

# **Phison Electronics Corp. and Subsidiaries**

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

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Phison Electronics Corp.

### **Introduction**

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

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As disclosed in Note 12 to the consolidated financial statements, the financial statements of non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of June 30, 2021 and 2020, the combined assets of these subsidiaries were 10% (NT\$5,695,261 thousand) and 10% (NT\$4,246,935 thousand) of the Group's assets, respectively, and the combined liabilities of these subsidiaries were 2% (NT\$389,073 thousand) and 3% (NT\$327,622 thousand) of the Group's liabilities, respectively. For the three months and the six months ended June 30, 2021 and 2020, these subsidiaries' comprehensive income were (4%) (a loss of NT\$92,110 thousand), 7% (a gain of NT\$84,155 thousand), (2%) (a loss of NT\$93,024 thousand), and 4% (a gain of NT\$124,134 thousand), respectively, of the Group's comprehensive income. Furthermore, as stated in Note 13 to the consolidated financial statements, the Group's investments accounted for using the equity method as of June 30, 2021 and 2020 amounted to NT\$3,538,850 thousand and NT\$2,189,397 thousand, respectively, and the share of profit (loss) of these associates accounted for using the equity method for the three months and the six months ended June 30, 2021 and 2020 amounted to a gain of NT\$43,837 thousand, a loss of NT\$12,054 thousand, a gain of NT\$142,011

thousand, and a gain of NT\$422,554 thousand, respectively. As stated in Note 34 to the consolidated financial statements, these investment amounts and the related information of the investees disclosed in the notes to the consolidated financial statements were based on the unreviewed financial statements for the same reporting periods as those of the Corporation.

### **Qualified Conclusion**

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

### **Emphasis of Matter**

As stated in Note 33 to the accompanying consolidated financial statements, the Corporation was under statutory investigation by the Taiwan Hsinchu District Prosecutorial Office (“District Prosecutorial Office”) from August 5, 2016 for alleged violation of the Securities and Exchange Act (the “Case”). The investigation was concluded on August 31, 2017, and the chairman of the Corporation and other defendants were either charged with deferred prosecution or dropped claim for further prosecution by the prosecutor. Then, the District Prosecutorial Office ex officio sent the ruling to the Taiwan High Prosecutors Office (“High Prosecutors Office”) for reconsideration. On November 18, 2017, High Prosecutors Office partially set aside and dismissed the original ruling, and ordered the District Prosecutorial Office to continue the investigation. On July 30, 2019, the District Prosecutorial Office concluded the investigation and indicted the chairman of the Corporation and others for their alleged violation of the Securities and Exchange Act and related provisions. A trial of the Case would be held in the Hsinchu District Court. The chairman of the Corporation would strive for a fair judgment in accordance with the law. Following the aforementioned indictment, the Corporation was served with complaints from the Hsinchu District Court on November 8, 2019 and December 13, 2019, that Securities and Futures Investors Protection Center (“Investors Protection Center”) had filed two civil actions, respectively: (1) the first civil action was to remove Mr. K.S. Pua from director position of the Corporation’s board (“Removal Action”); (2) the second civil action was to claim compensation damage against the Corporation, its board of directors and other co-defendants on behalf of certain investors (“Class Action”). Those two civil actions were derivative litigations arising from the Case. The Corporation had already appointed civil defense attorneys and filed a motion to dismiss those two civil actions with the court. As such, our review conclusion is not modified in respect of this matter.

The engagement partners on the reviews resulting in this independent auditors' review report are Li-Wen Kuo and Pei-De Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 6, 2021

Notice to Readers

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

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

# PHISON ELECTRONICS CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 18,538,741	33	\$ 14,961,122	31	\$ 11,468,151	28
Financial assets at fair value through profit or loss (FVTPL) (Note 7)	1,161,884	2	5,494,720	12	3,357,145	8
Financial assets at amortized cost (Notes 9 and 29)	1,160,693	2	293,860	1	75,567	-
Accounts receivable						
Non-related parties (Note 10)	6,590,978	12	5,348,420	11	4,607,248	11
Related parties (Notes 10 and 28)	1,543,554	3	669,281	1	543,862	1
Other receivables (Note 10)	456,094	1	305,918	1	312,678	1
Current tax assets	4,260	-	4,635	-	48,829	-
Inventories (Note 11)	15,599,873	28	10,141,479	21	13,062,056	32
Prepayments	105,269	-	74,217	-	74,962	-
Other current assets	35,721	-	33,273	-	90,812	-
<b>Total current assets</b>	<b>45,197,067</b>	<b>81</b>	<b>37,326,925</b>	<b>78</b>	<b>33,641,310</b>	<b>81</b>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through profit or loss (FVTPL) (Note 7)	544,444	1	437,236	1	422,936	1
Financial assets at fair value through other comprehensive income (FVTOCI) (Note 8)	504,497	1	360,304	1	553,479	2
Investments accounted for using the equity method (Note 13)	3,538,850	6	4,007,874	8	2,189,397	5
Property, plant and equipment (Notes 14 and 29)	5,460,710	10	4,646,540	10	3,713,865	9
Right-of-use assets (Note 15)	31,841	-	32,384	-	39,818	-
Intangible assets (Note 16)	283,333	-	313,894	1	261,086	1
Deferred tax assets	403,041	1	375,960	1	474,518	1
Other non-current assets	160,281	-	62,835	-	13,419	-
<b>Total non-current assets</b>	<b>10,926,997</b>	<b>19</b>	<b>10,237,027</b>	<b>22</b>	<b>7,668,518</b>	<b>19</b>
<b>TOTAL</b>	<b>\$ 56,124,064</b>	<b>100</b>	<b>\$ 47,563,952</b>	<b>100</b>	<b>\$ 41,309,828</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 17 and 29)	\$ 3,419,916	6	\$ 1,480,480	3	\$ -	-
Contract liabilities	114,369	-	35,553	-	35,911	-
Accounts payable						
Non-related parties	3,263,110	6	2,166,195	5	1,658,170	4
Related parties (Note 28)	1,700,485	3	1,289,722	3	840,115	2
Other payables (Note 18)	11,037,627	20	6,045,010	13	7,374,651	18
Tax payable	837,684	1	93,608	-	617,427	1
Lease liabilities (Note 15)	19,396	-	16,420	-	15,071	-
Current portion of long-term borrowings (Notes 17 and 29)	30,716	-	30,486	-	-	-
Other current liabilities (Note 19)	954,651	2	605,208	1	691,755	2
<b>Total current liabilities</b>	<b>21,377,954</b>	<b>38</b>	<b>11,762,682</b>	<b>25</b>	<b>11,233,100</b>	<b>27</b>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 17 and 29)	180,220	1	195,636	-	-	-
Deferred tax liabilities	141,121	-	325,441	1	103,436	1
Lease liabilities (Note 15)	12,837	-	16,212	-	25,040	-
Long-term deferred revenue	-	-	-	-	3,833	-
Net defined benefit liabilities	104,058	-	103,528	-	95,528	-
Guarantee deposits received	3,867	-	4,986	-	134	-
<b>Total non-current liabilities</b>	<b>442,103</b>	<b>1</b>	<b>645,803</b>	<b>1</b>	<b>227,971</b>	<b>1</b>
<b>Total liabilities</b>	<b>21,820,057</b>	<b>39</b>	<b>12,408,485</b>	<b>26</b>	<b>11,461,071</b>	<b>28</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 21)</b>						
Common shares	1,970,740	3	1,970,740	4	1,970,740	5
Capital surplus	6,702,132	12	6,586,173	14	6,848,575	17
Retained earnings						
Legal reserve	5,174,757	9	4,306,531	9	4,306,531	10
Special reserve	165,341	-	176,125	-	176,125	1
Unappropriated earnings	20,446,605	37	22,281,239	47	16,670,607	40
Total retained earnings	25,786,703	46	26,763,895	56	21,153,263	51
Other equity	(155,568)	-	(165,341)	-	(177,233)	(1)
<b>Total equity attributable to owners of the Corporation</b>	<b>34,304,007</b>	<b>61</b>	<b>35,155,467</b>	<b>74</b>	<b>29,795,345</b>	<b>72</b>
<b>NON-CONTROLLING INTERESTS</b>						
Total equity	34,304,007	61	35,155,467	74	29,848,757	72
<b>TOTAL</b>	<b>\$ 56,124,064</b>	<b>100</b>	<b>\$ 47,563,952</b>	<b>100</b>	<b>\$ 41,309,828</b>	<b>100</b>

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

(With Deloitte & Touche auditors' review report dated August 6, 2021)

## PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 28)								
Gross sales	\$ 16,201,521	102	\$ 10,904,792	101	\$ 29,210,352	102	\$ 24,041,541	101
Less: Sales returns and allowances	<u>364,748</u>	<u>2</u>	<u>72,005</u>	<u>1</u>	<u>528,192</u>	<u>2</u>	<u>388,049</u>	<u>1</u>
Net sales	15,836,773	100	10,832,787	100	28,682,160	100	23,653,492	100
Other operating revenue	<u>73,203</u>	<u>-</u>	<u>22,062</u>	<u>-</u>	<u>115,766</u>	<u>-</u>	<u>68,060</u>	<u>-</u>
Total operating revenue	15,909,976	100	10,854,849	100	28,797,926	100	23,721,552	100
OPERATING COSTS (Notes 11, 22 and 28)	<u>10,723,295</u>	<u>68</u>	<u>8,167,396</u>	<u>75</u>	<u>19,782,407</u>	<u>69</u>	<u>17,119,381</u>	<u>72</u>
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>(21,888)</u>	<u>-</u>	<u>(14,603)</u>	<u>-</u>	<u>(47,199)</u>	<u>-</u>	<u>(63,700)</u>	<u>-</u>
GROSS PROFIT	<u>5,164,793</u>	<u>32</u>	<u>2,672,850</u>	<u>25</u>	<u>8,968,320</u>	<u>31</u>	<u>6,538,471</u>	<u>28</u>
OPERATING EXPENSES (Note 22)								
Marketing	255,734	2	137,573	1	466,705	2	305,447	1
General and administrative	228,428	1	164,153	2	421,737	1	364,002	2
Research and development	2,087,532	13	1,239,045	11	3,653,045	13	2,986,986	13
Expected credit losses (Note 10)	<u>56,601</u>	<u>-</u>	<u>52,220</u>	<u>1</u>	<u>55,431</u>	<u>-</u>	<u>19,537</u>	<u>-</u>
Total operating expenses	<u>2,628,295</u>	<u>16</u>	<u>1,592,991</u>	<u>15</u>	<u>4,596,918</u>	<u>16</u>	<u>3,675,972</u>	<u>16</u>
OPERATING INCOME	<u>2,536,498</u>	<u>16</u>	<u>1,079,859</u>	<u>10</u>	<u>4,371,402</u>	<u>15</u>	<u>2,862,499</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)								
Other income	47,946	-	81,469	1	67,015	-	116,932	-
Other gains and losses	123,860	1	(37,794)	(1)	220,777	1	(68,327)	-
Financial costs	(6,259)	-	(457)	-	(10,933)	-	(1,023)	-
Share of profits (losses) of associates (Note 13)	43,837	-	(12,054)	-	142,011	1	422,554	2
Interest income	<u>10,610</u>	<u>-</u>	<u>12,234</u>	<u>-</u>	<u>18,259</u>	<u>-</u>	<u>28,672</u>	<u>-</u>
Total non-operating income and expenses	<u>219,994</u>	<u>1</u>	<u>43,398</u>	<u>-</u>	<u>437,129</u>	<u>2</u>	<u>498,808</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	2,756,492	17	1,123,257	10	4,808,531	17	3,361,307	14
INCOME TAX EXPENSE (BENEFIT) (Note 23)	<u>492,411</u>	<u>3</u>	<u>(61,501)</u>	<u>(1)</u>	<u>856,910</u>	<u>3</u>	<u>278,397</u>	<u>1</u>
NET PROFIT FOR THE PERIOD	<u>2,264,081</u>	<u>14</u>	<u>1,184,758</u>	<u>11</u>	<u>3,951,621</u>	<u>14</u>	<u>3,082,910</u>	<u>13</u>

