

**Phison Electronics Corp. and Subsidiaries**  
**Consolidated Financial Statements**  
**With Independent Auditors' Review Report**  
**For the Three Months Ended March 31, 2022 and 2021**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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## Independent Auditors' Review Report

To the Board of Directors of Phison Electronics Corp.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Phison Electronics Corp. and its subsidiaries (“the Group”) as of March 31, 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022, and 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 (“IASs”) 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 review.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our review in accordance with Statement of Auditing Standard 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the 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 conducted in accordance with the generally accepted auditing standards 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 stated in Note 4(2), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$7,211,837 thousand, constituting 11% of consolidated total assets as of March 31, 2022, total liabilities amounting to \$773,739 thousand, constituting 3% of consolidated total liabilities as of March 31, 2022, and total comprehensive income (loss) amounting to \$151,591 thousand, constituting 6% of consolidated total comprehensive income (loss) for the three months ended March 31, 2022.

Furthermore, as stated in Note 6(8), the other equity accounted investments of Phison Electronics Corp. and its subsidiaries in its investee companies of \$4,206,938 thousand as of March 31, 2022, and its equity in net earnings on these investee companies of \$(3,706) thousand for the three months ended March 31, 2022, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.



### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Phison Electronics Corp. and its subsidiaries as of March 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 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.

### **Other Matter**

The consolidated financial statements of the Group as of and for the three months ended March 31, 2021, were audited by other auditors, who have issued an unmodified opinion with emphasis of matter paragraph due to the financial statements of certain non-significant subsidiaries and investees accounted for using the equity method which were not reviewed by independent auditors on May 10, 2021.

The engagement partners on the review resulting in this independent auditors’ review report are Chien-Hui Lu and Wan-Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)  
May 6, 2022

### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the 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.

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2022 and 2021**

**Phison Electronics Corp. and subsidiaries**

**Consolidated Balance Sheets**

**March 31, 2022, December 31, 2021, and March 31, 2021**

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2022		December 31, 2021		March 31, 2021		Liabilities and Equity		March 31, 2022		December 31, 2021		March 31, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note 6(1))	\$ 12,813,839	20	19,040,947	30	12,929,926	25	2100	Short-term borrowings (note 6(13))	\$ 1,061,875	2	439,216	1	3,016,794	6
1110	Financial assets at fair value through profit or loss – current (note 6(2))	1,132,712	2	1,206,954	2	5,746,510	11	2130	Contract liabilities – current	282,506	-	203,044	-	74,523	-
1136	Financial assets at amortized cost – current (notes 6(3) and 8)	317,387	1	568,694	1	1,768,721	3	2170	Accounts payable	3,394,933	5	5,836,376	10	3,511,226	7
1170	Accounts receivable, net (note 6(5))	7,485,777	12	5,915,737	9	5,991,419	12	2180	Accounts payable – related parties (note 7)	2,215,473	4	3,200,307	5	1,499,703	3
1180	Accounts receivable – related parties, net (notes 6(5) and 7)	2,517,535	4	2,813,524	4	1,242,013	2	2200	Other payables (notes 6(14))	9,666,612	15	9,821,146	16	5,539,382	11
1200	Other receivables (notes 6(6) and 7)	759,450	1	623,912	1	532,636	1	2230	Tax payable	1,639,775	3	1,223,434	2	332,273	-
1220	Tax assets	1,017	-	2,905	-	4,589	-	2280	Lease liabilities – current (note 6(11))	41,356	-	24,027	-	20,588	-
130X	Inventories (note 6(7))	23,780,109	38	19,496,534	31	13,158,984	26	2320	Long-term borrowings, current portion (note 6(16))	30,872	-	30,947	-	30,601	-
1410	Prepayments	105,799	-	24,967	-	25,724	-	2399	Other current liabilities (notes 6(15), 7 and 9(3))	1,832,513	3	1,048,696	2	675,994	1
1479	Other current assets	12,673	-	2,413	-	43,113	-			20,165,915	32	21,827,193	36	14,701,084	28
		48,926,298	78	49,696,587	78	41,443,635	80	<b>Non-Current liabilities:</b>							
<b>Non-current assets:</b>								<b>Equity (notes 6(20) and (21)):</b>							
1510	Financial assets at fair value through profit or loss – non-current (note 6(2))	389,709	1	451,569	1	511,393	1	2530	Bonds payable (note 6(17))	3,420,022	5	3,412,855	5	-	-
1517	Financial assets at fair value through other comprehensive income – non-current (note 6(4))	736,581	1	634,757	1	458,852	1	2540	Long-term borrowings (note 6(16))	157,070	-	164,689	-	187,942	1
1550	Investments accounted for using the equity method (note 6(8))	4,206,938	7	4,155,042	7	3,637,649	7	2570	Deferred tax liabilities	183,177	-	183,177	-	146,743	-
1600	Property, plant and equipment (notes 6(10) and 8)	6,865,691	10	6,650,562	11	4,915,562	9	2580	Lease liabilities – non-current (note 6(11))	100,301	-	16,003	-	16,949	-
1755	Right-of-use assets (note 6(11))	141,014	-	39,276	-	37,187	-	2640	Net defined benefit liabilities	105,332	-	104,897	-	103,797	-
1780	Intangible assets (note 6(12))	295,888	-	314,671	-	293,518	1	2645	Guarantee deposits received (note 9(3))	1,721,581	3	4,109	-	5,052	-
1840	Deferred tax assets	546,632	1	495,193	1	348,444	1			5,687,483	8	3,885,730	5	460,483	1
1900	Other non-current assets (notes 6(10) and 9(2))	1,046,712	2	583,700	1	70,148	-	<b>Total liabilities</b>		25,853,398	40	25,712,923	41	15,161,567	29
		14,229,165	22	13,324,770	22	10,272,753	20	<b>Equity (notes 6(20) and (21)):</b>							
								3100	Common shares	1,970,740	3	1,970,740	3	1,970,740	4
								3200	Capital surplus	7,358,046	12	7,238,436	12	6,644,533	13
								3300	Retained earnings	27,619,073	44	27,995,974	44	28,035,398	54
								3400	Other equity interest	354,206	1	103,284	-	(95,850)	-
										37,302,065	60	37,308,434	59	36,554,821	71
								<b>Total equity</b>							
								<b>Total liabilities and equity</b>		\$ 63,155,463	100	63,021,357	100	51,716,388	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

**Phison Electronics Corp. and subsidiaries**

**Consolidated Statements of Comprehensive Income**

**For the three months ended March 31, 2022 and 2021**

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		<b>For the three months ended March 31,</b>			
		<b>2022</b>		<b>2021</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue</b> (notes 6(23) and 7)	\$ 17,105,859	100	12,887,950	100
5000	<b>Operating costs</b> (notes 6(7), (24) and 7)	11,716,360	68	9,059,112	70
	<b>Gross profit from operations</b>	5,389,499	32	3,828,838	30
5910	Unrealized profit on transactions with associates	5,703	-	(25,311)	-
5950	<b>Realized gross profit</b>	5,395,202	32	3,803,527	30
	<b>Operating expenses</b> (notes 6(24) and 7):				
6100	Marketing expenses	295,243	2	210,971	2
6200	General and administrative expenses	301,171	2	193,309	1
6300	Research and development expenses	2,311,758	14	1,565,513	12
6450	Expected credit loss (reversal gain) (note 6(5))	27,492	-	(1,170)	-
	<b>Total operating expenses</b>	2,935,664	18	1,968,623	15
	<b>Net operating income</b>	2,459,538	14	1,834,904	15
	<b>Non-operating income and expenses:</b>				
7010	Other income (notes 6(9), (25) and 7)	38,176	-	19,069	-
7020	Other gains and losses (notes 6(9) and (25))	130,264	1	96,917	1
7050	Finance costs (note 6(25))	(9,750)	-	(4,674)	-
7100	Interest income	8,116	-	7,649	-
7060	Shares of profit (loss) of associates accounted for using the equity method (note 6(8))	(3,706)	-	98,174	1
		163,100	1	217,135	2
7900	<b>Profit before tax</b>	2,622,638	15	2,052,039	17
7950	<b>Income tax expenses</b> (note 6(19))	437,577	2	364,499	3
8200	<b>Net profit for the period</b>	2,185,061	13	1,687,540	14
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(26))	100,554	-	98,548	1
8320	Shares of other comprehensive income of associates accounted for using the equity method	-	-	40,677	-
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	100,554	-	139,225	1
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	152,069	1	(69,734)	-
8399	Income tax related to items that may be reclassified subsequently	(1,701)	-	-	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	150,368	1	(69,734)	-
8300	<b>Other comprehensive income</b>	250,922	1	69,491	1
8500	<b>Total comprehensive income</b>	<u>\$ 2,435,983</u>	<u>14</u>	<u>1,757,031</u>	<u>15</u>
	<b>Earnings per share (New Taiwan Dollars) (note 6(22)):</b>				
9750	Basic earnings per share	<u>\$ 11.09</u>		<u>8.56</u>	
9850	Diluted earnings per share	<u>\$ 10.47</u>		<u>8.35</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
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**Phison Electronics Corp. and subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the three months ended March 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings						Total other equity interest		Total equity	
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		Total
<b>Balance at January 1, 2021</b>	\$ 1,970,740	6,586,173	4,306,531	176,125	22,281,239	26,763,895	(37,091)	(128,250)	(165,341)	35,155,467
Net profit for the period	-	-	-	-	1,687,540	1,687,540	-	-	-	1,687,540
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(69,734)	139,225	69,491	69,491
Total comprehensive income (loss) for the period	-	-	-	-	1,687,540	1,687,540	(69,734)	139,225	69,491	1,757,031
Changes in equity of associates accounted for using the equity method	-	-	-	-	(416,037)	(416,037)	-	-	-	(416,037)
Share-based payments	-	58,360	-	-	-	-	-	-	-	58,360
<b>Balance at March 31, 2021</b>	<b>\$ 1,970,740</b>	<b>6,644,533</b>	<b>4,306,531</b>	<b>176,125</b>	<b>23,552,742</b>	<b>28,035,398</b>	<b>(106,825)</b>	<b>10,975</b>	<b>(95,850)</b>	<b>36,554,821</b>
<b>Balance at January 1, 2022</b>	\$ 1,970,740	7,238,436	5,530,308	155,568	22,310,098	27,995,974	(143,563)	246,847	103,284	37,308,434
Net profit for the period	-	-	-	-	2,185,061	2,185,061	-	-	-	2,185,061
Other comprehensive income (loss) for the period	-	-	-	-	-	-	150,368	100,554	250,922	250,922
Total comprehensive income (loss) for the period	-	-	-	-	2,185,061	2,185,061	150,368	100,554	250,922	2,435,983
Appropriation and distribution of retained earnings:										
Cash dividends of ordinary share	-	-	-	-	(2,561,962)	(2,561,962)	-	-	-	(2,561,962)
Changes in equity of associates accounted for using the equity method	-	19,582	-	-	-	-	-	-	-	19,582
Share-based payments	-	100,028	-	-	-	-	-	-	-	100,028
<b>Balance at March 31, 2022</b>	<b>\$ 1,970,740</b>	<b>7,358,046</b>	<b>5,530,308</b>	<b>155,568</b>	<b>21,933,197</b>	<b>27,619,073</b>	<b>6,805</b>	<b>347,401</b>	<b>354,206</b>	<b>37,302,065</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

