

Phison Electronics Corp. and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Review Report
For the Three Months Ended March 31, 2024 and 2023

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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, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, 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 reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. 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 Standards on Auditing of the Republic of China 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 the total assets amounting to \$4,051,768 thousand and \$3,417,678 thousand, each constituting 5% and 7% of the consolidated total assets as of March 31, 2024 and 2023, respectively, total liabilities amounting to \$676,170 thousand and \$634,537 thousand, each constituting 2% and 4% of the consolidated total liabilities as of March 31, 2024 and 2023, respectively, and total comprehensive income(loss) amounting to \$211,675 thousand and \$59,686 thousand, constituting 8% and 18% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2024 and 2023, respectively.



Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, 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, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting”, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Chien-Hui Lu and An-Chih Cheng.

KPMG

Taipei, Taiwan (Republic of China)
May 10, 2024

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)
Phison Electronics Corp. and subsidiaries

Consolidated Balance Sheets

March 31, 2024, December 31, 2023, and March 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

		March 31, 2024		December 31, 2023		March 31, 2023				March 31, 2024		December 31, 2023		March 31, 2023	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(1))	\$ 14,142,086	19	14,220,367	22	9,723,048	19	2100	Short-term borrowings (note 6(12))	\$ 3,737,600	5	2,106,363	3	-	-
1110	Financial assets at fair value through profit or loss—current (note 6(2))	1,119,520	1	980,757	2	938,493	2	2130	Contract liabilities—current	176,275	-	132,965	-	94,061	-
1136	Financial assets at amortized cost—current (notes 6(3) and 8)	40,739	-	40,568	-	40,530	-	2170	Accounts payable	4,768,184	6	5,478,643	8	2,003,744	4
1170	Accounts receivable, net (note 6(5))	8,146,274	11	7,814,027	12	5,487,521	11	2180	Accounts payable—related parties (note 7)	2,047,309	3	1,028,950	2	201,881	-
1180	Accounts receivable—related parties, net (notes 6(5) and 7)	1,770,647	2	1,807,764	3	543,200	1	2200	Other payables (note 6(13))	6,862,242	9	7,563,165	12	5,423,866	11
1200	Other receivables (notes 6(6) and 7)	751,506	1	418,775	1	351,708	-	2230	Tax payable	864,781	1	499,194	1	554,582	1
1220	Tax assets	10,968	-	10,345	-	3,528	-	2280	Lease liabilities—current (note 6(10))	66,535	-	64,400	-	44,143	-
130X	Inventories (note 6(7))	30,157,606	40	24,410,405	37	21,082,032	41	2320	Long-term borrowings, current portion (notes 6(15), (16) and 8)	3,500,857	5	3,498,863	5	31,143	-
1410	Prepayments (note 7)	3,067,690	4	115,036	-	61,942	-	2399	Other current liabilities (notes 6(14), 7 and 9(3))	1,255,115	2	1,428,880	3	1,180,470	2
1479	Other current assets	208,032	-	1,627	-	83,861	-			23,278,898	31	21,801,423	34	9,533,890	18
		59,415,068	78	49,819,671	77	38,315,863	74	Non-Current liabilities:							
Non-current assets:								2500	Financial liabilities at fair value through profit or loss—non-current (note 6(2))	23,400	-	-	-	-	-
1510	Financial assets at fair value through profit or loss—non-current (note 6(2))	233,043	-	242,257	-	314,050	1	2530	Bonds payable (note 6(16))	5,541,003	8	-	-	3,449,257	7
1517	Financial assets at fair value through other comprehensive income—non-current (note 6(4))	490,030	1	457,457	1	471,923	1	2540	Long-term borrowings (notes 6(15) and 8)	81,603	-	88,513	-	126,092	-
1550	Investments accounted for using the equity method (note 6(8))	5,207,612	7	4,062,871	6	3,080,613	6	2570	Deferred tax liabilities	76,737	-	76,736	-	57,662	-
1600	Property, plant and equipment (notes 6(9) and 8)	7,324,270	10	7,447,729	12	7,522,849	15	2580	Lease liabilities—non-current (note 6(10))	84,859	-	83,731	-	74,319	-
1755	Right-of-use assets (note 6(10))	97,689	-	95,345	-	116,756	-	2640	Net defined benefit liabilities	118,862	-	118,222	-	115,423	-
1780	Intangible assets (note 6(11))	327,235	-	234,303	-	303,123	-	2645	Guarantee deposits received (note 9(3))	6,359	-	5,746	-	918,054	2
1840	Deferred tax assets	826,519	1	843,711	1	888,576	2			5,932,823	8	372,948	-	4,740,807	9
1900	Other non-current assets (note 9(2))	1,831,153	3	1,759,180	3	662,361	1	Total liabilities		29,211,721	39	22,174,371	34	14,274,697	27
		16,337,551	22	15,142,853	23	13,360,251	26	Equity (notes 6(19) and 20)):							
Total assets		\$ 75,752,619	100	64,962,524	100	51,676,114	100	Equity attributable to the shareholders of the parent company:							
								3100	Common shares	2,047,798	3	2,047,690	3	1,996,250	4
								3200	Capital surplus	13,326,144	17	11,552,379	18	9,255,937	18
								3300	Retained earnings	31,454,522	41	30,808,166	47	28,311,946	55
								3400	Other equity interest	(290,787)	-	(362,774)	-	(101,500)	-
								3500	Treasury shares	-	-	(1,257,308)	(2)	(2,061,216)	(4)
								Total equity attributable to owners of parent:		46,537,677	61	42,788,153	66	37,401,417	73
								36XX	Non-controlling interests	3,221	-	-	-	-	-
								Total equity		46,540,898	61	42,788,153	66	37,401,417	73
								Total liabilities and equity		\$ 75,752,619	100	64,962,524	100	51,676,114	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Phison Electronics Corp. and subsidiaries