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## PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	\$ (39,360)	-	\$ 78,046	-	\$ 59,188	-	\$ 21,041	-
Share of other comprehensive income of associates accounted for using the equity method	57,650	-	-	-	98,327	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	(51,135)	-	(30,396)	-	(120,869)	-	(40,940)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	5,916	-	-	-	7,967	-
Other comprehensive (loss) income for the period, net of income tax	(32,845)	-	53,566	-	36,646	-	(11,932)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 2,231,236</u>	<u>14</u>	<u>\$ 1,238,324</u>	<u>11</u>	<u>\$ 3,988,267</u>	<u>14</u>	<u>\$ 3,070,978</u>	<u>13</u>
NET PROFIT ATTRIBUTED TO:								
Owners of the Corporation	\$ 2,264,081	14	\$ 1,183,293	11	\$ 3,951,621	14	\$ 3,081,342	13
Non-controlling interests	-	-	1,465	-	-	-	1,568	-
	<u>\$ 2,264,081</u>	<u>14</u>	<u>\$ 1,184,758</u>	<u>11</u>	<u>\$ 3,951,621</u>	<u>14</u>	<u>\$ 3,082,910</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:								
Owners of the Corporation	\$ 2,231,236	14	\$ 1,237,678	11	\$ 3,988,267	14	\$ 3,070,516	13
Non-controlling interests	-	-	646	-	-	-	462	-
	<u>\$ 2,231,236</u>	<u>14</u>	<u>\$ 1,238,324</u>	<u>11</u>	<u>\$ 3,988,267</u>	<u>14</u>	<u>\$ 3,070,978</u>	<u>13</u>
EARNINGS PER SHARE (NT\$, Note 24)								
Basic	<u>\$11.49</u>		<u>\$6.00</u>		<u>\$20.05</u>		<u>\$15.64</u>	
Diluted	<u>\$11.24</u>		<u>\$5.99</u>		<u>\$19.53</u>		<u>\$15.46</u>	

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

(With Deloitte & Touche auditors' review report dated August 6, 2021)

(Concluded)

**PHISON ELECTRONICS CORP. AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Corporation					Exchange Differences on Translating Foreign Operations	Other Equity Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
	Common Shares	Capital Surplus	Retained Earnings							
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2020	\$ 1,970,740	\$ 6,724,104	\$ 3,850,715	\$ 380,927	\$ 16,411,959	\$ (112,499)	\$ (63,626)	\$ 29,162,320	\$ 26,308	\$ 29,188,628
Appropriation of the 2019 earnings										
Legal reserve	-	-	455,816	-	(455,816)	-	-	-	-	-
Reversal of special reserve	-	-	-	(204,802)	204,802	-	-	-	-	-
Cash dividends - NT\$13 per share	-	-	-	-	(2,561,962)	-	-	(2,561,962)	-	(2,561,962)
Changes in capital surplus from investments in associates accounted for using the equity method	-	32,958	-	-	-	-	-	32,958	-	32,958
Changes in percentage of ownership interests in subsidiaries	-	(447)	-	-	-	-	-	(447)	447	-
Recognition of employee share options	-	91,960	-	-	-	-	-	91,960	-	91,960
Changes in non-controlling interests	-	-	-	-	-	-	-	-	26,195	26,195
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	(9,718)	-	9,718	-	-	-
Net profit for the six months ended June 30, 2020	-	-	-	-	3,081,342	-	-	3,081,342	1,568	3,082,910
Other comprehensive (loss) income for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	(31,867)	21,041	(10,826)	(1,106)	(11,932)
<b>BALANCE AT JUNE 30, 2020</b>	<b>\$ 1,970,740</b>	<b>\$ 6,848,575</b>	<b>\$ 4,306,531</b>	<b>\$ 176,125</b>	<b>\$ 16,670,607</b>	<b>\$ (144,366)</b>	<b>\$ (32,867)</b>	<b>\$ 29,795,345</b>	<b>\$ 53,412</b>	<b>\$ 29,848,757</b>
BALANCE AT JANUARY 1, 2021	1,970,740	6,586,173	4,306,531	\$ 176,125	22,281,239	(37,091)	(128,250)	35,155,467	\$ -	35,155,467
Appropriation of the 2020 earnings										
Legal reserve	-	-	868,226	-	(868,226)	-	-	-	-	-
Reversal of special reserve	-	-	-	(10,784)	10,784	-	-	-	-	-
Cash dividends - NT\$23 per share	-	-	-	-	(4,532,702)	-	-	(4,532,702)	-	(4,532,702)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	-	(422,984)	-	-	(422,984)	-	(422,984)
Recognition of employee share options	-	115,959	-	-	-	-	-	115,959	-	115,959
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	26,873	-	(26,873)	-	-	-
Net profit for the six months ended June 30, 2021	-	-	-	-	3,951,621	-	-	3,951,621	-	3,951,621
Other comprehensive (loss) income for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	(120,869)	157,515	36,646	-	36,646
<b>BALANCE AT JUNE 30, 2021</b>	<b>\$ 1,970,740</b>	<b>\$ 6,702,132</b>	<b>\$ 5,174,757</b>	<b>\$ 165,341</b>	<b>\$ 20,446,605</b>	<b>\$ (157,960)</b>	<b>\$ 2,392</b>	<b>\$ 34,304,007</b>	<b>\$ -</b>	<b>\$ 34,304,007</b>

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

(With Deloitte & Touche auditors' review report dated August 6, 2021)



# PHISON ELECTRONICS CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 4,808,531	\$ 3,361,307
Adjustments for:		
Depreciation	220,950	175,401
Amortization	122,127	94,330
Expected credit losses	55,431	19,537
Net (gain) loss on financial assets at fair value through profit or loss	(307,453)	22,503
Financial costs	10,933	1,023
Interest income	(18,259)	(28,672)
Dividend income	(36,059)	(53,155)
Compensation costs of employee share options	115,959	91,960
Share of profits of associates	(142,011)	(422,554)
Gains on disposal of property, plant and equipment	-	(4)
Loss on disposal of investments	-	1,109
(Reversal of) write-down of inventories	(213,763)	285,803
Unrealized gain on transactions with associates	47,199	63,700
Unrealized (gain) loss on foreign currency exchange	(4,736)	34,323
Gains on modification of lease	(5)	(262)
Recognition of refund liabilities	393,973	283,658
Net changes related to operating assets and liabilities		
Accounts receivable	(2,169,488)	732,084
Other receivables	(77,977)	166,770
Inventories	(5,244,631)	(1,814,960)
Prepayments	(31,052)	190,036
Other current assets	(2,506)	(55,079)
Contract liabilities	78,816	(94,704)
Accounts payable	1,496,517	(1,134,198)
Other payables	482,584	432,283
Other current liabilities	(58,069)	(86,775)
Net defined benefit liabilities	530	583
Deferred revenue	-	(227)
Cash (used in) generated from operations	(472,459)	2,265,820
Interest paid	(6,104)	(1,023)
Income tax paid	(323,912)	(313,294)
Net cash (used in) generated from operating activities	(802,475)	1,951,503
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(85,005)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	-	71,936

(Continued)

# PHISON ELECTRONICS CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2021	2020
Purchase of financial assets at amortized cost	\$ (3,652,671)	\$ (19,294)
Proceeds from sale of financial assets at amortized cost	2,791,061	-
Purchase of financial assets at fair value through profit or loss	(203,338)	(13,892)
Proceeds from sale of financial assets at fair value through profit or loss	4,721,119	92,379
Proceeds of the capital reduction of financial assets at fair value through profit or loss	15,300	19,140
Acquisition of associates	-	(136,495)
Net cash outflow on disposal of subsidiaries	(71,226)	-
Proceeds from capital reduction of investments accounted for using the equity method	54,457	-
Payments for property, plant and equipment	(971,982)	(605,253)
Proceeds from disposal of property, plant and equipment	-	19
Increase in refundable deposits	(418)	(6,923)
Payments for intangible assets	(91,576)	(87,408)
Increase in prepayments for equipment	(136,815)	-
Interest received	17,051	29,319
Dividends received from associates	71,313	-
Other dividends received	<u>36,059</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>2,493,329</u>	<u>(656,472)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	1,974,008	-
Repayments of long-term borrowings	(15,186)	-
Decrease in guarantee deposits	(1,119)	-
Repayment of the principal portion of lease liabilities	(10,074)	(8,908)
Increase in non-controlling interests	<u>-</u>	<u>26,195</u>
Net cash generated from financing activities	<u>1,947,629</u>	<u>17,287</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(60,864)</u>	<u>(49,424)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,577,619	1,262,894
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>14,961,122</u>	<u>10,205,257</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 18,538,741</u>	<u>\$ 11,468,151</u>

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

(With Deloitte & Touche auditors' review report dated August 6, 2021)

(Concluded)

# PHISON ELECTRONICS CORP. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Phison Electronics Corp. (the “Corporation”) was incorporated on November 8, 2000 under the Company Act of the Republic of China (“ROC”). The Corporation mainly for flash memory controllers design and the flash peripheral application integration design and manufacturing businesses.

The Corporation’s shares have been trading on the Taipei Exchange (over-the-counter exchange in Taiwan) since December 6, 2004.

The consolidated financial statements of the Corporation and its subsidiaries, hereinafter collectively referred to as the “Group”, are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on August 6, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to 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)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and 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” will be 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 Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

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

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value and net defined benefit liabilities 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:

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

##### **Basis of Consolidation**

The principles for the preparation of the interim consolidated financial statements are consistent with that of the consolidated financial statements for the year ended December 31, 2020.

Refer to Note 12, Table 6 and Table 7 for detailed information on the subsidiaries, including the percentages of ownership and main businesses.

##### **Other Significant Accounting Policies**

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2020.

##### **a. Retirement benefits**

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

##### **b. Taxation**

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The application of the Group's critical accounting judgments, estimates and assumptions in this report are consistent with the report for the year ended December 31, 2020.

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand	\$ 125	\$ 126	\$ 95
Checking accounts and demand deposits	11,102,398	10,490,173	9,294,084
Cash equivalents			
Time deposits with original maturities within 3 months	<u>7,436,218</u>	<u>4,470,823</u>	<u>2,173,972</u>
	<u>\$ 18,538,741</u>	<u>\$ 14,961,122</u>	<u>\$ 11,468,151</u>

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Non-derivative financial assets - current</u>			
Financial assets mandatorily classified as FVTPL			
Beneficiary certificates - open-end funds	\$ 473,508	\$ 4,989,343	\$ 2,833,672
Domestic listed shares	<u>688,376</u>	<u>505,377</u>	<u>523,473</u>
	<u>\$ 1,161,884</u>	<u>\$ 5,494,720</u>	<u>\$ 3,357,145</u>
<u>Non-derivative financial assets - non-current</u>			
Financial assets mandatorily classified as FVTPL			
Private equity funds	\$ 40,373	\$ 42,033	\$ 44,247
Domestic listed shares	28,350	-	-
Domestic unlisted shares	383,480	314,214	306,827
Overseas unlisted shares	<u>92,241</u>	<u>80,989</u>	<u>71,862</u>
	<u>\$ 544,444</u>	<u>\$ 437,236</u>	<u>\$ 422,936</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

### Investments in Equity Instruments at FVTOCI

	June 30, 2021	December 31, 2020	June 30, 2020
Domestic unlisted shares	\$ 228,887	\$ 139,069	\$ 222,716
Overseas unlisted shares	<u>275,610</u>	<u>221,235</u>	<u>330,763</u>
	<u>\$ 504,497</u>	<u>\$ 360,304</u>	<u>\$ 553,479</u>

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	June 30, 2021	December 31, 2020	June 30, 2020
Segregated foreign exchange deposit account for Offshore Funds (Note)	\$ 1,120,244	\$ 253,451	\$ -
Certificates of deposit	40,449	40,409	40,396
Time deposits with original maturities of more than 3 months	<u>-</u>	<u>-</u>	<u>35,171</u>
	<u>\$ 1,160,693</u>	<u>\$ 293,860</u>	<u>\$ 75,567</u>

As of June 30, 2020, the interest rate for time deposits with original maturities of more than 3 months was 0.13%-1.75%. The Group assessed that the expected credit risk of above financial assets was not material because the credit risk has not increased significantly since initial recognition.

Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

Note: The Group obtained approvals from the Ministry of Finance in August 2020, January 2021 and March 2021, respectively, to repatriate offshore funds in accordance with "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" (the Act). The repatriated amount, net of tax, was deposited into segregated foreign exchange deposit account (segregated account). The deposit in segregated account is subject to restrictions based on the Act.

## 10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount - non-related parties	\$ 6,687,518	\$ 5,389,529	\$ 4,724,145
Gross carrying amount - related parties (Note 28)	<u>1,543,554</u>	<u>669,281</u>	<u>543,862</u>
	8,231,072	6,058,810	5,268,007
Less: Loss allowance	<u>(96,540)</u>	<u>(41,109)</u>	<u>(116,897)</u>
	<u>\$ 8,134,532</u>	<u>\$ 6,017,701</u>	<u>\$ 5,151,110</u>
<u>Other receivables</u>			
Tax refunds receivable	\$ 334,815	\$ 258,092	\$ 194,586
Factored accounts receivable	27,991	15,790	19,818
Dividends receivable	-	-	53,155
Others	<u>93,288</u>	<u>32,036</u>	<u>45,119</u>
	<u>\$ 456,094</u>	<u>\$ 305,918</u>	<u>\$ 312,678</u>

### Trade Receivables

The average credit period of sales of goods was 30 to 90 days. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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



The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or when the trade receivables are over two years past due, whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

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

June 30, 2021

	Not Past Due	Less than 2 Months	2 to 3 Months	3 to 4 Months	4 to 5 Months	Over 5 Months	Total
Gross carrying amount	\$ 6,198,185	\$ 380,732	\$ 96,446	\$ 279	\$ 267	\$ 11,609	\$ 6,687,518
Loss allowance (lifetime expected credit losses)	<u>(13,254)</u>	<u>(36,030)</u>	<u>(35,290)</u>	<u>(126)</u>	<u>(231)</u>	<u>(11,609)</u>	<u>(96,540)</u>
Amortized cost	<u>\$ 6,184,931</u>	<u>\$ 344,702</u>	<u>\$ 61,156</u>	<u>\$ 153</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ 6,590,978</u>

December 31, 2020

	Not Past Due	Less than 2 Months	2 to 3 Months	3 to 4 Months	4 to 5 Months	Over 5 Months	Total
Gross carrying amount	\$ 5,070,972	\$ 311,402	\$ 7,128	\$ 27	\$ -	\$ -	\$ 5,389,529
Loss allowance (lifetime expected credit losses)	<u>(18,516)</u>	<u>(17,414)</u>	<u>(5,156)</u>	<u>(23)</u>	<u>-</u>	<u>-</u>	<u>(41,109)</u>
Amortized cost	<u>\$ 5,052,456</u>	<u>\$ 293,988</u>	<u>\$ 1,972</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,348,420</u>

June 30, 2020

	Not Past Due	Less than 2 Months	2 to 3 Months	3 to 4 Months	4 to 5 Months	Over 5 Months	Total
Gross carrying amount	\$ 4,193,140	\$ 508,870	\$ 22,135	\$ -	\$ -	\$ -	\$ 4,724,145
Loss allowance (lifetime expected credit losses)	<u>(26,761)</u>	<u>(75,072)</u>	<u>(15,064)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,897)</u>
Amortized cost	<u>\$ 4,166,379</u>	<u>\$ 433,798</u>	<u>\$ 7,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,607,248</u>

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Balance, beginning of the period	\$ 41,109	\$ 97,378
Add: Amounts recovered	55,431	19,537
Foreign exchange gains and losses	<u>-</u>	<u>(18)</u>
Balance, end of the period	<u>\$ 96,540</u>	<u>\$ 116,897</u>

Factored trade receivables that have not yet settled at end of period were as follows:

(In Thousands of Dollars)

Factor	Factor Amount	Reclassified to Other Receivables	Advances Received - Unused	Prepayments	Annual Interest Rates on Advances Received (Used) (%)
<u>June 30, 2021</u>					
HSBC Bank	US\$ 1,166	US\$ 1,005	\$ -	\$ -	-
<u>December 31, 2020</u>					
HSBC Bank	US\$ 690	US\$ 554	-	-	-
<u>June 30, 2020</u>					
HSBC Bank	US\$ 789	US\$ 669	-	-	-

The factor was HSBC Bank (Taiwan) Limited. This sale was without recourse while the Group shall pay only the necessary related charges.

## 11. INVENTORIES

	June 30, 2021	December 31, 2020	June 30, 2020
Raw materials	\$ 7,390,083	\$ 5,298,782	\$ 7,782,248
Work-in-process	5,397,594	3,525,646	3,065,917
Semi-finished goods	2,701,875	1,267,154	1,994,320
Finished goods	110,321	49,897	219,107
Merchandise	-	-	464
	<u>\$ 15,599,873</u>	<u>\$ 10,141,479</u>	<u>\$ 13,062,056</u>

The costs of inventories recognized as costs of goods sold for the three months and six months ended June 30, 2021 and 2020 were \$10,723,295 thousand, \$8,167,396 thousand, \$19,782,407 thousand and \$17,119,381 thousand, respectively.

The costs of goods sold for the three months and six months ended June 30, 2021 and 2020 included reversals of inventory write-downs of \$47,716 thousand, inventory write-downs of \$304,727 thousand, reversals of inventory write-downs of \$213,763 thousand and inventory write-downs of \$285,803 thousand, respectively. The reversals of previous write-downs resulted from an increase in market selling prices.

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Principal Activities	Proportion of Ownership (%)			Remark
			June 30, 2021	December 31, 2020	June 30, 2020	
Phison Electronics Corp.	Lian Xu Dong Investment Corporation	Investment	100.00	100.00	100.00	-
	Phison Electronics Japan Corp.	Sales and service office	100.00	100.00	100.00	-
	Emtops Electronics Corp.	Investment	100.00	100.00	100.00	-
	Phisontech Electronics Taiwan Corp.	Investment and trade	100.00	100.00	100.00	-
	Phisontech Electronics (Malaysia) Sdn. Bhd.	Design, production and sale of flash memory controllers and peripheral system applications	-	-	100.00	Remark 1
	Global Flash Limited	Investment and trade	100.00	100.00	100.00	-
	Power Flash (Samoa) Limited	Investment and trade	100.00	100.00	100.00	-
	Everspeed Technology Limited	Trade of electronic components	100.00	100.00	100.00	-
	Regis Investment (Samoa) Limited	Investment	100.00	100.00	100.00	-
Global Flash Limited	Phisontech (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronics	-	-	100.00	Remark 2
	Core Storage Electronic (Samoa) Limited	Investment and trade	100.00	100.00	100.00	-
Core Storage Electronic (Samoa) Limited	Hefei Core Storage Electronic Limited	Design, R&D, production and sale of electronic products and technical support service and rendering of related services	-	-	95.49	Remark 3
Hefei Core Storage Electronic Limited	Hefei Yichao Electronics Technology Ltd.	Design, R&D and sale of electronic products and technical support service and rendering of related services and investment	-	-	100.00	Remark 3
	Phisontech (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronics	-	-	-	Remarks 2 and 3
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trade of electronic components	100.00	100.00	100.00	-
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Sale of electronic products	100.00	100.00	100.00	-
Everspeed Technology Limited	Memoryexchange Corporation	Design and sale of flash memory related products	-	100.00	100.00	Remark 4
Regis Investment (Samoa) Limited	RealYou Investment Limited	Investment	100.00	100.00	100.00	-
RealYou Investment Limited	Hefei Ruhan Electronic Technology Limited	Design, R&D and sale of electronic products and technical support service and rendering of related services and investment	100.00	100.00	100.00	-
Emtops Electronics Corp.	Phison Technology Inc.	Sales and service office	100.00	100.00	100.00	-
Phisontech Electronics Taiwan Corp	Super Storage Technology Corporation	Manufacture and trade of electronic components	100.00	100.00	-	Remark 5

Remark 1: The company ended its operations in October 2020 and completed the liquidation procedures.

Remark 2: Hefei Core Storage Electronic Limited acquired 100% equity of Phisontech (Shenzhen) Limited from Global Flash Limited in July 2020. This transaction was regarded as a reorganization under common control.

Remark 3: In August, 2020, The board of directors resolved that Core Storage Electronic (Samoa) Limited disposed 46.48% ownership of Hefei Core Storage Electronic Limited and the disposal transaction was settled in November 2020. As losing the control of Hefei Core Storage Electronic Limited and its subsidiaries (the group of Hefei Core Storage Electronic), the Group was no longer to include the group of Hefei Core Storage Electronic in the consolidated financial statements. And then, the Group accounted the residual ownership of Hefei Core Storage Electronic Limited as the investments accounted for using the equity method (as associate). Refer to Note 27 in the consolidated financial statements for the year Ended December 31, 2020 for related information. In November 2020 and February 2021, the Group subscribed the capital increase of Hosin Global Electronics Co., Ltd. (SZ) with consideration of Group's ownership in Hefei Core Storage Electronic Limited. Refer to Note 13(d) for the information.

Remark 4: The company ended its operations in March 2021 and the liquidation procedures is in progress.

Remark 5: The Group acquired 100% equity of Super Storage Technology Corporation in July 2020.

Remark 6: The financial statements of the immaterial subsidiaries have not been reviewed.

- b. Subsidiaries excluded from the consolidated financial statements: None.
- c. During the preparation of the consolidated financial statements, the substantial transactions between the group entities were fully eliminated.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates	June 30, 2021	December 31, 2020	June 30, 2020
<u>Unlisted shares</u>			
HOSIN Global Electronics Co., Ltd. (SZ)	\$ 2,912,161	\$ 1,973,587	\$ 476,237
Epostar Electronics (BVI) Corporation	231,806	269,809	265,830
Nextorage Corporation	136,621	98,233	-
Hefei Xinpeng Technology Co., Ltd.	140,780	161,207	303,452
ProGrade Digital, Inc.	94,469	88,400	80,050
Microtops Design Corporation	23,013	22,977	23,081
Hefei Core Storage Electronic Limited	-	1,393,661	-
PMS Technology Corporation	-	-	18,263
Kingston Solutions Inc.	-	-	<u>1,022,484</u>
	<u>\$ 3,538,850</u>	<u>\$ 4,007,874</u>	<u>\$ 2,189,397</u>

- a. Refer to Tables 6 and 7 for the nature of activities, principal place of business and country of incorporation of the associates.
- b. The Group invested JPY294,000 thousand in Nextorage Corporation, US\$2,785 thousand in ProGrade Digital, Inc., and CNY20,000 thousand in Hefei Xinpeng Technology Co., Ltd in 2020. As of June 30, 2021, the Group's percentages of ownership in Nextorage Corporation, ProGrade Digital, Inc., and Hefei Xinpeng Technology Co., Ltd. were 49%, 32.01% and 24.23%, respectively.
- c. The Group disposed of its investment in Kingston Solutions Inc. to Kingston Technology Corporation, a non-related party, with \$1,781,640 thousand in September 2020, and recognized a gain on the disposal of investment of \$967,348 thousand.

- d. The Group subscribed 54,500 thousand shares from the capital increase of Hosin Global Electronics Co., Ltd. (SZ) with consideration of 24.59% ownership (the amount of contribution is CNY54,500 thousand) in Hefei Core Storage Electronic Limited in November 2020. In addition, the Group subscribed 54,095 thousand shares from the capital increase of Hosin Global Electronics Co., Ltd. (SZ) with consideration of residual 24.41% ownership (the amount of contribution is CNY54,095 thousand) in Hefei Core Storage Electronic Limited in February 2021. As of June 30, 2021, the Group's percentage of ownership in HOSIN Global Electronics Co., Ltd. (SZ) was 44.35%.
- e. For the six months ended June 30, 2021 and 2020, the investments accounted for using the equity method and the Group's share of profit or loss and other comprehensive income of those investments were based on the financial statements that have not been reviewed.