**Phison Electronics Corp. and subsidiaries**

**Consolidated Statements of Cash Flows**

**For the three months ended March 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before income tax</b>	\$ 2,622,638	2,052,039
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	145,608	107,177
Amortization expense	84,741	57,105
Expected credit loss (reversal gain)	27,492	(1,170)
Net loss (gain) on financial assets at fair value through profit or loss	128,827	(125,947)
Finance costs	9,750	4,674
Interest income	(8,116)	(7,649)
Dividend income	(11,029)	(3,024)
Share-based payments	100,028	58,360
Shares of loss (profit) of associates accounted for using the equity method	3,706	(98,174)
Gain on disposal of property, plant and equipment	(23)	-
Gain on disposal of investments accounted for using the equity method	(27,689)	-
Unrealized profit (loss) on transactions with associates	(5,703)	25,311
Unrealized foreign exchange gain	(201,395)	(25,945)
Reversal of inventory obsolescence loss	(229,538)	(166,047)
Recognition (reversal) of refund liabilities	(20,234)	114,745
Profit from lease modification	(190)	-
Gain recognized in bargain purchase transaction	(16,289)	-
<b>Total adjustments to reconcile profit (loss)</b>	(20,054)	(60,584)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable (including related parties)	(651,892)	(1,154,340)
Other receivables	(94,740)	(225,863)
Inventories	(3,946,196)	(2,851,458)
Prepayments	(80,832)	48,493
Other current assets	(9,459)	(9,898)
Contract liabilities	79,462	38,970
Accounts payable (including related parties)	(3,823,245)	1,524,986
Other payables	(886,368)	(490,425)
Other current liabilities	521	(32,672)
Net defined benefit liabilities	435	269
<b>Total changes in operating assets and liabilities</b>	(9,412,314)	(3,151,938)
Cash outflow generated from operations	(6,809,730)	(1,160,483)
Interest paid	(1,878)	(3,128)
Income taxes paid	(18,173)	(277,022)
<b>Net cash flows used in operating activities</b>	(6,829,781)	(1,440,633)

(Continued)

See accompanying notes to consolidated financial statements.



**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
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**Phison Electronics Corp. and subsidiaries**  
**Consolidated Statements of Cash Flows (Continued)**  
**For the three months ended March 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(1,270)	-
Acquisition of financial assets at amortized cost	(30)	(3,031,212)
Proceeds from disposal of financial assets at amortized cost	268,194	1,556,351
Acquisition of financial assets at fair value through profit or loss	-	(200,000)
Proceeds from disposal of financial assets at fair value through profit or loss	30	-
Proceeds from capital reduction of financial assets at fair value through profit and loss	7,245	-
Net cash flow from acquisition of subsidiaries	(24,547)	-
Acquisition of property, plant and equipment	(377,517)	(352,121)
Proceeds from disposal of property, plant and equipment	56	-
Increase in refundable deposits	(41,556)	(413)
Acquisition of intangible assets	(63,658)	(36,729)
Increase in prepayments for land and equipment	(386,128)	(38,124)
Interest received	8,411	6,560
Dividends received	11,029	3,024
<b>Net cash flows used in investing activities</b>	<b>(599,741)</b>	<b>(2,092,664)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	1,967,656	3,992,133
Decrease in short-term loans	(1,366,181)	(2,473,882)
Repayments of long-term borrowings	(7,694)	(7,579)
Increase in guarantee deposits received	2,487,752	66
Payment of lease liabilities	(13,717)	(4,858)
Cash dividends paid	(1,970,740)	-
<b>Net cash flows from financing activities</b>	<b>1,097,076</b>	<b>1,505,880</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>105,338</b>	<b>(3,779)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,227,108)</b>	<b>(2,031,196)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>19,040,947</b>	<b>14,961,122</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 12,813,839</b>	<b>12,929,926</b>

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards**

**Phison Electronics Corp. and subsidiaries**

**Notes to the Consolidated Financial Statements**

**March 31, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Company history**

Phison Electronics Corp. (the “Company”) was incorporated on November 8, 2000, with the approval of the Ministry of Economic Affairs, R.O.C. The major business activities of the Company and its subsidiaries (the “Group”) are the design and manufacturing of flash memory controllers and peripheral system applications. The Company’s shares have been trading on the Taipei Exchange (over-the-counter exchange in Taiwan) since December 6, 2004.

**2. Approval date and procedures of the consolidated financial statements**

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 6, 2022.

**3. New standards, amendments and interpretations adopted**

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018—2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (2) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

As of the date the consolidated financial statements were authorized for issue, except for IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts” is not relevant to the Group, the Group is evaluating the impact of its initial adoption of the remaining abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

**4. Summary of significant accounting policies**

(1) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(2) Basis of consolidation

Principles of preparation of the consolidated financial statements were the same as those of the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2021.

A. List of subsidiaries in the consolidated financial statements

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

Name investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company	Lian Xu Dong Investment Corporation	Investment	100 %	100 %	100 %	
The Company	Phison Electronics Japan Corp.	Sales and service office	100 %	100 %	100 %	
The Company	Emtops Electronics Corp.	Investment	100 %	100 %	100 %	
The Company	Phisontech Electronics Taiwan Corp.	Investment and trade	100 %	100 %	100 %	
The Company	Global Flash Limited	Investment and trade	100 %	100 %	100 %	
The Company	Power Flash (Samoa) Limited	Investment and trade	100 %	100 %	100 %	
The Company	Everspeed Technology Limited	Trade of electronic components	100 %	100 %	100 %	

**Phison Electronics Corp. and subsidiaries**  
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Name investor	Name of subsidiary	Principal activity	Shareholding			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company	Regis Investment (Samoa) Limited	Investment	100 %	100 %	100 %	
The Company	Nextorage Corporation	R&D, design, manufacture and sale of flash memory application products	100 %	49 %	49 %	Note 1
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Investment and trade	100 %	100 %	100 %	
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trade of electronic components	100 %	100 %	100 %	
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Sale of electronic products	100 %	100 %	100 %	
Power Flash (Samoa) Limited	Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	100 %	-	-	Note 3
Everspeed Technology Limited	Memoryexchange Corporation	Design and sale of flash memory related products	-	-	-	Note 2
Regis Investment (Samoa) Limited	RealYou Investment Limited	Investment	100 %	100 %	100 %	
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 %	100 %	100 %	
Emtops Electronics Corp.	Phison Technology Inc.	Sales and service office	100 %	100 %	100 %	
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Manufacture and trade of electronic components	100 %	100 %	100 %	

Note 1: Since January 1, 2022, Nextorage Corporation has become a 100%-held subsidiary of the Company. Please refer to note 6(9) for related information.

Note 2: Memoryexchange Corporation Bhd ended its operations in March 2021, and was liquidated in March 2022.

Note 3: For operation needs, the Company set up Power Storage Technology (Shenzhen) Limited in Shenzhen, Mainland China, in January 2022.

Note 4: The abovementioned subsidiaries are all non-significant subsidiaries, the financial statements of which have not been reviewed by independent auditors.

B. Subsidiaries excluded from the consolidated financial statements: None.

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

(3) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(4) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

**5. Critical accounting judgements and key sources of estimations and assumptions uncertainty**

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2021.

**6. Description of significant accounts**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 6 of consolidated financial statements for the year ended December 31, 2021.

(1) Cash and cash equivalent

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Cash	\$ 230	230	125
Demand deposits and check deposits	7,227,859	13,292,251	7,301,188
Cash equivalents – time deposits	5,585,750	5,748,466	5,628,613
	<u>\$ 12,813,839</u>	<u>19,040,947</u>	<u>12,929,926</u>

Please refer to note 6(26) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

(2) Financial assets at fair value through profit or loss

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Financial assets at fair value through profit or loss – current:			
Beneficiary certificates – open-end funds	\$ 474,266	473,978	5,192,305
Domestic listed stock	654,946	728,076	554,205
Derivative instruments – convertible bonds (note 6(17))	3,500	4,900	-
	<u>\$ 1,132,712</u>	<u>1,206,954</u>	<u>5,746,510</u>
Financial assets at fair value through profit or loss – non-current:			
Domestic private equity funds	\$ 41,181	39,909	41,844
Domestic unlisted stocks	228,179	302,867	333,040
Foreign unlisted stocks	120,349	108,793	136,509
	<u>\$ 389,709</u>	<u>451,569</u>	<u>511,393</u>

None of financial assets mentioned above were pledged as collateral.

(3) Financial assets at amortized cost – current

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Segregated foreign exchange deposit account for Offshore Funds	\$ 276,898	528,235	1,728,273
Pledged time deposits	40,489	40,459	40,448
	<u>\$ 317,387</u>	<u>568,694</u>	<u>1,768,721</u>

A. 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.

B. The Group estimated that the expected credit risk of the above financial assets is limited and the credit risk of original recognition has not increased.

C. The financial assets mentioned above were pledged as collateral. Please refer to note 8.

**Phison Electronics Corp. and subsidiaries**  
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(4) Financial assets at fair value through other comprehensive income — non-current

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Domestic unlisted stocks	\$ 318,747	294,433	147,333
Foreign unlisted stocks	417,834	340,324	311,519
	<b><u>\$ 736,581</u></b>	<b><u>634,757</u></b>	<b><u>458,852</u></b>

The Group held the abovementioned equity investment for long-term strategic purpose, but rather than for trading purpose. Therefore, those equity investments have been designated as financial assets at fair value through other comprehensive income. None of the above financial assets were pledge as collateral.

(5) Accounts receivable, net (including related and non-related parties)

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Accounts receivable	\$ 7,557,447	5,955,927	6,031,358
Accounts receivable — related parties	2,521,066	2,821,043	1,242,013
	10,078,513	8,776,970	7,273,371
Less: loss allowance	(75,201)	(47,709)	(39,939)
Accounts receivable, net	<b><u>\$ 10,003,312</u></b>	<b><u>8,729,261</u></b>	<b><u>7,233,432</u></b>

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime expected credit losses. The expected credit losses on accounts receivable 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 an accounts 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 accounts receivable are over two years past due, whichever occurs earlier. For accounts receivable 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.

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The following table details the loss allowance of accounts receivable (including related and non-related parties) based on the Group's allowance matrix.

	<b>March 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 9,824,239	0.14%	13,469
1~60 days past due	191,896	2.29%	4,403
91~120 days past due	10,306	51.01%	5,257
121~150 days past due	13,167	100.00%	13,167
More than 151 days past due	<u>18,039</u>	100.00%	<u>18,039</u>
	<u>\$ 10,057,647</u>		<u>54,335</u>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 8,373,036	0.21%	17,670
1~60 days past due	384,532	4.47%	17,192
61~90 days past due	1,145	36.59%	419
91~120 days past due	10,521	45.26%	4,762
121~150 days past due	518	86.48%	448
More than 151 days past due	<u>7,218</u>	100.00%	<u>7,218</u>
	<u>\$ 8,776,970</u>		<u>47,709</u>
	<b>March 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 6,905,901	0.17%	12,076
1~60 days past due	350,129	5.03%	17,616
61~90 days past due	7,192	36.58%	2,631
91~120 days past due	4,208	45.27%	1,905
121~150 days past due	1,726	86.67%	1,496
More than 151 days past due	<u>4,215</u>	100.00%	<u>4,215</u>
	<u>\$ 7,273,371</u>		<u>39,939</u>



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The Group's analysis of expected credit losses of accounts receivable which there is evidence that full collection is not reasonably expected is as follows:

	<b>March 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>
Current	\$ 8,485	100.00%	8,485
1~60 days past due	7,322	100.00%	7,322
61~90 days past due	5,059	100.00%	5,059
	<b>\$ 20,866</b>		<b>20,866</b>

The movement in the loss allowance for accounts receivable (including related and non-related parties) was as follows:

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance, beginning of the period	\$ 47,709	41,109
Impairment losses recognized (reversed)	27,492	(1,170)
Balance, end of the period	<b>\$ 75,201</b>	<b>39,939</b>

None of the above accounts receivable were pledged as collateral. As the average credit term of 30~90 days is similar with the practical in the industry, there are no finance elements included.