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2024 and 2023

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

		For the three months ended March 31,			
		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(22) and 7)	\$ 16,525,877	100	10,078,421	100
5000	Operating costs (notes 6(7)、6(23) and 7)	10,918,002	66	6,865,311	68
	Gross profit from operations	5,607,875	34	3,213,110	32
5910	Unrealized profit on transactions with associates	(1,155)	-	(10,591)	-
5950	Realized gross profit	5,606,720	34	3,202,519	32
	Operating expenses (notes 6(23) and 7):				
6100	Marketing expenses	409,117	2	261,523	3
6200	General and administrative expenses	449,058	3	177,774	2
6300	Research and development expenses	3,536,209	21	2,000,343	20
6450	Expected credit loss reversal gain (note 6(5))	(39,169)	-	(75,501)	(1)
	Total operating expenses	4,355,215	26	2,364,139	24
	Net operating income	1,251,505	8	838,380	8
	Non-operating income and expenses:				
7010	Other income (notes 6(24) and 7)	28,657	-	21,086	-
7020	Other gains and losses (note 6(24))	505,741	3	96,909	1
7050	Finance costs (note 6(24))	(78,956)	-	(8,397)	-
7100	Interest income (note 6(24))	37,771	-	43,951	-
7060	Shares of profit (loss) of associates accounted for using the equity method (note 6(8))	1,089,434	7	(677,821)	(6)
		1,582,647	10	(524,272)	(5)
7900	Profit before tax	2,834,152	18	314,108	3
7950	Income tax expenses (note 6(18))	414,344	3	72,005	1
8200	Net profit for the period	2,419,808	15	242,103	2
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(25))	32,573	-	37,979	-
8320	Shares of other comprehensive income of associates accounted for using the equity method	(28,142)	-	54,650	1
	Total items that will not be reclassified subsequently to profit or loss	4,431	-	92,629	1
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	84,437	-	7,276	-
8399	Income tax related to items that may be reclassified subsequently (note 6(18))	(16,889)	-	(1,455)	-
	Total items that may be reclassified subsequently to profit or loss	67,548	-	5,821	-
8300	Other comprehensive income	71,979	-	98,450	1
8500	Total comprehensive income	\$ 2,491,787	15	340,553	3
	Net profit attributable to:				
8610	Shareholders of the parent Company	\$ 2,419,618	15	242,103	2
8620	Non-controlling interests	190	-	-	-
		\$ 2,419,808	15	242,103	2
	Total comprehensive income attributable to:				
8710	Shareholders of the parent Company	\$ 2,491,605	15	340,553	3
8720	Non-controlling interests	182	-	-	-
		\$ 2,491,787	15	340,553	3
	Earnings per share (New Taiwan Dollars) (note 6(21)):				
9750	Basic earnings per share	\$ 12.02		1.26	
9850	Diluted earnings per share	\$ 11.34		1.21	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Phison Electronics Corp. and subsidiaries
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to the shareholders of the parent company

