribution of stock dividends over the years.

(III) Research and development–Marketing Department

1. Electric vehicle (EV) green energy product and technology development

At present, a 30 kW digital power supply module has been developed. It is a power supply product with high efficiency and high power density through the introduction of the latest wide-bandgap SIC materials. In addition, the Company has successfully developed the third-generation EV charging control system CSU3.0, which combines CanBus and PLC communication between the charging system and EV, while integrating the OCPP communication between the charging system and the cloud, with the system control function of power.

The Company has also developed V2G products and technologies, supported ISO15118 and other countries’ charging protocols and Energy Management System (EMS) standards, such as SEP2.0, EEBus, and ECHONET Lite, for the stability of the power supply system in the future. With the continuous growth of EVs, the Company has worked to enable the electric power of vehicles to be shared with the power supply system, to balance the power consumption at all times, reduce the overload of the electric system caused by the EVs in the future, and allow for charging during the low power consumption period. As such, power can be supplied to the grid during the peak power consumption period. EV products have been successfully integrated with the components above, and a series of AC slow charging systems & DC fast charging systems have been developed. 32A, 3-phase 32A, and other AC slow charging systems have been mass-produced; 30KW, 60KW, 120KW–180KW series products, and other DC fast charging systems have been mass-produced. Meanwhile. The Company has obtained safety certificates, including UL from the U.S., CE from the European Union, and CNS from Taiwan, and has also been recognized by customers in many countries.

2. New technology development direction
   (1) Strengthen the research and development of wide bandgap semiconductors GaN and SiC in power supply applications to develop high-frequency and high-efficiency small power supplies in compliance with the latest DoE 6.0 and CoC tier2 energy regulations, to enable the highest efficiency to reach more than 95%, with the power density of $15W/in^3$ or higher.
   (2) Replace traditional analog circuit design methods with digital power supply design to achieve optimized parameter design, integrated functions, and smart communication with the system end so as to increase the flexibility of design and production testing.
   (3) Actively develop medium- and high-power power products and technologies, with built-in high waterproof and dustproof, lightning resistance, low electromagnetic interference, and smart communication functions, in order to enter high-end niche markets, such as e-sports, 5G communications, and power battery charging applications.
   (4) Continue the development of USB power delivery (PD) technology, and design a new product that is thinner and more cost-effective to meet the need for automatic adjustment to different output voltages and currents, while can support mobile phones, tablets, laptops, displays, and other electronic products, so as reduce the number of power products used and thereby reduce the consumption of raw materials.
3. Improve design quality and R&D energy
   (1) Enable the past design projects to be shared through the KM platform, to strengthen relevant design criteria and design checklists, and prevent the recurrence of abnormalities in the past.
   (2) Implement design review meetings to visualize the potential design problems and production problems, and conduct early pre-trial analysis and introduction of countermeasures.
   (3) Keep abreast of and shorten the development timeline by managing the progress of project development flexibly through routine project meetings, thereby ensuring the product design and quality of samples delivered.
   (4) Collect and study customer application needs and market trends prior to product development design or a proposal submitted to improve product performance and customer communication efficiency, thereby increasing the success rate of obtaining a project.
   (5) Review the suitability of existing internal regulations and relevant development processes, establish a friendly R&D platform, and promote the maximization of the use of R&D resources and the enhancement of product competitiveness.
   (6) Early invest in the application of new materials and technologies, study and discuss relevant laws and regulations, and collect needs for products and applications in emerging or niche markets, to stay ahead in terms of R&D capabilities.
   (7) Invest in industrial design talents to enhance more diversified service value in response to the trend of the world.

II. Summary of the 2021 Business Plan

(I) Business policy
1. Continuously improve the competitiveness of quality, price, and delivery time, take profit as the business goal and give back to shareholders.
2. Continue to internally control and manage the operating costs of the head office, revenue, expenditure, and the five major expenditures of the factories to maximize the turnover of working capital.
3. Continue to conduct strategic consensus camps and study sessions for supervisors, review the Company's nine key improvement issues, and formulate short-, medium-, and long-term strategies and goals.
4. Link the nine key improvement issues to the KPIs of each department, establish effective and feasible improvement countermeasures, and implement the performance appraisal system, so as to enhance the action and creativity of each department to achieve the Company's business goals.
5. Strengthen data operation and management, integrate various systems, introduce a data analysis platform to keep abreast of the changes in markets and customer conditions timely, and make timely decisions and respond while, in turn, moving from the establishment of a digital platform towards digital transformation.

(II) Business goals
1. Eliminate deficits and strengthen the overall system of turning losses into profits.
2. Refine the human resources system and product technological capabilities of the product business group in order to increase the number of new customers, new applications, and projects.
3. Improve the design of EV charging products, quality of samples delivered, and product standardization while increasing the revenue and profit of the EV power business group.
4. Reduce the share of orders for low-power/low-gross profit models, and focus on the development of high-power/multi-port fast charging/high-gross profit models.
5. Manage the inventory and amount of products and materials effectively through a data platform, and strike a balance between operational risks and the ability to obtain orders.

(III) Important production and sales policies

1. Formulate essential issues of the group and plan improvement goals.
2. Deepen the supply chain management, keep abreast of the raw material price fluctuations in markets, and standardize design materials in order to reduce product costs and strengthen product price competitiveness.
3. Focus on emerging industries, such as wearable devices, drones, virtual reality (VR), artificial intelligence (AI), Internet of Things (IoT), 5G, foldable smart phones, e-sports notebooks (NBs), EV chargers, and E-Bike products, to start business activities earlyand expand customer bases and increase revenue of new products.
4. Strengthen the design technology of power battery chargers, high-power/high-density adapters, and PoE power supplies.
5. Increase the revenue of the existing five major customers of each product business group.

III. Future development strategies

(I) Establish a global operation and management model, enhance relationships with key customers, develop new niche markets, place customers first, and value feedback from customers.

(II) Establish a high-quality corporate culture, encourage accountability and a sense of ownership, and enhance the competitiveness of the Company's various departments.

(III) Reduce the number of direct assembly line workers through the introduction of automated production, keep abreast of customer needs in the off-peak season and market supply chain fluctuations, establish a sound production and sales platform, to reduce the crisis of manpower shortage in mainland China and stabilize production.

(IV) Enhance the competitiveness of quality, price, and delivery time.

(V) Continuous research and develop advanced technologies and manufacture high value-added green energy products.

(VI) Established a new production site in Vietnam in response to the threat of the China-US trade war and to avoid the risk of concentrated production in Dongguan.

(VII) Form a consistent strategy through the strategy consensus camp and reading sessions for supervisors after management strategies are drawn up by the senior management.

IV. Affected by the external competition environment, legal environment, and overall economic environment,

Phihong's management team pays close attention to any external competition, changes in policies and laws and regulations, and the possible impact and effect of the global economic environment on the Company's operations at all times. The Company continues to stay up-to-date with the latest business conditions through data management, deepen supply chain management, track market raw material price fluctuations, effectively control total operating costs, and utilize funds flexibly. Meanwhile, it continues to enhance R&D of advanced technology and introduction of product innovation, continues to introduce production automation systems, and upgrades processes, with the aim of improving the competitiveness of overall product performance, quality, price, and delivery, to respond to changes in the general environment and stride towards the goal of sustainable operation.

Looking ahead to 2021, as the pandemic is slowing down, terminal market demand has gradually recovered, existing business and order opportunities have stabilized, and new business opportunities and new market development have also begun to witness gains because of the endeavor in the past. The business is expected to grow steadily year by year. Phihong will also continue to uphold the business philosophy of "outstanding design, excellent quality, accurate delivery, reasonable prices, satisfactory service, and high-quality corporate culture" to continue to create growth momentum so as to create the maximum value for customers, shareholders, and employees

I wish you good health and all the best!

Chairman: Peter Lin Managerial Officer: Allan Lin Accounting Officer: Kuei-Chih Chen

II. Company Profile

I. Date of incorporation: December 12, 1972.

II. Company History

1972: Incorporated on December 12, 1972 with a registered capital of NT$200,000. Located in Taipei City, the Company is a limited company. Initially, it mainly introduced high-tech instruments and equipment.

1973: Set up factories to produce power transformers, autotransformers, and linear power supplies, and other products.

1977: Increased capital to NT$3,000,000.

1980: Sold 800,000 CB power supplies to all over the world, hitting a record high.

1981: Changed to a company limited with the capital increasing to NT$20,000,000. The Company and the factory were relocated to Zhongzheng North Road, Sanchong City; the factory was expanded to 1,400 pings in area, producing switching-mode power supplies.

1983: Increased capital to NT$30,000,000.

1985: Increased capital to NT$40,000,000.

1986: Entered the era of computer management.

1987: Increased capital to NT$60,000,000 and established a marketing site in California.

1989: Increased cash capital by NT$68,000,000; conducted capitalization from earnings for NT$12,000,000; thus, capital increased to NT$140,000,000.

1990: Increased cash capital by NT$48,000,000, conducted capitalization from earnings for NT$16,800,000, and conducted capitalization from capital surplus for NT$4,200,000; thus, capital increased to NT$209,000,000. Approved by the Securities Regulatory Commission of the Ministry of Finance to become a public company in October of the same year.

1991: Conducted capitalization from earnings for NT$20,900,000; increased capital to NT$229,900,000.

1994: Passed ISO-9001 certification, and the product quality was highly recognized by the market. Increased the number of directors from 3 to 7 to strengthen the management team.

1995: Obtained Japanese T-MARK certification and ranked 881th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

1996: Japansese Nimiklanda Co., Ltd. joined the management team and established Phihong International Corp. and Phihong (Dongguan) Electronics Co., Ltd. to engage in the processing of power supplies.
Set up an office in Japan for marketing.
Ranked 435th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

1997: Increased cash capital by NT$100,000,000; conducted capitalization from earnings for NT$42,731,410; thus, increased capital to NT$372,631,410.
Established a U.S. subsidiary responsible for marketing, R&D, and services.
The Dongguan factory passed ISO-9002 and Japanese T-MARK certifications.
The Sanzhong factory passed ISO-14001 certification.

1998: Won the 7th National Award of Outstanding SMEs from the Ministry of Economic Affairs.
Ranked 248th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Ranked 6th in CommonWealth Magazine’s Top 50 Companies with the Best Operating Performance.
Ranked 30th in CommonWealth Magazine’s Top 50 Fastest-growing Companies.
Ranked 7th in China Credit Information Service, Ltd.’s (CRIF’s) top 500 companies most worthy investment (ranked by net profit per NTD).
Ranked 11th in CRIF’s top 500 companies in terms of the comprehensive business performance indicators.
Conducted capitalization from earnings for NT$277,368,590; increased capital to NT$650,000,000.
The Dongguan factory passed ISO-14001 certification.
Purchased IBM RS 6000 and updated the information system.

1999: Purchased 4,540 pings of land in the Hwa Ya Technology Park for the future factory expansion.

Conducted capitalization from earnings and employee bonuses for NT$420,000,000; increased capital to NT$1,070,000,000.
Ranked 252th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
To be listed on Taipei Exchange after approval by the Securities and Futures Management Commission, Ministry of Finance.
Established Phitek International Co., Ltd. and Dongguan Phitek Electronics Co., Ltd. (PHP)

2000: Established Phihong Technology Japan Co., Ltd.
Officially listed on Taipei Exchange on February 15
Ranked 217th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Conducted capitalization from earnings and employee bonuses for NT$464,000,000; increased capital to NT$1,534,600,000.
Established Phihong Electronics (Shanghai) Co., Ltd.
Established Phihong Pwm Brasil Ltda. through a joint venture with Pwm Brasil Ltda.in Brazil.

2001: Established Phitek (Tianjin) Electronics Co., Ltd. (PHTJ)
Officially listed on Taiwan Stock Exchange on September 17.
Conducted capitalization from earnings and employee bonuses for NT$425,900,000; increased capital to NT$1,960,500,000.
Established Guang-Lai Investment Co., Ltd. (Guang-Lai)
Established Hong-Shen Investment Co., Ltd.
Invested in the establishment of Zhuohong Electronic Technology (Shenzhen) Co., Ltd.
Ranked 189th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Purchased an office building in the Hwa Ya Technology Park, with a land area of 1,499 pings and a factory building of 2,702 pings, as the operating center of the Phihong headquarters.

2002: Issued an overseas convertible bond of US$50 million and increased capital to NT$2,571,194,740.
Ranked 167th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Commenced construction of the operating center of the headquarters in Linkou.
Established Phihong Electronics (Suzhou) Co., Ltd. (PHZ)

2003: Issued an overseas convertible bond of US$30 million and increased paid-in capital to NT$2,923,815,630.
Ranked 198th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Relocated to the operating center of the headquarters in Linkou in May.
Renamed Phihong Technology Co. Ltd. in June.

2004: Conducted capitalization from earnings and employee bonuses for NT$171,823,340; increased paid-in capital to NT$3,103,389,870.
Ranked 206th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
PHTJ and PHZ passed the environmental management system certification, while PHC and PHP obtained the renewed ISO14001 certification; integrated the original ISO14000 independent certificates of each factory into a new ISO14001:1996 five-in-one certificate.

2005: Conducted capitalization from earnings and employee bonuses for NT$85,432,190; increased paid-in capital to NT$3,196,144,820.
Ranked 208th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Obtained renewed TL9000-HW R3.0/R3.5 and ISO9001: 2000 certificates (five-in-one certificate) in April.
Passed Lloyd's first periodic review and obtained renewed certificate (six-in-one certificate) in October.
Approved the merger of Guang-Lai and Hong-Shen Investment Co., Ltd. in November, with Guang-Lai as the surviving company.

2006: Cancelled 5,565,000 treasury shares and registered for capital reduction in February.
Established Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (PHE)
Ranked 224th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
The group’s factories (PHT, PHC, PHP, PHTJ, and PHZ) converted their environmental management system to a new version in June. Passed ISO14001:2004 review.
Conducted capitalization from earnings and employee bonuses for NT$258,343,470;

increased paid-in capital to NT$3,398,838,290.
Cancelled 10,000,000 treasury shares and registered for paid-in capital reduction to 3,298,838,290 in December.

2007: Transferred 10,000,000 treasury shares to employees in January.
Ranked 209th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Conducted capitalization from earnings and employee bonuses for NT$189,447,580; increased paid-in capital to NT$3,488,285,870.
Passed the review for the version conversion and renewal and obtained the new TL9000-HW R4.0/R4.0 five-in-one certificate in October.
Estabished Yanghong Trade (Shanghai) Co., Ltd. in December.
Issued employee stock warrants for 2007 in December.

2008: Conducted capitalization from earnings and employee bonuses for NT$352,223,230; increased paid-in capital to NT$3,840,509,100.
Ranked 215th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
The quality management system of each factory of the group passed the renewal successfully and obtained the new certificate of ISO9001:2000 in April.
Indirectly invested in its subsidiary N-Lighten (Shanghai) Trading Inc. through its subsidiaries Phihong International Corp. and Guang-Lai.

2009: ancelled 16,463,000 treasury shares and registered for paid-in capital reduction to 3,675,879,100 in June.
Ranked 209th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.
Phihong (Dongguan) Electronics Co., Ltd. obtained the certificate of occupational afety and health management system OHSAS18001: 2007 in March.
Established Suzhou XinPhihong Electronics Co., Ltd. in May.
The quality management system of each factory of the group passed the renewal successfully and obtained the new certificate of ISO9001:2008 in November.

2010: Established Phihong Technology Japan Co., Ltd. (PHJ) in April.
Employees exercised stock warrants for 4,167,000 shares with the paid-in capital increasing to NT$3,717,549,100 in May.
Employees exercised stock warrants for 622,000 shares with the paid-in capital increasing to NT$3,723,769,100 in July.
Reduced the capital with 100,000,000 shares by cash, with the paid-in capital decreasing to NT$2,723,769,100 in August.
The quality management system of each factory of the group passed the conversion and renewal review and obtained the new certificate of ISO9001:2008 in November.
Ranked 213th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

2011: Employees exercised stock warrants for 172,000 shares with the paid-in capital increasing to NT$2,725,489,100 in January.
The Group passed the renewal of the ISO9001:2008 certificate and passed the quality management system certification for DLP HDTV products in April.
Employees exercised stock warrants for 2,258,000 shares with the paid-in capital increasing to NT$2,748,709,100 in May. Employees exercised stock warrants for 64,000 shares with the paid-in capital increasing to NT$2,748,709,100 in July.
Employees exercised stock warrants for 62,000 shares with the paid-in capital increasing to NT$2,749,329,100 in September.
PHC and PHCJ obtained the ISO14064-1: 2006 greenhouse gas verification statement certificate in October.
Ranked 242th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

2012: PHC passed the renewal of the OHSAS18001certificate and PHCJ obtained the nev certificate of OHSAS18001.
Employees exercised stock warrants for 1,926,000 shares with the paid-in capital increasing to NT$2,768,589,100 in April.
Employees exercised stock warrants for 185,000 shares with the paid-in capital increasing to NT$2,770,439,100 in July.
The Group passed the renewal of the ISO14001 certificate and obtained a new certificate in December.
Ranked 267th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

2013: Filed a change application to Lloyd's to include the Company's lighting products in the

scope of ISO9001 certified products in April.
Employees exercised stock warrants for 65,000 shares with the paid-in capital increasing to NT$2,771,089,100 in January.
Employees exercised stock warrants for 55,000 shares with the paid-in capital increasing to NT$2,771,639,100 in April.
Moved PHJ to Koto District, Tokyo, Japan, in June.
Moved PHP to Tiesong Village, Qingxi Town, Dongguan City in October.
PHP passed the OHSAS18001 occupational safety and health management system in December.
Ranked 262th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

2014: The Group passed the renewal of the ISO9001 certificate in March.
PHE passed ISO9001 certification in March.
Executed the first domestic convertible corporate bonds to convert 524,506 ordinary shares with the paid-in capital increasing to NT$2,776,884,160 in December.
Dongguan Shuang-Ying Electronics Co., Ltd. (PHSY) passed ISO9001 certification in December.
Ranked 255th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

2015: The Group passed the renewal of the ISO14001 and OHSAS18001 certificates in February.
PHE’s Shuang-Ying Wire Factory passed ISO9001 certification in April.
Ranked 263th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

2016: Issued the first domestic secured ordinary corporate bond in April.
The Taiwan head office and subsidiary Phihong (Dongguan) Electronics Co., Ltd. passed the ISO13485 medical equipment quality management system certification in July.
Dongguan Phitek Electronics Co., Ltd. passed ISO9001 manufacturing certification for the new product of electric vehicle chargers in December.
Ranked 258th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

2017: Conducted capital increase of NT$600,000,000 with paid-in capital increasing to NT$3,376,884,160.
Obtained the new version of ISO9001: 2015 certificate in March.
Won the Corporate Sustainability Report Award—Silver Award at the Taiwan Corporate Sustainability Awards (TCSA) in November.
Ranked 273th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

2018: Passed the renewal of the ISO14001 environmental management system and the OHSAS18001 occupational safety and health management system in February.
Dongguan Phitek Electronics Co., Ltd. passed the IATF16949: 2016 automotive industry quality management system compliance statement in March.
Won the Bronze Award of the Taipei AMPA Innovation Awards from the Taiwan External Trade Development Council in March.
The group passed the conversion and renewal of ISO14001:2015 environmental management system in September.
Won the Gold Award of the 11th TCSA in November.
Ranked 257th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

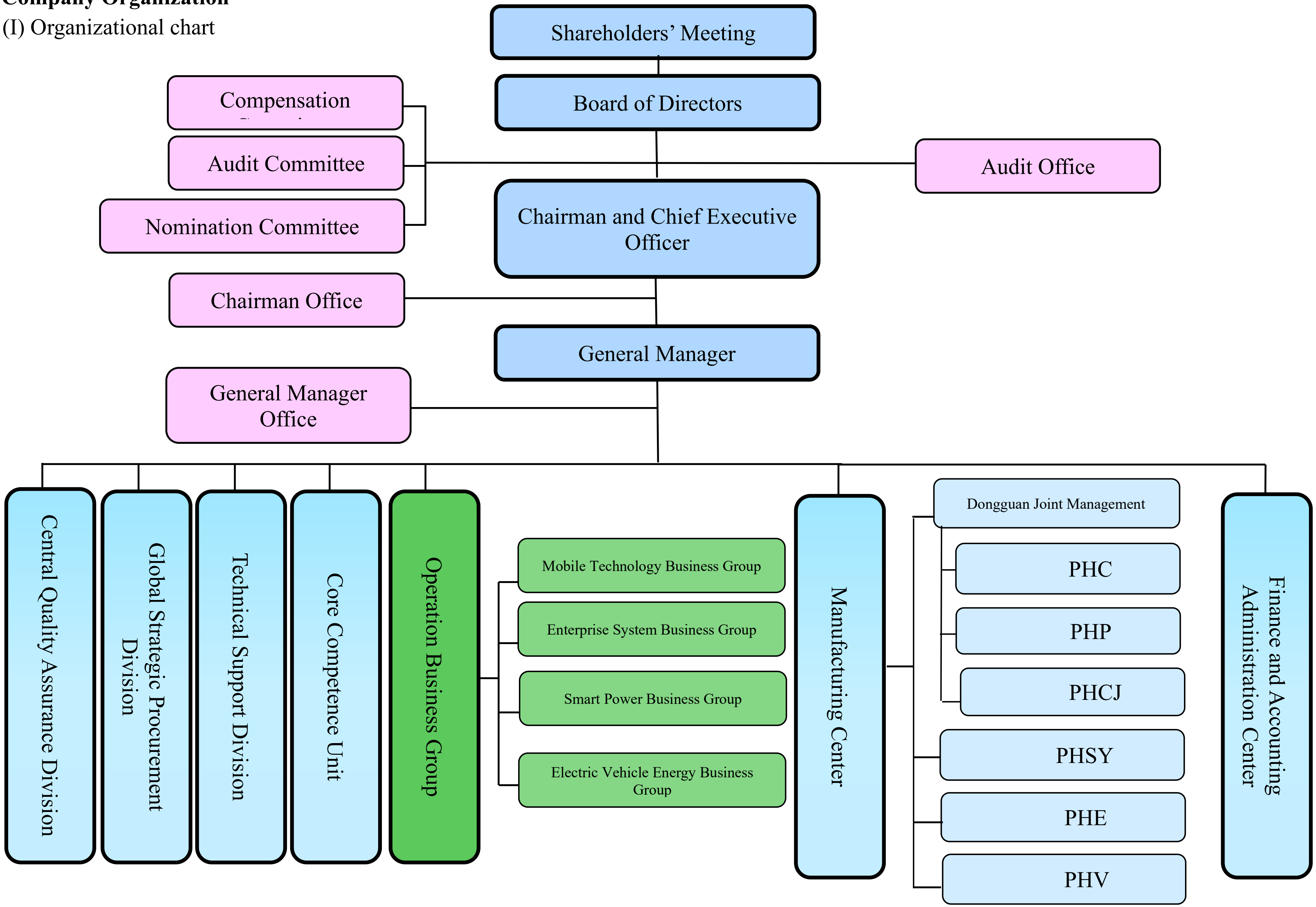
2019: Passed the conversion and verification of the new version of ISO13485:2016 medical equipment quality management system in January.
Established the subsidiary Phihong Vietnam Co., Ltd. (PHV) in Vietnam in February.
Awarded the Top 20 of 2019 Happy Enterprise in the Technology Electronic Components Category in May.
PHV passed the ISO9001 certification and obtained the certificate in July.
Won the Silver Award of the 12th TCSA in November.
Won the Annual Innovative Design Award at the 2019 Golden Torch Awards for the wall-mounted AC chargers in December.
Ranked 274th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

2020： The factories of the Group passed the review of the renewal of the three-year ISO9001:2015 certificate and obtained a new certificate in July.
Won the Gold Award of the 13th TCSA in November.
Ranked 311th in CommonWealth Magazine's Top 1000 Manufacturing Enterprises.

III. Corporate Governance Report

I. Company Organization

(I) Organizational chart



(II) Business of each main department:

Department name	Business
Chairman Office	■Implement important resolutions of the board of directors and lead managers to make important decisions of the Company.
General Manager Office	■ Develop various business plans and development strategies based on market and competition conditions. ■ Plan and promote the group's short-, medium-, and long-term goals/plans. ■ Supervise and coordinate the achievement and tracking of the annual goals and work plans of each business group (division) of the group. ■ Responsible for the Company's cost management. ■ Implement social responsibility business. ■ Cultivate, develop, and manage the group’s human resources. ■ Integrate the group’s information operations and various computers to improve work efficiency.
Audit Office	■ Audit the implementation of the Company's various rules and regulations. ■ Provide management and implementation units with improvement opinions and relevant matters.
Central Quality Assurance Division	■ Test and conduct assurance of new products ■ Establish reliability testing and verification standards. ■ Promote, maintain, supervise, and implement the ISO9001, ISO13485, and IATF16949 quality management systems. ■ Manage hazardous substance free- (HSF-)related substances and analyze and handle relevant anomalies. ■ Assist with the establishment (revision) and integration of the quality/ environmental management systems of the various departments of the group. ■ Prevent, guarantee, and execute the quality of the products produced by the Company.
Global Strategic Procurement Division	■ Manage suppliers. ■ Purchase materials and components that meet quality regulations. ■ Manage shipment and storage of materials and finished goods. ■ Formulate and implement annual material price reduction strategies. ■ Conduct comparative analyses of market prices. ■ Participate in new product development and provide resources and negotiate prices.
Finance and Accounting Administration Center	■ Supervise the implementation effectiveness of each functional organization of the group and evaluate business performance. ■ Obtain, use, and allocate short-, medium-, and long-term funds of the group. ■ Manage and control accounting matters and funds.
Mobile Technology Business Group Enterprise System Business Group Smart Power Business Group Electric Vehicle Energy Business Group	■ Design and develop various power products. ■ Introduce technologies for power products and support. ■ Develop and improve existing products. ■ Plan and design new technology products. ■ Assist in solving engineering technical problems in the mass production stage. ■ Collect and analyze product and market information. ■ Develop new markets, new products, and new customers. ■ Calculate, control, and assist with costs related to design/sample/mold/safety certificate/manpower/equipment/materials/transportation/business travel/environmental protection/testing
Core Competence Unit	■ Responsible for the mechanical design, layout design, and other relevant needs of each business group. ■ Plan for mechanical design and plan for layout design and introduction. ■ Solve manufacturing and engineering technological and safety certification-

Department name	Business
	related problems for mass production of products. ■ Responsible for software analyses, design, and programming. ■ Responsible for mold design, mold opening, mold trial, review and modification of molds, and solve issues related to mold heat transfer analyses/temperature measurement/heat dissipation, while familiarized with the application of various heat sinks.
Technical Support Division	■ Formulate product testing procedures and operating instructions. ■ Responsible for safety certification of various products. ■ Develop, modify, archive, and keep technical documents.
Manufacturing Center	■ Follow the plan to achieve the operating goals as instructed by the Company. ■ Produce products that meet customers' requirements on time in accordance with production specifications and standard operating procedures. ■ Maintain and plan for production machines and factory facilities. ■ Implement the quality policy and work to achieve quality goals, and coordinate relevant departments to solve quality problems. ■ Design processes and make improvements. ■ Manage subcontractors. ■ Manage after-sales service.

II. Information on Directors, General Managers, Vice Presidents, Assistant Vice Presidents, Heads of Departments and Branches

(I) Director

April 18, 2021

Title	Nationality or place of registration	Name	Gender	Date of elected	Term of office	Date of first elected	Ownership upon elected		Current shareholdings		Current shareholdings by spouse and minor children		Shareholdings in the name of others		Main experience (education)	Positions concurrently held at other companies	Other heads, directors, or supervisors with a spousal relationship or second degree of kinship			Note
							Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership			Title	Name	Relationship	
Chairman	ROC	Peter Lin	Male	2020.6.10	3 years	1981.6.15	51,703,063	15.31%	51,703,063	15.31%	3,813,236	1.13%	0	0	Chairman, Phihong Technology Co. Ltd. Sales Engineer, of I Yu Electric Co. Ltd. Electronic Equipment Maintenance Department, National Chia-Yi Industrial Vocational High School	Chairman, Guang-Lai Chairman, Spring City Resort Co., Ltd. Chairman, Phihong (Dongguan) Electronics Co., Ltd. Chairman, Phihong Electronics (Suzhou) Co., Ltd. Chairman, Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. Chairman, Yanghong Trade (Shanghai) Co., Ltd. Chairman, Dongguan Shuang-Ying Electronics Co., Ltd. Chairman, N-Lighten Technologies, Inc. General Manager, Phihong Vietnam Co., Ltd. Director, Phihong International Corp. Director (Institutional Representative), Phitek International Co., Ltd. Director (Institutional Representative), Ascent Alliance Ltd. Director (Institutional Representative), H&P Venture Capital Co., Ltd. Director (Institutional Representative), Han-Yu Venture Capital Co., Ltd. Director (Institutional Representative), Zhong-Xuan Venture Capital Co., Ltd. Supervisor (Institutional Representative), Taiwan Cultural & Creativity No. 1 Co., Ltd. Chairman, Progen Electronic Technology (Shanghai) Co., Ltd. Chairman, Hong Ding Educational Technology Co., Ltd. Director, Yao Yu Design Co., Ltd. Director, Hua Jung Co., Ltd. Director (Institutional Representative), Wan-Chang Venture Capital Co., Ltd.	Director Director	Fei-Hung Lin Allan Lin	Father-son Father-son	Note 1
Director	ROC	Fei-Hung Lin (Note 2)	Male	2020.6.10	3 years	2020.6.10	3,376,000	1.00%	3,376,000	1.00%	0	0	0	0	Special Assistant to the Chairman of Phihong Technology Co. Ltd. / Head of Electric Vehicle Energy Business Unit Executive Vice President, Spring City Resort Co., Ltd. Takushoku University	Chairman (Institutional Representative), Phihong USA Corp. Representative Director, Phihong Technology Japan Co., Ltd. Supervisor (Institutional Representative), Phihong Electronics (Suzhou) Co., Ltd. Supervisor (Institutional Representative), Yanghong Trade (Shanghai) Co., Ltd. Director (Institutional Representative), Dongguan Shuang-Ying Electronics Co., Ltd. Director (Institutional Representative), Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. Director, Hong Ding Educational Technology Co., Ltd. Director, JD Power Co., Ltd.	Chairman Director	Peter Lin Allan Lin	Father-son Brothers	None

Title	Nationality or place of registration	Name	Gender	Date of elected	Term of office	Date of first elected	Ownership upon elected		Current shareholdings		Current shareholdings by spouse and minor children		Shareholdings in the name of others		Main experience (education)	Positions concurrently held at other companies	Other heads, directors, or supervisors with a spousal relationship or second degree of kinship			Note
							Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership			Title	Name	Relationship	
Director	ROC	Shih-Hsiung Yang (Note 3)	Male	2020.6.10	3 years	2008.6.13	5,000	0	1,000	0	0	0	0	0	Chief Consultant, eASPNet Taiwan Inc. PhD, Institute of Information Engineering, National Jiaotong University	None	None	None	None	None
Director	ROC	Ming-Chih Chou	Male	2020.6.10	3 years	2014.6.19	0	0	0	0	0	0	0	0	Chairman, Ming-Xin Venture Capital Co., Ltd. Graduate Institute of Management, National Taiwan University of Science and Technology	Chairman, Zhi-Xin Investment Co., Ltd. Director, Amtran Technology Co., Ltd. Director, BMB Venture Capital Investment Corporation Director (Institutional Representative), H&P Venture Capital Co., Ltd. Director, Zhong-Xuan Venture Capital Co., Ltd. Independent Director, AzureWave Technologies, Inc.	None	None	None	None
Director	ROC	Chia-Koun Wang	Male	2020.6.10	3 years	2005.6.14	0	0	0	0	0	0	0	0	Chairman, Chin Shen Health Management Consultant Co. MBA, University of San Diego, USA	Chairman, Hong-Qun Development and Construction Co., Ltd. Independent Director, Shihlin Development Company Limited Director, Ming-Tai Entertainment Co., Ltd.	None	None	None	None
Director	ROC	Tah-Jen Chou	Male	2020.6.10	3 years	2005.6.14	0	0	0	0	0	0	0	0	Chairman, CTC Capital, Inc. Bachelor of Laws, Soochow University Master of Laws, Harvard Law School	Independent Director, Amtran Technology Co., Ltd. Supervisor, Aurotek Corporation Director, imedtac Co., Ltd. Director, N-Lighten Technologies, Inc.	None	None	None	None
Director	ROC	Wei-Feng Chiang	Male	2020.6.10	3 years	2011.6.15	0	0	0	0	0	0	0	0	Chairman, Black Marble Capital Management Co., Ltd. Master of Business Administration, National Chung Hsing University	Chairman, MegaPro Biomedical Co., Ltd. Director, Ritek Corporation Director, Amtran Technology Co., Ltd. Director, Hua Jung Co., Ltd. Director, HT Precision Technologies, Inc.	None	None	None	None
Director	ROC	Kuan Feng Investment Ltd.	Not applicable	2020.6.10	3 years	2003.6.9	3,034,905	0.90%	3,034,905	0.90%	0	0	0	0	None	None	None	None	None	None
		Institutional Representative Allan Lin	Male				3,384,000	1.00%	3,384,000	1.00%	63	0	0	0	General Manager, Phihong Technology Co. Ltd. San Jose State University Business Administration (Marketing)	Director (Institutional Representative), Phihong (Dongguan) Electronics Co., Ltd. Director (Institutional Representative), Dongguan Phitek Electronics Co., Ltd. Director (Institutional Representative), Phihong Electronics (Suzhou) Co., Ltd. Director (Institutional Representative), Yanghong Trade (Shanghai) Co., Ltd. Director (Institutional Representative), Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. Director (Institutional Representative), Guang-Lai	Chairman Director	Peter Lin Fei-Hung Lin	Father-son Brothers	Note 1
Independent Director	ROC	Yu-Yuan Hung	Male	2020.6.10	3 years	2017.6.14	0	0	0	0	0	0	0	0	Chairman, San-Gui Construction Co., Ltd. PhD in Management, University of Sydney, Australia	Director, Shun-An Development and Construction Co., Ltd. Chairman, Hong-Cheng Development and Construction Co., Ltd. Chairman of Cai-Fa Development and Construction Co., Ltd. Director, Ting-Mao Construction Co., Ltd.	None	None	None	None

Title	Nationality or place of registration	Name	Gender	Date of elected	Term of office	Date of first elected	Ownership upon elected		Current shareholdings		Current shareholdings by spouse and minor children		Shareholdings in the name of others		Main experience (education)	Positions concurrently held at other companies	Other heads, directors, or supervisors with a spousal relationship or second degree of kinship			Note
							Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership			Title	Name	Relationship	
Independent Director	ROC	Kuei-Hung Lin	Male	2020.6.10	3 years	2017.6.14	20,578	0.01%	20,578	0.01%	0	0	0	0	Head of LOHAS Outdoor Products Enterprise Department of Public Administration, Tamkang University	None	None	None	None	None
Independent Director	ROC	Hsien-Ta Chang	Male	2020.6.10	3 years	2017.6.14	0	0	0	0	0	0	0	0	Head of Tang-Zhe Enterprise Private Taibei Senior High School	Chairman, Wei Dao Ltd.	None	None	None	None

Note 1: (1) The Chairman and General Manager of the Company are relatives within the first degree of kinship. The reason, reasonableness, and necessity:

Allan Lin, Group General Manager of the Company, graduated from the San Jose State University, U.S. During his studies in the U.S., he began to participate in the planning of the business of Phihong's subsidiary in the U.S. After graduating, he returned to Taiwan (headquarters of Phihong), and started out as a salesperson at the grassroots level, devoted himself to the field of business development, and, thus, accumulated extensive marketing experience in the electronic technology industry/domestic and overseas customer markets, especially; particularly, he has many years of practical experience in the Company's main product: power supply business In the meager profit era, when the Company is facing rapid changes in the product environment, Mr. Allan Lin has even taken the initiative to take on the great responsibility as the Company's Executive Vice President. During this period, he has faced severe challenges fearlessly despite hardships.

Phihong has a complete corporate governance and internal control system. The Chairman and General Manager are relatives within the first degree of kinship, which is a plus for operation and management as it is easier to communicate with each other and form a consensus, fully demonstrating corporate flexibility and high-efficiency operations. Mr. Allan Lin was promoted to General Manager by the board of directors on October 1, 2019, and he also played his role to the fullest to lead Phihong to explore the unknown future while upholding the Company's mission of sustainable development.

(2) Countermeasure: The Company has engaged three independent directors, and more than half of the directors do not serve as employees or managers concurrently at the Company.

Note 2: Director Fei-Hung Lin was elected at the election of directors at the shareholders' meeting on June 10, 2020

Note 3: Director Shih-Hsiung Yang was dismissed on April 9, 2021 for the transfer of shares more than one-half of the shares held at the time of election.

Major shareholders of the institutional shareholders

April 18, 2021

Name of Institutional shareholder	Major shareholders of the institutional shareholders	Percentage of ownership
Kuan Feng Investment Ltd.	Kuan-Hung Lin	16.67%
	Peter Lin	16.67%
	Shu-Nu Chien	16.67%
	Allan Lin	16.67%
	Fei-Hung Lin	16.66%
	Hsin-I Lin	16.66%

The major shareholder of an institutional shareholder is a representative of the institutional shareholder: None.

Professional knowledge and independence of directors

April 18, 2021

Qualifications / Name	More than five years of work experience and the following professional qualifications			Independence (Note 1)												A concurrent independent director at other public companies and the number of said companies
	A lecturer or above in public and private colleges and universities in business, laws, finance, accounting, or relevant departments related to the company's business	A judge, prosecutor, lawyer, accountant, or another professional or technician who has passed the national examination with a certificate related to the company's business	Work experience in business, laws, finance, accounting, or fields related to the company's business	1	2	3	4	5	6	7	8	9	10	11	12	
Peter Lin	No	No	Yes					✓	✓			✓		✓	✓	None
Fei-Hung Lin	No	No	Yes					✓	✓			✓		✓	✓	None
Shih-Hsiung Yang	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chia-Koun Wang	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ming-Chih Chou	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Tah-Jen Chou	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wei-Feng Chiang	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Kuan Feng Investment Ltd. Representative: Allan Lin	No	No	Yes					✓	✓			✓		✓		None
Yu-Yuan Hung	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Kuei-Hung Lin	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Hsien-Ta Chang	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1: For any director who meets the following conditions two years before the election and appointment and during their tenure, please place a "✓" in the box below each condition code.

(1) Not an employee of the Company or its associates.

(2) Not a director or supervisor of the Company or its associates (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary, or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(3) Not a director, spouse, minor children thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company or with top ten ownership in the name of others.

(4) Not the manager listed in (1) or the spouse, relatives within the second degree of kinship or direct blood relatives within the third degree of kinship of the person listed in (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder who directly holds more than 5% of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(8) Not a director (managing director), supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(9) Not a professional individual who, or an owner, partner, director (managing director), supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. Provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Security and Exchanges Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.

(10) Not a spouse or a relative within the second degree of kinship of another director.

(11) Not meeting any of the circumstances in Article 30 of the Company Act.

(12) No government, juridical person, or representative thereof elected as stipulated in Article 27 of the Company Act.

(II) General Managers, Vice Presidents, Assistant Vice Presidents, Heads of Departments and Branches

April 18, 2021

Title	Nationality	Name	Gender	Date of taking office	Ownership		Shareholdings by spouse and minor children		Shareholdings in the name of others		Main experience (education)	Positions concurrently held at other companies	Manager with a spousal relationship or second degree of kinship			Note
					Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership			Title	Name	Relationship	
Chairman and CEO	ROC	Peter Lin	Male	1981.06.15	51,703,063	15.31%	3,813,236	1.13%	0	0	Chairman, Phihong Technology Co. Ltd. Sales Engineer, of I Yu Electric Co. Ltd. Electronic Equipment Maintenance Department, National Chia-Yi Industrial Vocational High School	Chairman, Guang-Lai Chairman, Spring City Resort Co., Ltd. Chairman, Phihong (Dongguan) Electronics Co., Ltd. Chairman, Phihong Electronics (Suzhou) Co., Ltd. Chairman, Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. Chairman, Yanghong Trade (Shanghai) Co., Ltd. Chairman, Dongguan Shuang-Ying Electronics Co., Ltd. Chairman, N-Lighten Technologies, Inc. General Manager, Phihong Vietnam Co., Ltd. Director, Phihong International Corp. Director (Institutional Representative), Phitek International Co., Ltd. Director (Institutional Representative), Ascent Alliance Ltd. Director (Institutional Representative), H&P Venture Capital Co., Ltd. Director (Institutional Representative), Han-Yu Venture Capital Co., Ltd. Director (Institutional Representative), Zhong-Xuan Venture Capital Co., Ltd. Supervisor (Institutional Representative), Taiwan Cultural & Creativity No. 1 Co., Ltd. Chairman, Progen Electronic Technology (Shanghai) Co., Ltd. Chairman, Hong Ding Educational Technology Co., Ltd. Director, Yao Yu Design Co., Ltd. Director, Hua Jung Co., Ltd. Director (Institutional Representative), Wan-Chang Venture Capital Co., Ltd.	General Manager	Allan Lin	Father-son	Note 1
General Manager	ROC	Allan Lin	Male	2019.10.01	3,384,000	1.00%	63	0	0	0	General Manager, Phihong Technology Co. Ltd. San Jose State University Business Administration (Marketing)	Director (Institutional Representative), Phihong (Dongguan) Electronics Co., Ltd. Director (Institutional Representative), Dongguan Phitek Electronics Co., Ltd. Director (Institutional Representative), Phihong Electronics (Suzhou) Co., Ltd. Director (Institutional Representative), Yanghong Trade (Shanghai) Co., Ltd. Director (Institutional Representative), Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. Director (Institutional Representative), Guang-Lai	Chairman and CEO	Peter Lin	Father-son	Note 1
Vice President, Advanced R&D Center	ROC	Jim Chen	Male	2010.11.01	71,432	0.02%	0	0	0	0	Vice President, Phihong Technology Co. Ltd. Director of R&D of Flextronics International (taiwan) Limited Department of Electronic Engineering, Chung Yuan Christian University	Supervisor, JD Power Co., Ltd.	None	None	None	None
Vice President, Advanced R&D Center	ROC	William Chang	Male	2014.10.01	63,091	0.02%	0	0	0	0	Vice President, Phihong Technology Co. Ltd. Leader, Manufacturing Department, Lianli Machinery Research Assistant, Manufacturing Department, Pan Yes Electronics Ltd. Maintenance Engineer, Manufacturing Department, Hwa Fong Telecommunication Ind. Ltd. Master's, University of North Alabama, USA	None	None	None	None	None

Title	Nationality	Name	Gender	Date of taking office	Ownership		Shareholdings by spouse and minor children		Shareholdings in the name of others		Main experience (education)	Positions concurrently held at other companies	Manager with a spousal relationship or second degree of kinship			Note
					Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership			Title	Name	Relationship	
Vice President, Marketing strategy	ROC	Wen-Song Jian	Male	2020.09.01	0	0	0	0	0	0	Vice President, Phihong Technology Co. Ltd. Marketing Director, Zippy Technology Corp Deputy General Manager, R&D, Bestec Power Electronics Co., Ltd. Project Manager, HP R&D Manager, Asian Power Devices Inc. R&D Manager, Skynet Electronic Co., Ltd. Electrical Engineer, Formosa Petrochemical Corporation Master's, Electrical and Computer Engineering, National Jiaotong University	None	None	None	None	None
Financial Officer	ROC	Pei-Yi Li (Note 3)	Female	2020.11.06	0	0	0	0	0	0	Manager, Finance Department, Phihong Technology Co. Ltd. Chief of a section, Wonderland Group Senior Specialist, LITE-ON Technology Specialist, Citibank Taiwan Department of Finance, National Chengchi University	Director (Institutional Representative), Wan-Chang Venture Capital Co., Ltd. Director (Institutional Representative), H&P Venture Capital Co., Ltd. Director (Institutional Representative), Paradigm Venture Capital Company Supervisor (Institutional Representative), Spring City Resort Co., Ltd.	None	None	None	None
Accounting Officer	ROC	Kuei-Chih Chen (Note 4)	Female	2020.11.06	0	0	0	0	0	0	Manager, Accounting Department, Phihong Technology Co. Ltd. Head of Auditing Team, Deloitte & Touche Department of Accounting, Soochow University	None	None	None	None	None

Note 1: (1) The Chairman and General Manager of the Company are relatives within the first degree of kinship. The reason, reasonableness, and necessity:

Allan Lin, Group General Manager of the Company, graduated from the San Jose State University, U.S. During his studies in the U.S., he began to participate in the planning of the business of Phihong's subsidiary in the U.S.After graduating, he returned to Taiwan (headquarters of Phihong), and started out as a salesperson at the grassroots level, devoted himself to the field of business development, and, thus, accumulated extensive marketing experience in the electronic technology industry/domestic and overseas customer markets, especially; particularly, he has many years of practical experience in the Company's main product: power supply business . In the meager profit era, when the Company is facing rapid changes in the product environment, Mr. Allan Lin has even taken the initiative to take on the great responsibility as the Company's Executive Vice President. During this period, he has faced severe challenges fearlessly despite hardships.

Phihong has a complete corporate governance and internal control system. The Chairman and General Manager are relatives within the first degree of kinship, which is a plus for operation and management as it is easier to communicate with each other and form a consensus, fully demonstrating corporate flexibility and high-efficiency operations. Mr. Allan Lin was promoted to General Manager by the board of directors on October 1, 2019, and he also played his role to the fullest to lead Phihong to explore the unknown future while upholding the Company's mission of sustainable development.

(2) Countermeasure: The Company has engaged three independent directors, and more than half of the directors do not serve as employees or managers concurrently at the Company.

Note 2: Wen-Song Jian was appointed as Vice President on September 1, 2020.

Note 3: Manager Pei-Yi Li was promoted to the Financial Officer on November 6, 2020.

Note 4: Manager Kuei-Chih Chen was promoted to the Accounting Officer on November 6, 2020.

III. Remuneration to Directors, Supervisors, General Managers, and Vice Presidents

(I) Remuneration to general directors, independent directors, supervisors, general managers, and vice presidents

1. Remuneration to general directors and independent directors

Unit: NT$ 1,000/1,000 shares

Title	Name	Remuneration to directors: Compensation (A) (Note 1): The Company	Compensation (A): All companies listed in the financial statements	Post-employment pension (B) (Note 2): The Company	Post-employment pension (B): All companies listed in the financial statements	Considerations to director (C) (Note 3): The Company	Considerations to director (C): All companies listed in the financial statements	Business execution expenses (D) (Note 4): The Company	Business execution expenses (D): All companies listed in the financial statements	Sum of A, B, C, and D as a percentage of the net income after tax: The Company	Sum of A, B, C, and D: All companies listed in the financial statements	Remuneration for working as employee concurrently: Salary, bonus, and special allowance (E) (Note 5): The Company	Salary, bonus, and special allowance (E): All companies listed in the financial statements	Post-employment pension (F) (Note 2): The Company	Post-employment pension (F): All companies listed in the financial statements	Employee compensation (G) (Note 6): The Company: Cash amount	Employee compensation (G): The Company: Stock amount	Employee compensation (G): All companies listed in the financial statements: Cash amount	Employee compensation (G): All companies listed in the financial statements: Stock amount	Sum of A, B, C, D, E, F, and G as a percentage of the net income after tax: The Company	Sum of A, B, C, D, E, F, and G: All companies listed in the financial statements	Remuneration from investees other than subsidiaries or parent company
Chairman	Peter Lin	0	0	0	0	0	0	0	0			9,470	14,779	0	0	0	0	0	0			None
Director	Shu-Nu Chien (Note 7)	0	0	0	0	0	0	18	18			0	0	0	0	0	0	0	0			None
Director	Fei-Hung Lin (Note 8)	0	0	0	0	0	0	0	0			1,559	1,559	0	0	0	0	0	0			None
Director	Shih-Hsiung Yang (Note 9)	0	0	0	0	0	0	150	150			0	0	0	0	0	0	0	0			None
Director	Chia-Koun Wang	0	0	0	0	0	0	150	150			0	0	0	0	0	0	0	0			None
Director	Ming-Chih Chou	0	0	0	0	0	0	150	150			0	0	0	0	0	0	0	0			None
Director	Wei-Feng Chiang	0	0	0	0	0	0	144	144			0	0	0	0	0	0	0	0			None
Director	Tah-Jen Chou	0	0	0	0	0	0	150	150	-0.83%	-0.83%	0	0	0	0	0	0	0	0	-11.60%	-15.04%	None
Director	Kuan Feng Investment Ltd.	0	0	0	0	0	0	0	0			0	0	0	0	0	0	0	0			None
	Institutional Representative: Allan Lin	0	0	0	0	0	0	0	0			5,513	5,513	108	108	0	0	0	0			None
Independent Director	Yu-Yuan Hung	0	0	0	0	0	0	178	178			0	0	0	0	0	0	0	0			None
Independent Director	Kuei-Hung Lin	0	0	0	0	0	0	178	178			0	0	0	0	0	0	0	0			None
Independent Director	Hsien-Ta Chang	0	0	0	0	0	0	168	168			0	0	0	0	0	0	0	0			None

1. Independent directors' remuneration payment policy, system, standard, and structure; and state the relevance to the amount of remuneration paid based on the responsibilities, risks, time of dedication, and other factors:
   (1) Independent directors' remuneration paid is based on the provisions of the Company's Articles of Association and the actual period of serving as an independent director and the degree of responsibilities attached to the position.
   (2) The performance appraisal and reasonableness of the remuneration to independent directors are reviewed by the Compensation Committee and the board of directors, and the remuneration system is reviewed at any time based on the actual operating conditions and relevant laws and regulations to meet the Company's sustainable development and to ensure balance of risk control.
2. Except as disclosed in the table above, the remuneration received by the directors of the Company for providing services to all companies listed in the financial statements (such as serving as a non-employee consultant, etc.) in the most recent year: Not applicable.

Note 1: Salary, allowance, severance payment, various bonuses, incentives, etc. for directors in 2020.

Note 2: The amount of appropriation or contribution of post-employment pension expensed for directors in 2020; there was no post-employment pension actually paid in 2020.

Note 3: It is handled in accordance with the Company's Articles of Association. The Company did not plan to distribute remuneration to directors for the net loss after tax suffered for 2020.

Note 4: Directors' relevant business execution expenses in 2020 (including honoraria, special allowance, various allowances, dormitories, company cars assigned, etc.).

Note 5: Payments received by directors who worked as employees concurrently (including general manager, vice president, or other managers and employees) in 2020, include salary, allowance, severance payment, various bonuses, incentives, honoraria, special allowance, various allowances, dormitories, company cars assigned, etc. In addition, salary expenses recognized in accordance with IFRS 2 "Share-Based Payment", including obtaining employee stock warrants, employee restricted shares, and subscription of shares for cash capital increase, which shall also be included in remuneration.

Note 6: Directors who received employee compensation (including stocks and cash) for serving as employees concurrently (including concurrently serving general manager, vice president, or other managers and employees) in the most recent year, which was handled in accordance with the Company's Articles of Association. It was planned that no employee compensation would be distributed as the Company suffered net loss after tax in 2020.

Note 7: Director Shu-Nu Chien was dismissed after the election of directors at the shareholders' meeting on June 10, 2020, and her remuneration was calculated from January 1, 2020 to June 10, 2020.

Note 8: Director Fei-Hung Lin was elected after the election of directors at the shareholders' meeting on June 10, 2020, and his remuneration was calculated from June 10, 2020 to December 31, 2020.

Note 9: Director Shih-Hsiung Yang was dismissed on April 9, 2021 for the transfer of shares more than one-half of the shares held at the time of election.

Table of Remuneration Ranges

<table>
<tr><th rowspan="3"></th><th colspan="4">Name of director</th></tr>
<tr><th colspan="2">Sum of the first four items (A+B+C+D)</th><th colspan="2">Sum of the first seven items (A+B+C+D+E+F+G)</th></tr>
<tr><th>The Company</th><th>All companies listed in the financial statements I</th><th>The Company</th><th>All companies listed in the financial statements J</th></tr>
<tr><td>Less than NT$1,000,000</td><td>Peter Lin
Shu-Nu Chien
Fei-Hung Lin
Chia-Koun Wang
Shih-Hsiung Yang
Ming-Chih Chou
Tah-Jen Chou
Wei-Feng Chiang
Yu-Yuan Hung
Kuei-Hung Lin
Hsien-Ta Chang
Kuan Feng Investment Ltd.
Representative: Allan Lin</td><td>Peter Lin
Shu-Nu Chien
Fei-Hung Lin
Chia-Koun Wang
Shih-Hsiung Yang
Ming-Chih Chou
Tah-Jen Chou
Wei-Feng Chiang
Yu-Yuan Hung
Kuei-Hung Lin
Hsien-Ta Chang
Kuan Feng Investment Ltd.
Representative: Allan Lin</td><td>Shu-Nu Chien
Chia-Koun Wang
Shih-Hsiung Yang
Ming-Chih Chou
Tah-Jen Chou
Wei-Feng Chiang
Yu-Yuan Hung
Kuei-Hung Lin
Hsien-Ta Chang
Kuan Feng Investment Ltd.</td><td>Shu-Nu Chien
Chia-Koun Wang
Shih-Hsiung Yang
Ming-Chih Chou
Tah-Jen Chou
Wei-Feng Chiang
Yu-Yuan Hung
Kuei-Hung Lin
Hsien-Ta Chang
Kuan Feng Investment Ltd.</td></tr>
<tr><td>NT$1,000,000 (inclusive)–NT$2,000,000 (not inclusive)</td><td>-</td><td>-</td><td>Fei-Hung Lin</td><td>Fei-Hung Lin</td></tr>
<tr><td>NT$2,000,000 (inclusive)–NT$3,500,000 (not inclusive)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$3,500,000 (inclusive)–NT$5,000,000 (not inclusive)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$5,000,000 (inclusive)–NT$10,000,000 (not inclusive)</td><td>-</td><td>-</td><td>Peter Lin
Representative: Allan Lin</td><td>Representative: Allan Lin</td></tr>
<tr><td>NT$10,000,000 (inclusive)–NT$15,000,000 (not inclusive)</td><td>-</td><td>-</td><td>-</td><td>Peter Lin</td></tr>
<tr><td>NT$15,000,000 (inclusive)–NT$30,000,000 (not inclusive)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$30,000,000 (inclusive)–NT$50,000,000 (not inclusive)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$50,000,000 (inclusive)–NT$100,000,000 (not inclusive)</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NT$100,000,000 or more</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>13 people</td><td>13 people</td><td>13 people</td><td>13 people</td></tr>
</table>

2. Remuneration to supervisors: Not applicable

3. Remuneration to general managers and vice presidents

Unit: NT$ 1,000/1,000 shares

Title	Name	Salary (A) (Note 1)		Post-employment pension (B) (Note 2)		Bonus and special allowance (C) (Note3)		Employee compensation (D) (Note 4)				Sum of A, B, C, and D as a percentage of the net income after tax (%)		Whether receive remuneration from investees other than subsidiaries or parent company
		The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company		All companies listed in the financial statements		The Company	All companies listed in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman and CEO	Peter Lin	6,278	11,586	0	0	3,193	3,193	0	0	0	0	-16.16%	-19.60%	None
General Manager	Allan Lin	4,248	4,248	108	108	1,265	1,265	0	0	0	0			None
Vice President, Advanced R&D Center	Jim Chen	3,549	3,549	108	108	440	440	0	0	0	0			None
Vice President, Advanced R&D Center	William Chang	2,310	2,310	108	108	400	400	0	0	0	0			None
Finance and Administration Center Vice General Manager	Ho-Ching Huang (Note 5)	1,723	1,723	72	72	0	0	0	0	0	0			None
Vice President, Marketing strategy	Wen-Song Jian (Note 6)	800	800	36	36	350	350	0	0	0	0			None

Note 1: Salary, allowance, and severance payment for the chairman and CEO, general managers, and vice presidents in 2020.

Note 2: The amount of appropriation or contribution of post-employment pension expensed for the chairman and CEO, general managers, and vice presidents in 2020.

Note 3: Various bonuses, incentives, honoraria, special allowance, various allowances, dormitories, company cars assigned, and other remunerations provided to the chairman and CEO, general managers, and vice presidents in 2020. In addition, salary expenses recognized in accordance with IFRS 2 "Share-Based Payment", including obtaining employee stock warrants, employee restricted shares, and subscription of shares for cash capital increase, which shall also be included in remuneration.

Note 4: It is handled in accordance with the Company's Articles of Association. The Company did not plan to distribute employee compensation for the net loss after tax suffered for 2020.

Note 5: Vice President Ho-Ching Huang resigned on September 1, 2020, and his remuneration was calculated from January 1, 2020 to August 31, 2020.

Note 6: Wen-Song Jian was appointed as Vice President on September 1, 2020, and his remuneration was calculated from September 1, 2020 to December 31, 2020.

Table of Remuneration Ranges

	Name of general manager and vice president	
	The Company	All companies listed in the financial statements E
Less than NT$1,000,000	-	-
NT$1,000,000 (inclusive)–NT$2,000,000 (not inclusive)	Wen-Song Jian/Ho-Ching Huang	Wen-Song Jian/Ho-Ching Huang
NT$2,000,000 (inclusive)–NT$3,500,000 (not inclusive)	William Chang	William Chang
NT$3,500,000 (inclusive)–NT$5,000,000 (not inclusive)	Jim Chen	Jim Chen
NT$5,000,000 (inclusive)–NT$10,000,000 (not inclusive)	Peter Lin/Allan Lin	Allan Lin
NT$10,000,000 (inclusive)–NT$15,000,000 (not inclusive)	-	Peter Lin
NT$15,000,000 (inclusive)–NT$30,000,000 (not inclusive)	-	-
NT$30,000,000 (inclusive)–NT$50,000,000 (not inclusive)	-	-
NT$50,000,000 (inclusive)–NT$100,000,000 (not inclusive)	-	-
NT$100,000,000 or more	-	-
Total	6 people	6 people

4. Remuneration of the executives with the top five highest remuneration

Unit: NT$ 1,000/1,000 shares

Title	Name	Salary (A) (Note 1)		Post-employment pension (B) (Note 2)		Bonus and special allowance (C) (Note3)		Employee compensation (D) (Note4)				Sum of A, B, C, and D as a percentage of the net income after tax (%)		Whether receive remuneration from investees other than subsidiaries or parent company
		The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company	All companies listed in the financial statements	The Company		All companies listed in the financial statements		The Company	All companies listed in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chairman and CEO	Peter Lin	6,278	11,586	0	0	3,193	3,193	0	0	0	0	-15.40%	-18.83%	None
General Manager	Allan Lin	4,248	4,248	108	108	1,265	1,265	0	0	0	0			None
Vice President, Advanced R&D Center	Jim Chen	3,549	3,549	108	108	440	440	0	0	0	0			None
Vice President, Advanced R&D Center	William Chang	2,310	2,310	108	108	400	400	0	0	0	0			None
Finance and Administration Center Vice General Manager	Ho-Ching Huang (Note 5)	1,723	1,723	72	72	0	0	0	0	0	0			None

Note 1: Salary, allowance, and severance payment for the executives with the top five highest remuneration in 2020.

Note 2: Post-employment pension for the executives with the top five highest remuneration in 2020.

Note 3: Various bonuses, incentives, honoraria, special allowance, various allowances, dormitories, company cars assigned, and other remunerations provided by to the executives with the top five highest remuneration in 2020. In addition, salary expenses recognized in accordance with IFRS 2 "Share-Based Payment", including obtaining employee stock warrants, employee restricted shares, and subscription of shares for cash capital increase, which shall also be included in remuneration.

Note 4: It is handled in accordance with the Company's Articles of Association. The Company did not plan to distribute employee compensation for the net loss after tax suffered for 2020.

Note 5: Vice President Ho-Ching Huang resigned on September 1, 2020, and his remuneration was calculated from January 1, 2020 to August 31, 2020.

5. Name of managers receiving employee compensation and the distribution status

December 31, 2020; unit: NT$ 1,000

	Title (Note 1)	Name (Note 1)	Stock amount (Note 2)	Cash amount (Note 2)	Total	Sum as a percentage of net income after tax (%)
Manager	Chairman and CEO	Peter Lin	0	0	0	0%
	General Manager	Allan Lin				
	Finance and Administration Center Vice General Manager	Ho-Ching Huang (Note 3)				
	Vice President, Advanced R&D Center	Jim Chen				
	Vice President, Advanced R&D Center	William Chang				
	Vice President, Marketing strategy	Wen-Song Jian (Note 4)				
	Global Strategic Procurement Division Assistant Vice President	Chih-Lung Hung (Note 5)				
	Financial Officer	Pei-Yi Li (Note 6)				
	Accounting Officer	Kuei-Chih Chen (Note 7)				

Note 1: Individual names and titles shall be disclosed separately, but the earnings distribution may be disclosed in an aggregate manner.

Note 2: It is handled in accordance with the Company's Articles of Association. The Company did not plan to distribute employee compensation for the net loss after tax suffered for 2020.

Note 3: Vice President Ho-Ching Huang resigned on September 1, 2020, and his employee compensation was calculated from January 1, 2020 to August 31, 2020.

Note 4: Wen-Song Jian was appointed as Vice President on September 1, 2020, and his remuneration was calculated from September 1, 2020 to December 31, 2020.

Note 5: Assistant Vice President Chih-Lung Hung was dismissed on October 1, 2020, and his employee compensation was calculated from January 1, 2020 to September 30, 2020.

Note 6: Pei-Yi Li was acted as Financial Officer on September 1, 2020, and appointed on November 6, 2020, and her employee compensation was calculated from November 6, 2020 to December 31, 2020.

Note 7: Kuei-Chih Chen was acted as Accounting Officer on September 1, 2020, and appointed on November 6, 2020, and her employee compensation was calculated from November 6, 2020 to December 31, 2020.