The Group entered into an un-recourse factoring agreement with the factor to sell its accounts receivable. Under the agreement, except necessary agreed expenses, the Group does not have the responsibility to assume the default risk of the transferred accounts receivable. The Group derecognized the above accounts receivable, because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The amounts receivable from the factor were recognized as "other receivables" upon the derecognition of those accounts receivable. The outstanding sold accounts receivable at the end of the period were as follows:

(Unit: USD in Thousands)

<b>March 31, 2022</b>				
<b>Factor</b>	<b>Factor Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Handling Fees Rate</b>	<b>Transferring Terms</b>
HSBC Bank (Taiwan) Limited	<b>\$ 1,841</b>	<b>1,566</b>	0.55%~0.65%	Note 1~4

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<b>December 31, 2021</b>				
<b>Factor</b>	<b>Factor Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Handling Fees Rate</b>	<b>Transferring Terms</b>
HSBC Bank (Taiwan) Limited	\$ <u>1,748</u>	<u>1,528</u>	0.55%~0.65%	Note 1~4

<b>March 31, 2021</b>				
<b>Factor</b>	<b>Factor Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Handling Fees Rate</b>	<b>Transferring Terms</b>
HSBC Bank (Taiwan) Limited	\$ <u>841</u>	<u>711</u>	0.55%~0.65%	Note 1~4

Note 1: The accounts receivable transferred to the factoring bank are subjected to the consents of agreement between the Group and the bank and credit decision advices without recourse. No financing from the factoring bank agreement is within the factored accounts receivable.

Note 2: The Group informed its customers to make payment directly to the factoring bank.

Note 3: As of March 31, 2022, December 31, 2021, and March 31, 2021, the outstanding receivables after the above transactions, net of fees charged by the factoring bank, of \$44,815 thousand, \$42,292 thousand and \$20,276 thousand, respectively, were recognized under other receivables.

Note 4: To the extent of the amount transferred to the factor, risks of non-collection or potential payment default by customers in the event of insolvency are borne by the factor. The Group is not responsible for the collection of receivables subject to these facilities, or for any legal proceedings and costs thereof in collecting these receivables. No collaterals were provided by the Group.

(6) Other receivables

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Tax refund receivable	\$ 593,519	470,137	409,763
Factored accounts receivable	44,815	42,292	20,276
Liquidation refund receivable from investees	70,991	70,991	83,997
Others	50,125	40,492	18,600
Less: Loss allowance	-	-	-
Other receivables	<u>\$ 759,450</u>	<u>623,912</u>	<u>532,636</u>

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(7) Inventories

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Raw materials	\$ 14,865,551	11,810,664	5,113,406
Work in process	5,538,182	4,647,351	6,398,023
Semi-finished goods	3,047,684	2,902,052	1,509,213
Finished goods	328,692	136,467	138,342
	<u>\$ 23,780,109</u>	<u>19,496,534</u>	<u>13,158,984</u>

The costs of inventories recognized as costs of goods sold for the three months ended March 31, 2022 and 2021 were \$11,716,360 thousand and \$9,059,112 thousand, respectively.

The costs of goods sold for the three month ended March 31, 2022 and 2021 included reversal of inventory obsolescence loss of \$229,538 thousand and \$166,047 thousand, respectively.

None of the inventories mentioned above were pledged as collateral.

(8) Investments accounted for using the equity method

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
HOSIN Global Electronics Co., Ltd. (SZ)	\$ 3,522,334	3,402,515	2,935,339
EpoStar Electronics (BVI) Corporation	421,386	421,077	310,016
Hefei Xinpeng Technology Co., Ltd.	128,074	135,886	142,705
ProGrade Digital Inc.	110,789	98,019	87,193
Microtops Design Corporation	24,355	23,282	23,599
Nextorage Corporation (Note)	-	74,263	138,797
	<u>\$ 4,206,938</u>	<u>4,155,042</u>	<u>3,637,649</u>

Note: Since January 1, 2022, Nextorage Corporation has become a 100%-held subsidiary of the Company. Please refer to note 6(9) for related information.

A. Associates which are material to the Group consisted of the followings:

<u>Name of</u> <u>Associates</u>	<u>Principal Activity</u>	<u>Main</u> <u>Operating</u> <u>Location/</u> <u>Registered</u> <u>Country</u>	<u>Ownership interest %</u>		
			<u>March 31,</u> <u>2022</u>	<u>December</u> <u>31, 2021</u>	<u>March 31,</u> <u>2021</u>
HOSIN Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	China	42.63 %	42.63 %	44.35 %

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The following consolidated financial information of significant associates has been adjusted according to individually prepared IFRS financial statements of these associates to express the adjustment due to the change in fair value when the Group obtained the ownership of the associates and the effect of different accounting polices:

HOSIN Global Electronics Co., Ltd. (SZ) and its subsidiaries

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Current assets	\$ 9,511,290	8,691,933	4,287,879
Non-current assets	5,195,018	5,079,009	4,389,199
Current liabilities	(5,858,229)	(5,280,167)	(1,653,402)
Non-current liabilities	(447,933)	(444,712)	(347,314)
Net assets	<u>\$ 8,400,146</u>	<u>8,046,063</u>	<u>6,676,362</u>

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating revenue	\$ <u>7,242,802</u>	<u>2,693,065</u>
Net profit	\$ 53,053	138,864
Other comprehensive income (loss)	(1,346)	9,805
Total comprehensive income	<u>\$ 51,707</u>	<u>148,669</u>

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Summarized information of the carrying amount of significant associates	<u>\$ 3,522,334</u>	<u>3,402,515</u>	<u>2,935,339</u>

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Attributable to the Group:		
Net profit (loss)	\$ (1,712)	63,630
Other comprehensive income (loss)	86,122	(51,325)
Total comprehensive income	<u>\$ 84,410</u>	<u>12,305</u>

The Group subscribed 54,095 thousand shares from the capital increase of Hosin Global Electronics Co., Ltd. (SZ) with consideration of 24.41% ownership (the amount of contribution was CNY54,095 thousand) in Heifei Core Storage Electronic Limited in February 2021.

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Besides the abovementioned stock transfer, the Group did not participate in the subscription of the cash capital increase of Hosin Global Electronics Co., Ltd. (SZ) in 2021, therefore, the Group reversed retained earnings of \$416,037 thousand for the three months ended March 31, 2021.

- B. The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Summarized information of the carrying amount of associates that were not individually material	<b>\$ <u>684,604</u></b>	<b><u>752,527</u></b>	<b><u>702,310</u></b>
		<b>For the three months ended March 31,</b>	
		<b>2022</b>	<b>2021</b>
Attributable to the Group:			
Net profit (loss)		\$ (1,994)	34,544
Other comprehensive income (loss)		<u>2,268</u>	<u>23,524</u>
Total comprehensive income		<b>\$ <u>274</u></b>	<b><u>58,068</u></b>

- C. Pledged

None of the investments accounted for using the equity method mentioned above were pledged as collateral.

- D. The unreviewed financial statements of investments accounted for using the equity method

The abovementioned investments accounted for using the equity method and its share of profit or loss and other comprehensive income were calculated based on the financial statements that have not been reviewed by independent auditors.

- (9) Business Combinations

For the purpose of improving advanced customized storage devices to meet the demand of Japan and global market, the Company acquired 6,120 common shares of Nextorage Corporation in cash amounting to JPY578,217 thousand. Therefore, since January 1, 2022, Nextorage was no longer a 49%-held investee accounted for using the equity method, and became a 100%-held subsidiary of the Company.

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A. Acquired identifiable assets and assumed liabilities at the date of acquisition

Current assets:	
Cash and cash equivalents	\$ 113,936
Accounts receivable, net	452,438
Other receivables	41,050
Inventories	107,841
Other current assets	801
Non-current assets:	
Property, plant and equipment	36,137
Intangible assets	2,401
Other non-current assets	68,313
Current liabilities:	
Accounts payable	(368,896)
Other payables	(148,709)
Other current liabilities	(1,837)
	<u><u>\$ 303,475</u></u>

B. Net cash outflow on the acquisition of subsidiaries

Consideration paid in cash	\$ 138,483
Less: cash and cash equivalent acquired	<u>(113,936)</u>
	<u><u>\$ 24,547</u></u>

Gain on a bargain purchase from acquisition was as follows:

Consideration transferred	\$ 138,483
Plus: fair value of pre-existing interest in Nextorage	148,703
Less: fair value of identifiable assets	<u>303,475</u>
Gain on a bargain purchase (recognized as other income)	<u><u>\$ (16,289)</u></u>

The Group re-measured the fair value of its existing equity interest of 49% in Nextorage before the acquisition date, and the deemed gain on disposal of investments accounted for using the equity method of \$27,689 thousand was recognized as “other gains and losses” on the consolidated statement of comprehensive income for the three months ended March 31, 2022.

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(10) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Mechanical and testing equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance at January 1, 2022	\$ 1,762,820	2,626,517	1,371,564	274,718	1,982,139	8,017,758
Additions for the period	39,626	7,439	134,377	14,668	124,350	320,460
Acquisition through business combination	189	10,841	1,519	23,376	212	36,137
Disposal for the period	-	-	(21,334)	(15,526)	-	(36,860)
Reclassification	-	-	8,342	12,631	(30,882)	(9,909)
Effect of movements in exchange rates	(6)	(265)	766	153	(5)	643
Balance at March 31, 2022	<u>\$ 1,802,629</u>	<u>2,644,532</u>	<u>1,495,234</u>	<u>310,020</u>	<u>2,075,814</u>	<u>8,328,229</u>
Balance at January 1, 2021	\$ 1,144,737	2,603,639	1,096,016	222,036	712,397	5,778,825
Additions for the period	-	2,173	71,351	31,535	235,303	340,362
Disposal for the period	-	-	(43,082)	(2,039)	-	(45,121)
Reclassification	-	-	30,922	297	-	31,219
Effect of movements in exchange rates	-	-	(471)	(11)	-	(482)
Balance at March 31, 2021	<u>\$ 1,144,737</u>	<u>2,605,812</u>	<u>1,154,736</u>	<u>251,818</u>	<u>947,700</u>	<u>6,104,803</u>
Depreciation:						
Balance at January 1, 2022	\$ -	596,723	634,894	135,579	-	1,367,196
Depreciation for the period	-	20,075	92,684	19,057	-	131,816
Disposal for the period	-	-	(21,315)	(15,512)	-	(36,827)
Effect of movements in exchange rates	-	(4)	109	248	-	353
Balance at March 31, 2022	<u>\$ -</u>	<u>616,794</u>	<u>706,372</u>	<u>139,372</u>	<u>-</u>	<u>1,462,538</u>
Balance at January 1, 2021	\$ -	518,527	506,588	107,170	-	1,132,285
Depreciation for the period	-	19,412	69,263	13,538	-	102,213
Disposal for the period	-	-	(43,082)	(2,039)	-	(45,121)
Effect of movements in exchange rates	-	-	(136)	-	-	(136)
Balance at March 31, 2021	<u>\$ -</u>	<u>537,939</u>	<u>532,633</u>	<u>118,669</u>	<u>-</u>	<u>1,189,241</u>
Carrying amounts:						
Balance at January 1, 2022	<u>\$ 1,762,820</u>	<u>2,029,794</u>	<u>736,670</u>	<u>139,139</u>	<u>1,982,139</u>	<u>6,650,562</u>
Balance at March 31, 2022	<u>\$ 1,802,629</u>	<u>2,027,738</u>	<u>788,862</u>	<u>170,648</u>	<u>2,075,814</u>	<u>6,865,691</u>
Balance at January 1, 2021	<u>\$ 1,144,737</u>	<u>2,085,112</u>	<u>589,428</u>	<u>114,866</u>	<u>712,397</u>	<u>4,646,540</u>
Balance at March 31, 2021	<u>\$ 1,144,737</u>	<u>2,067,873</u>	<u>622,103</u>	<u>133,149</u>	<u>947,700</u>	<u>4,915,562</u>

Part of the property, plant and equipment mentioned above was pledged as collateral for bank loans. Please refer to note 8.