	Total other equity interest														
	Share capital			Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury shares	Subtotal of equity attributable to the shareholders of the parent	Non-controlling interests	Total equity	
	Common shares	Advance receipts for share capital	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total							
Balance at January 1, 2023	\$ 1,970,740	16,005	1,986,745	8,970,438	6,347,501	-	22,605,164	28,952,665	27,271	(244,081)	(216,810)	(2,061,216)	37,631,822	-	37,631,822
Net profit for the period	-	-	-	-	-	-	242,103	242,103	-	-	-	-	242,103	-	242,103
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	5,821	92,629	98,450	-	98,450	-	98,450
Total comprehensive income (loss) for the period	-	-	-	-	-	-	242,103	242,103	5,821	92,629	98,450	-	340,553	-	340,553
Appropriation and distribution of retained earnings:															
Cash dividends of common shares	-	-	-	-	-	-	(865,962)	(865,962)	-	-	-	-	(865,962)	-	(865,962)
Changes in equity of associates accounted for using the equity method	-	-	-	4,265	-	-	-	-	-	-	-	-	4,265	-	4,265
Share-based payments-stock options	-	-	-	74,310	-	-	-	-	-	-	-	-	74,310	-	74,310
Exercise of employee stock options	15,845	(6,340)	9,505	206,924	-	-	-	-	-	-	-	-	216,429	-	216,429
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(16,860)	(16,860)	-	16,860	16,860	-	-	-	-
Balance at March 31, 2023	\$ 1,986,585	9,665	1,996,250	9,255,937	6,347,501	-	21,964,445	28,311,946	33,092	(134,592)	(101,500)	(2,061,216)	37,401,417	-	37,401,417
Balance at January 1, 2024	\$ 2,044,690	3,000	2,047,690	11,552,379	6,563,841	222,728	24,021,597	30,808,166	(71,980)	(290,794)	(362,774)	(1,257,308)	42,788,153	-	42,788,153
Net profit for the period	-	-	-	-	-	-	2,419,618	2,419,618	-	-	-	-	2,419,618	190	2,419,808
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	67,556	4,431	71,987	-	71,987	(8)	71,979
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,419,618	2,419,618	67,556	4,431	71,987	-	2,491,605	182	2,491,787
Appropriation and distribution of retained earnings:															
Cash dividends of common shares	-	-	-	-	-	-	(1,773,262)	(1,773,262)	-	-	-	-	(1,773,262)	-	(1,773,262)
Changes in equity of associates accounted for using the equity method	-	-	-	418	-	-	-	-	-	-	-	-	418	-	418
Changes in ownership interests of subsidiaries accounted for using the equity method	-	-	-	(270)	-	-	-	-	-	-	-	-	(270)	270	-
The transfer of treasury share to employees	-	-	-	1,241,794	-	-	-	-	-	-	-	1,257,308	2,499,102	-	2,499,102
Share-based payments-stock options	-	-	-	26,483	-	-	-	-	-	-	-	-	26,483	-	26,483
Exercise of employee stock options	3,000	(3,000)	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	-	108	108	5,344	-	-	-	-	-	-	-	-	5,452	-	5,452
Due to recognition of equity component of convertible bonds	-	-	-	499,996	-	-	-	-	-	-	-	-	499,996	-	499,996
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	2,769	2,769
Balance at March 31, 2024	\$ 2,047,690	108	2,047,798	13,326,144	6,563,841	222,728	24,667,953	31,454,522	(4,424)	(286,363)	(290,787)	-	46,537,677	3,221	46,540,898