(II) Comparison and illustration of the analysis of the total remuneration paid to the directors, general managers, and vice presidents of the Company in the most recent two years by the Company and all companies in the consolidated statements as a percentage of the net income after tax, and description the remuneration policies, standards and combinations, and the procedures for determining remuneration, as well as relevance of remuneration to business performance and future risks

<table>
<tr><th rowspan="2">Year</th><th colspan="2">Remuneration to directors, general managers, and vice presidents</th><th colspan="2">Remuneration to directors, general managers, and vice presidents by all companies listed in the consolidated statements</th><th rowspan="2">Remuneration policies, standards and combinations, procedures for determining remuneration, description of the relevance of remuneration to business performance and future risks</th></tr>
<tr><th>Total (NT$1,000)</th><th>as a percentage of net income after tax (%)</th><th>Total (NT$1,000)</th><th>as a percentage of net income after tax (%)</th></tr>
<tr><td>2019</td><td>27,634</td><td>-72.46%</td><td>33,198</td><td>-87.05%</td><td rowspan="2">I. Remuneration to directors is adjusted in accordance with the Company’s Articles of Association and the actual conditions below:
1.The actual period of serving as a director and the degree of responsibilities attached.
2.The attendance rate of each director and the degree of participation in the Company's internal operations.
II. Manager’s remuneration includes the following:
1. The monthly salary for each supervisor.
2. Internal bonus distributed.
3. Employee compensation is adjusted according to the standards below:
(1)With reference to the Company's operating conditions.
(2) Work performance and contribution of supervisors at all levels.
(3) With reference to internal regulations
III.The performance appraisal and reasonableness of the remuneration to directors and managers are reviewed by the Compensation Committee and the board of directors, and the remuneration system is reviewed at any time based on the actual operating conditions and relevant laws and regulations to meet the Company's sustainable development and to ensure balance of risk control.
IV. It is handled in accordance with the Company's Articles of Association. The Company did not plan to distribute remuneration to directors and employee compensation for the net loss after tax suffered for 2020.</td></tr>
<tr><td>2020</td><td>27,832</td><td>-18.00%</td><td>33,141</td><td>-21.44%</td></tr>
</table>

IV. Corporate Governance

(I) The operation of the board of directors:

In the most recent year (from January 1, 2020 to December 31, 2020), the board of directors met 7 times (A), and the attendance of directors is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Note
Chairman	Peter Lin	5	1	71.43%	Directors elected at the shareholders' meeting on June 10, 2020 shall attend 7 board meetings.
Director	Kuan Feng Investment Ltd. Representative: Allan Lin	7	0	100.00%	
Director	Chia-Koun Wang	7	0	100.00%	
Director	Shih-Hsiung Yang	7	0	100.00%	
Director	Ming-Chih Chou	7	0	100.00%	
Director	Tah-Jen Chou	7	0	100.00%	
Director	Wei-Feng Chiang	6	1	85.71%	
Director	Fei-Hung Lin	3	0	75.00%	Director elected at the shareholders' meeting on June 10, 2020 shall attend 4 board meetings.
Director	Shu-Nu Chien	3	0	100.00%	Director dismissed at the shareholders' meeting on June 10, 2020 shall attend 3 board meetings.
Independent Director	Yu-Yuan Hung	7	0	100.00%	Independent director elected at the shareholders' meeting on June 10, 2020 shall attend 7 board meetings.
Independent Director	Kuei-Hung Lin	7	0	100.00%	
Independent Director	Hsien-Ta Chang	6	1	85.71%	

Other special notes:

1. If the operation of the board of directors is under any of the following circumstances, the date, period, proposal content, all independent directors' opinions and the Company's handling of independent directors' opinions shall be stated：
   (1) Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee, so it is not applicable. For relevant information, please refer to the operation of the Audit Committee in this annual report.
   (2) In addition to said matters, other board meeting resolutions for which independent directors opposed or had reservation about with records or written statements: Not applicable.

2. Regarding the directors' recusal from proposals with conflicts of interest, the name of director, content of proposal, reasons for recusal, and the circumstances of participation in voting shall be stated:

Date of board meeting	Proposal content	Reasons for recusal and participation in voting
2020.03.13 13th board of directors 22th meeting	Proposal for removal of the non-compete clause for new directors (including independent directors).	Chairman Peter Lin, director Chia-Koun Wang, director Ming-Chih Chou, director Tah-Jen Chou, and director Wei-Feng Chiang, and special assistant Fei-Hung Lin were the interested parties of the proposal, so they did not participate in the discussion and voting in accordance with the recusal policy under Article 206 of the Company Act, and the proposal was passed as proposed.
	Deliberation of the Company’s directors and independent directors’ honoraria and the 2019 business execution expenses.	The directors and independent directors were the interested parties in this proposal. When discussing the individual remuneration, every director did not participate in the discussion and voting in accordance with the recusal policy under Article 206 of the Company Act, and the proposal was passed as proposed.
2020.06.10 14th board of directors 1st meeting	The Company’s 4th Compensation Committee member appointment proposal.	Independent directors Yu-Yuan Hung, Kuei-Hung Lin, and Hsien-Ta Chang were the interested parties in this proposal, and did not participate in the discussion and voting in accordance with the recusal policy under Article 206 of the Company Act, and the proposal was passed as proposed.
	The Company's 2nd Nomination Committee member appointment proposal.	
2020.08.28 14th board of directors 3rd meeting	Proposal for adjustment to salary for directors who served as employees of the Company concurrently.	Chairman Peter Lin (by proxy), director Allan Lin, and director Fei-hung Lin were the interested parties in this proposal, and they did not participate in the discussion and voting in accordance with the recusal policy under Article 206 of the Company Act, and the proposal was passed as proposed.
2020.11.06 14th board of directors 4th meeting	Deliberation of the leasing proposal for the company car assigned to the general manager.	Director Allan Lin was the interested parties in this proposal, and did not participate in the discussion and voting in accordance with the recusal policy under Article 206 of the Company Act, and the proposal was passed as proposed.

3.Information on the cycle and period, scope, method, and content of the Company's board of directors' self-evaluation.

Cycle	Period	Scope	Method	Content
Once a year	Performance of the board of directors from January 1, 2020 to December 31, 2020.	Evaluation of the performance of the board of directors, individual directors, and functional committees	Internal self-evaluation of the board of directors, self-evaluation of directors,and other appropriate methods	1. Performance evaluation of the board of directors: Degree of participation in company operations, improvement of the decision-making quality of the board of directors, composition and structure of the board of directors, election appointment of directors, and continuing education of directors, internal control, etc. 2.Performance evaluation of individual directors: Understanding of the Company's goals and tasks, awareness of directors' responsibilities, degree of participation in company operations, internal relationship management and communication, directors' professionalism and continuing education, internal control, etc. 3. Performance evaluation of functional committees: Degree of participation in the company operations, awareness of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees, and selection and appointment of members, internal control, etc.

4.Evaluation of the goals and implementation of strengthening the functions of the board of directors in 2020 and the most recent year:

(1) A summary of the Audit Committee's 2020 key work contents:

The Audit Committee of the Company is composed of 3 independent directors. The Audit Committee aims to assist the board of directors in supervising the quality and integrity of the Company's implementation of accounting, auditing, financial reporting procedures, and financial control.

The Audit Committee held 6 meetings in 2020, and the main items deliberated include:

A.Formulation or amendment to the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.

B.Evaluation of the effectiveness of the internal control system.

C.Formulation or amendment to the procedures for material financial activities, including acquisition or disposal of activities, engaging in derivatives trading, loaning of funds to others, and providing endorsement or guarantee to others in accordance with the provisions of Article 36-1 of the Securities and Exchange Act.

D.Matters involving directors' own interests.

E.Material asset or derivatives transactions.

F.Material loaning of funds to others or provision of endorsements or guarantees.

G.Raising, issuance, or private placement of equity-based securities.

H.Hiring or dismissal of, or remuneration to CPAs.

I.Appointment and dismissal of finance, accounting, or internal audit officer.

J.Annual financial statements and semi-annual financial statements.

K.Business report and earnings distribution or loss compensation proposal.

L.Material matters specified by other companies or competent authorities.

(2)Strengthening of the operation of the board of directors and the transparency of public information

A.The Company's board of directors meets at least once a quarter to discuss important business strategy issues and review operational performance. The Company held 7 board meetings in 2020, with a director attendance rate of 93.51%. The director attendance would be disclosed on the MOPS immediately after each board meeting. The important resolutions of the board of directors are disclosed on the Company's website.

B.The Company continues to pursue corporate governance and financial information transparency, and was rated among top 21%–35% of the public companies in the 7th "Corporate Governance Evaluation" organized by the Securities and Futures Institute.

(3)Implementation of corporate governance and enhance the function of the board of directors

To establish performance targets to enhance the operational efficiency of the board of directors, the Board Performance Evaluation Rules were formulated on August 11, 2016, and the board of directors resolved to establish the Functional Committee Performance Self-evaluation Questionnaire on March 13, 2020. The performance evaluation of the board of directors, directors, and functional committees is carried out at least once a year. The results of the performance evaluation of the board of directors were reported to the board of directors on March 5, 2021, and are disclosed on the Company's website for investors' reference.

(II) The operation of the Audit Committee:

In the most recent year (from January 1, 2020 to December 31, 2020), the Audit Committee met 6 times (A), and the attendance of independent directors is as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Note
Independent Director	Yu-Yuan Hung	6	0	100.00%	Elected as an independent director in the director election at the shareholders' meeting on June 10, 2020.
Independent Director	Kuei-Hung Lin	6	0	100.00%	
Independent Director	Hsien-Ta Chang	5	1	83.33%	

Other special notes:

1. If the operation of the Audit Committee is under any of the following circumstances, the date, period, proposal content, the Audit Committee resolutions, and the Company's handling of the Audit Committee' opinions shall be stated:

   (1) Matters listed under Article 14-5 of the Securities and Exchange Act:

Board of Directors	Proposal content	Matters listed under Article 14-5 of the Securities and Exchange Act	Audit Committee resolution results	The Company's handling of the Audit Committee's opinions
2020.2.27 13th board of directors 21th meeting	1. Proposal for disposal of fixed assets of the subsidiary Dongguan Phitek Electronics Co., Ltd.	V	All attending Audit Committee members passed the proposal without objection.	All attending directors passed the proposal without objection.
	2. Proposal for appointment of CPAs and their remuneration	V		
	3. Proposal for loaning of funds by the subsidiary Phihong (Dongguan) Electronics Co., Ltd. to the subsidiary Dongguan Phitek Electronics Co., Ltd.	V		
2020.3.13 13th board of directors 22th meeting	1. Proposal for the Company's 2019 business report, standalone financial statements, and consolidated financial statements.	V	All attending Audit Committee members passed the proposal without objection.	All attending directors passed the proposal without objection.
	2. Proposal for 2019 loss compensation.	V		
	3. Proposal for partial amendments to the provisions of the Procedure for the Acquisition and Disposal of Assets, and authorization of senior executives and trading personnel for the Company's derivatives trading.	V		
	4. Proposal for removal of the non-compete clause for new directors (including independent directors).	V		
	5. Proposal for the Company's 2019 Statement on the Internal Control System.	V		
	6. Proposal for assessment of the independence of CPA Ker-Chang Wu and CPA Yi-Min Huang appointed by the Company in 2020.	V		
2020.5.8 13th board of directors 23th meeting	1. The Company's consolidated financial statements for the first quarter of 2020.	V	All attending Audit Committee members passed the proposal without objection.	All attending directors passed the proposal without objection.
2020.8.7 14th board of directors 2nd meeting	1. The Company's consolidated financial statements for the second quarter of 2020.	V	All attending Audit Committee members passed the proposal without objection.	All attending directors passed the proposal without objection.
	2. Subsidiary Phihong International Corp. (PHI) increased its capital in Phihong (Dongguan) Electronics Co., Ltd.	V		
2020.8.28 14th board of directors 3rd meeting	1.Proposal for matters related to the second stage of capital budget of subsidiary Phihong Vietnam Co., Ltd.	V	All attending Audit Committee members passed the proposal without objection.	All attending directors passed the proposal without objection.
	2. The Company proposed to increase cash capital in the subsidiary Phihong Vietnam Co., Ltd.	V		
	3. Proposal for cash capital reduction of the subsidiary Phihong Electronics (Suzhou) Co., Ltd.	V		

Board of Directors	Proposal content	Matters listed under Article 14-5 of the Securities and Exchange Act	Audit Committee resolution results	The Company's handling of the Audit Committee's opinions
2020.11.6 14th board of directors 4th meeting	1.Deliberation of the personnel promotion to the financial officer and the accounting officer.	V	All attending Audit Committee members passed the proposal without objection.	All attending directors passed the proposal without objection.
	2.The Company's consolidated financial statements for the third quarter of 2020.	V		
	3.The Company's 2021 audit plan.	V		
	4.Proposal for loaning of funds by the subsidiary Phihong (Dongguan) Electronics Co., Ltd. to the subsidiary Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	V		
	5.Proposal for mid-term assessment of the funds loaned to the Group’s subsidiaries.	V		
	6.Proposal for authorizing the Company’s senior executives and trading personnel engaging in derivatives trading.	V		
	7. In response to the government's policy of encouraging overseas Taiwanese businesspeople to return to Taiwan for investment and business development, the Company proposed to purchase property for a factory in Tainan from Hilight Electric Wire & Cable Co., Ltd.	V		

(2) Except for the aforementioned matters, matters that have not been approved by the Audit Committee but have been passed by more than two-thirds of all directors: Not applicable.

2. Attendance of independent directors at 2020 board meetings (Y: attendance in person; Δ: attendance by proxy)

Board of Directors / Independent Director	2020.2.27 21th meeting of 13th board of directors	2020.3.13 22th meeting of 13th board of directors	2020.5.8 23th meeting of 13th board of directors	2020.6.10 1st meeting of 14th board of directors	2020.8.7 2nd meeting of 14th board of directors	2020.8.28 3rd meeting of 14th board of directors	2020.11.6 4th meeting of 14th board of directors
Yu-Yuan Hung	Y	Y	Y	Y	Y	Y	Y
Kuei-Hung Lin	Y	Y	Y	Y	Y	Y	Y
Hsien-Ta Chang	Y	Y	Y	Y	Y	Y	Δ

3. Regarding the independent directors' recusal from proposals with conflicts of interest, the name of independent director, content of proposal, reasons for recusal, and the circumstances of participation in voting shall be stated: Not applicable.

4. The communication status between independent directors, the internal audit officer, and CPAs (shall include material matters, methods, and results of communication on the Company's financial and business conditions, etc.).

(1) Communication methods between independent directors, the internal audit officer, and CPAs:

A.The internal audit officer conducts audit business reporting and discussion regularly with the Audit Committee members on a quarterly basis. After the monthly audit report is released, the officer will also discuss and communicate with the Audit Committee members immediately should any questions arise.

B.CPAs communicate with the Audit Committee on the audit or review results of the quarterly financial statements and other matters required by relevant laws and regulations in the quarterly Audit Committee meeting.

(2)Summary of previous communication between independent directors and the internal audit officer:

The Company established the Audit Committee on June 14, 2017. The communication between independent directors and the internal audit officer has been positive. The main issues communicated in 2020 are as follows:

Meeting date	Key points in communication
2020.03.13	Audit execution report and communication from October to December of 2019 and January of 2020.
2020.05.08	Audit execution report and communication from February to March 2020.
2020.08.07	Audit execution report and communication from April to June 2020.
2020.11.06	Audit execution report and communication from July to September 2020.

(3) Summary of previous communication between independent directors and CPAs:
The communication between independent directors and CPAs has been positive. The main issues communicated in 2020 are as follows:

Meeting date	Key points in communication
2020.03.13	CPAs reported on the audit of standalone and consolidated financial statements for the fourth quarter of 2019.
2020.05.08	CPAs reported on the review of consolidated financial statements for the first quarter of 2020.
2020.08.07	CPAs reported on the review of consolidated financial statements for the second quarter of 2020.
2020.11.06	CPAs reported on the review of consolidated financial statements for the third quarter of 2020.

(III) The situation of corporate governance operations and the deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof:

Evaluation item	Operation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof:
	Yes	No	Summary	
I. Does the company formulate and disclose the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has formulated the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and disclosed it on MOPS.	It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
II. The Company's shareholding structure and shareholders' equity				
(I) Does the company establish internal operating procedures to handle shareholders' suggestions, doubts, disputes, and litigation matters, and implement them in accordance with the procedures?	V		(I) The Company has spokespeople and dedicated personnel to deal with issues, such as shareholder suggestions or disputes.	(I) It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(II) Does the company have a list of the major shareholders who actually control the company and the final controller of the major shareholders?	V		(II) Major shareholders disclose their ownership and changes in pledge in accordance with regulations every month.	(II) It is in compliance withthe Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(III) Does the company establish and implement risk control and firewall mechanisms between itself and affiliated companies?	V		(III) The financial relationship and business transactions between the Company and associates are handled in accordance with relevant laws and regulations, the Company's internal control system, and the supervision methods for subsidiaries.	(III) It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(IV) Does the company set internal regulations to prohibit insiders from using undisclosed information on the market to buy and sell securities?	V		(IV) The Company has formulated the Operating Procedures for Handling Internal Material Information to prohibit insiders from using undisclosed information on the market to buy and sell securities.	(IV) It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
III. The composition and responsibilities of the board of directors (I) Does the board of directors formulate and implement a diversity policy regarding the composition of board members?	V		(I) Enhanced diversity policy and the diverse backgrounds of directors: The Company has 11 directors, of which three are independent directors (accounting for 27%). Each director has his/her own expertise, including business management, financial accounting, business, law, and information technology, which is in line with the Company's board of directors diversity policy. In addition, the Company pays attention to gender equality in the composition of the board of directors, and currently has 11 directors. The industry experience and professional capabilities of the directors of the Company are as follows:	(I) It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Item / Name of director		Basic information				Industry experience				Professional capabilities			
		Gender	Nationality	Working as employee concurrently	Term of office of independent director	Electronic technology	Product design	Asset management	Other industries	Business management	Accounting/ Finance/Business	Law	Information technology
Director	Peter Lin	Male	ROC	V		V			V	V	V		V
	Fei-Hung Lin	Male	ROC	V		V	V		V	V	V	V	
	Chia-Koun Wang	Male	ROC			V			V	V	V		V
	Shih-Hsiung Yang	Male	ROC			V	V		V	V	V		V
	Ming-Chih Chou	Male	ROC			V		V	V	V	V		V
	Tah-Jen Chou	Male	ROC			V		V	V	V	V	V	V
	Wei-Feng Chiang	Male	ROC			V		V	V	V	V		V
	Allan Lin Representative of Kuan Feng Investment Ltd.	Male	ROC	V		V			V	V	V		V
Independent Director	Yu-Yuan Hung	Male	ROC		3 years	V			V	V	V		V
	Kuei-Hung Lin	Male	ROC		3 years	V	V		V	V	V		
	Hsien-Ta Chang	Male	ROC		3 years	V	V		V	V	V		

Evaluation item	Operation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof:
	Yes	No	Summary	
(II) In addition to the remuneration committee and the audit committee established in accordance with the law, does the company voluntarily set up other functional committees?	V		(II) In order to improve the functions of the Company's board of directors and strengthen the management mechanism, the board of directors elected three independent directors to form a Nomination Committee on August 11, 2017. The Nomination Committee faithfully performs the following responsibilities and powers and submits its suggestions to the board of directors for discussion: 1. Establish standards for the diversified background and independence of directors and independent directors, such as expertise, technology, experience, and gender, and seek, review, and nominate candidates for directors and independent directors accordingly. 2. Establish and develop the organizational structure of the board of directors and various committees, conduct performance evaluations of the board of directors and each director, and evaluate the independence of independent directors. 3. Develop or review directors' continuing education program. 4. Formulate the Company's Corporate Governance Best Practice Principles.	(II) It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(III) Does the company formulate board performance evaluation regulations and methods, conduct annual and regular performance evaluations, and report the results of the evaluations to the board of directors, while using them as a reference for individual directors' remuneration and nomination for renewal?	V		(III) The Company's board of directors has passed the Board Performance Evaluation Rules on August 11, 2016, stipulating that the board of directors and individual directors should conduct performance evaluation at least once a year. The internal evaluation period of the board of directors shall be performed at the end of each year and the performance evaluation of the current year shall be carried out in accordance with said rules. 1. The Company's Nomination Committee and board of directors convened on March 5, 2021 to report on the evaluation results and the direction of continuous improvement. 2. The measurement items of the board performance evaluation include the following five aspects: (1) The degree of participation in the Company's operations. (2) Improvement of the decision-making quality of the board of directors. (3) The composition and structure of the board of directors. (4) The selection and continuing education of directors. (5) Internal control. 3. The measurement items of the performance evaluation of individual directors include the following six aspects: (1) Management of company goals and tasks. (2) Perception of directors' responsibilities. (3) The degree of participation in the Company's operations. (4) Internal relationship management and communication. (5) The professionalism and continuing education of directors. (6) Internal control. 4. The measurement items of the performance evaluation of functional committees should at least include the following five aspects: (1) The degree of participation in the Company's operations. (2) Perception of the responsibilities of functional committees. (3) Improvement of the decision-making quality of functional committees. (4) Composition and member selection of functional committees. (5) Internal control. 5. The Company's unit dedicated to board of directors' meeting affairs adopts the method above to conduct analysis, reports on the evaluation results to the board of directors, and discloses it on the Company's website. The evaluation results of the 2020 board performance evaluation are as follows: (1) The overall average score of the board performance self-evaluation is 95 points. (2) The overall average score of the performance self-evaluation of board members is 95.33 points. (3) The overall average score of the performance self-evaluation of functional committees is 100 points. (4) The performance evaluation of the board of directors in 2020 showed that the Company's board of directors was operating well as a whole, which will be adopted as a reference for the remuneration to individual directors, nomination and renewal of director candidates.	(III) It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation item	Operation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof:
	Yes	No	Summary	
(IV) Does the company regularly assess the independence of CPAs?	V		(IV) The board of directors of the Company regularly (at least once a year) evaluates the independence of the CPAs in accordance with Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies as follows: 1. The CPAs appointed have no direct or indirect material financial interest relationship with the Company. 2. The CPAs appointed do not have a close business relationship or potential employment relationship with the Company. 3. The CPAs appointed have not acted as the defender of the Company or coordinated conflicts with other third parties on behalf of the Company. 4. The CPAs appointed and their spouse or dependent relatives have not had engaged in any financing or guarantee activities with the Company or the Company's directors or supervisors. 5. The CPAs appointed and their spouse or dependent relatives have not worked as directors, supervisors, managers, or served positions that have a material impact on audit projects either currently or within the last two years, nor will they serve as the aforementioned relevant positions in the future audit periods. 6. The CPAs appointed and their spouse or dependent relatives are not relatives of the Company's board of directors, supervisors, managers, or persons with positions that have a material influence on audit projects. 7. The CPAs appointed do not work as a broker for the stocks or other securities issued by the company. 8. The CPAs appointed have not provided the Company with non-audit services that may directly affect the audit work. 9. The CPAs appointed have not concurrently operated other businesses that may undermine their independence. 10. The CPAs appointed have not received any commissions related to the Company's business. 11. The CPAs appointed have not accepted gifts of great value from the Company, its directors, supervisors, or managers (the value of which exceeds the standard of general social etiquette). 12. The CPAs appointed have not violated with competent authorities' regulations regarding CPA rotation, handles of accounting affairs on behalf of others, or other regulations that can affect independence. 13. The CPAs appointed does not have any inappropriate relationship with the Company other than the above. 14. The CPAs appointed shall ensure that their assistants are honest, impartial, and independent. The CPAs appointed was reviewed by the Audit Committee and the board of directors of the Company on March 5, 2021. The requirements above are in compliance with the independence standard, and a statement on independence has been issued.	(IV) It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
IV. Does the company allocates competent and appropriate number of corporate governance personnel, and appoint a corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing information required by directors and supervisors to perform business, assisting directors and supervisors in following laws, handling matters related to board meetings and shareholders' meetings in accordance with the law, preparing minutes of board meetings and shareholders' meeting, etc.)?	V		The Company' dedicated (concurrent) corporate governance unit is the Finance and Administration Center. On August 28, 2020, the board of directors approved the appointment of General Manager Allan Lin as the corporate governance officer to protect the rights and interests of shareholders and strengthen the board functions. Its business executed in 2020 is as follows: (I) Assisted independent directors and general directors in performing their duties, provided them with required information, and arranged continuing education for them: 1. Regularly notified the board members regarding the Company's business areas and amendments to and development of the latest corporate governance-related laws and regulation. 2. Reviewed the level of confidentiality of relevant information and provided company information required by directors to maintain smooth communication and exchanges between directors and business executives. 3. Assisted in arranging relevant meetings when independent directors had needs for individual meetings with the internal audit officer or CPAs to understand the Company's financial business in accordance with the Company's Corporate Governance Best Practice Principles. 4. Assisted independent directors and general directors in drawing up annual training plans and arranging courses in accordance with the Company's industry characteristics and directors' learning and experience background. (II) Assisted the board of directors and shareholders with meeting procedures and compliance related to resolutions: 1. Reported on the Company's corporate governance operation status to the board of directors, independent directors, and the Audit Committee, and confirmed whether the Company's shareholders meeting and the board of directors met the relevant laws and the Company's Corporate Governance Best Practice Principles. 2. Assisted and reminded directors of the laws and regulations to be followed when performing business or making formal	It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation item	Operation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof:
	Yes	No	Summary	
			board resolutions, and made suggestions when the board of directors was about to adopt illegal resolutions. 3. Reviewed the release of material information of important resolutions of the board of directors after meetings, ensured the legality and correctness of the content of the material information, so as to ensure the correctness of transaction information provided to investors. (III) Maintained investor relations: Arranged exchanges and communication between directors and major shareholders, institutional investors, or general shareholders as necessary, so that investors could obtain sufficient information to evaluate and determine the reasonable capital market value of the Company, and the shareholders' rights and interests could be well protected. (IV) Drafted the agenda of a board meeting and notified the directors seven days in advance, convened the meeting and provided meeting materials, and reminded directors in advance of conflicts of interest, if any, and completed the meeting minutes within 20 days after the meeting. (V) Conducted the pre-registration of the date of a shareholders' meeting in accordance with the law, prepared the meeting notice, meeting handbook, and minutes of proceedings within the statutory time limit, and handled changes in the registration of the Articles of Association or the director election rules.	
V. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), and set up a special area for stakeholders on the company's website, and appropriately respond to the important issues regarding corporate social responsibility about which stakeholders are concerned?	V		The Company has always attached importance to the communication of opinions from stakeholders, including shareholders, communities, government agencies, non-profit organizations, financial institutions, suppliers, customers, and employees, and respects their legitimate rights and interests. A special section for stakeholders has been set up on the Company's website, and relevant units have been set up to respond appropriately. The Company has always attached importance to communicating opinions with stakeholders, including employees, shareholders, customers, suppliers, and local communities, and respects their legitimate rights and interests. (I) In terms of shareholders: In addition to the annual shareholders' meeting, the Company's website has a special section for investors and shareholders to disclose relevant information and has a shareholder service consultation email with dedicated personnel for response. (II) In terms of employees: 1. The Company has set up employee relations functional units and a human resources unit in the organization to strengthen the positive interactive relationship with employees, and improve the employee communication mechanism. 2. As for execution, the Company regularly organizes labor-management meetings for two-way communication to enhance employees' recognition of and commitment to the Company. There is also an electronic complaint mailbox for employees to express opinions of the Company and events held, through which and employees' opinions are collected, to maintain smooth communication between the Company and employees. (III) In terms of customers: In addition to daily business communication channels and regular meetings, the Company takes the initiative to serve customers to obtain orders of products and services from them. (IV) In terms of suppliers: In addition to daily business communication channels and regular meetings, the Company regularly organizes supplier conferences every year to ensure that they can advance with the times with the Company to protect the environment sustainably. (V) Local communities: The Company conducts irregular communication meetings with the park on waste and sewage, waste treatment, and greenhouse gas emissions, and pays attention to environmental protection and reduces the impact of products and services on the environment. The company has set up "Investor" and "CSR" sections on the website to provide relevant information to stakeholders, and has set up a "Stakeholder Service Center" on the website, with dedicated personnel responsible for responding to relevant issues. The Company has disclosed the identity of the stakeholders identified, issues of concern, communication channels, and response methods on the website and in the corporate social responsibility reports, and regularly reports to the board of directors on the communication with all stakeholders at least once a year; already reported to the board of directors on May 8, 2020 and August 7, 2020.	It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation item	Operation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof:
	Yes	No	Summary	
VI. Does the company entrust a professional shareholders affairs agency to handle the affairs of the shareholders' meeting?	V		The Company entrusts the Shareholders Affairs Department, Chinatrust Commercial Bank to handle the affairs of the shareholders' meeting.	It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
VII. Information disclosure (I) Does the company set up a website to disclose financial business and corporate governance information? (II) Does the company adopt other information disclosure methods (such as setting up an English website, appointing dedicated personnel to be responsible for the collection and disclosure of company information, implementing the spokesperson system, placing the process of investor conferences on the company's website, etc.)? (III) Does the company announce and report annual financial reports within two months after the end of the fiscal year, and announce and report the financial reports for the first, second, and third quarters and the operating conditions of each month before the prescribed deadline?	V V V		(I) The Company's website (http://www.phihong.com.tw) has disclosed relevant information on finance, business, and corporate governance, and is linked to MOPS. (II) The Company's Finance Department is responsible for coordinating the disclosure of company information on the MOPS and has implemented a spokesperson system. The relevant information about the process of the investor conferences has been placed on the Company's website. (III) The Company announces and reports its annual financial statements within the prescribed period in accordance with the law, and announces its first, second, and third quarter financial statements, and operating conditions in each month within the prescribed period.	(I) It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. (II) It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. (III) It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
VIII. Does the Company have other important information that helps to understand the corporate governance operation (including but not limited to employee rights, employee care, investor relations, supplier relations, the rights of stakeholders, continuing education of directors and supervisors, and implementation of risk management policies and risk evaluation standards, implementation of customer policies, status of purchase of liability insurance for directors and supervisors, etc.)?	V		(I) Employee rights and employee care: The Company' relationship with its employees is positive with the closest and most transparent interaction. The Company creates the maximum interests and harmony between labor and management, conveys the Company's policies and concepts to them, and listens carefully to their voice, so as to continuously strengthen their commitment to the Company. 1. Improve the labor system: (1) Provide employees with all-round insurance coverage, including group insurance, labor insurance, and health insurance. (2) The leave and pension provision system complies with the Labor Standards Act. (3) Establish an employee welfare committee to plan diversified employee benefits. (4) Comply with the Act of Gender Equality in Employment, and provide a friendly work environment to female employees. 2. Benefit measures: (1) Provide commuting vehicles and parking spaces for cars and scooters. (2) Provide staff restaurant with diversified and healthy meal options. (3) Provide domestic and overseas travel subsidies. (4) Provide subsidies and allowances for marriage, childbirth, hospitalization, and funerals. (5) Provide parking spaces and breastfeeding rooms to pregnant employees. (6) Provide lectures on physical and psychological health, etc., and provide subsidies to club activities, and support relevant activities. (7) Provide a safe nursery environment for employees with a contracted daycare center, rated excellent by the government. 3. High-quality work environment: (1) Set up a fitness center to provide a high-quality place for employees to balance their mind and body.	It is in compliance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation item	Operation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof:
	Yes	No	Summary	
			(2) The factory area is equipped with an employee dormitory to provide a comfortable and safe accommodation environment for employees. (II) Investor relations: In order to safeguard the rights and interests of all our shareholders, and win their confidence to obtain their long-term support, we not only provide real-time and transparent information, but also have a dedicated spokesperson/acting spokesperson system to engage in long-term interaction and communication with investors, media, and analysts through face-to-face meetings or teleconferences. In addition, shareholders can provide their opinions and suggestions regardless of topics by participating in shareholder' meetings and exercising shareholder's right for proposal, or through the investor section on the Company's website or the Company's shareholder email on MOPS, so that the Company's management team and the board of directors refer to the opinions for business direction. (III) Rights of stakeholders: The Company's rules of board meetings have included the director recusal policy, which has been implemented in accordance with the regulations. The Company has always put great emphasis on stakeholders, including shareholders, communities, and the government agencies, non-profit organizations, financial institutions, suppliers, customers, and employees, and respects their legitimate rights and interests. A special section for stakeholders has been set up on the Company's website, and relevant units have been set up to respond appropriately. (IV)Continuing education of directors	

Title	Name	Date	Organizer	Course title	Training hours
Director	Ming-Chih Chou	2020.09.22	Taiwan Stock Exchange	Forum on Corporate Governance 3.0—Blueprint for Sustainable Development	3
		2020.11.12	Taiwan Investor Relations Institute	Directors and Supervisors Performance Appraisal Analysis	3
		2020.12.14	Taiwan Investor Relations Institute	Practice and Application of Corporate Governance 3.0—Blueprint for Sustainable Development	3
Director	Tah-Jen Chou	2020.11.12	Taiwan Investor Relations Institute	Directors and Supervisors Performance Appraisal Analysis	3
		2020.12.14	Taiwan Investor Relations Institute	Practice and Application of Corporate Governance 3.0—Blueprint for Sustainable Development	3
Director	Chia-Koun Wang	2020.10.16	Taiwan Stock Exchange	Directors and Supervisors Awareness-raising Conference on 2020 Corporate Governance and Corporate Integrity	3
Director	Wei-Feng Chiang	2020.11.12	Taiwan Investor Relations Institute	Directors and Supervisors Performance Appraisal Analysis	3
		2020.12.14	Taiwan Investor Relations Institute	Practice and Application of Corporate Governance 3.0—Blueprint for Sustainable Development	3

(V) Implementation of risk management policies and risk evaluation standards: In addition to setting up an internal control system in accordance with the law, the Company conducts regular and irregular internal audits to check the implementation. The company purchases relevant insurance to pass on the risks that may be encountered in the business development and ensure compensation for the Company's financial losses should risks occur. Also, through a systematic

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operation status</th><th rowspan="2">Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof:</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>management mechanism, the Company maintains vigilance and monitors continuously, so as to eliminate possible risk factors and circumvent and manage risks effectively.
(VI) Implementation of customer policy: Adhering to the business philosophy of “outstanding design, excellent quality, accurate delivery, reasonable prices, satisfactory service, and high-quality corporate culture” is an important part of Phihong's quality management system. We are committed to providing customers with high- quality services and immediate response to customer needs, facing problems honestly, and continuing to pursue excellence, while aiming to become a reliable brand for customers.
(VII) Purchase of liability insurance for directors: Purchase of liability insurance for all directors in 2020:
<table><tr><th>Insured party</th><th>Insurance company</th><th>Insured amount</th><th>Policy period</th></tr><tr><td>All directors (including function committee members)</td><td>Fubon Insurance Co., Ltd.</td><td>USD10,000,000</td><td>2020/09/19~2021/09/19</td></tr></table></td><td></td></tr>
<tr><td colspan="5">IX. Please specify the improvement regarding the corporate governance evaluation results issued by the Corporate Governance Center, Taiwan Stock Exchange, in the most recent year, and state priorities and measures for those that have not been improved.
(I) The date of the meeting, content of proposals, and resolutions of the 2020 meetings of the Compensation Committee have been disclosed on the Company's website.
(II) The risk management policies and procedures have been disclosed on the Company's website, and the scope and organizational structure of risk management have been disclosed in the annual report and corporate social responsibility report, and the operation and implementation of risk management have been reported to the board of directors at least once a year, and already reported to the board of directors on May 8, 2020 and August 7, 2020.
(III) The intellectual property management measures have been disclosed on the Company's website, and the implementation of the year has been disclosed in the corporate social responsibility report for the year.
(IV) The appointment, dismissal, evaluation, salary, and remuneration of internal auditors have been disclosed on the Company’s website, and signed and reported to the chairman for approval in accordance with the sign-off process.
(V) The record date of the disclosure of the list of major shareholders on the Company's website is April 12, 2020.
(VI) The Company has set up the Nomination Committee"as a functional committee outside the scope of legal requirement. The Nomination Committee members are all independent directors, and its composition, responsibilities, and operating conditions are disclosed on the Company's website.
(VII) The annual report has disclosed the identity of the stakeholders identified, issues of concern, communication channels, and response methods on the website and in the corporate social responsibility reports, and regularly reports to the board of directors on the communication with all stakeholders at least once a year; reported to the board of directors on May 8, 2020 and August 7, 2020.</td></tr>
</table>

(IV)The composition, responsibilities, and operation of the Compensation Committee set up by the Company:

1. Information on the members of the Compensation Committee

Type of identity (Note 1)	Qualifications / Name	More than five years of work experience and the following professional qualifications			Independence (Note 2)										Number of publicly companies where serving as a member of the remuneration committee concurrently	Note
		A lecturer or above in public and private colleges and universities in business, laws, finance, accounting, or relevant departments related to the company's business	A judge, prosecutor, lawyer, accountant, or another professional or technician who has passed the national examination with a certificate related to the company's business	Work experience in business, laws, finance, accounting, or fields related to the company's business	1	2	3	4	5	6	7	8	9	10		
Independent Director	Yu-Yuan Hung	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	—
Independent Director	Kuei-Hung Lin	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	—
Independent Director	Hsien-Ta Chang	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	—

Note 1: Director, independent director, or others.

Note 2: If an individual member meets the following conditions two years before elected and during the tenure, please place a "✓" in the box below each condition code.

(1) Not an employee of the Company or its associates.

(2) Not a director or supervisor of the Company or its associates (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary, or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(3) Not a director, spouse, minor children thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company or with top ten ownership in the name of others.

(4) Not the manager listed in (1) or the spouse, relatives within the second degree of kinship or direct blood relatives within the third degree of kinship of the person listed in (2) and (3).

(5) Not a director, supervisor, or employee of an institutional shareholder who directly holds more than 5% of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(8) Not a director (managing director), supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(9) Not a professional individual who, or an owner, partner, director (managing director), supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. Provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Security and Exchanges Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.

(10) Not meeting any of the circumstances in Article 30 of the Company Act.

2. The responsibilities and operation of the Compensation Committee:

(1) The responsibilities of the Compensation Committee

The Company's Compensation Committee shall faithfully perform the following functions and responsibilities as a prudent administrator, and submit its suggestions to the board of directors for discussion. However, the supervisors' salary and remuneration proposal shall only be submitted to the board of directors for discussion on the condition that the supervisors' salary and remuneration are specified in the Company's Articles of Association or the board of directors is authorized by the shareholders' meeting after a resolution:

I. Review the regulations regularly and put forth amendments.

II.Formulate and regularly review the directors', supervisors', and managers' annual performance evaluation and remuneration policies, systems, standards, and structures.

III.Regularly evaluate and determine the content and amount of remuneration to directors, supervisors, and managers.

When performing the functions and responsibilities mentioned in the preceding paragraph, the committee shall follow the following principles:

I. The performance evaluation and remuneration to directors, supervisors, and managers shall be based on the general payment level in the industry, with the consideration for the reasonableness of the linkage with personal performance, responsibilities, the Company's operating performance, and future risks.

II. Shall not guide directors and managers to engage in behavior that exceeds the Company's risk appetite in pursuit of remuneration.

III. The percentage of the short-term performance bonus for directors and senior managers and the payment time of part of the variable pay shall be determined in consideration of the characteristics of the industry and the nature of the Company's business.

The salary and remuneration referred to in this paragraph include cash remuneration, stock options, dividends, pension benefits or severance payments, various allowances, and other measures with substantive incentives.

If a subsidiary's director and manager salary and remuneration matters must be approved by the Company's board of directors according to the subsidiary's hierarchy principle, the committee shall make suggestions first before submitting it to the board of directors for discussion.

(2) Information on the operation of the Compensation Committee

I. There are a total of three members of the Company's Compensation Committee.

II. The term of office of the current members: From June 10, 2020 to June 9, 2023. In the most recent year (from January 1, 2020 to December 31, 2020), the Compensation Committee met 3 times (A), the membership qualifications and attendance are as follows

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) [B/A] (Note)	Note
Convener	Yu-Yuan Hung	3	0	100%	2020.06.10 The board of directors renewed the tenure of the Compensation Committee members.
Committee member	Kuei-Hung Lin	3	0	100%	
Committee member	Hsien-Ta Chang	2	1	67%	
Other special notes: I. If the board of directors does not adopt or amend the suggestions made by the Compensation Committee, it shall state the date of the board meeting, term of the board of directors, content of the proposal, results of the resolutions of the board of directors, and the Company's handling of the opinions of the Compensation Committee (if the remuneration approved by the board of directors is better than what is suggested by the Compensation Committee, please state the differences and reasons): Not applicable. II. If any member objects to or has reservation about resolutions passed by the Compensation Committee with records or written statements, the Compensation Committee shall state the date, term of the committee, proposal content, all members' opinions, and the handling of members' opinions: Not applicable.					

(3) Discussion and resolutions of the 2020 Compensation Committee, and the Company's handling of members' opinions

Compensation Committee meeting	Summary of important proposals	Resolution results of the Compensation Committee	The Company's handling of the opinions of the Compensation Committee
2020.03.13 8th meeting of 3rd Compensation Committee	1. Deliberation of the Company's directors and independent directors' honoraria and the 2019 business execution expenses. 2.Proposal for amendment to the Board Performance Evaluation Rules	The directors and independent directors were the interested parties in this proposal. When discussing the individual remuneration, every director recused themselves from participating in the discussion and voting. The proposal was passed without objection after the chair consulted all the Compensation Committee members present.	The proposal was passed without objection by all the directors of the board of directors on March 13, 2020 as proposed.

Compensation Committee meeting	Summary of important proposals	Resolution results of the Compensation Committee	The Company's handling of the opinions of the Compensation Committee
2020.08.28 1st meeting of 4th Compensation Committee	1. Deliberation of the proposal for appointment of the Company's managers. 2.Deliberation of the proposal for salary adjustment for the directors who served as the Company’s employees concurrently.	The proposal was passed without objection after the chair consulted all the Compensation Committee members present.	The proposal was passed without objection by all the directors of the board of directors on August 28, 2020 as proposed.
2020.11.06 2nd meeting of 4th Compensation Committee	1. Deliberation of the leasing proposal for the company car assigned to the general manager.	General Manager Allan Lin was an interested person and recused himself from participating in the discussion and voting of this proposal. The proposal was passed without objection after the chair consulted all the Compensation Committee members present.	The proposal was passed without objection by all the directors of the board of directors on November 6, 2020 as proposed.

(V) The performance of social responsibility and the deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:

Evaluation item	Operation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:
	Yes	No	Summary	
I. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	V V V		(I) Risk management is the guarantee and responsibility for all stakeholders and it is also a necessary means of sustainable operation. Phihong complies with the government regulations and corporate systems, and continuously evaluates changes and risks in the domestic and international business environment. The Company's risk management organization, chaired by the General Manager, conducts risk management in accordance with risk management procedures, and adopts the PDCA management strategies based on the principle of materiality, so that the Company can effectively respond to the impact of various risks, and then achieve risk management and control, while identifying and making good use of opportunities arising from risk, to ensure the Company's normal operation. (II) In the 2020 risk assessment, the identified risk issues were classified into economic, environmental, and social aspects, and the impact on operations, countermeasures, and opportunities for the Company were analyzed. The Company's dedicated personnel have planned the management methods and crisis response steps for various risks, hoping to minimize the uncertainty of business operations. (III) Phihong's relevant units have identified "financial risk", "information security risk", and "supplier risk" in the economic aspect. The "environment and climate change risk" have been identified in the environmental aspect. "Ethical risk" and "occupational safety risk" have been identified in the social aspect.	It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
II. Does the company set up a dedicated (concurrent) unit to promote corporate social responsibility, with the board of directors authorizing the senior management to handle it and report the handling situation to the board of directors?	V		In order to fulfill corporate social responsibility and promote sustainable development, the Company formulated the Corporate Sustainability Committee Establishment Regulations in 2014, and has set up the Corporate Sustainability Development Responsibility Management Committee, chaired by the Chairman, with the deputy chair served by the General Manager. The committee members include the first-level managers at the Phihong headquarters, responsible for the formulation of Phihong's corporate social responsibility and sustainable development strategies and performance supervision. The seven major issues of corporate governance, green R&D, supply chain management, environmental sustainability, customer service, employee care, and social participation, cross-departmental personnel in each plant are included in the responsibilities of corresponding inter-departmental personnel in each factory in accordance with their duties, to ensure implementation as required. The committee reports to the board of directors on its operation and implementation at least once a year, and reported to the board of directors on May 8, 2020 and August 7, 2020.	It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
III. Environmental issues (I) Does the company establish an appropriate environmental management system based on its industrial characteristics?	 V		 (I) By formulating the guidelines and policies of the environment, health, and safety (EHS) management system, we have demonstrated our principles and directions of the environment and occupational health and safety, and implemented them in the daily operations of Phihong. Although we engage in	 (I) It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed

Evaluation item	Operation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:
	Yes	No	Summary	
			the design and assembly of power supplies in the electronics industry, the industry is not characterized as heavy pollution, high energy consumption, and high carbon emissions. We still fulfill our responsibilities as a citizen of the Earth to strive for sustainable development. We conduct inventory of energy, water, waste, carbon emissions to save energy and reduce carbon emissions, while implementing environmental management and protection.	Companies.
(II) Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on the environment?	V		(II) Through the operation of our management system, wastes are classified, labeled, stored, reported, transported, and processed in accordance with the requirements of laws and regulations. Waste generated in the factories can be reutilized or regenerated, and is handed over to a qualified disposal organization for recycling and reuse. Those that cannot be reused are incinerated or buried. In addition, we regularly review and refer to international environmental protection regulations (such as RoHS, REACH, WEEE, etc.), and also refer to the control standards of many customers, and have formulated stricter hazardous substance management measures to control Phihong's products in line with the requirement for the recycling rate. It is Phihong's goal and responsibility to provide environmentally friendly and safe products.	(II) It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Does the company assess the potential risks and opportunities of climate change to the company now and in the future, and take measures to respond to climate-related issues?	V		(III)After evaluation, we have identified the direct and indirect risks of climate change and the impacts thereof, and summarized potential opportunities and countermeasures, while developing the Climate Change Risk Assessment Table, to reduce the damage caused by the risks while creating value differentiation to turn the crisis into an opportunity. In response to the increase in extreme climate risks (such as the increasing frequency and scale of disasters) caused by climate change, Phihong started to introduced the greenhouse gas inventory mechanism in some factories in Dongguan in 2010 in response to the 2°C climate target set by the Paris climate conference (COP21). Since 2016, the scope of the inventory has been expanded to all factories in Dongguan. In 2017, the factories in Taiwan also introduced the mechanism for energy conservation and carbon reduction. In February 2020, we were committed to joining the Science Based Targets initiative (SBTi) of the United, and proceeded to set active energy-saving and carbon-reduction targets. These are all actions taken by Phihong in response to the possible impacts and threats of climate change.	(III) It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(IV) Does the company make statistics on greenhouse gas emissions, water consumption, and total waste weight in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction, or other waste management?	V		(IV)Phihong follows the ISO-14001 manual for environmental management. Since 2011, we have conducted statistics on greenhouse gas emissions (according to the ISO-14064-1 standards), energy consumption, water consumption, and waste volume, and set a base year and reduction targets for management every year. Our annual corporate responsibility (CSR) report discloses statistical data, reduction measures, and performance.	(IV) It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
IV. Social issues (I) Does the company formulate relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	V		(I) In addition to the basic employee policy, we value our employees' opinions and hope to give all our employees the space to give full play to their talents. We have always been committed to and respect internationally recognized human rights and the human rights goals (reiterating the	(I) It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed

Evaluation item	Operation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:
	Yes	No	Summary	
			importance of the Universal Declaration of Human Rights) in the Sustainable Development Goals (SDGs) of the United Nations, while following the Responsible Business Alliance (RBA) Code of Conduct and treating all workers (employees and supplier representatives) and other stakeholders in Phihong equally. We provide equal job opportunities to job seekers and every employee. Any employee of Phihong can reflect their opinions of personal rights, management, and the work environment to the Company at any time. The channels include immediate supervisors, human resources units of various factories, and the suggestion mailboxes of the Audit Office.	Companies.
(II) Does the company formulate and implement reasonable employee welfare measures (including salary, leave, and other benefits), and appropriately reflect operating performance or results in employee compensation?	V		(II) The Company attaches great importance to employee salary and benefits, and attracts outstanding talents to join the Phihong family with a competitive overall compensation system that is superior to that in the industry. The employee salary depends on one’s academic experience, job position, market standards, and personal performance to ensure recruitment. In addition, bonuses are issued based on the Company's operating status and personal performance each year. Through performance management and reward and discipline systems, the evaluation results are adopted as the basis for salary adjustment and promotion to motivate and reward employees to grow and develop their potential, and to share the operating performance results with the Company, to create a win-win outcome for employees and the Company and achieve sustainable development. It also promotes employee retention. In addition, the Company discloses salaries, pensions, and other benefits in the annual CSR report.	(II) It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Does the company provide employees with a safe and healthy work environment, and provide employees with regular safety and health education?	V		(III) Phihong has established the OHSAS 18001 occupational health and safety management system since 2009, which was introduced in the Dongguan factory and obtained third-party certification. The system includes a "safety committee" formed by both labor and management, to protect the Company's property and employees' personal safety and health to maintain normal production through labor health and safety management and relevant training. In addition, for the work stations with occupational disease hazards (such as soldering, laser engraving, and other work stations), the Company conducts engineering control and equips employees with appropriate personal protective equipment to reduce the chance of employees contacting the hazards, and arranges occupational disease health examination on a regular basis to monitor the work environment. Since the Company introduced the OHSAS 18001 occupational safety and health management system in 2009, there has been no occupational disease case in Phihong, either in Taiwan or Dongguan factories. Healthy employees are the most valuable asset of Phihong. We attach importance to employees’ physical and psychological health. We conduct physical examinations for new employees. Meanwhile, we organize free health examinations for all employees every year, and recruit doctors and nurses in the factories to check employees’ health on-site. The examination items	(III) It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation item	Operation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:
	Yes	No	Summary	
			with a high abnormal rate in the physical examination results are set as the goals of the employee health promotion program, and lectures on health, weight loss plans, and physical fitness testing activities are launched to raise employees' awareness of their own health.	
(IV)Does the company establish effective career development training programs for employees?	V		(IV) Phihong regards employees as its most important asset. In addition to the salary and benefit measures as in social issues (II), Phihong is committed to creating a learning environment for all employees and focusing on talent training. All training sessions, license courses, and on-the-job training are held in strict compliance with local labor laws and regulations, not only to build a safe and healthy work environment but also to provide employeess with a space for learning and growth. The Company fully subsidizes external training sessions, management development/thematic training, language courses, and courses on general knowledge in daily life. In addition to the implementation of the annual education and training plan and training and development courses, we adjust the training plans based on our vision and the needs for operating strategies to improve the Company's human resources quality and continue to strengthen the Company's competitive advantage. Meanwhile, we implement a job rotation mechanism to provide employees with an environment for career development and self-realization.	(IV) It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(V)With regard to customer health and safety, customer privacy, marketing, and labeling of products and services, does the company follow relevant laws and regulations and international standards, and formulate relevant consumer protection policies and complaint procedures?	V		(V) We adhere to the concept of product life cycle. According to the Environmental Restricted Substance Control Standard, materials that meet environmental protection regulations are selected for product development. After products pass the quality assurance test, a third-party assurance agency will conduct tests and certify the products, relevant safety standards and environmental protection information will be labeled on products or packaging. Subsequent sales, manufacturing, supply chains, and even operations within the life cycle must comply with the requirements of the law to ensure the health and safety of the products used by customers and meet their expectations for product quality and data privacy. Customers can file complaints and give feedback through channels, such as the Customer Feedback Processing Procedure, customer questionnaire surveys, and official website links, to protect customers and consumers' rights and interests. In addition, the Company abides by market fair competition laws and regulations in product marketing. The legal department offers education and training to marketing- and business-related units to remind employees not to engage in the anti-competitive practice, and educates employees on the necessity of conducting business in a legitimate manner and on increasing sales performance in a proper way.	(V) It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(VI) Does the company formulate supplier management policies that require suppliers to comply with regulations related to environmental protection, occupational safety and health, or labor human rights, and how is the implementation?	V		(VI) In terms of supply management, we not only consider quality, cost, delivery time, technological capabilities, and service conditions but pay great attention to whether suppliers can meet the requirements and performance of corporate social responsibility, in order to achieve sustainable development and create a win-win situation for the partnership. Therefore, we require suppliers to follow and comply with the requirements of labor human rights, health and safety,	(VI) It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Evaluation item	Operation status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:
	Yes	No	Summary	
			environmental protection, business ethics, management system, etc. as regulated in the RBA Code of Conduct. Meanwhile, the supplier's sustainable management policy (social responsibility, environmental policy, occupational safety and health policy, conflict-free metal policy) is published on the homepage of our supplier's electronic billboard to urge and require the suppliers to follow relevant policies. Through supplier review, audit, and guidance to ensure that suppliers implement sustainable operations.	
V. Does the company prepare corporate social responsibility reports and other reports with reference to the internationally accepted reporting standards or guidelines to disclose the company's non-financial information? Has aforementioned report obtained the assurance or assurance opinion from a third-party verification agency?	V		Phihong's CSR report is prepared and verified by a third party based on the following standards: (I) The content structure of the report is prepared based on the requirements of the Global Reporting Initiative—GRI-Standard 2016. The report for the previous year is issued on an annual basis. The annual report for 2019 (prepared in 2020) is also verified through assurance engagement conducted by the third party AFNOR; thus, it fully complied with the requirements of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies. (II) The Company has participated in the review for the "Taiwan Corporate Sustainability Awards" in the past five years and has won a total of three silver awards and two gold awards, including the gold award won in 2020, and has been continuously recognized by the organizer of the awards.	It is in compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
VI. If the company has its own Corporate Social Responsibility Best Practice Principles formulated based on the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please state the differences between its operation and the principles formulated: In accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, the Company has established the Corporate Social Responsibility Management Procedure and the Code of Corporate Ethics and Business Conduct. In order to fulfill corporate social responsibility and demonstrate commitment to employees, shareholders and customers, we actively invest in green products and public welfare activities in addition to implementing information transparency; thus, our operations are in line with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.				
VII. Other important information that helps to understand the operations of corporate social responsibility: (I) Corporate Governance: The Company upholds the business philosophy of "integrity, innovation, and challenge", and is committed to promoting R&D innovation and enhancing manufacturing capabilities. In addition, integrity is the core of Phihong and the central thinking of all activities. It has been included in the mandatory training courses for all new recruits to implement this concept and let all colleagues put it into practice. (II) Environmental protection: We carry out waste classification, labeling, storage, declaration, transportation, and disposal as required. We abide by the Environmental Restricted Substance Control Standard and select materials, design, and manufacture products that meet the standards for high efficiency and high power density; we work closely with strategic partners, i.e. customers and suppliers, to jointly create an energy-saving and environmentally friendly green supply chain. (III)Social contribution, social service, social welfare: As a corporate citizen, we uphold the concept of giving back what we take from society and fulfill corporate responsibilities. We not only create a workplace full of happiness to take care of employees but also provide timely support to society, while actively participating in social welfare and charitable activities, helping disadvantaged groups through donations, and actively giving back to society, so as to spread love to all corners of the society. Love and care are our commitment to social responsibility.				

(VI)Differences between the implementation of ethical corporate management and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:

Item	Operation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:
	Yes	No	Summary	
I. Formulation of ethical corporate management policies and plans				
(I) Does the company formulate an ethical corporate management policy approved by the board of directors, and clearly indicate the ethical corporate management policy, practice, as well as the board of directors and senior management's commitment to actively implementing the policy in regulations and external documents?	V		(I) Phihong's business philosophy is "integrity, innovation and challenge". Integrity is the Company's core corporate value and the central thinking when implementing all activities. We have formulated the Ethical Corporate Management Best Practice Principles approved by the board of directors. In order to motivate all employees (100%) to implement it, we offer training designed based on the content of the Code of Corporate Ethics and Business Conduct on their first day of work and sign for approval after their training is completed.	(I) It is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Does the company establish a risk assessment mechanism for unethical conduct to regularly analyze and evaluate business activities with a higher risk of unethical conduct in the scope of business, and does the company formulate a plan, covering at least each provision in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, to prevent unethical conduct?	V		(II) Phihong's Ethical Corporate Management Best Practice Principles cover the preventive measures against the unethical conduct mentioned in each paragraph of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. In addition, according to said principles, we have conducted assessments of the ethical management risks, and the material risks identified are the inappropriate acceptance of gifts, the exchange of entertainment expense for suppliers' goods and services, and preferential treatment related to tenders in the field of procurement risks. Therefore, we have designed a reporting mechanism for gifts given by suppliers to prevent the possibility of corruption, acceptance of bribery, and extortion in the first place. Meanwhile, we have formulated anti-corruption and integrity clauses in the relevant contracts with suppliers/manufacturers, and required them to sign and return the Anti-corruption Commitment Letter. Insider trading is strictly prohibited, and opportunities for corruption are eliminated, so as to implement anti-corruption in daily management and business activities.	(II) It is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Does the company clearly define operating procedures, behavior guidelines, disciplinary actions, and a grievance system for violations in the plan for preventing unethical conduct, and implement them while regularly reviewing said plan?	V		(III)The Company has formulated the Ethical Corporate Management Best Practice Principles and the Code of Corporate Ethics and Business Conduct to develop a corporate culture of ethical management and implement the ethical and anti-corruption policy. In addition, we have established the rules of performance appraisal and rewards and disciplinary actions in the Employee Code, so that employees can clearly know the code of conduct and accept rewards and actions accordingly. The Company has also formulated the Employee Grievance Management Regulations and the Illegal, Unethical, or Dishonest Conduct Reporting Regulations to clearly regulate internal and external grievance process management. Since 2020, we have sent letters to all employees and suppliers quarterly, reiterating the importance of compliance with ethics and integrity and the information on the grievance mailboxes, to promote and implement ethical management actively.	(III)It is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
II. Implementation of ethical corporate management				
(I) Does the company evaluate the ethics records of its counterparties and specify the ethical conduct clauses in the contracts that it signs with its counterparties?	V		(I) In the relevant contracts between the Company and suppliers, it is clearly stipulated that suppliers must follow and meet the requirements of the RBA (including the code of ethics), and that any damage to the Company's ethical management and clean corporate image is prohibited in order to eliminate any possible corruption. In addition, this is also one of the necessary items in the supplier review and audit.	(I) It is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Does the company set up a special unit under the board of directors to promote ethical corporate management, and regularly (at least once a year)	V		(II) The Company established the Corporate Sustainable Development Committee in 2014, chaired by the Chairman, with the General Manager serving as the deputy chair, the executive assistant to the	(II) It is in compliance with the Ethical Corporate Management Best

Item	Operation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:
	Yes	No	Summary	
report to the board of directors on its ethical management policies, preventing plan for unethical conduct, supervision, and implementation?			General Manager Office as the executive secretary, and the first-level supervisors of business groups as ex officio members, responsible for the seven corporate social responsibility issues of corporate governance, green R&D, supply chain management, environmental sustainability, customer service, employee care, and social participation. Ethical management is under the corporate governance promotion team and is implemented by the Audit Office. The committee reports to the board of directors on its operation and implementation at least once a year, and reported to the board of directors on May 8, 2020 and August 7, 2020.	Practice Principles for TWSE/GTSM Listed Companies.
(III)Does the company formulate policies to prevent conflicts of interest, provide appropriate channels for reporting, and implement them as required?	V		(III) The Company has formulated the Rules of Procedures for Board Meetings for the avoidance of conflicts of interest in the operation of the board of directors, and the Code of Corporate Ethics and Business Conduct to prevent employees from conflicts of interest. In addition, there is a grievance channel for stakeholders. Hsien-yi Wang, manager of the Audit Office of the Company, serves as the point of contact for acceptance of complaints from all stakeholders and to respond.	(III) It is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(IV) Has the company established an effective accounting system and internal control system for the implementation of ethical management? Does the internal audit unit draw up relevant audit plans based on the results of the assessment of unethical conduct risks, and audit the compliance with said plans to prevent unethical conduct or entrust an certified public accountant (CPA) to perform the audit?	V		(IV) The Audit Office under the board of directors timely discovers possible deficiencies in the internal control system through routine or ad-hoc audits and provides suggestions for improvement, while submitting audit reports to the Audit Committee and the Chairman and reporting on the implementation status and results to the board of directors, to implement the spirit of corporate governance.	(IV) It is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(V) Does the company regularly organize internal and external education and training on ethical management?	V		(V) The company organizes occasional ethical management education and training. In order to motivate all employees (100%) to implement it, we offer training on the Code of Corporate Ethics and Business Conduct on their first day of work and sign for approval after their training is completed. In addition, in the subsequent new recruits training, the importance and implementation of ethical management will also be taught.	(V) It is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
III. The operations of the company's whistleblowing system (I) Does the company establish a specific whistleblowing and reward system and a convenient reporting channel, and appoint appropriate personnel to handle the party reported?	V		(I) Company has formulated the Employee Grievance Management Regulations and set up Employee Complaint Mailboxes to allow employees to express their opinions in a safe and confidential manner through a rigorous and safe reporting mechanism. There are also "Stakeholders Complaint Mailbox" and “Illegal and Unethical Employee Reporting Mailbox" on the Company’s website, so that all stakeholders can have channels for complaints. The Audit Office is responsible for verifying the content after receiving a report. If it is found to be illegal, unethical, or dishonest, it will give disciplinary actions based on the severity of the circumstances.	(I) It is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Dose the company establish standard operating procedures for the investigation of the matters reported, follow-up measures to be taken after an investigation is completed, and relevant confidentiality mechanisms?	V		(II) The Employee Grievance Management Regulations and the Illegal, Unethical,or Dishonest Conduct Response Regulations established by the Company have clearly defined the standard operating procedures, confidentiality mechanisms, and whistleblower protection mechanisms.	(II) It is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Does the company take measures to protect the whistleblower from being improperly treated as a result of the report?	V		(III)Same as above.	(III) It is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.