#### 14. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2021	December 31, 2020	June 30, 2020
Land	\$ 1,144,737	\$ 1,144,737	\$ 958,807
Land improvements	1,528	1,865	2,454
Buildings	2,051,820	2,085,112	1,713,271
Testing equipment	557,525	485,962	537,781
Office equipment	42,502	33,768	25,173
Mechanical equipment	124,645	103,466	39,280
Other equipment	100,953	79,233	17,699
Construction in progress	<u>1,437,000</u>	<u>712,397</u>	<u>419,400</u>
	<u>\$ 5,460,710</u>	<u>\$ 4,646,540</u>	<u>\$ 3,713,865</u>

- a. To increase the scale of operations, the Corporation's board of directors resolved on January 17, 2020 to build a factory in Zhunan Guangyuan Science and Technology Park by contracting third parties to construct on the land owned by the Corporation. The total price of the project was approximately \$1,398,000 thousand. The Corporation financed the construction with its own funds. The projected construction period is from March 2020 to December 2021. In addition, the Corporation's board of directors resolved on November 12, 2020 to build a factory with loading and unloading parking space in Zhunan Guangyuan Science and Technology Park by contracting third parties to construct on the land owned by the Corporation. The total price of the project was approximately \$829,000 thousand. The Corporation financed the construction with its own funds. The construction period is from February 2021 to March 2022.
- b. Property, plant and equipment pledged as collaterals for bank borrowings was disclosed in Note 29.

Except for the recognition of depreciation and aforementioned construction in progress, the Group had no significant additions to, disposals of, and impairment of property, plant and equipment for the six months ended June 30, 2021 and 2020.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Land improvements	7 years
Buildings	20-50 years
Buildings - electrical engineering	20 years
Testing equipment	3-7 years
Office equipment	3-7 years
Mechanical equipment	1-6 years
Other equipment	2-15 years

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	June 30, 2021		December 31, 2020		June 30, 2020	
<u>Carrying amounts</u>						
Buildings	\$ 28,666		\$ 27,169		\$ 33,596	
Transportation equipment	710		1,106		469	
Other assets	<u>2,465</u>		<u>4,109</u>		<u>5,753</u>	
	<u>\$ 31,841</u>		<u>\$ 32,384</u>		<u>\$ 39,818</u>	
					<b>For the Six Months Ended</b>	
	<b>For the Three Months Ended</b>				<b>June 30</b>	
	<b>June 30</b>		<b>June 30</b>		<b>June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Depreciation charge for right-of-use assets						
Buildings	\$ 4,266	\$ 4,928	\$ 8,189	\$ 7,946	\$ 7,946	\$ 7,946
Transportation equipment	178	156	397	313	313	313
Other assets	<u>822</u>	<u>822</u>	<u>1,644</u>	<u>822</u>	<u>822</u>	<u>822</u>
	<u>\$ 5,266</u>	<u>\$ 5,906</u>	<u>\$ 10,230</u>	<u>\$ 9,081</u>	<u>\$ 9,081</u>	<u>\$ 9,081</u>

Except for the depreciation, the Group had no significant additions, subleases, and impairment losses recognized on right-of-use assets for the six months ended June 30, 2021 and 2020.

### b. Lease liabilities

	June 30, 2021		December 31, 2020		June 30, 2020	
<u>Carrying amounts</u>						
Current	<u>\$ 19,396</u>		<u>\$ 16,420</u>		<u>\$ 15,071</u>	
Non-current	<u>\$ 12,837</u>		<u>\$ 16,212</u>		<u>\$ 25,040</u>	

Range of discount rate for lease liabilities was as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Buildings	0.70%-4.00%	2.08%-4.00%	2.08%-2.85%
Transportation equipment	0.58%-2.08%	0.58%-2.60%	2.60%
Other assets	2.08%	2.08%	2.08%

c. Other lease information

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

## 16. INTANGIBLE ASSETS

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Computer software	\$ 236,539	\$ 246,830	\$ 188,717
Technology license fees	<u>46,794</u>	<u>67,064</u>	<u>72,369</u>
	<u>\$ 283,333</u>	<u>\$ 313,894</u>	<u>\$ 261,086</u>

Except for amortization, the Group had no significant additions, disposals, and impairment of intangible assets for the six months ended June 30, 2021 and 2020.

The above items of intangible assets are amortized on a straight-line basis over their following estimated useful lives:

Computer software	1-5 years
Technology license fees	1-8 years

## 17. BORROWINGS

a. Short-term borrowings

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
<u>Unsecured borrowings</u>			
Bank loans	<u>\$ 3,389,916</u>	<u>\$ 1,480,480</u>	<u>\$ -</u>
<u>Secured borrowings (Note 29)</u>			
Bank loans	<u>30,000</u>	<u>-</u>	<u>-</u>
Short-term borrowings	<u>\$ 3,419,916</u>	<u>\$ 1,480,480</u>	<u>\$ -</u>
Annual interest rates	0.52%-1.07%	0.57%-1.07%	-

b. Long-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Secured borrowings (Note 29)</u>			
Bank loans	\$ 210,936	\$ 226,122	\$ -
Less: Current portions	<u>(30,716)</u>	<u>(30,486)</u>	<u>-</u>
Long-term borrowings	<u>\$ 180,220</u>	<u>\$ 195,636</u>	<u>\$ -</u>
Annual interest rates	1.50%	1.50%	-
Maturity date	January 2028	January 2028	-

**18. OTHER PAYABLES**

	June 30, 2021	December 31, 2020	June 30, 2020
Salaries and bonuses payable	\$ 5,513,801	\$ 5,033,901	\$ 3,619,001
Dividends payable	4,532,702	-	2,561,962
Others	<u>991,124</u>	<u>1,011,109</u>	<u>1,193,688</u>
	<u>\$ 11,037,627</u>	<u>\$ 6,045,010</u>	<u>\$ 7,374,651</u>

**19. OTHER CURRENT LIABILITIES**

	June 30, 2021	December 31, 2020	June 30, 2020
Refund liabilities	\$ 776,897	\$ 490,929	\$ 594,537
Payables for purchases of equipment	44,880	30,499	10,937
Receipts under custody	70,936	42,321	33,096
Others	<u>61,938</u>	<u>41,459</u>	<u>53,185</u>
	<u>\$ 954,651</u>	<u>\$ 605,208</u>	<u>\$ 691,755</u>

**20. RETIREMENT BENEFIT PLANS**

Employee benefits expenses for the three months and the six months ended June 30, 2021 and 2020 in respect of the Group's defined benefit retirement plans were \$767 thousand, \$804 thousand, \$1,535 thousand and \$1,608 thousand, respectively, and were calculated using the actuarially determined pension cost discount rate at the end of the prior financial years ended December 31, 2020 and 2019.



## 21. EQUITY

### a. Common shares

	June 30, 2021	December 31, 2020	June 30, 2020
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>	<u>280,000</u>
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 2,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>197,074</u>	<u>197,074</u>	<u>197,074</u>
Shares issued	<u>\$ 1,970,740</u>	<u>\$ 1,970,740</u>	<u>\$ 1,970,740</u>

On November 11, 2019, an employee share option plan was approved by the Corporation's board of directors which was declared effective on November 22, 2019, after the FSC approved this plan as shown in the FSC's issued document No. 1080336954. In accordance with Article 56, Section 2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers and the regulations of the issuance of employee share options in 2019, shares can be issued as a whole or in parts depending on the actual needs of the Corporation within 1 year starting from the date the issuer received the notification of approval from the authorities.

On March 27, 2020, an employee share option plan was approved by the Corporation's board of directors, which was declared effective on April 10, 2020, after the FSC approved this plan as shown in the FSC's issued document No. 1090337137. In accordance with Article 56, Section 2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers and the regulations of the issuance of employee share options in 2020, shares can be issued as a whole or in parts depending on the actual needs of the Corporation within 1 year starting from the date the issuer received the notification of approval from the authorities.

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

Of the Corporation's authorized capital shares, 29,000 thousand shares were reserved for the issuance of employee share options.

Refer to Note 25 for information relating to actual outstanding employee share options.

### b. Capital surplus

	June 30, 2021	December 31, 2020	June 30, 2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of common shares	\$ 6,237,434	\$ 6,237,434	\$ 6,237,434
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,758	148,758	148,758

(Continued)

	June 30, 2021	December 31, 2020	June 30, 2020
<u>May only be used to offset a deficit</u>			
Expired share options	\$ 227	\$ 227	\$ 227
Changes in percentage of ownership interests in subsidiaries (2)	1,944	1,944	1,922
Share of changes in capital surplus of associates	-	-	368,274
<u>May not be used for any purpose</u>			
Employee share options	<u>313,769</u>	<u>197,810</u>	<u>91,960</u>
	<u>\$ 6,702,132</u>	<u>\$ 6,586,173</u>	<u>\$ 6,848,575</u>
			(Concluded)

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
  - 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.
- c. Retained earnings and dividend policy

The amendments to the Corporation's Articles of Incorporation (the "Articles") had been approved by the Corporation's shareholders in its meeting held on July 26, 2021, which stipulate that earnings distribution or offsetting of losses may be made on a half-yearly basis of the fiscal year.

Under the dividend policy as set forth in the Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, estimating and retaining the employees' and directors' remuneration, setting aside as legal reserve 10% of the remaining profit until the accumulated legal capital reserve equals to the paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with the beginning balance of undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan. Where the aforementioned earnings, legal reserves, and capital reserves are distributed in cash, the Corporation's board of directors is authorized to approve the distribution by a resolution approved by a majority vote of the directors at a meeting attended by over two-thirds of the Corporation's board of directors and report to the shareholders' meeting. Where they are distributed by issuing new shares, it shall be resolved at the shareholders' meeting. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after the amendment, refer to Note 22(g) "employees' compensation and remuneration of directors and supervisors".

The Corporation's dividend policy complies with the laws and regulations and the Articles, taking into account the current and future competitions of the Corporation with domestic and foreign companies, investment environment, capital demand, capital budget, and shareholders' interests, striking a balance between dividends and the long-term financial planning of the Corporation, so as to foster sustainable operation and stable development. The dividend distribution of the shareholders of the Corporation can be distributed in cash dividends or share dividends, in which the proportion of shareholders' cash dividend distribution shall be no less than 10% of the total dividends of the shareholders.

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 issued by the Financial Supervisory Commission. Distributions can be made out of any subsequent reversal of the debit to other equity items.

A legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Corporation suspends its originally scheduled shareholders' meeting in response to the FSC's announcement: "For pandemic prevention, the FSC demands public companies to postpone their shareholders' meetings". The shareholders' meeting will be held on July 26, 2021. However, the voting result by way of electronic transmission regarding the appropriation of earnings for 2020 reached the legal resolution threshold and the Corporation adjusted related amount accordingly.