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries

Consolidated Statements of Cash Flows

For the three months ended March 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2024	2023
Cash flows from operating activities:		
Profit before income tax	\$ 2,834,152	314,108
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	170,571	172,095
Amortization expense	125,304	131,831
Expected credit loss reversal gain	(39,169)	(75,501)
Net gain on financial assets at fair value through profit or loss	(142,379)	(172,859)
Finance costs	78,956	8,397
Interest income	(37,771)	(43,951)
Dividend income	-	(610)
Share-based payments	1,271,497	74,310
Shares of loss (profit) of associates accounted for using the equity method	(1,089,434)	677,821
Unrealized profit on transactions with associates	1,155	10,591
Unrealized foreign exchange loss (gain)	(191,529)	138,412
Inventory obsolescence reversal gain	(20,255)	(112,507)
Recognition (reversal) of refund liabilities	4,300	(46,762)
Profit from lease modification	-	(5)
Total adjustments to reconcile profit	131,246	761,262
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(91,369)	1,277,114
Other receivables	(324,996)	(19,780)
Inventories	(5,726,946)	(579,150)
Prepayments	(2,952,654)	7,329
Other current assets	(206,405)	(82,406)
Contract liabilities	43,310	(52,262)
Accounts payable (including related parties)	258,678	(3,974,611)
Other payables	(1,631,903)	(2,415,888)
Other current liabilities	(155,081)	27,125
Net defined benefit liabilities	640	625
Total changes in operating assets and liabilities	(10,786,726)	(5,811,904)
Cash outflow generated from operations	(7,821,328)	(4,736,534)
Interest paid	(27,122)	(1,176)
Income taxes paid	(49,076)	(47,832)
Net cash flows used in operating activities	(7,897,526)	(4,785,542)

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Phison Electronics Corp. and subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the three months ended March 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2024	2023
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(2,247)
Acquisition of financial assets at amortized cost	(171)	(31)
Proceeds from disposal of financial assets at fair value through profit or loss	-	22,685
Acquisition of property, plant and equipment	(92,260)	(148,257)
Decrease in refundable deposits	29,676	50,750
Acquisition of intangible assets	(218,293)	(59,102)
Increase in prepayments for land and equipment	-	(8,038)
Interest received	30,037	45,929
Dividends received	-	610
Net cash flows used in investing activities	(251,011)	(97,701)
Cash flows from financing activities:		
Increase in short-term loans	4,627,704	-
Decrease in short-term loans	(3,119,000)	-
Repayments of long-term borrowings	(6,813)	(7,697)
Decrease in guarantee deposits received	(75,932)	(598,635)
Payment of lease liabilities	(10,701)	(12,371)
Proceeds from issuing bonds (excluding issuance costs)	6,054,065	-
Cash dividends paid	(887,555)	(1,970,740)
Exercise of employee stock options	-	216,429
Treasury shares sold to employees	1,254,088	-
Increase in non-controlling interests	2,769	-
Net cash flows from (used in) financing activities	7,838,625	(2,373,014)
Effect of exchange rate changes on cash and cash equivalents	231,631	(54,464)
Net decrease in cash and cash equivalents	(78,281)	(7,310,721)
Cash and cash equivalents at beginning of period	14,220,367	17,033,769
Cash and cash equivalents at end of period	\$ 14,142,086	9,723,048

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Phison Electronics Corp. and subsidiaries
Notes to the Consolidated Financial Statements
March 31, 2024 and 2023
(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 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 10, 2024.

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, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”
- IFRS 18 “Presentation and Disclosure in Financial Statements”

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 material 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, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

(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, 2023. For the related information, please refer to note 4(3) of the consolidated financial statements for the year ended December 31, 2023.

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, 2024	December 31, 2023	March 31, 2023	
The Company	Lian Xu Dong Investment Corporation	Investment	100.00	100.00	100.00	
The Company	Phison Electronics Japan Corp.	Sales and service office	100.00	100.00	100.00	
The Company	Emtops Electronics Corp.	Investment	100.00	100.00	100.00	
The Company	Phisontech Electronics Taiwan Corp.	Investment and trade	100.00	100.00	100.00	
The Company	Global Flash Limited	Investment and trade	100.00	100.00	100.00	
The Company	Power Flash (Samoa) Limited	Investment and trade	100.00	100.00	100.00	
The Company	Regis Investment (Samoa) Limited	Investment	100.00	100.00	100.00	

Phison Electronics Corp. and subsidiaries
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Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	Nextorage Corporation	R&D, design, manufacture and sale of flash memory application products	99.38	100.00	100.00	Note 1
The Company	Phison Technology India Private Limited	Design, R&D, import and export of storage devices and electronic components	100.00	100.00	100.00	
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Investment and trade	100.00	100.00	100.00	
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trade of electronic components	100.00	100.00	100.00	
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Sale of electronic products	100.00	100.00	100.00	
Power Flash (Samoa) Limited	Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	100.00	100.00	100.00	
Regis Investment (Samoa) Limited	RealYou Investment Limited	Investment	100.00	100.00	100.00	
RealYou Investment Limited	Hefei Ruhan Electronic Technology Limited	Design, R&D and sale of electronic products and technical support service and rendering of related services and investment	100.00	100.00	100.00	
Emtops Electronics Corp.	Phison Technology Inc.	Sale of electronic products and sales and service office	100.00	100.00	100.00	
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Manufacture and trade of electronic components	100.00	100.00	100.00	

Note 1: The Company transferred its original holding of 75 shares to align with the employee incentive plan of its subsidiary, resulting in a decrease in its ownership percentage to 99.375%. Hence, the disclosures are presented uniformly with two decimal places.