To increase the scale of operations, the Company'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 Company. The total price of the project was approximately \$1,398,000 thousand. The Company financed the construction with its own funds. In addition, the Company'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 Company. The total price of the project was approximately \$829,000 thousand. The construction project is expected to be completed and accepted before the end of June 2022.

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On May 27, 2021, the Company's Board of Directors resolved to purchase the land with buildings for the Company to expand operations in the future. The total amount without V.A.T of the purchase was \$607,865 thousand.

On January 21, 2022, the Company's Board of Directors resolved to participate the land auction for acquiring the land located on Datong Section, Zhunan Township, Miaoli County from the Miaoli County Government to set up a compound leisure club or similar real estate for employees' entertainment needs. The Company won the bid on January 25, 2022. Since the related registration procedures are still in progress, the total transaction amount of \$346,660 thousand was recognized as other non-current assets.

On January 21, 2022, the Company's Board of Directors resolved to purchase the land from the related party, LIU, TIAN-PAI, for the Company to expand operations in the future. The total amount without VAT of the purchase was \$39,500 thousand.

(11) Lease arrangements

A. Right-of-use assets

The Group leases assets including buildings and transportation equipment. Information about leases was as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Others</u>	<u>Total</u>
Carrying amounts:				
Balance at January 1, 2022	\$ <u>37,935</u>	<u>519</u>	<u>822</u>	<u>39,276</u>
Balance at March 31, 2022	\$ <u>140,589</u>	<u>425</u>	<u>-</u>	<u>141,014</u>
Balance at March 31, 2021	\$ <u>33,013</u>	<u>887</u>	<u>3,287</u>	<u>37,187</u>

The Group has leased offices in Taipei for operation needs since the first quarter of 2022, therefore, right-of-use assets and lease liabilities of the Group both increased \$100,116 thousand. Except for the abovementioned additions, there was no significant addition, disposal, or recognition and reversal of impairment losses of right-of-use assets of the Group for the three months ended March 31, 2022 and 2021. Please refer to note 6(11) of the consolidated financial statements for the year ended December 31, 2021, for other related information.

The depreciation expenses arising from leased land, buildings, transportation equipment and office equipment were as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Others</u>	<u>Total</u>
For the three months ended March 31, 2022	\$ <u>12,876</u>	<u>94</u>	<u>822</u>	<u>13,792</u>
For the three months ended March 31, 2021	\$ <u>3,923</u>	<u>219</u>	<u>822</u>	<u>4,964</u>



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B. Lease liabilities

The carrying amounts of lease liabilities of the Group were as follows:

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Current	\$ <u>41,356</u>	<u>24,027</u>	<u>20,588</u>
Non-current	\$ <u>100,301</u>	<u>16,003</u>	<u>16,949</u>

For the maturity analysis, please refer to note 6(26) “Financial instruments”.

The amounts recognized in profit or loss during the lease term were as follows:

	<u>For the three months ended</u> <u>March 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest relating to lease liabilities	\$ <u>353</u>	<u>214</u>
Expenses relating to short-term lease	\$ <u>2,625</u>	<u>589</u>
Expenses relating to lease of low-value assets, excluding short-term lease of low-value assets	\$ <u>171</u>	<u>206</u>

The amounts relating to lease recognized in the statement of cash flows for were as follows:

	<u>For the three months ended</u> <u>March 31,</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>16,866</u>	<u>5,867</u>

C. Other information about leases

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.

(12) Intangible assets

The cost and amortization of intangible assets of the Group were as follows:

	<u>Computer</u> <u>software</u>	<u>Technology</u> <u>License Fees</u>	<u>Total</u>
Carrying amounts:			
Balance at January 1, 2022	\$ <u>256,196</u>	<u>58,475</u>	<u>314,671</u>
Balance at March 31, 2022	\$ <u>249,799</u>	<u>46,089</u>	<u>295,888</u>
Balance at March 31, 2021	\$ <u>236,589</u>	<u>56,929</u>	<u>293,518</u>

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There was no significant addition or disposal of intangible assets of the Group for the three months ended March 31, 2022 and 2021. Please refer to note 12 for the amount of amortization for the period. Please refer to note 6(12) of the consolidated financial statements for the year ended December 31, 2021 for the other related information.

(13) Short-term borrowings

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Unsecured bank loans	\$ 1,031,875	409,216	3,016,794
Secured bank loans	30,000	30,000	-
	<b>\$ 1,061,875</b>	<b>439,216</b>	<b>3,016,794</b>
Range of interest rates at period end	<b>0.55%~1.22%</b>	<b>0.50%~1.07%</b>	<b>0.59%~1.07%</b>

Part of the property, plant and equipment of the Group was pledged as collateral for bank loans. Please refer to note 8.

(14) Other payables

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Salaries and bonus payable	\$ 5,848,650	6,711,819	4,518,624
Interim dividend payable (note 6(20))	2,561,962	1,970,740	-
Others	1,256,000	1,138,587	1,020,758
	<b>\$ 9,666,612</b>	<b>9,821,146</b>	<b>5,539,382</b>

(15) Other current liabilities

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Refund liabilities	\$ 777,670	828,962	550,280
Guarantee deposits received (note 9(3))	858,750	-	-
Payables for purchases of equipment	43,549	100,605	18,741
Receipts under custody	93,554	64,036	49,283
Others	58,990	55,093	57,690
	<b>\$ 1,832,513</b>	<b>1,048,696</b>	<b>675,994</b>

(16) Long-term borrowings

	<b>March 31, 2022</b>	
	<b>Rate (%)</b>	<b>Year of maturity</b>
Secured bank loans	1.75%	January, 2028
Less: current portion		\$ 187,942
Total		<u>(30,872)</u>
		<b>\$ 157,070</b>

**Phison Electronics Corp. and subsidiaries**  
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	<b>December 31, 2021</b>		
	<b>Rate (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured bank loans	1.50%	January, 2028	\$ 195,636
Less: current portion			(30,947)
<b>Total</b>			<b><u>\$ 164,689</u></b>
	<b>March 31, 2021</b>		
	<b>Rate (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured bank loans	1.50%	January, 2028	\$ 218,543
Less: current portion			(30,601)
<b>Total</b>			<b><u>\$ 187,942</u></b>

For the collateral for long-term borrowings, please refer to note 8.

(17) Bonds payable

On August 6, 2021, the Company's Board of Directors resolved the issuance of domestic 1st unsecured convertible bonds for purchasing properties, plants and equipment, and replenishing working capital. The issuance was approved by FSC on September 8, 2021. The issuance period is 3 years from December 17, 2021 to December 17, 2024. The total face value of the bonds issued is \$3,500,000 thousand and the coupon rate is 0%.

The details of unsecured convertible bonds were as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Total convertible corporate bonds issued	\$ 3,500,000	3,500,000
Unamortized discounted corporate bonds payable	(79,978)	(87,145)
<b>Bonds payable at the end of period</b>	<b><u>\$ 3,420,022</u></b>	<b><u>3,412,855</u></b>
Embedded derivative – call and conversion options, included in financial assets at fair value through profit or loss	<b><u>\$ 3,500</u></b>	<b><u>4,900</u></b>
Embedded derivative instruments –Equity component – conversion options, included in capital surplus– stock options	<b><u>\$ 102,369</u></b>	<b><u>102,369</u></b>

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	<b>For the three months ended March 31, 2022</b>
Embedded derivative instruments – net gains and losses of call and conversion options remeasured at fair value, included in other gains and losses	<u><u>\$ (1,400)</u></u>
Interest expense	<u><u>\$ 7,167</u></u>

The conversion price per share at the time of issuance of NTD570 is calculated by multiplying the closing price of the Company’s ordinary shares traded on Taipei Exchange at one business day before the reference date for determining the conversion price, which is December 9, 2021, of NTD475 by the conversion premium rate of 120%. The number of convertible shares of the bonds is calculated by dividing the issued face value of the bonds by the conversion price. After the issuance of corporate bonds, the conversion price shall be adjusted in accordance with the article related to anti-dilution in the terms of issuance and conversion. Due to the distribution of cash dividends to shareholders, the conversion price shall be adjusted in accordance with the aforementioned terms. Starting from December 27, 2021, the conversion price was adjusted from NTD570 to NTD556.3. As of March 31, 2022, the conversion price has applied 1st adjustment.

Above unsecured convertible bonds included liability and equity components. Equity component is included in capital surplus– stock options. The effective interest rate originally recognized for the liability component was 1.005%.

(18) Employee benefits

A. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

The expenses recognized in profit or loss for the Group were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Pension	<u><u>\$ 960</u></u>	<u><u>768</u></u>

B. Defined contribution plans

The pension costs of the Group’s domestic subsidiaries under the defined contribution method were \$47,915 thousand and \$33,805 thousand for the three months ended March 31, 2022 and 2021, respectively. Payment was made to the Bureau of Labor Insurance.

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The pension costs of the Group's overseas subsidiaries under the defined contribution method were \$1,166 thousand and \$391 thousand for the three months ended March 31, 2022 and 2021, respectively.

(19) Income tax

A. The income tax expense of the Group is calculated by the profit before tax of interim reporting period multiply by the best estimated measurement of the expected effective tax rate by the management in all the year.

B. The amounts of income tax expense were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Current tax expense	<b>\$ 437,577</b>	<b>364,499</b>

C. The amounts of income tax expense recognized in other comprehensive income were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Exchange differences on translation of foreign financial statements	<b>\$ 1,701</b>	<b>-</b>

D. Examination and approval

The income tax returns of the Company and Super Storage Technology Corporation had been examined and assessed by the tax authority through 2019. Furthermore, the income tax returns of other domestic subsidiaries had been examined and assessed by the tax authority through 2020.

(20) Equity

A. Common shares

As of March 31, 2022, December 31, 2021, and March 31, 2021, the Company's authorized common shares amounted to \$3,000,000 thousand, of which \$290,000 thousand was reserved for employee share options. The issued common shares amounted to \$1,970,740 thousand with par value of NTD10 per share.

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B. Capital surplus

The details of the Company's capital surplus were as follows:

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>March 31,</u> <u>2021</u>
Additional paid-in capital	\$ 6,237,434	6,237,434	6,237,434
Changes in equities of associates accounted for using the equity method	288,107	268,525	-
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
Changes in non-controlling interests	1,944	1,944	1,944
Employee share options	579,207	479,179	256,170
Due to recognition of equity component of convertible bonds	102,369	102,369	-
Expired employee stock options	227	227	227
	<u>\$ 7,358,046</u>	<u>7,238,436</u>	<u>6,644,533</u>

In accordance with the R.O.C. Company Act, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned realized capital surplus included share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be reclassified under share capital shall not exceed 10 % of the actual share capital amount.

C. Retained earnings and dividend policy

The amendments to the Company's Articles of Incorporation (the "Articles") were approved by the Company's shareholders' meeting on July 26, 2021, which stipulated that earnings distribution or offsetting of losses may be proposed at each half fiscal year.