Item	Operation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:
	Yes	No	Summary	
IV. Strengthened information disclosure Does the company disclose on its website and the Market Observation Post System (MOPS) the content and implementation results of its Ethical Corporate Management Best Practice Principles?	V		Phihong's official website (www.phihong.com.tw): - "Investor" section: The latest financial information and material corporate governance information are disclosed, and ethical management operations are included. - "CSR" section: All CSR reports from 2009 to the present are published. The contents include complete disclosure of the implementation of ethical management and the ethical code of conduct. (https://www.phihong.com.tw/index.php?route=investors/investorsqiye).	It is in compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
V. If the company has its own Ethical Corporate Management Best Practice Principles formulated based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please state the differences between its operation and the principles formulated: In accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, the Company has formulated Phihong's Ethical Corporate Management Best Practice Principles to fully implement the requirements of ethical management in the operations of the board of directors and corporate governance. Although there is a considerable degree of interest in the interaction between enterprises and governments and between enterprises and enterprises, in order to avoid affecting business integrity and eliminating the risk of corruption, we firmly oppose any behavior that undermines integrity, ethics, corporate image, and interests and define the reward and disciplinary action system in the Employee Code and the Code of Corporate Ethics and Business Conduct, aiming to eliminate any possible corruption. We have designed a reporting mechanism for gifts given by suppliers/manufacturers to prevent the possibility of corruption, bribery, and extortion in the first place, and also included anti-corruption and integrity clauses in relevant contracts with cooperating suppliers/manufacturers for compliance. In addition, insider trading is strictly prohibited and fully disclosed in the financial statements without any opportunities for corruption. With all these measures, anti-corruption is directly implemented in daily management and business activities. Since the implementation, there has never been any corruption so far.				
VI. Other important information that helps to understand the company's ethical corporate management operations: (such as the company's review and revision of its Ethical Corporate Management Best Practice Principles, etc.) In addition to Phihong's official website (www.phihong.com.tw): , the latest financial information, material corporate governance information, and relevant ethical management operations are available in the "Investor" section. The detailed important information about ethical management is also available in the CSR reports over the years in the "CSR" section on Phihong's official website.				

(VII) The methods of inquiry about the company's corporate governance principles and relevant regulations:

1. The Company's information on corporate governance disclosed on MOPS (http://mops.twse.com.tw/) include "Rules of Procedure for Shareholders Meetings", "Rules of Procedures for Board Meetings", "Selection and Appointment of Directors and Supervisors", "Announcement of Statement on Internal Control", "Functional Committees and Members", "Dividend Distribution", "Remuneration to Directors and Supervisors", "Directors and Supervisors Liability Insurance", and "Table of Mutual Relationship Between Top Ten Shareholders in Annual Reports", etc., for inquiry by investors.
2. The company has set up the "Corporate Governance" section under the "Investor" section on the Company's Website (http://www.phihong.com.tw), and the information, including "Corporate Governance Operation", "Functional Committees", "Internal Auditing Organization and Operation", and "Major Internal Policy", is available for download by all investors and employees for reference.
3. The Company has established regulations related to corporate governance and placed them under the "Investor"/"Corporate Governance"/Major Internal Policy" section on the Company's website (http://www.phihong.com.tw), and the relevant regulations include the "Articles of Association", "Board Performance Evaluation Measures", "Code of Corporate Ethics and Business Conduct", "Corporate Social Responsibility Committee Organizational Structure", "Corporate Social Responsibility Best Practice Principles", "Application for Suspension and Resumption of Trading Operation Procedures", "Rules of Procedures for Shareholders' Meetings", "Rules of Procedures for the Board Meetings", "Procedures for Acquisition or Disposal of Assets", "Procedures for Loaning of Funds to Others", "Procedures for Endorsements and Guarantees", "Subsidiaries Supervision Regulations", "Internal Material Information Processing Procedures", "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", and other important internal regulations and operating methods are available for download by all investors and employees for reference. (VIII) Other important information that is sufficient to enhance the understanding of the Company's corporate governance operations: None.

(VIII) Other important information that is sufficient to enhance the understanding of the Company's corporate governance operations: None.

(IX) Matters that should be disclosed regarding the implementation of the internal control system:

1. Internal Control Statement:

Phihong Technology Co., Ltd.
Internal Control System Statement

Date: March 10, 2021

For the Company's internal control system of 2020, we would like to declare as follows according to the results of spontaneous inspections:

I. The Company knows that establishing, enforcing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reliability of financial reports, and compliance with applicable laws and regulations, among other goals.

II. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism; however, built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter referred to as "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the "Governing Regulations" for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process: 1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. Please refer to "Governing Regulations" for details.

IV. The Company has adopted the abovementioned determining items and conducted inspection of the design and effectiveness of its internal control system.

V. Pursuant to the results of the abovementioned inspections, the Company is of the view that the design and implementation of its internal control system as of December 31, 2020 (including its supervision and management of subsidiaries), including its awareness the extent by which the operating effects and efficiency goals are fulfilled, reliability of financial reporting, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.

VI. This Statement constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid statement.

VII. This Statement was approved at the meeting of the Company's Board of Directors on March 05, 2021 with no Directors expressing dissent out of the 11 Directors in attendance.

Phihong Technology Co., Ltd.

Chairman:

General Manager:

2. Those who entrust CPAs to review the internal control system shall disclose the CPAs' aduit report: Not applicable.

(X) In the most recent year and as of the publication date of the annual report, the company and its internal personnel have been punished in accordance with the law, or the company has imposed penalties on its internal personnel for violating the provisions of the internal control system. If the results of the penalties may have a significant impact on the rights and interests of shareholders or the price of securities, please state the penalty content, main deficiencies, and improvement: None.

(XI) Important resolutions of the shareholders' meeting and the board of directors in the most recent year and as of the publication date of the annual report.

1. Important resolutions of the 2020 shareholders' meeting:
   Time: 9:00 a.m., June 10, 2020 (Wed.).
   Location: No. 568, Fuxing 3rd Rd., Guishan Dist., Taoyuan City (headquarters of Phihong Technology Co., Ltd.)

<table>
<tr><th>Summary of important proposals</th><th>Implementation</th></tr>
<tr><td>I. Matters to be ratified:
1. Ratify the 2019 financial statements.
2. Ratify the proposal for 2019 loss compensation</td><td>The Company's 2019 net loss after tax was compensated in accordance with the law, so the Company did not distribute dividends to shareholders, remuneration to directors, and employee compensation.</td></tr>
<tr><td>II. Matters to be discussed:
1. Discuss the partial amendment to the Procedure for the Acquisition and Disposal of Assets.</td><td>The relevant business has been executed in accordance with the amended operating procedures.</td></tr>
<tr><td>III.Election:
1. Election of eleven directors (including three independent directors).</td><td>A total of 11 directors and independent directors were elected.
<table><tr><th>List of elected directors</th><th>List of elected independent directors</th></tr><tr><td>Peter Lin
Fei-Hung Lin
Kuan Feng Investment Ltd.
Representative: Allan Lin
Chia-Koun Wang
Tah-Jen Chou
Wei-Feng Chiang
Ming-Chih Chou
Shih-Hsiung Yang</td><td>Yu-Yuan Hung
Kuei-Hung Lin
Hsien-Ta Chang</td></tr></table></td></tr>
<tr><td>IV. Other proposals:
1. Discuss the cancellation of the non-compete clause for new directors (including independent directors).</td><td>It has been published on MOPS in accordance with regulations.</td></tr>
</table>

2. Important resolutions of the board of directors: The summary of the important resolutions during 2020 and as of the end of March of 2021 are as follows:

Date of board meeting	Summary of important proposals
2020.2.27 13th board of directors 21th meeting	1. Proposal for disposal of fixed assets of the subsidiary Dongguan Phitek Electronics Co., Ltd. 2. Proposal for appointment of CPAs and their remuneration. 3. Proposal for loaning of funds by the subsidiary Phihong (Dongguan) Electronics Co., Ltd. to the subsidiary Dongguan Phitek Electronics Co., Ltd.
2020.3.13 13th board of directors 22th meeting	1. Proposal for the Company's 2019 business report, standalone financial statements, and consolidated financial statements. 2. Proposal for 2019 loss compensation. 3. Proposal for partial amendments to the provisions of the Procedure for the Acquisition and Disposal of Assets, and authorization of senior executives and trading personnel for the Company's derivatives trading. 4. Proposal for partial amendment to the Company's rules of board meetings. 5. Election of eleven directors (including three independent directors).

Date of board meeting	Summary of important proposals
2020.3.13 13th board of directors 22th meeting	6. Proposal for nomination of a list of candidates for directors and independent directors. 7. Proposal for removal of the non-compete clause for new directors (including independent directors). 8. Proposal for the time, place, and resolutions of the Company's annual shareholders' meeting held in 2020. 9. Proposal for acceptance of shareholders' proposals and nomination-related matters for the 2020 annual shareholders' meeting. 10. Proposal for the Company's 2019 Statement on Internal Control System. 11. Proposal for assessment of the independence of CPA Ker-Chang Wu and CPA Yi-Min Huang appointed by the Company in 2020. 12. Proposal for partial amendment to the Board Performance Evaluation Rules. 13. Proposal for extension and renewal of credit lines with banks. 14. Deliberation of the Company's directors and independent directors' honoraria and the 2019 business execution expenses.
2020.5.8 13th board of directors 23th meeting	1. The Company's consolidated financial statements for the first quarter of 2020 2. In response to financial and business needs, the Company proposed to sign a credit line contract for financing with Hua Nan Commercial Bank Ltd. 3. In response to financial and business needs, the Company proposed to sign a credit line contract for financing with Bank SinoPac Co. Ltd..
2020.6.10 14th board of directors 1st meeting	1. Election of the chairman of the 14th board of directors. 2. The Company's 4th CompensationCommittee member appointment proposal. 3. The Company's 2nd Nomination Committee member appointment proposal.
2020.8.7 14th board of directors 2nd meeting	1. The Company's consolidated financial statements for the second quarter of 2020. 2. Subsidiary Phihong International Corp. (PHI) increased its capital in Phihong (Dongguan) Electronics Co., Ltd. 3. Partial amendment to the Company's Nomination Committee Charter. 4. Partial amendment to the Company's Audit Committee Charter. 5. Partial amendment to the Company's Corporate Governance Best Practice Principles. 6. Amendment to the Company's "Operating Procedures for Handling Internal Material Information" and "dedicated personnel and structure for handling internal material information" 7. Proposal for signing a credit line contract with HSBC Bank (Taiwan) Limited for financing. 8. Proposal for signing a credit line contract with EnTie Commercial Bank for financing.
2020.8.28 14th board of directors 3rd meeting	1. Proposal for appointment of the Company's corporate governance officer. 2. Proposal for appointment of the Company's managers. 3. Proposal for adjustment to salary for directors who served as employees of the Company concurrently. 4.Proposal for matters related to the second stage of capital budget of subsidiary Phihong Vietnam Co., Ltd. 5. The Company proposed to increase cash capital in the subsidiary Phihong Vietnam Co., Ltd. 6. Proposal for cash capital reduction of the subsidiary Phihong Electronics (Suzhou) Co., Ltd. 7. Proposal for signing a credit line contract with Taiwan Cooperative Bank for financing. 8. Proposal for signing a credit line contract with Chang Hwa Commercial Bank, Ltd. for financing.
2020.11.6 14th board of directors 4th meeting	1. Deliberation of the personnel promotion to the financial officer and the accounting officer. 2. The Company's consolidated financial statements for the third quarter of 2020. 3. The Company's 2021 audit plan. 4. Proposal for loaning of funds by the subsidiary Phihong (Dongguan) Electronics Co., Ltd. to the subsidiary Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. 5. Proposal for mid-term assessment of the funds loaned to the Group's subsidiaries. 6. Proposal for authorizing the Company's senior executives and trading personnel engaging in derivatives trading. 7. Deliberation of the leasing proposal for the company car assigned to the general manager. 8. Proposal for signing a credit line contract with O-Bank Co., Ltd. for financing. 9. In response to the government's policy of encouraging overseas Taiwanese businesspeople to return to Taiwan for investment and business development, the Company proposed to

Date of board meeting	Summary of important proposals
	purchase property for a factory in Tainan from Hilight Electric Wire & Cable Co., Ltd.
2021.1.29 14th board of directors 5th meeting	1. Proposal for the Company's 2021 operating budget. 2. Proposal for partial amendments to the provisions of the Procedure for the Acquisition and Disposal of Assets, and authorization of senior executives and trading personnel for the Company's derivatives trading. 3. Deliberation of the financial officer's and the accounting officer's remuneration. 4. Deliberation of the Company's 2020 year-end bonus distribution plan for managers. 5. Deliberation of proposal for the 2020 business execution cost for the Company's directors and independent directors. 6. Proposal for application for credit lines with banks.
2021.3.5 14th board of directors 6th meeting	1. Proposal for the Company's 2020 business report, standalone financial statements, and consolidated financial statements. 2. Proposal for 2020 loss compensation. 3. Proposal for partial amendment to the Articles of Association. 4. Proposal for first issuance of secured ordinary corporate bond in 2021 5. Proposal for the time, place, and resolutions of the Company's annual shareholders' meeting held in 2021. 6. Proposal for acceptance of shareholders' proposals and relevant matters for the 2021 annual shareholders' meeting. 7. Proposal for the Company's 2020 Statement on Internal Control System. 8. Proposal for assessment of independence of the Company's CPAs and accountants after replacement form the first quarter of 2021. 9. Proposal for appointment of CPAs and their remuneration. 10. Proposal for loaning of funds by the subsidiary Phihong (Dongguan) Electronics Co., Ltd. to the subsidiary Dongguan Phitek Electronics Co., Ltd.

(XII) In the most recent year and as of the publication date of the annual report, if the directors or supervisors have different opinions on important resolutions passed by the board of directors with records or written statements, the main content: Not applicable.

(XIII) A summary of the resignation and dismissal of the Company's chairman, general manager, accounting officer, financial officer, internal audit officer, corporate governance officer, and R&D officer in the most recent year and as of the publication date of the annual report:

Title	Name	Date of taking office	Date of dismissal	Reason for resignition or dismissal
Financial officer Accounting officer Corporate governance officer	Ho-Ching Huang	2019.07.01	2020.09.01	Personal reason

V. CPA Professional Fee Information

(I) Professional Fee Information

1. CPA Professional Fee Rate Table

Accounting firm name	CPA name		Audit period	Note
Deloitte & Touche	Yi-Min Huang	Ker-Chang Wu	2020.01.01–2020.12.31	-

Unit: NT$1,000

Range \ Item		Audit fee	Non-audit fee	Total
1	Less than NT$2,000 thousand	-	718	718
2	NT$2,000 thousand (inclusive)–NT$4,000 thousand	-	-	-
3	NT$4,000 thousand (inclusive)–NT$6,000 thousand	-	-	-
4	NT$6,000 thousand (inclusive)–NT$8,000 thousand	6,800	-	6,800
5	NT$8,000 thousand (inclusive)–NT$10,000 thousand	-	-	-
6	NT$10,000 thousand (inclusive) or more	-	-	-

2. CPA Professional Fee Information

Unit: NT$1,000

Accounting firm name	CPA name	Audit fee	Non-audit fee					Audit period	Note
			System design	Business registration	Human resources	Others (Note)	Subtotal		
Deloitte & Touche	Yi-Min Huang Ker-Chang Wu	6,800	-	15	-	703	718	2020.01.01 to 2020.12.31	The fees are mainly from the services provided by the taxation department of the firm, including transfer pricing report service, certification of direct deduction of business tax, annual renewal of a BVI, and filing a report to the Investment Commission.

Note: Please list the non-audit fees separately according to the service items. If "others" of the non-audit fees reaches 25% of the total amount of the non-audit fees, the services shall be listed in the note column.

(II) If the accounting firm is replaced and the audit fee paid in the year that the replacement occurs is less than that of the previous year, the amount and reason for the audit fees before and after the replacement shall be disclosed: Not applicable.

(III) If the audit fees are reduced by more than 10% from the previous year, the amount, percentage, and reason for the reduction in audit fees shall be disclosed:

1. Reduced amount of audit fees: NT$1,060 thousand.
2. Percentage of reduction: 13.49%
3. Reason: The scope of work contained in the original letter of appointment included preparation of the English version of financial statements for 2020, which was then canceled based on agreement. Thus, NT$750 thousand was reduced by the firm for said service.

VI. CPA replacement information: Not applicable.

VII. The company's chairman, general manager, or managers in charge of financial or accounting affairs have worked at the firm of the CPAs or its affiliated company in the most recent year: Not applicable.

VIII. In the most recent year and as of the date of publication of the annual report, the transfer of equity and changes in pledged equity of directors, managers, and shareholders whose individual shareholding exceeds 10%:

(I) Changes in the equity of directors, managers, and major shareholders: Unit: Shares

Title	Name	2020		As of April 18, 2021	
		Increase (decrease) in the number of equity held	Increase (decrease) in the number of pledged equity	Increase (decrease) in the number of equity held	Increase (decrease) in the number of pledged equity
Chairman and Chief Executive Officer	Peter Lin	0	12,000,000 (10,420,000)	0	0
Director	Shu-Nu Chien (Note 1)	0	0	0	0
Director	Fei-Hung Lin (Note 2)	0	0	0	0
Director	Shih-Hsiung Yang (Note 3)	338 0	0	0 (4,000)	0
Director	Chia-Koun Wang	0	0	0	0
Director	Ming-Chih Chou	0	0	0	0
Director	Wei-Feng Chiang	0	0	0	0
Director	Tah-Jen Chou	0	0	0	0
Director	Kuan Feng Investment Ltd.	0	0	0	0
	Representative: Allan Lin	199,000	0	0	0
Independent Director	Yu-Yuan Hung	0	0	0	0
Independent Director	Kuei-Hung Lin	0	0	0	0
Independent Director	Hsien-Ta Chang	0	0	0	0
General Manager	Allan Lin	199,000	0	0	0
Advanced R&D Center	Jim Chen	9,000 0	0	18,000 (18,000)	0
Advanced R&D Center	William Chang	0 (10,000)	0	0 (15,000)	0
Advanced R&D Center	Wen-Song Jian (Note 4)	0	0	0	0
Advanced R&D Center	Ho-Ching Huang (Note 5)	0	0	0	0
Assistant Vice President	Chih-Lung Hung (Note 6)	10,000 (24,000)	0	0	0
Financial Officer	Pei-Yi Li (Note 7)	0	0	0	0
Accounting Officer	Kuei-Chih Chen (Note 8)	0	0	0	0

The information above is compiled based on the number of shares filed to the competent authority during their term of office.

Note 1: Director Shu-Nu Chien was dismissed during the reelection of directors at the shareholders' meeting on June 10, 2020, and the changes of her shareholding was calculated from January 1, 2020 to June 10, 2020.

Note 2: Director Fei-Hung Lin was elected at the reelection of directors at the shareholders' meeting on June 10, 2020, and the changes of his shareholding was calculated from January 10, 2020 to April 18, 2021.

Note 3: Director Shih-Hsiung Yang was discharged certainly on April 9, 2021 due to the transfer of more than one-half of his shareholding at the time of being elected. The change in his shareholding was calculated from January 1, 2020 to April 9, 2021.

Note 4: Wen-Song Jian was appointed as Vice President on September 1, 2020, and the change in his shareholding was calculated from September 1, 2020 to April 18, 2021.

Note 5: Vice President Ho-Ching Huang resigned on September 1, 2020, and the change in his shareholding was calculated from January 1, 2020 to August 31, 2020.

Note 6: Assistant Vice President Chih-Lung Hung resigned on October 1, 2020, and the change in his shareholding was calculated from January 1, 2020 to September 30, 2020.

Note 7: Pei-Yi Li was promoted to the Financial Officer on November 6, 2020 (she served as an acting Financial Officer from September 1, 2020), and the change in her shareholding was calculated from September 1, 2020 to April 18, 2021.

Note 8: Kuei-Chih Chen was promoted to the Accounting Officer on November 6, 2020 (she served as an acting Accounting Officer from September 1, 2020), and the change in her shareholding was calculated from September 1, 2020 to April 18, 2021.

(II) Information on the counterparties of the equity transfer or pledged equity, who are related parties:

The Company’s directors, managers, and shareholders whose individual shareholding exceeds 10% did not transfer equity to or pledge equity for related parties.

IX. Information on the top ten shareholders who are related parties, spouse, or relatives within second degree of kinship to each other:

April 18, 2021; unit: Shares; %

Name	Shareholding by shareholder		Shareholdings by spouse and minor children		Shareholdings by nominee arrangement		The name and relationship of the top ten shareholders who are related parties, spouse, or relatives within second degree of kinship to each other:		Note
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	hareholding Percentage	Name	Relationship	
Peter Lin	51,703,063	15.31%	3,813,236	1.13%	None	None	Shu-Nu Chien	Spouse	None
							Kuan Feng Investment Ltd.	Shareholder	
							Kuan Feng Investment Ltd. Person in charge: Kuan-Hung Lin	Father-son	
							Fei-Hung Lin	Father-son	
							Kuan-Hung Lin	Father-son	
							Allan Lin	Father-son	
Vanguard Emerging Markets Stock Index Fund Investment Account under custody of JPMorgan Chase Bank, Taipei Branch	4,014,000	1.19%	None	None	None	None	None	None	None
Shu-Nu Chien	3,813,236	1.13%	51,703,063	15.31%	None	None	Peter Lin	Spouse	None
							Kuan Feng Investment Ltd.	Shareholder	
							Kuan Feng InvestmentLtd. Person in charge: Kuan-Hung Lin	Mother and son	
							Fei-Hung Lin	Mother and son	
							Kuan-Hung Lin	Mother and son	
							Allan Lin	Mother and son	
Allan Lin	3,384,000	1.00%	63	0%	None	None	Peter Lin	Father-son	None
							Shu-Nu Chien	Mother and son	
							Fei-Hung Lin	Brothers	
							Kuan-Hung Lin	Brothers	
							Kuan Feng Investment Ltd.	Shareholder	
Fei-Hung Lin	3,376,000	1.00%	None	None	None	None	Peter Lin	Father-son	None
							Shu-Nu Chien	Mother and son	
							Kuan-Hung Lin	Brothers	
							Allan Lin	Brothers	
							Kuan Feng InvestmentLtd.	Shareholder	
Kuan-Hung Lin	3,095,000	0.92%	None	None	None	None	Peter Lin	Father-son	None
							Shu-Nu Chien	Mother and son	
							Fei-Hung Lin	Brothers	
							Allan Lin	Brothers	
							Kuan Feng Investment Ltd.	Person in charge	
Kuan Feng Investment Ltd.	3,034,905	0.90%	None	None	None	None	Peter Lin	Shareholder	None
							Shu-Nu Chien	Shareholder	
							Fei-Hung Lin	Shareholder	
							Kuan-Hung Lin	Person in charge	
							Allan Lin	Shareholder	
Guanfeng Investment Co., Ltd. Person in charge: Kuan-Hung Lin	3,095,000	0.92%	None	None	None	None	Peter Lin	Father-son	None
							Shu-Nu Chien	Mother and son	
							Fei-Hung Lin	Brothers	
							Allan Lin	Brothers	

JPMorgan Asset Management Investment Account under custody of JPMorgan Chase Bank, Taipei Branch	2,721,671	0.81%	None	None	None	None	None	None	None
Advanced Starlight Advanced Integrated International Stock Index under custody of Chase Bank	2,439,679	0.72%	None	None	None	None	None	None	None
Ching-Feng Hsu	2,365,727	0.70%	None	None	None	None	None	None	None

X. The number of shares held by the company, its directors, managers, and businesses directly or indirectly controlled by the company in the same investees, and the combined ownership:

December 31, 2020; Unit: shares; %

Investee (Note)	Investment by the Company		Investment by directors, supervisors, managers, and businesses directly or indirectly controlled		Combined investment	
	Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership	Number of Shares	Percentage of ownership
Phihong International Corp.	111,061,351	100%	—	—	111,061,351	100%
Phihong USA Corp.	3,100,000	100%	—	—	3,100,000	100%
Phitek International Co., Ltd.	10,200,000	100%	—	—	10,200,000	100%
Ascent Alliance Ltd.	12,012,600	100%	—	—	12,012,600	100%
Phihong Technology Japan Co., Ltd.	3,000	100%	—	—	3,000	100%
Phihong Vietnam Co., Ltd.	20,000,000	100%	—	—	20,000,000	100%
Guang-Lai Investment Co., Ltd.	13,975,828	100%	—	—	13,975,828	100%
H&P Venture Capital Co., Ltd.	1,373,801	32.26%	—	—	1,373,801	32.26%

Note: Investment made by the Company using the equity method.

IV. Fundraising

I. Capital and shares

(I) Source of share capital

1.The process of capital formation

Unit: NT$1,000; shares

Month/Year	Issue price	Authorized capital		Paid-in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of share capital	Those who invest property other than cash in the capital	Others
December 1972	100	2,000	200	2,000	200	Incorporation	None	—
July 1977	100	30,000	3,000	30,000	3,000	Capital increase in cash by 2,800	None	—
July 1981	100	200,000	20,000	200,000	20,000	Capital increase in cash by 17,000	None	—
October 1983	100	300,000	30,000	300,000	30,000	Capital increase in cash by 10,000	None	—
September 1985	100	400,000	40,000	400,000	40,000	Capital increase in cash by 10,000	None	—
December 1987	100	600,000	60,000	600,000	60,000	Capital increase in cash by 20,000	None	—
December 1989	10	14,000,000	140,000	14,000,000	140,000	Capital increase in cash by 68,000 Capitalization from earnings for 12,000	None	—
December 1990	10	40,000,000	400,000	20,900,000	209,000	Capital increase in cash by 48,000 Capitalization from earnings for 16,800 Capital surplus of 4,200	None	Letter Tai-Cai-Zheng (I) No.02636 from Securities Supervisory Commission, Ministry of Finance, dated October 15, 1990
October 1991	10	40,000,000	400,000	22,990,000	229,900	Capitalization from earnings for 20,900	None	Letter Tai-Cai-Zheng (I) No.01608 from Securities Supervisory Commission, Ministry of Finance, dated July 19, 1991
October 1997	10	40,000,000	400,000	32,163,141	321,631	Capital increase in cash by 49,000 Capitalization from earnings for 41,382 Employee bonus of 1,349	None	Letter Tai-Cai-Zheng (I) No.52641 from Securities and Futures Bureau, Ministry of Finance, dated July 4, 1997
January 1998	10	40,000,000	400,000	37,263,141	372,631	Capital increase in cash by 51,000	None	Letter Tai-Cai-Zheng (I) No.82966 from Securities and Futures Bureau, Ministry of Finance, dated November 13, 1997
July 1998	10	140,000,000	1,400,000	65,000,000	650,000	Capitalization from earnings for 68,610 Employee bonus of 8,759	None	Letter Tai-Cai-Zheng (I) No.58899 from Securities and Futures Bureau, Ministry of Finance, dated July 9, 1998
June 1999	10	140,000,000	1,400,000	107,000,000	1,070,000	Capitalization from earnings for 393,474 Employee bonus of 26,526	None	Letter Tai-Cai-Zheng (I) No.56307 from Securities and Futures Bureau, Ministry of Finance, dated June 21, 1999
May 2000	10	180,000,000	1,800,000	153,460,000	1,534,600	Capitalization from earnings for 482,000 Employee bonus of 36,600	None	Letter Tai-Cai-Zheng (I) No.41689 from Securities and Futures Bureau, Ministry of Finance, dated May 12, 2000
May 2001	10	280,000,000	2,800,000	196,050,000	1,960,500	Capitalization from earnings for 383,650 Employee bonus of 42,250	None	Letter Tai-Cai-Zheng (I) No.129627 from Securities and Futures Bureau, Ministry of Finance, dated May 15, 2001
June 2002	10	430,000,000	4,300,000	257,119,474	2,571,195	Capitalization from earnings for 352,890 Employee bonus of 42,010 ECB conversion for 215,795	None	Letter Tai-Cai-Zheng–Yi No. 0910118459 from Securities and Futures Bureau, Ministry of Finance, dated June 20, 2002 Letter Tai-Cai-Zheng–Yi No. 0910135864 from Securities and Futures Bureau, Ministry of Finance, dated July 1, 2002
June 2003	10	520,000,000	5,200,000	292,381,563	2,923,816	Capitalization from earnings for 308,543 Employee bonus of 44,078	None	Letter Tai-Cai-Zheng–Yi No. 0920128469 from Securities and Futures Bureau, Ministry of Finance, dated June 30, 2003
March 2004	10	520,000,000	5,200,000	293,156,653	2,931,567	ECB conversion for 7,751	None	Letter Tai-Cai-Zheng–Yi No. 0920151091 from Securities and Futures Bureau, Ministry of Finance, dated November 26, 2003
June, 2004	10	520,000,000	5,200,000	310,338,987	3,103,390	Capitalization from earnings for 146,678 Employee bonus of 25,145	None	Letter Tai-Cai-Zheng–Yi No. 0930124323 from Securities and Futures Bureau, Ministry of Finance, dated June 1, 2004
August 2005	10	520,000,000	5,200,000	319,614,482	3,196,145	Capitalization from earnings for 85,432 Employee bonus of 7,323	None	Letter Jin-Guan-Zheng-Yi No. 0940126807 from the Financial Supervisory Commission, Executive Yuan, dated July 4, 2005
February 2006	10	520,000,000	5,200,000	314,049,482	3,140,495	Capital reduction through treasury shares by 5,650	None	Letter Tai-Cai-Zheng–Yi No. 0920107679 from Securities and Futures Bureau, Ministry of Finance, dated March 5, 2003
August 2006	10	520,000,000	5,200,000	339,883,829	3,398,838	Capitalization from earnings for 220,537 Employee bonus of 37,806	None	Letter Jin-Guan-Zheng-Yi No. 0950126931 from the Financial Supervisory Commission, Executive Yuan, dated June 28, 2006
December 2006	10	520,000,000	5,200,000	329,883,829	3,298,838	Capital reduction through treasury shares by 100,000	None	Letter Tai-Cai-Zheng–Yi No. 0920160062 from Securities and Futures Bureau, Ministry of Finance, dated December 18, 2003
August 2007	10	520,000,000	5,200,000	348,828,587	3,488,286	Capitalization from earnings for 148,448 Employee bonus of 41,000	None	Letter Jin-Guan-Zheng-Yi No. 0960032161 from the Financial Supervisory Commission, Executive Yuan, dated June 26, 2007
August 2008	10	600,000,000	6,000,000	384,050,910	3,840,509	Capitalization from earnings for 303,481 Employee bonus of 48,742	None	Letter Jin-Guan-Zheng-Yi No. 0970031683 from the Financial Supervisory Commission, Executive Yuan, dated June 25, 2008
June 2009	10	600,000,000	6,000,000	367,587,910	3,675,879	Capital reduction through treasury shares by 16,463	None	Letter Jin-Guan-Zheng-Yi No. 0980018409 from the Financial Supervisory Commission, Executive Yuan, dated April 27, 2009
May 2010	10	600,000,000	6,000,000	371,754,910	3,717,549	Employee stock warrants of 41,670	None	Letter Jin-Guan-Zheng-Yi No. 0960069508 from the Financial Supervisory Commission, Executive Yuan, dated December 11, 2007
July 2010	10	600,000,000	6,000,000	372,376,910	3,723,769	Employee stock warrants of 6,220	None	Letter Jin-Guan-Zheng-Yi No. 0960069508 from the Financial Supervisory Commission, Executive Yuan, dated December 11, 2007

Month/Year	Issue price	Authorized capital		Paid-in capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of share capital	Those who invest property other than cash in the capital	Others
August 2010	10	600,000,000	6,000,000	272,376,910	2,723,769	Capital reduction in cash by 1,000,000	None	Letter Jin-Guan-Zheng-Yi No. 0990033560 from the Financial Supervisory Commission, Executive Yuan, dated July 9, 2010
January 2011	10	600,000,000	6,000,000	272,548,910	2,725,489	Employee stock warrants of 1,720	None	Letter Jin-Guan-Zheng-Yi No. 0960069508 from the Financial Supervisory Commission, Executive Yuan, dated December 11, 2007
May 2011	10	600,000,000	6,000,000	274,806,910	2,748,069	Employee stock warrants of 22,580	None	Letter Jin-Guan-Zheng-Yi No. 0960069508 from the Financial Supervisory Commission, Executive Yuan, dated December 11, 2007
July 2011	10	600,000,000	6,000,000	274,870,910	2,748,709	Employee stock warrants of 640	None	Letter Jin-Guan-Zheng-Yi No. 0960069508 from the Financial Supervisory Commission, Executive Yuan, dated December 11, 2007
September 2011	10	600,000,000	6,000,000	274,932,910	2,749,329	Employee stock warrants of 620	None	Letter Jin-Guan-Zheng-Yi No. 0960069508 from the Financial Supervisory Commission, Executive Yuan, dated December 11, 2007
April 2012	10	600,000,000	6,000,000	276,858,910	2,768,589	Employee stock warrants of 19,260	None	Letter Jin-Guan-Zheng-Yi No. 0960069508 from the Financial Supervisory Commission, Executive Yuan, dated December 11, 2007
July 2012	10	600,000,000	6,000,000	277,043,910	2,770,439	Employee stock warrants of 1,850	None	Letter Jin-Guan-Zheng-Yi No. 0960069508 from the Financial Supervisory Commission, Executive Yuan, dated December 11, 2007
January 2013	10	600,000,000	6,000,000	277,108,910	2,771,089	Employee stock warrants of 650	None	Letter Jin-Guan-Zheng-Yi No. 0960069508 from the Financial Supervisory Commission, Executive Yuan, dated December 11, 2007
April 2013	10	600,000,000	6,000,000	277,163,910	2,771,639	Employee stock warrants of 550	None	Letter Jin-Guan-Zheng-Yi No. 0960069508 from the Financial Supervisory Commission, Executive Yuan, dated December 11, 2007
December 2014	10	600,000,000	6,000,000	277,688,416	2,776,884	ECB conversion for 5,245	None	Letter Jing-Shou-Shang No. 0301242790 from the Department of Commerce, MOEA, dated December 25, 2014
March 2017	10	600,000,000	6,000,000	337,688,416	3,376,884	Capital increase in cash by 600,000	None	Letter Jing-Shou-Shang No. 10601037870 from the Department of Commerce, MOEA, dated March 24, 2017

2. Types of Shares

April 18, 2021 Unit: Shares

Types of Shares	Authorized Capital				Note
	Outstanding Shares (Listed)	Treasury Shares	Unissued Shares	Total	
Ordinary Shares	337,688,416	0	262,311,584	600,000,000	

(II) Shareholder Structure

April 18, 2021 Unit: Shares; %

Shareholder Structure / Number	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Foreigners	Total
Number of people	1	2	148	66,628	146	66,925
Number of Shares Held	3	17,113	5,842,001	296,688,850	35,140,449	337,688,416
Shareholding Percentage	0.00%	0.01%	1.73%	87.85%	10.41%	100.00%

(III) Distribution of Equity

April 18, 2021 Unit: Shares; %

Shareholding Hierarchy	Number of Shareholder	Number of Shares Held	Shareholding Percentage
1-999	28,612	2,314,642	0.69%
1,000-5,000	30,681	61,711,284	18.27%
5,001-10,000	3,965	32,051,738	9.49%
10,001-15,000	1,132	14,582,182	4.32%
15,001-20,000	830	15,582,588	4.61%
20,001-30,000	643	16,716,493	4.95%
30,001-40,000	303	10,991,937	3.26%
40,001-50,000	200	9,400,605	2.78%
50,001-100,000	313	22,532,836	6.67%
100,001-200,000	135	19,192,895	5.68%
200,001-400,000	59	16,046,111	4.75%
400,001-600,000	18	9,070,744	2.69%
600,001-800,000	5	3,416,000	1.01%
800,001-1,000,000	3	2,694,018	0.80%
1,000,001 Shares or More	26	101,384,343	30.03%
Total	66,925	337,688,416	100.00%

Note: The shares above are all ordinary shares (par value of NT$10 per share)

(IV) List of major shareholders: Shareholders holding at least 5% of the total shares or the top ten shareholders with the highest shareholding percentage

April 18, 2021 Unit: Shares; %

Shares / Name of Major Shareholder	Number of Shares Held	Shareholding Percentage
Peter Lin	51,703,063	15.31%
Vanguard Emerging Markets Stock Index Fund Investment Account under custody of JPMorgan Chase Bank, Taipei Branch	4,014,000	1.19%
Shu-Nu Chien	3,813,236	1.13%
Allan Lin	3,384,000	1.00%
Fei-Hung Lin	3,376,000	1.00%
Kuan-Hung Lin	3,095,000	0.92%
Kuan Feng Investment Ltd.	3,034,905	0.90%
JPMorgan Asset Management Investment Account under custody of JPMorgan Chase Bank, Taipei Branch	2,721,671	0.81%
Advanced Starlight Advanced Integrated International Stock Index under custody of Chase Bank	2,439,679	0.72%
Ching-Feng Hsu	2,365,727	0.70%

(V) Market price, net worth, earnings, dividend per share and relevant information in the last two years

Unit: NT$/1,000 shares

Item / Year			2019	2020	As of March 31, 2021
Market Price per Share	Highest		12.60	17.55	29.95
	Lowest		7.88	4.94	15.50
	Average		9.57	9.60	20.68
Net Worth per Share	Before Distribution		14.58	14.08	13.51
	After Distribution		14.58	14.08	13.51
Earnings Per Share	Weighted Average Number of Shares		337,688	337,688	337,688
	Earnings Per Share	Before Adjustment	-0.11	-0.46	-0.51
		After Adjustment	-0.11	-0.46	-0.51
Dividend Per Share	Cash Dividend		0	0	0
	Stock Dividend	Stock Dividend from Retained Earnings	0	0	0
		Stock Dividend from Capital Surplus	0	0	0
	Cumulative Unpaid Dividends		0	0	0
Return on Investment Analysis	P/E Ratio (Note 1)		—	—	—
	P/D Ratio (Note 2)		—	—	—
	Dividend Yield (Note 3)		—	—	—

Note 1: P/E ratio = Average closing price per share for the year/Earnings per share.
Note 2: P/D ratio = Average closing price per share for the year/Cash dividend per share.
Note 3: Dividend yield = Cash dividend per share/Average closing price per share for the year.

(VI) Dividend policy and implementation

1. Dividend policy:

If there is a surplus in the Company's annual accounts, it shall pay taxes in accordance with the law and make up for the losses from the previous years first, and then allocate 10% of the balance to the legal reserve, and set aside or reverse an amount for the special reserve in accordance with the law or regulations of the competent authority. If there is still any surplus, plus the accumulated undistributed surplus from the previous period, the board of directors will reserve an appropriate amount of the surplus according to the operational needs and put forth a distribution proposal, which will be submitted to the shareholders' meeting for approval, and the dividends will be distributed to shareholders.

The Company's dividend policy is based on the consideration for future capital needs and long-term financial planning. The dividends distributed to shareholders are not less than 50% of the current year's earnings after tax, and the cash dividends distributed are not less than 10% of the total amount of the dividends distributed annually.

2. The proposed dividend distribution at the shareholders' meeting:

The Company's net loss after tax for 2020 is NT$154,594 thousand, so no dividend will be distributed to shareholders.

(VII) The impact of the stock dividend distribution proposed by the shareholders' meeting on the Company's operating performance and earnings per share

Unit: NT$

<table>
<tr><th colspan="3">Year
Item</th><th>2021
(Estimated)</th></tr>
<tr><td colspan="3">Paid-in capital, beginning of the period</td><td>3,376,884,160</td></tr>
<tr><td rowspan="3">Distribution of dividends for the year</td><td colspan="2">Cash dividend per share</td><td>Note 1</td></tr>
<tr><td colspan="2">Stock dividend per share through capitalization from earnings</td><td>Note 2</td></tr>
<tr><td colspan="2">Stock dividend per share through capitalization from capital surplus</td><td>Note 2</td></tr>
<tr><td rowspan="7">Changes in operating performance</td><td colspan="2">Income from operationas</td><td rowspan="13">Note 3</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) of income from operatioons YoY</td></tr>
<tr><td colspan="2">Net income after income tax</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) of net income after income tax YoY</td></tr>
<tr><td colspan="2">Earnings per share (EPS)</td></tr>
<tr><td colspan="2">Percentage of increase (decrease) of earnings per share YoY</td></tr>
<tr><td colspan="2">Annual average return on investment (ROI) (annual harmonic average P/E ratio)</td></tr>
<tr><td rowspan="6">Pro forma EPS and P/E ratio</td><td rowspan="2">In the case of capitalization from earnings, all dividends will be distributed in cash.</td><td>Pro forma EPS</td></tr>
<tr><td>Pro forma annual average ROI</td></tr>
<tr><td rowspan="2">In the case of no capitalization from capital surplus (Note 1)</td><td>Pro forma EPS</td></tr>
<tr><td>Pro forma annual average ROI</td></tr>
<tr><td rowspan="2">In the case of no capitalization from capital surplus and earnings, all dividends will be distributed in cash (Note 1)</td><td>Pro forma EPS</td></tr>
<tr><td>Pro forma annual average ROI</td></tr>
</table>

Note 1: It is net loss after tax for 2020, the Company does not distribute dividends.

Note 2: No capitalization from earnings and capital surplus was conducted for the period.

Note 3: According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company did not publish and announce its financial forecasts for 2021, so it is not applicable

(VIII) Employee compensation and remuneration to directors and supervisors

1. The percentages or ranges of employee compensation and remuneration to directors as stated in the Company's Articles of Association:
   If the Company makes a profit for the year, it shall allocate no less than 10% as employee compensation, which shall be distributed in stock or cash as resolved by the board of directors. The parties receiving the compensation include employees of subordinate companies who meet certain conditions; the Company’s board of directors may resolve to allocate no more than 2% of said profit as remuneration to directors. The proposal for employee compensation and remuneration to directors shall be reported to the shareholders’ meeting. However, when the Company still has accumulated losses, it shall reserve the amount for compensation in advance, and then allocate for employee compensation and remuneration to directors based on the percentages mentioned in the preceding paragraph.
2. The accounting treatment for any differences between the estimated amount of employee compensation and remuneration to directors in the current period, the estimated number of shares of stock dividends distributed to employee as compensation, and the actual amount/number distributed:
   (1) The estimation basis for the amount of the employee compensation and remuneration to directors: The estimation is based on the profit of the year and the percentages specified in the Articles of Association.
   (2) The calculation basis for the number of shares of stock dividends distributed to employee as compensation: The calculation is based on the closing price on the day before the resolution of the annual shareholders meeting held in the following year.
   (3) Accounting treatment when there is a difference between the actual distributed amount and the estimated amount: Reclassified to the next year's profit or loss.
3. Compensation/Remuneration distribution approved by the board of directors:
   The Company’s net loss after tax for 2020 is in the amount of NT$154,594 thousand. According to the Company's Articles of Association, it is proposed that no employee compensation and remuneration to directors will be distributed.
4. The actual distribution of employee compensation and remuneration to directors in the previous year:
   The Company’s net loss after tax for 2019 was in the amount of NT$38,136 thousand. According to the Company's Articles of Association, it was proposed that no employee compensation and remuneration to directors would be distributed.

(IX) Buyback of the company’s shares: Not applicable.

II. Corporate bonds

(I) Issuance of corporate bonds

<table>
<tr><th colspan="2">Types of corporate bonds</th><th>Issued the first domestic secured ordinary corporate bond in 2021</th></tr>
<tr><td colspan="2">Date of issue</td><td>March 25, 2021</td></tr>
<tr><td colspan="2">Par value</td><td>NT$10,000,000</td></tr>
<tr><td colspan="2">Place of issue and trading</td><td>Taipei Exchange</td></tr>
<tr><td colspan="2">Issue price</td><td>Issued by par value</td></tr>
<tr><td colspan="2">Total</td><td>NT$700,000,000</td></tr>
<tr><td colspan="2">Interest rate</td><td>The annual coupon rate is 0.60%</td></tr>
<tr><td colspan="2">Term</td><td>Five-year period, maturity date: March 25, 2026</td></tr>
<tr><td colspan="2">Guarantee institution</td><td>Guarantee institutions for the corporate bonds issued are as follows:
Hua Nan Commercial Bank, Ltd.
The amount of issuance is NT$700 million, respectively.</td></tr>
<tr><td colspan="2">Trustee</td><td>Bank Sinopac Co., Ltd.</td></tr>
<tr><td colspan="2">Underwriter</td><td>KGI Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certified attorney</td><td>Attorney Hui-chi Kuo, Yi-Cheng Law Firm</td></tr>
<tr><td colspan="2">CPA</td><td>Deloitte & Touche</td></tr>
<tr><td colspan="2">Repayment method</td><td>The principal of the corporate bond will be repaid in a lump sum upon the maturity date.</td></tr>
<tr><td colspan="2">Unpaid principal as of the publication date of the annual report</td><td>NT$700,000,000</td></tr>
<tr><td colspan="2">Redemption or early repayment terms</td><td>None</td></tr>
<tr><td colspan="2">Restriction clause</td><td>None</td></tr>
<tr><td colspan="2">Name of credit ratings agency, date of ratings, and company debt rating results</td><td>Name: Taiwan Ratings
Ratings:<table><tr><th>Guarantee institution</th><th>Ratings</th><th>Date of ratings</th></tr><tr><td>Hua Nan Commercial Bank</td><td>twAA+</td><td>2020.6.19</td></tr></table></td></tr>
<tr><td rowspan="2">Other rights attached</td><td>The amount of ordinary shares, overseas depositary receipts, or other securities that have been converted (swapped or subscribed to) as of the publication date of the annual report</td><td>None</td></tr>
<tr><td>Issuance and conversion (swap or subscription) method</td><td>Phihong Technology Co. Ltd.'s Method of the Issuance of First Domestic Secured Ordinary Corporate Bonds for 2021</td></tr>
<tr><td colspan="2">Possible dilution of equity and impact on existing shareholders' equity due to issuance and conversion, swap, or subscription methods, and issuance conditions</td><td>None</td></tr>
<tr><td colspan="2">Name of custodian institution for swap</td><td>None</td></tr>
</table>

(II)Information on corporate bond conversion: Not applicable.

III. Issuance of preferred stock: Not applicable.

IV. Issuance of overseas depositary receipts: Not applicable.

V. Issuance of employee stock warrants: Not applicable.

VI. Issuance of restricted employee shares: Not applicable.

VII. Merger or acquisition or issuance of new shares for receipt of other companies' shares: Not applicable.

VIII. Implementation Status of Fund Utilization Plan:

First issuance of domestic secured ordinary corporate bond in 2021

(I) Content of the plan:

1. The approval date and document number of the competent authority governing the business: The application has been filed and effective, referenced Zheng-Gui-Zhai No. 11000015981 dated March 16, 2021 issued by Taipei Exchange; the bond has been approved to be traded over the counter of securities firms on March 25, 2021, referenced Zheng-Gui-Zhai No. 11000017952 dated March 18, 2021.
2. The total amount of funds required for this project: NT$700 million.
3. Date of disclosure on the MOPS: March 16, 2021
4. Sources of funds
   (1) First issuance of secured ordinary corporate bond in 2021 for NT$700 million.
   (2) If the corporate bonds at this time are not issued in full, resulting in insufficient funds, the Company will take out loans from banks to make up for the difference.

(II)Implementation status:

1. The items, timeline, and expected potential benefits:

Unit: NT$1,000

<table>
<tr><th>Item</th><th>Scheduled completion date</th><th>Total funds required</th><th colspan="2">Scheduled fund utilization timeline</th></tr>
<tr><td rowspan="2">Debt repayment</td><td rowspan="2">Quarter 2 of 2021</td><td rowspan="2">700,000</td><td>Quarter 1 of 2021</td><td>Quarter 2 of 2021</td></tr>
<tr><td>200,000</td><td>500,000</td></tr>
<tr><td colspan="2">Total</td><td>700,000</td><td colspan="2">700,000</td></tr>
<tr><td>Expected potential benefits</td><td colspan="4">Purpose of funds: To repay debts and replenish mid- and long-term working capital.
Expected potential benefits: To obtain stable and low-cost mid- and long-term funds. When market interest rates are relatively low in history, the Company plans to repay bank loans and some ordinary corporate bonds that have matured using fixed-rate corporate bonds to take into account the mid- and long-term working capital costs and to achieve long-term stable business operations. It is estimated that NT$1,853,000 will be saved in interest expenses in 2021, and NT$2,469,000 in interest expenses will be saved every year thereafter. This will moderately reduce the financial burden on the Company and improve its debt solvency and strengthen the financial structure, which is conducive to the Company's overall operation and development.</td></tr>
</table>

2. Implementation:

Unit: NT$1,000

<table>
<tr><th>Item</th><th colspan="2">Implementation status</th><th>As of the first quarter of 2021</th><th>Notes</th></tr>
<tr><td rowspan="4">Debt repayment</td><td rowspan="2">Drawdown timeline</td><td>Scheduled</td><td>200,000</td><td rowspan="4">The total amount raised for the Company's first secured ordinary corporate bond project in 2021 is NT$700,000,000, which will be used to repay the debts in full. It is expected to repay the Company's bank borrowings of NT$200,000,000 in the first quarter of 2021, and repay the Company's debts of NT$500,000,000 that are about to expire.</td></tr>
<tr><td>Actual</td><td>200,000</td></tr>
<tr><td rowspan="2">Execution progress</td><td>Scheduled</td><td>28.57%</td></tr>
<tr><td>Actual</td><td>28.57%</td></tr>
</table>

3. If the plan is to replenish the working capital and repay debts, the increase or decrease of current assets, current liabilities, and total liabilities, as well as interest expenses, operating revenue, and earnings per share shall be compared and explained, and the financial structure shall be analyzed.

Unit: NT$1,000; %

Item \ Year		2019	2020	Increase (decrease) %
Current assets		5,994,332	6,997,934	16.74%
Current liabilities		3,125,121	5,138,664	64.43%
Total liabilities		4,617,875	5,617,790	21.65%
Interest expenses		23,103	22,517	(2.54)%
Operating revenue		10,694,604	9,243,618	(13.57)%
Loss per share		(0.11)	(0.46)	318.18%
Capital structure	Debt ratio	48.45%	54.21%	11.89%
	Long term funds to property, plant and equipment	224.54%	201.66%	(10.19)%
Description: 1. Increase in current liabilities: Due to the reclassification of secured ordinary corporate bonds in the current period to the current portion of long-term liabilities. 2. Increase in total liabilities: Due to an increase in accounts payable and long-term and short-term borrowings in the current period. 3. Increase in loss per share: Due to an increase in the amount of deficit in the current period compared to the previous period.				

V. Operation Overview

I. Business activities

(I) Business scope:

1. The main content of business and its percentage of business

Unit: NT$1,000; %

Main product categories	2020 consolidated operating revenue	
	Amount	Percentage %
Power supplies	9,236,707	99.93%
Others	6,911	0.07%
Total	9,243,618	100.00%

2. The Company's business categories
   1. CC01010 Manufacture of Power Generation, Transmission and Distribution Machinery.
   2. CC01020 Electric Wires and Cables Manufacturing.
   3. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
   4. CC01060 Wired Communication Mechanical Equipment Manufacturing.
   5. CC01080 Electronics Components Manufacturing.
   6. CC01110 Computer and Peripheral Equipment Manufacturing.
   7. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
   8. CD01030 Motor Vehicles and Parts Manufacturing.
   9. CD01040 Motorcycles and Parts Manufacturing.
   10. F113020 Wholesale of Electrical Appliances.
   11. F113070 Wholesale of Telecommunication Apparatus.
   12. F114030 Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories.
   13. F119010 Wholesale of Electronic Materials.
   14. F401010 International Trade.
   15. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import.

   All business items that are not prohibited or restricted by law, except those that are subject to special approval.
3. The Company's current main products and services: R&D, design, production, and sales of power supplies and electric vehicle chargers.
4. New products planned to be developed in the future

The development direction of future R&D	Relevant products and applications for future R&D
(1)Development of the application of wide-bandgap semiconductor GaN to power supply	High-frequency, miniaturized, and high-efficiency power supply products
(2) Voltage conversion—quick chargers	PD3.0/QC 4.0 chargers
(3) Low leakage current power supply technology	Medical power supplies and network communication power supplies
(4) High-wattage industrial power supplies	Power supplies for automation equipment
(5)High efficiency and low standby power technology (DOE 6.0)	High efficiency and low standby power supplies
(6) Development and application of high-wattage power supplies	Battery chargers/inverters
(7)Development and application of charging power supply for EVs	EV chargers
(8) Development of high-wattage power supply platform	Power products for industrial equipment
(9)USB PD Adaptor 18W-140W products	Power products with Type C interface for electronic products
(10)Development and application of soft switch LLC	Power supply for charging high-wattage machine tools
(11)R&D of charging technology for large-capacity battery packs (digital control)	Power supplies for charging high-wattage machine tools
(12)Network communication and 5G mobile communication power supplies	POE Injector and POE Open-frame PSU
(13)Thin products 120W-180W	Mini projectors and gaming PSU
(14)Job site radio	Audio products for construction site
(15)Lithium battery chargers for electric bicycles, electric scooters, etc.	60W-2000W lithium battery chargers

(II) Industry overview

1. Overview of the industry and development

The power supply unit (PSU) function is to supply unstable power from the outside and convert it into the stable voltage and current for electronic products after voltage stabilization and frequency conversion. Therefore, most electronic products have built-in power supplies or are externally connected to convert AC mains power into DC power of various voltages, so power supplies can be said to be the heart of electronic products. And according to its function and basic structure, it can be divided into the linear power supply (LPS) and switched-mode power supply (SMPS). The advantages of the SMPS are that the product is small in size, light in weight, and has a wide range of external input voltages, coupled with high power density/conversion efficiency, which contributing to the expansion of the application scope. SMPS is the basic product of power electronic technology. It is relatively mature in technology, has low barriers to entry, and has diversified and a wide variety of products. According to the data from the Industry & Technology Intelligence Service, Industrial Technology Research Institute, Taiwan's large SMPS suppliers mainly focus on power supplies for information communication and are mostly ODM.

2. Product type and field of application

Input/Output	Type	Function
AC/DC	Demand for chargers for consumer electronics	The main feature is the high efficiency, high density, constant voltage, and constant current charging function, which meets the needs for lightweight, thinness, smallness, and portability. The power is between 5W and 230W. It is mostly used in electronic products, such as mobile phones, tablets, NBs, and AR/VR helmets.
AC/DC	Demand for chargers for power batteries	It is mostly customized design, and the wattage in the application is also higher. Because of the use condition, the dustproof and waterproof requirements are stricter. If medium-sized chargers are machine tools, robots, and general EVs, the wattage in the application is usually 100W to kilowatts. In the case of large chargers or electric buses, it is usually 30KW to 600KW.
AC/DC	Medical adapter	The medical external power supply is covered by a plastic case, with stricter safety requirements, such as low leakage current. It is mostly used in respirators, medical testing, or cosmetic equipment, and the power is between 5W and 100W.
AC/DC	General adapter	The main features are high efficiency, high reliability, and constant voltage output (mainly12/19/24/48V), and it is mostly standard products, with power between 6W and 230W. It is mostly used in electronic products or industrial control applications, such as POS, network communication, displays, and printers.
AC/DC	Open-Frame	The main features are high efficiency, high reliability, natural heat dissipation, and single or multiple sets of constant voltage outputs, it is mostly standard products, with power between 60W and 500W. It is mostly used in electronic products or industrial control applications, such as network communication, TV, general household appliances, and multi-function printers.
DC/DC	Battery balance and management module	When a battery pack is being charged, it can balance a single battery capacity for charging management to avoid overheating and overloading of the single battery.
DC/AC	Inverter	It is used in LCD monitors or TV backlight modules, boosting DC to 600 volts in AC to provide power to cold cathode fluorescent lamp (CCFL).
DC/AC	Battery Inverter	There are AC input function or solar panels to charge the battery, and the button can be pressed to convert DC of the battery into AC output (concept of AC mobile power). At present, PBM1K8-121-R applicable to the Americas has been

Input/Output	Type	Function
		developed and mass-produced.
AC/AC	UPS	Uninterruptible power system (UPS) is generally divided into on-line and off-line operating modes. It is usually connected to AC mains to charge the built-in battery module. When the power is cut off, it converts the battery power into AC to output power to computers and other electronic products.
MCU/Firmware	Battery pack control	With the design of the battery management system software, the charging, detection, protection, and voltage and current feedback is realized in the form of software, and built in the MCU based on the concept of modularized design.

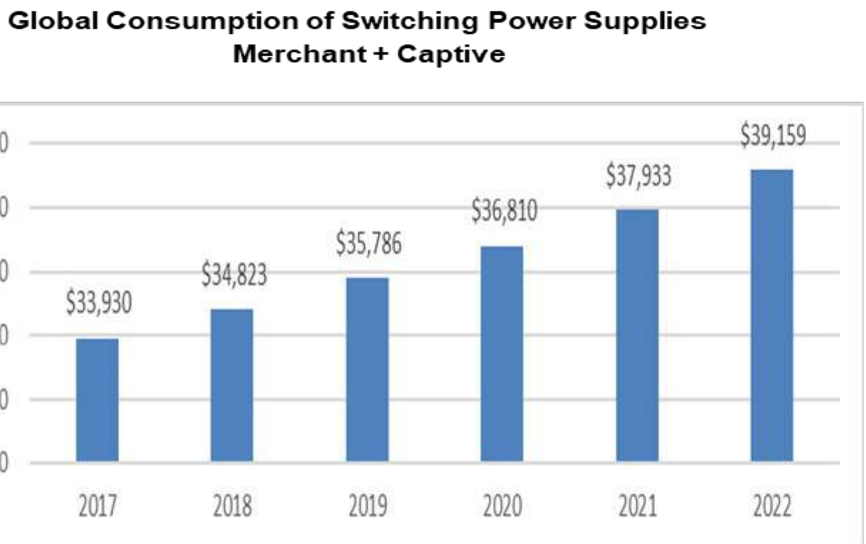
Source:Basic information on power supply manufacturing from Taiwan Institute of Economic Research

3. Overview of the industry and development

The global power supply industry is matches toward integration after undergoing consolidation and fierce market competition. Now Taiwanese power supply businesses dominate the global market share and competition, including domestic first-tier companies, including Delta, Lite-On, AcBel, Chicony Power, and second-tier companies, including FSP, Mean Well, and Zippy. Delta has the largest scale, covering more than half of the global market share. Each competitor in the power supply industry has different conditions. Therefore, due to differences in product positioning, companies of medium-sized and above in the market focus on operating specific application areas and developing their competitive advantages through technology and customer relationships.

Our country has been a major producer of global IT and many consumer electronic products for many years; our country's power supply industry is very competitive. In terms of the scale of the global SMPS market (see the figure below), the estimated scale of the global SMPS market in 2020 was US$36.81 billion, a slight increase of 2.86% from 2019.

Global SMPS market scale



Source: Micro-Tech Consultants

Since the development of science and technology in the 21st century will be mainly based on the cloud information network, IoT, AI, 5G, and foldable smartphones, the power supply technology, in addition to integrating high-frequency switching for power processing, will focus on "lightweight, short, small, high efficiency, and high reliability," while emphasizing the minimum consumption of raw materials and maximum of efficiency to meet the requirements of various environmental protection laws and regulations. The application will be more extensive and will be more closely integrated with system applications, forming an industry, spanning different fields of knowledge and technologies. Therefore, the application fields that the Company is striving to enter include::

(1) Power supply for cloud information network

To provide power supplies for various ultrabooks, notebooks, POS, Hub, and information network equipment. This is also the core industry of power electronics.

(2) Power supply for battery energy storage

To provide power conversion and energy supply for all kinds of lead-acid batteries, Ni-MH, Li-ion, solar cells, and energy storage systems.

(3) UPS

650W UPS system and connected to Windows/NAS power management.

(4) Power supply for wearable products and portable consumer electronic products

To provide power supplies for tablets, MP3, PDA, PSX, DVD, smartphones, digital cameras, GPS, set top box, etc.

(5)USB PD adaptor

To continue to develop USB PD technology and design a new product that is thinner and more cost-effective. The product will automatically adjust different output voltages and currents in response to needs. It can support mobile phones, tablets, NBs, monitors, AR/VR helmets, and other electronic product, to reduce the number of power products used, thereby reducing the loss of raw materials.

(6) Wide-bandgap semiconductor

Wide-bandgap semiconductors, such as GaN/SiC, are used in high power density and high efficiency applications, which can further improve the efficiency of power products, achieve better energy-saving effects and reduce the volume to reduce the consumption of raw materials.

(7) EVs charging solutions

To provide complete software and hardware charging solutions for various EVs, such as electric buses, electric vehicles, electric motorcycles, electric bicycles, electric tricycles, and electric wheelchairs.

(8) Power supply for power tools

To provide intelligent charging management of batteries to power tools so as to improve battery safety and service life.

The capacity of the lithium battery used in machine tools is gradually increasing, so the output power of the charger for the machine tools is also getting higher and higher.

(9) Medical equipment power supply

To provide home medical equipment power supplies that meet the medical-grade safety requirements of IEC 60601.

(10) Lithium battery charger for robots

In response to Industry 4.0 and smart factories, home care in an aging society, lack of labor with a declining birthrate, and non-contact protection and services during the pandemic, the demand for various industrial and service robots, such as AGV, AMR, drones, anthropomorphic robots, has increased. Therefore, lithium battery chargers are showing a positive growth trend.

(11) POE injector

It has become a trend to reduce the wiring cost and increase the convenience brought by the deployment of network and monitoring equipment through the simultaneous power supply and data transmission of the Ethernet cable. In addition to the applications of Internet telephony, security monitors, and video systems in the early stage, 5G FWA, small base stations, and AIOT applications will further facilitate the demand.