The appropriations of earnings for 2020 and 2019 were resolved in the shareholders' meeting on July 26, 2021 and June 3, 2020, respectively, and were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For Year 2020</b>	<b>For Year 2019</b>
Legal reserve	\$ 868,226	\$ 455,816
Reversal of special reserve	(10,784)	(204,802)
Cash dividends	4,532,702	2,561,962
Per share (NT\$) of cash dividends	23	13

The appropriations of the half-yearly earnings for 2021, which were resolved by the Corporation's board of directors on August 6, 2021, were as follows:

	<b>For the Six Months Ended June 30, 2021</b>
Legal reserve	\$ 355,551
Reversal of special reserve	(9,773)
Cash dividends	1,970,740
Per share (NT\$) of cash dividends	10

## 22. NET PROFIT

### a. Other gains and losses

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net gain (loss) on financial assets at FVTPL	\$ 181,506	\$ 79,554	\$ 307,453	\$ (22,503)
Net foreign exchange losses (Note 32)	(57,651)	(117,573)	(86,681)	(44,943)
Others	<u>5</u>	<u>225</u>	<u>5</u>	<u>(881)</u>
	<u>\$ 123,860</u>	<u>\$ (37,794)</u>	<u>\$ 220,777</u>	<u>\$ (68,327)</u>

b. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Bank deposits	\$ 10,606	\$ 11,454	\$ 18,255	\$ 22,420
Others	<u>4</u>	<u>780</u>	<u>4</u>	<u>6,252</u>
	<u>\$ 10,610</u>	<u>\$ 12,234</u>	<u>\$ 18,259</u>	<u>\$ 28,672</u>

c. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Rental income	\$ 5,187	\$ 348	\$ 11,478	\$ 755
Dividend income	33,035	53,155	36,059	53,155
Others	<u>9,724</u>	<u>27,966</u>	<u>19,478</u>	<u>63,022</u>
	<u>\$ 47,946</u>	<u>\$ 81,469</u>	<u>\$ 67,015</u>	<u>\$ 116,932</u>

d. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Interest on bank loans	\$ 6,068	\$ 111	\$ 10,528	\$ 460
Interest on lease liabilities	<u>191</u>	<u>346</u>	<u>405</u>	<u>563</u>
	<u>\$ 6,259</u>	<u>\$ 457</u>	<u>\$ 10,933</u>	<u>\$ 1,023</u>

e. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Property, plant and equipment	\$ 108,507	\$ 85,161	\$ 210,720	\$ 166,320
Right-of-use assets	5,266	5,906	10,230	9,081
Intangible assets	<u>65,022</u>	<u>48,948</u>	<u>122,127</u>	<u>94,330</u>
	<u>\$ 178,795</u>	<u>\$ 140,015</u>	<u>\$ 343,077</u>	<u>\$ 269,731</u>
An analysis of depreciation by function				
Operating costs	\$ 34,634	\$ 17,559	\$ 67,877	\$ 34,084
Operating expenses	<u>79,139</u>	<u>73,508</u>	<u>153,073</u>	<u>141,317</u>
	<u>\$ 113,773</u>	<u>\$ 91,067</u>	<u>\$ 220,950</u>	<u>\$ 175,401</u>

(Continued)

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
An analysis of amortization by function				
Operating costs	\$ 141	\$ 14	\$ 282	\$ 14
Operating expenses	<u>64,881</u>	<u>48,934</u>	<u>121,845</u>	<u>94,316</u>
	<u>\$ 65,022</u>	<u>\$ 48,948</u>	<u>\$ 122,127</u>	<u>\$ 94,330</u>
				(Concluded)

f. Employee benefits expense

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Short-term employee benefits	<u>\$ 2,079,231</u>	<u>\$ 1,138,620</u>	<u>\$ 3,639,699</u>	<u>\$ 2,753,921</u>
Post-employment benefits				
Defined contribution plan	36,729	27,656	70,925	54,182
Defined benefit plan (Note 20)	<u>767</u>	<u>804</u>	<u>1,535</u>	<u>1,608</u>
	<u>37,496</u>	<u>28,460</u>	<u>72,460</u>	<u>55,790</u>
Share-based payments				
Equity-settled	<u>57,599</u>	<u>44,501</u>	<u>115,959</u>	<u>91,960</u>
Termination benefits	<u>-</u>	<u>93</u>	<u>-</u>	<u>93</u>
Other employee benefits				
Employee welfare	20,985	14,103	37,829	31,045
Food stipend	<u>21,426</u>	<u>14,309</u>	<u>41,297</u>	<u>28,060</u>
	<u>42,411</u>	<u>28,412</u>	<u>79,126</u>	<u>59,105</u>
	<u>\$ 2,216,737</u>	<u>\$ 1,240,086</u>	<u>\$ 3,907,244</u>	<u>\$ 2,960,869</u>
Employee benefits				
Recognized in operating costs	\$ 169,605	\$ 72,439	\$ 331,290	\$ 143,233
Recognized in operating expenses	<u>2,047,132</u>	<u>1,167,647</u>	<u>3,575,954</u>	<u>2,817,636</u>
	<u>\$ 2,216,737</u>	<u>\$ 1,240,086</u>	<u>\$ 3,907,244</u>	<u>\$ 2,960,869</u>

g. Employees' compensation and remuneration of directors and supervisors

The Corporation accrued employees' compensation and remuneration of directors and supervisors at the rates of 8%-19% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months and six months ended June 30, 2021 and 2020, the employees' compensation and remuneration of directors and supervisors were as follows:

Accrual rate

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	9.97%	9.82%
Remuneration of directors and supervisors	0.86%	0.98%

Amount

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Employees' compensation	<u>\$ 309,370</u>	<u>\$ 126,966</u>	<u>\$ 523,735</u>	<u>\$ 370,091</u>
Remuneration of directors and supervisors	<u>\$ 23,564</u>	<u>\$ 12,697</u>	<u>\$ 45,000</u>	<u>\$ 37,009</u>

The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, approved by the Corporation's board of directors on March 11, 2021 and March 16, 2020, respectively, were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Cash Dividends</b>	<b>Stock Dividends</b>	<b>Cash Dividends</b>	<b>Stock Dividends</b>
Employees' compensation	\$ 1,000,000	\$ -	\$ 650,000	\$ -
Remuneration of directors and supervisors	45,000	-	35,000	-

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

h. Gains or losses on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Foreign exchange gains	\$ 165,544	\$ 74,799	\$ 305,336	\$ 161,220
Foreign exchange losses	<u>(223,195)</u>	<u>(192,372)</u>	<u>(392,017)</u>	<u>(206,163)</u>
Net losses	<u>\$ (57,651)</u>	<u>\$ (117,573)</u>	<u>\$ (86,681)</u>	<u>\$ (44,943)</u>

## 23. INCOME TAXES

a. Income tax recognized in profit or loss

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 387,755	\$ 140,304	\$ 903,436	\$ 455,886
Adjustments for prior year	(1,141)	(221,487)	(1,141)	(221,487)
Income tax on unappropriated earnings	<u>166,016</u>	<u>82,357</u>	<u>166,016</u>	<u>82,357</u>
	<u>552,630</u>	<u>1,174</u>	<u>1,068,311</u>	<u>316,756</u>
Deferred tax				
In respect of the current period	<u>(60,219)</u>	<u>(62,675)</u>	<u>(211,401)</u>	<u>(38,359)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 492,411</u>	<u>\$ (61,501)</u>	<u>\$ 856,910</u>	<u>\$ 278,397</u>

b. Income tax assessments

Associate	For the Year Ended
Phison Electronics Corp.	2018
Lian Xu Dong Investment Corporation	2019
Emtops Electronics Corp.	2019
Ostek Corporation	2019
Phisontech Electronics Taiwan Corp.	2019
Super Storage Technology Corporation	2018

## 24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Basic earnings per share	<u>\$ 11.49</u>	<u>\$ 6.00</u>	<u>\$ 20.05</u>	<u>\$ 15.64</u>
Diluted earnings per share	<u>\$ 11.24</u>	<u>\$ 5.99</u>	<u>\$ 19.53</u>	<u>\$ 15.46</u>

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

**Net Profit for the Period**

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Earnings used in the computation of basic earnings per share				
Profit for the period attributable to owners of the Corporation	<u>\$ 2,264,081</u>	<u>\$ 1,183,293</u>	<u>\$ 3,951,621</u>	<u>\$ 3,081,342</u>
Earnings used in the computation of diluted earnings per share				
Profit for the period attributable to owners of the Corporation	<u>\$ 2,264,081</u>	<u>\$ 1,183,293</u>	<u>\$ 3,951,621</u>	<u>\$ 3,081,342</u>

**Shares**

(In Thousands of Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Weighted-average number of common shares used in the computation of basic earnings per share	197,074	197,074	197,074	197,074
Effect of potentially dilutive common shares:				
Employees' compensation	1,091	432	1,964	2,272
Employees' stock options	<u>3,298</u>	<u>-</u>	<u>3,298</u>	<u>-</u>
Weighted-average number of common shares used in the computation of dilutive earnings per share	<u>201,463</u>	<u>197,506</u>	<u>202,336</u>	<u>199,346</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.



## 25. SHARE-BASED PAYMENT

### Employee Share Option Plan

In accordance with employee share option plan approved in 2019, qualified employees of the Corporation and its subsidiaries were granted 8,000 thousand units of options. Each option entitles the holder with the right to subscribe for one ordinary share of the Corporation. The options granted are valid for 3 years and exercisable at certain percentages after the second year from the grant date. The options were granted at an exercise price equal to the closing price of the Corporation's ordinary shares on the grant date. For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly. In addition, with the consent of the share option holders, the Corporation retracted and cancelled 6,000 thousand units of issued options and replaced them with employee share option plan approved in 2020.

Information on employee share options is as follows:

	For the Six Months Ended June 30			
	2021		2020	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	1,976	\$ 262	6,000	\$ 340
Options forfeited	<u>(32)</u>	-	<u>(42)</u>	-
Balance at June 30	<u>1,944</u>	262	<u>5,958</u>	340
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 59.63</u>		<u>\$ 70.44</u>	

Options were priced by using the Black-Scholes pricing model, and the inputs to the model are as follows:

	Second Grant, 2019	First Grant, 2019
Grant-date share price	\$262	\$340
Exercise price	\$262	\$340
Expected volatility	35.27%-35.45%	31.30%-31.79%
Expected dividend yield	-	-
Expected life	3 years	3 years
Risk-free interest rate	0.20%-0.22%	0.52%-0.53%

In accordance with employee share option plan approved in 2020, qualified employees of the Corporation and its subsidiaries were granted 6,000 thousand units of options. Each option entitles the holder with the right to subscribe for one ordinary share of the Corporation. The options granted are valid for 3 years and exercisable at certain percentages after the second year from the grant date. The options were granted at an exercise price equal to the closing price of the Corporation's ordinary shares on the grant date. For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly.

	<b>For the Six Months Ended June 30, 2021</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	5,835	\$ 262
Options forfeited	<u>(46)</u>	-
Balance at June 30	<u>5,789</u>	262
Options exercisable, end of year	<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 59.63</u>	

Options were priced by using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>First Grant, 2020</b>
Grant-date share price	\$262
Exercise price	\$262
Expected volatility	35.27%-35.45%
Expected dividend yield	-
Expected life	3 years
Risk-free interest rate	0.20%-0.22%

Information on outstanding options is as follows:

	<b>June 30, 2021</b>
Range of exercise price (\$)	\$262
Weighted-average remaining contractual life (in years)	2.25years

Compensation costs recognized for the three months and six months ended June 30, 2021 and 2020 were \$57,599 thousand, \$44,501 thousand, \$115,959 thousand and \$91,960 thousand, respectively.

## 26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debts (borrowings offset by cash and cash equivalents) and equity (comprising share capital, capital surplus, retained earnings and other equities).

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

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

## 27. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The Group's management considers the carrying amounts recognized in the consolidated financial statements for financial assets and financial liabilities not carried at fair value to approximate their fair values or their fair values cannot be reliably measured.

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

June 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 716,726	\$ -	\$ -	\$ 716,726
Domestic unlisted shares	-	-	383,480	383,480
Overseas unlisted shares	-	-	92,241	92,241
Domestic private equity funds	-	-	40,373	40,373
Beneficiary certificates - open-end funds	<u>473,508</u>	<u>-</u>	<u>-</u>	<u>473,508</u>
	<u>\$ 1,190,234</u>	<u>\$ -</u>	<u>\$ 516,094</u>	<u>\$ 1,706,328</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ 228,887	\$ 228,887
Overseas unlisted shares	<u>-</u>	<u>-</u>	<u>275,610</u>	<u>275,610</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,497</u>	<u>\$ 504,497</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 505,377	\$ -	\$ -	\$ 505,377
Domestic unlisted shares	-	-	314,214	314,214
Overseas unlisted shares	-	-	80,989	80,989
Domestic private equity funds	-	-	42,033	42,033
Beneficiary certificates - open-end funds	<u>4,989,343</u>	<u>-</u>	<u>-</u>	<u>4,989,343</u>
	<u>\$ 5,494,720</u>	<u>\$ -</u>	<u>\$ 437,236</u>	<u>\$ 5,931,956</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ 139,069	\$ 139,069
Overseas unlisted shares	<u>-</u>	<u>-</u>	<u>221,235</u>	<u>221,235</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,304</u>	<u>\$ 360,304</u>

June 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 523,473	\$ -	\$ -	\$ 523,473
Domestic unlisted shares	-	-	306,827	306,827
Overseas unlisted shares	-	-	71,862	71,862
Domestic private equity funds	-	-	44,247	44,247
Beneficiary certificates - open-end funds	<u>2,833,672</u>	<u>-</u>	<u>-</u>	<u>2,833,672</u>
	<u>\$ 3,357,145</u>	<u>\$ -</u>	<u>\$ 422,936</u>	<u>\$ 3,780,081</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ 222,716	\$ 222,716
Overseas unlisted shares	<u>-</u>	<u>-</u>	<u>330,763</u>	<u>330,763</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 553,479</u>	<u>\$ 553,479</u>