Under the dividend policy as set forth in the Articles, where the Company 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 Company'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 Company'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 Company'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.

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The Company's dividend policy complies with the laws, regulations and the Articles and takes into account the current and future competitions of the Company with domestic and foreign companies, investment environment, capital demand, capital budget, and shareholders' interests to strike a balance between dividends and the long-term financial planning of the Company, so as to foster sustainable operation and stable development. The dividend distribution of the shareholders of the Company 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 Company 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.

If the Company generates profit for the year, the distribution of the legal reserve, either by new shares or by cash, shall be resolved in the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

The appropriations of 2021 half-yearly earnings have been approved by the Company's Board of Directors in its meeting. The appropriations and cash dividends per share were as follows:

	<b>Second Half of 2021</b>	<b>First Half of 2021</b>
	March 4, 2022	August 6, 2021
Resolution date of the Company's Board of Directors		
Legal reserve	\$ 418,001	355,551
Reversal of special reserve	(155,568)	(9,773)
Cash dividends to shareholders	2,561,962	1,970,740
Cash dividends per share (NTD)	13	10

The amount of legal reserve and special reserve of 2021 will be submitted to the shareholders' meeting for approval on May 24, 2022.

Information on the above appropriations of earnings is available at the Market Observation Post System website of the Taiwan Stock Exchange.

The appropriation of 2020 earnings was resolved in the shareholders' meetings on July 26, 2021, and was as follows:

Legal reserve	\$ <u>868,226</u>
Reversal of special reserve	(10,784)
Cash dividends to shareholders	4,532,702
Cash dividends per share (NTD)	23

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D. Other equity (net of tax)

(a) Exchange differences on translation of foreign financial statements

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (143,563)	(37,091)
Foreign exchange differences (net of tax)	150,368	(69,734)
Balance at March 31	<b>\$ 6,805</b>	<b>(106,825)</b>

(b) Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 246,847	(128,250)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	100,554	139,225
Balance at March 31	<b>\$ 347,401</b>	<b>10,975</b>

(21) Share-based payment

The Company issued employee share options which each unit can be exercised to purchase one share of the Company. The duration of the plan is 3 to 4 years, and the plan was approved by the FSC. As of March 31, 2022, the information related to the employee share options was as follows:

Type	Authorization date	Issue date	Issued units (in thousands)	Grant Period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
2021 First employee share options	October 4, 2021	November 19, 2021	6,000	service period between 2~3 years	414.50	404.50
2020 First employee share options	April 10, 2020	October 5, 2020	6,000	service period between 2~2.5 years	262.00	243.30
2019 Second employee share options	November 12, 2019	October 5, 2020	2,000	service period between 2~2.5 years	262.00	243.30



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The estimated fair values of the options granted were NTD112.17, NTD59.63, and NTD59.63 at the date of grant using the Black-Scholes option pricing model. The Company granted to the Group's employees 6,000 thousand, 6,000 thousand, and 2,000 thousand units of employee share options, and the Group recognized compensation cost amounting to \$100,028 thousand and \$58,360 thousand for the three months ended March 31, 2022 and 2021, respectively. Weighted-average assumptions were as follows:

	<u>2021 1st</u>	<u>2020 1st</u>	<u>2019 2nd</u>
Grant-date share price (NTD)	\$ 414.50	262.00	262.00
Exercise price (NTD)	414.50	262.00	262.00
Expected volatility	37.44%-37.96%	35.27%-35.45%	35.27%-35.45%
Expected dividend yield	-	-	-
Expected life (year)	4	3	3
Risk free interest rate	0.40%-0.41%	0.20%-0.22%	0.20%-0.22%

Information related to employee share options was as follows:

A. 2021 First employee share options

<u>Employee share options</u>	<u>For the three months ended March 31, 2022</u>	
	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average exercise price (NTD)</u>
Outstanding at January 1	5,987	\$ 404.50
Granted during the period	-	-
Exercised during the period	-	-
Forfeited during the period	(30)	-
Outstanding at March 31	<u>5,957</u>	404.50
Exercisable at March 31	<u>-</u>	

As of March 31, 2022, the weighted-average remaining contractual life for outstanding option were 3.64 years.

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B. 2020 First employee share options

<u>Employee share options</u>	<u>For the three months ended March 31, 2022</u>		<u>For the three months ended March 31, 2021</u>	
	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average exercise price (NTD)</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average exercise price (NTD)</u>
Outstanding at January 1	5,782	\$ 243.30	5,835	\$ 262.00
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	(7)	-	(18)	-
Outstanding at March 31	<u>5,775</u>	243.30	<u>5,817</u>	262.00
Exercisable at March 31	<u>-</u>		<u>-</u>	

As of March 31, 2022 and 2021, the weighted-average remaining contractual life for outstanding option were 1.50 and 2.50 years, respectively.

C. 2019 Second employee share options

<u>Employee share options</u>	<u>For the three months ended March 31, 2022</u>		<u>For the three months ended March 31, 2021</u>	
	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average exercise price (NTD)</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average exercise price (NTD)</u>
Outstanding at January 1	1,940	\$ 243.30	1,976	\$ 262.00
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	(2)	-	(25)	-
Outstanding at March 31	<u>1,938</u>	243.30	<u>1,951</u>	262.00
Exercisable at March 31	<u>-</u>		<u>-</u>	

As of March 31, 2022 and 2021, the weighted-average remaining contractual life for outstanding option, were 1.50 and 2.50 years, respectively.

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(22) Earnings per share

The calculations of basic earnings per share and diluted earnings per share of the Company were as follows:

A. Basic earnings per share

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Net profit attributable to ordinary shareholders of the Company	<b>\$ 2,185,061</b>	<b>1,687,540</b>
Weighted-average number of shares outstanding during the year (in thousands of shares)	<b>197,074</b>	<b>197,074</b>
Basic earnings per share (NTD)	<b>\$ 11.09</b>	<b>8.56</b>

B. Diluted earnings per share

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Net profit attributable to ordinary shareholders of the Company	\$ 2,185,061	1,687,540
Effect of dilutive potential ordinary shares		
Convertible bonds	<u>4,613</u>	<u>-</u>
Net profit attributable to ordinary shareholders of the Company	<b>\$ 2,189,674</b>	<b>1,687,540</b>
Weighted average number of shares outstanding during the year (in thousands of shares)	197,074	197,074
Effect of dilutive potential ordinary shares (in thousands of shares)		
Employee share options	3,700	2,923
Employees' compensation	2,049	2,195
Effect of conversion of convertible bonds	<u>6,292</u>	<u>-</u>
	<b><u>209,115</u></b>	<b><u>202,192</u></b>
Diluted earnings per share (NTD)	<b>\$ 10.47</b>	<b>8.35</b>

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(23) Operating revenue

Disaggregations of revenues from contracts with customers were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Primary geographical markets:		
Asia	\$ 14,135,491	9,473,887
America	2,249,612	2,406,840
Europe	695,901	970,554
Australia	24,629	35,905
Others	<u>226</u>	<u>764</u>
	<b><u>\$ 17,105,859</u></b>	<b><u>12,887,950</u></b>
Major product categories:		
Flash memory module products	\$ 12,503,708	10,450,494
Controllers	3,776,280	1,884,287
Integrated Circuit	447,997	510,607
Others	<u>377,874</u>	<u>42,562</u>
	<b><u>\$ 17,105,859</u></b>	<b><u>12,887,950</u></b>

The Group categorized the operating revenue mainly based on the countries where the customers are located.

(24) Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates of 8% to 19% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors three months ended March 31, 2022 and 2021, were as follows:

Accrual rate

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Employees' compensation	9.99 %	9.89 %
Remuneration of directors	0.50 %	0.99 %

Amount

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Employees' compensation	<b><u>\$ 291,852</u></b>	<b><u>214,365</u></b>
Remuneration of directors	<b><u>\$ 14,593</u></b>	<b><u>21,436</u></b>

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The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which have been approved by the Company's Board of Directors on March 4, 2022 and March 11, 2021, respectively, were as follows:

	<b>For the three months ended March 31,</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Cash</b>	<b>Share</b>	<b>Cash</b>	<b>Share</b>
Employees' compensation	\$ 1,100,000	-	1,000,000	-
Remuneration of directors and supervisors (Note)	50,000	-	45,000	-

Note: The Audit Committee was set up to replace supervisors in June 2020, in accordance with Securities and Exchange Act and the Company's Articles.

If there is a change in the amounts after the annual 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 financial statements for the years ended December 31, 2021 and 2020.

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

(25) Non-operating income and expenses

A. Other income

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2022</b>	<b>2021</b>
Dividend income	\$ 11,029	3,024
Rent income	5,625	6,291
Gain on a bargain purchase (note 6(9))	16,289	-
Others	5,233	9,754
	<b>\$ 38,176</b>	<b>19,069</b>

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B. Other gains and losses

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Gains on disposal of property, plant and equipment	\$ 23	-
Gain on disposal of investments accounted for using the equity method (note 6(9))	27,689	-
Net foreign exchange gains (losses)	231,189	(29,030)
Gains (Losses) on financial assets at fair value through profit or loss	(128,827)	125,947
Others	190	-
	<b>\$ 130,264</b>	<b>96,917</b>

C. Finance costs

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank loans	\$ 2,209	4,460
Interest on lease liabilities	353	214
Interest on convertible bond	7,167	-
Others	21	-
	<b>\$ 9,750</b>	<b>4,674</b>

(26) Financial instruments

A. Categories of financial instruments

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
<b>Financial assets</b>			
Financial assets at FVTPL (current and non-current)	\$ 1,522,421	1,658,523	6,257,903
Financial assets at amortized cost (Note 1)	23,893,988	28,962,814	22,464,715
Financial assets at FVTOCI	736,581	634,757	458,852
	<b>\$ 26,152,990</b>	<b>31,256,094</b>	<b>29,181,470</b>
<b>Financial liabilities</b>			
Financial liabilities at amortized cost (Note 2)	<b>\$ 22,527,188</b>	<b>22,909,645</b>	<b>13,790,700</b>

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

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

**B. Financial risk management objectives and policies**

The Group primarily manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The Group's plans for material treasury activities must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties and reviewed in accordance with procedures required by relevant regulations or internal controls.

**C. Market risk**

The Group's activities were exposed 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. The Group continues to evaluate future exchange rate movements, and the exposure to foreign currency risk of foreign currency net assets is still within the controllable range.

**(i) Exposure to foreign currency risk**

The Group's financial assets and liabilities exposed to significant foreign currency risk were as follows:

	March 31, 2022			December 31, 2021			March 31, 2021		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	457,352	28.625	13,091,690	482,969	27.680	13,368,578	350,317	28.535	9,996,290
<u>Non-Monetary items</u>									
CNY	810,122	4.506	3,650,408	815,300	4.340	3,538,401	708,574	4.344	3,078,044
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	302,485	28.625	8,658,645	283,113	27.680	7,836,557	237,900	28.535	6,788,487

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(ii) Sensitivity analysis

The Group's exposure to foreign currency risk primarily arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, (including related parties), short-term borrowings, and accounts payable (including related parties), that are denominated in USD. A weakening (strengthening) of 5% of the NTD against the USD as of March 31, 2022, December 31, 2021, and March 31, 2021, would have increased or decreased the net profit before income tax by \$221,652 thousand and \$160,390 thousand, respectively. The analysis was performed on the same basis for comparative years.

(iii) Foreign exchange gains and losses on monetary items

For the three months ended March 31, 2022 and 2021, the foreign exchange gains (including realized and unrealized) were gain \$231,189 thousand and loss \$29,030 thousand, 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.