(12) POE switch open-frame power supply

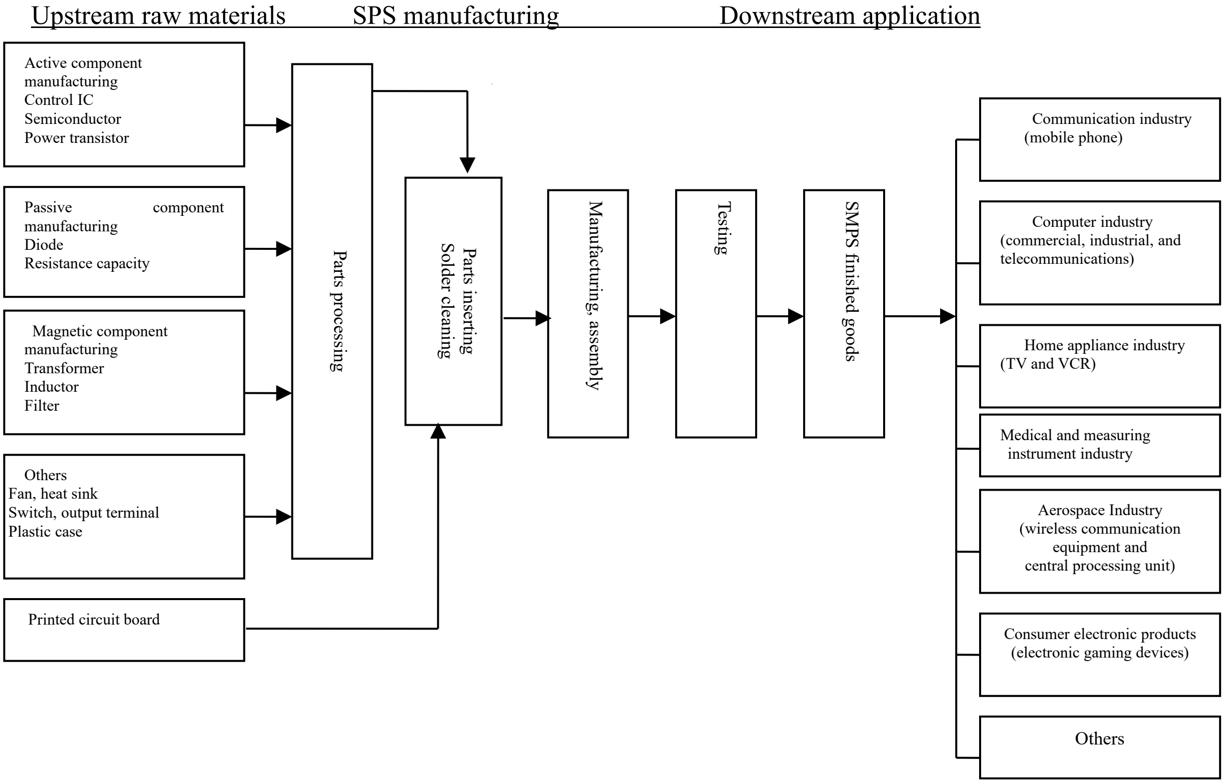
With the continuous construction of large data centers and various application network platforms, network switches have also increased in recent years. In addition, because of the increasing number of connected devices and data transmission, POE open-frame power supplies (260/530/950W) have become indispensable.

4. The relevance of the upstream, middle and downstream sections of the industry

(1) The relevance of upstream raw materials and the industry

The main raw materials of SMPS can be roughly divided into active components, passive components, magnetic components, and printed circuit boards (Figure 1). The requirements for the quality and stability of the active components are strict. Therefore, control IC, the main part, can be made in Taiwan or purchased from international brands, while passive components, including transformer cores, magnetic components, diodes, switches, and output terminals, can also be made in Taiwan. It is a sector with a high percentage of components that can be produced domestically in the domestic electronics industry.

Figure 1. SMPS industrial structure diagram



(2) The relevance of downstream application products and switching power supplies

The domestically produced SMPS are mainly used in communication products, computers, and their peripheral products. With the thriving development of the cloud information industry, there are currently many domestic information products ranking first in terms of the world's production, and SMPS is one. With that, the power supply is an indispensable component for downstream communication products and computer peripherals, network cloud equipment, consumer electronics, and industrial equipment. Thus, it has created tremendous business opportunities for the power supply industry.

5. Product development trend

(1) The trend of product miniaturization and refinement

Due to the thriving development of consumer electronics products in the downstream sector, the demand for light, thin and short, and portable features with an exquisite appearance has become the focus in mainstream design. In response, power supplies must be developed towards miniaturization and exquisiteness. Therefore, components in the upstream sector are also moving towards the miniaturization and multi-function features, such as multi-function, high-tech, or high value-added chip-type components.

(2) The trend of product and technology improvement

Driven by factors, such as the rapid launch of information and communication products, high efficiency and thinness of products, and the reduction of gross margin due to the maturity of the existing standard product market, manufacturers have begun to develop and learn new technologies to strengthen their ability to develop and design high value-added products, to obtain new orders. For example, power supplies are being developed in the direction of high output power, high efficiency, as well as high dust and water resistance, to be used in communication products, e-sports NBs, power battery chargers, and servers with stricter requirements.

(3) The trend of high efficiency

As environmental issues, such as energy saving and carbon reduction, have gradually received attention in recent years, the power supply is an important component of energy conversion, making it more difficult to stay out of the trend. Countries, such as the European Union and the United States, have regulated the efficiency and standby power of power supplies. The performance requirements, such as DoE, Erp, and CoC, have become the basic threshold of the market. Therefore, power supplies have to meet the increasingly stringent energy-saving requirements, making the technology and product life cycle management become more important.

(4) Automated production trend

On the one hand, due to the maturity of the standard product market, coupled with the enterprises in mainland China joining this industry, the price competition is fierce. However, in recent years, the prices of raw materials have continued to rise, labor costs in mainland China have increased significantly, and the labor force has declined, making it difficult to recruit workers and lead to personnel's high mobility. Thus, the cost of power supplies and the pressure on quality control has increased year by year. The only way to increase the economic scale is through automated production, which will lead to a decline in product prices and the need for manpower. Thus, product design in line with automated production, and the investment in automated production lines are inevitable.

(5) Digital power supply trend

With the increasingly stringent energy-saving standards and requirements for product miniaturization and intelligent communication for systems, digital power supply design has gradually replaced the traditional analog circuit design method.

The number of parts used can be reduced through efficiency optimization parameter design and function integration to achieve miniaturization. In addition, digital power supplies have the following advantages:

A. Less affected by the component error, characteristic drift, and aging.

B. The parameters set can be changed at any time in response to changes in different environments.

C. The operating status can be recorded for reference and debugging.

D. Product differentiation can be achieved through program settings without hardware replacement to reduce inventory.

E. It can self-monitor the software, enhance the efficiency of product testing, and even replace functions to reduce the defective rate of production.

F. Product identification, operating records, and follow-up tracking can all be stored in memory for future management and debugging.

6.Product competition:

(1) External competitors

The Company was established in 1972. In the beginning, it mainly introduced high-tech equipment and other products. In 1973, it set up a factory to produce autotransformers and linear power supplies. The product lines have gradually covered all kinds of power supplies and adapters. In recent years, it has successfully developed energy storage systems and EV charging products. Product applications have begun to cover green energy, EVs, and other industries, but the power supplies for consumer electronics products are still the major products. Due to a large number of power supply manufacturers at home and abroad and the wide variety of products, the Company's export account for over 90% over the years, so its main competitors are all over the world.

Major power supply suppliers in the world

Name	
Overseas	Emerson, Schneider, SMA, Eaton, Power-one, Flextronics, Eltek Valere, Murata, TDK-Lambda, AEG, Friwo, and Salcomp
Domestic	Delta (the world's largest), Lite-On, AcBel, FSP, Chicony Power, Optoelectronics, FSP, Mean Well, and Phihong

(2) Product substitutability

Most electronic products have built-in or externally connected power supplies of various forms to convert AC power into DC power of various voltages or enable normal operation of electronic products through DC power supply technology. Thus, power supplies can be said to be the heart of electronic products, one of the indispensable components of electronic products. On the whole, no matter what form of supply of power it is, there is no other component that can completely replace this kind of analog power model.

(III)Overview of technology and R&D

1. The Company's technological capabilities

The current product application range is extremely wide: From low-power smartphones and consumer electronics to medium- and high-power applications, such as e-sports NBs, power battery chargers, PoE power supply for Netcom switch, AIOT, smart security monitoring, 5G small base stations, and FWA, while with the design capabilities in multiple aspects below:

High-efficiency and energy saving: The efficiency can reach up to more than 95% in compliance with the latest energy regulations: DoE 6.0 and CoC tier2.

Fast charging design: USB PD3.0, QC4.0, and programable power supply (PPS), multi-port product active power sharing, ranging from 18W to 140W.

Power density: The general 45 to 230W adapters with a natural heat sink on the market is 7–12 W/in^3, and Phihong has reached 15 W/in^3 or higher, and it is continuing to make breakthroughs and innovations.

Integration of numerical control: The Company will establish a software engineering team while increasing the R&D unit's ability for integration in terms of software and hardware R&D through technical collaboration with micro control unit (MCU) manufacturers, thereby enhancing the Company’s design competitiveness in relevant industries.

Mechanism design: IP67 waterproof and dustproof design, over 500 tumbling tests, various patented interchangeable AC plug heads, and folding pins.

Design for regulatory compliance: In addition to general information communication certification of UL/EN 62368, UL/EN 60601 in medical electrical equipment, UL1310, UL1012, and EN60335 in home appliances and industrial control are included.

2. R&D expenditure

Unit: NT$1,000;%

Year / Item	Consolidated Financial Statements	
	2019	2020
R&D expenses	648,450	632,909
Operating revenue	10,694,604	9,243,618
As a pecentage of operating revenue	6.06%	6.85%

3. Technologies and products successfully developed in the most recent year and as of the date of publication of the annual report

Year	Item
2019	1.18W high voltage/low voltage modulation charger products 2.27W miniaturized fast charger product 3.45W multi-port miniaturized fast charger products 4.Netcom system's 24W power products in compliance with K21 5.Electric bicycle charger with communication interface developed 6.300W–500W medium- and high-wattage battery charging products 7.Machine tool lithium battery charger, ranging 36W to 350W 8.Medical standard adaptor 100W; open frame 60W and 150W 9.PD3.0 100W 10.Development of low power 24W and 60W adaptor through wide-bandgap semiconductor GaN 11.Development of 23mm slim 120W/150W adaptor
2020	1.55W high voltage/low voltage modulation charger products

Year	Item
	2.27W miniaturized fast charger products 3.45W miniaturized fast charger products 4.65W multi-port miniaturized fast charger products 5.Netcom system's 30W power products in compliance with K21 6.164W, 168W, 252W, 273W electric bicycle lithium battery chargers 7.650w lithium battery charger for power tools (including CANBUS communication) 8.Miniature speaker power supply 45W 9.E-bike 6A fast charging power supply 252W 10.Full digital control power supply 168W 11.Medical 2"x4" high-efficiency open frame 150W 12.Medical 2"x3" high-efficiency open frame 60W 13.100W PD adaptor 14.10W–30W adaptor with IPX4/IPX7 for household appliance 15.170W/250W GaN adaptor for small server and gaming notebook
Estimation 2021	1.Power supply for e-sports NBs, including 135W PD, 140W PD, 180W GaN, and 230W GaN 2.Electric bicycle charger, including 84W & 109W price competitive version, 168W automotive CAN communication, 252W & 273W standard products, 252W waterproof and miniaturization, etc. 3.High-power charging platform, including 380W & 500W standard platform 4.Power tool lithium battery charger, including 160W & 210W mower battery charger, 185W multi-port charger 5.Wide-bandgap semiconductor GaN 65W multi-port output smart fast charger products 6.45W/65W PD fast charging for NBs 7.30W PD fast charging for mobile phones 8.POE 30W/90W high surge products 9.260W/530W open frame for PoE switches

4. Future R&D plans and estimated R&D expenses, current progress of the R&D plans in progress, R&D expenses to be invested, estimated time required prior to mass production, and main factors affecting future R&D success

R&D plan in the most recent year	Current progress/achievement	R&D expenses to be invested (NT$ million)	Estimated time required prior to mass production	Main factors for future R&D success
18W high-voltage/low-voltage modulation charger products.	In design phase	2	July 2019	Cost control
Netcom system's 24W power products in compliance with K21.	In design phase	2	October 2019	System application mastering
Digital power technology platform	In design phase	3	December 2020	Software/hardware design integration and technology development
18) Lithium battery chargers for electric bicycles and pedelecs.	In design phase	3	December 2020	Knowledge of and research on cost and market specifications
150W-250W medical open frame series power supply	In design phase	3	December 2020	Knowledge of and research on cost and market specifications
400W–1.2kW medium- and high-wattage battery charging products.	In design phase	3	December 2020	Software/hardware design combination and high-efficiency power architecture

R&D plan in the most recent year	Current progress/achievement	R&D expenses to be invested (NT$ million)	Estimated time required prior to mass production	Main factors for future R&D success
GaN 24W / 60W adaptor	In design phase	3	August 2020	The quality of GaN semiconductors
Slim GaN 24W / 60W adaptor	In design phase	3	December 2019	Heat dissipation and efficiency improvement
PD 3.0 100W adaptor	In design phase	2	March 2020	Market demand for and application of PD3.0 100W
Power supply for e-sports NBs	In design phase	3	December 2021	Efficiency improvement and component miniaturization
Electric bicycle chargers (84W, 109W, 168W, 252W, and 273W)	In design phase	3	December 2021	Efficiency improvement and component miniaturization
High-power charging platform (380W and 500W)	In design phase	2	November 2021	Efficiency improvement and component miniaturization
Power tool lithium battery chargers (160W, 185W, and 210W)	In design phase	2	October 2021	Efficiency improvement and component miniaturization
Wide-bandgap semiconductor GaN 65W multi-port output smart fast chargers	In design phase	3	September 2021	GaN semiconductor quality and efficiency improvement and component miniaturization
30W PD fast charging for mobile phones	In design phase	2	March 2021	De-sense special specifications
45W PD fast charging for NBs	In design phase	2	September 2021	Cost control
65W PD fast charging for NBs	In design phase	2	August 2021	Cost control
POE 30W high surge products	In design phase	2	June 2021	High surge techonology
POE 90W high surge products	In design phase	2	September 2021	High surge techonology
260W open frame for PoE switches	In design phase	3	December 2021	LLC architecture application and sequential control and protection
530W open frame for PoE switches	In design phase	3	October 2021	LLC architecture application and sequential control and protection
It is estimated that the R&D expenses invested in 2021 are approximately NT$115,600 thousand				

(IV) Long- and short-term business development plans

1. Short-term development plan:

(1) Strengthen the development of existing customers' relevant business groups and increase business with new customers in the emerging markets of the AI, drones, IoT, 5G, foldable smartphones, EVs, and e-bike industries.

(2) Marketing strategy:

Establish a global target management method to strengthen the competitiveness of the Company's overall departments and attach importance to the customers' satisfaction and feedback. Strive to eliminate the deficit and strengthen the overall system of turning losses into profits and advance the business groups' manpower system and product technological capabilities to facilitate the increase of new customers and more new orders. In line with the short-term development plan, strengthen the business with customers in the IoT, 5G, and foldable smartphones, EVs, and e-bike industries.

(3) Production strategy:
Many models have been introduced into automated production equipment, and a small number of diversified models have been introduced into the cell line production line. In line with customers' product needs and services, we actively improve the process to enhance production efficiency, planning, and management while improving quality and adopting standardized management to ensure quality. We work to integrate the supply chain vertically to move toward the goal of self-sufficiency to reduce inventory and material costs.

2. Long-term development plan:

(1) R&D strategy:
The extensive application of portable information equipment will further integrate power supplies and batteries. To meet the needs in terms of information, home appliances, optoelectronics, and energy, the R&D of high-power, high-density, and low-voltage smart power technology is one development goals.
The power supply will be developed in the direction of standardization, modularization, and miniaturization. The design of power supply control ICs will be developed to be integrated with microelectronics, with power supplies as the main element.
Energy-saving and carbon reduction green products are the development goals for various applications and products to enhance the product and corporate image and meet customers' requirements for a green supply chain.

(2) Marketing strategy:
Formulate important strategic issues of the group, plan improvement goals, reduce product costs, strengthen price competitiveness, and pay attention to the trends of the emerging industries, such as wearable devices, drones, AI, IoT, 5G, foldable smartphones, EV chargers, and e-bike, to launches business activities early to develop new customers and increase the revenue from new products.

(3) Production strategy:
Reduce production and processing costs, increase the price competitiveness, introduce automated precision production equipment and robotic arms, share production tools, as well as R&D new processes, to increase production capacity and output value. Under a production plant risk management mechanism, a new overseas production plant was established in north Vietnam in response to the China-US trade war.

II. Overview of market, production, and sales

(I) Market analysis

1.The percentages of domestic and foreign sales of major products in the last two years and the regions are as follows:

(1) Sales percentage

Unit: %

Year / Main product	2019	2020
Power supplies	99.88%	99.93%
Others	0.12%	0.07%
Total	100.00%	100.00%

(2) Region

Unit: NT$1,000

Year / Region	2019	2020
Domestic sales revenue	107,894	107,552
Americas	1,811,213	1,827,046
Asia	7,528,096	6,291,648
Europe	1,171,000	984,836
Others	76,401	32,536

2.With the current thriving development of cloud information networks, optoelectronic applications, smart device applications (such as wearable devices), automotive electronics, and green energy concepts, the application range of power supplies is expanding. Industrial applications continue to increase, including personal computers, communications, networking, optoelectronics, precision instruments, automobiles, and information appliances. About 85% of them are concentrated in consumer electronics, mobile communications products, personal computers, and peripheral products, so the industrial demand is mainly linked to the fluctuations of the overall economy and the information, communication, and electronics industries, particularly their sub-industries.

(1) Supply side

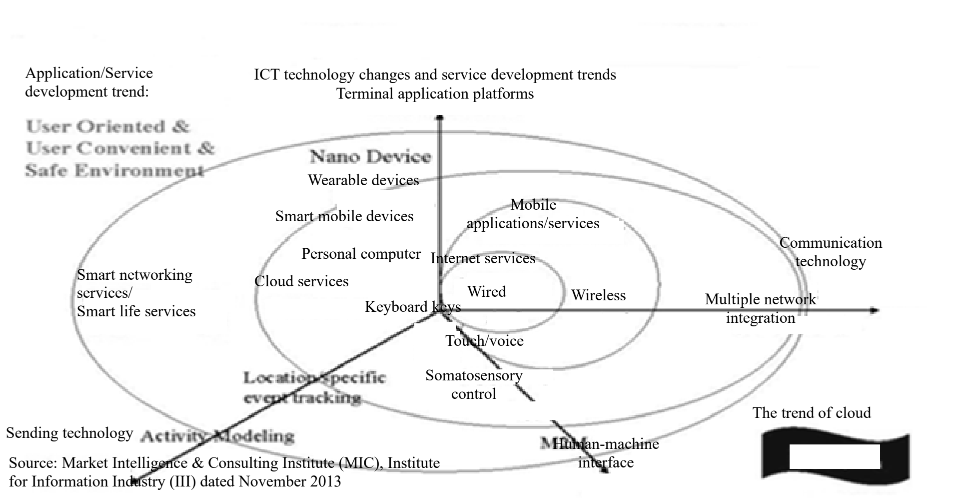
According to research data from Micro-Tech Consultants (MTC), a market research agency, the global SMPS market reached US$36.81 billion in 2020, as the market scale continues to expand in terms of applications, it is estimated to reach US$39.159 billion by 2022, showing a growing trend year by year. An ever-increasing trend year by year.

(2) Demand side

Although the power supply has a wide range of applications, since 85% of the products are used in consumer electronics, mobile communications, personal computers, and peripheral devices, the industrial demand is deeply affected by the changes in the information, communications, and electronics industries. The illustration is as follows:

A.Consumer electronics

The development trend of applications and services in the cloud era



Source: Market Intelligence & Consulting Institute (MIC), Institute for Information Industry (III) dated November 2013

Under the cloud trend, communication technology has expanded from wired network services to wireless mobile applications/services, cloud services to smart networking services/life services. The human-machine interface has also changed from the keyboard/keys to touch/voice, somatosensory control, and M2M. The sensing technology has also been developed from location/specific event tracking to activity modeling, which in turn drives the development of terminal application platforms to move from personal computers in the past to smart mobile devices, wearable devices, and nanodevices. This has also led to more diversified mobile applications, such as devices equipped with WiFi and NFC, wireless Bluetooth audio, headsets, and digital cameras.

According to the International Monetary Fund (IMF), the global gross domestic product (GDP) is expected to increase by 5.5% in 2021, which is higher than the 5.2% estimated in October last year. It must be attributed to the continuing effect of the significant improvement in the U.S. economy, particularly the strong growth momentum in the second half of last year and the U.S. US$900 billion relief program passed again in December last year. The U.S. economy is expected to grow by 5.1% this year, up to two percentage points from the previous estimate, offsetting the downturn in the Eurozone and the U.K economy. Such an expansion rate is equal to that in 2007, which is the best performance in 40 years. As for the global economy in 2022, the IMF estimates an expansion of 4.2%. Furthermore, many economists believe that as the U.S. Congress recently passed the $1.9 trillion relief program proposed by the Biden administration, the economic growth this year maybe even higher. It indicates that the growth momentum of global consumption will show a trend of moderate growth. Coupled with the introduction and popularization of new technologies, such as 5G, WiFi 6/6E, and mini LED, it is expected that the trend of replacement of and new demand for consumer electronic products will gain momentum, which in turn drives the demand for power supplies.

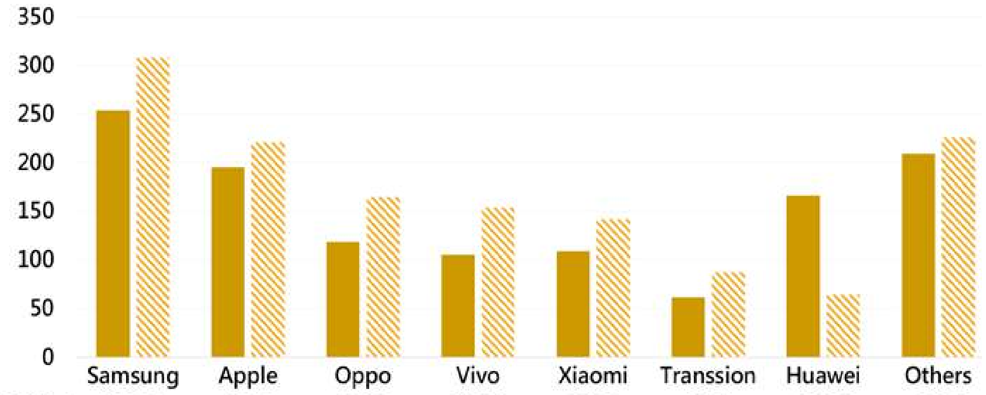
B. Smartphone market

Based on the overall supply chain information and regional market conditions compiled by DIGITIMES Research, it is found that due to the impact of the COVID-19 pandemic, global smartphone shipments would decline for three consecutive years from 2018 to 2020, and the decline would result in two digits in 2020. Looking ahead to 2021, after gradually moving forward from the pandemic, telecom companies in mature markets, such as the U.S3, Japan, and western Europe, are expected to resume large-scale deployment for the commercial use of 5G networks. The wave of phone replacement because of 5G will be restarted. It is estimated that the rebound of global smartphone shipments will reach two digits, with an annual increase of 150 million phones shipped. In the next five years, the number of 5G telecom operators will continue to increase, and the coverage of 5G networks will expand as the commercial 5G application around the world continues to increase. This will drive the wave of phone replacements. Coupled with the continued replacement with entry-level smartphones or 4G smartphones by functional phone users in emerging markets, global smartphone shipments will exceed 1.5 billion and 1.7 billion in 2023 and 2025, respectively.

In terms of detailed forecasts, compared with 2020, among the seven major smartphone brands before 2021, Samsung and Apple firmly stand in the top two places. Due to the U.S ban, Huawei's shipments in 2021 will decline substantially, with its ranking dropping to seventh place. Three Chinese brands, Oppo, Vivo, and Xiaomi, are expected to share the market share that Huawei lost significantly in the mainland China market, and their shipment rankings will rise to the third to fifth places. Transsion, which develops the markets in Africa and South Asia through its three brands of Tecno, Itel, and Infinix, will continue to develop the aforementioned markets with low-priced models, and its shipment ranking will rise to sixth place. The top seven brands will occupy 80% of the market share in total.

Unit: Million units

Estimated shipments of the world's top 7 smartphone manufacturers in 2020 and 2021



	Samsung	Apple	Oppo	Vivo	Xiaomi	Transsion	Huawei	Others
2020(e)	253.8	195.1	118.7	105.4	108.6	61.5	166.2	209.1
2021(f)	308.2	220.7	164.6	153.8	142.1	87.3	64.5	226.4

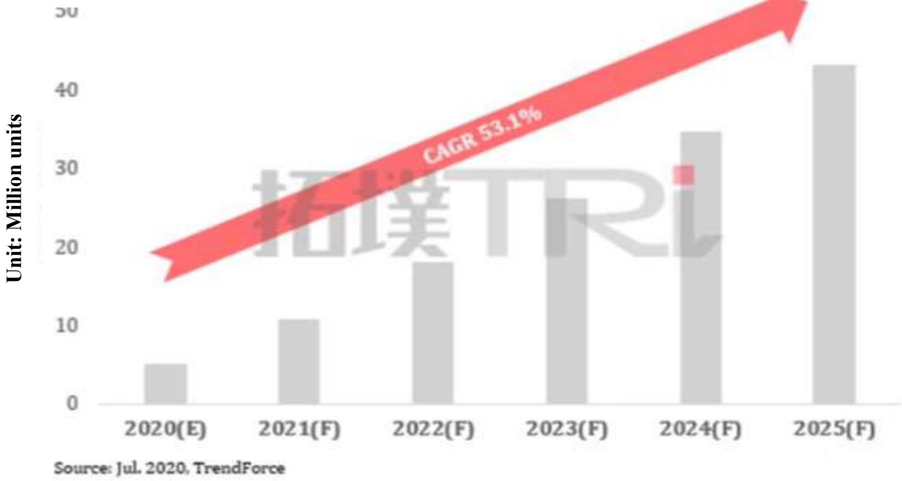
Source : DIGITIMES Research · 2020/9

C. AR and VR markets

The growth in demand for remote work, non-contact business, meeting tools, and virtual socializing activities has dramatically stimulated the augmented reality (AR) and virtual reality (VR) markets. According to TrendForce's Topology Research Institute, global AR/VR device shipments were expected to reach 5.12 million units in 2020, and driven by the expected launch of more AR/VR glasses by various brands from 2021 to 2022; the market will see a substantial growth, which is estimated to grow to 43.2 million units by 2025, with a compound annual growth rate (CAGR) from 2020 to 2025 of 53.1%. The accelerated development of the AR/VR device market is driven by the brands' active product strategies. In particular, AR/VR glasses will become a popular option for businesses to develop consumer markets. It is estimated that more brands will launch new products between 2021 and 2022, including Apple, Huawei, Samsung, and other major brands, which are likely to launch AR/VR glasses, further driving the market growth.

Omida, an independent market research firm, believes that the growth of VR head-mounted display is attributed to Facebook's Oculus Quest 2 as its price is $299, cheaper than its other competitors, and it can be available without a computer, making it the best-selling VR device on the market.

Figure: Head-mounted AR/VR device shipments from 2020–2025



D. 5G fixed wireless access (FWA) market

Telecom service providers are actively deploying the 5G infrastructure. Global 5G commercial networks will become more popular in 2021. There is no need to build private enterprise networks, and enterprises can also quickly establish intranets among branches through 5G FWA, to complete the last bit of the journey to replace traditional wired networks. Fixed wireless access (FWA) refers to the use of user equipment that supports mobile networks to provide broadband access links with the theoretical transmission speed ten times faster than 4G in the 5G era. The 5G download speeds can reach up to the Gb level, which is comparable to optical fiber networks. The industry is optimistic about 5G. A new wave of FWA applications derived from 5G, by means of 5G wireless high-speed transmission, will break through the deployment restrictions of wired networks.

The COVID-19 pandemic has raged the world. In order to prevent further spread, countries have adopted lockdown to reduce crowd gathering activities. Companies have also implemented remote office or work-from-home policy in response. According to the mobile trend report released by Ericsson, a telecommunications equipment manufacturer, in June 2020, due to the impact of COVID-19, the demand for distance learning, remote work, or working from home, and video has increased, with an impact on both fixed and mobile networks. The most significant impact on the communications industry is that data transmission has increased by 20 to 100%, most of which is attributed to the home fixed network. Because people work and study at home, data transmission of the fixed network increases. The pattern of the mobile network has also changed. Data transmission has shifted from downtown and public areas to residential suburbs.

Ericsson pointed out that the increased demand for fixed-line broadband at home has also led to a substantial increase in the transmission through FWA providers. In the latest report in November, Ericsson estimated that the number of global FWA users will grow more than three times by 2026, exceeding 180 million users, and will account for a quarter of the overall mobile data transmission. As of July 2020, there were 37 5G FWA telecom providers worldwide for commercial purposes, mainly in the U.S. and Europe.

a. The U.S.: In order to bridge the gap in network construction between urban and rural areas, the FCC has continued to subsidize telecom companies to provide network and voice services in rural areas since 2015. Most telecom companies adopt FWA to reduce costs and rapidly expand the coverage to achieve the goal set by FCC. In the future, it is expected to shift from 4G or FWA on unlicensed spectrum to 5G in order to improve the quality of the connection.

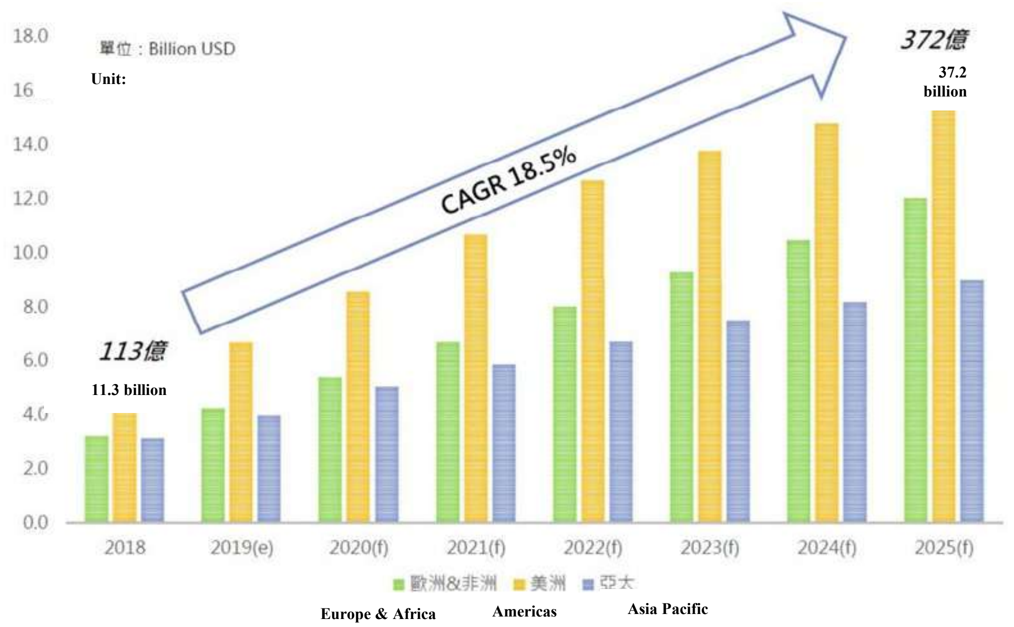
b. Many telecom companies in the U.S. originally only provided fixed-line services and won the bid for the CBRS frequency band to provide FWA services.

c. Europe: 4G FWA was originally popular in many European countries, and it is expected to be upgraded to 5G.

At present, in addition to Nokia and Ericsson, domestic players, such as Foxconn, Compal, Zyxel, Arcadyan, Askey, Wistron, Alpha, Accton, Sercomm, and Cameo, have launched 5G FWA-related products, including indoor or outdoor 5G FWA products.

E. 5G small base stations and enterprise private network market

According to MIC, it is estimated that global telecom companies will spend US$1.1 trillion to build networks from 2020 to 2025, of which nearly 80% will be used on 5G, showing that telecom companies hold high hopes for 5G business opportunities. In addition, both the loosening of European and U.S. regulations and the development of private networks will help increase the willingness of mobile service providers to deploy the infrastructure. Small base stations are expected to grow more significantly from 2022 to 2023. However, global telecom companies build large base stations first and then adopt small base stations to enhance the quality of indoor or building communications. Therefore, MIC also predicts that small cell business opportunities will not grow significantly until 2022–2023. In 2026, global 5G small base stations will account for more than 90% of the market. The 5G network equipment procurement programs of the five domestic telecom companies in 2021 will also focus on constructing of large base stations. The installation of a small cell or indoor distributed antenna system (DAS), aiming to increase the quality of 5G signals indoors or in buildings, needs to wait until the second half of 2021 at the earliest or even 2022.



F. PoE power supply market

The market size of Ethernet power supply solutions exceeded US$700 million in 2018 and is expected to grow at a compound annual growth rate of more than 15% from 2019 to 2025. PoE technology is widely used to support IoT projects, such as smart cities, smart grid projects, and smart buildings. The IoT communication network adopts PoE to power smart infrastructure so as to meet the IoT needs. By 2025, the power sourcing equipment (PSE) field is expected to account for more than 40% of the market share of Ethernet power supply solutions because the equipment is widely used to meet the power requirements of powered devices, including wireless access points, cameras, VoIP phones, and POS terminals.

G.General NB and Chromebook market

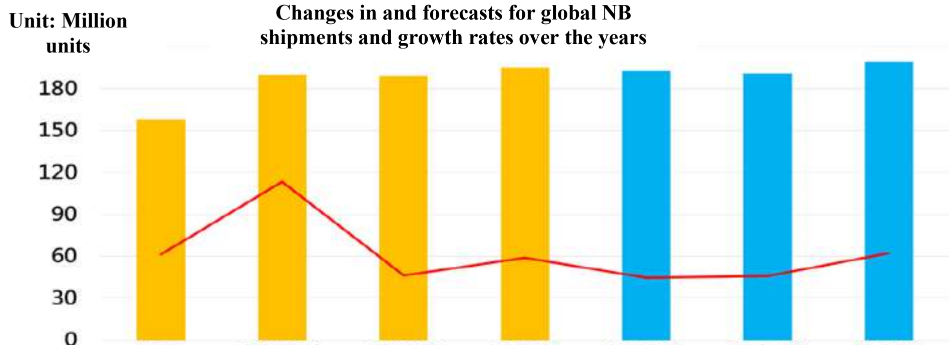
According to the research report by DIGITIMES Research, global NB shipments were expected to exceed 190 million units in 2020, hitting a new high since 2011. The global outbreak of the pandemic has posed a major threat to the economy and human health, still the urgent orders derived from the working-from-home (WFH) model and remote teaching have also created strong demand for the NB industry. Even if the supply chain in mainland China was disrupted at the beginning of the outbreak, and panels, ICs, and other components and processors were in tight supply after the first quarter of 2020, the NB shipments for business, education, and consumption were still growing significantly.

In 2021, the vaccination will be launched in some areas, but the expected number of people vaccinated is still insufficient to prevent the spread of the virus. WFH and remote learning will still be the norm in 2021. However, the overall economic environment and government subsidies are expected to be inferior to 2020, and the base period for shipments to some markets is already long. In 2021, Google will expand the Chromebook ecosystem and the ARM architecture to three major operating systems (Mac OS, Chrome OS, and WOA). Therefore, it is expected that the shipments for the whole year of 2021 will only be on a par with that of 2020.

The pandemic lockdown is expected to be partially lifted in 2022, but relevant demand will not decrease significantly. The expansion of new NB hardware platforms is conducive to shipment growth, and shipments are expected to increase by 3.2%. The processor platform competition will become more intense. Advanced Micro Devices, Inc. will launch 5 nm x 86 processors, and MediaTek's Chromebook product line expansion will improve the price-performance ratio of all prices of generations of NB. Different brands will also launch a round of new promotions when there is still growth momentum in the consumer market. 5G NB and mini LED backlight models will still account for a single-digit percentage, but shipments in 2022 will all grow significantly compared to 2021.

In 2023, the number of countries without lockdown will increase tremendously, and the beneficial factors derived from the pandemic are expected to disappear, but the demand will not decline significantly. In 2024, there will be five years away from the peak of the previous wave of phone replacement in 2019. It is expected that the business market will begin to have opportunities for phone replacement, and the consumer market will still be in a slight recession. NB shipments will still decline slightly by 0.8% throughout the year. It is expected that the business market will enter a new wave of phone replacement peaks in 2025, and the NBs purchased in large quantities due to the pandemic in 2020 may also be replaced in 2025, and there will be significant positive growth throughout the year.

Changes in and forecasts for global NB shipments and growth rates over the years



	2019	2020(e)	2021(f)	2022(f)	2023(f)	2024(f)	2025(f)
Shipments	158.4	190.2	188.9	195.0	192.6	191.1	199.1
YoY	4.0%	20.1%	-0.7%	3.2%	-1.2%	-0.8%	4.2%

Note: DIGITIMES Research classifies detachable models as tablets, so they are not included in the category of NB shipments here.

Source: DIGITIMES Research dated September 2020

Currently, the general 45W/65W 19V single-voltage output desktop adapter is mainly used from the perspective of general NB power requirements. However, with the thin and lightweight design of NBs, the type C port has gradually become popular. Considering the current consumer demand for fast charging of mobile phones and a single portable power supply for outdoor activities or business trips, major NB companies have begun to gradually introduce USB PD 45W/65W (even 100W) to replace the above-mentioned traditional power supply, which will restructure the supply chain. The Company is experienced and competitive in developing the USB PD fast charging products in the mobile phone market for many years. Its production capacity in Vietnam has been recognized by the NB industry. It is expected to enter the supply chain gradually from 2021 and strive for a certain share.

H. E-sports NB market

Affected by the pandemic this year, the WFH policy has greatly increased the demand for computers, while promoting the diverse use of e-sports NBs. A gaming product that combines entertainment and office functions can enhance work efficiency with powerful performance for business people, while meeting entertainment needs for gamers. For students, it takes care of both schoolwork and entertainment to meet consumers' expectations in different scenarios.

According to the latest Internet Data Center (IDC) survey report, the total shipments of global e-sports PC devices in 2020 were estimated to be 41.6 million units, an increase of 16.2%, reaching a new high of 49.6 million units. It will increase to 61.9 million units by 2024, with a compound annual growth rate of 5.7%. In particular, the total shipments of e-sports desktop PC this year will reach 14.8 million units, e-sports monitors 12.4 million units, and the e-sports NBs with the largest shipments will reach 22.3 million units.

E-sports PC market forecast from 2020–2024

Year	2020		2024		Compound annual growth rate (%)
Product	Shipment (10,000 units)	ASP (USD)	Shipment (10,000 units)	ASP (USD)	
E-sports PC	1,480	699	1,580	671	1.6
E-sports monitors	1,240	348	1,600	341	6.4
E-sports NBs	2,230	967	3,020	955	7.9
Total	4,960	-	6,190	-	5.7

Source: IDC dated September 2020 Compiled by Yu-lan Weng

From the perspective of e-sports NB power requirements, currently the 135W/180W/230W 19V single-voltage output desktop adapter is mainly used. However, with the trend of thin and cool design of NBs, and the preference for convenience and portability for outdoor activities or business trips, major NB manufacturers have begun to evaluate the ultra-high power density design (–15W/in3). Phihong has been working on the technology and product design this field since 2019, and its technological capabilities and competitiveness, as well as production capacity in Vietnam have been recognized by the NB industry, and it is expected to enter the supply chain and gradually gain a certain share after 2022.

I. E-bike market

With the rising awareness of environmental protection and the popularization of fitness concepts, e-bikes have become a new "green transportation tool" with the advantages of power conservation, free of pollution, and low noise. As the technology becomes more sophisticated and the unit price is lower, the market scale has grown substantially. By 2024, the global demand for e-bikes is expected to grow by 3.7% every year, reaching 28.7 million units. However, as the global COVID-19 pandemic has disrupted the supply chain of e-bikes and forced many retailers to close business, consumer spending in this field was significantly reduced. Thus, the sales of e-bikes in 2020 fell to slightly more than 23 million units.

The global e-bike market is dominated by China, which accounted for 76% of sales in 2019. As many of e-bikes are already used in China, and the rate of motor vehicle retention rate continues to rise, China's prospects for growth are quite limited. In addition, internal combustion engine scooters, scooters, and mopeds are still very popular. Outside China, the demand for e-bikes is expected to grow by 8.5% annually, more than twice the global average. Multiple trends are expected to drive growth, including:

a. More consumers regard e-bikes as a safer alternative to public transportation.

b.The growth of personal income is from consumer spending in developing countries.

c. Cycling and mountain biking are becoming more popular all over the world.

d. Introduction of more powerful e-bikes helps narrow the performance gap between scooters and mopeds.

e. The development of professional models (such as freight electric bicycles and bike motocross) will stimulate consumer interest.

f. After the pandemic, people's concerns about the use of public transportation have increased, and concerns about climate change and air pollution have also increased, which have motivated the government to introduce policies and subsidies for expanding the use of e-bikes.

g. Governments around the world (including Italy, the U.K the U.S., and India) will encourage the use of e-bikes through regulatory changes and subsidies.

Global demand in the e-bike industry

Global E-Bike Demand by Region, 2009 – 2024 (thousand units)

Item	2009	2014	2019	2020	2021	2022	2023	2024	% compound annual change '09-'14	'14-'19	'19-'24
E-Bike Demand	15663	20443	23922	23026	24662	26372	27751	28742	5.5 %	3.2 %	3.7 %
North America	110	180	318	293	359	413	467	512	10.4 %	12.1 %	10.0 %
Central & S America	35	59	69	60	65	80	100	115	11.0 %	3.2 %	10.8 %
Western Europe	573	1293	3410	3355	3680	4160	4610	5065	17.7 %	21.4 %	8.2 %
Eastern Europe	35	90	165	155	165	195	230	270	20.8 %	12.9 %	10.4 %
Asia/Pacific	14895	18796	19925	19133	20358	21483	22298	22730	4.8 %	1.2 %	2.7 %
Africa/Mideast	15	25	35	30	35	41	46	50	10.8 %	7.0 %	7.4 %

Global E-Bike Demand Share by Region, 2019

J. Power tool industry

As the global economic development has become sluggish, it has also tightened individuals' and families' budgets for personal consumption and residential maintenance costs, unexpectedly driving the do-it-yourself maintenance trend. However, the current specifications in this market tend to be more customized, and there are many competitors. Therefore, most customers demand flexibility and quick response in the model design and sample schedule, and the price margin is relatively large.

With the introduction of new lithium batteries, power tools are growing rapidly in the global hand tool market; particularly in recent years, major tool manufacturers have been devoted to wireless hand-held automatic machine tools. Henk Becker, President of Bosch, mentioned that the cordless power tool market would grow rapidly in the next five years. Their share in the power tool market will increase from

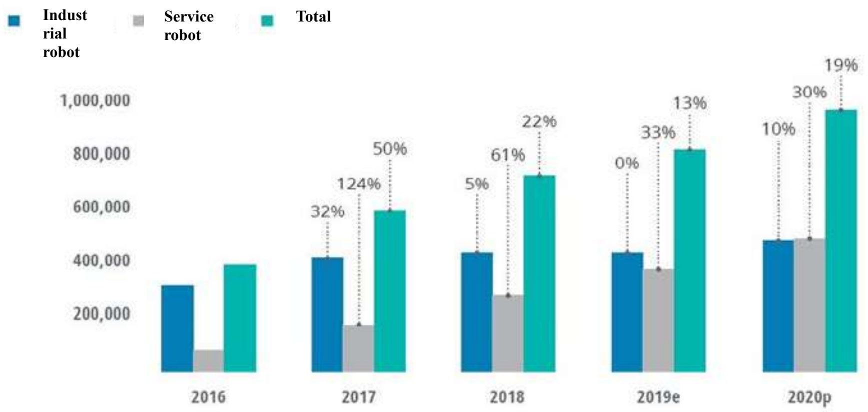
40% to 60%, and that the investment in battery systems will be well worth the money spent in the future. In addition, according to Markets and Markets, a market research agency, the global power tool market would reach approximately US$31.8 billion in 2019 and will reach US$41.7 billion by 2024, with an average compound annual growth rate of 5.5%. Among them, cordless power tools account for more than 50%, and they are the star of power tools. Products are constantly being developed toward high wattage, lightweight, and low charging hours.

K. Service robot industry

Different from industrial robots, professional service robots are mainly used in industries other than manufacturing, such as logistics, retail, food and beverages, and healthcare, and are usually used to assist rather than replace humans. Most service robots have wheels, so they have maneuverability or semi-maneuverability.

The Deloitte team further predicted that the professional service robots would reach a double-digit growth in 2020 and in the next few years as rapidly emerging products in the market. This optimistic forecast is based on the impact of two major technological developments: 5G network technology has improved wireless connectivity and the continued price reduction and progress of edge AI chips. Based on a recent report released by Deloitte, it is estimated that professional service robots would account for more than 50% of the one million corporate robots sold in 2020 and generate more than US$16 billion in revenue, an increase of 30% from 2019. In addition, in terms of corporate investment, the market for professional service robots is growing much faster than the industrial ones; unit sales are also expected to surpass that of industrial ones this year.

Although the market for professional service robots is relatively small, its growth rate is much higher than that of the industrial one
Global annual unit sales of corporate robots from 2016–2020



Note: The percentage figures above the bar chart represent the annual growth rates.
Source: IFR press briefing, Shanghai, on September 18, 2019; 2020 analysis and forecast by Deloitte

L. Medical-grade power supply

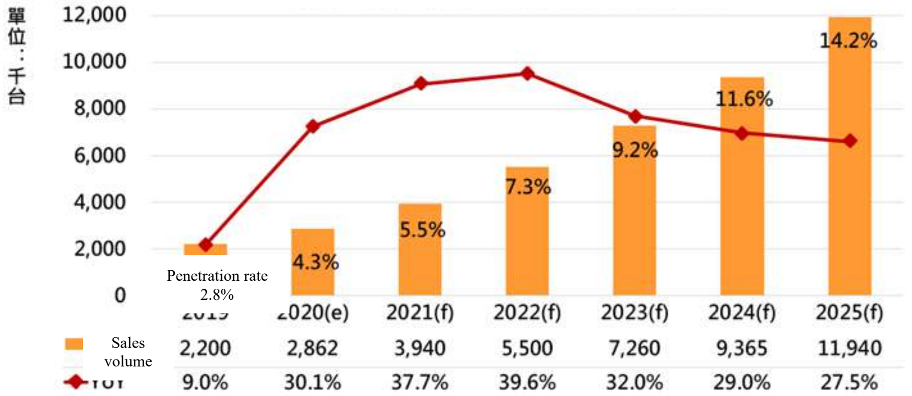
The continuous rise of the global elderly population and the increasing attention of the public to health has driven the development of the global medical equipment market. It is expected to reach approximately US$517.4 billion in 2021, and the CAGR from 2016 to 2021 is 4.78%. The demand for lightweight and portable medical instruments, particularly home medical applications, has grown most substantially. The Company has actively developed medical-grade power supplies to create a complete series of medical-grade products, particularly in the application of respiratory products. The global device market for sleep apnea will rise from US$4.5 billion in 2019 to US$7.5 billion in 2024. From 2019 to 2024, the market is predicted to grow at a CAGR of 10.7%.

M. EV market

DIGITIMES Research estimates that global EV sales will register a high double-digit growth from 2021 to 2025. In particular, pure EVs will continue to account for more than 60% and continue to surpass the performance of plug-in hybrid electric vehicles

(PHEV) models. The reasons include the development of battery electric vehicles (BEV) in major markets because of implementation of government policies, the simplified structure of BEV to shorten the development cycle, major car manufacturers' significant increase of the product lines of BEV, and the more affordable prices of BEV.

Global EV sales changes and forecasts from 2019 to 2025



Note: 1. Including BEV and PHEV and excluding hybrid electric vehicles (HEV). 2. Refers to general cars, excluding commercial-oriented vehicles, such as electric buses and trucks.
Source: Various automobile associations; DIGITIMES Research, January 2020

From the perspective of the regional market, the current top two markets for EVs are mainland China and Europe. one of the purposes of China's development of BEVs is to prevent engine technology from being controlled by major European, American, and Japanese manufacturers. In its new EV industry policy, BEVs are the main item in sales. Europe has set strict carbon emission standards, so automakers work to increase sales of BEVs to avoid paying huge fines.

Comparing the structure of BEVs and PHEVs, the former is more straightforward, and the main difference lies in the exclusion of the engine. For automakers, the benefits derived from BEVs include the shared chassis design and shared parts for different models of cars, shortened vehicle development and production cycle, and cost reduction; therefore, major automakers in recent EV business planning will greatly increase the proportion of BEV product lines, such as the Volkswagen Group, General Motors, the Daimler Group, and BMW.

In order to make it easier for consumers to acquire BEVs, there will be room for the price of vehicles to go down. The reason is that the battery that accounts for the highest cost of BEVs; with the reduction of the use of cobalt and the adoption of new structural designs, the price of the battery will decrease from US$145 per KWh to US$100 per KWh in 2023. The terminal market price, it will fall to US$25,000, which is comparable to affordable gasoline cars.

At present, one of the main reasons that EVs cannot be entirely accepted by consumers lies in the access to charging. Therefore, governments and automobile manufacturers in various countries are actively deploying charging infrastructure. As the EV market grows, the market for EV charging stations is expected to grow from US$2.5 billion in 2019 to US$27.7 billion by 2027, with a CAGR of 34.7% during the period forecasted.

3. Competitive niche

(1) Key technology mastering

In order to maintain their competitive advantages, power supply manufacturers must continue to improve their manufacturing technologies and production capacity to effectively reduce production costs and consolidate the leadership position in the industry. Therefore, power supply manufacturers must first develop and obtain relevant safety certificates around the world from agencies commissioned in response to the market demand, while surpassing other competitors to distribute products in the market under the authorization of customers in the shortest time in order to obtain the sales opportunities. Therefore, through a strong R&D team and a complete and rapid product manufacturing system, the Company collaborates with major customers, actively develops high-precision industrial power applications, and develops energy conservation and energy storage conversion solutions, while advancing the technology for high-stability, lightweight, thin, short, small, and high-tech intensive power supply. In addition to possessing advanced products and manufacturing technologies, automated and computerized management is adopted in production scheduling and product quality for real-time control and tracking, so as to maximize the production efficiency of an entire plant.

(2) Eco-friendliness and good quality of products

In the beginning of R&D and design, the first thing is to identify various laws and regulations, so that all products can meet the requirements of RoHS, Pb-free, Halogen-free, and HSF. RoHS is controlled through "source management" in the system to fully keep abreast of the progress of RoHS in terms of process and material management. Through the acquisition of ISO9001, ISO14001, OHSAS18000, and other certifications, the Company implements complete control of product quality, environmental protection, and employee labor safety and health. Not only have all products passed relevant safety certifications and complied with the requirements of the EU RoHS directive but new designs to meet Energy Star regulations have been gradually introduced. In addition, the Company has spared no effort to promote and implement the EU WEEE Directive and EuP Directive (product energy efficiency standards) to provide customers with more environmentally friendly and higher-quality products.

(3) Close customer relationship

In addition to providing good quality, accurate delivery, and reasonable prices, the Company keeps abreast of market trends through the overseas subsidiaries' proximity to the export markets, while serving customers and learning about customers’ needs in its overseas locations close to the customers to provide excellent products to enable customers to obtain advantages in competition. Thus, we can maintain long-term and close partnership.

(4) High degree of automation

Under the trend of power supply miniaturization, the profit margin continues to be squeezed. Only with the increase in production yield can reduce manufacturers’ unit production cost and increase the profitability. In addition, consumer electronic power supplies must be mass-produced to some extent to minimize production costs and increase competitiveness. Therefore, a high degree of automation is a characteristic of this industry, which will create certain barriers to entry for other competitors.

(5) Management of the source of raw materials

The Company has established a stable supply relationship with major raw material suppliers, and there are several core suppliers of the same type of materials to choose from, so the supply source is stable, the quality is good, while the delivery time and the price can be managed effectively. Moreover, the Company will pay attention to the supply and demand of key components in the market at any time,and maintain close relations with its manufacturers to maintain the stability of the supply. The company also reduces inventory costs through computerized management of the procurement system, to strictly control the delivery date and quantity of raw materials, and obtains bargaining space through large purchases, and even engage in joint purchases with major Japanese manufacturers to reduce purchase costs.

4. Advantages and disadvantages of the development prospects and countermeasures

(1) Favorable factors:

A・There is great relevance of products and a wide range of applications

Since the power supply is an indispensable main component of all electronic products, as electronic products are integrated with current and advanced technologies to create more terminal applications, the demand for power supplies for electronic products will increase accordingly. Furthermore, electronic products will continue to be innovated and changed in line with consumers’ preferences, which will enhance the competitiveness of the products themselves and prolongs the life cycle of the products, thereby continuing to generate demand for power supplies.

B・Continuous growth in the information and communications industry

Smartphones have become the mainstream in information and communications. Various conceptual products (such as curved display, bended display, and foldable display) have been launched, while mobile phones are integrated with wearable devices in communications, entertainment, learning, medical care, fitness, and information with increasing extensive applications. Coupled with the gradual expansion of NFC based on the concept of hub and the deployment of 4G LTE networks, consumer behavior will shift from "post-PC" to "post-smartphone", thereby facilitating the continuous growth of the mobile phone industry. In addition, the vigorous development of innovative devices for smart machines has become a potential market for power supply manufacturers to enter.

C・Many safety regulations with high entry barriers

In terms of safety regulations, the Company has identified various regulations in the beginning of its R&D and design stage, so that all products can comply with RoHS, Pb-free, Halogen-free, HSF, and other regulations. In terms of safety regulations, it also complies with continuously updated laws and regulations. In addition, the Company has passed ISO9001, ISO14001, ISO13485, OHSAS18000, and other certifications.

(2) Unfavorable factors:

A・In recent years, due to labor shortage and the rapid increase in wage costs, difficulty in training R&D and technical personnel, the operating costs are relatively higher.

Countermeasures:

In addition to reducing the needs for workforce through outsourcing processing projects and adding automation equipment, the Company will adopt vertical integration to set up production-oriented subsidiaries overseas by means of international division of labor. Meanwhile, it will strengthen employees' education and training in each factory and improve employee benefits, to reduce employee turnover, improve employees' commitment to the Company, and attract outstanding talents to join and stay, so as to improve the competitiveness in the industry.

B・High-tech products feature a short life cycle and rapid market changes. In addition, emerging countries have successively invested in the development of this industry, so competition among manufacturers is fierce, and the price war is expected.

Countermeasures:

a. The Company will accelerate the pace of global layout and internationalization, while building world-class factories and further upgrading production to manufacturing services, with customer satisfaction as the top priority. It will also make full use of the advantages of existing overseas subsidiaries' sales bases to quickly keep abreast of the market demands and trends so as to enhance the competitiveness and profitability of the Company.

b. The Company will integrate various departments, suppliers, and customers from a global perspective, and use the enterprise-wide resource planning system to complete the production and sales management in the global supply chain, so that the production and sales costs can be maintained at the required level. It will regard customers as partners and participate in the development and design of their products, thereby improving the Company's technology R&D capabilities and reducing production costs, to expand its market share and increase the barriers to entry for other competitors.

c. Through a complete global R&D layout, the Company will set up R&D centers in New York, California, Dongguan, and other places, and establish a R&D center in Tainan to directly undertake design projects, shorten the product development timeline, and at the same time introduce outstanding talents from different backgrounds in the R&D center at the headquarters in Taiwan to provide customers with more real-time services.

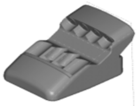
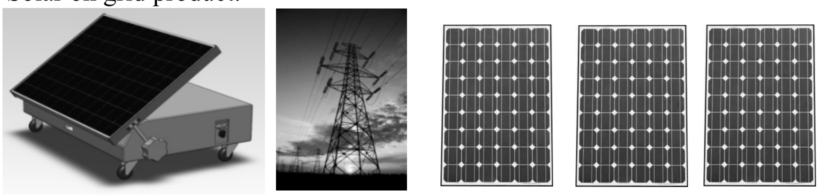
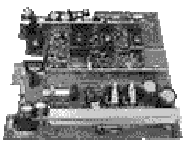
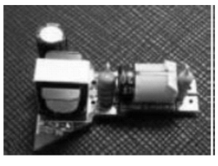
d. The Company will integrate the OA and FA sections of the IT department, transform the operating process, and provide customers with the best quality and fast delivery speed and more diversified services.

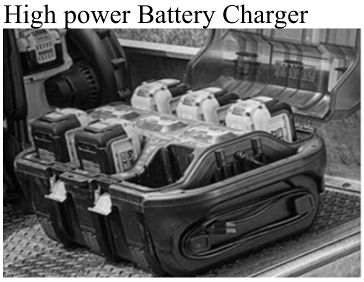
e. The Company actively invests in the development of green energy-saving products. Not only does it aim to obtain patents, but also new technologies and design must meet global energy-saving standards to upgrade the product level and enhance the brand image, thereby attracting more international companies and raising the barriers to entry.

f. The identification of various laws and regulations is conducted in at beginning of the R&D and design stage, so that all products can meet the requirements of RoHS, Pb-free, Halogen-free, and HSF. Meanwhile, through the acquisition of ISO9001, ISO14001, OHSAS18000, and other certifications, the Company implements perfect management of product quality, environmental protection, and employee labor safety, and health to meet customers' requirements.

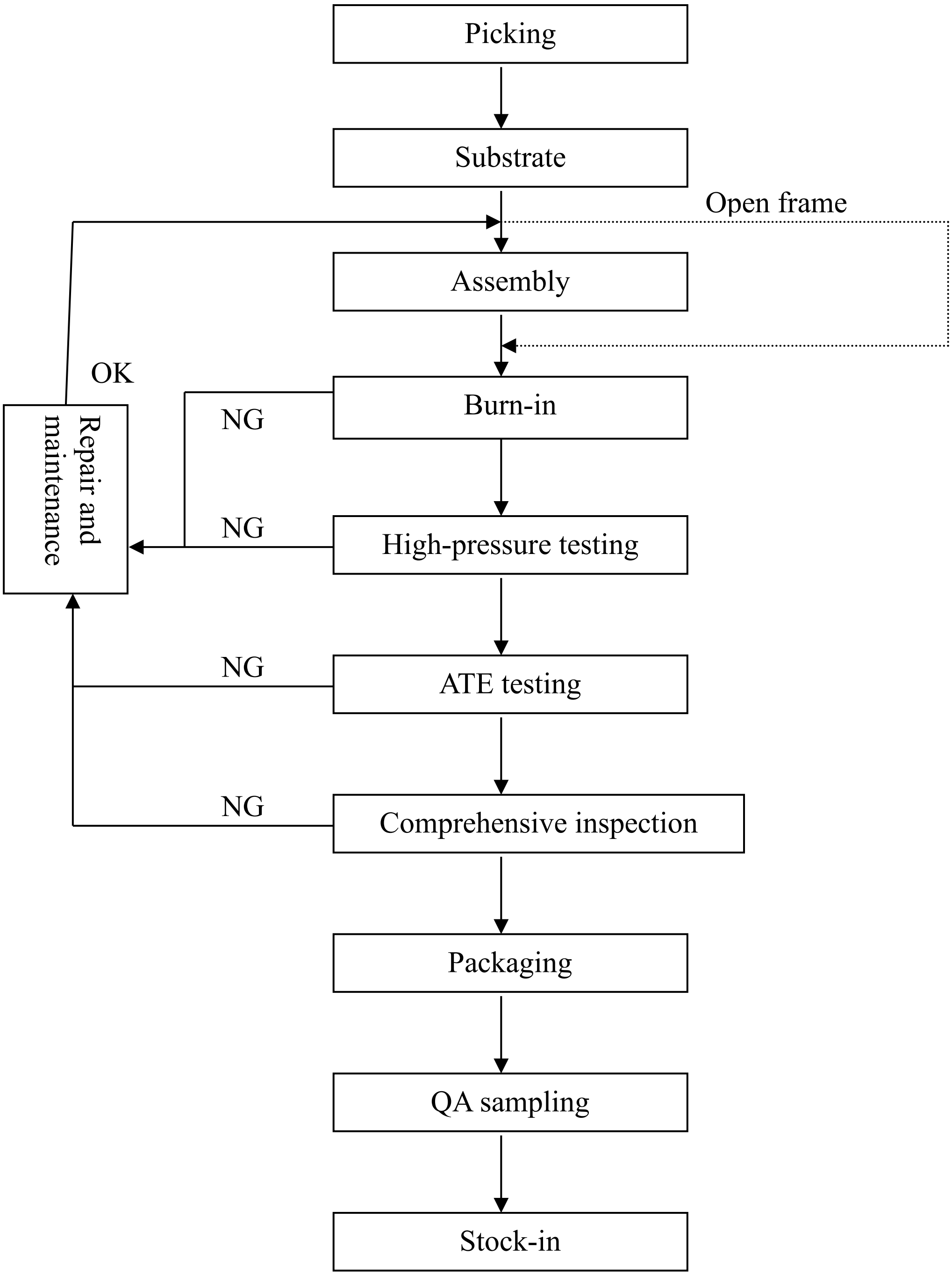
(II) Important functions and production process of main products

1. Important functions of products:

Major products	Main functions
Adapter / Charger/Cable 	Smart Phone / Tablet / Networking /POS/ Small home appliance/ Medical device 
Battery Charger 	Ni-Cd / Ni-MH/ Li-ion 
Car charger 	Phone / GPS / digital camera 
EV Charger 	Bus /Car / Bike / Trailer / Wheelchir 
PV-Inverter 	Solar on grid product. 
Open frame power 	Industrial, Printers 
POE (Power Over Ethernet) 	Security / monitoring system 
LED DRIVER 	LED Bulb 

Major products	Main functions
Wireless Charger 	Smart Phone, Pad  
Energy Storage System  	AC Charging, DC Charging (USB), Solar 
High power Battery Charger 	Battery charge 
Battery inverter 	AC Charge/Discharge 
E-bike charger 	E-bike  
Gaming charger 	Gaming laptop 

2. Production flow chart of major products



(III) Supply status of main raw materials:

The raw materials used by the Company are very accessible on the market, and the relationship with raw material suppliers has been positive for many years. Up to now, the supply of raw materials is stable and sound, and the price can be flexibly determined at any time based on the market conditions in the information and electronics industry at the time, so the supply of the Company's primary raw materials is great.

(IV) The names of customers who accounted for at least 10% of the total purchases (sales) in any of the last two years, their purchase (sale) amount and proportion, and the reasons for the increase or decrease

1. Information on major suppliers in the last two years

Unit: NT$1,000; %

Item	2019				2020				As of the First Quarter of 2021			
	Name	Amount	Proportion to Annual Net Purchase Amount (%)	Relationship with the Issuer	Name	Amount	Proportion to Annual Net Purchase Amount (%)	Relationship with the Issuer	Name	Amount	Proportion to Net Purchase Amount as of the Prior Quarter of the Current Year (%)	Relationship with the Issuer
	Others	6,487,434	100	NA	Others	6,873,065	100	NA	Others	2,069,727	100	NA
	Net Purchase Amount	6,487,434	100	-	Net Purchase Amount	6,873,065	100	-	Net Purchase Amount	2,069,727	100	-

Note:The names of suppliers who accounted at least 10% of the total purchases in the most recent two years and their purchase amounts and proportions shall be specified. However, if the name of a supplier shall not be disclosed as stipulated in the agreement, or a counterparty is an individual and not a related party, they may be disclosed in code.