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the six months ended June 30, 2021

Financial Assets	Financial Assets at FVTPL			Financial Assets at FVTOCI	Total
	Derivatives - Private Equity Funds	Derivatives - Convertible Bonds	Equity Instruments	Equity Instruments	
Balance at January 1, 2021	\$ 42,033	\$ -	\$ 395,203	\$ 360,304	\$ 797,540
Recognized in profit or loss	(1,660)	-	124,504	-	122,844
Recognized in other comprehensive income	-	-	-	59,188	59,188
Additions	-	-	3,338	85,005	88,343
Transfers out of Level 3	-	-	(32,024)	-	(32,024)
Disposals and proceeds from capital reductions	<u>-</u>	<u>-</u>	<u>(15,300)</u>	<u>-</u>	<u>(15,300)</u>
Balance at June 30, 2021	<u>\$ 40,373</u>	<u>\$ -</u>	<u>\$ 475,721</u>	<u>\$ 504,497</u>	<u>\$ 1,020,591</u>

For the six months ended June 30, 2020

Financial Assets	Financial Assets at FVTPL			Financial Assets at FVTOCI	Total
	Derivatives - Private Equity Funds	Derivatives - Convertible Bonds	Equity Instruments	Equity Instruments	
Balance at January 1, 2020	\$ 45,408	\$ 94,770	\$ 413,898	\$ 636,432	\$ 1,190,508
Recognized in profit or loss	(1,161)	(2,391)	(19,961)	-	(23,513)
Recognized in other comprehensive income	-	-	-	21,041	21,041
Additions	-	-	3,892	-	3,892
Disposals and proceeds from capital reductions	-	(92,379)	(19,140)	(103,994)	(215,513)
Balance at June 30, 2020	<u>\$ 44,247</u>	<u>\$ -</u>	<u>\$ 378,689</u>	<u>\$ 553,479</u>	<u>\$ 976,415</u>

3) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

- a) The fair values of unlisted equity securities - domestic and foreign were determined using the market approach. In accordance with the trading prices of analogous subjects, taking the difference between the unlisted equity securities and analogous subjects into consideration, the values of the unlisted equity securities are estimated using the appropriate multiplier. The significant unobservable inputs used are listed in the table below. A decrease in the discount for the lack of marketability used in isolation would result in an increase in fair value.

	June 30	
	2021	2020
Discount for lack of marketability	15%-31.58%	15%

- b) The fair values of unlisted equity securities - foreign were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed in the table below. Decreases in the discount for non-controlling interests, the discount for lack of marketability and the weighted-average cost of capital (WACC) would result in increases in fair value. A decrease in sustainable revenue growth rates would result in a decrease in fair value.

	June 30	
	2021	2020
Discount for non-controlling interest	15%	15%
Discount for lack of marketability	15%	15%
Sustainable revenue growth rates	2.88%	1.37%
WACC	12.63%-14.87%	12.79%-15.94%

- c) The fair values of unlisted equity securities - domestic and foreign and private equity funds were determined using the asset-based approach. In order to reflect the overall value of the Corporation or business, the total market values of the individual assets and individual liabilities of the evaluation target are evaluated. The significant unobservable inputs used are listed in the table below. Decreases in the discount for non-controlling interests and the discount for a lack of marketability would result in increases in fair value.

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Discount for non-controlling interests	10%	10%
Discount for lack of marketability	10%	10%

c. Categories of financial instruments

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
<u>Financial assets</u>			
Financial assets at FVTPL			
Mandatorily classified as FVTPL	\$ 1,706,328	\$ 5,931,956	\$ 3,780,081
Financial assets at amortized cost (Note 1)	28,290,060	21,578,601	17,007,506
Financial assets at FVTOCI			
Equity instruments	504,497	360,304	553,479
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (Note 2)	19,635,941	11,212,515	9,873,070

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

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payable, other payables, current portion of long-term borrowings, long-term borrowings, and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, borrowings, and lease liabilities. The Group's financial management department provides services to the business unit and coordinates access to domestic and international financial markets. The risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency rates and interest rates.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To avoid the decrease in foreign currency assets and adverse fluctuations of future cash flows resulting from changes in foreign currency exchange rates, the Group used foreign currency borrowings to hedge risks of foreign currency exchange rates. The gain or loss caused by changes in foreign currency exchange rates will be offset by profit or loss from the hedge. As a result, the market risk is immaterial.

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

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 6% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 6%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts its translation at the end of the reporting period for a 6% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 6% against the relevant currency. For a 6% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<b>Impact of USD</b>	
	<b>For the Six Months Ended</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Profit or loss	\$ 254,339	\$ 436,336

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group held bank deposits and borrowings at floating interest rates.

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Fair value interest rate risk			
Financial assets	\$ 7,621,103	\$ 4,764,683	\$ 2,249,539
Financial liabilities	3,308,569	1,485,112	40,111
Cash flow interest rate risk			
Financial assets	12,023,826	10,490,173	9,294,084
Financial liabilities	354,516	254,122	-

### Sensitivity analysis

If interest rates had been 1 basis point higher and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2021 and 2020 would increase by \$583 thousand and \$465 thousand, respectively.

#### c) Other price risk

The Group was exposed to equity price risks through its investments in international and domestic listed and unlisted stock, private equity funds and beneficiary certificates.

### Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$17,063 thousand and \$37,801 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the six months ended June 30, 2021 and 2020 would have increased/decreased by \$5,045 thousand and \$5,535 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to a failure of counterparties to discharge an obligation and financial guarantees provided by the Group, comes from the carrying amounts of the respective recognized financial assets as stated in the consolidated balance sheets.

The targets of the aforementioned evaluation are financial assets that could potentially be influenced by the Group's counterparties defaulting on their contractual obligations and contracts with positive fair values as of the balance sheet date. The customers of the Group are financial institutions or manufacturers with good credit ratings; and thus, there is no expected material credit risk.

#### 3) Liquidity risk

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

#### a) Financing facilities

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Unsecured bank facilities:			
Amount used	\$ 4,549,916	\$ 2,640,480	\$ 1,660,000
Amount unused	<u>3,512,426</u>	<u>7,167,920</u>	<u>8,110,400</u>
	<u>\$ 8,062,342</u>	<u>\$ 9,808,400</u>	<u>\$ 9,770,400</u>

(Continued)



	June 30, 2021	December 31, 2020	June 30, 2020
Secured bank facilities:			
Amount used	\$ 240,936	\$ 226,122	\$ -
Amount unused	<u>20,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 260,936</u>	<u>\$ 226,122</u>	<u>\$ -</u>

(Concluded)

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

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

	<u>June 30, 2021</u>				
<u>Non-derivative financial liabilities</u>	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
Non-interest bearing liabilities	\$ 3,655,121	\$ 8,949,041	\$ 4,234,744	\$ -	\$ -
Fixed interest rate liabilities	779,582	1,589,875	915,611	-	-
Variable interest rate liabilities	116,493	5,665	55,299	134,676	53,309
Lease liabilities	<u>1,722</u>	<u>3,444</u>	<u>14,719</u>	<u>12,956</u>	<u>-</u>
	<u>\$ 4,552,918</u>	<u>\$10,548,025</u>	<u>\$ 5,220,373</u>	<u>\$ 147,632</u>	<u>\$ 53,309</u>

  

	<u>December 31, 2020</u>				
<u>Non-derivative financial liabilities</u>	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
Non-interest bearing liabilities	\$ 3,248,851	\$ 2,091,340	\$ 4,254,344	\$ -	\$ -
Fixed interest rate liabilities	783,728	669,983	-	-	-
Variable interest rate liabilities	2,831	5,661	53,276	134,676	70,144
Lease liabilities	<u>1,438</u>	<u>2,877</u>	<u>12,572</u>	<u>16,646</u>	<u>-</u>
	<u>\$ 4,036,848</u>	<u>\$ 2,769,861</u>	<u>\$ 4,320,192</u>	<u>\$ 151,322</u>	<u>\$ 70,144</u>

  

	<u>June 30, 2020</u>				
<u>Non-derivative financial liabilities</u>	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
Non-interest bearing liabilities	\$ 4,523,072	\$ 2,669,293	\$ 3,297,998	\$ -	\$ -
Lease liabilities	<u>1,361</u>	<u>2,701</u>	<u>11,782</u>	<u>25,685</u>	<u>-</u>
	<u>\$ 4,524,433</u>	<u>\$ 2,671,994</u>	<u>\$ 3,309,780</u>	<u>\$ 25,685</u>	<u>\$ -</u>

e. Information on transfers of financial assets

Refer to Note 10 for more information relating to the Group's factored trade receivables.

## 28. RELATED PARTY TRANSACTIONS

Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

### a. Related parties and their relationships

<u>Related Party</u>	<u>Relationship</u>
Toshiba International Procurement Hong Kong, Ltd.	Other related party
Kioxia America, Inc.	Other related party
Kioxia Corporation	Other related party
Kioxia Taiwan Corporation	Other related party
Orient Semiconductor Electronics Ltd.	Other related party
Apacer Technology Inc.	Other related party
Super Storage Technology Corporation	Other related party (Note 1)
Solid State Storage Technology Corporation Hsinchu Science Park Branch	Other related party
Kingston Solutions Inc.	Associate (Note 2)
PMS Technology Corporation	Associate
Microtops Design Corporation	Associate
Epostar Electronics Corporation	Associate
Hosin Global Electronics Co., Ltd. (HK)	Associate
Hefei Datang Storage Technology Co., Ltd.	Associate
SiliTai Electronics Co., Limited	Associate
Hosin Global Electronics Co., Ltd. (SZ)	Associate
Hefei Core Storage Electronic Limited	Associate (Note 3)
ProGrade Digital, Inc.	Associate
Nextorage Corporation	Associate

Note 1: Starting from July 1, 2020, Super Storage Technology Corporation became a subsidiary of the Group.

Note 2: Starting from September 4, 2020, Kingston Solutions Inc. was no longer a related party of the Group.

Note 3: Starting from November 2020, Hefei Core Storage Electronic Limited was no longer a subsidiary and became an associate of the Group.

### b. Operating revenue

<b>Related Party Categories/Name</b>	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Associates	\$ 1,122,761	\$ 342,098	\$ 1,975,979	\$ 606,195
Other related parties	<u>716,697</u>	<u>402,505</u>	<u>1,415,255</u>	<u>923,776</u>
	<u>\$ 1,839,458</u>	<u>\$ 744,603</u>	<u>\$ 3,391,234</u>	<u>\$ 1,529,971</u>

The terms of sales to related parties were similar to those for third parties.

c. Operating costs

1) Purchase of goods

Related Party Categories/Name	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Associates	\$ 42,571	\$ 43,076	\$ 162,164	\$ 229,566
Other related parties				
Kioxia Taiwan Corporation	3,959,342	2,380,136	7,058,445	4,844,817
Others	<u>-</u>	<u>5,385</u>	<u>-</u>	<u>544,314</u>
	<u>\$ 4,001,913</u>	<u>\$ 2,428,597</u>	<u>\$ 7,220,609</u>	<u>\$ 5,618,697</u>

2) Processing costs

Related Party Categories/Name	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Associates	\$ -	\$ 12	\$ -	\$ 25
Other related parties	<u>620,640</u>	<u>489,602</u>	<u>1,110,032</u>	<u>1,082,607</u>
	<u>\$ 620,640</u>	<u>\$ 489,614</u>	<u>\$ 1,110,032</u>	<u>\$ 1,082,632</u>

The terms of operating costs from related parties were similar to those for third parties.

d. Receivables from related parties

Related Party Categories/Name	June 30, 2021	December 31, 2020	June 30, 2020
Associates	\$ 953,833	\$ 347,868	\$ 241,431
Other related parties	<u>589,721</u>	<u>321,413</u>	<u>302,431</u>
	<u>\$ 1,543,554</u>	<u>\$ 669,281</u>	<u>\$ 543,862</u>

The outstanding trade receivables from related parties are unsecured. No bad debt expense was recognized for the allowance for impaired trade receivables with respect to the amounts owed by related parties.

e. Payables to related parties

Related Party Categories/Name	June 30, 2021	December 31, 2020	June 30, 2020
Associates	\$ 34,876	\$ 17,918	\$ 7,242
Other related parties			
Kioxia Taiwan Corporation	1,373,105	1,063,257	647,594
Others	<u>292,504</u>	<u>208,547</u>	<u>185,279</u>
	<u>\$ 1,700,485</u>	<u>\$ 1,289,722</u>	<u>\$ 840,115</u>

The outstanding trade payables from related parties are unsecured.

f. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 122,132	\$ 177,821	\$ 213,143	\$ 316,672
Post-employment benefits	541	802	1,060	1,531
Share-based payments	21,585	19,443	43,278	38,909
Other employee benefits	<u>1,373</u>	<u>2,378</u>	<u>2,489</u>	<u>3,986</u>
	<u>\$ 145,631</u>	<u>\$ 200,444</u>	<u>\$ 259,970</u>	<u>\$ 361,098</u>

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

g. Issuance of ordinary shares for cash by subsidiary

1) Phisontech Electronics Taiwan Corp.