(b) Interest rate risk

For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If interest rates had been 0.25% basis point higher and all other variables were held constant, the Group's net profit before income tax for the three months ended March 31, 2022 and 2021 would have increased by \$4,330 thousand and \$4,337 thousand, respectively. Due to the impact of variable interest rate cash and cash equivalents, short-term and long-term borrowings.

(c) Other price risk

The Group was exposed to equity price risks through its investments in foreign 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 date.

If equity prices had been 10% higher or lower, net profit before income tax for the three months ended March 31, 2022 and 2021 would have increased or decreased by \$152,242 thousand and \$625,790 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.



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If equity prices had been 10% higher or lower, the other comprehensive income before income tax for the three months ended March 31, 2022 and 2021 would have increased or decreased by \$73,658 thousand and \$45,885 thousand, respectively, as a result of the changes in fair value of financial assets at FVOCI.

**D. Concentration of credit risk**

**(a) Accounts receivable**

The major customers of the Group are in the electronics industry and the Group usually grants credit limits to customers in accordance with credit policy, therefore, the credit risk of the Group is mainly affected by the electronics industry. However, the Group mostly sells products to customers with good reputation and continuously monitors the financial situation of customers to monitor the significant loss from credit risk. As of March 31, 2022, December 31, 2021, and March 31, 2021, 36%, 40% and 34%, respectively, of accounts receivable were from top five customers, so there was no significant concentration of credit risk. In addition, the Group periodically reviews the recoverable amounts of accounts receivable to ensure that an adequate allowance is recognized for possible irrecoverable amounts. In this regard, the management believes there is no expected material credit risk.

**(b) Cash and cash equivalents**

The Group's cash and cash equivalents are deposited with different financial institutions. The Group controls the credit risk exposure to each financial institution and believes that the Group's cash and cash equivalents do not pose a risk of a significant concentration of credit risk.

**(c) Receivables and debt securities**

Please refer to note 6(5) for details on the credit risk exposure of accounts receivable. Please refer to note 6(3) for financial assets at amortized cost including segregated foreign exchange deposit account for Offshore Funds and pledged time deposits. Please refer to notes 6(2) and (4) for details on financial assets at fair value through profit and loss and other comprehensive income including listed stocks, unlisted stocks, open-end funds, and private equity funds.

The financial assets mentioned above were with lower credit risk, so a loss allowance is recognized at an amount equal to the expected credit losses resulting from possible default events of the financial instruments within 12 months after the reporting date.

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E. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Cash flow of contract</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>March 31, 2022</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 17,857,349	(17,857,349)	(16,135,768)	(1,721,581)	-
Lease liabilities (current and non-current)	141,657	(143,331)	(42,144)	(101,187)	-
Bonds payable	3,420,022	(3,500,000)	-	(3,500,000)	-
Floating interest rate liabilities	217,942	(227,898)	(63,977)	(135,659)	(28,262)
Fixed interest rate liabilities	<u>1,031,875</u>	<u>(1,032,935)</u>	<u>(1,032,935)</u>	<u>-</u>	<u>-</u>
	<u>\$ 22,668,845</u>	<u>(22,761,513)</u>	<u>(17,274,824)</u>	<u>(5,458,427)</u>	<u>(28,262)</u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 18,861,938	(18,861,938)	(18,857,829)	(4,109)	-
Lease liabilities (current and non-current)	40,030	(40,214)	(24,402)	(15,812)	-
Bonds payable	3,412,855	(3,500,000)	-	(3,500,000)	-
Floating interest rate liabilities	195,636	(204,820)	(33,669)	(134,676)	(36,475)
Fixed interest rate liabilities	<u>439,216</u>	<u>(439,799)</u>	<u>(439,799)</u>	<u>-</u>	<u>-</u>
	<u>\$ 22,949,675</u>	<u>(23,046,771)</u>	<u>(19,355,699)</u>	<u>(3,654,597)</u>	<u>(36,475)</u>
<b>March 31, 2021</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 10,555,363	(10,555,363)	(10,550,311)	(5,052)	-
Lease liabilities (current and non-current)	37,537	(38,342)	(21,191)	(17,151)	-
Floating interest rate liabilities	362,148	(374,039)	(177,637)	(134,676)	(61,726)
Fixed interest rate liabilities	<u>2,873,189</u>	<u>(2,881,117)</u>	<u>(2,881,117)</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,828,237</u>	<u>(13,848,861)</u>	<u>(13,630,256)</u>	<u>(156,879)</u>	<u>(61,726)</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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F. Fair value of financial instruments

(a) Fair value measurements recognized in the consolidated balance sheets

Fair value measurements are grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the Group's financial assets and liabilities measured at fair value on a recurring basis:

	<b>March 31, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 654,946	-	-	654,946
Domestic unlisted stocks	-	-	228,179	228,179
Foreign unlisted stocks	-	-	120,349	120,349
Domestic private equity funds	-	-	41,181	41,181
Beneficiary certificates—open-end funds	474,266	-	-	474,266
Derivative instruments—convertible bonds	-	-	3,500	3,500
	<u>\$ 1,129,212</u>	<u>-</u>	<u>393,209</u>	<u>1,522,421</u>
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	318,747	318,747
Foreign unlisted stocks	-	-	417,834	417,834
	<u>\$ -</u>	<u>-</u>	<u>736,581</u>	<u>736,581</u>

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	<b>December 31, 2021</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 728,076	-	-	728,076
Domestic unlisted stocks	-	-	302,867	302,867
Foreign unlisted stocks	-	-	108,793	108,793
Domestic private equity funds	-	-	39,909	39,909
Beneficiary certificates – open-end funds	473,978	-	-	473,978
Derivative instruments – convertible bonds	-	-	4,900	4,900
	<u>\$ 1,202,054</u>	<u>-</u>	<u>456,469</u>	<u>1,658,523</u>
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	294,433	294,433
Foreign unlisted stocks	-	-	340,324	340,324
	<u>\$ -</u>	<u>-</u>	<u>634,757</u>	<u>634,757</u>
	<b>March 31, 2021</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 554,205	-	-	554,205
Domestic unlisted stocks	-	-	333,040	333,040
Foreign unlisted stocks	-	-	136,509	136,509
Domestic private equity funds	-	-	41,844	41,844
Beneficiary certificates – open-end funds	<u>5,192,305</u>	<u>-</u>	<u>-</u>	<u>5,192,305</u>
	<u>\$ 5,746,510</u>	<u>-</u>	<u>511,393</u>	<u>6,257,903</u>
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	147,333	147,333
Foreign unlisted stocks	-	-	311,519	311,519
	<u>\$ -</u>	<u>-</u>	<u>458,852</u>	<u>458,852</u>

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2022 and 2021.

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The reconciliations of Level 3 fair value measurements of financial instruments were as follows:

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income	Total
	Private equity funds	Derivative instruments—convertible bonds	Equity instruments	Equity instruments	
	January 1, 2022	\$ 39,909	4,900	411,660	
Recognized in profit or loss	1,272	(1,400)	(55,857)	-	(55,985)
Recognized in other comprehensive income	-	-	-	100,554	100,554
Additions for the period	-	-	-	1,270	1,270
Disposal and proceeds from capital reduction	-	-	(7,275)	-	(7,275)
March 31, 2022	<u>\$ 41,181</u>	<u>3,500</u>	<u>348,528</u>	<u>736,581</u>	<u>1,129,790</u>
January 1, 2021	\$ 42,033	-	395,203	360,304	797,540
Recognized in profit or loss	(189)	-	74,346	-	74,157
Recognized in other comprehensive income	-	-	-	98,548	98,548
March 31, 2021	<u>\$ 41,844</u>	<u>-</u>	<u>469,549</u>	<u>458,852</u>	<u>970,245</u>

(c) Quantified information on Level 3 used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value mainly include financial assets at fair value through profit or loss—equity investments, derivative financial instruments, private equity funds, and financial assets at fair value through other comprehensive income—equity investments. If the measurement of the fair value requires the use of observable inputs which cannot be objectively observed, the Group will evaluate the most relevant market data carefully for the evaluation item.

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Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income – equity investments without an active market	Market approach	<ul style="list-style-type: none"> <li>· Discount for lack of marketability (March 31, 2022: 15%~27.22%, December 31, 2021: 15%~28.97% and March 31, 2021: 15%~29.90%)</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the discount for lack of marketability, the lower the fair value</li> </ul>
Financial assets at fair value through other comprehensive income – equity investments without an active market	Income approach	<ul style="list-style-type: none"> <li>· Sustainable revenue growth rate (March 31, 2022: 2.5%, December 31, 2021: 2.5% and March 31, 2021: 2.4%)</li> <li>· Weighted-average cost of capital (March 31, 2022: 7.02%~9.59%, December 31, 2021: 7.02%~9.59% and March 31, 2021: 11.47%~15.62%)</li> <li>· Discount for lack of marketability (March 31, 2022, December 31, 2021 and March 31, 2021: 15%)</li> <li>· Discount for non-controlling interest (March 31, 2022, December 31, 2021 and March 31, 2021: 15%)</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the sustainable revenue growth rate, the higher the fair value</li> <li>· The higher the weighted-average cost of capital, the lower the fair value</li> <li>· The higher the discount for lack of marketability, the lower the fair value</li> <li>· The higher the discount for non-controlling interest, the lower the fair value</li> </ul>

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<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss – equity investments without an active market and private equity funds	Asset-based approach	<ul style="list-style-type: none"> <li>· Net Asset Value</li> <li>· Discount for lack of marketability (March 31, 2022, December 31, 2021 and March 31, 2021: 10%)</li> <li>· Discount for non-controlling interest (March 31, 2022, December 31, 2021 and March 31, 2021: 10%)</li> </ul>	No applicable

The fair values of derivatives instruments – convertible bonds is estimated by the binary tree convertible bond evaluation model, and the significant unobservable input value used is the stock price volatility. The stock price volatility adopted on March 31, 2022 and December 31, 2021, was 43.20% and 43.39%, respectively.

(27) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021. Also, management believes that there were no significant changes in the Group’s capital management information as disclosed for the year ended December 31, 2021. Please refer to Note 6(27) of the consolidated financial statements for the year ended December 31, 2021 for related information.

(28) Investing and financing activities not affecting current cash flow

A. For leased right-of-use assets, please refer to note 6(11).

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B. Reconciliations of liabilities arising from financing activities were as follows:

	<b>January 1, 2022</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>March 31, 2022</b>
Short-term borrowings	\$ 439,216	601,475	21,184	1,061,875
Bonds payable	3,412,855	-	7,167	3,420,022
Long-term borrowings (including current portion)	195,636	(7,694)	-	187,942
Lease liabilities (current and non-current)	40,030	(13,717)	115,344 (Note)	141,657
Guarantee deposits received (current and non-current)	4,109	2,487,752	88,470	2,580,331
Total liabilities from financing activities	<u>\$ 4,091,846</u>	<u>3,067,816</u>	<u>232,165</u>	<u>7,391,827</u>

Note: The Group has leased offices in Taipei for operation needs since the first quarter of 2022, therefore, lease liabilities of the Group increased \$100,116 thousand.