Note 2: Since all the above subsidiaries are non-significant, their financial statements have not been reviewed by independent auditors.

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

Phison Electronics Corp. and subsidiaries
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(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 Accounting 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 Judgments 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, 2023. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2023.

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, 2023. Please refer to Note 6 of consolidated financial statements for the year ended December 31, 2023.

(1) Cash and cash equivalent

	March 31, 2024	December 31, 2023	March 31, 2023
Cash	\$ 165	165	145
Demand deposits and check deposits	9,803,133	11,264,285	7,175,574
Cash equivalents—time deposits	4,338,788	2,955,917	2,547,329
	<u>\$ 14,142,086</u>	<u>14,220,367</u>	<u>9,723,048</u>

Please refer to note 6(25) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

Phison Electronics Corp. and subsidiaries
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(2) Financial assets at fair value through profit or loss

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets at fair value through profit or loss — current:			
Beneficiary certificates — open-end funds	\$ 112,463	112,094	111,064
Domestic listed stock	986,015	868,313	827,079
Derivative instruments — convertible bonds (note 6(16))	21,042	350	350
	<u>\$ 1,119,520</u>	<u>980,757</u>	<u>938,493</u>
Financial assets at fair value through profit or loss — non-current:			
Domestic private equity funds	\$ 19,480	27,201	43,968
Domestic unlisted stocks	131,190	132,719	167,112
Foreign unlisted stocks	82,373	82,337	102,970
	<u>\$ 233,043</u>	<u>242,257</u>	<u>314,050</u>
Financial liability at fair value through Profit or loss — non-current:			
Derivative liability-convertible bonds (note 6(16))	<u>\$ 23,400</u>	<u>-</u>	<u>-</u>

None of financial assets mentioned above were pledged as collateral.

(3) Financial assets at amortized cost — current

	March 31, 2024	December 31, 2023	March 31, 2023
Pledged time deposits	<u>\$ 40,739</u>	<u>40,568</u>	<u>40,530</u>

A. 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.

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

(4) Financial assets at fair value through other comprehensive income — non-current

	March 31, 2024	December 31, 2023	March 31, 2023
Domestic unlisted stocks	\$ 284,175	271,751	224,708
Foreign unlisted stocks	205,855	185,706	247,215
	<u>\$ 490,030</u>	<u>457,457</u>	<u>471,923</u>

Phison Electronics Corp. and subsidiaries
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The Group held the abovementioned equity investment for long-term strategic purpose, 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 mentioned above were pledged as collateral.

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

	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivable	\$ 8,166,276	7,870,481	5,521,604
Accounts receivable — related parties	1,771,620	1,811,450	544,360
	9,937,896	9,681,931	6,065,964
Less: loss allowance	(20,975)	(60,140)	(35,243)
Accounts receivable, net	<u><u>\$ 9,916,921</u></u>	<u><u>9,621,791</u></u>	<u><u>6,030,721</u></u>

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.

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

	March 31, 2024		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 9,098,745	0.05	4,475
1~60 days past due	828,672	0.73	6,024
61~90 days past due	4	25.00	1
More than 151 days past due	10,475	100.00	10,475
	<u><u>\$ 9,937,896</u></u>		<u><u>20,975</u></u>

Phison Electronics Corp. and subsidiaries
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	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate (%)	Loss allowance
Current	\$ 9,215,287	0.17	15,371
1~60 days past due	456,588	7.60	34,713
More than 151 days past due	10,056	100.00	10,056
	\$ 9,681,931		60,140

	March 31, 2023		
	Gross carrying amount	Weighted-average loss rate (%)	Loss allowance
Current	\$ 5,876,422	0.16	9,688
1~60 days past due	169,492	3.35	5,683
61~90 days past due	373	52.28	195
More than 151 days past due	19,677	100.00	19,677
	\$ 6,065,964		35,243