On February 11, 2020, the Group purchased Phisontech Electronics Taiwan Corp.'s 54,000 thousand ordinary shares for \$540,000 thousand through its capital increase by cash.

2) Regis Investment (Samoa) Limited

On September 1, 2020, the Group purchased Regis Investment (Samoa) Limited 8,900 thousand shares for USD 8,900 thousand through capital increase.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariff of imported raw materials and bank borrowings:

	June 30, 2021	December 31, 2020	June 30, 2020
Refundable deposits for customs duties - certificates of deposit (financial assets at amortized cost - current)	<u>\$ 40,449</u>	<u>\$ 40,409</u>	<u>\$ 40,396</u>
Buildings	<u>\$ 390,028</u>	<u>\$ 396,422</u>	<u>\$ -</u>
Land	<u>\$ 147,060</u>	<u>\$ 147,060</u>	<u>\$ -</u>

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of June 30, 2021, December 31, 2020 and June 30, 2020 were as follows:

### Significant Commitments

	June 30, 2021	December 31, 2020	June 30, 2020
Unused letters of credit	<u>\$ 1,160,000</u>	<u>\$ 1,160,000</u>	<u>\$ 1,660,000</u>

### 31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On August 6, 2021, the Corporation's board of directors resolved the proposal of issuing the first domestic unsecured convertible bonds to purchase property, plant and equipment and to enrich working capital to improve capital scheduling capabilities.

### 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

#### In Thousands of New Taiwan Dollars and Foreign Currencies

	June 30, 2021		
	Foreign Currencies	Exchange Rates	New Taiwan Dollars
<u>Financial assets</u>			
Monetary			
USD (USD:NTD)	\$ 403,536	27.8600	\$ 11,242,513
CNY (CNY:NTD)	118,810	4.3090	511,952
<u>Financial liabilities</u>			
Monetary			
USD (USD:NTD)	251,383	27.8600	7,003,526
	December 31, 2020		
	Foreign Currencies	Exchange Rates	New Taiwan Dollars
<u>Financial assets</u>			
Monetary			
USD (USD:NTD)	\$ 312,127	28.4800	\$ 8,889,370
CNY (CNY:NTD)	67,468	4.3770	295,309
<u>Financial liabilities</u>			
Monetary			
USD (USD:NTD)	136,680	28.4800	3,892,659

	<b>June 30, 2020</b>		
	<b>Foreign Currency</b>	<b>Exchange Rates</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary			
USD (USD:NTD)	\$ 295,944	29.6300	\$ 8,768,823
USD (USD:CNY)	7,868	7.0795	233,142
CNY (CNY:NTD)	34,475	4.1910	144,484
<u>Financial liabilities</u>			
Monetary			
USD (USD:NTD)	58,376	29.6300	1,729,691

For the three months and six months ended June 30, 2021 and 2020, (realized and unrealized) net foreign currency exchange were a loss of \$57,651 thousand, a loss of \$117,573 thousand, a loss of \$86,681 thousand and a loss of \$44,943, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

### 33. OTHER SIGNIFICANT EVENTS

- a. When considering the impact of the COVID-19 pandemic, the Group assessed that the pandemic had no significant influence on its finance and operations, and there were no doubts about its ability to continue as a going concern in relation to the recognition of an impairment loss and the risk of financing.
- b. The Corporation was under statutory investigation by the Taiwan Hsinchu District Prosecutorial Office (“District Prosecutorial Office”) on and from August 5, 2016 for alleged violation of the Securities and Exchange Act (the “Case”). The investigation was concluded on August 31, 2017, and the chairman of the Corporation and other defendants were either charged with deferred prosecution or dropped claim for further prosecution by the prosecutor. Then the District Prosecutorial Office ex officio sent the ruling to the Taiwan High Prosecutors Office (“High Prosecutors Office”) for reconsideration. On November 18, 2017, High Prosecutors Office partially set aside and dismissed the original ruling, and ordered the District Prosecutorial Office to continue the investigation. On July 30, 2019, the District Prosecutorial Office concluded the investigation and indicted the chairman of the Corporation and others for their alleged violation of the Securities and Exchange Act and related provisions. A trial of the Case would be held in the Hsinchu District Court. The chairman of the Corporation would strive for a fair judgment in accordance with the law. The Corporation evaluated that its finance and operations had not yet been affected. Following the aforementioned indictment, the Corporation was served with complaints from the Hsinchu District Court on November 8, 2019 and December 13, 2019, that Securities and Futures Investors Protection Center (“Investors Protection Center”) had filed two civil actions respectively: (1) the first civil action was to remove Mr. K.S. Pua from director position of the Corporation’s board (“Removal Action”); (2) the second civil action was to claim compensation damage of \$697,389 thousand against the Corporation, its board of directors and other co-defendants on behalf of certain investors (“Class Action”). Those two civil actions were derivative litigations arising from the Case. The Corporation has already appointed civil defense attorneys and filed a motion to dismiss those two civil actions with the court. With regard to the aforementioned civil actions filed by Investors Protection Center, the possible consequences or developments resulting from litigations could not be assessed by the Corporation, but it was considered to have no significant influence to its finance and operations at the present stage.

- c. To meet the needs of plant space, employee's parking lot and other similar planned space for scale growth of operations, on May 27, 2021, the Corporation's board of directors resolved the proposal of purchasing the land and building from non-related party, TYNTEK CORPORATION. The purchase amount was \$607,865 thousand (VAT-exclusive) totally. As of June 30, 2021, the Corporation has paid \$60,786 thousand in advance. The purchase amount will be funded with the Corporation's own capital and with the proceed from issuing the first domestic unsecured convertible bonds.

### 34. ADDITIONAL DISCLOSURES

a. Information about significant transactions

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

b. Information of investees. (Table 6)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investments in the mainland China area. (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses.
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 8)

- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 8)
  - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
  - d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the period and their purposes. (None)
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)
- d. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 9)

### 35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments include departments that design and sell flash memory controllers and make investments.

#### a. Segment revenue and results

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

	Segment Revenue		Segment Profit (Loss)	
	For the Three Months Ended June 30		For the Three Months Ended June 30	
	2021	2020	2021	2020
Department that designs and sells flash memory controllers	\$ 15,909,976	\$ 10,854,849	\$ 2,536,796	\$ 1,080,835
Investment department	<u>-</u>	<u>-</u>	<u>(298)</u>	<u>(976)</u>
Total operating segments	<u>\$ 15,909,976</u>	<u>\$ 10,854,849</u>	2,536,498	1,079,859
Other gains and losses			123,860	(37,794)
Share of profits (losses) of associates			43,837	(12,054)
Interest income			10,610	12,234
Other income			47,946	81,469
Financial costs			<u>(6,259)</u>	<u>(457)</u>
Profit before income tax			<u>\$ 2,756,492</u>	<u>\$ 1,123,257</u>



	<u>Segment Revenue</u>		<u>Segment Profit</u>	
	<u>For the Six Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	2021	2020	2021	2020
Department that designs and sells flash memory controllers	\$ 28,797,926	\$ 23,721,552	\$ 4,372,774	\$ 2,863,219
Investment department	-	-	(1,372)	(720)
Total operating segments	<u>\$ 28,797,926</u>	<u>\$ 23,721,552</u>	4,371,402	2,862,499
Other gains and losses			220,777	(68,327)
Share of profits of associates			142,011	422,554
Interest income			18,259	28,672
Other income			67,015	116,932
Financial costs			<u>(10,933)</u>	<u>(1,023)</u>
Profit before income tax			<u>\$ 4,808,531</u>	<u>\$ 3,361,307</u>

Segment revenue reported above was generated from external customers. There were no intersegment sales for the six months ended June 30, 2021 and 2020.

b. Segment assets and liabilities

The Group does not report segment assets and liabilities or other segment information to the chief operating decision maker. Therefore, no information is disclosed.

TABLE 1

## PHISON ELECTRONICS CORP. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)

JUNE 30, 2021

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

Holding Company Name	Marketable Securities Type/Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Shares or Units (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership (%)	Market Value	
Phison Electronics Corp.	<u>Beneficiary certificates - open-end funds</u>							
	Mega Diamond Money Market Fund	-	Financial assets at FVTPL - current	16,326	\$ 206,787	-	\$ 206,787	Note 3
	FSITC Taiwan Money Market Fund	-	Same as above	10,134	156,611	-	156,611	Note 3
	<u>Common shares</u>							
	Orient Semiconductor Electronics, Ltd.	-	Same as above	7,336	151,496	0.89	151,496	Note 4
	Apacer Technology Inc.	-	Same as above	10,050	508,530	9.87	508,530	Note 4
	Acer Synergy Tech Corp.	-	Same as above	450	28,350	3.45	28,350	Note 4
	JAFCO Asia Technology Fund VI L.P.	-	Financial assets at FVTPL - non-current	1,000	17,171	0.67	17,171	Note 5
	AppWorks Fund II Co., Ltd.	-	Same as above	5,970	316,972	11.11	316,972	Note 5
	Innorich Venture Capital Corp.	-	Same as above	3,000	17,866	5.61	17,866	Note 5
	AppWorks Fund I Co., Ltd.	-	Same as above	728	9,262	18.75	9,262	Note 5
	Acer Synergy Tech Corp.	-	Same as above	450	28,350	3.45	28,350	Note 4
	Taishan Buffalo Investment Co., Ltd. (preference shares)	-	Same as above	50,000	39,380	1.08	39,380	Note 5
	Aptos Technology Inc.	-	Financial assets at FVTOCI - non-current	529	-	0.60	-	-
	Adam Elements International Co., Ltd.	-	Same as above	1,710	34,634	19.00	34,634	Note 5
	THLight Co., Ltd.	-	Same as above	6,388	-	12.54	-	-
	UD INFO Corp.	-	Same as above	963	89,816	17.65	89,816	Note 5
	GeoThings, Inc.	-	Same as above	150	-	5.36	-	-
	Ironyun Incorporated (preference shares)	-	Same as above	5,000	-	5.64	-	-
	Gospal Ltd.	-	Same as above	811,857	2,832	3.40	2,832	Note 5
	H3 Platform, Inc.	-	Same as above	18,400	12,850	12.14	12,850	Note 5
	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Same as above	11,966	111,426	17.16	111,426	Note 5
	Gomore Inc.	-	Same as above	16,925	10,668	3.39	10,668	Note 5
	AppWorks Fund III Co., Ltd.	-	Same as above	5,500	60,005	3.06	60,005	Note 6
	<u>Private equity fund</u>							
	Fuh Hwa Smart Energy Fund	-	Financial assets at FVTPL - non-current	6,000	40,373	3.81	40,373	Note 5
	Lian Xu Dong Investment Corporation	<u>Common shares</u>						
Translink Capital Partners III, L.P.		-	Financial assets at FVTPL - non-current	1,500	40,981	1.18	40,981	Note 5
Translink Capital Partners IV L.P.		-	Same as above	790	34,089	0.59	34,089	Note 5
Liqid, Inc. (preference shares)		-	Financial assets at FVTOCI - non-current	2,111	121,393	6.60	121,393	Note 7
UMBO CV Inc. (preference shares)		-	Same as above	1,626	4,392	2.34	4,392	Note 5
Omni Media International Incorporation		-	Same as above	1,714	11,107	2.60	11,107	Note 5
RENIAC, INC. (preference shares)		-	Same as above	302	12,049	1.97	12,049	Note 5
Taiwania Capital Buffalo Fund V, LP.	-	Same as above	25,000	25,000	3.30	25,000	Note 6	

(Continued)

Holding Company Name	Marketable Securities Type/Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Shares or Units (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership (%)	Market Value	
Emtops Electronics Corporation	<u>Common shares</u> My Digital Discount, Inc.	-	Financial assets at FVTOCI - non-current	-	\$ -	19.00	\$ -	-
Phisontech Electronics Taiwan Corp.	<u>Beneficiary certificates - open-end funds</u>							
	FSITC Money Market	-	Financial assets at FVTPL - current	167	30,048	-	30,048	Note 3
	Franklin Templeton Sinoam Money Market Fund	-	Same as above	1,917	20,017	-	20,017	Note 3
	Mega Diamond Money Market Fund	-	Same as above	1,580	20,016	-	20,016	Note 3
	Capital Money Market Fund	-	Same as above	1,229	20,013	-	20,013	Note 3
	FSITC Taiwan Money Market Fund	-	Same as above	1,295	20,016	-	20,016	Note 3
Super Storage Technology Corporation	<u>Common shares</u> United Power Research Technology Corp.	-	Financial assets at FVTOCI - non-current	833	8,325	13.88	8,325	Note 6

Note 1: The marketable securities listed refer to the types of financial instruments within the scope of IFRS 9 “Financial Instruments”.