2. Information on major sales customers in the last two years.

Unit: NT$1,000; %

Item	2019				2020				As of the First Quarter of 2021			
	Name	Amount	Proportion to Annual Net Sale Amount (%)	Relationship with the Issuer	Name	Amount	Proportion to Annual Net Sale Amount (%)	Relationship with the Issuer	Name	Amount	Proportion to Net Sale Amount as of the Prior Quarter of the Current Year (%)	Relationship with the Issuer`
1	A	1,829,471	17	NA	A	1,865,176	20	NA	A	647,939	25	NA
2	B	1,771,695	17	NA	B	1,678,975	18	NA	B	518,162	20	NA
3	C	1,431,977	13	NA	C	1,399,454	15	NA	C	450,190	18	NA
	Others	5,661,461	53		Others	4,300,013	47		Others	926,198	37	
	Net Sale Amount	10,694,604	100		Net Sale Amount	9,243,618	100		Net Sale Amount	2,542,489	100	

Note 1:The names of customers who accounted at least 10% of the total sales in the most recent two years and their sale amounts and proportions shall be specified. However, if the name of a customer shall not be disclosed as stipulated in the agreement, or a counterparty is an individual and not a related party, they may be disclosed in code.

Note 2:The amount of revenue does not reach 10% of the total sales.

(V) Table of production volume and output value for the last two years

Unit: NT$1,000

Year / Production volume and output value / Main products	2019			2020		
	Production capacity	Production volume	Output value	Production capacity	Production volume	Output value
Power supplies	146,026,233	102,218,363	8,270,800	144,788,823	101,352,176	8,558,092
Others	-	-	-	-	-	-
Total	146,026,233	102,218,363	8,270,800	144,788,823	101,352,176	8,558,092

(VI) Table of sales volume and value for the last two years

Unit: NT$1,000

Year / Sales volume and value / Main products	2019				2020			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Power supplies	1,830,202	106,879	108,740,854	10,574,477	1,410,301	101,896	98,233,884	9,134,811
Others	42	1,015	65,847	12,233	188	5,656	77,883	1,255
Total	1,830,244	107,894	108,806,701	10,586,710	1,410,489	107,552	98,311,767	9,136,066

III. Information on employees in the latest two years and as of the publication date of the annual report:

March 31, 2021

Year		2019	2020	As of March 31, 2021
Number of Employees	Direct Labor	3,411	3,971	4,021
	Indirect Labor	1,795	1,827	1,871
	Total	5,206	5,798	5,892
Average Age		29.64	31.40	30.95
Average Years of Service		3.19	3.15	3.23
Distribution of Education (%)	Doctoral Degree	0.06%	0.03%	0.03%
	Master's Degree	2.46%	2.07%	2.09%
	College	14.58%	13.73%	13.33%
	Senior High School	25.18%	21.96%	18.57%
	Below Senior High School	57.72%	62.21%	65.98%

IV. Environmental protection expenditure information:

(I) Description of application, payment, or establishment of polluting facilities:

The Company has always attached great importance to environmental protection, and it does not need to apply for polluting facility permits or pollutant discharge permits in accordance with relevant regulations.

(II) Investment in pollution prevention equipment and its functions and possible benefits:

Although the Company does not need to apply for a polluting facility permit or a pollutant discharge permit in accordance with the relevant regulations, in order to ensure the maintenance of the surrounding environment and the health of employees, the relevant pollution prevention equipment adopted includes a central exhaust system, a central air-conditioning system, and mobile vacuum cleaners, sedimentation tanks, simple sewage treatment equipment, etc.

(III)The process of improving environmental pollution in the most recent year and as of the publication date of the annual report: Not applicable.

(IV) In the most recent year and as of the publication date of the annual report, the losses borne by the company due to environmental pollution (including penalties and environmental protection audit results that violate environmental protection laws and regulations. The date, official document number, laws violated, and the content of violation, and content of the penalty shall be specified), and the estimated amount and countermeasures that may occur at present and in the future shall be disclosed: Not applicable.

(V) The current pollution situation and the impact of the improvement on the company's earnings, competitiveness, and capital expenditures, as well as the expected major environmental expenditures in the next three years: Not applicable. .

(VI) In the past year, the environmental protection expenditures totaled NT$2,287,855, while environmental audit management procedures were established through the environmental management system (ISO14001) and implemented, and the deficiencies were improved and tracked.

Table of environmental prot

Classification of environmental protection cost item	Description	Expenditure (NTD)
1. Direct cost of reducing load on environment		
(1) Pollution prevention and control costs	Air pollution prevention and control expense, water pollution prevention and control expense, and other pollution prevention expense	438,582
(2) Resource consumption reduction costs	Costs of saving resources (such as water and electricity resources)	970,000
(3) Disposal and recycling costs of industrial waste and general office waste	Industrial waste treatment expenses (sludge removal and shipping, waste solvents, waste water, general waste treatment)	419,465
2. Indirect cost of reducing load on environmental (environmental protection-related management expenses)	(1) Environmental education expenditure (2) Environmental management system and certification acquisition costs	431,408
	(3) Environmental load monitoring costs (4) Environmental protection organization personnel costs	28,400
	(5) Increased cost due to purchase of eco-friendly products	0
3. Other environmental protection-related costs	(1) Soil remediation and natural environment restoration expenses	0
	(2) Environmental pollution damage insurance premiums and government environmental taxes and fees, etc.	0
	(3) Reconciliation of environmental issues, compensation, fines, and litigation costs	0
Total		NT$2,287,855

Table of environmental protection benefits

Item	Description	Benefits
Industrial waste recycling	Such as tailings of electronic parts and waste computers	NT$12,000
Environmental impact benefit	CO^2 reduction	-51.271 tons

V. Labor-management relationship:

(I) The Company's various employee welfare measures, continuing education, training, and retirement systems and their implementation status, as well as the agreements between labor and management and various employee rights protection measures:

1. Employee benefit measures:

The Company attaches great importance to the physical and psychological health of employees, and spares no effort to improve the work environment, arrange recreational activities, and set up facilities, while strengthening health and insurance services. In order to take care of employees' daily life, the Company not only provides a clean and beautiful work environment but also organizes a variety of recreational activities, such as Christmas party and various ball games, for employees. The various activities planned by the Employee Welfare Committee allow employees to relax physically and psychologically after work, relieve their busyness and stress at work and to make their life more fulfilling and comfortable.

(1) Benefit measures handled directly by the Company:

A. Dividends and performance bonuses.
B. Annual health examination and re-examination and consultation services.
C. Christmas party and charitable activities.
D. On-the-job professional training and subsidy for continuing education.
E. Marriage, funeral, and celebration subsidies.
F. Recreational facilities (such as gym, indoor basketball court, and employee lounge) and massage for employee.
G. Year-end party and lucky draw activities.
H. Free books, newspapers, and magazines.
I. Labor insurance.
J. National health insurance.
K. Group life insurance, accident insurance, medical insurance, cancer insurance and travel insurance, to offer multiple protections to employees.
Group insurance planning: It is divided into the following four categories according to the job titles and expatriate status, as detailed as follows:

Item	Level 3 and above	Long-term expatriate	Level 4–7	Below level 8
Category	A	B	C	D
Life insurance insured amount	NT$1.5 million	NT$1 million	NT$1 million	NT$500,000
Accident insurance insured amount	NT$5 million	NT$5 million	NT$3 million	NT$1.5 million
Hospitalization	Daily inpatient room fee NT$1,300 /day Miscellaneous fee NT$28,000/time Surgery allowance NT$36,000/time			
Occupational accident insurance	Compensation for the difference after labor insurance insured amount deducted			
Cancer insurance	Daily inpatient room fee NT$3,000 /day Surgery allowance NT$25,000/time Radiation or chemotherapy NT$1,000/time			
Medical accident insurance	NT$20,000			

(2) Benefit measures handled by the Company's Employee Welfare Committee (Welfare Committee):
A. Domestic travel.
B. Plan and execute year-end party.
C. Club activities and various competitions.
D. Monthly birthday party and festival activities.
E.Marriage, funeral, and celebration subsidies, and hospitalization condolence allowance.

(3)The Company has relevant benefit measures, such as company cars, indoor/outdoor parking spaces, employee restaurant, gym, and an indoor basketball court.

(4) Employee Benefits and Salary Information in 2020

Item	Person/Unit: NT$1,000
Number of full-time employees who are not in managerial positions - weighted average (A)	481 persons
Total salary of full-time employees who are not in managerial positions (B)	411,038
Average salary of full-time employees who are not in managerial positions (C=B/A)	855

(5) Employee training:

Employees are the key to maintaining core competitiveness of Phihong. We value each and every employee and treat them as partners for sustainable growth. Quality first is the spirit of Phihong. For Phihong, the quality of employees is not only reflected in the current business performance but also a critical factor for the Company's future growth and development. Therefore, we believe that education and training can ensure that human capital can continue to increase in value. In order to cultivate employees' ability to face the fierce global technological challenges and keep abreast of the trends of the industry, we are committed to creating a learning environment for all employees and regards them as the most important asset. In addition to providing full subsidies for external training, internal professional competence and management training, language course,s and general lectures, various training sessions, as well as license and on-the-job training are held in strict compliance with local labor laws and regulations. In the process of employee career development, we provide continuous training courses to meet their needs for self-improvement and to strengthen the Company's market competitiveness through a complete education, training, and development system and a digital learning platform.

As COVID-19 continues to rage all over the world, we are also actively promoting digital learning courses. In 2020, the average number of digital learning hours per person is 156% higher than the annual target. We make good use of the power of technology to enable constant learning during the pandemic prevention period and allow all Phihong's employees to learn and grow.

Table of education and training hours in 2020:

Item	**Q1**	**Q2**	**Q3**	**Q4**	**Accumulated hours throughout the year**
Internal training	2,665.5	1,520.5	6,041	2,615	12,842.0
External training	434.0	102.5	1,089	298	1,923.5
Digital learning	147.0	546.5	1,836	610	3,139.5
Total	3,246.5	2,169.5	8,966	3,523	17,905.0

2.Pension fund contribution: The Company contributes pension fund monthly in accordance with relevant pension regulations, and transfers it to individual pension accounts according to employees' pension system chosen freely.

(1) Old system: Employees who were employed before June 30, 2005 may choose the old system or the new one by themselves. The Company has its own pension regulations for officially hired employees in accordance with the provisions of the Labor Standards Act. According to the pension regulations, the payment of pension is calculated based on the length of service and the average salary of the six months prior to retirement. The Company makes a contribution to the pension reserve monthly, which is managed by the Supervisory Committee of Business Entities’ Labor Retirement Reserve, and the reserve is deposited in the bank in the name of the committee.

(2) The new system: It is applicable to employees who are on board after July 1, 2005, who shall all adopt the new system, and to the employees who were employed before July 1, 2005, who chose the new system on their own. The Company contributes 6% of the salary monthly to each employee's personal pension account based on the employee's salary. Employees may also contribute 0%–6% of their own salary each month to their individual pension accounts according to their personal wishes, and the Company will deduct the amount of the contribution from the employees' salary on a monthly basis.

3.Circumstances of labor-management agreements and various employee rights protection measures:

(1)The situation of labor-management agreements: The Company is committed to establishing a harmonious atmosphere of mutual trust between labor and management in operation and management, and provides a variety of channels to promote communication between labor and management through an active and open management model, such as quarterly labor-management meetings employee mailboxes, etc. In addition, we provide employee counseling services, and hold relevant lectures and seminars from time to time to strengthen the communication and building of consensus. Since the establishment of the Company, the labor-management relationship has been harmonious, and there has been no loss due to labor disputes.

(2) Measures to protect employees' rights and interests:

A.Work environment and employee personal safety protection measures: Based on the importance of the work environment to the personal safety of employees, the Company comprehensively adopts the OHSAS18001 management system guidelines and policies. The Company’s risk control in the environmental and occupational health and safety aspectsdemonstrates its general direction in and basic commitment to environmental and occupational health and safety protection, while providing employees with a safe, healthy, and comfortable work environment. It also attaches importance to the review and improvement of various risk assessments, and meanwhile engages dedicated personnel for occupational safety and health management at each factory to be responsible for the planning, execution, and inspection of safety and health management work.

(A)Occupational safety and health policy:

Continuous transformation and growth are the driving force of Phihong's technological advancement, and we are committed to the simultaneous improvement of product quality and work environment. We are committed to occupational safety and health with a prudent attitude, aiming to achieve professionalism, diversification, and internationalization. Adhering to the following principles as the highest guidelines for decision-making, our occupational safety and health policies are as follows:

1. Comply with various safety and health requirements and strengthen communication for internal and external management.
2. Continuously improve the work and living environment and prevent various safety incidents.
3. Reduce occupational safety and health risks, and spare no effort to ensure employees' health and safety.

(B)Policy description:

1. An enterprise's operation and production must comply with the provisions of the labor safety and health laws and the requirements of customers and other organizations.
2. Strengthen education and training, enhance the awareness of occupational safety and health, implement safety and health responsibilities thoroughly, implement various management activities of occupational safety, and maintain the effective operation of the occupational safety and health management system.
3. Continuously improve the work and living environment, provide employees with a better work and living environment to reduce various risks that are not conducive to employees' health and safety, so as to prevent the occurrence of various labor safety incidents.
4. Ensure and enhance the Company's positive image to achieve the goal of sustainable development.

(C)Occupational safety and health commitment:

In the R&D, manufacturing, testing, and sales process, Phihong must comply with laws and regulations and other relevant requirements to prevent occupational injuries and continuously improve the operation of the management system to be in line with international standards. In line with the corporate responsibility of protecting employees and caring for the Earth, we promise:

1. Ensure the safety and health of employees is the primary responsibility and obligation of the Company at all levels .
2. Prevent work-related injuries, health issues, diseases, and accidents to protect all personnel at factories.
3. Comply with laws and regulations, reduce the impact of environmental pollution, and develop standard operating procedures and methods.
4. Communicate policies and provide necessary education and training to employees, suppliers, customers, contractors, and stakeholders to ensure that they correct environmental, safety, and health knowledge and correct behavior.
5. Continuously improve the operation of the management system and enhance performance.
6. Encourage employees to provide suggestions, establish and maintain a good communication channel between the Company's supervisors and employees.
7. Produce green products, promote waste reduction campaigns, and continue to rectify and organize to create a safe and healthy environment.
8. Promise to adopt international and domestic environmental safety and health standards as the basis for self-improvement.

(D) Environmental safety and health management organization:

An environmental safety and health organization is set up to assist in planning and supervising the improvement of the Company's work environment and facilities so as to comply with relevant laws and standards. We attach importance to the establishment of workplace safety and health culture for all employees to ensure the safety of all employees and establish a sound workplace safety and health management system so as to ensure the safety of the workplace and achieve the goal of sustainable development of the Company.

(E) Environmental safety and health certification and training:

In addition to the introduction of ISO14001 environmental management system in our factories, and the verification by the external certification agencies, the oversea factories had passed the verification of the OHSAS18001: 2007 occupational safety and health management system. We conduct internal audits, management reviews, and irregular external audits, and customer audits every year to confirm the status and effectiveness of our management system as a direction for continuous improvement in the future.

(F) Safe work environment:

Creating a safe and injury-free work environment for employees is one of the important commitments of Phihong. At present, the main manufacturing factories of Phihong have passed the certification of the OHSAS18001 occupational safety and health management system, so that the employees can work in a safe and secure work environment and are fully committed to their work and give full play to their strengths.

B.Employee code of ethics and conduct: "Phihong Employee Code of Ethics and Conduct" is Phihong's expectations for all employees in the group, which regulates the ethics and conduct of all employee, and requires their commitment to comply with laws and ethical principles to maintain Phihong’s assets, equity, and image.

(A) The record of the information must be honest and complete: Either in Taiwan, China, or other countries, it must abide by the general accounting principles, and execute all transactions in accordance with Phihong's regulations and procedures. Undisclosed or unrecorded company funds or assets shall be prohibited.

(B) Improper or illegal use of Phihong’s resources is strictly prohibited.

(C) Gifts and entertainment must be appropriate: Gifts and hospitality provided to suppliers or customers shall comply with general market practices and ethical standards; employees must not request or accept any gifts, special treatments, or entertainment from the Company’s suppliers or customers.

(D) Employees are prohibited from engaging in activities that conflict with the Company’s interests: Employees shall not engage in activities that conflict with the Company’s interests outside the Company, nor may their duties at Phihong be affected by engaging in or participating in activities outside the Company. They shall also not obtain private interests or benefits from transactions related to Phihong.

(E) All employees must abide by copyright regulations.

(F) The information that belongs to the Company must be kept confidential: Any important internal information of the Company must be kept confidential, and employees, either for profit or not, shall not provide said information to third parties without authorization.

(G) Protection of intellectual property rights: Protection of the Company’s intellectual property rights (including inventions, technological information, product designs, and other Company’s rights protected by law).

(H) Insider trading is forbidden: Any employee cannot use the insider information known to benefit others or obtain personal benefits. The Company’s financial position and business dealings information shall not be published without prior permission, so as not to affect shareholders’ rights and interests.

Every employee is responsible for maintaining Phihong's reputation in accordance with the highest ethical standards, and violations of the code are regarded as improper behavior. We will strive to require all employees to abide by the code to ensure the rights and interests of Phihong and all stakeholders.

(II) Losses suffered by the company due to labor disputes in the most recent year and as of the publication date of the annual report (including the matters in the labor inspection results that violate the Labor Standards Act, the date, official document number, laws violated, and the content of violation, and content of the penalty), and the estimated amount and countermeasures that may occur at present and in the future in the most recent year and as of the publication date of the annual report: In the most recent year and as of the publication date of the annual report, no losses have been suffered due to labor disputes, and the Company maintains a good labor-management relationship with its employees.

VI. Important contracts:

Nature of contract	Counterparty	Contract start and end date	Main content	Restriction clause
Information	Systex Software & Service Corporation	Effective date: 2020/4/1 Expiration date: 2023/3/31	Purchase of Enterprise Agreement software products from Microsoft Corporation Amount: NT$35,423,325.	None
Proposal of real estate	Hilight Electric Wire & Cable Co., Ltd.	Effective date: 2020/11/10	Purchase of the land and buildings for Phihong’s factory II in Tainan. Amount: NT$281,260,000.	None

VI. Financial Overview

I. Condensed Balance Sheet and Statements of Comprehensive Income for the Most Recent Five Years

(I) Condensed Balance Sheet and Statements of Comprehensive Income

1. Condensed Balance Sheet-IFRS (Consolidated)

Unit: NT$1,000

Item / Year		Financial data over the last five years					Financial data as of March 31, 2021
		2016	2017	2018	2019	2020	
Current assets		6,705,178	6,913,470	7,175,343	5,994,332	6,997,934	7,920,539
Property, plant and equipment		3,728,732	2,923,572	2,840,379	2,853,417	2,590,539	2,904,161
Net investment property		581,307	-	-	-	-	-
Intangible assets		32,166	28,416	32,145	33,216	27,679	24,597
Other assets		555,694	445,418	428,692	651,211	746,519	643,572
Total assets		11,603,077	10,310,876	10,476,559	9,532,176	10,362,671	11,492,869
Current liabilities	Before Distribution	5,433,075	3,618,618	4,053,323	3,125,121	5,138,664	5,519,469
	After Distribution	5,433,075	3,618,618	4,053,323	3,125,121	5,138,664	5,519,469
Non-current liabilities		1,195,419	1,316,748	1,332,134	1,492,754	479,126	1,421,214
Total liabilities	Before Distribution	6,628,494	4,935,366	5,385,457	4,617,875	5,617,790	6,940,683
	After Distribution	6,628,494	4,935,366	5,385,457	4,617,875	5,617,790	6,940,683
Equity attributable to owners of company		4,984,599	5,384,765	5,100,693	4,923,673	4,753,790	4,561,108
Ordinary shares		2,776,884	3,376,884	3,376,884	3,376,884	3,376,884	3,376,884
Capital surplus		1,026,456	1,044,017	1,044,017	1,044,017	1,044,017	1,044,017
Retained earnings	Before Distribution	1,215,252	1,215,047	1,039,665	998,519	843,775	673,240
	After Distribution	1,215,252	1,215,047	1,039,665	998,519	843,775	673,240
Other equity		(33,993)	(251,183)	(359,873)	(495,747)	(510,886)	(533,033)
Treasury shares		-	-	-	-	-	-
Non-controlling interests		(10,016)	(9,255)	(9,591)	(9,372)	(8,909)	(8,922)
Total Equity	Before Distribution	4,974,583	5,375,510	5,091,102	4,914,301	4,744,881	4,552,186
	After Distribution	4,974,583	5,375,510	5,091,102	4,914,301	4,744,881	4,552,186

Note 1:The financial information from 2016 through 2020 have been audited and certified by CPAs.

Note 2:Dividend per share for each year is distributed in the following year. No dividend is distributed for 2020 due to the net loss after tax based on the 2020 financial statements.

Note 3:Treasury shares: Not applicable.

2. Condensed Balance Sheet-IFRS (Standalone)

Unit: NT$1,000

Item \ Year		Financial information over the last five years				
		2016	2017	2018	2019	2020
Current assets		3,151,002	2,935,161	2,979,825	2,357,532	2,980,082
Property, plant and equipment		810,743	750,749	737,247	731,883	671,666
Intangible assets		22,910	18,654	16,494	17,691	12,361
Other assets		5,296,191	4,706,800	4,774,522	4,882,675	5,082,695
Total assets		9,280,846	8,411,364	8,508,088	7,989,781	8,746,804
Current liabilities	Before distribution	3,130,485	1,722,700	1,897,911	1,441,330	3,280,081
	After distribution	3,130,485	1,722,700	1,897,911	1,441,330	3,280,081
Non-current liabilities		1,165,762	1,303,899	1,509,484	1,624,778	712,933
Total liabilities	Before distribution	4,296,247	3,026,599	3,407,395	3,066,108	3,993,014
	After distribution	4,296,247	3,026,599	3,407,395	3,066,108	3,993,014
Equity attributable to owners of company		4,984,599	5,384,765	5,100,693	4,923,673	4,753,790
Ordinary shares		2,776,884	3,376,884	3,376,884	3,376,884	3,376,884
Capital surplus		1,026,456	1,044,017	1,044,017	1,044,017	1,044,017
Retained earnings	Before distribution	1,215,252	1,215,047	1,039,665	998,519	843,775
	After distribution	1,215,252	1,215,047	1,039,665	998,519	843,775
Other equity		(33,993)	(251,183)	(359,873)	(495,747)	(510,886)
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total Equity	Before distribution	4,984,599	5,384,765	5,100,693	4,923,673	4,753,790
	After distribution	4,984,599	5,384,765	5,100,693	4,923,673	4,753,790

Note 1:The financial information from 2016 through 2020 have been audited and certified by CPAs.

Note 2:Dividend per share for each year is distributed in the following year. No dividend is distributed for 2020 due to the net loss after tax based on the 2020 financial statements.

Note 3:Treasury shares: Not applicable.

3. Condensed Statements of Comprehensive Income -IFRS (Consolidated)

Unit: NT$1,000, except for earnings(loss) per share which is NT$

Year / Item	Financial information over the last five years (Note 1)					Financial data as of March 31, 2021
	2016	2017	2018	2019	2020	
Operating revenue	11,352,243	11,283,520	12,138,723	10,694,604	9,243,618	2,542,489
Gross profit	1,368,238	1,313,787	1,263,190	1,525,648	1,177,196	242,309
Loss from operations	(308,523)	(205,959)	(360,701)	(78,450)	(372,631)	(174,625)
Non-operating income and expenses	46,556	287,463	180,580	36,311	219,189	5,509
Net income (loss) before income tax	(261,967)	81,504	(180,121)	(42,139)	(153,442)	(169,116)
Net income (loss) of continuing operations for the year	(301,327)	6,638	(246,614)	(38,157)	(154,613)	(170,538)
Net income (loss) for the year	(301,327)	6,638	(246,614)	(38,157)	(154,613)	(170,538)
Total other comprehensive loss (net of income tax)	(380,580)	(223,272)	(38,561)	(138,644)	(14,807)	(22,157)
Total comprehensive loss for the year	(681,907)	(216,634)	(285,175)	(176,801)	(169,420)	(192,695)
Net income (loss) attributable to owners of the company	(301,299)	6,656	(246,595)	(38,136)	(154,594)	(170,535)
Net loss attributable to non-controlling interests	(28)	(18)	(19)	(21)	(19)	(3)
Total comprehensive loss attributable to owners of the company	(682,059)	(217,395)	(284,839)	(177,020)	(169,883)	(192,682)
Total comprehensive income (loss) attributable to non-controlling interests	152	761	(336)	219	463	(13)
Earnings (loss) per share	(1.09)	0.02	(0.73)	(0.11)	(0.46)	(0.51)

Note 1: The financial information from 2016 through 2020 have been audited and certified by CPAs.

4. Condensed Statements of Comprehensive Income -IFRS (Standalone)

Unit: NT$1,000, except for earnings(loss) per share which is NT$

Item \ Year	Financial information over the last five years (Note 1)				
	2016	**2017**	**2018**	**2019**	**2020**
Operating revenue	8,146,544	8,283,571	8,146,643	7,032,682	6,805,700
Gross profit	1,003,282	1,100,481	662,812	816,580	780,172
Income (loss) from operations	81,193	270,633	(303,398)	(56,638)	(130,750)
Non-operating income and expenses	(373,262)	(233,737)	58,003	11,966	(54,918)
Net income (loss) before income tax	(292,069)	36,896	(245,395)	(44,672)	(185,668)
Net income (loss) of continuing operations for the year	(301,299)	6,656	(246,595)	(38,136)	(154,594)
Net income (loss) for the year	(301,299)	6,656	(246,595)	(38,136)	(154,594)
Total other comprehensive loss (net of income tax)	(380,760)	(224,051)	(38,244)	(138,884)	(15,289)
Total comprehensive loss for the year	(682,059)	(217,395)	(284,839)	(177,020)	(169,883)
Net income attributable to owners of company	-	-	-	-	-
Net loss attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income (loss) attributable to owners of the company	-	-	-	-	-
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-
Earnings (loss) per share	(1.09)	0.02	(0.73)	(0.11)	(0.46)

Note 1: The financial information from 2016 through 2020 have been audited and certified by CPAs.

(II) The name of the CPAs and the audit opinions in the last five years

Year \ Item	Name of accounting firm	CPA name	Audit opinion
2016	Deloitte & Touche	Yi-Min Huang and Ker-Chang Wu	Unqualified opinion
2017	Deloitte & Touche	Ker-Chang Wu and Yi-Min Huang	Unqualified opinion
2018	Deloitte & Touche	Ker-Chang Wu and Yi-Min Huang	Unqualified opinion
2019	Deloitte & Touche	Ker-Chang Wu and Yi-Min Huang	Unqualified opinion
2020	Deloitte & Touche	Yi-Min Huang and Ker-Chang Wu	Unqualified opinion

II. Financial Analysis for the Most Recent Five Years

1. Financial Analysis-IFRS (Consolidated)

Unit: times; %

Item	Year	Financial analysis over the last five years (Note 1)					Financial data as of March 31, 2021
		2016	2017	2018	2019	2020	
Capital structure (%)	Debt ratio	57.13	47.87	51.40	48.45	54.21	60.39
	Long term funds to property, plant and equipment	165.47	228.91	226.14	224.54	201.66	205.68
Liquidity	Current ratio	123.41	191.05	177.02	191.81	136.18	143.50
	Quick ratio	94.40	145.80	123.22	147.81	96.05	100.97
	Times interest earned (times)	(6.62)	3.33	(7.20)	(0.82)	(5.81)	(21.13)
Operating performance	Average collection turnover (times)	4.61	4.80	5.73	5.03	4.55	4.94
	Days sales outstanding	79	76	64	73	80	74
	Average inventory turnover (times)	6.53	6.51	5.93	5.29	4.78	4.27
	Average payables turnover (times)	3.63	3.65	3.97	3.44	3.09	3.17
	Average inventory turnover days	56	56	62	69	76	85
	Property, plant and equipment turnover (times)	2.89	3.39	4.21	3.76	3.40	3.70
	Total assets turnover (times)	0.98	1.03	1.17	1.07	0.93	0.93
Profitability	Return on assets (ROA) (%)	(2.37)	0.33	(2.20)	(0.20)	(1.37)	(6.02)
	Return on equity(%)	(5.67)	0.13	(4.71)	(0.76)	(3.20)	(14.67)
	Pre-tax income to paid in capital ration (%) (Note 6)	(9.43)	2.41	(5.33)	(1.25)	(4.54)	(20.03)
	Profit margin (%)	(2.65)	0.06	(2.03)	(0.36)	(1.67)	(6.71)
	Earnings (loss) per share (NTD)	(1.09)	0.02	(0.73)	(0.11)	(0.46)	(0.51)
Cash flow	Cash flow ratio (%)	6.30	(2.36)	(4.84)	16.36	3.58	(9.92)
	Cash flow adequacy ratio (%)	48.98	35.29	21.70	8.21	27.90	(4.36)
	Cash flow reinvestment ratio (%)	4.10	(0.89)	(2.08)	5.53	2.27	(6.17)
Leverage	Operating leverage	(6.94)	(10.57)	(5.93)	(26.28)	(4.67)	(2.28)
	Financial leverage	0.90	0.85	0.94	0.77	0.94	0.96

Please specify the reasons for the changes in various financial ratios in the last two years (analysis is not required if the increase or decrease is within 20%):

(1) The decrease in Current and Quick ratios: Due to the reclassification of long-term borrowings due within one year of the current period and corporate bonds payable to current liabilities.
(2) The decrease in Times interest earned, Return on assets, Return on equity, Pre-tax income to paid in capital ration, and Profit margin: Due to the increase in losses in the current period compared to the previous period.
(3) Decrease in Cash flow ratio: Due to a decrease in net cash inflow from operating activities during the current period and an increase in current liabilities compared to the previous period.
(4) Decrease in Cash flow reinvestment ratio: Due to a decrease in net cash inflow from operating activities during the current period compared to the previous period.
(5) Increase in Cash flow adequacy ratio: Due to an increase in net cash flow of operating activities in the last five years.
(6) Increase in Loss per share, Operating leverage, and Financial leverage: Due to an increase in the losses in the current period compared to the previous period.

Note 1: The financial information from 2016 through 2020 have been auditedand certified by CPAs.

2. Financial Analysis-IFRS (Standalone)

Unit: times; %

Item	Year	Financial analysis over the last five years (Note 1)				
		2016	**2017**	**2018**	**2019**	**2020**
Capital structure (%)	Debt ratio	46.29	35.98	40.05	38.38	45.65
	Long term funds to property, plant and equipment	758.61	890.93	896.60	894.74	813.90
Liquidity	Current ratio	100.66	170.38	157.01	163.57	90.85
	Quick ratio	99.97	168.72	150.65	160.23	88.71
	Times interest earned (times)	(9.00)	2.18	(12.67)	(1.00)	(7.65)
Operating performance	Average collection turnover (times)	7.06	7.13	7.58	8.16	7.46
	Days sales outstanding	52	51	48	45	49
	Average inventory turnover (times)	54.69	452.66	121.85	86.18	132.84
	Average payables turnover (times)	55.83	238.79	701.49	533.06	491.21
	Average inventory turnover days	7	1	3	4	3
	Property, plant and equipment turnover (times)	9.88	10.61	10.95	9.57	9.70
	Total assets turnover (times)	0.85	0.94	0.96	0.85	0.81
Profitability	Return on assets (ROA) (%)	(2.91)	0.37	(2.74)	(0.41)	(1.80)
	Return on equity(%)	(5.66)	0.13	(4.70)	(0.76)	(3.19)
	Pre-tax income to paid in capital ration (%) (Note 6)	(10.52)	1.09	(7.27)	(1.32)	(5.50)
	Profit margin (%)	(3.70)	0.08	(3.03)	(0.54)	(2.27)
	Earnings (loss) per share (NTD)	(1.09)	0.02	(0.73)	(0.11)	(0.46)
Cash flow	Cash flow ratio (%)	(0.34)	17.41	10.24	(5.96)	2.32
	Cash flow adequacy ratio (%)	49.49	54.43	72.23	60.27	144.16
	Cash flow reinvestment ratio (%)	(0.16)	4.17	2.72	(1.20)	1.25
Leverage	Operating leverage	7.84	2.88	(0.71)	(8.33)	(3.30)
	Financial leverage	1.56	1.13	0.94	0.72	0.86

Please specify the reasons for the changes in various financial ratios in the last two years (analysis is not required if the increase or decrease is within 20%):

(1) The decrease in Current and Quick ratios: Due to the reclassification of long-term borrowings due within one year of the current period and corporate bonds payable to current liabilities.

(2) The decrease in Times interest earned, Return on assets, Return on equity, Pre-tax income to paid in capital ration, and Profit margin: Due to the increase in losses in the current period compared to the previous period.

(3) Increase in Inventory turnover: Due to the decrease in average inventory in the current period compared with the previous period.

(4) Increase in Cash flow ratio and Cash flow reinvestment ratio: Due to net cash inflow from operating activities during the current period.

(5) Increase in Cash flow adequacy ratio: Due to the increase in net cash flow of operating activities in the last five years.

(6) Increase in Loss per share and Operating leverage: Due to the increase in losses for the current period compared to the previous period.

Note 1:The financial information from 2016 through 2020 have been audited and certified by CPAs.

Note 2:At the end of the annual report, the following calculation formulas shall be listed:

1. Capital structure
   (1) Debt ratio = Total liabilities / Total assets.
   (2) Long term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment
2. Liquidity
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current assets - Inventory- Prepaid expenses) / Current liabilities.
   (3) Times interest earned = Net income before income tax and interest expense / Interest expense for the current period.
3. Operating performance
   (1) Average collection turnover (including accounts receivable and notes receivable from operating activities) = Net sales / Balance of average accounts receivable for each period (including accounts receivable and notes receivable from operating activities).
   (2) Average collection days = 365 / Average collection turnover.
   (3) Average inventory turnover = Cost of sales / Average inventory.
   (4) Average payables turnover (including accounts payable and notes payable from operating activities) = Cost of sales / Balance of average accounts payable for each period (including accounts payable and notes payable from operating activities).
   (5) Average inventory turnover days = 365 / Average inventory turnover.
   (6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment.
   (7) Total assets turnover = Net sales / Total average assets.
4. Profitability
   (1) Return on assets = [Net income + Interest expense x (1 - tax rate)] / Average total assets.
   (2) Return on equity = Net income / Average total equity.
   (3) Profit margin = Net income / Net sales.
   (4) Earnings per share = (Profit or loss attributable to owners of the company - Dividend on preferred stock) / Weighted average number of outstanding shares. (Note 4)
5. Cash flow
   (1) Cash flow ratio = Net cash flow of operating activities / Current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years/ (Capital expenditure + Inventory increase + Cash dividends) in the most recent five years.
   (3) Cash flow reinvestment ratio = (Net cash flow of operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital). (Note 5)
6. Leverage:
   (1) Operating leverage = (Net sales - Variable operating costs and expenses) / Operating income (Note 6).
   (2) Financial leverage = Operating income / (Operating income - Interest expense).

Note 3: In the case of the formula for calculating the earnings per share above, special attention shall be paid to the following matters:
1. It shall be based on the weighted average number of ordinary shares, rather than the number of outstanding shares at the end of the year.
2. In the case of cash capital increase or trading of treasury shares, the weighted average number of shares shall be calculated based on the outstanding period.
3. In the case capitalization of earnings or capital surplus, when the annual and semi-annual earnings per share of are calculated, retrospective adjustments shall be made according to the capital increase ratio, regardless of the issuance period for the capitalization.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividends for the current year (regardless of whether they are distributed) shall be deducted from the net income after tax or counted toward the net loss after tax. If the preferred shares are non-cumulative, in the case of net income after tax, the dividend on the preferred shares shall be deducted from the net income after tax; if it is a loss, no adjustment is necessary.

Note 4: Special attention shall be paid to the following items when cash flow analysis is conducted
1. Net cash flow of operating activities refers to the net cash inflow from operating activities in the cash flow statements.
2. Capital expenditure refers to the amount of cash outflow from capital investment each year.
3. The increase in inventory is only included when the ending balance is greater than the opening balance. If the inventory decreases at the end of the year, it shall be calculated as zero.
4. Cash dividends include cash dividends on ordinary shares and preferred shares.
5. Gross property, plant and equipment refers to the total amount of property, plant and equipment before deduction of accumulated depreciation.

Note 5:The issuer shall classify various operating costs and operating expenses as fixed and variable according to the nature. If estimates or subjective judgments are involved, attention shall be paid to their reasonableness to maintain consistency.

Note 6: If the Company’s shares without a par value, or the par value per share is not NT$10, the calculation of the aforementioned “Pre-tax income to total” shall be calculated based on the equity ratio attributable to owners of the parent company on the balance sheet.

III. Audit Committee’s Review Report of the Financial Statements for the Year Ended 2020:

Phihong Technology Co., Ltd.

Audit Committee’s Review Report

The board of directors prepared the Company's 2020 business report, the standalone and consolidated financial statements for the year ended 2020, and the loss compensation proposal, etc., of which the standalone and consolidated financial statements for the year then ended were audited by Deloitte & Touche commissioned and an audit report was issued. The above-mentioned business report for the year ended 2020, the standalone and consolidated financial statements for the year ended 2020, and the loss compensation proposal have been inspected by the Audit Committee, which did not identify any discrepancies. The report is hereby made as above in accordance with the relevant provisions of the Securities and Exchange Act and the Company Act. Please proceed to review it.

Sincerely,

2021 Annual General Meeting, Phihong Technology Co., Ltd.

Convener of the Audit Committee: Yu-Yuan Hung

March 5, 2021

IV. Most Recent Stand Alone Financial Statements Audited by CPAs

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Phihong Technology Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Company's consolidated financial statements as of and for the year ended December 31, 2020 is as follows.

The Accuracy of Sales Revenue from Telecom Brand Operation

Description of the key audit matter:

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

Corresponding audit procedures

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2021

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

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

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

Phihong Technology Co., Ltd.

Standalone Balance Sheets

December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 1,109,016	13	$ 1,074,221	14
1150	Notes receivable (Notes 4 and 8)	-	-	2,022	-
1170	Accounts receivable (Notes 4 and 8)	834,166	10	535,126	7
1180	Accounts receivable - related parties (Notes 4, 8 and 25)	356,686	4	95,031	1
1200	Other receivables	12,847	-	28,472	-
1210	Other receivables - related parties (Note 25)	571,224	6	562,052	7
130X	Inventories (Notes 4 and 9)	52,363	1	38,353	1
1479	Other current assets	43,780	-	22,255	-
11XX	Total current assets	2,980,082	34	2,357,532	30
	Non-current assets				
1520	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	63,671	1	49,513	1
1540	Financial assets at amortized cost - non-current (Notes 4, 6 and 26)	37,100	-	27,100	-
1550	Investments accounted for using equity method (Notes 4 and 10)	4,813,797	55	4,734,023	59
1600	Property, plant, and equipment (Notes 4 and 11)	671,666	8	731,883	9
1755	Right-of-use assets (Notes 4 and 12)	6,987	-	1,619	-
1780	Other intangible assets (Notes 4 and 13)	12,361	-	17,691	-
1840	Deferred income tax assets (Notes 4 and 20)	57,043	1	53,325	1
1990	Other non-current assets	104,097	1	17,095	-
15XX	Total non-current assets	5,766,722	66	5,632,249	70
1XXX	Total assets	$ 8,746,804	100	$ 7,989,781	100

Code	Liabilities and Equity	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities				
2100	Short-term borrowings (Note 14)	$ 256,320	3	$ -	-
2170	Accounts payable	11,780	-	11,016	-
2180	Accounts payable - related parties (Note 25)	1,198	-	539	-
2219	Other payables (Notes 16 and 25)	1,857,037	22	1,358,177	17
2230	Current income tax liabilities (Notes 4 and 20)	-	-	11,145	-
2280	Lease liabilities - current (Notes 4 and 12)	3,632	-	572	-
2320	Current portion of long-term borrowings (Notes 14 and 15)	1,064,620	12	-	-
2399	Other current liabilities	85,494	1	59,881	1
21XX	Total current liabilities	3,280,081	38	1,441,330	18
	Non-current liabilities				
2530	Bonds payable (Note 15)	-	-	999,405	12
2540	Long-term borrowings (Note 14)	303,944	3	295,739	4
2570	Deferred income tax liabilities (Notes 4 and 20)	67,820	1	79,832	1
2580	Lease liabilities - non-current (Notes 4 and 12)	3,388	-	1,056	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 17)	94,068	1	102,226	1
2670	Other non-current liabilities (Notes 4 and 10)	243,713	3	146,520	2
25XX	Total non-current liabilities	712,933	8	1,624,778	20
2XXX	Total liabilities	3,993,014	46	3,066,108	38
	Equity (Notes 4 and 18)				
3110	Ordinary shares	3,376,884	38	3,376,884	42
3200	Capital surplus	1,044,017	12	1,044,017	13
	Retained earnings				
3310	Legal reserve	767,660	9	808,806	10
3320	Special reserve	230,859	3	230,859	3
3350	Accumulated losses	(154,744)	(2)	(41,146)	-
3300	Total retained earnings	843,775	10	998,519	13
	Other equity				
3410	Exchange differences on translation of the financial statements of foreign operations	(448,879)	(5)	(416,186)	(5)
3422	Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income	(62,007)	(1)	(79,561)	(1)
3400	Total other equity	(510,886)	(6)	(495,747)	(6)
3XXX	Total equity	4,753,790	54	4,923,673	62
	Total liabilities and equity	$ 8,746,804	100	$ 7,989,781	100

The notes attached are part of the Standalone Financial Statements.

Phihong Technology Co., Ltd.

Standalone Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars, Except Loss Per Share

		2020		2019	
Code		Amount	%	Amount	%
4000	Operating revenue (Notes 4 and 25)	$ 6,805,700	100	$ 7,032,682	100
5000	Operating cost (Notes 4 9, and 25)	6,025,528	88	6,216,102	88
5900	Gross profit	780,172	12	816,580	12
5920	(Unrealized) realized gain on transactions with subsidiaries and associates (Note 4)	(37,645)	(1)	7,373	-
5950	Gross profit and realized gain form subsidiaries and associates	742,527	11	823,953	12
	Operating expenses				
6100	Sales and marketing expenses	245,997	4	220,881	3
6200	General and administrative expenses	172,571	2	190,757	3
6300	Research and development expenses	453,762	7	469,538	7
6450	Expected credit loss recognized (reversed)	947	-	(585)	-
6000	Total operating expenses	873,277	13	880,591	13
6900	Loss from operations	(130,750)	(2)	(56,638)	(1)
	Non-operating income and expenses				
7100	Interest income (Note 19)	7,813	-	27,684	-
7010	Other income (Note 19)	201,738	3	53,646	1
7020	Other gains and losses (Note 19)	(41,773)	(1)	(17,370)	-
7050	Finance costs (Note 19)	(21,459)	-	(22,300)	-
7070	Share of profit or loss of equity-accounted subsidiaries and associates (Notes 4 and 10)	(201,237)	(3)	(29,694)	(1)
7000	Total non-operating income and expenses	(54,918)	(1)	11,966	-

(Continued on next page)

(Continued from previous page)

Code		2020 Amount	2020 %	2019 Amount	2019 %
7900	Net loss before income tax	($ 185,668)	(3)	($ 44,672)	(1)
7950	Income tax benefit (Notes 4 and 20)	31,074	1	6,536	-
8200	Net loss for the year	(154,594)	(2)	(38,136)	(1)
	Other comprehensive income(loss)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 17)	(188)	-	(3,762)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income or loss (Note 18)	(3,842)	-	(595)	-
8320	Share of other comprehensive income of equity-accounted subsidiaries and associates (Note 18)	21,396	-	15,300	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	38	-	752	-
8360	Items that will may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations (Note 18)	(32,693)	-	(150,579)	(2)
8300	Total other comprehensive loss	(15,289)	-	(138,884)	(2)
8500	Total comprehensive loss for the year	($ 169,883)	(2)	($ 177,020)	(3)
	Loss per share (Note 21)				
9710	Basic	($ 0.46)		($ 0.11)	

The notes attached are part of the Standalone Financial Statements.

Phihong Technology Co., Ltd.

Standalone Statements of Changes in Equity

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code		Ordinary shares	Capital surplus	Retained earnings			Other equity		Total Equity
				Legal reserve	Special reserve	Accumulated losses	Exchange differences on translation of the financial statements of foreign operations	Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income	
A1	Balance as of January 1, 2019	$ 3,376,884	$ 1,044,017	$ 1,113,185	$ 230,859	($ 304,379)	($ 265,607)	($ 94,266)	$ 5,100,693
B13	Legal reserve used to offset deficits	-	-	(304,379)	-	304,379	-	-	-
D1	Net loss for the year ended December 31, 2019	-	-	-	-	(38,136)	-	-	(38,136)
D3	Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,010)	(150,579)	14,705	(138,884)
D5	Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(41,146)	(150,579)	14,705	(177,020)
Z1	Balance as of December 31, 2019	3,376,884	1,044,017	808,806	230,859	(41,146)	(416,186)	(79,561)	4,923,673
B13	Legal reserve used to offset deficits	-	-	(41,146)	-	41,146	-	-	-
D1	Net loss for the year ended December 31, 2020	-	-	-	-	(154,594)	-	-	(154,594)
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(150)	(32,693)	17,554	(15,289)
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(154,744)	(32,693)	17,554	(169,883)
Z1	Balance as of December 31, 2020	$ 3,376,884	$ 1,044,017	$ 767,660	$ 230,859	($ 154,744)	($ 448,879)	($ 62,007)	$ 4,753,790

The notes attached are part of the Standalone Financial Statements.

Phihong Technology Co., Ltd.

Standalone Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A10000	Net loss before income tax	($ 185,668)	($ 44,672)
A20010	Adjustments for:		
A20100	Depreciation expenses	81,047	83,675
A20200	Amortization expenses	7,403	11,263
A20300	Expected credit loss recognized (reversed)	947	(585)
A20900	Finance costs	21,459	22,300
A21200	Interest income	(7,813)	(27,684)
A21300	Dividend income	-	(500)
A22300	Share of loss of subsidiaries and associates	201,237	29,694
A22500	Gain on disposal of property, plant and equipment	(206)	-
A23700	Losses on inventory valuation loss and obsolescence	2,556	5,931
A23900	Unrealized (realized) gain on transactions with subsidiaries	37,645	(7,373)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	2,022	(2,022)
A31150	Accounts receivable	(299,987)	325,390
A31160	Accounts receivable - related parties	(261,655)	134,783
A31180	Other receivables	15,626	6,485
A31190	Other receivables - related parties	(9,172)	(342,002)
A31200	Inventories	(16,566)	61,608
A31240	Other current assets	(21,499)	72,158
A32150	Accounts payable	764	(456)
A32160	Accounts payable - related parties	659	244
A32180	Other payables	499,669	(379,798)
A32230	Other current liabilities	25,613	(40,606)
A32240	Net defined benefit liability	(8,346)	(552)
A33000	Cash generated from (used in) operating activities	85,735	(92,719)
A33100	Interest received	7,812	34,573
A33300	Interest paid	(18,834)	(20,548)
A33500	Income tax returned (paid)	1,276	(7,157)
AAAA	Net cash generated from (used in) operating activities	75,989	(85,851)

(Continued on next page)

(Continued from previous page)

Code		2020	2019
	Cash flows from investing activities		
B00010	Purchase of financial assets at fair value through other comprehensive income	($ 18,000)	($ 20,586)
B00040	Purchase of financial assets measured at amortized cost	(10,000)	-
B00050	Proceeds from financial assets measured at amortized cost	-	199,463
B01800	Net cash outflow on acquisition of subsidiaries	(298,726)	(308,467)
B02400	Return of capital from investments accounted for using equity method	63,868	8,402
B02700	Payments for property, plant and equipment	(11,067)	(52,144)
B02800	Proceeds from disposal of property, plant and equipment	586	-
B04500	Payments for intangible assets	(2,073)	(8,845)
B03700	Increase in refundable deposits	(785)	(1,048)
B07100	Increase in prepayments for equipment	(7,578)	(22,118)
B07300	Increase in prepayments for land	(84,075)	-
B07600	Dividends received	2,097	20,246
BBBB	Net cash used in from investing activities	(365,753)	(185,097)
	Cash flows from financing activities		
C00100	Proceeds from Short-term borrowings	256,320	-
C01600	Proceeds from Long-term borrowings	566,040	1,624,500
C01700	Repayments of long-term borrowings	(495,000)	(1,510,000)
C03000	Increase in guarantee deposits received	-	40
C04020	Repayment of the principle portion of lease liabilities	(2,801)	(3,232)
CCCC	Net cash generated from financing activities	324,559	111,308
EEEE	Net increase (decrease) in cash and cash equivalents	34,795	(159,640)
E00100	Cash and cash equivalents at the beginning of the year	1,074,221	1,233,861
E00200	Cash and cash equivalents at the end of the period	$ 1,109,016	$ 1,074,221

The notes attached are part of the Standalone Financial Statements.

Phihong Technology Co., Ltd.
Notes to Standalone Financial Statements
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

Phihong Technology Co., Ltd. ("the Company"), which was formerly known as Phihong Enterprise Co., Ltd., was incorporated on December 12, 1972. Under a resolution approved in the stockholders' meeting in June 2003, Phihong was renamed Phihong Technology Co., Ltd. Phihong primarily manufactures and sells AC/DC power adapters, charger bases, power supply modules, uninterruptible power supply (UPS) for computers, ballasts, etc.

In February 2000, the Company 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; instead, its stocks began to be traded on the Taiwan Stock Exchange.

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

2. Date and Procedure for Approval of Financial Statements

The standalone financial statements were approved by the Company's board of directors on March 5, 2021.

3. Application of Newly Issued and Amended Standards and Interpretations

(1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the Company's accounting policies:

Amendments to IAS 1 and IAS 8 "Definition of Materiality"
The Company adopted the amendments on January 1, 2020. The threshold for materiality was amended to be "can be reasonably expected to influence users", and the disclosures in the standalone financial statements were adjusted by removing immaterial information which may obscure material information.

(2) IFRSs endorsed by FSC that are applicable from 2021 onwards

New/Revised/Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 4 “Deferral of Effective Date of IFRS 9”	Effective immediately upon promulgation
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	Effective for the annual reporting periods beginning on or after January 1, 2021
Amendments to IFRS 16 “COVID-19-Related Rent Concessions”	Effective for the annual reporting periods beginning on or after June 1, 2020

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to 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
IFRS17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless otherwise specified, each of the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after each said date.

Note 2: The amendment to IFRS 9 applies prospectively to modifications of terms of or exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoption of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendment applies to business combination with the acquisition date in the annual reporting periods beginning on or after January 1, 2022.

Note 4: The amendment applies to property, plant and equipment that are in line with the location and condition necessary for them to be capable of operating in the manner expected by the management on or after January 1, 2021.

Note 5: The amendment applies to the contracts with the obligations not fully fulfilled as of January 1, 2022.

As of the date the standalone financial statements were approved for release, the Company is continuously assessing the possible impact of the application of other standards and interpretations on its financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

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

(2) Basis of preparation

The standalone financial statements have been prepared on the historical cost basis in addition to the financial instruments measured at fair value.

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

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

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

(3) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the release of the financial statements); and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

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

(4) Foreign currencies

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

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When preparing the standalone financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates that operate in countries or adopt the functional currencies different from the Company) are translated into New Taiwan dollar. Income and expense items are translated at the average exchange rates for the period. The resulting currency exchange differences are recognized in other comprehensive income.

(5) Inventories

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

(6) Investment in subsidiaries

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

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

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of its subsidiaries. In addition, changes in the Company's other equity of its subsidiaries are recognized based on its ownership percentage.

Changes in the Company's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of an investment and the fair value of the consideration paid or received is recognized directly in equity.

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

When the Company assesses the impairment, it considers the cash-generating unit as a whole in the financial statements and compares its recoverable amount with the carrying amount . If the recoverable amount of an asset increases subsequently, the reversal of the impairment loss shall be recognized in gains, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount of the asset less amortization without impairment loss recognized.
When the Company loses control over a subsidiary, it measures its remaining investment in said subsidiary based on the fair value on the day when control is lost. The fair value of the remaining

investment and the difference between any disposal price and the carrying amount of the investment on the day when control is lost are recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income related to said subsidiary are accounted for on the same basis as the one adopted for the Company's direct disposal of the relevant assets or liabilities.

The unrealized profit or loss on downstream transactions between the Company and its subsidiaries are eliminated in the standalone financial statements. Profit or loss on downstream and lateral transactions between the Company and its subsidiaries is recognized in the standalone financial statements only to the extent that it does not affect the Company's interests in the subsidiaries.

(7) Investments in associates

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

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

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

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

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

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

(8) Property, plant and equipment

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

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

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

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(9) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized using straight-line method over the useful lives. The Company conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

When derecognizing intangible assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in loss or profit.

(10) Impairment of property, plant, and equipment as well as right-of-use and intangible assets

The Company assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets on each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is a sign that the assets may be impaired.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit and loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or cash-generating unit, which was not recognized as impairment loss in prior years. The impairment loss reversed is recognized in profit or loss.

(11) Financial instruments

Financial assets and financial liabilities shall be recognized in the standalone balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement categories

Financial assets held by the Company are those measured at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

A. Financial assets at amortized cost

When the Company's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets at amortized cost:

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

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

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

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

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

B. Investments in equity instruments at FVTOCI

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

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

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

(2) Impairment of financial assets

The Company assesses the impairment loss of financial assets at amortized cost (including accounts receivable) based on the expected credit loss on each balance sheet date.

Accounts receivable are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Company, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

A. Internal or external information indicates that it is impossible for the debtor to settle the debt.

B. It is overdue for more than 180 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

The Company recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized at the proceeds received, net of the cost of direct issue.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is recognized in profit or loss.

3. Financial liabilities

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

(12) Provision

The amount recognized in provision is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The warranty obligations of the Company under the sales contract are based on the management's best estimate of the expenditure required to settle the Company's obligations, and are recognized when the relevant products are recognized in revenue.

(13) Revenue recognition

After the Company identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

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

Revenue from the sale of goods comes from sales of power supply modules and other relevant products. When the power supply modules and other relevant products are delivered to the location designated by customers, customers have the right to determine the price and the way the products are used while bearing the main responsibility for resale and the risk of obsolescence; thus, revenue and account receivable are recognized concurrently.

(14) Leasing

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

1. The Company as lessor

   Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

2. The Company as lessee

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

   A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the standalone balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, in-substance fixed payments, and variable lease payments which depend on an index or a rate). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the index or rate used to determine the lease payment over the lease term lead to changes in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the standalone balance sheets.

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

(15) Borrowing costs

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

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

(16) Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods, in which the Company recognizes as expenses the relevant costs for which the grants are intended to compensate.

If government grants are used to compensate expenses or losses incurred, or are given to the Company for the purpose of immediate financial support without relevant future costs, they can be recognized in profit or loss in the period, during which the Company can receive said grants.

(17) Employee benefits

1. Short-term employee benefits

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

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized as expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service cost (including the service cost for the current period) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

(18) Income tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current income tax

A surtax is imposed on the undistributed earnings pursuant to the Income Tax Act of the Republic of China (R.O.C.) is recognized via the resolution at the annual shareholders' meeting.

Adjustments to income tax payable from prior years are recognized in the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carryforwards, research and development expenditure.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

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

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

3. Current and deferred income tax

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

5. Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

The Company takes into account the economic impact of the COVID-19 pandemic in its critical accounting estimates, and the management will constantly review the estimates and basic assumptions. If an amendment to estimates only affects the current period, it shall be recognized in the period of said amendment; if an amendment to accounting estimates affects the current year and future periods, it shall be recognized in the period of said amendment and future periods.

6. Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	$ 949	$ 911
Checking accounts and demand deposits	1,108,067	1,073,310
	$ 1,109,016	$ 1,074,221

As of December 31, 2020 and 2019, bank balance in the amount of 37,100 thousand and $27,100 thousand had been pledged to secured domestic bonds and syndicated loans, and reclassified to "financial assets at amortized cost - non-current". Refer to Note 26.

The market rate range of demand deposit at the balance sheet date is as follows:

	December 31, 2020	December 31, 2019
Demand deposit	0.001%~0.20%	0.001%~1.90%

7. Financial Assets at Fair Value Through Other Comprehensive Income

	December 31, 2020	December 31, 2019
Non-current		
Investments in equity instruments at FVTOCI		
Domestic unlisted equity	$ 63,671	$ 49,513

The Company invested in the above-mentioned unlisted equity for medium to long-term strategic purposes, and expected to make profits in a long term. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believed that recognizing the short-term fair value fluctuations of such investments in profit and loss would be inconsistent with the aforementioned long-term investment strategy.

8. Notes Receivable and Accounts Receivable

	December 31, 2020	December 31, 2019
Notes receivable		
At amortized cost		
Gross carrying amount	$ -	$ 2,022
Less: Allowance for impairment loss	-	-
	-	2,022
Accounts receivable		
At amortized cost		
Gross carrying amount	835,427	535,440
Less: Allowance for impairment loss	(1,261)	(314)
	834,166	535,126
Accounts receivable - related parties		
At amortized cost		
Gross carrying amount	356,686	95,031
Less: Allowance for impairment loss	-	-
	356,686	95,031
	$ 1,190,852	$ 630,157

The average credit period of sales of goods was 60 to 90 days. No interest was accrued for accounts receivable. The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company continuously monitored its credit exposure and counterparties' credit ratings and spread the aggregate value of transactions among customers with qualified credit ratings, while appointing dedicated staff to review and approve counterparties' credit limits on an annual basis to control the credit exposure.

The Company recognized the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The ECLs on accounts receivable were estimated using a provision matrix with reference to customers' past default records, current financial position, and other forward-looking information. Based on the Company's history of credit losses, as there was no significant difference in the loss patterns among different customer groups, the customer groups were not further differentiated in the provision matrix, and only the ECLs rate was set based on the number of days for which accounts receivable was past due.

When there was information indicating that the counterparty was in severe financial difficulty and the Company could not reasonably expect the amount to be recovered, the Company would write off relevant accounts receivable and continued to collect the receivable due. The receivable recovered was recognized in profit or loss.

The following table details the loss allowance for accounts receivable based on the Company's provision matrix:

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
ECLs rate	0.02%	0.32~2.63%	-	-	17.44~100%	
Gross carrying amount	$ 1,122,253	$ 66,536	$ -	$ -	$ 3,324	$ 1,192,113
Loss allowance (lifetime ECLs)	(190)	(247)	-	-	(824)	(1,261)
Amortized cost	$ 1,122,063	$ 66,289	$ -	$ -	$ 2,500	$ 1,190,852

December 31, 2019

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
ECLs rate	0.03%	0.35~2.87%	-	-	-	
Gross carrying amount	$ 606,196	$ 24,275	$ -	$ -	$ -	$ 630,471
Loss allowance (lifetime ECLs)	(143)	(171)	-	-	-	(314)
Amortized cost	$ 606,053	$ 24,104	$ -	$ -	$ -	$ 630,157

The aging analysis above is based on the number of days overdue.

The movements of the loss allowance of accounts receivable are as follows:

	2020	2019
Balance as of January 1,	$ 314	$ 899
Add: Allowance for impairment loss (reversed)	947	(585)
Balance as of December 31,	$ 1,261	$ 314

9. Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 9,668	$ 1,638
Work in process	70	129
Finished goods	42,625	36,586
	$ 52,363	$ 38,353

The costs of sales related to inventories in 2020 and 2019 were $6,025,528 thousand and $6,216,102 thousand, respectively. The costs of sales in 2020 and 2019, including the inventory valuation losses recognized by writing down the cost of inventories to the net realizable value, were $2,556 thousand and $5,931 thousand, respectively.

10. Investments Accounted for Using Equity Method

	December 31, 2020	December 31, 2019
Investment in subsidiaries	$ 4,792,604	$ 4,703,855
Investments in associates	21,193	30,168
	$ 4,813,797	$ 4,734,023

(1) Investment in subsidiaries

	December 31, 2020	December 31, 2019
Phihong International Corp.	$ 3,134,524	$ 3,137,404
Phitek International Co., Ltd.	(243,673)	(146,480)
Ascent Alliance Ltd.	69,397	90,833
Phihong USA Corp.	923,714	991,061
Phihong Technology Japan Co., Ltd.	82,082	146,020
Phihong Vietnam Co., Ltd.	442,085	212,114
Guang-Lai Investment Co., Ltd.	140,802	126,423
	4,548,931	4,557,375
Add: Reclassified to other non-current liabilities	243,673	146,480
	$ 4,792,604	$ 4,703,855

	Percentage of Ownership and Voting Rights	
Subsidiary	December 31, 2020	December 31, 2019
Phihong International Corp.	100.00%	100.00%
Phitek International Co., Ltd.	100.00%	100.00%
Ascent Alliance Ltd.	100.00%	100.00%
Phihong USA Corp.	100.00%	100.00%
Phihong Technology Japan Co., Ltd.	100.00%	100.00%
Phihong Vietnam Co., Ltd.	100.00%	100.00%
Guang-Lai Investment Co., Ltd.	100.00%	100.00%

As of December 31, 2020 and 2019, the Company's accumulated losses on the investments in Phitek International Co., Ltd. recognized had exceeded the original investment amount, resulting credit balance of $243,673 thousand and $146,480 thousand in the long-term equity investments, respectively, which have been reclassified in "Other non-current liabilities".

The Company established the subsidiary Phihong Vietnam Co., Ltd. in Vietnam in 2019 with a registered capital of US$50,000 and 100% ownership. In order to meet the Group's capital needs, it was planned to inject capital in stages based on the investment progress. As of December 31, 2020, the Company's capital injected amounted to $607,193 thousand (US$20,000 thousand).