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

	For the three months ended March 31,	
	2024	2023
Balance, beginning of the period	\$ 60,140	110,744
Impairment losses reversed	(39,169)	(75,501)
Effect of movements in exchange rates	4	-
Balance, end of the period	\$ 20,975	35,243

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

The Group entered into an non-recoursed 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 accounts 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:

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(Unit: USD in Thousands)

March 31, 2024				
Factor	Factor Amount	Amount Recognized in Other Receivables	Range of Handling Fees Rate (%)	Transferring Terms
HSBC Bank (Taiwan) Limited	<u>\$ 871</u>	<u>766</u>	0.22~0.65	Note 1~4

December 31, 2023				
Factor	Factor Amount	Amount Recognized in Other Receivables	Range of Handling Fees Rate (%)	Transferring Terms
HSBC Bank (Taiwan) Limited	<u>\$ 312</u>	<u>253</u>	0.22~0.65	Note 1~4

March 31, 2023				
Factor	Factor Amount	Amount Recognized in Other Receivables	Range of Handling Fees Rate (%)	Transferring Terms
HSBC Bank (Taiwan) Limited	<u>\$ 1,431</u>	<u>1,261</u>	0.22~0.65	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, 2024, December 31, 2023, and March 31, 2023, the outstanding receivables after the above transactions, net of fees charged by the factoring bank, of \$24,503 thousand, \$7,763 thousand, and \$38,406 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

	March 31, 2024	December 31, 2023	March 31, 2023
Tax refund receivable	\$ 626,570	366,564	236,516
Factored accounts receivable	24,503	7,763	38,406
Others	100,433	44,448	76,786
Less: loss allowance	-	-	-
	<u>\$ 751,506</u>	<u>418,775</u>	<u>351,708</u>

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(7) Inventories

	March 31, 2024	December 31, 2023	March 31, 2023
Raw materials	\$ 19,661,237	15,908,649	15,546,785
Work in process	5,022,268	5,144,759	2,465,469
Semi-finished goods	5,100,391	3,085,447	2,756,934
Finished goods	<u>373,710</u>	<u>271,550</u>	<u>312,844</u>
	<u>\$ 30,157,606</u>	<u>24,410,405</u>	<u>21,082,032</u>

The costs of inventories recognized as costs of goods sold for the three months ended March 31, 2024 and 2023 were \$10,918,002 thousand and \$6,865,311 thousand, respectively.

The costs of goods sold for the three months ended March 31, 2024 and 2023 included inventory obsolescence reversal gain of \$20,255 thousand and \$112,507 thousand, respectively.

None of the inventories mentioned above were pledged as collateral.

(8) Investments accounted for using the equity method

	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	Ownership interest (%)	Ownership interest (%)	Ownership interest (%)	Amount	Ownership interest (%)
HOSIN Global Electronics Co., Ltd. (SZ)	\$ 4,740,295	35.83	3,568,743	35.83	2,596,196	39.04
EpoStar Electronics (BVI) Corporation	173,654	30.51	201,413	30.51	261,406	30.51
Hefei Xinpeng Technology Co., Ltd.	114,553	24.23	118,508	24.23	73,536	24.23
ProGrade Digital Inc.	151,503	28.71	148,009	28.71	123,400	28.71
Microtops Design Corporation	<u>27,607</u>	49.00	<u>26,198</u>	49.00	<u>26,075</u>	49.00
	<u>\$ 5,207,612</u>		<u>4,062,871</u>		<u>3,080,613</u>	

- A. 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 policies:

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

	March 31, 2024	December 31, 2023	March 31, 2023
Current assets	\$ 26,189,158	22,004,218	13,631,720
Non-current assets	5,469,527	5,723,941	5,733,297
Current liabilities	(17,022,874)	(16,289,337)	(10,635,604)
Non-current liabilities	<u>(605,345)</u>	<u>(589,175)</u>	<u>(1,135,203)</u>
Net assets	<u>\$ 14,030,466</u>	<u>10,849,647</u>	<u>7,594,210</u>

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	For the three months ended March 31,	
	2024	2023
Operating revenue	\$ <u>11,400,195</u>	<u>6,112,301</u>
Net profit (loss)	\$ 3,069,700	(1,666,604)
Other comprehensive income (loss)	(85,371)	175,638
Total comprehensive income (loss)	\$ <u>2,984,329</u>	<u>(1,490,966)</u>