Note 2: The carrying amount is either the fair value or the original cost net of allowance loss.

Note 3: The calculation of the market value was based on the net asset value as of June 30, 2021.

Note 4: The calculation of the market value was based on the closing price as of June 30, 2021.

Note 5: Refer to Note 27 (b)-3 for market value information.

Note 6: The calculation of the market value was based on the most recent acquisition price.

Note 7: The calculation of the market value was based on the expert appraisal report on June 30, 2021.

Note 8: The Group held marketable securities that had not been guaranteed, pledged or mortgaged as collateral or restricted by other commitments.

(Concluded)

**PHISON ELECTRONICS CORP. AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2021**

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 1)		Acquisition		Disposal				Ending Balance (Note 1)	
					Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares (In Thousands)	Amount
Core Storage Electronic (Samoa) Limited and RealYou Investment Limited	Hosin Global Electronics Co., Ltd. (SZ)	Investments accounted for using the equity method	Corporations	Associate	104,500	\$ 1,973,587	54,095 (Note 2)	\$ 1,388,832 (Note 2)	-	\$ -	\$ -	\$ -	158,595	\$ 2,912,161

Note 1: The amounts of the beginning and ending balances include the valuation gains or losses on investments accounted for using the equity method.

Note 2: Refer to Note 13 for related transactions.

## PHISON ELECTRONICS CORP. 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 SIX MONTHS ENDED JUNE 30, 2021

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	Kioxia Taiwan Corporation	The subsidiary of the Corporation's legal entity board of directors	Purchase	\$ 7,058,445	33	Net 30 days after monthly closing	None	None	\$ (1,373,105)	(27)	-
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of the sub-sub-subsidiary's associate	Purchase	152,151	1	Net 75 days after monthly closing	None	None	(34,323)	(1)	-
	Orient Semiconductor Electronics, Ltd.	The Corporation is its director	Processing cost	1,110,032	6	Net 30 days after monthly closing	None	None	(292,504)	(6)	-
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	214,865	1	Net 30 days after monthly closing	None	None	(52,434)	(1)	-
	Kioxia Corporation	The Corporation's legal entity board of directors	Sale	(497,074)	(2)	Net 60 days after monthly closing	None	None	261,111	3	-
	Solid State Storage Technology Corporation Hsinchu Science Park Branch	The subsidiary of the Corporation's legal entity board of directors	Sale	(192,654)	(1)	Net 60 days after monthly closing	None	None	156,422	2	-
	Apacer Technology Inc.	The Corporation is its director	Sale	(686,814)	(2)	Net 45 days after monthly closing	None	None	156,407	2	-
	Hefei Core Storage Electronic Limited	The subsidiary of the sub-sub-subsidiary's associate	Sale	(274,741)	(1)	Net 45 days after monthly closing	None	None	142,787	2	-
	Hefei Datang Storage Technology Co., Ltd.	The subsidiary of the sub-sub-subsidiary's associate	Sale	(348,106)	(1)	Net 60 days after receipt date	None	None	173,903	2	-
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of the sub-sub-subsidiary's associate	Sale	(1,079,291)	(4)	Net 45 days after monthly closing	None	None	496,823	6	-
	ProGrade Digital, Inc.	Investee company accounted for using the equity method	Sale	(127,318)	-	Net 30 days after receipt date	None	None	39,570	-	-
	Nextorage Corporation	Investee company accounted for using the equity method	Sale	(123,750)	-	Net 60 days after monthly closing	None	None	88,727	1	-

## PHISON ELECTRONICS CORP. AND SUBSIDIARIES

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

JUNE 30, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
					Amount	Action Taken		
The Corporation	Apacer Technology Inc.	The Corporation is its director	\$ 156,407	6.80	\$ -	-	\$ 62,683	\$ -
	Kioxia Corporation	The Corporation's legal entity board of directors	261,111	6.56	-	-	200,933	-
	Solid State Storage Technology Corporation Hsinchu Science Park Branch	The subsidiary of the Corporation's legal entity board of directors	156,422	4.32	-	-	4,002	-
	Hefei Core Storage Electronic Limited	The subsidiary of the sub-sub-subsidiary's associate	142,787	6.16	-	-	39,003	-
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of the sub-sub-subsidiary's associate	496,823	7.04	-	-	272,293	-
	Hefei Datang Storage Technology Co., Ltd.	The subsidiary of the sub-sub-subsidiary's associate	173,903	5.05	-	-	81,992	-

Note: As of August 2, 2021.

## PHISON ELECTRONICS CORP. AND SUBSIDIARIES

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

Number	Company Name	Counterparty	Flow of Transaction (Note 1)	Transaction Details			Percentage of Transaction Amount to Consolidated Operating Revenue or Total Assets (%)
				Account	Amount	Transaction Terms	
0	The Corporation	Super Storage Technology Corporation	1	Processing cost	\$ 214,865	Based on regular terms	-
			1	Accounts payable	52,434	Based on regular terms	-
			1	Sales expenses	117,697	Based on regular terms	-
			1	Manufacturing expenses	15,085	Based on regular terms	-
		Phison Technology Inc.					
		Ostek Corporation					

Note 1: Parent company to subsidiary: 1.

Note 2: The criterion of disclosure is that a transaction amount exceeds \$10,000 thousand.

TABLE 6

## PHISON ELECTRONICS CORP. AND SUBSIDIARIES

INFORMATION OF INVESTEEES  
FOR THE SIX MONTHS ENDED JUNE 30, 2021  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2021			Net (Loss) Income of the Investee	Share of (Loss) Profit	Note
				June 30, 2021	December 31, 2020	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
The Corporation	Emtops Electronics Corporation	Taiwan	Investment	\$ 380,000	\$ 380,000	38,000,000	100.00	\$ 333,116	\$ (20,489)	\$ (20,489)	Subsidiary
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	601,676	22,854	22,854	Subsidiary
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	23,013	73	36	Investee company accounted for using the equity method
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00	643,522	34,112	34,178	Subsidiary
	Phison Electronics Japan Corp.	Japan	Sales and service office	59,508	59,508	2,000	100.00	30,626	998	998	Subsidiary
	Global Flash Limited	Samoa	Investment and trade	726,307	726,307	22,100,000	100.00	2,409,853	(45,827)	(45,827)	Subsidiary
	Epostar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	133,988	6,288,523	30.51	231,806	(9,553)	(3,613)	Investee company accounted for using the equity method
	Power Flash (Samoa) Limited	Samoa	Investment and trade	105,440	105,440	3,200,000	100.00	92,320	(21)	(21)	Subsidiary
	Everspeed Technology Limited	Samoa	Trade of electronic components	-	-	1,000,000	100.00	108,673	3,539	3,539	Subsidiary
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00	1,096,255	17,570	17,570	Subsidiary
ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	32.01	94,469	41,163	13,176	Investee company accounted for using the equity method	
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	81,232	81,232	5,880	49.00	136,621	109,579	53,694	Investee company accounted for using the equity method
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	27,688	(573)	-	Sub-subsubsidiary
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sales and service office	90,419	90,419	3,000,000	100.00	71,515	(19,779)	-	Sub-subsubsidiary
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Taiwan	Manufacture and trade of electronic components	452,954	452,954	34,842,595	100.00	520,724	34,675	-	Sub-subsubsidiary

(Continued)



Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2021			Net (Loss) Income of the Investee	Share of (Loss) Profit	Note
				June 30, 2021	December 31, 2020	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	\$ 636,593	\$ 636,593	19,150,000	100.00	\$ 2,394,411	\$ (62,027)	\$ -	Sub-subsidiary
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Hong Kong	Sales and trade of electronic products	98,754	98,754	3,000,000	100.00	86,887	94	-	Sub-subsidiary
Everspeed Technology Limited	Memoryexchange Corporation	Taiwan	Manufacture and sale of flash memory related products	-	191,986	-	-	-	(435)	-	-
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	654,726	21,850,000	100.00	1,113,869	17,602	-	Sub-subsidiary

(Concluded)

TABLE 7

## PHISON ELECTRONICS CORP. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE SIX MONTHS ENDED JUNE 30, 2021  
(In Thousands)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2021	Percentage of Ownership (%)	Share of (Loss) Profit (Note 2)	Carrying Amount as of June 30, 2021	Accumulated Inward Remittance of Earnings as of June 30, 2021	Note
					Outflow	Inflow						
Phisontech (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronics	\$ -	b (2)	\$ 53,096	\$ -	\$ -	\$ 53,096	-	\$ -	\$ -	\$ -	-
Hefei Core Storage Electronic Limited	Design, R&D, production and sale of electronic product and technical support service and rendering of related services	-	b (2)	630,990	-	-	630,990	-	(5,182)	-	-	3
Hefei Ruhan Electronic Technology Limited	Design, R&D, sale of electronics product and technical support service and rendering of related services and investment	182,825	b (1)	182,825	-	-	182,825	100.00	(17,042)	150,560	-	-
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sale of electronic product and technical service and rendering of related services and investment	735,136	b (1)	-	-	-	-	24.23	(17,006)	140,780	-	-
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,585,043	b (1), b (2)	442,780	-	-	442,780	44.35	100,906	2,912,161	-	-

Accumulated Investments in Mainland China as of June 30, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 1,309,691 (US\$ 41,332)	\$ 1,336,236 (US\$ 42,390)	\$ 20,582,404

(Continued)

Note 1: Method of investment:

- a. Directly invested in mainland China.
- b. Indirectly invested in mainland China through companies registered in a third region.
  - 1) Indirectly invested in a China-based company through a company located in a third region, Regis Investment Limited and its subsidiaries.
  - 2) Indirectly invested in a China-based company through a company located in a third region, Global Flash Limited and its subsidiaries.

Note 2: The amounts were recognized based on the unreviewed financial statements for the same period.

Note 3: Refer to Note 13 for related transactions.

(Concluded)

## PHISON ELECTRONICS CORP. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE SIX MONTHS ENDED JUNE 30, 2021  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	Hefei Core Storage Electronic Limited	The subsidiary of the sub-subsidiary's associate	Sale	\$ 274,741	(1)	Net 45 days after monthly closing	None	None	\$ 142,787	2	-
	Hefei Datang Storage Technology Co., Ltd.	The subsidiary of the sub-subsidiary's associate	Sale	348,106	(1)	Net 60 days after receipt date	None	None	173,903	2	-

**TABLE 9****PHISON ELECTRONICS CORP.****INFORMATION OF MAJOR SHAREHOLDERS  
JUNE 30, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Trust Investment Account of KIOXIA Corporation by First Bank	19,821,112	10.05

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of differences in the basis of preparation.