In December 2019, the board of directors of the Company approved a capital reduction in the subsidiary Phihong Technology Japan Co., Ltd. in Japan in the amount of $54,302 thousand (or JPY200,000 thousand). Said capital reduction had been completed in January 2020; thus, its paid-in capital was in the amount of $41,153 thousand (JPY150,000 thousand).

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the subsidiaries' financial statements audited by auditors for the same years.

(2) Investments in associates

	December 31, 2020	December 31, 2019
Associates that are not individually material	$ 21,193	$ 30,168

Aggregate information of associates that are not individually material:

	2020	2019
The Company's share of:		
Net profit (loss) for the year	$ 2,689	($ 2,673)
Total comprehensive income (loss)	$ 2,689	($ 2,673)

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

11. Property, plant and equipment

	Freehold Land	Buildings	Machinery and equipment	Other equipment	Construction in Progress	Total
Cost						
Balance as of January 1, 2020	$ 185,202	$ 625,762	$ 196,151	$ 417,579	$ -	$1,424,694
Additions	-	333	5,449	4,025	277	10,084
Disposals	-	-	(28,985)	(21,555)	-	(50,540)
Reclassification	-	-	-	8,648	(277)	8,371
Balance as of December 31, 2020	$ 185,202	$ 626,095	$ 172,615	$ 408,697	$ -	$1,392,609
Accumulated depreciation						
Balance as of January 1, 2020	$ -	$ 225,841	$ 145,240	$ 321,730	$ -	$ 692,811
Disposals	-	-	(28,959)	(21,201)	-	(50,160)
Depreciation expenses	-	21,500	15,889	40,903	-	78,292
Balance as of December 31, 2020	$ -	$ 247,341	$ 132,170	$ 341,432	$ -	$ 720,943
Net amount as of December 31, 2020	$ 185,202	$ 378,754	$ 40,445	$ 67,265	$ -	$ 671,666
Cost						
Balance as of January 1, 2019	$ 185,202	$ 622,774	$ 163,044	$ 392,986	$ -	$1,364,006
Additions	-	804	15,910	33,865	2,184	52,763
Disposals	-	-	(3,385)	(11,034)	-	(14,419)
Reclassification	-	2,184	20,582	1,762	(2,184)	22,344
Balance as of December 31, 2019	$ 185,202	$ 625,762	$ 196,151	$ 417,579	$ -	$1,424,694
Accumulated depreciation						
Balance as of January 1, 2019	$ -	$ 204,488	$ 133,531	$ 288,740	$ -	$ 626,759
Disposals	-	-	(3,385)	(11,034)	-	(14,419)
Depreciation expenses	-	21,353	15,094	44,024	-	80,471
Balance as of December 31, 2019	$ -	$ 225,841	$ 145,240	$ 321,730	$ -	$ 692,811
Net amount as of December 31, 2019	$ 185,202	$ 399,921	$ 50,911	$ 95,849	$ -	$ 731,883

The Company's property, plant and equipment above are depreciated on a straight-line basis based on the estimated useful life below:

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

The Company's property, plant and equipment pledged as collateral for long-term borrowings are set out in Note 26.

12. Lease Agreements

(1) Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amount		
Land	$ 2,963	$ 158
Transportation equipment	3,233	1,461
Other equipment	791	-
	$ 6,987	$ 1,619

	2020	2019
Additions to right-of-use assets	$ 8,123	$ -
Depreciation expenses of right-of-use assets		
Land	$ 1,880	$ 1,894
Transportation equipment	480	1,310
Other equipment	395	-
	$ 2,755	$ 3,204

(2) Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amount		
Current	$ 3,632	$ 572
Non-current	$ 3,388	$ 1,056

	December 31, 2020	December 31, 2019
Range of discount rate for lease liabilities:		
Current	1.155%~1.9872%	1.200%
Non-current	1.155%~1.9872%	1.155%

(3) Material lease-in activities and terms

The Company has leased land for parking over the lease terms of 2~3 years. Upon the termination of the lease term, the Company does not have preferential rights to acquire the land leased, and it is agreed that the Company shall not sublease or transfer all or part of the underlying asset leased without the consent of the lessor.

The Company has also leased transportation and other equipment for operations as well as product manufacturing and R&D over lease terms of 2 to 5 years. These agreements do not contain renewal or purchase options upon the expiration of the lease terms.

(4) Other lease information

	2020	2019
Short-term lease expenses	$ 2,931	$ 2,078
Total cash (outflow) from leases	($ 5,732)	($ 5,310)

The Company has elected to apply the recognition exemption for staff dormitory, office equipment, and transportation equipment, and, thus, did not recognize said leases in right-of-use assets and lease liabilities.

For the years ended December 31, 2020 and 2019, short-term lease expenses also include leases for which the lease terms ended on or before December 31, 2020 and 2019, and for which the recognition exemption applied.

13. Other Intangible Assets

	Computer software
Cost	
Balance as of January 1, 2020	$ 80,606
Additions	2,073
Balance as of December 31, 2020	$ 82,679
Accumulated amortization	
Balance as of January 1, 2020	$ 62,915
Amortization expenses	7,403
Balance as of December 31, 2020	$ 70,318
Net amount as of December 31, 2020	$ 12,361
Cost	
Balance as of January 1, 2019	$ 89,200
Additions	8,845
Reclassification	3,615
Disposals	(21,054)
Balance as of December 31, 2019	$ 80,606
Accumulated amortization	
Balance as of January 1, 2019	$ 72,706
Amortization expenses	11,263
Disposals	(21,054)
Balance as of December 31, 2019	$ 62,915
Net amount as of December 31, 2019	$ 17,691

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

14. Borrowings

Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured borrowings		
Bank borrowings	$ 170,880	$ -
Secured borrowings		
Bank borrowings	85,440	-
	$ 256,320	$ -

Long-term borrowings

	December 31, 2020	December 31, 2019
Secured borrowings		
Bank borrowings	$ 371,040	$ 300,000
Less: Discount	(2,359)	(4,261)
Current portions	(64,737)	-
	$ 303,944	$ 295,739

(1) As of December 31, 2020, the Company had short-term bank borrowings with the contract term from December 7, 2020 to February 9, 2021. As of December 31, 2020, the effective interest rate was 0.95% per annum, with the interest paid monthly .

(2) The Company had long-term bank borrowings for the years ended December 31, 2020 and 2019 with the contract term from August 22, 2019 to September 10, 2023 and from August 22, 2019 to July 30, 2022, respectively. As of December 31, 2020 and 2019, the effective interest rate was from 1.2740% to 1.9872% and 2.1862%, respectively, per annum, with the interest paid monthly.

(3) On April 30, 2019, the Company signed a 3-year syndicated loan agreement with seven participating banks led by the Taiwan Shin Kong Commercial Bank and co-led by the Yuanta Commercial Bank and the Hua Nan Commercial Bank. The credit line of the loan amounted to NT$1 billion, including NT$450 million for credit line A and NT$550 million for credit line B. As such, the parent company should be able to support the investment plan for the establishment of a factory for the subsidiary Phihong Vietnam Co., Ltd. in Vietnam and to enrich the Group’s working capital. Under the loan agreements with the Taiwan Shin Kong Commercial Bank, the Company should maintain the following financial ratios during the loan term, which are based on the annual and semi-annual consolidated financial statements audited by CPAs on a semi-annual basis:

(1) Ratio of current assets to current liabilities shall not be less than 100%.

(2) Ratio of total liabilities to tangible net worth shall not be more than 150%.

(3) Ratio of net income before tax, plus depreciation, amortization, and interest expenses to interest expenses shall be maintained at 200% or more.

(4) Tangible net worth (net worth less intangible assets) shall not be not less than NT$4.5 billion.

For information on collateral and joint guarantee for the borrowings above, refer to Notes 25 and 26.

15. Bonds Payable

	December 31, 2020	December 31, 2019
Secured domestic bonds	$ 999,883	$ 999,405
Less: Current portions	(999,883)	-
	$ -	$ 999,405

Secured domestic corporate bonds

On April 1, 2016, the Company issued 100 units of a 5-year NTD-denominated secured common bond, with a par value of NT$10,000 thousand per unit and a coupon rate of 0.95%. The principal is in the amount of NT$1,000,000 thousand.

For information on collateral and joint guarantee for the secured domestic bond, refer to Notes 25 and 26.

16. Other payables

	December 31, 2020	December 31, 2019
Salary and bonus payable	$ 92,205	$ 100,041
Compensated absences payable	27,693	23,628
Material purchased payable	1,569,113	953,171
Other payables - related parties (Note 25)	70,283	50,958
Others	97,743	230,379
	$ 1,857,037	$ 1,358,177

17. Post-employment Benefit Plans

(1) Defined contribution plan

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

(2) Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is the defined benefit plan under the management of the government (R.O.C.). Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes an amount, which equals to 2% to 15% of each employee' total monthly salary and wage, which is deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contributes an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment management strategy.

The amounts included in the standalone balance sheets in respect of the Company's defined benefit plan are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	$ 139,331	$ 138,071
Fair value of plan assets	(45,263)	(35,845)
Net defined benefit liability	$ 94,068	$ 102,226

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance as of January 1, 2020	$ 138,071	($ 35,845)	$ 102,226
Service cost			
Current service cost	305	-	305
Interest expense (income)	1,035	(274)	761
Recognized in profit or loss	1,340	(274)	1,066
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,315)	(1,315)
Actuarial (gain) loss - changes in demographic assumptions	90	-	90
Actuarial (gain) loss - changes in financial assumptions	3,848	-	3,848
Actuarial (gain) loss - experience adjustments	(2,435)	-	(2,435)
Recognized in other comprehensive income	1,503	(1,315)	188
Contributions from the employer	-	(9,412)	(9,412)
Benefits paid	(1,583)	1,583	-
Balance as of December 31, 2020	$ 139,331	($ 45,263)	$ 94,068

(Continued on next page)

(Continued from previous page)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance as of January 1, 2019	$ 137,254	($ 38,238)	$ 99,016
Service cost			
Current service cost	276	-	276
Interest expense (income)	1,544	(441)	1,103
Recognized in profit or loss	1,820	(441)	1,379
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,368)	(1,368)
Actuarial (gain) loss - changes in demographic assumptions	732	-	732
Actuarial (gain) loss - changes in financial assumptions	5,884	-	5,884
Actuarial (gain) loss - experience adjustments	(1,486)	-	(1,486)
Recognized in other comprehensive income	5,130	(1,368)	3,762
Contributions from the employer	-	(1,931)	(1,931)
Benefits paid	(6,133)	6,133	-
Balance as of December 31, 2019	$ 138,071	($ 35,845)	$ 102,226

Due to the pension plans under the Labor Standards Act, the Company is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the Company's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
2. Interest risk: A decrease in the interest rate will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect the net defined benefit liability .
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.500%	0.750%
Expected salary increase rate	3.5%	3.5%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	December 31, 2020	December 31, 2019
Discount rate		
0.25% increase	($ 3,848)	($ 3,966)
0.25% decrease	$ 4,007	$ 4,133
Expected salary increase rate		
0.25% increase	$ 3,827	$ 3,958
0.25% decrease	($ 3,698)	($ 3,821)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2020	December 31, 2019
Expected contributions to the plan for the following year	$ 13,200	$ 1,860
The average duration of the defined benefit obligation	11.2 years	11.7 years

18. Equity

(1) Share capital

Ordinary shares

	December 31, 2020	December 31, 2019
Number of authorized shares (in thousands)	600,000	600,000
Authorized capital stock	$ 6,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	337,688	337,688
Share capital issued	$ 3,376,884	$ 3,376,884

The ordinary shares issued, with a par value of $10 per share, are entitled to one voting right per share and to the right to receive dividends.

(2) Capital surplus

	December 31, 2020	December 31, 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	$ 244,117	$ 244,117
Conversion of bonds	667,058	667,058
Treasury share transactions	48,234	48,234
Interest payable on bond conversion	13,243	13,243
May be used to offset a deficit only		
Treasury share transactions	71,365	71,365
	$ 1,044,017	$ 1,044,017

The capital surplus arising from shares issued in excess of the par value (including share premium from issuance of common shares, conversion of corporate 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; however, when it is transferred to share capital, it is limited to a certain percentage of the Company's paid-in capital.

(3) Retained earnings and dividend policy

Under the earnings distribution policy as set forth in the Company's Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, setting aside 10% of the remaining profit as legal reserve, 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 adopted by the Company's board of directors as the basis for proposing a distribution plan, which shall be resolved at the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration to directors and supervisors as set forth in the Company's Articles of Incorporation, refer to "Employees' compensation and remuneration to directors and supervisors" in Note 19-7.

Appropriation of earnings to legal reserve shall be made until the legal reserve reaches the total of the Company's paid-in capital. The legal reserve may used to offset deficits. 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 share capital or distributed in cash.

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

The shareholders'meetings approved a deficit compensation proposal and resolved to offset the deficit in the amount of $41,146 thousand from the legal reserve on June 10, 2020.

(4) Special reserve

Upon the first-time adoption of IFRSs, the Company transferred unrealized revaluation increments and cumulative translation adjustment to its retained earnings, in the amounts of $10,968 thousand and $250,296 thousand, respectively. The increase in retained earnings arising from the first-time adoption of IFRSs was insufficient for appropriation; therefore, the Company appropriated the increase in retained earnings arising from the transition to IFRSs to the special reserve in the amount of $230,859 thousand.

(5) Other Equity

1. Exchange differences on translation of the financial statements of foreign operations

	2020	2019
Balance as of January 1	($ 416,186)	($ 265,607)
Exchange differences on translation of the net assets of foreign operations	(32,693)	(150,579)
Balance as of December 31	($ 448,879)	($ 416,186)

2. Unrealized Valuation Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income

	2020	2019
Balance as of January 1	($ 79,561)	($ 94,266)
Recognized for the year		
Unrealized gain or loss in equity instruments at fair value through other comprehensive income	(3,842)	(595)
Share of equity-accounted subsidiaries	21,396	15,300
Balance as of December 31	($ 62,007)	($ 79,561)

19. Net Profit from Continuing Operations

(1) Interest income

	2020	2019
Bank deposits	$ 5,665	$ 18,353
Others	2,148	9,331
	$ 7,813	$ 27,684

(2) Other income

	2020	2019
Government grant income (Note 22)	$ 84,855	$ -
Dividends	-	500
Others	116,883	53,146
	$ 201,738	$ 53,646

(3) Other gains and (losses)

	2020	2019
Net foreign currency exchange losses	($ 41,669)	($ 16,250)
Gain on disposal of property, plant and equipment	206	-
Others	(310)	(1,120)
	($ 41,773)	($ 17,370)

(4) Depreciation and amortization

	2020	2019
Property, plant and equipment	$ 78,292	$ 80,471
Right-of-use assets	2,755	3,204
Computer software	7,403	11,263
	$ 88,450	$ 94,938
Depreciation by function		
Operating costs	$ 2,480	$ 2,629
Operating expenses	78,567	81,046
	$ 81,047	$ 83,675
Amortization by function		
Operating expenses	$ 7,403	$ 11,263

(5) Financial cost

	2020	2019
Interest on bank borrowings	$ 11,411	$ 12,287
Interest on bonds payable	9,978	9,976
Interest on lease liabilities	70	37
	$ 21,459	$ 22,300

(6) Employee benefits expense

	2020	2019
Short-term employee benefits	$ 498,263	$ 502,550
Post-employment benefits (Note 17)		
Defined contribution plan	21,613	21,546
Defined benefit plan	1,066	1,379
Total employee benefits expense	$ 520,942	$ 525,475
An analysis of employee benefits expense by function		
Operating costs	$ 39,398	$ 39,958
Operating expenses	481,544	485,517
	$ 520,942	$ 525,475

Function / Nature	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Salaries	$ 32,469	$ 401,288	$ 433,757	$ 32,933	$ 402,975	$ 435,908
Labor and health insurance premiums	3,219	36,709	39,928	3,023	35,531	38,554
Pension expenses	1,697	20,982	22,679	1,771	21,154	22,925
Remuneration to directors	-	1,283	1,283	-	2,872	2,872
Others	2,013	21,282	23,295	2,231	22,985	25,216
Total employee benefits expense	$ 39,398	$ 481,544	$ 520,942	$ 39,958	$ 485,517	$ 525,475

As of December 31, 2020 and 2019, the Company had 491 and 486 employees, respectively, and the number of directors who did not serve as employees concurrently were 10 and 9, respectively.

As of December 31, 2020 and 2019, the average employee benefits expense was $1,080 thousand and $1,096 thousand, respectively, and the average employee salary expense was $902 thousand and $914 thousand, respectively. The average adjustment of employee salary expense decreased by 1%.

Based on performance evaluation, the Company provides employees with salaries and remuneration that are not lower than the standards in the industry and market .

(7) Employees' compensation and remuneration to directors

The Company distributed employees' compensation and remuneration to directors at the rates of no less than 10% and no higher than 2% of the net profit before tax for the year, respectively. For the years ended December 31, 2020 and 2019, due to operating loss, the Company did not appropriate an amount for employees' compensation and remuneration to directors.

If there is a change in the proposed amounts after the annual standalone financial statements were approved for release, the differences will be recorded as a change in the accounting estimate and accounted for in the next year.

Information on the employees' compensation and remuneration to directors resolved by the Company's board of directors for 2020 and 2019 is available on the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

(8) Foreign currency exchange gains and losses

	2020	2019
Foreign currency exchange gains	$ 9,407	$ 5,428
Foreign currency exchange losses	(51,076)	(21,678)
Net loss	($ 41,669)	($ 16,250)

20. Income Tax of Continuing Operations

(1) Income tax recognized in profit or loss

Major components of income tax benefit are as follows:

	2020	2019
Current income tax		
Recognized in prior years	($ 15,382)	$ -
Deferred income tax		
Recognized in the year	(15,692)	(6,536)
Income tax benefit recognized in profit or loss	($ 31,074)	($ 6,536)

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

	2020	2019
Net loss before income tax	($ 185,688)	($ 44,672)
Net loss before income tax expense at statutory tax rate	$ -	$ -
Income tax expenses of prior years adjusted to the current year	(15,382)	-
Current income tax	(15,382)	-
Deferred income tax		
Temporary differences	(15,692)	(6,536)
Income tax benefit recognized in profit or loss	($ 31,074)	($ 6,536)

(2) Income tax recognized in other comprehensive income

	2020	2019
Deferred income tax		
Recognized in the year		
Actuarial gains and losses on defined benefit plan	($ 38)	($ 752)
Income tax recognized in other comprehensive income	($ 38)	($ 752)

(3) Current income tax liabilities

	December 31, 2020	December 31, 2019
Current income tax liabilities		
Income tax payable	$ -	$ 11,145

(4) Deferred tax assets and liabilities

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

2020

	Balance, Beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, Ending of year
Deferred income tax assets				
Temporary differences				
Unrealized inventory valuation losses	$ 3,310	$ 510	$ -	$ 3,820
Unrealized bad debt losses	1,770	(1,770)	-	-
Unrealized gross profit	8,850	7,530	-	16,380
Unrealized pension expenses	12,520	1,670	-	14,190
Unrealized loss carryforwards	5,196	-	-	5,196
Others	21,679	(4,260)	38	17,457
	$ 53,325	$ 3,680	$ 38	$ 57,043
Deferred income tax liabilities				
Temporary differences				
Unrealized gain on investments	$ 79,832	($ 12,012)	$ -	$ 67,820

2019

	Balance, Beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, Ending of year
Deferred income tax assets				
Temporary differences				
Unrealized inventory valuation losses	$ 2,120	$ 1,190	$ -	$ 3,310
Unrealized bad debt losses	1,770	-	-	1,770
Unrealized gross profit	10,330	(1,480)	-	8,850
Unrealized pension expenses	12,410	110	-	12,520
Unrealized loss carryforwards	-	5,196	-	5,196
Others	19,407	1,520	752	21,679
	$ 46,037	$ 6,536	$ 752	$ 53,325
Deferred income tax liabilities				
Temporary differences				
Unrealized gain on investments	$ 79,832	$ -	$ -	$ 79,832

(5) Unused loss carryforwards in income tax assets that were not recognized in the standalone balance sheets

	December 31, 2020	December 31, 2019
Loss carryforwards	$ 114,381	$ 115,196

(6) Income tax assessments

The Company's profit-seeking enterprise business income tax filings have been certified by the tax authorities up till 2018.

21. Loss per share

Unit: $ Per share

	2020	2019
Basic loss per share	($ 0.46)	($ 0.11)

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

Net loss for the year

	2020	2019
Net loss used in the computation of basic loss per share	($ 154,594)	($ 38,136)

Ordinary Shares Outstanding

Unit: Thousand shares

	2020	2019
Weighted average number of ordinary shares used in the computation of basic loss per share	337,688	337,688

22. Government grants

The Company's salary and working capital subsidy application was approved by the Industrial Development Bureau, Ministry of Economic Affairs (MOEA) in 2020, and it was estimated that a total of $84,855 thousand for the subsidy would be obtained and accounted for in "Other income". As of December 31, 2020, an amount of NT$76,216 thousand had been received, and the remaining NT$8,639 thousand was accounted for in "Other receivables". Please refer to Notes 19 and 30.

23. Capital Risk Management

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

The capital structure of the Company consists of its net debt (borrowings less cash and cash equivalents) and equity (comprising share capital, reserves, retained earnings, and other equity).

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

24. Financial instruments

(1) Fair value—financial instruments at fair value on a recurring basis

Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial Assets at FVTOCI				
Investment in equity instruments				
Domestic unlisted equity	$ -	$ -	$ 63,671	$ 63,671

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial Assets at FVTOCI				
Investment in equity instruments				
Domestic unlisted equity	$ -	$ -	$ 49,513	$ 49,513

There were no transfers between Level 1 and Level 2 fair value in 2020 and 2019.

(2) Types of financial instruments

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets at amortized cost (Note 1)	$ 2,938,919	$ 2,341,119
Financial Assets at FVTOCI		
Investment in equity instruments	63,671	49,513
Financial liabilities		
At amortized cost (Note 2)	3,494,939	2,664,916

Note 1: The balances included financial assets at amortized cost, comprising cash and cash equivalents, notes receivable, account receivables, account receivables - related parties, other receivables, other receivables - related parties, and refundable deposits.

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

(3) Financial risk management objective and policy

The Company's major financial instruments included cash and cash equivalents, financial assets at amortized cost, equity instrument investments, notes receivable, account receivables, account receivables - related parties, other receivables, other receivables - related parties, guarantee deposits paid (received), short-term borrowings, account payables, account payables - related parties, other payables, long-term borrowings, bonds payable, and lease liabilities. The Company's financial management entity provides services to various business units, coordinates operations in domestic and international financial markets, as well as monitors and manages financial risks related to the operations of the Company through internal risk reports that analyze risk exposure based on the degree and magnitude of risks. Such risks include market risk, credit risk, and liquidity risk.

1. Market risk

The main financial risks for the Company's operating activities are the risk of changes in foreign currency exchange rates (see (1) below) and the risk of changes in interest rates (see (2) below).

(1) Foreign currency risk

The Company are engaged in sale and purchase transactions denominated in foreign currencies, which has caused the Company to be exposed to the risk of exchange rate fluctuations. After assessment, the positions of the Company's foreign currency assets and liabilities were not exposed to significant exchange rate risks, and it did not adopt additional hedging measures. Therefore, no relevant hedging accounting treatment applied.

For the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies at the balance sheet date, please refer to Note 29.

Sensitivity analysis

The Company was mainly affected by the fluctuations in the exchange rates of USD and CNY.

The following table details the Company's sensitivity analysis when the New Taiwan dollar (functional currency) increases and decreases by 1% against each relevant foreign currency . The sensitivity analysis only included monetary items in foreign currencies in circulation, and were adjusted by 1% in the exchange rates for the year-end translation. The positive numbers in the table below indicate the amount by which the net income before tax will be reduced when the New Taiwan dollar appreciates by 1% against the relevant currencies; when the New Taiwan dollar depreciates by 1% against the relevant foreign currencies, the net income before tax will be the negative number of the same amount.

	2020	2019
USD	$ 8,187	$ 3,553
CNY	12	19

(2) Interest rate risk

The Company's interest rate risk was mainly from long-term and short-term borrowings, corporate bonds payable, and lease liabilities at both fixed and floating interest rates, which exposed the Company to fair value and cash flow interest rate risks.

The carrying amounts of the Company's financial assets and liabilities with exposure to the interest rate risk at the balance sheet date were as follows:

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
-Financial liabilities	$ 1,177,783	$ 1,001,033
Cash flow interest rate risk		
-Financial liabilities	454,121	295,739

2. Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Company. At the balance sheet date, the Company's maximum exposure to credit risk, which might cause financial losses due to a counterparty's failure to perform its obligations and the Company's provision of financial guarantees, approximated the carrying amounts of the financial assets recognized in the standalone balance sheet.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company continuously monitored its credit exposure and counterparties' credit ratings and spread the aggregate value of transactions among customers with qualified credit ratings, while appointing dedicated staff to review and approve counterparties' credit limits on an annual basis to control the credit exposure.

As for the accounts receivable, many customers in different industries and geographic regions were involved. The Company continuously evaluated the financial position of the customers involved in the accounts receivable and would also purchase credit guarantee insurance policy when necessary.

3. Liquidity risk

The Company managed and maintained sufficient cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The management of the Company monitored the use of the bank financing facilities and ensured compliance with the terms of the borrowing terms.

Bank borrowings were an important source of liquidity for the Company. As of December 31, 2020 and 2019, for the Company's unutilized credit facilities, please refer to (2) below for description of financing facilities.

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

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Company might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period, regardless of the probability of exercise of the right by banks. The maturity analysis of other non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

December 31, 2020

	Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest-bearing liabilities	$ 1,870,015	$ -	$ -	$ 1,870,015
Lease liabilities	3,632	3,388	-	7,020
Floating interest rate instruments	150,177	303,944	-	454,121
Fixed interest rate instruments	1,170,763	-	-	1,170,763
	$ 3,194,587	$ 307,332	$ -	$ 3,501,919

Additional information about the maturity analysis of lease liabilities:

	Less than 1 Year	1 to 5 Years
Lease liabilities	$ 3,632	$ 3,388

December 31, 2019

	Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest-bearing liabilities	$ 1,369,732	$ -	$ -	$ 1,369,732
Lease liabilities	572	1,056	-	1,628
Floating interest rate instruments	-	295,739	-	295,739
Fixed interest rate instruments	-	999,405	-	999,405
	$ 1,370,304	$ 1,296,200	$ -	$ 2,666,504

Additional information about the maturity analysis of lease liabilities:

	Less than 1 Year	1 to 5 Years
Lease liabilities	$ 572	$ 1,056

(2) Financing facilities

	December 31, 2020	December 31, 2019
Unsecured bank facilities		
Drawdown amount	$ 170,880	$ -
Undrawn amount	-	180,120
	$ 170,880	$ 180,120
Secured bank facilities		
Drawdown amount	$ 456,480	$ 300,000
Undrawn amount	2,883,710	2,572,315
	$ 3,340,190	$ 2,872,315

25. Related-party Transactions

(1) The Company's related parties and relationship

Related party	Relationship with the Company
Phihong USA Corp. (PHA)	Subsidiaries
Phihong International Corp. (PHI)	Subsidiaries
Phihong Technology Japan Co., Ltd. (PHJ)	Subsidiaries
Phihong Vietnam Co., Ltd. (PHV)	Subsidiaries
Phihong (Dongguan) Electronics Co., Ltd. (PHC)	Subsidiaries
Dongguan Phitek Electronics Co., Ltd. (PHP)	Subsidiaries
Phihong Electronics (Suzhou) Co., Ltd. (PHZ)	Subsidiaries
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd. (PHE)	Subsidiaries
Dongguan Shuang-Ying Electronics Co., Ltd. (PHSY)	Subsidiaries
Yanghong Trade (Shanghai) Co., Ltd. (Yanghong Trade)	Subsidiaries
Peter Lin	Chairman of Phihong
Spring City Resort Co., Ltd.	Associates
Yao Yu Design Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties

(2) Operating revenue

Category of related parties	2020	2019
Subsidiaries		
PHA	$ 2,989,208	$ 2,832,510
Others	176,883	384,105
	$ 3,166,091	$ 3,216,615

The prices of finished goods sold by the Company to related parties were determined by the product type, cost, market price, market competition, etc., while based on mutual agreement.

(3) Purchase of goods

Category of related parties	2020	2019
Subsidiaries		
PHC	$ 5,226,352	$ 6,071,375
PHV	725,800	38,661
Others	55,521	24,981
	$ 6,007,673	$ 6,135,017

The prices of purchases made by the Company from related parties were determined by the product type, cost, market price, market competition, etc., and showed no significant differences with non-related parties.

(4) Receivables from related parties

Category of related parties	December 31, 2020	December 31, 2019
Subsidiaries		
PHA	$ 325,929	$ 81,811
PHJ	30,667	12,263
Others	90	957
	$ 356,686	$ 95,031

(5) Payables to related parties

Category of related parties	December 31, 2020	December 31, 2019
Subsidiaries		
PHSY	$ 225	$ 18
Other related parties		
Heng Hui Co., Ltd.	941	516
Hua Jung Co., Ltd.	32	5
	973	521
	$ 1,198	$ 539

(6) Other receivables - related parties

Category of related parties	December 31, 2020	December 31, 2019
Subsidiaries		
PHV	$ 246,244	$ 322,427
PHC	241,122	86,188
PHP	80,647	118,035
PHA	3,190	35,384
Others	21	17
	571,224	562,051
Other related parties	-	1
	$ 571,224	$ 562,052

The above-mentioned other receivables from related parties are mainly loans to related parties and receivables from related parties for purchasing materials on their behalf.

(7) Other payables - related parties

Category of related parties	December 31, 2020	December 31, 2019
Subsidiaries		
PHE	$ 6,004	$ 750
PHSY	53	2,902
PHJ	-	210
	6,057	3,862
Other related parties		
Heng Hui Co., Ltd.	60,885	46,942
Others	3,341	154
	64,226	47,096
	$ 70,283	$ 50,958

The above-mentioned other payables to related parties are payables to related parties for purchasing materials on the Company's behalf.

(8) Endorsements and guarantees

Endorsements/Guarantees Provided to Company

Category of related parties	December 31, 2020	December 31, 2019
Subsidiaries		
PHA		
Amount endorsed	$ 142,400	$ 150,100
Amount utilized	$ -	$ -

(9) Compensation to key management personnel

The amounts of the remuneration to directors and other key members of the management are as follows:

	2020	2019
Short-term employee benefits	$ 25,838	$ 27,201
Post-employment benefits	432	432
	$ 26,270	$ 27,633

The remuneration to directors and key members of the management was determined by the Remuneration Committee based on individual performance and market trends.

(10) Other transactions with related parties

The Company's chairman served as the joint guarantor for the Company's bonds payable and short- and long-term borrowings. As of December 31, 2020 and 2019, the amounts of the borrowings were $1,454,004 thousand and $1,295,144 thousand, respectively.

26. Assets Pledged as Collateral

The Company's assets below have been provided as contractual performance bonds and collateral for bank borrowings and domestic secured bonds:

	December 31, 2020	December 31, 2019
Financial assets measured at amortized cost - non-current (Note 6)	$ 37,100	$ 27,100
Land	185,202	185,202
Buildings	378,754	399,921
	$ 601,056	$ 612,223

27. Material Contingent Liabilities and Unrecognized Contractual Commitments

Unrecognized contractual commitments of the Company are as follows:

	December 31, 2020	December 31, 2019
Acquisition of property, plant and equipment		
Contractual amount signed	$ 284,595	$ -
Amount unpaid	200,520	-

28 . Significant Events After the Balance Sheet Date

The Company's board of directors passed the resolution of a new Phase 2 factory plan in Tainan on November 6, 2020, for a total amount of around $284,595 thousand. As of December 31, 2020, the Company had prepaid $84,075 thousand for the land and had already completed the transfer of ownership in January 2021.

29. Information on Significant Assets and Liabilities Denominated in Foreign Currencies

The aggregate information below is presented in foreign currencies other than the functional currency adopted by the Company. The exchange rates disclosed refer to the rates at which these foreign currencies were exchanged to the functional currency. Information on significant assets and liabilities denominated in foreign currencies is as follows:

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary item			
USD	$ 96,939	28.48	$ 2,760,821
CNY	269	4.35974	1,174
Non-monetary item			
Investments accounted for using equity method			
USD	160,454	28.48	4,569,719
JPY	298,471	0.27501	82,082
Financial liabilities			
Monetary item			
USD	68,194	28.48	1,942,156

December 31, 2019

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

Note: The exchange rate is the amount per unit of foreign currency converted into New Taiwan dollars.

30. Other Matters

The Company was affected by the global COVID-19 pandemic, which caused a significant drop in its operating income from January to June 2020. With the alleviation of the pandemic and loosening of policies, the Company expects that operations will gradually return to normal.

In response to the impact of the pandemic, the Company has applied for various subsidies, such as paycheck, working capital, and relief loans from the R.O.C. government. After review and approval of the applications, the Company expects to receive a total of $84,855 thousand for paycheck and working capital subsidies. Please refer to Notes 19 and 22.

31. Additional Disclosures

(1) Significant transactions and (2) Information on investees:

1. Financing provided to others. (Table 1)
2. Endorsements/guarantees provided to others. (Table 2)
3. Marketable securities held at the end of the period (excluding investment in subsidiaries and associates). (Table 3)
4. Marketable securities acquired or sold amounting to at least NT$300 million or 20% of the paid-in capital. (Table 4)
5. Acquisition of real estate amounting to at least NT$300 million or 20% of the paid-in capital. (None)
6. Disposal of real estate amounting to at least NT$300 million or 20% of the paid-in capital. (Table 5)
7. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 7)
9. Trading in derivative instruments. (None)
10. Information on investees. (Table 8)

(3) Information on investments in mainland China:

1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment income or loss, carrying amount of the investment at the end of the period, repatriation 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 investees in mainland China, either directly or indirectly through a third region, and the price, payment term, and unrealized gains or losses: (Table 10)

(1) The amount and percentage of purchases and the balance and percentage of the relevant payables at the end of the period.

(2) The amount and percentage of sales and the balance and percentage of the relevant receivables at the end of the period.

(3) The amount of property transactions and the amount of the resulting gains or losses.

(4) The balance of negotiable instrument endorsements or guarantees or collateral pledged at the end of the period and the purposes.

(5) The highest balance, the closing balance, the interest rate range, and total current-period interest with respect to financing of funds.

(6) 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 labor services.

(4) Information on major shareholders: The name of shareholders with a shareholding ratio of 5% or more, and the number and percentage of shares held. (Table 11)

32. Segment Information

The Company has disclosed the segment information in the consolidated financial statements, and does not disclose relevant information in the standalone financial statements.

Phihong Technology Co., Ltd.

Financing Provided to Others

For the year ended December 31, 2020

Table 1

In Thousands of New Taiwan Dollars,
Unless Specified Otherwise

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party Status	Highest Balance for the Period	Balance, Ending of year	Actual Borrowing Amount	Interest Rate (Range)	Nature of Financing (Note 2)	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
													Item	Value			
0	Phihong Technology Co., Ltd.	Phihong Vietnam Co., Ltd.	Other receivables - related parties	Yes	$ 256,320 USD 9,000,000	$ - -	$ -	3.50%	2	$ -	Capital movement in the Group	$ -	-	$ -	$ 950,758	$ 1,901,516	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	”	”	871,948 RMB 200,000,000	435,974 RMB 100,000,000	-	4.35%	”	-	”	-	-	-	1,706,066	1,706,066	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	”	”	43,597 RMB 10,000,000	43,597 RMB 10,000,000	43,597	4.90%	”	-	”	-	-	-	1,706,066	1,706,066	
2	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	”	”	1,264,325 RMB 290,000,000	1,046,338 RMB 240,000,000	1,046,338	4.75%	”	-	”	-	-	-	1,211,634	1,211,634	

Note 1: The information on the Company and its subsidiaries’ financing provided to others shall be separated and indicated in the No. column. The Company and its subsidiaries are coded in the No. column as follows:

1. The Company is coded “0”.
2. The subsidiaries are coded sequentially beginning from “1” by each individual company.

Note 2: The description of the nature of financing is as follows:

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

Note 3: According to the Company’s operating procedures for financing provided to others, the aggregate amount of financing provided to others shall not exceed 40% of its net worth, which is based on the latest financial statements audited or attested by CPAs. The maximum financing limit for each borrower is set based on the types of financing reasons below:

1. Business relationship: Each of the financing amounts shall not exceed the amount of the total purchases from or sales to a borrower in the most recent year or in the current year, whichever is higher.
2. 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 financial statements audited or attested by CPAs.

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

Phihong Technology Co., Ltd.

Endorsements/Guarantees Provided to Others.

For the year ended December 31, 2020

Table 2

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Provided to Each Party (Notes 2 and 3)	Maximum Amount of Endorsement/ Guarantee Provided During the Period	Balance of Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount of Endorsement/ Guarantee with Property as Collateral	Proportion of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements (%)	Maximum Limit on Endorsement/ Guarantee (Notes 2 and 3)	Endorsement/ Guarantee Provided by the Company to Subsidiaries	Endorsement/ Guarantee Provided by Subsidiaries to the Company	Endorsement/ Guarantee Provided to Companies in Mainland China	Note
		Company Name	Relationship											
0	Phihong Technology Co., Ltd.	Phihong USA Corp.	Subsidiary of the Company	$ 1,426,137	$ 142,400 USD 5,000,000	$ 142,400 USD 5,000,000	$ -	$ -	3.00	$ 2,376,895	Y	N	N	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	1,706,066	217,987 RMB 50,000,000	-	-	-	-	1,706,066	N	N	Y	

Note 1: The information on the Company and its subsidiaries' endorsement/guarantee provided shall be separated and indicated in the No. column. The Company and its subsidiaries are coded in the No. column as follows:

1. The Company is coded "0".
2. The subsidiaries are coded sequentially beginning from "1" by each individual company.

Note 2: According to the Company's operating procedures for provision of endorsement/guarantee to others, the aggregate amount of endorsements/guarantees provided to others by the Company shall not exceed 50% of its net worth based on its latest financial statements. In particular, the amount of endorsement/guarantee provided by the Company to any single entity shall not exceed 30% of the Company's net worth based on its latest financial statements.

Note 3: According to the Company's operating procedures for provision of endorsement/guarantee to others, the aggregate amount of endorsements/guarantees provided among the subsidiaries shall not exceed the net worth based on their latest financial statements.

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

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

Phihong Technology Co., Ltd.

Marketable Securities Held

December 31, 2020

Table 3

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Holding Company Name	Type and Name of Marketable Securities Held	Relationship with Marketable Securities Issuer	Financial Statement Account	End of Period				Note
				Number of Shares	Carrying Amount	Percentage of ownership (%)	Fair Value	
Phihong Technology Co., Ltd.	Ordinary Shares							
	Pao-Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI – non current	270,565	$ 2,837	10.49	$ 2,837	
	Zhong-Xuan Venture Capital Co., Ltd.	”	”	2,758,621	23,054	8.62	23,054	
	Wan-Chang Venture Capital Co., Ltd.	”	”	3,600,000	37,780	9.84	37,780	
Guang-Lai Investment Co., Ltd.	Ordinary Shares							
	Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI – non current	3,000,000	2,157	10.83	2,157	
Phihong Electronics (Suzhou) Co., Ltd.	Fund							
	China Construction Bank Principal and Income Protected Financial Products	”	”	10,000,000	43,600	-	43,600	

Note 1: The marketable securities stated in this table refer to shares, debentures, beneficiary certificates, and their derivative products within the scope of IFRS 9 “Financial Instruments”.

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

Phihong Technology Co., Ltd.

Marketable Securities Acquired or Sold Amounting to at Least NT$300 Million or 20% of the Paid-in Capital.

For the year ended December 31, 2020

Table 4

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Company Name	Type and Name of Marketable Securities Held (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Balance, Beginning of year		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Book Cost	Gain or Loss on Disposal	Number of Shares	Amount
Phihong Electronics (Suzhou) Co., Ltd.	China Construction Bank Principal and Income Protected Financial Products	Financial assets at FVTPL - current	China Construction Bank	None	80,000,000	$ 344,044	-	$ -	80,000,000	$ 357,393 RMB83,086,767	$ 344,044 RMB80,000,000	$ 13,349 RMB 3,086,767	-	$ -

Note 1:The marketable securities stated in this table refer to shares, debentures, beneficiary certificates, and the marketable securities derived from said items.

Note 2:Investors whose marketable securities accounted for under the equity method are required to make disclosure.

Note 3:The accumulated amounts of the marketable securities acquired and sold shall be calculated separately at the market values to determine whether each amount reaches $300 million or 20% of the paid-in capital.

Note 4:The paid-in capital refers to the paid-in capital of the parent company. If the share issued by an issuer has no face value or the face value is not NT$10 per share, with regard to the rule of a transaction amounting to 20% of the paid-in capital, then the benchmark of 10% of equity attributable to owners of the Company on the balance sheet shall apply.

Phihong Technology Co., Ltd.

Disposal of Real Estate Amounting to at Least NT$300 Million or 20% of the Paid-in Capital.

For the year ended December 31, 2020

Table 5

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Company Name	Property	Date of Fact	Original Acquisition Date	Carrying Amount	Transaction Amount	Status of Payment Collection	Gain or Loss on Disposal	Counterparty	Relationship	Purpose of Disposal	Basis for Price Determination	Other Agreed Terms
Dongguan Phitek Electronics Co., Ltd.	Land and factory in Dongguan	2020.02.27 (Note 1)	May 2001	$ 241,752 RMB 56,383,755	$ 358,016 RMB 83,500,000	$170,466 thousand received	$ 21,107 (Note 2)	Blackview High Technology Enterprise in Dongguan City	Non-related parties	To liquidate unprofitable idle assets	Professional appraisal reports and market conditions	—

Note 1: Date of signing the contract.

Note 2: Amount after deducting the estimated relevant expenses and taxes.

Phihong Technology Co., Ltd.

Total Purchases from or Sales to Related Parties Amounting to at Least NT$100 Million or 20% of the Paid-in Capital

For the year ended December 31, 2020

Table 6

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Buyer (Seller)	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	Proportion of Total Purchases (Sales) (%)	Payment Term	Unit Price	Payment Term	Ending Balance	Proportion of Total Notes/Accounts Receivable (%)	
Phihong Technology Co., Ltd.	Phihong USA Corp.	Subsidiary of the Company	Sale	($ 2,989,208)	(43.92)	Determined by mutual agreement	-	—	$ 325,929	27.37	
”	Phihong Technology Japan Co., Ltd.	”	Sale	(158,816)	(2.33)	”	-	—	30,667	2.58	
”	Phihong (Dongguan) Electronics Co., Ltd.	”	Purchase of goods	5,226,352	86.97	”	-	—	-	-	
”	Phihong Vietnam Co., Ltd.	”	”	725,800	12.08	”	-	—	-	-	
Phihong USA Corp.	Phihong Technology Co., Ltd.	Parent company	”	2,989,208	96.67	”	-	—	(325,929)	(95.25)	
Phihong Technology Japan Co., Ltd.	”	”	”	158,816	100	”	-	—	(30,667)	(100)	
Phihong (Dongguan) Electronics Co., Ltd.	”	Ultimate parent company	Sale	(5,226,352)	(100)	”	-	—	-	-	
Phihong Vietnam Co., Ltd.	”	”	”	(725,800)	(99.42)	”	-	—	-	-	

Phihong Technology Co., Ltd.

Receivables from Related Parties Amounting to at Least NT$100 Million or 20% of the Paid-in Capital

December 31, 2020

Table 7

In Thousands of New Taiwan Dollars, Unless Specified 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	Response		
Phihong Technology Co., Ltd.	Phihong USA Corp.	Subsidiary of the Company	Accounts receivable $ 325,929	15	$ -	—	$ 278,611	$ -
”	Phihong (Dongguan) Electronics Co., Ltd.	”	Other receivables 241,122	-	-	—	240,985	-
”	Phihong Vietnam Co., Ltd.	”	Other receivables 246,244	-	-	—	192,296	-
Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables 1,046,338	-	-	—	-	-

Phihong Technology Co. Ltd.

Information on Investees with Direct or Indirect Material Influence or Control

For the year ended December 31, 2020

Table 8

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investor	Investee	Location	Main Business and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) on Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	(%)	Carrying Amount			
Phihong Technology Co., Ltd.	Phihong International Corp.	British Virgin Islands	Making investments	$ 3,448,270	$ 3,448,270	111,061,351	100.00	$ 3,134,524	($ 62,826)	($ 49,208)	
	Phihong USA Corp.	California, U.S.	Selling a variety of power supplies	207,203	207,203	3,100,000	100.00	923,714	25,020	25,020	
	Phitek International Co., Ltd.	British Virgin Islands	Making investments	314,956	314,956	10,200,000	100.00	(243,673)	(94,712)	(93,489)	
	Ascent Alliance Ltd.	British Virgin Islands	Making investments	352,043	352,043	12,012,600	100.00	69,397	(21,576)	(22,275)	
	Guang-Lai Investment Co., Ltd.	Taiwan	Making investments	139,758	139,758	13,975,828	100.00	140,802	(7,454)	(7,454)	
	H&P Venture Capital Co., Ltd.	Taiwan	Making investments	13,738	23,305	1,373,801	32.26	21,193	9,466	2,689	
	Phihong Technology Japan Co., Ltd.	Japan	Selling power components	137,436 JPY 150,000,000	191,738 JPY 550,000,000	3,000	100.00	82,082	(9,537)	(9,537)	
	Phihong Vietnam Co., Ltd.	Vietnam	Manufacturing and selling a variety of power supplies	607,193	308,468	20,000,000	100.00	442,085	(47,192)	(46,983)	
Phihong International Corp.	N-Lighten Technologies, Inc.	California, U.S.	Making investments	409,851	409,851	110,834,223	58.45	(23,921)	(86)	(50)	PHI and Guang-Lai jointly held 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	11,891	(22,925)	(5,715)	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Making investments	100,000	100,000	10,000,000	22.22	119,282	(7,286)	(1,619)	
	N-Lighten Technologies, Inc.	California, U.S.	Making investments	206,084	206,084	37,498,870	19.78	(8,095)	(86)	(17)	PHI and Guang-Lai jointly held 78.23%

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

Phihong Technology Co., Ltd.

Information on Investment in Mainland China

For the year ended December 31, 2020

Table 9

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment income or loss, book value of the investment, and repatriation of investment income:

Investee	Main Business and Products	Paid-in Capital	Investment Method	Accumulated Investment Remitted from Taiwan, as of January 1, 2020	Remittance of Funds		Accumulated Investment Remitted from Taiwan, as of Deceember 31, 2020	Gain or Loss on Investee in the Period	% of Ownership in Direct or Indirect Investment	Investment Gain (Loss) in the Period (Note 4)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Phihong (Dongguan) Electronics Co., Ltd.	Manufacturing and selling a variety of power supplies	$ 1,988,018 HKD 495,450,000	Indirect investment in mainland China through PHI	$ 1,677,679 HKD 419,000,000	$ -	$ -	$ 1,677,679 HKD 419,000,000	($ 93,014)	100.00	($ 93,014)	$ 1,706,066	$ -	
Phitek (Tianjin) Electronics Co., Ltd.	Manufacturing and selling a variety of power supplies	-	”	25,327 USD 255,127	-	-	25,327 USD 255,127	-	-	-	-	-	Note 1
Phihong Electronics (Suzhou) Co., Ltd.	Manufacturing and selling a variety of power supplies	1,097,139 USD 31,960,000	”	1,343,033 USD 40,600,000	-	-	1,343,033 USD 40,600,000	35,645	100.00	35,645	1,211,634	-	
Yanghong Trade (Shanghai) Co., Ltd.	Selling a variety of lighting products and power supplies	26,291 USD 880,000	”	63,934 USD 2,865,000	-	-	63,934 USD 2,865,000	(5,448)	100.00	(5,448)	12,684	-	
Dongguan Phitek Electronics Co., Ltd.	Manufacturing and selling a variety of power supplies	362,042 USD 11,500,000	Indirect investment in mainland China through PHK	315,258 USD 10,000,000	-	-	315,258 USD 10,000,000	(94,419)	100.00	(94,419)	(245,387)	-	
Dongguan Shuang-Ying Electronics Co., Ltd.	Manufacturing and selling electronic materials	39,678 HKD 9,000,000	Indirect investment in mainland China through PHQ	39,678 HKD 9,000,000	-	-	39,678 HKD 9,000,000	1,655	100.00	1,655	55,328	-	
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufacturing and selling electronic materials	360,124 USD 11,500,000	”	360,124 USD 11,500,000	-	-	360,124 USD 11,500,000	(23,128)	100.00	(23,128)	12,637	-	
N-Lighten (Shanghai) Trading Inc.	R&D, manufacturing, and selling a variety of optoelectronic equipment and displays	-	Indirect investment in mainland China through N-Lighten	387,406 USD 12,366,400	-	-	387,406 USD 12,366,400	-	-	-	-	-	Note 2

Note 1: The liquidation of Phitek (Tianjin) Electronics Co., Ltd. was completed on March 24, 2017.

Note 2: The liquidation of N-Lighten (Shanghai) Trading Inc. was completed on June 18, 2015.

Note 3: The amount was recognized based on financial statements audited by CPAs entrusted by the parent company in Taiwan.

Note 4: The foreign currencies in this are converted into New Taiwan dollars at the exchange rates at the investment dates, except for the investment income and expense items which were translated based on the monthly weighted average exchange rates in 2020.

2. Limit on investment amount in mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment Amount Stipulated by Investment Commission, MOEA
$4,212,439	$4,816,767	Note

Note 1: In accordance with the provisions of the “Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area” passed on June 26, 2018, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount of investment in mainland China.

Phihong Technology Co., Ltd.

Any of the Following Significant Transactions with Investees in Mainland China, Either Directly or Indirectly Through a Third Region, and the Price, Payment Term, Unrealized Gains or Losses, and Other Information

For the year ended December 31, 2020

Table 10

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investee	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain)/Loss	Note
		Amount	%		Payment Terms	Comparison with General Transaction	Ending Balance	%		
Phihong (Dongguan) Electronics Co., Ltd.	Purchase of goods	$ 5,226,352	86.97%	Determined by mutual agreement	Determined by mutual agreement	—	$ -	-	$ -	

Phihong Technology Co., Ltd.

Major Shareholder Information

December 31, 2020

Table 11

Name of Major Shareholder	Shares	
	Number of Shares Held	Percentage of ownership
Peter Lin	51,703,063	15.31%

Note 1: The major shareholder information in this table is based on Taiwan Depository & Clearing Corporation's data of shareholders who hold more than 5% of the Company's ordinary shares and preferred stock (including treasury shares), for which electronic registration and delivery were completed, on the last business day of the quarter. The share capital recorded in the Company's standalone financial statements and the actual number of shares, for which electronic registration and delivery were completed, may not be consistent due to different bases for preparation and calculation.

Table of Statements of Significant Accounting Items

Phihong Technology Co., Ltd.

Statement of Cash and Cash Equivalents

December 31, 2020

Statement 1

In Thousands of New Taiwan Dollars;
$1 for Foreign Currencies

Item	Summary	Amount
Cash on hand		$ 949
Check deposit		529
Demand deposit		48,890
Foreign currency deposit	JPY37,817,215; USD36,760,800.48; HKD45,846.90; EUR3,561.47; RMB230,873.04	1,058,648
		$ 1,109,016

Note: The exchange rate at the end of December 31, 2020-

USD : NTD = 1 : 28.48

JPY : NTD = 1 : 0.27501

HKD : NTD = 1 : 3.67330

EUR : NTD = 1 : 34.94

RMB : NTD = 1 = 4.35974

VND : NTD = 1 : 0.00123

Phihong Technology Co., Ltd.

Statement of Accounts Receivable

December 31, 2020

Statement 2

In Thousands of New Taiwan Dollars

Customer Name	Summary	Amount
Customer A	Supply payment from non-related parties	$ 237,991
Customer B	"	115,315
Customer C	"	64,349
Customer D	"	44,873
Others (Note)	"	372,899
		835,427
Less: Allowance for Impairment Loss		(1,261)
		$ 834,166

Note: The amount of a single customer did not exceed 5% of the account.

Phihong Technology Co., Ltd.

Statement of Accounts Receivable - Related Parties

December 31, 2020

Statement 3 | In Thousands of New Taiwan Dollars

Customer Name	Summary	Amount
Phihong USA Corp.	Supply payment from related parties	$ 325,929
Phihong Technology Japan Co., Ltd.	”	30,667
Others (Note)		90
		$ 356,686

Note: The amount of a single customer did not exceed 5% of the account.

Phihong Technology Co., Ltd.

Statement of Other Receivables

December 31, 2020

Statement 4 In Thousands of New Taiwan Dollars

Item	Summary	Amount
Other receivables	Related to molds and safety regulations	$ 12,846
Non-operating revenues receivable	Interest receivable on time deposits, etc.	1
		$ 12,847

Phihong Technology Co., Ltd.

Statement of Other Receivables - Related Parties

December 31, 2020

Statement 5

In Thousands of New Taiwan Dollars

Name	Summary	Amount
Phihong Vietnam Co., Ltd.	Material purchased for related parties	$ 246,244
Phihong (Dongguan) Electronics Co., Ltd.	”	241,122
Dongguan Phitek Electronics Co., Ltd.	”	80,647
Phihong USA Corp.	Related to molds and safety regulations	3,190
Others (Note)		21
		$ 571,224

Note: The amount of a single customer did not exceed 5% of the account.

Phihong Technology Co., Ltd.

Statement of Inventories

December 31, 2020

Statement 6

In Thousands of New Taiwan Dollars

Item	Cost	Net Realizable Value
Raw materials	$ 10,104	$ 9,668
Work in process	271	70
Finished goods	61,099	42,625
Less: Allowance to reduce inventory to matket	(19,111)	-
	$ 52,363	$ 52,363

Phihong Technology Co., Ltd.

Statement of Other Current Assets

December 31, 2020

Statement 7 In Thousands of New Taiwan Dollars

Item	Summary	Amount
Prepayments	Prepayment for purchase and excess business tax paid	$ 24,444
Prepayment for income tax		2,961
Prepayment for expenses	Prepayment for rents and insurance premiums	11,092
Others		5,283
		$ 43,780

Phihong Technology Co., Ltd.

Statement of Changes in Financial Assets at FVTOCI

For the Years Ended December 31, 2020

Statement 8

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Name	Balance, January 1, 2020		Increase		Decrease		Unrealized valuation gain or loss on investments in equity instruments at FVTOCI	Balance, December 31, 2020		Collateral
	Number of Shares	Book Value	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Book Value	
Pao-Dian Venture Capital Co., Ltd.	270,565	$ 4,430	-	$ -	-	$ -	($ 1,593)	270,565	$ 2,837	None
Zhong-Xuan Venture Capital Co., Ltd.	2,758,621	27,656	-	-	-	-	(4,602)	2,758,621	23,054	”
Wan-Chang Venture Capital Co., Ltd.	1,800,000	17,427	1,800,000	18,000	-	-	2,353	3,600,000	37,780	”
		$ 49,513		$ 18,000		$ -	($ 3,842)		$ 63,671	

Phihong Technology Co., Ltd.

Statement of Changes in Long-term Equity Investments Under Equity Method

For the Years Ended December 31, 2020

Statement 9

In Thousands of New Taiwan Dollars,
Unless Specified Otherwise

	Balance, January 1, 2020		Increase (Note 1)		Decrease (Note 2)		Balance, December 31, 2020			Market Value or Net Assets Value			
Investee	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Percentage of Ownership (%)	Amount	Unit Price (NTD)	Total	Valuation Basis	Collateral
Phihong International Corp.	111,061,351	$ 3,137,404	-	$ -	-	$ 2,880	111,061,351	100	$ 3,134,524	-	$ 3,155,784	Equity Method	None
Phihong USA Corp.	3,100,000	991,061	-	-	-	67,347	3,100,000	100	923,714	-	1,005,096	Equity Method	”
Phitek International Co., Ltd.	10,200,000	(146,480)	-	-	-	97,193	10,200,000	100	(243,673)	-	(241,733)	Equity Method	”
Ascent Alliance Ltd.	12,012,600	90,833	-	-	-	21,436	12,012,600	100	69,397	-	68,541	Equity Method	”
Guang-Lai Investment Co., Ltd.	13,975,828	126,423	-	14,379	-	-	13,975,828	100	140,802	-	140,802	Equity Method	”
H&P Venture Capital Co., Ltd.	2,330,451	30,168	-	-	956,650	8,975	1,373,801	32.26	21,193	-	21,193	Equity Method	”
Phihong Technology Japan Co., Ltd.	7,000	146,020	-	-	4,000	63,938	3,000	100	82,082	-	82,615	Equity Method	”
Phihong Vietnam Co., Ltd.	10,000,000	212,114	10,000,000	229,971	-	-	20,000,000	100	442,085	-	441,866	Equity Method	”
		4,587,543		$ 244,350		$ 261,769			4,570,124		$ 4,674,164		
Reclassified in other non-current liabilities		146,480							243,673				
		$ 4,734,023							$ 4,813,797				

Note 1: The increase in the current period included capital increase in the investees, the recognition of investment income under the equity method, and the cumulative conversion adjustments, and the unrealized gains on financial assets.

Note 2: The decrease in the current period included the capital reduction of the investees for refund of payment for shares, surplus distribution of the investees, recognition of investment losses under the equity method, cumulative conversion adjustments, unrealized losses on financial assets.

Phihong Technology Co., Ltd.

Statement of Changes in Right-of-use Assets

December 31, 2020

Statement 10

In Thousands of New Taiwan Dollars

	Land	Transportation equipment	Other equipment	Total
Cost				
Balance as of January 1, 2020	$ 2,052	$ 1,878	$ -	$ 3,930
Additions	4,685	2,252	1,186	8,123
Disposals	(2,052)	-	-	(2,052)
Balance as of December 31, 2020	$ 4,685	$ 4,130	$ 1,186	$ 10,001
Accumulated depreciation				
Balance as of January 1, 2020	$ 1,894	$ 417	$ -	$ 2,311
Depreciation	1,880	480	395	2,755
Disposals	(2,052)	-	-	(2,052)
Balance as of December 31, 2020	$ 1,722	$ 897	$ 395	$ 3,014
Net amount as of December 31, 2020	$ 2,963	$ 3,233	$ 791	$ 6,987

Phihong Technology Co., Ltd.

Statement of Other Non-current Assets

December 31, 2020

Statement 11 In Thousands of New Taiwan Dollars

Item	Summary	Amount
Prepayment for equipment		$ 2,142
Prepayment for land		84,075
Refundable deposits	Including guarantee deposits for leasing parking spaces for office premises and for telephone	17,880
		$ 104,097

Phihong Technology Co., Ltd.

Statement of Short-term Borrowings

For the Years Ended December 31, 2020

Statement 12

In Thousands of New Taiwan Dollars

Type of Borrowing and Creditor	Borrowing Period	Annual Interest Rate (%)	Balance	Financing facilities	Collateral
Short-term bank borrowings					
HSBC Bank	2020.12.07–2021.02.05	0.95	$ 170,880	$ 170,880	Unsecured
Cathay United Bank	2020.12.28–2021.02.09	0.95	85,440	85,440	Peter Lin, Chairman
Total			$ 256,320	$ 256,320	

Phihong Technology Co., Ltd.

Statement of Accounts Payable

December 31, 2020

Statement 13 In Thousands of New Taiwan Dollars

Name	Summary	Amount
Others (Note)	Supply payment from non-related parties	$ 11,780

Note: The amount of a single customer did not exceed 5% of the account.

Phihong Technology Co., Ltd.

Statement of Accounts Payable - Related Parties

December 31, 2020

Statement 14

In Thousands of New Taiwan Dollars

Name	Summary	Amount
Heng Hui Co., Ltd.	Supply payment from related parties	$ 941
Dongguan Shuang-Ying Electronics Co., Ltd.	”	225
Others (Note)	”	32
		$ 1,198

Note: The amount of a single customer did not exceed 5% of the account.

Phihong Technology Co., Ltd.

Statement of Other Current Liabilities

December 31, 2020

Statement 15

In Thousands of New Taiwan Dollars

Item	Summary	Amount
Temporary credits	Payments received/paid on behalf of others	$ 42,023
Provision for other short-term liabilities	Provision for warranty liabilities and export losses	33,824
Advance sales receipts	Supply payment from non-related parties	9,016
Others		631
		$ 85,494

Phihong Technology Co., Ltd.

Statement of Long-term Borrowings

December 31, 2020

Statement 16

In Thousands of New Taiwan Dollars

Creditor	Summary	Amount: Maturity within one year	Amount: Maturity in more than one year	Amount: Total	Contract Period	Annual Interest Rate (%)	Collateral or Guarantee
Long-term bank borrowings							
Syndicated loan	Secured borrowings	$ 45,000	$ 255,000	$ 300,000	2019.08.22–2022.07.30	1.9871-1.9872	Peter Lin, Chairman; land and buildings
EnTie Bank	”	7,662	17,878	25,540	2020.09.10–2023.09.10	1.2740	Peter Lin, Chairman
Taiwan Cooperative Bank	”	1,125	7,875	9,000	2020.09.07–2023.09.07	1.5000	”
Chang Hwa Bank	”	10,950	25,550	36,500	2020.09.07–2023.09.07	1.4200	”
		$ 64,737	$ 306,303	$ 371,040			

Phihong Technology Co., Ltd.

Statement of Lease Liabilities

December 31, 2020

Statement 17

In Thousands of New Taiwan Dollars

Item	Summary	Contract Period	Discount rate (%)	Balance, Ending of year	Note
Land	Parking space land	2020.02.01–2023.01.31	1.2000	$ 2,098	None
Land	Parking space land	2020.02.01–2021.12.31	1.2000	882	None
Transportation equipment	Electric vehicle renting	2018.07.01–2023.06.30	1.1550	1,055	None
”	Electric vehicle renting	2020.11.24~2023.11.23	1.9872	2,192	None
Other equipment	Image dimension measurement system	2020.05.01–2022.04.30	1.1550	793	None
Less: Lease liabilities due within one year				(3,632)	None
				$ 3,388	

Phihong Technology Co., Ltd.