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>March 31, 2021</b>
Short-term borrowings	\$ 1,480,480	1,518,251	18,063	3,016,794
Long-term borrowings (including current portion)	226,122	(7,579)	-	218,543
Lease liabilities (current and non-current)	32,632	(4,858)	9,763	37,537
Guarantee deposits received	4,986	66	-	5,052
Total liabilities from financing activities	<u>\$ 1,744,220</u>	<u>1,505,880</u>	<u>27,826</u>	<u>3,277,926</u>

**7. Related-party transactions**

(1) Names and relationship with related parties

The followings are subsidiaries and related parties that have had transactions with the Group during the periods covered in the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Microtops Design Corporation	Associate
Hosin Global Electronics Co., Ltd. (SZ) (Hosin Global SZ)	Associate
Hosin Global Electronics Co., Ltd. (HK)	Hosin Global SZ's subsidiary
SiliTai Electronics Co., Limited	Hosin Global SZ's subsidiary



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<u>Name of related party</u>	<u>Relationship with the Group</u>
Hefei Core Storage Electronic Limited	Hosin Global SZ's subsidiary
Hefei Xinpeng Technology Co., Ltd. (Hefei Xinpeng)	Associate
Hefei Datang Storage Technology Co., Ltd.	Hefei Xinpeng's subsidiary
ProGrade Digital, Inc.	Associate
Nextorage Corporation	Since January 1, 2022, it was no longer an associate and became a subsidiary of the Company
Kioxia Corporation (KIC)	The Company's director
Kioxia America, Inc.	KIC's subsidiary
Kioxia Taiwan Corporation	KIC's subsidiary
Kioxia Asia, Limited	KIC's subsidiary
Solid State Storage Technology Corporation Hsinchu Science Park Branch	KIC's subsidiary
Toshiba International Procurement HongKong, Ltd.	KIC's associate
Orient Semiconductor Electronics Ltd.	The Company is its director
Apacer Technology Inc.	The Company is its director
LIU, TIAN-PAI	Other related party

(2) Significant transactions with related parties

A. Operating revenues

The amounts of significant sales by the Group to related parties were as follows:

<u>Related Party Category / Name</u>	<u>For the three months ended</u>	
	<u>March 31,</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ 2,086,887	853,218
Other related parties	1,040,078	698,558
	<u>\$ 3,126,965</u>	<u>1,551,776</u>

The credit terms to related parties were ranged from 30 days after delivery to EOM 60 days and that to non-related parties were ranged from T/T in advance to EOM 90 days. There was no significant difference between the sales price and credit terms of the Group for related parties and that for the third parties.

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B. Purchase of goods and processing costs

(a) Purchase of goods

<b>Related Party Category / Name</b>	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Associates	\$ -	119,593
Other related parties – Kioxia Taiwan Company	4,453,281	3,099,103
	<b>\$ 4,453,281</b>	<b>3,218,696</b>

(b) Processing costs

<b>Related Party Category / Name</b>	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Other related parties	\$ 605,326	489,392

The payment terms to related parties were ranged from EOM 7 days to Net 75 days and that to non-related parties were ranged from T/T in advance to Net 90 days. There was no significant difference between the purchase price and payment terms of the Group from related parties and that from the third parties.

C. Receivable from related parties

<b>Related Party Category / Name</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Associates – Hosin Global Electronics Co., Ltd. (HK)	\$ 1,142,478	1,614,392	463,733
Associates	546,069	553,795	189,804
Other related parties	832,519	652,856	588,476
	2,521,066	2,821,043	1,242,013
Less: Loss allowance	(3,531)	(7,519)	-
	<b>\$ 2,517,535</b>	<b>2,813,524</b>	<b>1,242,013</b>

The outstanding accounts receivable from related parties are unsecured.

D. Payables to related parties

<b>Related Party Category / Name</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Associates	\$ -	-	80,598
Other related parties – Kioxia Taiwan Company	1,947,409	2,764,162	1,201,411
Other related parties	268,064	436,145	217,694
	<b>\$ 2,215,473</b>	<b>3,200,307</b>	<b>1,499,703</b>

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

E. Other transactions

<u>Account Name</u>	<u>Related Party Category / Name</u>	<b>For the three months ended</b>	
		<b>March 31,</b>	
		<u>2022</u>	<u>2021</u>
Operating costs	Other related parties	\$ <u>1,365</u>	<u>552</u>
Operating expenses	Associates	\$ 64,066	65,233
	Other related parties	<u>3,091</u>	<u>1,127</u>
		<u>\$ 67,157</u>	<u>66,360</u>
Non-operating incomes	Associates	\$ 320	489
	Other related parties	<u>100</u>	<u>100</u>
		<u>\$ 420</u>	<u>589</u>

As of March 31, 2022, December 31, 2021, and March 31, 2021, the receivables arising from abovementioned transactions were \$3,564 thousand, \$26,512 thousand and \$87 thousand, respectively (recognized as other receivables), and the payables arising from abovementioned transactions were \$54,961 thousand, \$54,392 thousand and \$53,791 thousand, respectively (recognized as other current liabilities).

The Group leased the office to related parties with lease terms and prices determined based on mutual agreements. The payment term for rental is 30 days after the end of the month, with the related income being classified under non-operating income. The related party leased the land to the Group with lease terms and prices determined based on mutual agreements. The payment term for rental is T/T in advance, with the related expense being classified under operating expenses.

(3) Key management personnel compensation

Key management personnel compensation comprised:

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 137,232	90,596
Post-employment benefits	451	519
Share-based payments	<u>14,234</u>	<u>21,693</u>
	<u>\$ 151,917</u>	<u>112,808</u>

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

Please refer to note 6(21) for further explanations related to share-based payment.

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

**8. Pledged assets**

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Property, plant and equipment	As collateral for loans and finance facilities	\$ 527,497	530,694	540,285
Pledged time deposits (recognized as financial assets at amortized cost — current)	As collateral for the tariff of imported raw materials	40,489	40,459	40,448
		<u>\$ 567,986</u>	<u>571,153</u>	<u>580,733</u>

**9. Commitments and contingencies**

(1) Significant commitments

A. The Group's unused letters of credit

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Unused letters of credit	<u>\$ 1,160,000</u>	<u>1,160,000</u>	<u>1,160,000</u>

B. The unpaid amounts of construction, plant and equipment that have been signed or ordered were as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
	<u>\$ 249,105</u>	<u>373,455</u>	<u>1,377,012</u>

(2) Purchase commitment

The Company entered into a long-term purchase agreement of material with a supplier. The relative purchase quantity and price of wafers are specified in the agreement. According to the agreement, the Company has to pay partial guarantee deposit before the appointment date. As of March 31, 2022, the Company has paid USD18,480 thousand of guarantee deposit (recognized as other non-current assets).

(3) Long-term supply agreement

The Company entered into a long-term supply agreement with a customer in 2021, and received a guarantee deposit of USD90,000 thousand as agreed. The Company was required to sell controllers to the customer in the amount agreed upon by both parties during the agreed period. The guarantee deposits received were classified as current liabilities of \$858,750 thousand (recognized as other current liabilities) and non-current liabilities of \$1,717,500 thousand (recognized as guarantee deposits received) based on the expected repayment period.

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

**10. Losses due to major disasters: None**

**11. Subsequent events: None**

**12. Other**

- (1) A summary of current-period employee benefits, depreciation, and amortization, by function, was as follows:

By item	By function	For the three months ended March 31					
		2022			2021		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits							
Salary		218,338	1,950,767	2,169,105	132,411	1,400,016	1,532,427
Labor and health insurance		21,493	104,265	125,758	14,409	71,953	86,362
Pension		8,150	41,891	50,041	5,464	29,500	34,964
Others		10,985	37,498	48,483	9,401	27,353	36,754
Depreciation		41,709	103,899	145,608	33,243	73,934	107,177
Amortization		141	84,600	84,741	141	56,964	57,105

- (2) The Company was served two complaints from Taiwan Hsinchu District Court on November 8, 2019 and December 13, 2019, that the Securities and Futures Investors Protection Center (“SFIPC”) filed the following two civil actions:

- A. To ask to remove Mr. K.S. Pua from the Company’s Board Director Position (“Removal Action”);
- B. To claim monetary damage amounting to \$697,389 thousand against the Company, Mr. K.S. Pua, and other co-defendants (“Claim Action”).

These two civil actions were derivative litigations from the criminal litigation associated with the Company’s financial case occurred on August 05, 2016. The Company has engaged attorneys to answer and ask the court to dismiss SFIPC’s allegations. Of which, Taiwan Hsinchu District Court rendered judgment on February 18, 2022, to dismiss the Removal Action. However, SFIPC disagreed with the judgment and filed a petition for appeal to the Taiwan High Court. Nevertheless, since Mr. K.S. Pua had resigned from the Company’s chairman and Board Director Position on November 18, 2021, the Removal Action’s future development has no influence on the Company. With regard to the Claim Action, even though its future development and possible consequence could not be assessed by the Company, at current stage it has no significant influence on the Company’s finance and operations.

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

**13. Addition disclosures**

(1) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- A. Loans to other parties: None
- B. Guarantees and endorsements for other parties: None
- C. Securities held as of March 31, 2022 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Please refer to Table 2.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 3.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 4.
- I. Trading in derivative instruments: Please refer to Notes 6(2).
- J. Business relationships and significant intercompany transactions: Please refer to Table 5.

(2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 6.

(3) Information on investment in Mainland China:

- A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 7.
- B. Limitation on investment in Mainland China: Please refer to Table 7.
- C. Significant transactions:

For the three months ended March 31, 2022, the significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**

(4) Major shareholders:

(in units of shares)

Shareholder's Name	Shareholding	Shares	Percentage
Trust Investment Account of KIOXIA Corporation by First Bank		19,821,112	10.05 %

Note 1: 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 Company 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.

Note 2: If the aforementioned data contains shares which are held in trust by the shareholders, the data is disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10%, in accordance with the Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on the reported share equity of insider, please refer to the Market Observation Post System.

**14. Segment information**

Information is reported to the chief operating decision maker for the purpose of resource allocation, and the assessment of segment performance is focused on operating income generated from flash memory controllers design and the flash peripheral application integration design, manufacturing and sales business. As a result, the Group has only one operating segment. The segment engages mainly in the design and sale of flash memory controllers and the flash peripheral application integration, such as the application design, manufacturing and sale of SSDs (included SATA, PCIe), Embedded Memory (included eMMC, UFS), USB and memory cards, etc.

The basis for the measurement of income from operations is the same as that for the preparation of the financial statements. Refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.