Statement of Bonds Payable

December 31, 2020

Statement 18

In Thousands of New Taiwan Dollars

Name of Bond	Trustee	Period	Interest Payment Date and Repayment Method	Annual Interest Rate (%)	Amount: Total Amount of Issue	Amount: Amount Repaid	Amount: Balance, Ending of year	Amount: Unamortized premium (discount)	Amount: Carrying Amount	Collateral
Secured domestic bonds	Bank SinoPac	2016.04–2021.04	Principal is repaid in a lump sum upon maturity, and interest is paid once a year	0.95	$ 1,000,000	$ -	$ 1,000,000	($ 117)	$ 999,883	Peter Lin, Chairman; bank deposits, land, and buildings

Phihong Technology Co., Ltd.

Statement of Operating Revenue

For the Years Ended December 31, 2020

Statement 19 In Thousands of New Taiwan Dollars

Name	Number	Amount
Power supplies	80,890 thousand	$ 6,800,044
Others		5,656
		$ 6,805,700

Phihong Technology Co., Ltd.

Statement of Operating Cost

For the Years Ended December 31, 2020

Statement 20 In Thousands of New Taiwan Dollars

Item	Amount
Raw materials	
Balance, beginning of year	$ 2,345
Add:Raw materials purchased	24,024
Less:Raw materials, end of year	(10,104)
Sales of raw materials	(1,783)
Raw materials consumed in year	14,482
Manufacturing expenses	50,827
Manufacturing costs	65,309
Add:Work in process, beginning of year	185
Purchases of work in process	193
Less:Work in process, end of year	(271)
Sales of work in process	(89)
Costs of finished goods	65,327
Add:Finished goods, beginning of year	52,378
Purchases of finished goods	5,969,436
Less:Finished goods, end of year	(61,099)
Cost of sales of finished goods	6,026,042
Add: Cost of sales of raw materials	1,872
Less: Transferred to operating expenses	(4,942)
Inventory valuation losses	2,556
	$ 6,025,528

Phihong Technology Co., Ltd.

Statement of Sales and Marketing Expenses

For the Years Ended December 31, 2020

Statement 21 In Thousands of New Taiwan Dollars

Item	Summary	Amount
Salary and wages		$ 99,481
Shipping fee		38,031
Commissions expense		20,874
Sample expense		14,052
Other expenses (Note)	Management expense for offices in Europe	73,559
		$ 245,997

Note: The amount of each item did not exceed 5% of the account.

Phihong Technology Co., Ltd.

Statement of General and Administrative Expenses

For the Years Ended December 31, 2020

Statement 22 In Thousands of New Taiwan Dollars

Item	Summary	Amount
Salary and wages		$ 83,217
Depreciation		26,788
Labor service expense		14,780
Other expenses (Note)	Insurance premiums, pensions, etc.	47,786
		$ 172,571

Note: The amount of each item did not exceed 5% of the account.

Phihong Technology Co., Ltd.

Statement of Research and Development Expenses

For the Years Ended December 31, 2020

Statement 23 In Thousands of New Taiwan Dollars

Item	Summary	Amount
Salary and wages		$ 218,590
Depreciation		50,606
Safety regulation-related expense		40,067
Sample expense		36,150
Other expenses (Note)	Insurance premiums, repair expense, etc.	108,349
		$ 453,762

Note: The amount of each item did not exceed 5% of the account.

V. Most Recent Financial Reports

Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated financial statements of Phihong Technology Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Group's consolidated financial statements as of and for the year ended December 31, 2020 is as follows.

The Accuracy of Sales Revenue from Telecom Brand Operation

Description of key audit matter

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

Our audit procedures performed in respect of the key audit matter include the following:

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

Other Matters

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for 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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2021

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

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

December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 2,545,804	25	$ 2,150,899	23
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	43,600	-	347,841	4
1150	Notes receivable (Notes 4 and 9)	-	-	2,022	-
1170	Accounts receivable (Notes 4 and 9)	2,019,406	20	2,038,864	21
1200	Other receivables (Note 25)	25,329	-	44,017	-
130X	Inventories (Notes 4 and 10)	2,015,069	20	1,353,930	14
1460	Non-current assets held for sale (Note 11)	245,819	2	-	-
1479	Other current assets	102,907	1	56,759	1
11XX	Total current assets	6,997,934	68	5,994,332	63
	Non-current assets				
1520	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	65,828	1	57,311	1
1535	Financial assets at amortized cost - non-current (Notes 4, 6 and 29)	37,100	-	27,100	-
1550	Investments accounted for using equity method (Notes 4 and 13)	152,366	1	141,638	1
1600	Property, plant, and equipment (Notes 4 and 14)	2,590,539	25	2,853,417	30
1755	Right-of-use assets (Notes 4 and 15)	282,788	3	302,714	3
1780	Other intangible assets (Notes 4 and 16)	27,679	-	33,216	-
1840	Deferred income tax assets (Notes 4 and 23)	57,043	1	53,325	1
1990	Other non-current assets	151,394	1	69,123	1
15XX	Total non-current assets	3,364,737	32	3,537,844	37
1XXX	Total assets	$ 10,362,671	100	$ 9,532,176	100

Code	Liabilities and Equity	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current liabilities				
2100	Short-term borrowings (Note 17)	$ 256,320	2	$ -	-
2170	Accounts payable	2,846,732	27	2,212,547	23
2180	Accounts payable - related parties (Note 28)	82,497	1	69,526	1
2219	Other payables (Note 19)	570,038	6	706,699	8
2230	Current income tax liabilities (Notes 4 and 23)	19,558	-	19,822	-
2280	Lease liabilities - current (Notes 4 and 15)	7,786	-	5,665	-
2320	Current portion of long-term borrowings (Notes 17 and 18)	1,064,620	10	-	-
2399	Other current liabilities (Notes 11 and 19)	291,113	3	110,862	1
21XX	Total current liabilities	5,138,664	49	3,125,121	33
	Non-current liabilities				
2530	Bonds payable (Notes 4 and 18)	-	-	999,405	10
2540	Long-term borrowings (Note 17)	303,944	3	295,739	3
2570	Deferred income tax liabilities (Notes 4 and 23)	67,820	1	79,832	1
2580	Lease liabilities - non-current (Notes 4 and 15)	12,665	-	14,888	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 20)	94,068	1	102,226	1
2670	Other non-current liabilities	629	-	664	-
25XX	Total non-current liabilities	479,126	5	1,492,754	15
2XXX	Total liabilities	5,617,790	54	4,617,875	48
	Equity attributable to owners of the Company (Notes 4 and 21)				
3110	Ordinary shares	3,376,884	33	3,376,884	35
3200	Capital surplus	1,044,017	10	1,044,017	11
	Retained earnings				
3310	Legal reserve	767,660	7	808,806	9
3320	Special reserve	230,859	2	230,859	2
3350	Accumulated losses	(154,744)	(1)	(41,146)	-
3300	Total retained earnings	843,775	8	998,519	11
	Other equity				
3410	Exchange differences on translation of the financial statements of foreign operations	(448,879)	(4)	(416,186)	(4)
3422	Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income	(62,007)	(1)	(79,561)	(1)
3400	Total other equity	(510,886)	(5)	(495,747)	(5)
31XX	Total equity attributable to owners of the Company	4,753,790	46	4,923,673	52
36XX	Non-controlling interests (Note 21)	(8,909)	-	(9,372)	-
3XXX	Total equity	4,744,881	46	4,914,301	52
	Total liabilities and equity	$ 10,362,671	100	$ 9,532,176	100

The notes attached are part of the Consolidated Financial Statements.

Phihong Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars, Except Loss Per Share

		2020		2019	
Code		Amount	%	Amount	%
4000	Operating revenue (Notes 4 and 35)	$ 9,243,618	100	$ 10,694,604	100
5000	Operating cost (Notes 4, 10 and 28)	8,066,422	87	9,168,956	86
5950	Gross profit	1,177,196	13	1,525,648	14
	Operating expenses				
6100	Sales and marketing expenses	442,814	5	437,069	4
6200	General and administrative expenses	474,929	5	517,933	5
6300	Research and development expenses	632,909	7	648,450	6
6450	Expected credit (reversed) loss recognized	(825)	-	646	-
6000	Total operating expenses	1,549,827	17	1,604,098	15
6900	Loss from operations	(372,631)	(4)	(78,450)	(1)
	Non-operating income and expenses				
7100	Interest income (Note 22)	33,113	-	40,749	-
7010	Other income (Notes 22 and 25)	250,596	3	92,917	1
7020	Other gains and losses (Note 22)	(37,358)	(1)	(65,122)	(1)
7050	Finance costs (Note 22)	(22,517)	-	(23,103)	-
7060	Share of profit or loss of equity-accounted associates (Note 13)	(4,645)	-	(9,130)	-
7000	Total non-operating income and expenses	219,189	2	36,311	-

(Continued on next page)

(Continued from previous page)

Code		2020 Amount	2020 %	2019 Amount	2019 %
7900	Net loss before income tax	($ 153,442)	(2)	($ 42,139)	(1)
7950	Income tax (expense) benefit (Notes 4 and 23)	(1,171)	-	3,982	-
8200	Net loss for the year	(154,613)	(2)	(38,157)	(1)
	Other comprehensive income(loss)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 20)	(188)	-	(3,762)	-
8316	Unrealized loss on investments in equity instruments at fair value through other comprehensive income or loss (Note 21)	(9,483)	-	(595)	-
8320	Share of other comprehensive income of equity-accounted associates (Note 21)	27,037	-	15,300	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	38	-	752	-
8360	Items that will may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations (Note 21)	(32,211)	-	(150,339)	(1)
8300	Total other comprehensive loss	(14,807)	-	(138,644)	(1)
8500	Total comprehensive loss for the year	($ 169,420)	(2)	($ 176,801)	(2)

(Continued on next page)

(Continued from previous page)

Code		2020 Amount	2020 %	2019 Amount	2019 %
8600	Net loss attributable to:				
8610	Owners of the Company	($ 154,594)	(2)	($ 38,136)	(1)
8620	Non-controlling interests	(19)	-	(21)	-
	Total	($ 154,613)	(2)	($ 38,157)	(1)
8700	Total comprehensive loss attributable to:				
8710	Owners of the Company	($ 169,883)	(2)	($ 177,020)	(2)
8720	Non-controlling interests	463	-	219	-
	Total	($ 169,420)	(2)	($ 176,801)	(2)
	Loss per share (Note 24)				
9710	Basic	($ 0.46)		($ 0.11)	

The notes attached are part of the Consolidated Financial Statements.

Phihong Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

		Equity Attributable to Owners of the Company									
							Other Equity				
Code		Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Losses	Exchange differences on translation of the financial statements of foreign operations	Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income	Total	Non-controlling Interests	Total Equity
A1	Balance as of January 1, 2019	$ 3,376,884	$ 1,044,017	$ 1,113,185	$ 230,859	($ 304,379)	($ 265,607)	($ 94,266)	$ 5,100,693	($ 9,591)	$ 5,091,102
F1	Legal reserve used to offset deficits	-	-	(304,379)	-	304,379	-	-	-	-	-
D1	Net loss for the year ended December 31, 2019	-	-	-	-	(38,136)	-	-	(38,136)	(21)	(38,157)
D3	Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(3,010)	(150,579)	14,705	(138,884)	240	(138,644)
D5	Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(41,146)	(150,579)	14,705	(177,020)	219	(176,801)
Z1	Balance as of December 31, 2019	3,376,884	1,044,017	808,806	230,859	(41,146)	(416,186)	(79,561)	4,923,673	(9,372)	4,914,301
F1	Legal reserve used to offset deficits	-	-	(41,146)	-	41,146	-	-	-	-	-
D1	Net loss for the year ended December 31, 2020	-	-	-	-	(154,594)	-	-	(154,594)	(19)	(154,613)
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(150)	(32,693)	17,554	(15,289)	482	(14,807)
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(154,744)	(32,693)	17,554	(169,883)	463	(169,420)
Z1	Balance as of December 31, 2020	$ 3,376,884	$ 1,044,017	$ 767,660	$ 230,859	($ 154,744)	($ 448,879)	($ 62,007)	$ 4,753,790	($ 8,909)	$ 4,744,881

The notes attached are part of the Consolidated Financial Statements.

Phihong Technology Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A10000	Net loss before income tax	($ 153,442)	($ 42,139)
A20010	Adjustments for:		
A20100	Depreciation expenses	308,178	336,392
A20200	Amortization expenses	12,595	16,176
A20300	Expected credit (reversed) loss recognized	(825)	646
A20400	Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(3)	(3,845)
A20900	Finance costs	22,517	23,103
A21200	Interest income	(33,113)	(40,749)
A21300	Dividend income	-	(500)
A22300	Share of loss of associates	4,645	9,130
A22500	Loss on disposal of property, plant and equipment	2,637	55,048
A22800	Loss on disposal of intangible assets	194	401
A23100	Gain on disposal of investment	(10,274)	(4,468)
A23700	Losses on inventory valuation loss and obsolescence	48,139	40,371
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	2,022	(2,022)
A31150	Accounts receivable	20,355	165,311
A31180	Other receivables	19,666	6,904
A31200	Inventories	(709,278)	714,881
A31240	Other current assets	(22,702)	137,075
A31990	Other operating assets	-	(26,845)
A32150	Accounts payable	634,185	(751,926)
A32160	Accounts payable - related parties	12,971	(7,320)
A32180	Other payables	(133,777)	(114,968)
A32230	Other current liabilities	180,251	(20,026)
A32240	Net defined benefit liability	(8,346)	(552)
A33000	Cash generated from operating activities	196,595	490,078

(Continued on next page)

(Continued from previous page)

Code		2020	2019
A33100	Interest received	$ 31,757	$ 46,434
A33300	Interest paid	(19,833)	(21,129)
A33500	Income tax paid	(24,516)	(4,087)
AAAA	Net cash generated from operating activities	184,003	511,296
	Cash flows from investing activities		
B00010	Purchase of financial assets at fair value through other comprehensive income	(18,000)	(20,586)
B00020	Proceeds from sale of financial assets at fair value through other comprehensive income	-	395
B00040	Purchase of financial assets measured at amortized cost	(10,000)	-
B00050	Proceeds from financial assets measured at amortized cost	-	199,463
B00100	Purchase of financial assets at fair value through profit or loss	(171,925)	(1,751,293)
B00200	Proceeds from sale of financial assets at fair value through profit or loss	484,970	1,706,415
B02400	Proceeds from capital reduction of investments accounted for using equity method	9,567	8,402
B02700	Payments for property, plant and equipment	(237,926)	(376,005)
B02800	Proceeds from disposal of property, plant and equipment	29,806	788
B04500	Payments for intangible assets	(7,196)	(14,413)
B05350	Payment for right-of-use assets	-	(198,327)
B03700	Increase in refundable deposits	(747)	-
B03800	Decrease in refundable deposits	-	1,669
B07100	Increase in prepayments for equipment	(81,381)	(96,382)
B07300	Increase in prepayments for land	(84,075)	-
B07600	Dividends received	2,097	6,746
B09900	Receive government grants	6,820	7,286
BBBB	Net cash used in from investing activities	(77,990)	(525,842)
	Cash flows from financing activities		
C00100	Proceeds from Short-term borrowings	256,320	-
C01600	Proceeds from long-term borrowings	566,040	1,624,500
C01700	Repayments of long-term borrowings	(495,000)	(1,519,237)
C03100	Decrease in guarantee deposits received	(35)	(3,693)
C04020	Repayment of the principle portion of lease liabilities	(8,641)	(8,887)
CCCC	Net cash generated from financing activities	318,684	92,683
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	(29,792)	(40,464)

(Continued on next page)

(Continued from previous page)

Code		2020	2019
EEEE	Net increase in cash and cash equivalents	$ 394,905	$ 37,673
E00100	Cash and cash equivalents at the beginning of the year	2,150,899	2,113,226
E00200	Cash and cash equivalents at the end of the year	$ 2,545,804	$ 2,150,899

The notes attached are part of the Consolidated Financial Statements.

Phihong Technology Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

Phihong Technology Co., Ltd. ("Phihong" or "the Company"), which was formerly known as Phihong Enterprise Co., Ltd., was incorporated on December 12, 1972. Under a resolution approved in the stockholders' meeting in June 2003, Phihong was renamed Phihong Technology Co., Ltd. Phihong primarily manufactures and sells AC/DC power adapters, charger bases, power supply modules, uninterruptible power supplies (UPS) 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; instead, its stocks began to be traded on the Taiwan Stock Exchange.

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

2. Date and Procedure for Approval of Financial Statements

The consolidated financial statements were approved by the Company's board of directors on March 5, 2021.

3. Application of Newly Issued and Amended Standards and Interpretations

(1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the Group's accounting policies:

Amendments to IAS 1 and IAS 8 "Definition of Materiality"

The Group adopted the amendments on January 1, 2020. The threshold for materiality was amended to be "can be reasonably expected to influence users," and the disclosures in consolidated financial statements were adjusted by removing immaterial information which may obscure material information.

(2) IFRSs endorsed by FSC that are applicable from 2021 onwards

New/Revised/Amended Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 4 "Deferral of Effective Date of IFRS 9"	Effective immediately upon promulgation
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	Effective for the annual reporting periods beginning on or after January 1, 2021
Amendments to IFRS 16 "COVID-19-Related Rent Concessions"	Effective for the annual reporting periods beginning on or after June 1, 2020

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to 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
IFRS17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless otherwise specified, each of the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after each said date.

Note 2: The amendment to IFRS 9 applies prospectively to modifications of terms of or exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoption of IFRSs" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendment applies to business combination with the acquisition date in the annual reporting periods beginning on or after January 1, 2022.

Note 4: The amendment applies to property, plant and equipment that are in line with the location and condition necessary for them to be capable of operating in the manner expected by the management on or after January 1, 2021.

Note 5: The amendment applies to the contracts with the obligations not fully fulfilled as of January 1, 2022.

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis in addition to the financial instruments 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.

(3) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the release of the financial statements); and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

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

(4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (subsidiaries) controlled by the Company.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective dates of acquisition up to the effective dates of disposal, as appropriate.

The financial statements of subsidiaries have been adjusted to ensure consistency between their accounting policies and the Group's.

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 have been 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 12 and Tables 9 and 10 for detailed information on subsidiaries (including the percentage of ownership and main business).

(5) Foreign currencies

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

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When preparing the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures, and branches that operate in countries or adopt functional currencies different from the Company) are translated into New Taiwan dollar. Income and expense items are translated at the average exchange rates for the period. The resulting currency exchange differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests).

(6) Inventories

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

(7) Investments in associates

An associate is an entity on which the Group has significant influence and is not a subsidiary.

The Group adopts the equity method to account for its investments in associates.
Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the

associate. The Group also recognizes the changes in the Group's share of the equity of associates based on the percentage of ownership.

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

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

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

(8) Property, plant and equipment

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

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

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

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(9) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized using straight-line method over the useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

When derecognizing intangible assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in loss or profit.

(10) Impairment of property, plant, and equipment as well as right-of-use and intangible assets

The Group assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets on each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is a sign that the assets may be impaired.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit and loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or cash-generating unit, which was not recognized as impairment loss in prior years. The impairment loss reversed is recognized in profit or loss.

(11) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The non-current assets that meet this condition must be available for immediate sale in their current condition, and the sale is highly probable. When the appropriate level of the management is committed to the plan to sell the asset, and the sale transaction is expected to be completed within one year from the date of classification, the sale will be considered highly probable.

Non-current assets classified as held for sale are measured by the carrying amount and the fair value less the cost of sale, whichever is lower, and the depreciation of such assets will cease.

(12) Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement categories

Financial assets held by the Group are those measured at fair value through profit or loss (FVTPL) and at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any remeasurement gains or losses on such financial assets are recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 27.

B. Financial assets at amortized cost

When the Group's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets at amortized cost:

a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

C. Investments in equity instruments at FVTOCI

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

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.
Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(2) Impairment of financial assets

The Group assesses the impairment loss of financial assets at amortized cost (including accounts receivable) based on the expected credit loss on each balance sheet date.

Accounts receivable are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Group, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

C. Internal or external information indicates that it is impossible for the debtor to settle the debt.

D. It is overdue for more than 180 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

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

(3) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.
On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety,

the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Group are recognized at the proceeds received, net of the cost of direct issue.

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company’s own equity instruments is recognized in profit or loss.

3. Financial liabilities

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

(13) Provision

The amount recognized in provision is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The warranty obligations of the Group under the sales contract are based on the management’s best estimate of the expenditure required to settle the Group’s obligations, and are recognized when the relevant products are recognized in revenue.

(14) Revenue recognition

After the Group identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

Revenue from sale of goods

Revenue from the sale of goods comes from sales of power supply modules and other relevant products. When the power supply modules and other relevant products are delivered to the location designated by customers, customers have the right to determine the price and the way the products are used while bearing the main responsibility for resale and the risk of obsolescence; thus, revenue and account receivable are recognized concurrently.

(15) Leasing

At the inception of a contract, the Group assesses whether the contract is (or contains) a lease.

1. The Group as lessor

   Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

2. The Group as lessee

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

   A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments, in-substance fixed payments, and variable lease payments which depend on an index or a rate). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the index or rate used to determine the lease payment over the lease term lead to changes in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line the consolidated balance sheets.

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

(16) Borrowing costs

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

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

(17) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the relevant costs for which the grants are intended to compensate. Government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are debited to the carrying amount of said assets and recognized in profit or loss over the useful lives of said assets by reducing the depreciation or amortization expenses of said assets.

If government grants are used to compensate expenses or losses incurred, or are given to the Group for the purpose of immediate financial support without relevant future costs, they can be recognized in profit or loss in the period, during which the Group can receive said grants.

(18) Employee benefits

1. Short-term employee benefits

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

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized as expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service cost and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

(19) Income tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current income tax

The Group determines the income (loss) of the current year in accordance with the laws and regulations in each jurisdiction for income tax declaration, and calculates the income tax payable (recoverable) accordingly.

A surtax is imposed on the undistributed earnings pursuant to the Income Tax Act of the Republic of China (R.O.C.) is recognized via the resolution at the annual shareholders' meeting.

Adjustments to income tax payable from prior years are recognized in the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carryforwards, or research and development expenditure.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax

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

5. Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

The Group takes into account the economic impact of the COVID-19 pandemic in its critical accounting estimates, and the management will constantly review the estimates and basic assumptions. If an amendment to estimates only affects the current period, it shall be recognized in the period of said amendment; if an amendment to accounting estimates affects the current year and future periods, it shall be recognized in the period of said amendment and future periods.

6. Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	$ 2,593	$ 2,120
Checking accounts and demand deposits	2,244,282	2,032,508
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	298,929	116,271
	$ 2,545,804	$ 2,150,899

As of December 31, 2020 and 2019, bank balance in the amount of $37,100 thousand and $27,100 thousand had been pledged to secured domestic bonds and syndicated loans, and reclassified to "financial assets at amortized cost - non-current". Refer to Note 29.

The market rate range of demand and time deposits at the balance sheet date is as follows:

	December 31, 2020	December 31, 2019
Demand deposits and time deposits	0.001%~2.50%	0.001%~2.39%

7. Financial Assets at Fair Value Through Profit or Loss

	December 31, 2020	December 31, 2019
Financial assets at FVTPL - current		
Financial assets mandatorily at FVTPL		
Non-derivative financial assets		
-Fund beneficiary certificates	$ 43,600	$ 347,841

8. Financial Assets at Fair Value Through Other Comprehensive Income

	December 31, 2020	December 31, 2019
Non-current		
Investments in equity instruments at FVTOCI		
Domestic unlisted equity	$ 65,828	$ 57,311

The Group invested in the above-mentioned unlisted equity for medium to long-term strategic purposes, and expected to make profits in a long term. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believed that recognizing the short-term fair value fluctuations of such investments in profit and loss would be inconsistent with the aforementioned long-term investment strategy.

9. Notes Receivable and Accounts Receivable

	December 31, 2020	December 31, 2019
Notes receivable		
At amortized cost		
Gross carrying amount	$ -	$ 2,022
Less: Allowance for impairment loss	-	-
	-	2,022
Accounts receivable		
At amortized cost		
Gross carrying amount	$ 2,022,217	$ 2,042,711
Less: Allowance for impairment loss	(2,811)	(3,847)
	2,019,406	2,038,864
	$ 2,019,406	$ 2,040,886

The average credit period of sales of goods was 60 to 90 days. No interest was accrued for accounts receivable. 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 continuously monitored its credit exposure and counterparties’ credit ratings and spread the aggregate value of transactions among customers with qualified credit ratings, while appointing dedicated staff to review and approve counterparties’ credit limits on an annual basis to control the credit exposure.

The Group recognized the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The ECLs on accounts receivable were estimated using a provision matrix with reference to customers’ past default records, current financial position, and other forward-looking information. Based on the Group’s history of credit losses, as there was no significant difference in the loss patterns among different customer groups, the customer groups were not further differentiated in the provision matrix, and only the ECLs rate was set based on the number of days for which accounts receivable was past due.

When there was information indicating that the counterparty was in severe financial difficulty and the Group could not reasonably expect the amount to be recovered, the Group would write off relevant accounts receivable and continued to collect the receivable due. The receivable recovered was recognized in profit or loss.

The following table details the loss allowance for accounts receivable based on the Group's provision matrix:

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
ECLs 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 ECLs)	(467)	(685)	(23)	(28)	(1,608)	(2,811)
Amortized cost	$ 1,887,841	$ 127,878	$ 855	$ 128	$ 2,704	$ 2,019,406

December 31, 2019

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
ECLs rate	0.03~0.87%	0.33~2.87%	6.08%	-	100%	
Gross carrying amount	$ 1,866,884	$ 173,115	$ 1,130	$ -	$ 1,582	$ 2,042,711
Loss allowance (lifetime ECLs)	(651)	(1,547)	(67)	-	(1,582)	(3,847)
Amortized cost	$ 1,866,233	$ 171,568	$ 1,063	$ -	$ -	$ 2,038,864

The aging analysis above is based on the number of days overdue.

The movements of the loss allowance of accounts receivable are as follows:

	2020	2019
Balance as of January 1,	$ 3,847	$ 5,096
Add: Allowance for impairment (reversed) loss	(825)	646
Less: Amounts written off	(139)	(1,746)
Foreign currency exchange differences	(72)	(149)
Balance as of December 31,	$ 2,811	$ 3,847

10. Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 683,200	$ 477,970
Work in process	212,145	155,287
Finished goods	1,119,724	720,673
	$ 2,015,069	$ 1,353,930

For the years ended December 31, 2020 and 2019, the Group's costs of sales related to inventories were $8,066,422 thousand and $9,168,956 thousand, respectively. The costs of sales in 2020 and 2019, including the inventory valuation losses recognized by writing down the cost of inventories to the net realizable value, were $48,139 thousand and $40,371 thousand, respectively.

11. Non-current assets held for sale

	December 31, 2020	December 31, 2019
Dongguan Phitek Electronics Co., Ltd.		
Land use rights, buildings, machinery, and equipment	$ 245,819	$ -

The Group's board of directors passed the resolution on February 27, 2020, of disposal of the land use rights, buildings, machinery, and equipment of the subsidiary Dongguan Phitek Electronics Co., Ltd. (hereinafter referred to as PHP). Therefore, said assets were reclassified as non-current assets held for sale based on their carrying amounts as of February 28, 2020, and presented on a separate line in the consolidated balance sheet.

The details of PHP non-current assets held for sale are as follows:

	December 31, 2020
Land use rights	$ 4,042
Buildings	258,005
Machinery and equipment	1,244
Other equipment	13,587
Others	5,675
Less: Accumulated depreciation	(39,850)
	242,703
Net exchange differences	3,116
	$ 245,819

The sale price was expected to exceed the carrying amounts of the relevant net assets, so when said units were classified as non-current assets held for sale, there was no impairment loss that should be recognized.

As of December 31, 2020, the proceeds from the sale pre-received were in the amount of $170,466 thousand and was accounted for under "Other current liabilities". Please refer to Note 19.

After the contract for the disposal of the above-mentioned non-current assets held for sale was signed, due to delays in the delivery and administrative procedures for ownership transfer, the delivery procedures had not been completed as of the date of release of the financial statements. The Group expects to complete the relevant transactions in June 2021.

12. Subsidiaries

Investor	Investee	Nature of Business	Percentage of ownership December 31, 2020	Percentage of ownership December 31, 2019	Notes
Phihong	Phihong International Corp. (PHI)	Making investments	100.00	100.00	
Phihong	Phitek International Co., Ltd. (PHK)	Making investments	100.00	100.00	
Phihong	Ascent Alliance Ltd. (PHQ)	Making investments	100.00	100.00	
Phihong	Phihong USA Corp. (PHA)	Selling a variety of power supplies	100.00	100.00	
Phihong	Phihong Technology Japan Co., Ltd. (PHJ)	Selling power components	100.00	100.00	Note 1
Phihong	Guang-Lai Investment Co., Ltd. (Guang-Lai)	Making investments	100.00	100.00	
Phihong	Phihong Vietnam Co., Ltd. (PHV)	Manufacturing and selling a variety of power supplies	100.00	100.00	Note 2
PHI	Phihong (Dongguan) Electronics Co., Ltd.	Manufacturing and selling a variety of power supplies	100.00	100.00	
PHI	Phihong Electronics (Suzhou) Co., Ltd.	Manufacturing and selling a variety of power supplies	100.00	100.00	
PHI	N-Lighten Technologies, Inc. (N-Lighten)	Making general investments	58.45	58.45	
PHI	Yanghong Trade (Shanghai) Co., Ltd.	Selling a variety of lighting products and power supplies	100.00	100.00	
PHK	Dongguan Phitek Electronics Co., Ltd.	Manufacturing and selling a variety of power supplies	100.00	100.00	
PHQ	Dongguan Shuang-Ying Electronics Co., Ltd.	Manufacturing and selling electronic materials	100.00	100.00	
PHQ	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufacturing and selling electronic materials	100.00	100.00	
Guang-Lai	N-Lighten	Making investments	19.78	19.78	

Note 1: In December 2019, the board of directors of the Company approved a capital reduction in the subsidiary PHJ in Japan in the amount of $54,302 thousand (JPY200,000 thousand). Said capital reduction had been completed in January 2020; thus, its paid-in capital was in the amount of $41,153 thousand (JPY150,000 thousand).

Note 2: In 2019, the Company established a subsidiary in Vietnam named PHV, with the registered capital of US$50,000 thousand, and the Company’s ownership is 100%. In order to meet the Group’s capital needs, it was planned to inject capital in stages based on the investment progress. As of December 31, 2020, the Company’s capital injected amounted to $607,193 thousand (US$20,000 thousand).

See Tables 9 and 10 for the information on places of incorporation and principal places of business.

13. Investments Accounted for Using Equity Method

Investments in associates

	December 31, 2020	December 31, 2019
Associates that are not individually material	$ 152,366	$ 141,638

Aggregate information of associates that are not individually material:

	2020	2019
The Group's share of		
Net loss for the year	($ 4,645)	($ 9,130)
Other comprehensive income	27,037	15,300
Total comprehensive income	$ 22,392	$ 6,170

Refer to Table 9. "Information on Investees" for the nature of business, principal places of business, and countries of incorporation of the associates.

The equity-method investees' financial statements, which were used to determine the carrying amount of the Group's investments and the share of profit and other comprehensive income of associates, had been audited.

14. Property, plant and equipment

	Freehold Land	Buildings	Machinery and equipment	Other equipment	Construction in Progress	Total
Cost						
Balance as of January 1, 2020	$ 248,931	$ 2,704,125	$ 2,411,321	$ 709,254	$ 10,909	$ 6,084,540
Additions	-	4,970	114,852	18,446	90,463	228,731
Disposals	-	(662)	(171,537)	(66,335)	-	(238,534)
Reclassified to held for sale	-	(258,005)	(1,244)	(13,587)	-	(272,836)
Net exchange differences	(2,451)	6,845	11,794	2,344	948	19,480
Reclassification	-	6,863	66,309	6,802	(16,031)	63,943
Balance as of December 31, 2020	$ 246,480	$ 2,464,136	$ 2,431,495	$ 656,924	$ 86,289	$ 5,885,324
Accumulated depreciation						
Balance as of January 1, 2020	$ -	$ 789,989	$ 1,886,186	$ 554,948	$ -	$ 3,231,123
Disposals	-	(662)	(140,834)	(64,595)	-	(206,091)
Reclassified to held for sale	-	(26,239)	(1,214)	(12,397)	-	(39,850)
Depreciation expenses	-	81,201	154,000	57,561	-	292,762
Net exchange differences	-	4,856	9,875	2,110	-	16,841
Balance as of December 31, 2020	$ -	$ 849,145	$ 1,908,013	$ 537,627	$ -	$ 3,294,785
Net amount as of December 31, 2020	$ 246,480	$ 1,614,991	$ 523,482	$ 119,297	$ 86,289	$ 2,590,539
Cost						
Balance as of January 1, 2019	$ 250,320	$ 2,600,633	$ 2,460,635	$ 670,419	$ 31,053	$ 6,013,060
Additions	-	50,932	130,574	40,503	148,297	370,306
Disposals	-	(831)	(209,462)	(31,241)	-	(241,534)
Net exchange differences	(1,389)	(75,355)	(64,645)	(11,692)	(2,796)	(155,877)
Reclassification	-	128,746	94,219	41,265	(165,645)	98,585
Balance as of December 31, 2019	$ 248,931	$ 2,704,125	$ 2,411,321	$ 709,254	$ 10,909	$ 6,084,540
Accumulated depreciation						
Balance as of January 1, 2019	$ -	$ 725,734	$ 1,921,378	$ 525,569	$ -	$ 3,172,681
Disposals	-	(498)	(155,461)	(29,739)	-	(185,698)
Depreciation expenses	-	86,065	165,981	68,063	-	320,109
Net exchange differences	-	(21,312)	(45,589)	(9,068)	-	(75,969)
Reclassification	-	-	(123)	123	-	-
Balance as of December 31, 2019	$ -	$ 789,989	$ 1,886,186	$ 554,948	$ -	$ 3,231,123
Net amount as of December 31, 2019	$ 248,931	$ 1,914,136	$ 525,135	$ 154,306	$ 10,909	$ 2,853,417

The Group’s property, plant and equipment above are depreciated on a straight-line basis based on the estimated useful life below:

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

The Group’s property, plant and equipment pledged as collateral for long-term borrowings are set out in Note 29.

15.Lease Agreements

(1) Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amount		
Land (including land use rights)	$ 266,040	$ 282,721
Buildings	10,986	15,217
Office equipment	324	688
Transportation equipment	3,563	2,761
Other equipment	1,875	1,327
	$ 282,788	$ 302,714

	2020	2019
Additions to right-of-use assets	$ 8,421	$ 141,638
Depreciation expenses of right-of-use assets		
Land (including land use rights)	$ 9,096	$ 9,573
Buildings	3,726	3,345
Office equipment	503	785
Transportation equipment	1,449	2,325
Other equipment	642	255
	$ 15,416	$ 16,283

(2) Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amount		
Current	$ 7,786	$ 5,665
Non-current	$ 12,665	$ 14,888
Range of discount rate for lease liabilities:		
Land	1.200%	1.200%
Buildings	1.030%~5.220%	1.030%~5.220%
Office equipment	4.875%	4.875%
Transportation equipment	1.155%~5.220%	1.155%~5.220%
Other equipment	1.030%	1.030%

(3) Material lease-in activities and terms

The Group has leased certain offices, transportation, and other equipment for operations as well as product manufacturing and R&D over lease terms of 2 to 9 years. These agreements do not contain renewal or purchase options upon the expiration of the lease terms.

The Group has also leased land and buildings for plants, offices, and parking over lease terms of 2 to 50 years. Upon the termination of the lease terms, the Group does not have preferential rights to acquire the land and buildings leased, and it is agreed that the Group shall not sublease or transfer all or part of the underlying assets leased without the consent of the lessor.

(4) Other lease information

	2020	2019
Short-term lease expenses	$ 16,391	$ 13,592
Variable lease payment expenses not included in the measurement of lease liabilities	$ 2,743	$ 2,921
Total cash (outflow) from leases	($ 27,775)	($ 223,727)

The Group has elected to apply the recognition exemption for office equipment leases in line with short-term leases, and, thus, did not recognize said leases in right-of-use assets and lease liabilities.

For the years ended December 31, 2020 and 2019, short-term lease expenses also include leases for which the lease terms ended on or before December 31, 2020 and 2019, and for which the recognition exemption applied.

16. Other Intangible Assets

	Computer software
Cost	
Balance as of January 1, 2020	$ 118,748
Additions	7,196
Disposals	(7,399)
Effect of foreign currency exchange differences	78
Balance as of December 31, 2020	$ 118,623
Accumulated amortization	
Balance as of January 1, 2020	$ 85,532
Amortization expenses	12,595
Disposals	(7,205)
Effect of foreign currency exchange differences	22
Balance as of December 31, 2020	$ 90,944
Net amount as of December 31, 2020	$ 27,679
Cost	
Balance as of January 1, 2019	$ 127,741
Additions	14,413
Reclassification	3,883
Disposals	(25,825)
Effect of foreign currency exchange differences	(1,464)
Balance as of December 31, 2019	$ 118,748
Accumulated amortization	
Balance as of January 1, 2019	$ 95,596
Amortization expenses	16,176
Disposals	(25,424)
Effect of foreign currency exchange differences	(816)
Balance as of December 31, 2019	$ 85,532
Net amount as of December 31, 2019	$ 33,216

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

17. Borrowings

Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured borrowings		
Phihong	$ 170,880	$ -
Secured borrowings		
Phihong	85,440	-
	$ 256,320	$ -

Long-term borrowings

	December 31, 2020	December 31, 2019
Secured borrowings		
Phihong	$ 371,040	$ 300,000
Less: Discount	(2,359)	(4,261)
Current portions	(64,737)	-
	$ 303,944	$ 295,739

(1) As of December 31, 2020, the Company had short-term bank borrowings with the contract term from December 7, 2020 to February 9, 2021. As of December 31, 2020, the effective interest rate was 0.95% per annum, with the interest paid monthly .

(2) The Company had long-term bank borrowings for the years ended December 31, 2020 and 2019 with the contract term from August 22, 2019 to September 10, 2023 and from August 22, 2019 to July 30, 2022, respectively. As of December 31, 2020 and 2019, the effective interest rate was from 1.2740% to 1.9872% and 2.1862%, respectively, per annum, with the interest paid monthly.

(3) On April 30, 2019, the Company signed a 3-year syndicated loan agreement with seven participating banks led by the Taiwan Shin Kong Commercial Bank and co-led by the Yuanta Commercial Bank and the Hua Nan Commercial Bank. The credit line of the loan amounted to NT$1 billion, including NT$450 million for credit line A and NT$550 million for credit line B. As such, the parent company should be able to support the investment plan for the establishment of a factory for the subsidiary PHV in Vietnam and to enrich the Group’s working capital. Under the loan agreements with the Taiwan Shin Kong Commercial Bank, the Company should maintain the following financial ratios during the loan term (based on the annual and semi-annual consolidated financial statements audited by CPAs on a semi-annual basis):

(1) Ratio of current assets to current liabilities shall not be less than 100%.

(2) Ratio of total liabilities to tangible net worth shall not be more than 150%.

(3) Ratio of net income before income tax, plus depreciation, amortization, and interest expenses to interest expenses shall be maintained at 200% or more.

(4) Tangible net worth (net worth less intangible assets) shall not be not less than NT$4.5 billion.

For information on collateral and joint guarantee for the borrowings above, refer to Notes 28 and 29.

18. Bonds Payable

	December 31, 2020	December 31, 2019
Secured domestic bonds	$ 999,883	$ 999,405
Less: Current portions	(999,883)	-
	$ -	$ 999,405

Secured domestic corporate bond

On April 1, 2016, the Company issued 100 units of a 5-year NTD-denominated secured common bond, with a par value of NT$10,000 thousand per unit and a coupon rate of 0.95%. The principal is in the amount of $1,000,000 thousand.

For information on collateral and joint guarantee for the secured domestic bond, refer to Notes 28 and 29.

19. Other Liabilities

	December 31, 2020	December 31, 2019
Current		
Other payables		
Salary and bonus payable	$ 200,932	$ 176,551
Compensated absences payable	45,537	42,874
Equipment payable	7,621	9,996
Others	315,948	477,278
	$ 570,038	$ 706,699
Other current liabilities		
Temporary credits	$ 62,484	$ 39,960
Proceeds from sale of land and factory pre-received (Note 11)	170,466	-
Others	58,163	70,902
	$ 291,113	$ 110,862

20. Post-employment Benefit Plans

(1) Defined contribution plans

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

(2) Defined benefit plans

The defined benefit plan adopted by the Company in the Group in accordance with the Labor Standards Act is the defined benefit plan under the management of the government of the Republic of China (R.O.C.). Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes an amount, which equals to 2% to 15% of each employee's total monthly salary and wage, which is deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contribute an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment management strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plan are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	$ 139,331	$ 138,071
Fair value of plan assets	(45,263)	(35,845)
Net defined benefit liability	$ 94,068	$ 102,226

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Balance as of January 1, 2020	$ 138,071	($ 35,845)	$ 102,226
Service cost			
Current service cost	305	-	305
Interest expense (income)	1,035	(274)	761
Recognized in profit or loss	1,340	(274)	1,066
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,315)	(1,315)
Actuarial (gain) loss - changes in demographic assumptions	90	-	90
Actuarial (gain) loss - changes in financial assumptions	3,848	-	3,848
Actuarial (gain) loss - experience adjustments	(2,435)	-	(2,435)
Recognized in other comprehensive income	1,503	(1,315)	188
Contributions from the employer	-	(9,412)	(9,412)
Benefits paid	(1,583)	1,583	-
Balance as of December 31, 2020	$ 139,331	($ 45,263)	$ 94,068
Balance as of January 1, 2019	$ 137,254	($ 38,238)	$ 99,016
Service cost			
Current service cost	276	-	276
Interest expense (income)	1,544	(441)	1,103
Recognized in profit or loss	1,820	(441)	1,379

(Continued on next page)

(Continued from previous page)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	($ 1,368)	($ 1,368)
Actuarial (gain) loss - changes in demographic assumptions	732	-	732
Actuarial (gain) loss - changes in financial assumptions	5,884	-	5,884
Actuarial (gain) loss - experience adjustments	(1,486)	-	(1,486)
Recognized in other comprehensive income	5,130	(1,368)	3,762
Contributions from the employer	-	(1,931)	(1,931)
Benefits paid	(6,133)	6,133	-
Balance as of December 31, 2019	$ 138,071	($ 35,845)	$ 102,226

Due to the pension plans under the Labor Standards Act, the Group is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the Group's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
2. Interest risk: A decrease in the interest rate will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect the net defined benefit liability .
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.500%	0.750%
Expected salary increase rate	3.5%	3.5%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	December 31, 2020	December 31, 2019
Discount rate		
0.25% increase	($ 3,848)	($ 3,966)
0.25% decrease	$ 4,007	$ 4,133
Expected salary increase rate		
0.25% increase	$ 3,827	$ 3,958
0.25% decrease	($ 3,698)	($ 3,821)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2020	December 31, 2019
Expected contributions to the plan for the following year	$ 13,200	$ 1,860
Average duration of the defined benefit obligation	11.2 years	11.7 years

21. Equity

(1) Share capital

Ordinary shares

	December 31, 2020	December 31, 2019
Number of authorized shares (in thousands)	600,000	600,000
Authorized capital stock	$ 6,000,000	$ 6,000,000
Number of shares issued and fully paid (in thousands)	337,688	337,688
Share capital issued	$ 3,376,884	$ 3,376,884

The ordinary shares issued, with a par value of $10 per share, are entitled to one voting right per share and to the right to receive dividends.

(2) Capital surplus

	December 31, 2020	December 31, 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	$ 244,117	$ 244,117
Conversion of bonds	667,058	667,058
Treasury share transactions	48,234	48,234
Interest payable on bond conversion	13,243	13,243
May be used to offset a deficit only		
Treasury share transactions	71,365	71,365
	$ 1,044,017	$ 1,044,017

The capital surplus arising from shares issued in excess of the par value (including share premium from issuance of common shares, conversion of corporate 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; however, when it is transferred to share capital, it is limited to a certain percentage of the Company's paid-in capital.

(3) Retained earnings and dividend policy

Under the earnings distribution policy as set forth in the Company's Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses, setting aside 10% of the remaining profit as legal reserve, 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 adopted by the Company's board of directors as the basis for proposing a distribution plan, which shall be resolved at the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration to directors and supervisors as set forth in the Company's Articles of Incorporation, refer to "Employees' compensation and remuneration to directors and supervisors" in Note 22-7.

Appropriation of earnings to legal reserve shall be made until the legal reserve reaches the total of the Company's paid-in capital. The legal reserve may used to offset deficits. 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 share capital or distributed in cash.

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

The shareholders' meetings approved a deficit compensation proposal and resolved to offset the deficit in the amount of $41,146 thousand from the legal reserve on June 10, 2020.

(4) Special reserve

Upon the first-time adoption of IFRSs, the Company transferred unrealized revaluation increments and cumulative translation adjustment to its retained earnings, in the amounts of $10,968 thousand and $250,296 thousand, respectively. The increase in retained earnings arising from the first-time adoption of IFRSs was insufficient for appropriation; therefore, the Company appropriated the increase in retained earnings arising from the transition to IFRSs to the special reserve in the amount of $230,859 thousand.

(5) Other Equity

1. Exchange differences on translation of the financial statements of foreign operations

	2020	2019
Balance as of January 1	($ 416,186)	($ 265,607)
Exchange differences on translation of the net assets of foreign operations	(32,693)	(150,579)
Balance as of December 31	($ 448,879)	($ 416,186)

2. Unrealized Valuation Gain or Loss on Financial Assets at Fair Value Through Other Comprehensive Income

	2020	2019
Balance as of January 1	($ 79,561)	($ 94,266)
Recognized for the year		
Unrealized gain or loss in equity instruments at fair value through other comprehensive income	(9,483)	(595)
Share of equity-accounted associates	27,037	15,300
Balance as of December 31	($ 62,007)	($ 79,561)

(6) Non-controlling interests

	2020	2019
Balance as of January 1	($ 9,372)	($ 9,591)
Attributable to non-controlling interests		
Net loss for the year	(19)	(21)
Exchange differences on translation of the financial statements of foreign operations	482	240
Balance as of December 31	($ 8,909)	($ 9,372)

22. Net Profit from Continuing Operations

(1) Interest income

	2020	2019
Bank deposits	$ 31,651	$ 33,651
Others	1,462	7,098
	$ 33,113	$ 40,749

(2) Other income

	2020	2019
Government grant income (Note 25)	$ 114,432	$ -
Dividends	-	500
Others	136,164	92,417
	$ 250,596	$ 92,917

(3) Other gains and (losses)

	2020	2019
Net foreign currency exchange losses	($ 39,146)	($ 8,960)
Loss on disposal of property, plant and equipment	(2,637)	(55,048)
Loss on disposal of intangible assets	(194)	(401)
Gain on disposal of investment	10,274	4,468
Gain (loss) on financial assets and financial liabilities		
Financial assets mandatorily as at FVTPL	3	3,845
Others	(5,658)	(9,026)
	($ 37,358)	($ 65,122)

(4) Depreciation and amortization

	2020	2019
Property, plant and equipment	$ 292,762	$ 320,109
Right-of-use assets	15,416	16,283
Computer software	12,595	16,176
	$ 320,773	$ 352,568
Depreciation by function		
Operating costs	$ 148,970	$ 163,463
Operating expenses	159,208	172,929
	$ 308,178	$ 336,392

(Continued on next page)

(Continued from previous page)

	2020	2019
Amortization by function		
Operating costs	$ 3,357	$ 2,951
Operating expenses	9,238	13,225
	$ 12,595	$ 16,176

(5) Financial cost

	2020	2019
Interest on bank borrowings	$ 11,726	$ 12,423
Interest on bonds payable	9,978	9,976
Interest on lease liabilities	813	704
	$ 22,517	$ 23,103

(6) Employee benefits expense

	2020	2019
Short-term employee benefits	$ 2,007,711	$ 2,034,904
Post-employment benefits (Note 20)		
Defined contribution plan	21,613	21,546
Defined benefit plan	1,066	1,379
Total employee benefits expense	$ 2,030,390	$ 2,057,829
An analysis of employee benefits expense by function		
Operating costs	$ 1,195,096	$ 1,213,591
Operating expenses	835,294	844,238
	$ 2,030,390	$ 2,057,829

(7) Employees' compensation and remuneration to directors

The Company distributed employees' compensation and remuneration to directors at the rates of no less than 10% and no higher than 2% of the net profit before tax for the year, respectively. For the years ended December 31, 2020 and 2019, due to operating loss, the Company did not appropriate an amount for employees' compensation and remuneration to directors.

If there is a change in the proposed amounts after the annual consolidated financial statements were approved for release, the differences will be recorded as a change in the accounting estimate and accounted for in the next year.

Information on the employees' compensation and remuneration to directors resolved by the Company's board of directors for 2020 and 2019 is available on the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

(8) Foreign currency exchange gains and losses

	2020	2019
Foreign currency exchange gains	$ 21,751	$ 16,047
Foreign currency exchange losses	(60,897)	(25,007)
Net loss	($ 39,146)	($ 8,960)

23. Income Tax of Continuing Operations

(1) Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	2020	2019
Current income tax		
Recognized in the year	$ 31,862	$ 2,554
Recognized in prior years	(14,999)	-
	16,863	2,554
Deferred income tax		
Recognized in the year	(15,692)	(6,536)
Income tax expense (benefit) recognized in profit or loss	$ 1,171	($ 3,982)

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

	2020	2019
Net loss before income tax	($ 153,442)	($ 42,139)
Net loss before income tax expense at statutory tax rate	$ 16,863	$ 2,554
Unrecognized loss carryforwards	-	-
Current income tax	16,863	2,554
Deferred income tax		
Temporary differences	(15,692)	(6,536)
Income tax expense (benefit) recognized in profit or loss	$ 1,171	($ 3,982)

(2) Income tax recognized in other comprehensive income

	2020	2019
Deferred income tax		
Recognized in the year		
Actuarial gains and losses on defined benefit plan	($ 38)	($ 752)
Income tax recognized in other comprehensive income	($ 38)	($ 752)

(3) Current income tax liabilities

	December 31, 2020	December 31, 2019
Current income tax liabilities		
Income tax payable	$ 19,558	$ 19,822

(4) Deferred tax assets and liabilities

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

2020

	Balance, Beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, Ending of year
Deferred income tax assets				
Temporary differences				
Unrealized inventory valuation losses	$ 3,310	$ 510	$ -	$ 3,820
Unrealized bad debt losses	1,770	(1,770)	-	-
Unrealized gross profit	8,850	7,530	-	16,380
Unrealized pension expenses	12,520	1,670	-	14,190
Unrealized loss carryforwards	5,196	-	-	5,196
Others	21,679	(4,260)	38	17,457
	$ 53,325	$ 3,680	$ 38	$ 57,043
Deferred income tax liabilities				
Temporary differences				
Unrealized gain on investments	$ 79,832	($ 12,012)	$ -	$ 67,820

2019

	Balance, Beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Balance, Ending of year
Deferred income tax assets				
Temporary differences				
Unrealized inventory valuation losses	$ 2,120	$ 1,190	$ -	$ 3,310
Unrealized bad debt losses	1,770	-	-	1,770
Unrealized gross profit	10,330	(1,480)	-	8,850
Unrealized pension expenses	12,410	110	-	12,520
Unrealized loss carryforwards	-	5,196	-	5,196
Others	19,407	1,520	752	21,679
	$ 46,037	$ 6,536	$ 752	$ 53,325
Deferred income tax liabilities				
Temporary differences				
Unrealized gain on investments	$ 79,832	$ -	$ -	$ 79,832

(5) Unused loss carryforwards in income tax assets that were not recognized in the consolidated balance sheets

	December 31, 2020	December 31, 2019
Loss carryforwards	$ 737,589	$ 737,036

(6) Income tax assessments

The Company's profit-seeking enterprise business income tax filings have been certified by the tax authorities up till 2018.

24. Loss per share

Unit: $ Per share

	2020	2019
Basic loss per share	($ 0.46)	($ 0.11)

Net loss for the year

	2020	2019
Net loss used in the computation of basic loss per share	($ 154,594)	($ 38,136)

Ordinary Shares Outstanding

Unit: Thousand shares

	2020	2019
Weighted average number of ordinary shares used in the computation of basic loss per share	337,688	337,688

25. Government grants

PHC and PHP received government grants of $6,820 thousand and $7,286 thousand for technological transformation as well as installation of automated equipment and energy-saving equipment in 2020 and 2019, respectively. Said amounts have been deducted from the carrying amounts of the relevant assets while transferred and recognized in profit or loss within the useful lives of the assets by reducing the depreciation expenses. In 2020 and 2019, the depreciation expenses reduced were in the amounts $1,532 thousand and $513 thousand, respectively.

The Company's salary and working capital subsidy application was approved by the Industrial Development Bureau, Ministry of Economic Affairs (MOEA) in 2020, and it was estimated that a total of NT$84,855 thousand for the subsidy would be obtained and accounted for in "Other income". As of December 31, 2020, an amount of NT$76,216 thousand had been received, and the remaining NT$8,639 thousand was accounted for in "Other receivables". Please refer to Notes 22 and 33.

PHA obtained a relief loan of $29,577 thousand (US$1,036 thousand) under the U.S. Government's Paycheck Protection Program in April 2020, and was approved to be exempted from repayment in November 2020, and the entire amount was transferred to the "Other income". Please refer to Note 33.

26. Capital Risk Management

The Group manages its capital to ensure that all 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 its net debt (borrowings less cash and cash equivalents) and equity attributable to owners of the Company (comprising share capital, reserves, retained earnings, and other equity).

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

27. Financial instruments

(1) Fair value—financial instruments at fair value

Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL				
Fund beneficiary certificates	$ 43,600	$ -	$ -	$ 43,600
Financial Assets at FVTOCI				
Investment in equity instruments				
-Domestic unlisted equity	$ -	$ -	$ 65,828	$ 65,828

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL				
Fund beneficiary certificates	$ 347,841	$ -	$ -	$ 347,841
Financial Assets at FVTOCI				
Investment in equity instruments				
-Domestic unlisted equity	$ -	$ -	$ 57,311	$ 57,311

There were no transfers between Level 1 and Level 2 fair value in 2020 and 2019.

(2) Types of financial instruments

	December 31, 2020	December 31, 2019
Financial assets		
FVTPL		
Mandatorily at FVTPL	$ 43,600	$ 347,841
Financial assets at amortized cost (Note 1)	4,650,814	4,285,330
Financial Assets at FVTOCI		
Investment in equity instruments	65,828	57,311
Financial liabilities		
At amortized cost (Note 2)	5,124,780	4,284,580

Note 1: The balances included financial assets at amortized cost, comprising cash and cash equivalents, notes receivable, account receivables, other receivables, and refundable deposits

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

(3) Financial risk management objective and policy

The Group's major financial instruments included cash and cash equivalents, financial assets at amortized cost, equity instrument investments, notes receivable, account receivables, other receivables, guarantee deposits paid (received), short-term borrowings, account payables, account payables to related parties, other payables, long-term borrowings, bonds payable, and lease liabilities. The Group's financial management entity provides services to various business units, coordinates operations in domestic and international financial markets, as well as monitors and manages financial risks related to the operations of the Group through internal risk reports that analyze risk exposure based on the degree and magnitude of risks. Such risks include market risk (including foreign currency risk and interest rate risk), credit risk, and liquidity risk.

1. Market risk

The main financial risks for the Group's operating activities are the risk of changes in foreign currency exchange rates (see (1) below) and the risk of changes in interest rates (see (2) below).

(1) Foreign currency risk

Several subsidiaries of the Company are engaged in sale and purchase transactions denominated in foreign currencies, which has caused the Group to be exposed to the risk of exchange rate fluctuations. After assessment, the positions of the Group's foreign currency assets and liabilities were not exposed to significant exchange rate risks, and it did not adopt additional hedging measures. Therefore, no relevant hedging accounting treatment applied.

For the carrying amounts of the Group's monetary assets and monetary liabilities denominated in non-functional currencies at the balance sheet date (including monetary items denominated in non-functional currencies eliminated in the consolidated financial statements), please refer to Note 32.

Sensitivity analysis

The Group was mainly affected by the fluctuations in the exchange rates of USD and CNY.

The following table details the Group's sensitivity analysis when the New Taiwan dollar (functional currency) increases and decreases by 1% against each relevant foreign currency . The sensitivity analysis only included monetary items in foreign currencies in circulation, and were adjusted by 1% in the exchange rates for the year-end translation. The positive numbers in the table below indicate the amount by which the net income before tax will be reduced when the New Taiwan dollar appreciates by 1% against the relevant currencies; when the New Taiwan dollar depreciates by 1% against the relevant foreign currencies, the net income before tax will be the negative number of the same amount.

	2020	2019
USD	$ 3,579	$ 5,308
CNY	37	43
VND	190	13

(2) Interest rate risk

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

The carrying amounts of the Group's financial liabilities with exposure to the interest rate risk at the balance sheet date were as follows:

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
-Financial liabilities	$ 1,191,214	$ 1,019,958
Cash flow interest rate risk		
-Financial liabilities	454,121	295,739

2. Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Group. At the balance sheet date, the Group's maximum exposure to credit risk, which might cause financial losses due to a counterparty's failure to perform its obligations, approximated the carrying amounts of the financial assets recognized in the consolidated balance sheet.

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 continuously monitored its credit exposure and counterparties' credit ratings and spread the aggregate value of transactions among customers with qualified credit ratings, while appointing dedicated staff to review and approve counterparties' credit limits on an annual basis to control the credit exposure.

As for the accounts receivable, many customers in different industries and geographic regions were involved. The Group continuously evaluated the financial position of the customers involved in the accounts receivable and would also purchase credit guarantee insurance policy when necessary.

3. Liquidity risk

The Group managed and maintained sufficient cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The management of the Group monitored the use of the bank financing facilities and ensured compliance with the terms of the borrowing terms.

Bank borrowings were an important source of liquidity for the Group. As of December 31, 2020 and 2019, for the Group's unutilized credit facilities, please refer to (2) below for description of financing facilities.

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

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Group might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period, regardless of the probability of exercise of the right by banks. The maturity analysis of other non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

December 31, 2020

	Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest-bearing liabilities	$ 3,499,267	$ -	$ -	$ 3,499,267
Lease liabilities	7,786	10,769	1,896	20,451
Floating interest rate instruments	150,177	303,944	-	454,121
Fixed interest rate instruments	1,170,763	-	-	1,170,763
	$ 4,827,993	$ 314,713	$ 1,896	$ 5,144,602

Additional information about the maturity analysis of lease liabilities:

	Less than 1 Year	1 to 5 Years	5 to 10 Years
Lease liabilities	$ 7,786	$ 12,665	$ -

December 31, 2019

	Less than 1 Year	1 to 3 Years	Over 3 Years	Total
Non-derivative financial liabilities				
Non-interest-bearing liabilities	$ 2,988,772	$ -	$ -	$ 2,988,772
Lease liabilities	5,665	8,715	6,173	20,553
Floating interest rate instruments	-	295,739	-	295,739
Fixed interest rate instruments	-	999,405	-	999,405
	$ 2,994,437	$ 1,303,859	$ 6,173	$ 4,304,469

Additional information about the maturity analysis of lease liabilities:

	Less than 1 Year	1 to 5 Years	5 to 10 Years
Lease liabilities	$ 5,665	$ 14,786	$ 102

(2) Financing facilities

	December 31, 2020	December 31, 2019
Unsecured bank facilities		
Drawdown amount	$ 170,880	$ -
Undrawn amount	-	180,120
	$ 170,880	$ 180,120
Secured bank facilities		
Drawdown amount	$ 456,480	$ 300,000
Undrawn amount	3,244,097	2,937,443
	$ 3,700,577	$ 3,237,443

28. Related-party Transactions

(1) The Group's related parties and relationship

Related party	Relationship with the Group
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Hua Jung Co., Ltd.	Other related parties
Spring City Resort Co., Ltd.	Associates
Yao Yu Design Co., Ltd.	Other related parties
Peter Lin	Chairman of Phihong

The transactions, account balances, as well as income and expenses between the Company and its subsidiaries (related parties of the Company) were all eliminated upon consolidation, so they are note disclosed in this note. Details of transactions between the Group and other related parties are as follows:

(2) Purchase of goods

Category of related parties	2020	2019
Other related parties	$ 141,596	$ 127,392

The prices of purchases made by the Group from related parties were determined by the product type, cost, market price, market competition, etc., and showed no significant differences with non-related parties.

(3) Payables to related parties

Category of related parties	December 31, 2020	December 31, 2019
Other related parties	$ 82,497	$ 69,526

(4) Compensation to key management personnel

The amounts of the remuneration to directors and other key members of the management are as follows:

	2020	2019
Short-term employee benefits	$ 31,147	$ 32,765
Post-employment benefits	432	432
	$ 31,579	$ 33,197

The remuneration to directors and key members of the management was determined by the Remuneration Committee based on individual performance and market trends.

(5) Other transactions with related parties

The Company's chairman served as the joint guarantor for the Company's bonds payable and short- and long-term borrowings. As of December 31, 2020 and 2019, the amounts of the borrowings were $1,454,004 thousand and $1,295,144 thousand, respectively.

29. Assets Pledged as Collateral

The Group's assets below have been provided as contractual performance bonds and collateral for bank borrowings and domestic secured bonds:

	December 31, 2020	December 31, 2019
Financial assets at amortized cost - non-current (Note 6)	$ 37,100	$ 27,100
Land	185,202	185,202
Buildings	436,406	469,051
Land use rights	15,499	15,763
	$ 674,207	$ 697,116

30. Material Contingent Liabilities and Unrecognized Contractual Commitments

Unrecognized contractual commitments of the Group are as follows:

	December 31, 2020	December 31, 2019
Acquisition of property, plant and equipment		
Contractual amount signed	$ 627,710	$ -
Amount unpaid	464,866	-

31. Significant Events After the Balance Sheet Date

The Company's board of directors passed the resolution of a new Phase 2 factory plan in Tainan on November 6, 2020, for a total amount of around $284,595 thousand. As of December 31, 2020, the Company had prepaid $84,075 thousand for the land and had already completed the transfer of ownership in January 2021.

32. Information on Significant Assets and Liabilities Denominated in Foreign Currencies

The aggregate information below is presented in foreign currencies other than the functional currency adopted by the Group. The exchange rates disclosed refer to the rates at which these foreign currencies were exchanged to the functional currency. Information on significant assets and liabilities denominated in foreign currencies is as follows:

December 31, 2020

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

(Continued on next page)

(Continued from previous page)

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary item			
USD	$ 51,365	30.02000	$ 1,541,966
CNY	998	4.30055	4,291
VND	16,983,031	0.00130	22,078
Financial liabilities			
Monetary item			
USD	33,684	30.02000	1,011,202
VND	16,001,217	0.00130	20,802

33. Other Matters

The Group was affected by the global COVID-19 pandemic, which caused a significant drop in its operating income from January to June 2020. With the alleviation of the pandemic and loosening of policies, the Group expects that operations will gradually return to normal.

In response to the impact of the pandemic, the Group has applied for various subsidies, such as paycheck, working capital, and relief loans from the R.O.C. and U.S. governments. After review and approval of the applications, the Company expects to receive a total of $84,855 thousand for paycheck and working capital subsidies. PHA, after approval of its application, has received a relief subsidy of $29,577 thousand (US$1,036 thousand) under the U.S. Paycheck Protection Program. Please refer to Notes 22 and 25.

34. Additional Disclosures

(1) Significant transactions and (2) Information on investees:

1. Financing provided to others. (Table 1)
2. Endorsements/guarantees provided to others. (Table 2)
3. Marketable securities held at the end of the period (excluding investment in subsidiaries and associates). (Table 3)
4. Marketable securities acquired or sold amounting to at least NT$300 million or 20% of the paid-in capital. (Table 4)
5. Acquisition of real estate amounting to at least NT$300 million or 20% of the paid-in capital. (None)
6. Disposal of real estate amounting to at least NT$300 million or 20% of the paid-in capital. (Table 5)
7. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 6)
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 7)

9. Trading in derivative instruments. (None)

10. Other: Business relations and important transactions between parent company and subsidiaries and among subsidiaries and amounts. (Table 8)

11. Information on investees. (Table 9)

(3) Information on investments in mainland China:

1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the mainland China area. (Table 10)

2. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third region, and the price, payment term, and unrealized gains or losses: (Table 11)

   (1) The amount and percentage of purchases and the balance and percentage of the relevant payables at the end of the period.

   (2) The amount and percentage of sales and the balance and percentage of the relevant receivables at the end of the period.

   (3) The amount of property transactions and the amount of the resulting gains or losses.

   (4) The balance of negotiable instrument endorsements or guarantees or collateral pledged at the end of the period and the purposes.

   (5) The highest balance, the closing balance, the interest rate range, and total current-period interest with respect to financing of funds.

   (6) 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 labor services.

(4) Information on major shareholders: The name of shareholders with a shareholding ratio of 5% or more, and the number and percentage of shares held. (Table 12)

35. <u>Segment Information</u>

(1) Basic information on operating segments

1. Classification of operating segments

The Group’s segments that shall be reported are as follows:

The power supply products segment: It mainly engages in the R&D, design, manufacturing, and sales of power supply products and provision of after-sales service.

2. Principles of measuring operating segments’ profit and loss, assets, and liabilities

The accounting policies adopted for 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 segments of the Group were measured based on the operating profit and loss that could be controlled by the segment managers, which could used as the basis for management performance evaluation.

(2) Segment revenues and operating results

The Group's revenues and operating results of the segments reported for 2020 and 2019:

	Power Supply Segment	Other segments	Total
2020			
Revenues from external customers	$ 9,236,707	$ 6,911	$ 9,243,618
Segment losses	($ 372,245)	($ 386)	($ 372,631)
Interest income			33,113
Other income			250,596
Other gains and losses			(37,358)
Financial cost			(22,517)
Share of profit or loss of equity-accounted associates			(4,645)
Net loss before income tax			($ 153,442)
2019			
Revenues from external customers	$ 10,681,356	$ 13,248	$ 10,694,604
Segment losses	($ 71,031)	($ 7,419)	($ 78,450)
Interest income			40,749
Other income			92,917
Other gains and losses			(65,122)
Financial cost			(23,103)
Share of profit or loss of equity-accounted associates			(9,130)
Net loss before income tax			($ 42,139)

(3) Segment assets and liabilities

	December 31, 2020	December 31, 2019
Power supply products	$ 9,701,757	$ 8,945,913
Other assets	660,914	586,263
Total assets	$ 10,362,671	$ 9,532,176
Power supply products	$ 5,561,974	$ 4,559,246
Other Liabilities	55,816	58,629
Total liabilities	$ 5,617,790	$ 4,617,875

(4) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services in its continuing operations:

	2020	2019
Power supply products	$ 9,236,707	$ 10,681,356
Others	6,911	13,248
	$ 9,243,618	$ 10,694,604

(5) Region-specific information

The Group operates in three major geographical regions: Asia, the Americas, and Europe.

The Group's revenue from continuing operations' external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenues from external customers		Non-current assets	
	2020	2019	December 31, 2020	December 31, 2019
Asia	$ 6,399,200	$ 7,635,990	$ 2,935,210	$ 3,128,237
Americas	1,827,046	1,811,213	117,190	130,233
Europe	984,836	1,171,000	-	-
Others	32,536	76,401	-	-
	$ 9,243,618	$ 10,694,604	$ 3,052,400	$ 3,258,470

(6) Information on major customers

Of the sales revenue of $9,243,618 thousand and $10,694,604 thousand in 2020 and 2019, respectively, $4,943,605 thousand and $5,033,143 thousand were derived from the sales to the Group's major customers, respectively.

Single customers, contributing 10% or more to the Group's total revenue, were as follows:

	2020	2019
Customer A	$ 1,865,176	$ 1,829,471
Customer B	1,678,975	1,771,695
Customer C	1,399,454	1,431,977
	$ 4,943,605	$ 5,033,143

There were no other single customers contributing 10% or more to the Group's total revenue for both 2020 and 2019.

Phihong Technology Co., Ltd. and Subsidiaries

Financing Provided to Others

For the year ended December 31, 2020

Table 1

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party Status	Highest Balance for the Period	Balance, Ending of year	Actual Borrowing Amount	Interest Rate (Range)	Nature of Financing (Note 2)	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral Item	Collateral Value	Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
0	Phihong	Phihong Vietnam Co., Ltd.	Other receivables - related parties	Yes	$ 256,320 USD 9,000,000	$ - -	$ -	3.50%	2	$ -	Capital movement in the Group	$ -	-	$ -	$ 950,758	$ 1,901,516	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	〃	〃	871,948 RMB 200,000,000	435,974 RMB 100,000,000	-	4.35%	〃	-	〃	-	-	-	1,706,066	1,706,066	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	〃	〃	43,597 RMB 10,000,000	43,597 RMB 10,000,000	43,597	4.90%	〃	-	〃	-	-	-	1,706,066	1,706,066	
2	Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	〃	〃	1,264,325 RMB 290,000,000	1,046,338 RMB 240,000,000	1,046,338	4.75%	〃	-	〃	-	-	-	1,211,634	1,211,634	

Note 1: The information on the Company and its subsidiaries' financing provided to others shall be separated and indicated in the No. column. The Company and its subsidiaries are coded in the No. column as follows:

1. The Company is coded "0".
2. The subsidiaries are coded sequentially beginning from "1" by each individual company.

Note 2: The description of the nature of financing is as follows:

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

Note 3: According to the Company's operating procedures for financing provided to others, the aggregate amount of financing provided to others shall not exceed 40% of its net worth, which is based on the latest financial statements audited or attested by CPAs. The maximum financing limit for each borrower is set based on the types of financing reasons below:

1. Business relationship: Each of the financing amounts shall not exceed the amount of the total purchases from or sales to a borrower in the most recent year or in the current year, whichever is higher.
2. 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 financial statements audited or attested by CPAs.

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

Phihong Technology Co., Ltd. and Subsidiaries

Endorsements/Guarantees Provided to Others.

For the year ended December 31, 2020

Table 2

In Thousands of New Taiwan Dollars,
Unless Specified Otherwise

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Provided to Each Party (Notes 2 and 3)	Maximum Amount of Endorsement/ Guarantee Provided During the Period	Balance of Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount of Endorsement/ Guarantee with Property as Collateral	Proportion of Accumulated Endorsement/Guarantee to Net Worth in Latest Financial Statements (%)	Maximum Limit on Endorsement/ Guarantee (Notes 2 and 3)	Endorsement/ Guarantee Provided by the Company to Subsidiaries	Endorsement/ Guarantee Provided by Subsidiaries to the Company	Endorsement/ Guarantee Provided to Companies in Mainland China	Note
		Company Name	Relationship											
0	Phihong	Phihong USA Corp.	Subsidiary of the Company	$ 1,426,137	$ 142,400 USD 5,000,000	$ 142,400 USD 5,000,000	$ -	$ -	3.00	$ 2,376,895	Y	N	N	
1	Phihong (Dongguan) Electronics Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	1,706,066	217,987 RMB 50,000,000	-	-	-	-	1,706,066	N	N	Y	

Note 1: The information on the Company and its subsidiaries' endorsement/guarantee provided shall be separated and indicated in the No. column. The Company and its subsidiaries are coded in the No. column as follows:

1. The Company is coded "0".
2. The subsidiaries are coded sequentially beginning from "1" by each individual company.

Note 2: According to the Company's operating procedures for provision of endorsement/guarantee to others, the aggregate amount of endorsements/guarantees provided to others by the Company shall not exceed 50% of its net worth based on its latest financial statements. In particular, the amount of endorsement/guarantee provided by the Company to any single entity shall not exceed 30% of the Company's net worth based on its latest financial statements.

Note 3: According to the Company's operating procedures for provision of endorsement/guarantee to others, the aggregate amount of endorsements/guarantees provided among the subsidiaries shall not exceed the net worth based on their latest financial statements.

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

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

Phihong Technology Co., Ltd. and Subsidiaries

Marketable Securities Held

December 31, 2020

Table 3

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Holding Company Name	Type and Name of Marketable Securities Held	Relationship with Marketable Securities Issuer	Financial Statement Account	End of Period				Note
				Number of Shares	Carrying Amount	Percentage of ownership (%)	Fair Value	
Phihong	Ordinary Shares							
	Pao-Dian Venture Capital Co., Ltd.	None	Financial assets at FVTOCI - non current	270,565	$ 2,837	10.49	$ 2,837	
	Zhong-Xuan Venture Capital Co., Ltd.	”	”	2,758,621	23,054	8.62	23,054	
	Wan-Chang Venture Capital Co., Ltd.	”	”	3,600,000	37,780	9.84	37,780	
Guang-Lai	Ordinary Shares							
	Taiwan Cultural & Creativity No. 1 Co., Ltd.	None	Financial assets at FVTOCI - non current	3,000,000	2,157	10.83	2,157	
Phihong Electronics (Suzhou) Co., Ltd.	Fund							
	China Construction Bank Principal and Income Protected Financial Products	”	”	10,000,000	43,600	-	43,600	

Note 1: The marketable securities stated in this table refer to shares, debentures, beneficiary certificates, and their derivative products within the scope of IFRS 9 “Financial Instruments”.

Note 2: For information on the investments in subsidiaries and associates, refer to Tables 9 and 10.

Phihong Technology Co., Ltd. and Subsidiaries

Marketable Securities Acquired or Sold Amounting to at Least NT$300 Million or 20% of the Paid-in Capital.

For the year ended December 31, 2020

Table 4

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Company Name	Type and Name of Marketable Securities Held (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Balance, Beginning of year		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Book Cost	Gain or Loss on Disposal	Number of Shares	Amount
Phihong Electronics (Suzhou) Co., Ltd.	China Construction Bank Principal and Income Protected Financial Products	Financial assets at FVTPL - current	China Construction Bank	None	80,000,000	$ 344,044	-	$ -	80,000,000	$ 357,393 RMB83,086,767	$ 344,044 RMB80,000,000	$ 13,349 RMB 3,086,767	-	$ -

Note 1:The marketable securities stated in this table refer to shares, debentures, beneficiary certificates, and the marketable securities derived from said items.

Note 2:Investors whose marketable securities accounted for under the equity method are required to make disclosure.

Note 3:The accumulated amounts of the marketable securities acquired and sold shall be calculated separately at the market values to determine whether each amount reaches $300 million or 20% of the paid-in capital.

Note 4:The paid-in capital refers to the paid-in capital of the parent company. If the share issued by an issuer has no face value or the face value is not NT$10 per share, with regard to the rule of a transaction amounting to 20% of the paid-in capital, then the benchmark of 10% of equity attributable to owners of the Company on the balance sheet shall apply.

Phihong Technology Co., Ltd. and Subsidiaries

Disposal of Real Estate Amounting to at Least NT$300 Million or 20% of the Paid-in Capital.

For the year ended December 31, 2020

Table 5

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Company Name	Property	Date of Fact	Original Acquisition Date	Carrying Amount	Transaction Amount	Status of Payment Collection	Gain or Loss on Disposal	Counterparty	Relationship	Purpose of Disposal	Basis for Price Determination	Other Agreed Terms
Dongguan Phitek Electronics Co., Ltd.	Land and factory in Dongguan	2020.02.27 (Note 1)	May 2001	$ 241,752 RMB 56,383,755	$ 358,016 RMB 83,500,000	$170,466 thousand received	$ 21,107 (Note 2)	Blackview High Technology Enterprise in Dongguan City	Non-related parties	To liquidate unprofitable idle assets	Professional appraisal reports and market conditions	—

Note 1: Date of signing the contract.

Note 2: Amount after deducting the estimated relevant expenses and taxes.

Phihong Technology Co., Ltd. and Subsidiaries

Total Purchases from or Sales to Related Parties Amounting to at Least NT$100 Million or 20% of the Paid-in Capital

For the year ended December 31, 2020

Table 6

In Thousands of New Taiwan Dollars,
Unless Specified Otherwise

Buyer (Seller)	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note	Abnormal Transaction
			Purchase (Sale)	Amount	Proportion of Total Purchases (Sales) (%)	Payment Term	Unit Price	Payment Term	Ending Balance	Proportion of Total Notes/Accounts Receivable (%)		
Phihong	Phihong USA Corp.	Subsidiary of the Company	Sale	($ 2,989,208)	(43.92)	Determined by mutual agreement	-	—	$ 325,929	27.37		
”	Phihong Technology Japan Co., Ltd.	”	Sale	(158,816)	(2.33)	”	-	—	30,667	2.58		
”	Phihong (Dongguan) Electronics Co., Ltd.	”	Purchase of goods	5,226,352	86.97	”	-	—	-	-		
”	Phihong Vietnam Co., Ltd.	”	”	725,800	12.08	”	-	—	-	-		
Phihong USA Corp.	Phihong	Parent company	”	2,989,208	96.67	”	-	—	(325,929)	(95.25)		
Phihong Technology Japan Co., Ltd.	”	”	”	158,816	100	”	-	—	(30,667)	(100)		
Phihong (Dongguan) Electronics Co., Ltd.	”	Ultimate parent company	Sale	(5,226,352)	(100)	”	-	—	-	-		
Phihong Vietnam Co., Ltd.	”	”	”	(725,800)	(99.42)	”	-	—	-	-		

Phihong Technology Co., Ltd. and Subsidiaries

Receivables from Related Parties Amounting to at Least NT$100 Million or 20% of the Paid-in Capital

December 31, 2020

Table 7

In Thousands of New Taiwan Dollars, Unless Specified 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	Response		
Phihong	Phihong USA Corp.	Subsidiary of the Company	Accounts receivable $ 325,929	15	$ -	—	$ 278,611	$ -
”	Phihong (Dongguan) Electronics Co., Ltd.	”	Other receivables 241,122	-	-	—	240,985	-
”	Phihong Vietnam Co., Ltd.	”	Other receivables 246,244	-	-	—	192,296	-
Phihong Electronics (Suzhou) Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Sister company	Other receivables 1,046,338	-	-	—	-	-

Phihong Technology Co., Ltd. and Subsidiaries

Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries

For the year ended December 31, 2020

Table 8

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	Proportion of Total Consolidated Revenue or Assets (Note 3)
0	Phihong	PHA	1	Revenue from sale of goods	$ 2,989,208	Determined by mutual agreement	32%
”	”	PHJ	”	”	158,816	”	2%
”	”	PHC	”	Purchase of goods	5,226,352	No difference compared with general customers	57%
”	”	PHP	”	”	52,534	”	1%
”	”	PHV	”	”	725,800	”	8%
”	”	PHA	”	Accounts receivable	325,929	—	3%
”	”	PHC	”	Other receivables	241,122	—	2%
”	”	PHP	”	”	80,647	—	1%
”	”	PHV	”	”	246,244	—	2%
1	PHZ	PHP	3	”	1,046,338	—	10%

Note 1: The information on transactions between the Company and its subsidiaries shall be separated and indicated in the No. column. The Company and its subsidiaries are coded in the the No. column as follows:

1. The parent company is coded “0”.
2. The subsidiaries are coded sequentially beginning from “1” by each individual company.

Note 2: There are three types of relationships with the counterparty, indicating the code is sufficient:

1. Parent company to subsidiary
2. Subsidiary to parent company
3. Between subsidiaries

Note 3: Regarding the transaction amount as a percentage of the total consolidated revenue or assets, if it is recognized in the balance sheet account, it is shown with the ending balance as a percentage of the total consolidated assets; if it is in the profit or loss account, it is shown with the cumulative amount throughout the period as a percentage of the total consolidated revenue.

Phihong Technology Co., Ltd. and Subsidiaries

Information on Investees with Direct or Indirect Material Influence or Control

For the year ended December 31, 2020

Table 9

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investor	Investee	Location	Main Business and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) on Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	(%)	Carrying Amount			
Phihong	PHI	British Virgin Islands	Making investments	$ 3,448,270	$ 3,448,270	111,061,351	100.00	$ 3,134,524	($ 62,826)	($ 49,208)	
	PHA	California, U.S.	Selling a variety of power supplies	207,203	207,203	3,100,000	100.00	923,714	25,020	25,020	
	PHK	British Virgin Islands	Making investments	314,956	314,956	10,200,000	100.00	(243,673)	(94,712)	(93,489)	
	PHQ	British Virgin Islands	Making investments	352,043	352,043	12,012,600	100.00	69,397	(21,576)	(22,275)	
	Guang-Lai	Taiwan	Making investments	139,758	139,758	13,975,828	100.00	140,802	(7,454)	(7,454)	
	H&P Venture Capital Co., Ltd.	Taiwan	Making investments	13,738	23,305	1,373,801	32.26	21,193	9,466	2,689	
	PHJ	Japan	Selling power components	137,436 JPY 150,000,000	191,738 JPY 550,000,000	3,000	100.00	82,082	(9,537)	(9,537)	
	PHV	Vietnam	Manufacturing and selling a variety of power supplies	607,193	308,468	20,000,000	100.00	442,085	(47,192)	(46,983)	
PHI	N-Lighten	California, U.S.	Making investments	409,851	409,851	110,834,223	58.45	(23,921)	(86)	(50)	PHI and Guang-Lai jointly held 78.23%
Guang-Lai	Spring City Resort Co., Ltd.	Taiwan	Hotel and restaurant	190,000	190,000	2,837,343	25.33	11,891	(22,925)	(5,715)	
	Han-Yu Venture Capital Co., Ltd.	Taiwan	Making investments	100,000	100,000	10,000,000	22.22	119,281	(7,286)	(1,619)	
	N-Lighten	California, U.S.	Making investments	206,084	206,084	37,498,870	19.78	(8,095)	(86)	(17)	PHI and Guang-Lai jointly held 78.23%

Note 1: For information on investees in mainland China, refer to Table 10.

Phihong Technology Co., Ltd. and Subsidiaries

Information on Investment in Mainland China

For the year ended December 31, 2020

Table 10

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

1. Information on investees in mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, percentage of ownership, investment income or loss, book value of the investment, and repatriation of investment income:

Investee	Main Business and Products	Paid-in Capital	Investment Method	Accumulated Investment Remitted from Taiwan, as of January 1, 2020	Remittance of Funds		Accumulated Investment Remitted from Taiwan, as of Deceember 31, 2020	Gain or Loss on Investee in the Period	% of Ownership in Direct or Indirect Investment	Investment Gain (Loss) in the Period (Note 4)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Phihong (Dongguan) Electronics Co., Ltd.	Manufacturing and selling a variety of power supplies	$ 1,988,018 HKD 495,450,000	Indirect investment in mainland China through PHI	$ 1,677,679 HKD 419,000,000	$ -	$ -	$ 1,677,679 HKD 419,000,000	($ 93,014)	100.00	($ 93,014)	$ 1,706,066	$ -	
Phitek (Tianjin) Electronics Co., Ltd.	Manufacturing and selling a variety of power supplies	-	”	25,327 USD 255,127	-	-	25,327 USD 255,127	-	-	-	-	-	Note 1
Phihong Electronics (Suzhou) Co., Ltd.	Manufacturing and selling a variety of power supplies	1,097,139 USD 31,960,000	”	1,343,033 USD 40,600,000	-	-	1,343,033 USD 40,600,000	35,645	100.00	35,645	1,211,634	-	
Yanghong Trade (Shanghai) Co., Ltd.	Selling a variety of lighting products and power supplies	26,291 USD 880,000	”	63,934 USD 2,865,000	-	-	63,934 USD 2,865,000	(5,448)	100.00	(5,448)	12,684	-	
Dongguan Phitek Electronics Co., Ltd.	Manufacturing and selling a variety of power supplies	362,042 USD 11,500,000	Indirect investment in mainland China through PHK	315,258 USD 10,000,000	-	-	315,258 USD 10,000,000	(94,419)	100.00	(94,419)	(245,387)	-	
Dongguan Shuang-Ying Electronics Co., Ltd.	Manufacturing and selling electronic materials	39,678 HKD 9,000,000	Indirect investment in mainland China through PHQ	39,678 HKD 9,000,000	-	-	39,678 HKD 9,000,000	1,655	100.00	1,655	55,328	-	
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufacturing and selling electronic materials	360,124 USD 11,500,000	”	360,124 USD 11,500,000	-	-	360,124 USD 11,500,000	(23,128)	100.00	(23,128)	12,637	-	
N-Lighten (Shanghai) Trading Inc.	R&D, manufacturing, and selling a variety of optoelectronic equipment and displays	-	Indirect investment in mainland China through N-Lighten	387,406 USD 12,366,400	-	-	387,406 USD 12,366,400	-	-	-	-	-	Note 2

Note 1: The liquidation of Phitek (Tianjin) Electronics Co., Ltd. was completed on March 24, 2017.

Note 2: The liquidation of N-Lighten (Shanghai) Trading Inc. was completed on June 18, 2015.

Note 3: The amount was recognized based on financial statements audited by CPAs entrusted by the parent company in Taiwan.

Note 4: The foreign currencies in this are converted into New Taiwan dollars at the exchange rates at the investment dates, except for the investment income and expense items which were translated based on the monthly weighted average exchange rates in 2020.

2. Limit on investment amount in mainland China:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment Amount Stipulated by Investment Commission, MOEA
$4,212,439	$4,816,767	Note

Note 1: In accordance with the provisions of the “Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area” passed on June 26, 2018, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount of investment in mainland China.

Phihong Technology Co., Ltd. and Subsidiaries

Any of the Following Significant Transactions with Investees in Mainland China, Either Directly or Indirectly Through a Third Region, and the Price, Payment Term, Unrealized Gains or Losses, and Other Information

For the year ended December 31, 2020

Table 11

In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investee	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain)/Loss	Note
		Amount	%		Payment Terms	Comparison with General Transaction	Ending Balance	%		
Phihong (Dongguan) Electronics Co., Ltd.	Purchase of goods	$ 5,226,352	86.97%	Determined by mutual agreement	Determined by mutual agreement	—	$ -	-	$ -	

Phihong Technology Co., Ltd. and Subsidiaries

Major Shareholder Information

December 31, 2020

Table 12

Name of Major Shareholder	Shares	
	Number of Shares Held	Percentage of ownership
Peter Lin	51,703,063	15.31%

Note 1: The major shareholder information in this table is based on Taiwan Depository & Clearing Corporation's data of shareholders who hold more than 5% of the Company's ordinary shares and preferred stock (including treasury shares), for which electronic registration and delivery were completed, on the last business day of the quarter. The share capital recorded in the Company's consolidated financial statements and the actual number of shares, for which electronic registration and delivery were completed, may not be consistent due to different bases for preparation and calculation.

VI. In the most recent year and as of the date of publication of the annual report, the company and its affiliated companies, in the case of any financial difficulties, shall indicate their impact on the company's financial position:

Not applicable.

VII. Financial Position and Financial Performance Review Analysis and Risk Issues

I. Financial position

Unit: NT$1,000; %

Item \ Year	2019	2020	Discrepancy	
			Amount	%
Current assets	5,994,332	6,997,934	1,003,602	16.74
Property, plant and equipment	2,853,417	2,590,539	(262,878)	(9.21)
Intangible assets	33,216	27,679	(5,537)	(16.67)
Other assets	651,211	746,519	95,308	14.64
Total assets	9,532,176	10,362,671	830,495	8.71
Current liabilities	3,125,121	5,138,664	2,013,543	64.43
Non-current liabilities	1,492,754	479,126	(1,013,628)	(67.90)
Long-term liabilities	1,295,144	303,944	(991,200)	(76.53)
Total liabilities	4,617,875	5,617,790	999,915	21.65
Ordinary shares (including proceeds-new issued)	3,376,884	3,376,884	-	-
Capital surplus	1,044,017	1,044,017	-	-
Accumulated losses	(41,146)	(154,744)	(113,598)	276.09
Other equity	(495,747)	(510,886)	(15,139)	3.05
Total shareholders' equity	4,914,301	4,744,881	(169,420)	(3.45)

The main reasons for the major changes in the Company's assets, liabilities, and shareholders' equity in the last two years (changes of more than 20% compared with the previous period, and the amount of changes reaching NT$10 million), their impact, and future response plans .

1. Current liabilities: Due to the reclassification of long-term borrowings due within one year of the current period and corporate bonds payable to current liabilities.
2. Total liabilities: Due to the increase in accounts payable and borrowings in the current period.
3. Non-current liabilities and Long-term liabilities: Due to the reclassification of corporate bonds payable due within one year to current liabilities.
4. Accumulated losses:Due to operating losses in the current period.

II. Financial performance

Table of financial performance comparison

Unit: NT$1,000; %

Item \ Year	2019	2020	Increase (decrease) amount	Change (%)	Analysis of change
Operating revenue	10,694,604	9,243,618	(1,450,986)	(13.57)	
Operating costs	9,168,956	8,066,422	(1,102,534)	(12.02)	
Gross profit	1,525,648	1,177,196	(348,452)	(22.84)	(1)
Operating expenses	1,604,098	1,549,827	(54,271)	(3.38)	
Loss from operations	(78,450)	(372,631)	(294,181)	374.99	(2)
Non-operating income and expenses	36,311	219,189	182,878	503.64	(3)
Net loss before income tax	(42,139)	(153,442)	(111,303)	264.13	(2)
Income tax (expense) benefit	3,982	(1,171)	(5,153)	(129.41)	(4)
Net loss of continuing operations for the year	(38,157)	(154,613)	(116,456)	305.20	(2)
Net loss for the year	(38,157)	(154,613)	(116,456)	305.20	(2)

Item / Year	2019	2020	Increase (decrease) amount	Change (%)	Analysis of change
Total other comprehensive loss (net of income tax)	(138,644)	(14,807)	123,837	(89.32)	(5)
Total comprehensive loss for the year	(176,801)	(169,420)	7,381	(4.17)	
Net loss attributable to owners of the company	(38,136)	(154,594)	(116,458)	305.38	(2)
Net loss attributable to non-controlling interests	(21)	(19)	2	(9.52)	
Total comprehensive loss attributable to owners of the company	(177,020)	(169,883)	7,137	(4.03)	
Total comprehensive income attributable to non-controlling interests	219	463	244	111.42	(6)

1. Analysis and description of the percentage of changes in increase and decrease in the last two years: (Only those with a 20% change are analyzed)
(1) The decrease in Gross profit compared with the previous period was due to the sharp drop in operating income due to the impact of the pandemic in this period.
(2) The Loss from operations, Net loss before income tax, Net loss of continuing operations, Net loss, and Net loss attributable to owners of the company for the current period increased compared with the previous period, due to the impact of the pandemic in the current period as the operating income fell sharply and the gross income from operations also declined accordingly.
(3) Non-operating income and expenditure increased compared with the previous period, due to the impact of the pandemic in this period and the receipt of the government's salary and working capital subsidies.
(4) The Income tax expenses increased compared to the previous period due to the increase in income tax expenses of subsidiaries in the period.
(5) Other comprehensive loss increased compared with the previous period due to the decrease in the loss on the exchange on translation of the financial statements of foreign operations in the period.
(6) The Total comprehensive income attributable to non-controlling interests increased compared to the previous period due to the increase in the gain on the exchange on translation of the financial statements of foreign operations in the period.

2. Description of significant changes in revenue or costs: Not applicable.
3. Description of material changes in operating policies, market conditions, or other internal and external factors that have occurred or are expected to occur: Not applicable.
4. The expected sales volume in the next year and its basis, and the main factors affecting the Company's expected sales volume to continue to grow or decline:
The Company's sales volume in 2020 was expected to be the same as last year (2019). However, due to the impact of the COVID-19 pandemic, there was a significant gap between the volume and the expected one in the first quarter. Currently, Phihong is also actively coping with it and maintaining close collaboration with customers and suppliers while exploring new opportunities to sustain competitiveness.

III. Cash flow:

Cash flow analysis

Unit: NT$1,000

Year	Beginning Cash Balance	Annual net cash flow from operating activities	Annual cash inflow (outflow)	Cash surplus (shortage) Amount	Remedies for cash shortage	
					Investment plan	Financial management plan
2020	2,150,899	184,003	394,905	2,545,804	-	-

1. Analysis of changes in cash flow for this year:
   (1) Net cash inflow from operating activities: Due to depreciation and amortization expenses.
   (2) Net cash outflow from investment activities: Due to the purchase of property, plant, and equipment.
   (3) Net cash inflows from financing activities: Due to short-term and long-term borrowings.

2. Remedial measures and liquidity analysis for insufficient cash: None.

3. Analysis of cash liquidity in the coming year:

Unit: NT$1,000

Opening balance	Annual net cash flow from operating activities	Annual cash inflow (outflow)	Cash surplus (shortage)	Remedies for cash shortage	
				Investment plan	Financial management plan
2,545,804	(188,313)	(1,696,866)	848,938	—	736,867

1. Analysis of changes in cash flow for the coming year:
   (1) Net cash outflow from operating activities: Mainly due to the decrease in accounts receivable.
   (2) Cash outflow: Mainly due to the establishment of factories in Vietnam and Dongguan.
2. Remedial measures and liquidity analysis for the estimated cash shortage: The estimated cash flow of the Company in the coming year is still sufficient, and there are still long- and short-term bank credit lines available and the measures for issuance of corporate bonds.

IV. The impact of material capital expenditures in the most recent year on financial operations:

Unit: NT$1,000

Item	Sources of fund	Utilization of funds as of the end of December 2020	Impact on financial operations
Tainan Branch's phase II factory	Working capital and equity fund	84,075	The Company built the phase II factory in Tainan to solve the problems of insufficient production and assembly space, the insufficient space for reliability field experiments, and floor load bearing for the factory No. 1 in Tainan, and this will help overseas Taiwanese businesspeople to return to Taiwan to invest and develop their competitiveness in business.

V. Investment policy in the most recent year, the main reasons for its profit or loss, improvement plan, and investment plan for the coming year:

Unit: NT$1,000

Investee	Recognized as investment gain or loss for 2020	Investment policy	Main reason for profit or loss	Improvement plan for the coming year
Phihong International Corp.	(49,208)	Making investments	Due to being recognized as loss on investee	Keep abreast of the operating status of the investees
Phihong USA Corp.	25,020	Selling a variety of power supplies	Due to continuous business expansion	—
Phitek International Co., Ltd.	(93,489)	Making investments	Due to being recognized as loss on investee	Keep abreast of the operating status of the investees
Ascent Alliance Ltd.	(22,275)	Making investments	Due to being recognized as loss on investee	Keep abreast of the operating status of the investees
Guang-Lai Investment Co., Ltd.	(7,454)	Making general investments	Due to being recognized as loss on investee	Keep abreast of the operating status of the investees
H&P Venture Capital Co., Ltd.	2,689	Making general investments	Recognized as gain under the equity method	—
Phihong Technology Japan Co., Ltd.	(9,537)	Selling power components	Due to the impact of the pandemic	Keep abreast of the operating status of the Company
Phihong Vietnam Co., Ltd.	(46,983)	Manufacturing and selling a variety of power supplies	Failed to reach economies of scale	Control operating costs continuously
N-Lighten Technologies, Inc.	(67)	Making general investments	Due to the necessary expenses incurred in operation	Pending liquidation procedures
Spring City Resort Co., Ltd.	(5,715)	Operating hostels and affiliated restaurants and general bathhouse	Recognized as loss under the equity method	—
Han-Yu Venture Capital Co., Ltd.	(1,619)	Making general investments	Recognized as loss under the equity method	—
Phihong (Dongguan) Electronics Co., Ltd.	(93,014)	Manufacturing and selling a variety of power supplies	Failed to reach economies of scale	Control operating costs continuously
Phihong Electronics (Suzhou) Co., Ltd.	35,645	Manufacturing and selling a variety of power supplies	Due to interest income	—
Yanghong Trade (Shanghai) Co., Ltd.	(5,448)	Selling a variety of lighting products and power supplies	Failed to reach economies of scale	Keep abreast of the operating status of the Company
Dongguan Phitek Electronics Co., Ltd.	(94,419)	Manufacturing and selling a variety of power supplies	Failed to reach economies of scale	Control operating costs continuously
Dongguan Shuang-Ying Electronics Co., Ltd.	1,655	Manufacturing and selling electronic materials	Due to continuous business expansion	—
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	(23,128)	Manufacturing and selling electronic materials	Failed to reach economies of scale	Control operating costs continuously

VI. Risks and assessments in the most recent year and as of the publication date of the annual report:

(I) The impact of changes in interest rate and exchange rate as well as inflation on the Company's profits and losses and future countermeasures:

The impact of interest income and expenditure and foreign currency exchange gains/losses on the Company in 2020:

Item	2020 Net amount (NT$1,000)	Percentage of 2020 net revenue	Percentage of 2020 net income/loss before tax
Net interest income (expenditure)	10,596	0.11	(6.91)
Net foreign currency exchange gains (losses)	(39,146)	(0.42)	25.51

1. Interest rate:
   (1) Impact on the Company’s gain and loss: The Company’s net interest income and expenditure accounted for a very low percentage of its net revenue and net profit and loss before tax for 2020, and this did not have a material impact on the Company’s finances, business, and profits.
   (2) Future countermeasures: As for the Company’s current mid-to-long-term fund financing at floating interest rates, the financial unit collects the trend of interest rate changes and evaluates the most suitable allocation. As for the cash position on the book, high-security time deposits, RP, or banks’ principal-protected wealth management products are adopted to maintain the security, liquidity, and rate of return of the overall funds.
2. Exchange rate:
   (1) Impact on the Company's profit and loss: The Company's loss on exchange of NT$39,146 thousand for 2020 did not have a significant impact on the Company's finances, business, and profits.
   (2) Future countermeasures: The Company's purchases and sales are mainly denominated in the US dollars, and the net position exposed is not large. Therefore, the exchange rate policy is mainly to avoid the risks of foreign exchange income, expenditure, assets, or liabilities generated by the Company's business operations. At present, the natural hedging method of offsetting assets and liabilities is adopted to reduce the impact of exchange rate fluctuations on the Company's profit.
3. Inflation:
   (1) Impact on the Company's profit and loss: Due to the rapid changes in the overall economy and the increase in labor costs in China, the Company's manufacturing costs are affected.
   (2) Future countermeasures: The Company will strengthen the management of vertical integration of the supply chain, and effectively reduce the cost of purchasing materials using long-term contracts, and strengthen the selection of raw material quality in response.

(II) Policies for engaging in high-risk and high-leverage investments, financing provided to others, endorsements/guarantees provided, and engaging in derivatives transactions, or the main reasons for losses, and future countermeasures:

1.In 2020, the Company did not engage in high-risk and high-leverage investments, and all investments were implemented after careful evaluation in accordance with the Company's Procedures for the Acquisition and Disposal of Assets.

2.The counterparties in the endorsements provided by the Company in 2020 were all affiliated companies, and the risks were handled and assessed in accordance with the Company’s and subsidiaries’ Procedures for Endorsements and Guarantees. The balance of endorsements provided at the end of 2020 was NT$142,400 thousand, accounting for

3.00% of the net worth in 2020 without exceeding the limit.

3. The counterparties to which funds loaned by the Company in 2020 were all affiliated companies with a need for short-term financing, and the risks were handled and assessed in accordance with the Company's and subsidiaries' Procedures for Financing Provided to Others. The balance of the funds loaned in 2020 was NT$1,525,909 thousand, accounting for 32.10% of the net worth in 2020 without exceeding the limit.
4. The Company engages in derivative commodity transactions in accordance with the Procedures for the Acquisition and Disposal of Assets, and the Company's derivative commodity transactions are for the purpose of hedging risks. The commodities selected should be to avoid the risks of foreign exchange income, expenditure, assets, or liabilities generated by the Company's business operations. The Company did not engage in derivative commodity transactions in 2020.

(III)Unfinished R&D projects and estimated R&D expenses:

1. In order to meet the needs for information, home appliances, optoelectronics, and energy, the Company aims to implement future R&D projects using high-power, high-density, and low-voltage smart power technology while in compliance with the requirements of various environmental protection regulations.

Year of R&D completion	The development direction of future R&D
Expected to be completed in 2021	1. Power supply for e-sports laptop, including 135W PD, 140W PD, 180W GaN, and 230W GaN. 2. Electric bicycle charger, including 84W & 109W price competitive version, 168W automotive CAN communication, 252W & 273W standard products, 252W waterproof and miniaturization, etc. 3. High-power charging platform, including 380W & 500W standard platform. 4. Power tool lithium battery charger, including 160W & 210W mower battery charger, 185W multi-port charger. 5. Wide-bandgap semiconductor GaN 65W multi-port output smart fast charger products. 6. 45W/65W PD fast charging for laptop. 7. 30W PD fast charging for mobile phones. 8. POE 30W/90W high surge products. 9. 260W/530W open frame for PoE switches.

2. The R&D expenses invested in 2021 are estimated to be approximately NT$115,600 thousand.

(IV) The impact of important domestic and foreign policy and legal changes on the company's finances and countermeasures: Not applicable.

(V) The impact of technological changes and industrial changes on the Company's finances and countermeasures:

The current technological development is based on cloud information networks, IoT, optoelectronic applications, and smart device applications (such as wearable devices). Automotive electronics, 5G, e-sports laptop, foldable smartphones, EV chargers, and e-bike industries are booming, and, thus, the range of application of power supplies is expanding. In response to the trend of energy conservation and carbon reduction, the Company's design of power supplies is aimed at "lightweight, thinness, shortness, high-performance, and high-reliability" while emphasizing the minimum consumption of raw materials to maximize the efficiency and complying with the requirements of various environmental protection laws and regulations. The Company will also promote said power suppliers to be widely used in different electronic products to increase revenue and profit.

(VI)The impact of corporate image changes on corporate crisis management and countermeasures:

The Company's practical and robust operation has led to a positive corporate image. In recent years, it has strengthened corporate governance and financial reporting transparency while upholding the business philosophy of "outstanding design, excellent quality, accurate delivery, reasonable prices, satisfactory service." As such, the growth momentum will be able to continue to gather steadily so as to respond to various possible potential crises and maintain a positive corporate image.

(VII) Expected benefits and possible risks of factory expansion and countermeasures:

In response to the impact of the China-US trade war, the Company has invested in the establishing a subsidiary in Haiphong, North Vietnam, to establish a new overseas production factory, so that the production factories will be in Dongguan China, and Haiphong, Vietnam. In addition to increasing the group's production capacity, it can further solve the tariff issues arising from the China-US trade war and help enhance the competitiveness of the group's products.

The possible risk is the management of orders, and the Company responds by focusing on the demands from the top major customers in the market.

(VIII) Expected benefits and possible risks of factory expansion and countermeasures:

In response to the impact of the China-US trade war, the Company has invested in the establishing a subsidiary in Haiphong, North Vietnam, to establish a new overseas production factory, so that the production factories will be in Dongguan China, and Haiphong, Vietnam. In addition to increasing the group's production capacity, it can further solve the tariff issues arising from the China-US trade war and help enhance the competitiveness of the group's products.

The possible risk is the management of orders, and the Company responds by focusing on the demands from the top major customers in the market.

(IX) Risks arising from purchase or sales concentration and countermeasures:

The Company's main purchase and sale counterparties as disclosed in the relevant chapters of the annual report, are based on consideration for the Company's operations, industry growth trends, and further diversification to diversify future sources of purchase and sale counterparties to better balance risks and maintain stable operations. The Company has also strengthened the credit management of sale counterparties and tracked monthly accounts receivable in order to reduce the risk of non-performing receivables.

(X) Directors, supervisors, or major shareholders holding 10% of the shares, the impact on the company, risks, and countermeasures regarding the substantial transfer or replacement of equity:

As of the date of publication of the annual report, the Company had not had any substantial transfer of shares by directors or major shareholders holding 10% of the shares.

(XI) The impact on the company, risks, and countermeasures regarding the change in management rights:

The Company had not changed its management rights as of the publication date of the annual report.

(XII) Litigation and non-litigation:

1. The major litigation, non-litigation, or administrative litigation in which the Company is currently involved: The Company and Att4fun Co., Ltd. are in a lawsuit over the payment for a construction project. The verdict of the first instance was judged, and Att4fun Co., Ltd. is filing an appeal for said verdict, and the Company will file an incidental appeal.
2. Any material litigious, non-litigious or administrative disputes (whether concluded or pending for judgment) involving the Company's directors, general managers, substantive persons in charge, major shareholders holding more than 10% of the shares, or affiliates in the past two Financial Years: None.

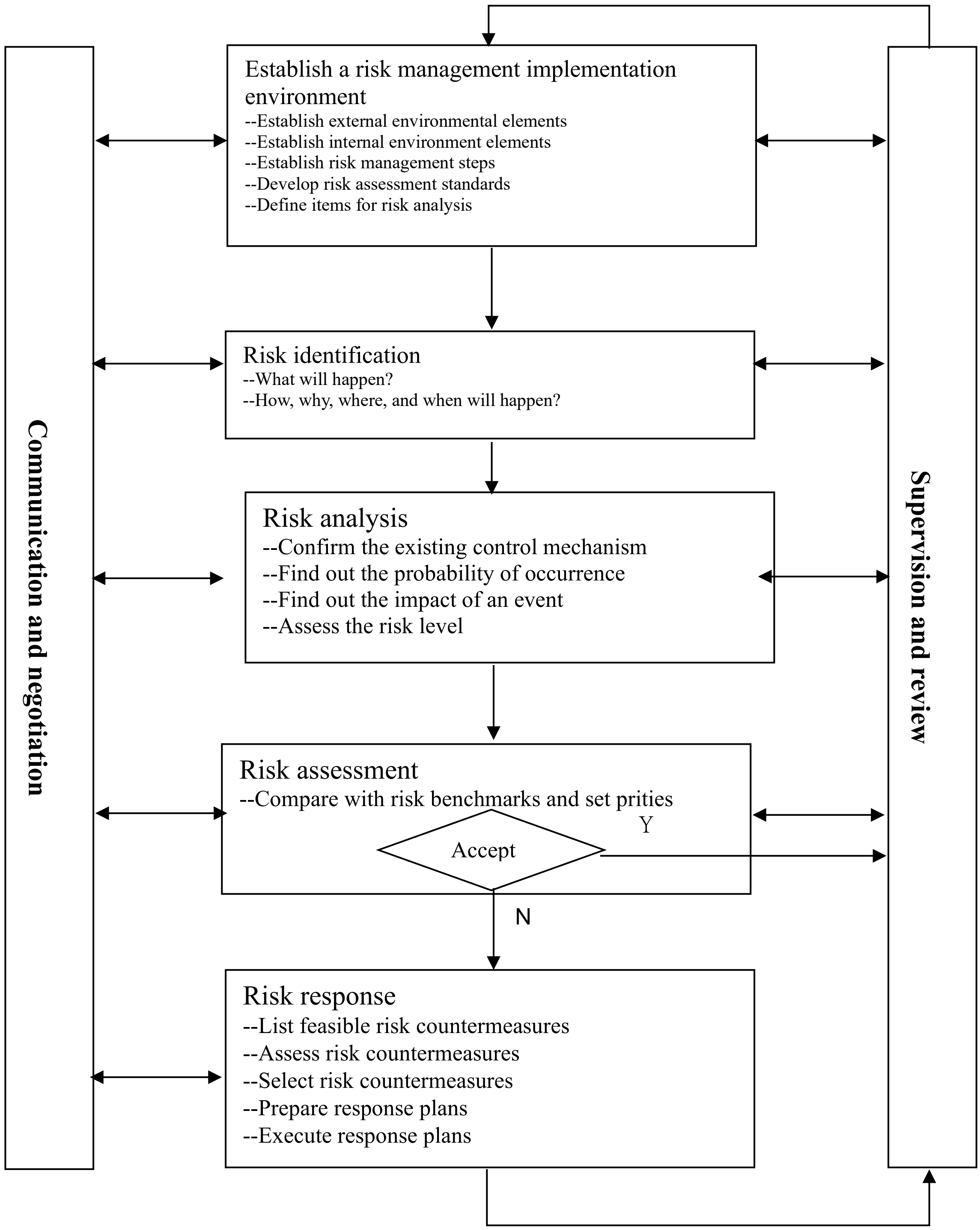
(XIII) Other important risk countermeasures:

1. Risk management organizational structure:

The Company established the risk management organization in October 2009, and its risk management policy is to reduce the impact of various risks after occurrence, enhance the Company's risk management awareness, strengthen risk management, and adopt the process of identifying, analyzing, evaluating, handling, supervising, and improving risks as the guidelines in order to achieve the purpose of reducing risks, so that the Company can effectively respond to the impact of various risks, reduce operating costs, and achieve its goals.

Organizational Chart	Power and responsibility
3 General Manager	1. Make commitments and support risk management 2. Serve as or appoint the CRMO 3. Design risk management strategy 4. Communicate and determine risk priority and tolerance 5. Ensure proper personnel participation and resource allocation 6. Continue to participate and offer appropriate rewards
Chief Risk Management Officer (CRMO) Executive Secretary	1. Improve supervisors' risk management awareness 2. Develop a risk matrix 3. Provide suggestions for implementation methods and for change management strategies 4. Promote the formulation of organizational risk policies 5. Ensure that education and training meet the needs 6. Supervise and review the performance of risk countermeasures
Head of each group and division Head of each department	1. Participate in assessing whether the organization is ready and identifying organizational risks 2. Assess internal risk management capabilities 3. Examine the environment and identify opportunities and threats 4. Understand and communicate the organization's risk management policy and compile employees' suggestions 5. Provide advice for strategies 6. Systematically confirm and manage risks and ensure the implementation of risk management 7. Implement necessary training and activities to achieve learning results 8. For relevant risk management regulations executed or formulated in accordance with the duties of each unit, please refer to Table VIII. Table of Risk Management Power and Responsibility 9. Submit a report on the implementation of risk response plan
Employees	1. Understand and implement individual risk management responsibilities 2. Pay attention to risk issues 3. Understand organizational policies and provide suggestions 4. Make contribution to risk management

2. Risk management implementation strategy

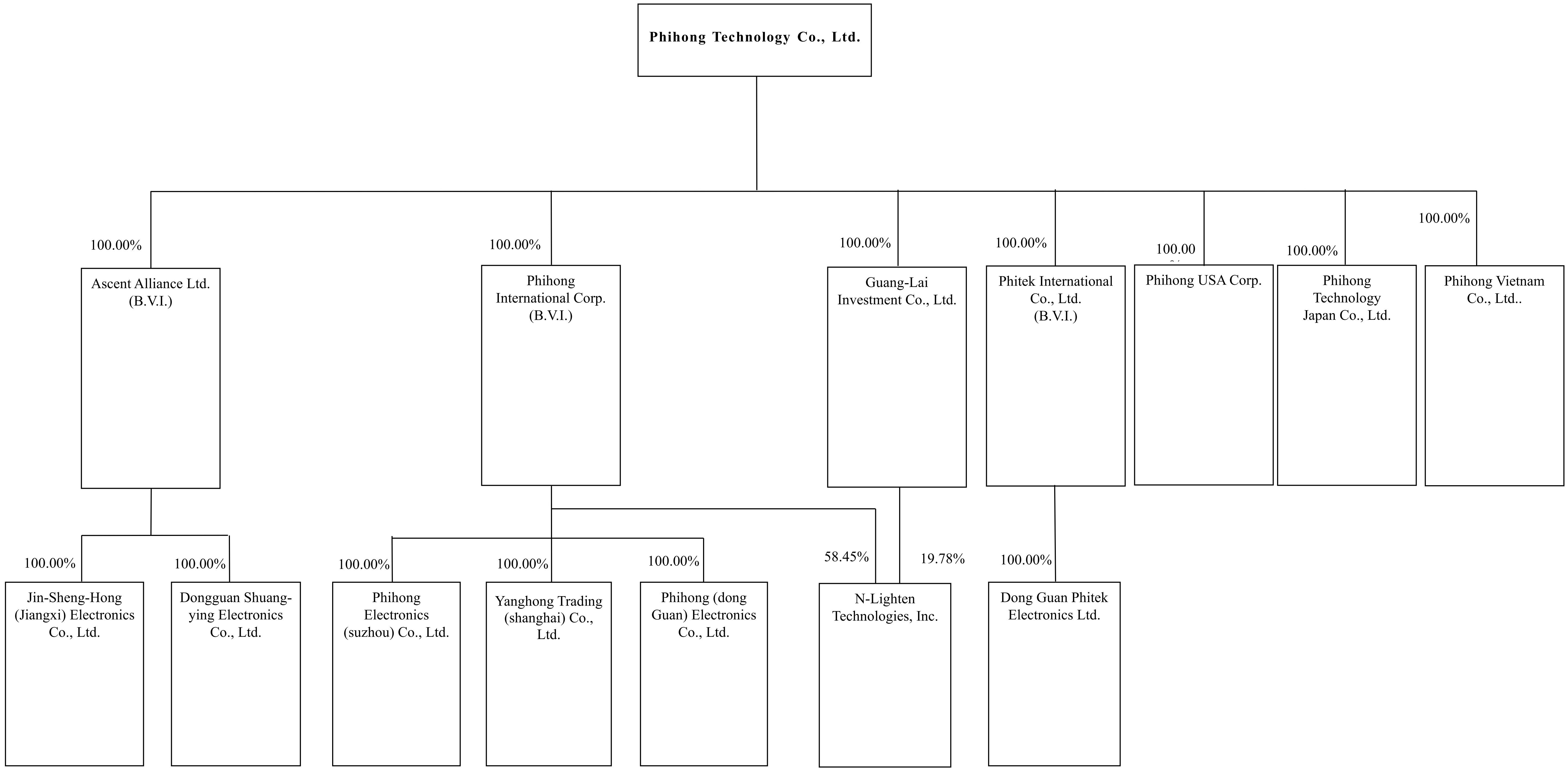


VII. Other important matters: None.

VIII. Special Notes

I. Information on affiliated companies

(I) Organizational chart of affiliated companies



(II) Basic information on affiliated companies

Unit: NT$1,000/$1 for Foreign Currencies

Company Name	Date of Establishment	Address	Paid-in Capital		Principal Business or Production Items
Phihong International Corp.	May 1996	PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD	111,061,351	Making investments
Phitek International Co., Ltd.	August, 1999	PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD	10,200,000	Making investments
Ascent Alliance Ltd.	June, 2004	PORTCULLIS TRUSTNET CHAMBERS, P.O. BOX 3444, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	USD	12,012,600	Making investments
Phihong USA Corp.	April 1997	47800 FREMONT BLVD, FREMONT, CA 94538, USA	USD	6,200,000	Selling a variety of power supplies
Phihong Technology Japan Co., Ltd.	April 2010	5th floor of VORT Toyocho Building, No.23-24, Toyo Third St., Koto-ku, Tokyo, Japan (日本東京都江東区東陽三丁目 23 番 24 号 VORT 東陽町ビル 5 階)	JPY	150,000,000	Selling power components
Phihong Vietnam Co., Ltd.	February 2019	Thửa đất B34, B35, B36 và B37 thuộc lô CN5, Khu công nghiệp An Dương, Huyện An Dương, Thành phố Hải Phòng, Việt Nam.	USD	20,000,000	Manufacturing and selling a variety of power supplies
Guang-Lai Investment Co., Ltd.	October 2001	10F, No. 172, Sec. 2, Minsheng East Rd., Zhongshan Dist., Taipei City		139,758	Making general investments
Phihong (Dongguan) Electronics Co., Ltd.	March 1996	Keji Rd., Yinhu Industrial Zone, Qingxi Town, Dongguan City, Guangdong Province	HKD	495,450,000	Manufacturing and selling a variety of power supplies
Phihong Electronics (Suzhou) Co., Ltd.	March 2003	Room 1407, Building 8, Longhu Times 100 Office Building, Shishan Rd., New Dist., Suzhou City, Jiangsu Province	USD	31,960,000	Manufacturing and selling a variety of power supplies
Yanghong Trade (Shanghai) Co., Ltd.	December 2007	Building A–C, 6th Floor, Fuqun Business Building A, No. 3089, Hechuan Rd., Minhang Dist., Shanghai	USD	880,000	Selling a variety of lighting products and power supplies
Dongguan Phitek Electronics Co., Ltd.	November 1999	Tiesong Village, Qingxi Town, Dongguan City, Guangdong Province	USD	11,500,000	Manufacturing and selling a variety of power supplies
Dongguan Shuang-Ying Electronics Co., Ltd.	June, 2004	Room 101, Building 5, no. 133 Tiesong Road, Qingxi Town, Dong Guan City, Guang Dong, China	HKD	9,000,000	Manufacturing and selling electronic materials
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	January 2006	Room 101, Building 6, no. 133 Tiesong Road, Qingxi Town, Dong Guan City, Guang Dong, China	USD	11,500,000	Manufacturing and selling electronic materials
N-Lighten Technologies, Inc.	April 2004	47800 FREMONT BLVD, FREMONT, CA 94538, USA	USD	26,793,446	Making general investments

(III) Information on same shareholders in the control–subordinate relationship identified: Not applicable.

(IV) The industries to which the affiliated companies' business activities belong mainly include:

1.Principal business: Manufacturing and sales of various products, such as power transformers, frequency converters, converters, power supplies and electronic ballasts.

2.Making general investments .

(V) Information on directors, supervisors, and general managers of affiliated companies

Company Name	Title	Name or representative	Ownership	
			Number of Shares	Percentage of Ownership (%)
Phihong International Corp.	Director	Peter Lin	111,061,351	100.00
Phitek International Co., Ltd.	Director	Representative of Phihong Technology Co. Ltd.: Peter Lin	10,200,000	100.00
Ascent Alliance Ltd.	Director	Representative of Phihong Technology Co. Ltd.: Peter Lin	12,012,600	100.00
Phihong USA Corp.	Chairman	Representative of Phihong Technology Co. Ltd.: Fei-Hung Lin	3,100,000	100.00
	Director	Fei-Hung Lin	-	-
	General Manager	Tsui-O Tai	-	-
Phihong Technology Japan Co., Ltd.	Representative Director	Representative of Phihong Technology Co. Ltd.: Fei-Hung Lin	3,000	100.00
	Director	Representative of Phihong Technology Co. Ltd.: Fei-Hung Lin	3,000	100.00
Phihong Vietnam Co., Ltd.	General Manager	Representative of Phihong Technology Co. Ltd.: Peter Lin	20,000,000	100.00
Guang-Lai Investment Co., Ltd.	Chairman	Representative of Phihong Technology Co. Ltd.: Peter Lin	13,975,828	100.00
	Director	Representative of Phihong Technology Co. Ltd.: Kuan-Hung Lin	13,975,828	100.00
	Director	Representative of Phihong Technology Co., Ltd.: Allan Lin	13,975,828	100.00
Phihong (Dongguan) Electronics Co., Ltd.	Chairman	Representative of Phihong International Corp. : Peter Lin	-	-
	Director	Representative of Phihong International Corp. : Shu-Nu Chien	-	-
	Director	Representative of Phihong International Corp. :Allan Lin	-	-

(Continued on next page)

(Continued from previous page)

Company Name	Title	Name or representative	Ownership	
			Number of Shares	Percentage of Ownership (%)
Phihong Electronics (Suzhou) Co., Ltd.	Chairman	Representative of Phihong International Corp. : Peter Lin	-	-
	Director	Representative of Phihong International Corp. :Kuan-Hung Lin	-	-
	Director	Representative of Phihong International Corp. : Allan Lin	-	-
	Supervisor	Representative of Phihong International Corp. :Fei-Hung Lin	-	-
Yanghong Trade (Shanghai) Co., Ltd.	Chairman	Representative of Phihong International Corp. : Peter Lin	-	-
	Director	Representative of Phihong International Corp. : Allan Lin	-	-
	Director	Representative of Phihong International Corp. :Kuan-Hung Lin	-	-
	Supervisor	Representative of Phihong International Corp. :Fei-Hung Lin	-	-
Dongguan Phitek Electronics Co., Ltd.	Chairman	Representative of Phitek International Co., Ltd. :Kuan-Hung Lin	-	-
	Director	Representative of Phitek International Co., Ltd.: Allan Lin	-	-
	Director	Representative of Phitek International Co., Ltd. : Shu-Nu Chien	-	-

(Continued on next page)

(Continued from previous page)

Company Name	Title	Name or representative	Ownership	
			Number of Shares	Percentage of Ownership (%)
Dongguan Shuang-Ying Electronics Co., Ltd.	Chairman	Representative of Ascent Alliance Ltd.		
		: Peter Lin	-	-
	Director	Representative of Ascent Alliance Ltd.		
		:Fei-Hung Lin	-	-
	Director	Representative of Ascent Alliance Ltd.		
		:Kuan-Hung Lin	-	-
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Chairmn	Representative of Ascent Alliance Ltd.		
		: Peter Lin	-	-
	Director	Representative of Ascent Alliance Ltd.		
		:Fei-Hung Lin	-	-
	Director	Representative of Ascent Alliance Ltd.		
		: Allan Lin	-	-
N-Lighten Technologies, Inc.	Chairman	Representative of Guang-Lai Investment Co., Ltd.		
		: Peter Lin	37,498,870	19.78
	Director	Representative of Phihong International Corp.		
		: Chiu-Chin Chen	110,834,223	58.45
	Director	Hsiao-Lu Hsueh	-	-
	Director	Tah-Jen Chou	-	-

(VI) Overview of operations of affiliated companies

Unit: NT$1,000 except for earnings (loss) per share which is NT$

Company Name	Registered Capital	Total assets	Total liabilities	Net value	Operating revenue	Income(loss) from operations	Net income(loss) for the year (net of income tax)	Earnings per share (EPS) (NTD) (net of income tax)
Phihong International Corp.	$ 3,448,270	$ 3,179,705	$ 23,921	$ 3,155,784	-	($ 100)	($ 62,826)	Not applicable
Phitek International Co., Ltd.	321,777	3,653	245,386	(241,733)	-	(98)	(94,712)	Not applicable
Ascent Alliance Ltd.	381,720	68,541	-	68,541	-	(100)	(21,576)	Not applicable
Phihong USA Corp.	195,107	1,412,778	407,682	1,005,096	3,132,730	(7,385)	25,020	Not applicable
Phihong Technology Japan Co., Ltd.	49,997	116,621	34,006	82,615	163,566	(8,961)	(9,537)	Not applicable
Phihong Vietnam Co., Ltd.	605,299	867,308	425,442	441,866	730,037	(46,883)	(47,192)	Not applicable
Guang-Lai Investment Co., Ltd.	139,758	148,977	8,175	140,802	-	(147)	(7,454)	(0.53)
Phihong (Dongguan) Electronics Co., Ltd.	1,988,747	3,176,659	1,470,593	1,706,066	5,219,484	(116,713)	(93,014)	Not applicable
Phihong Electronics (Suzhou) Co., Ltd.	1,171,237	1,218,101	6,467	1,211,634	-	(2,842)	35,645	Not applicable
Yanghong Trade (Shanghai) Co., Ltd.	44,727	15,329	2,645	12,684	15,718	(5,472)	(5,448)	Not applicable
Dongguan Phitek Electronics Co., Ltd.	504,069	1,880,845	2,126,232	(245,387)	2,381,466	(99,061)	(94,419)	Not applicable
Dongguan Shuang-Ying Electronics Co., Ltd.	45,618	77,416	22,088	55,328	128,727	(2,796)	1,655	Not applicable
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	394,173	110,800	98,163	12,637	223,611	(26,870)	(23,128)	Not applicable
N-Lighten Technologies, Inc.	677,642	4,160	45,086	(40,926)	-	(64)	(86)	Not applicable

Note: The exchange rate of the amounts of each foreign company's assets and liabilities at the balance sheet date:

NTD：USD＝28.48000 : 1
NTD：RMB＝4.35974：1
NTD：JPY＝0.27501：1

; The exchange rates of the amounts of profit or loss in the statements

NTD：USD＝28.2163：1
NTD：RMB＝4.32474：1
NTD：JPY＝0.27202：1

II. In the most recent year and as of the date of publication of the annual report, the private placement of securities:

Not applicable.

III. In the most recent year and as of the date of publication of the annual report, the subsidiaries holding or disposing of the company's stock: Not applicable.

IV. Other necessary supplementary information:

The basis and foundation of evaluation of the asset/liability accounts in the financial statements

Item No.	Asset/Liability valuation account	Basis of evaluation	Foundation of evaluation
1	Allowance for bad debt	Lifetime ECLs	Provision matrix, which considers each customer's past default records and current financial position, and other forward-looking information.
2	Allowance for inventory valuation and obsolescence losses	The lower of cost and net realizable value	Item-by-item comparison basis to evaluate the lower of cost and net realizable value

V. Matters that have a significant impact on shareholders' equity or securities prices in accordance with Subparagraph 2, Paragraph 3 of Article 36 of the Securities and Exchange Act: Not applicable.