**Phison Electronics Corp. and Subsidiaries**  
**Securities held as of March 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)**  
**March 31, 2022**

Table 1

(Shares in Thousands /Amounts in Thousands)

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
The Company	<u>Beneficiary certificates – open-end funds</u>							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss – current	16,326	207,095	-	207,095	
	FSITC Taiwan Money Market Fund	-	Same as above	10,134	<u>156,887</u>	-	156,887	
					<u>363,982</u>			
	<u>Common shares</u>							
	Apacer Technology Inc.	-	Same as above	10,050	450,240	9.87 %	450,240	
	Orient Semiconductor Electronics, Ltd.	-	Same as above	7,336	164,701	0.89 %	164,701	
	Acer Synergy Tech Corp.	-	Same as above	900	<u>40,005</u>	4.50 %	40,005	
					<u>654,946</u>			
	AppWorks Fund II Co., Ltd.	-	Financial assets at fair value through profit or loss – non-current	5,355	165,305	11.11 %	165,305	
	Taishan Buffalo Investment Co., Ltd.	-	Same as above	46,300	45,904	1.08 %	45,904	
	Innorich Venture Capital Corp.	-	Same as above	3,000	16,970	5.61 %	16,970	
	JAFCO ASIA TECHNOLOGY FUND VI L.P.	-	Same as above	1,000	<u>15,040</u>	0.67 %	15,040	
					<u>243,219</u>			



Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note	
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value		
The Company	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Financial assets at fair value through other comprehensive income – non-current	11,966	314,497	17.16 %	314,497		
	AppWorks Fund III Co., Ltd.	-	Same as above	10,000	105,005	2.92 %	105,005		
	UD INFO Corp.	-	Same as above	1,252	97,503	17.40 %	97,503		
	Adam Elements International Co., Ltd.	-	Same as above	1,710	26,402	19.00 %	26,402		
	Gomore Inc.	-	Same as above	16,925	8,944	1.86 %	8,944		
	H3 Platform, Inc.	-	Same as above	18,400	4,918	12.14 %	4,918		
	Gospal Ltd.	-	Same as above	811,857	3,750	3.19 %	3,750		
	Aptos Technology Inc.	-	Same as above	529	-	0.60 %	-		
	THLight Co., Ltd.	-	Same as above	6,388	-	12.54 %	-		
	GeoThings, Inc.	-	Same as above	150	-	5.36 %	-		
	Ironyun Incorporated	-	Same as above	250	-	6.02 %	-		
						<u>561,019</u>			
		<u>Private equity funds</u>							
	Fuh Hwa Smart Energy Fund	-	Financial assets at fair value through profit or loss – non-current	6,000	<u>41,181</u>	3.81 %	41,181		
Lian Xu Dong Investment Corporation	<u>Common shares</u>								
	Translink Capital Partners III L.P	-	Financial assets at fair value through profit or loss – non-current	1,500	57,623	1.18 %	57,623		
	Translink Capital Partners IV L.P	-	Same as above	790	<u>47,686</u>	0.59 %	47,686		
					<u>105,309</u>				

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Lian Xu Dong Investment Corporation	Liquid, Inc. (preference shares)	-	Financial assets at fair value through other comprehensive income – non-current	2,111	85,725	4.78 %	85,725	
	Taiwania Capital Buffalo Fund V, LP.	-	Same as above	25,000	25,000	3.19 %	25,000	
	Cathy Private Equity Smart Technology Limited Partnership	-	Same as above	25,000	25,000	11.90 %	25,000	
	New Future III Limited Partnership	-	Same as above	21,236	21,237	5.12 %	21,237	
	Omni Media International Incorporation	-	Same as above	1,714	6,656	2.60 %	6,656	
	UMBO CV INC. (preference shares)	-	Same as above	1,626	-	2.34 %	-	
					<u>163,618</u>			
Emtops Electronics Corporation	My Digital Discount, Inc.	-	Financial assets at fair value through other comprehensive income – non-current	-	-	19.00 %	-	
Phisontech Electronics Taiwan Corp.	<u>Beneficiary certificates-open-end funds</u>							
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss – current	167	30,091	-	30,091	
	Franklin Templeton Sinoam Money Market Fund	-	Same as above	1,917	20,052	-	20,052	
	FSITC Taiwan Money Market Fund	-	Same as above	1,295	20,052	-	20,052	
	Mega Diamond Money Market Fund	-	Same as above	1,580	20,046	-	20,046	
	Capital Money Market Fund	-	Same as above	1,229	20,043	-	20,043	
					<u>110,284</u>			

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Super Storage Technology Corporation	<u>Common shares</u>  Power Research Technology Corp.	-	Financial assets at fair value through other comprehensive income — non-current	833	<u>11,944</u>	13.88 %	11,944	

**Phison Electronics Corp. and Subsidiaries**

**Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital**

**For the year ended March 31, 2022**

Table 2

(Amounts in Thousands)

Company Name	Types of Property	Transaction Date	Transaction Amount	Status of Payment	Counter-Party	Nature of Relationships	Prior Transaction of Related Counter-Party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship with the Company	Date of Transfer	Amount			
The Company	Land	January 21, 2022 (Note)	346,660	Full payment	Miaoli County Government	-	-	-	-	-	Appraisal report, market value announced, and actual price registration of transactions in the neighborhood	For operational use	None

Note: The purchase of the land was approved by the Board of Directors, and the Company won the bid on January 25, 2022.

**Phison Electronics Corp. and Subsidiaries**

**Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock**

**For the year ended March 31, 2022**

Table 3

(Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
The Company	Kioxia Taiwan Corporation	The subsidiary of KIC	Purchase	4,453,281	33 %	Net 30 days after monthly closing	None	None	(1,947,409)	(36)%	
	Orient Semiconductor Electronics, Ltd.	The Company is its director	Processing cost	605,326	5 %	Net 30 days after monthly closing	None	None	(268,064)	(5)%	
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	118,550	1 %	Net 30 days after monthly closing	None	None	(46,697)	(1)%	Note 2
	Kioxia Corporation	The Company's director	Sales	(411,353)	(2)%	Net 60 days after monthly closing	None	None	318,774	3%	
	Solid State Storage Technology Corporation Hsinchu Science Park Branch	The subsidiary of KIC	Sales	(173,697)	(1)%	Net 60 days after monthly closing	None	None	187,469	2%	
	Apacer Technology Inc.	The Company is its director	Sales	(428,897)	(3)%	Net 45 days after monthly closing	None	None	298,606	3%	
	Hefei Core Storage Electronic Limited	The subsidiary of Hosin Global (SZ)	Sales	(622,875)	(4)%	Net 30 days after receipt date and Net 45 days after monthly closing	None	None	459,339	5%	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	Sales	(1,343,529)	(8)%	Net 45 days after monthly closing	None	None	1,140,879	12%	
	Nextorage Corporation	Subsidiary	Sales	(138,366)	(1)%	Net 60 days after monthly closing	None	None	120,214	1%	Note 2

Note 1: The sales and purchase prices to related parties were similar to those offered to non-related parties.

Note 2: The inter-company transactions and balance had been eliminated in the consolidated financial statements.

**Phison Electronics Corp. and Subsidiaries**  
**Receivables from Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital**  
**March 31, 2022**

Table 4

(Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts	Note
					Amount	Action Taken			
The Company	Apacer Technology Inc.	The Company is its director	298,606	6.85	-	-	168,813	419	
	Kioxia Corporation	The Company's director	318,774	5.29	-	-	163,948	447	
	Solid State Storage Technology Corporation Hsinchu Science Park Branch	The subsidiary of KIC	187,469	4.58	-	-	59,850	263	
	Hefei Core Storage Electronic Limited	The subsidiary of Hosin Global (SZ)	459,339	6.74	-	-	245,539	644	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	1,140,879	3.91	-	-	604,708	1,599	
	Nextorage Corporation	Subsidiary	120,214	6.21	-	-	43,810	-	Note 2

Note 1: Information as of May 3, 2022.

Note 2: The inter-company transactions and balance had been eliminated in the consolidated financial statements.

**Phison Electronics Corp. and Subsidiaries**  
**Business relationships and significant intercompany transactions**  
**For the year ended March 31, 2022**

Table 5

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship (Note 1)	Intercompany transactions				
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets	
0	The Company	Super Storage Technology Corporation	1	Processing cost	118,550	General trading terms	0.69%	
			1	Accounts payable	46,697	General trading terms	0.07%	
			1	Right-of-use assets	21,560	General trading terms	0.03%	
			1	Lease liabilities	21,793	General trading terms	0.03%	
			Phison Technology Inc.	1	Marketing expenses	53,025	General trading terms	0.31%
			Nextorage Corporation	1	Sales	138,366	General trading terms	0.81%
				1	Accounts receivable	120,214	General trading terms	0.19%

Note 1: 1. Parent Company to its subsidiaries

Note 2: The amount of significant transaction should exceed \$10,000 thousand.



**Phison Electronics Corp. and Subsidiaries**  
**Information on Investees (Excluding Information on Investees in Mainland China)**  
**For the year ended March 31, 2022**

Table 6

(Shares in Thousands /Amount in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2022			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				March 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
The Company	Global Flash Limited	Samoa	Investment and trade	726,307	726,307	22,100,000	100.00 %	2,851,953	17,027	17,027	Subsidiary and note 3
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00 %	1,278,675	(7,487)	(7,487)	Subsidiary and note 3
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00 %	684,264	19,282	19,301	Subsidiary and note 3
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00 %	582,332	14,309	14,309	Subsidiary and note 3
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	79,531	6,288,523	30.51 %	421,386	1,017	310	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	380,000	380,000	38,000,000	100.00 %	335,726	(27,145)	(27,145)	Subsidiary and note 3
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	219,715	81,232	12,000	100.00 %	279,479	20,076	20,076	Subsidiary and notes 2 and 3
	Power Flash (Samoa) Limited	Samoa	Investment and trade	150,190	150,190	4,800,000	100.00 %	139,889	(457)	(457)	Subsidiary and note 3
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	30.27 %	110,789	11,669	3,532	Investee accounted for using the equity method

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2022			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note	
				March 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value				
Lian Xu Dong Investment Corporation	Everspeed Technology Limited	Samoa	Trade of electronic components	-	-	1,000,000	100.00 %	108,972	935	935	Subsidiary and note 3	
	Phison Electronics Japan Corp.	Japan	Sales and service office	59,508	59,508	2,000	100.00 %	28,720	133	133	Subsidiary and note 3	
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00 %	24,355	2,189	1,073	Investee accounted for using the equity method	
	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00 %	28,326	(628)	Note 1	Sub-subsidiary and note 3	
	Emtops Electronics Corporation	Phison Technology Inc.	USA	Sales and service office	90,419	90,419	3,000,000	100.00 %	73,402	(28,055)	Note 1	Sub-subsidiary and note 3
	Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Taiwan	Manufacture and trade of electronic components	452,954	452,954	34,842,595	100.00 %	562,741	19,291	Note 1	Sub-subsidiary and note 3
	Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	636,593	19,150,000	100.00 %	2,829,235	15,059	Note 1	Sub-subsidiary and note 3
	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 %	89,292	60	Note 1	Sub-subsidiary and note 3
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	654,726	21,850,000	100.00 %	1,297,015	(7,527)	Note 1	Sub-subsidiary and note 3	

Note 1: The share of profits/losses of the investee company is not disclosed herein as such amount is already included in the share of profits/losses of the investor company.

Note 2: Since January 1, 2022, Nextorage Corporation has become a 100%-held subsidiary of the Company. Please refer to note 6(9) for related information.

Note 3: The inter-company transactions and balance have been eliminated in the consolidated financial statements.

**Phison Electronics Corp. and Subsidiaries**  
**Information on Investment in Mainland China**  
**For the year ended March 31, 2022**

Table 7

(Amounts in Thousands)

(1) The names of investees in Mainland China, the main businesses and products, and other information

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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2022	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of March 31, 2022	Note
					Outflow	Inflow							
Ruhan Electronic Technology Limited	Design, R&D, sale of electronics product and technical support service and rendering of related services and investment	182,825	2(1)	182,825	-	-	182,825	(6,949)	100.00%	(6,949)	143,939	-	Note 3
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	2(1)	-	-	-	-	(28,515)	24.23%	(6,909)	128,074	-	-
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,647,590	2(1) and 2(2)	442,780	-	-	442,780	53,053	42.63%	(1,712)	3,522,334	-	-
Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	43,520	2(3)	-	43,520	-	43,520	(491)	100%	(491)	44,558	-	Note 3

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 2)
669,125	1,380,908	22,381,239

Note 1: Method of investment.

1. Direct investment in the company in Mainland China.
2. Indirect investment in Mainland China through an existing investee company in a third region.
  - (1) Indirect investment in Mainland China through an existing investee company (Regis Investment (Samoa) Limited) in a third region.
  - (2) Indirect investment in Mainland China through an existing investee company (Global Flash Limited) in a third region.
  - (3) Indirect investment in Mainland China through an existing investee company (Power Flash(Samoa) Limited) in a third region.

Note 2: In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China amended on August 29, 2008, the limitation on investment in Mainland China shall not exceed 60% of the Company's net worth.

Note 3: The inter-company transactions and balance have been eliminated in the consolidated financial statements.