	March 31, 2024	December 31, 2023	March 31, 2023
Summarized information of the carrying amount of significant associates	\$ <u>4,913,949</u>	<u>3,770,156</u>	<u>2,857,602</u>

	For the three months ended March 31,	
	2024	2023
Attributable to the Group:		
Net profit (loss)	\$ 1,095,997	(671,208)
Other comprehensive income (loss)	(4,878)	190,407
Total comprehensive income (loss)	\$ <u>1,091,119</u>	<u>(480,801)</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Summarized information of the carrying amount of associates that were not individually significant	\$ <u>293,663</u>	<u>292,715</u>	<u>223,011</u>

	For the three months ended March 31,	
	2024	2023
Attributable to the Group:		
Net loss	\$ (6,563)	(6,613)
Other comprehensive income (loss)	4,605	(110,980)
Total comprehensive income (loss)	\$ <u>(1,958)</u>	<u>(117,593)</u>

- C. Pledged

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

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(9) Property, plant and equipment

	<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, 2024	\$ 2,149,265	5,218,918	1,567,986	459,335	191	9,395,695
Additions for the period	-	1,080	28,772	4,329	-	34,181
Disposal for the period	-	-	(86,802)	(25,212)	-	(112,014)
Effect of movements in exchange rates	(7)	(288)	2,679	216	(5)	2,595
Balance at March 31, 2024	<u>\$ 2,149,258</u>	<u>5,219,710</u>	<u>1,512,635</u>	<u>438,668</u>	<u>186</u>	<u>9,320,457</u>
Balance at January 1, 2023	\$ 2,149,285	5,069,347	1,559,637	397,475	46,491	9,222,235
Additions for the period	-	1,988	57,977	13,338	12,533	85,836
Disposal for the period	-	-	(42,240)	(3,295)	-	(45,535)
Reclassification	-	-	381	-	(572)	(191)
Effect of movements in exchange rates	(5)	(181)	(492)	(685)	(3)	(1,366)
Balance at March 31, 2023	<u>\$ 2,149,280</u>	<u>5,071,154</u>	<u>1,575,263</u>	<u>406,833</u>	<u>58,449</u>	<u>9,260,979</u>
Depreciation:						
Balance at January 1, 2024	\$ -	877,865	841,136	228,965	-	1,947,966
Depreciation for the period	-	39,110	91,993	27,951	-	159,054
Disposal for the period	-	-	(86,802)	(25,212)	-	(112,014)
Effect of movements in exchange rates	-	(35)	763	453	-	1,181
Balance at March 31, 2024	<u>\$ -</u>	<u>916,940</u>	<u>847,090</u>	<u>232,157</u>	<u>-</u>	<u>1,996,187</u>
Balance at January 1, 2023	\$ -	723,512	730,222	170,740	-	1,624,474
Depreciation for the period	-	37,715	97,363	24,638	-	159,716
Disposal for the period	-	-	(42,240)	(3,295)	-	(45,535)
Effect of movements in exchange rates	-	(10)	(205)	(310)	-	(525)
Balance at March 31, 2023	<u>\$ -</u>	<u>761,217</u>	<u>785,140</u>	<u>191,773</u>	<u>-</u>	<u>1,738,130</u>
Carrying amounts:						
Balance at January 1, 2024	<u>\$ 2,149,265</u>	<u>4,341,053</u>	<u>726,850</u>	<u>230,370</u>	<u>191</u>	<u>7,447,729</u>
Balance at March 31, 2024	<u>\$ 2,149,258</u>	<u>4,302,770</u>	<u>665,545</u>	<u>206,511</u>	<u>186</u>	<u>7,324,270</u>
Balance at January 1, 2023	<u>\$ 2,149,285</u>	<u>4,345,835</u>	<u>829,415</u>	<u>226,735</u>	<u>46,491</u>	<u>7,597,761</u>
Balance at March 31, 2023	<u>\$ 2,149,280</u>	<u>4,309,937</u>	<u>790,123</u>	<u>215,060</u>	<u>58,449</u>	<u>7,522,849</u>

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

(10) Lease arrangements

A. Right-of-use assets

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying amounts:			
Balance January 1, 2024	<u>\$ 94,662</u>	<u>683</u>	<u>95,345</u>
Balance at March 31, 2024	<u>\$ 97,109</u>	<u>580</u>	<u>97,689</u>
Balance at March 31, 2023	<u>\$ 116,225</u>	<u>531</u>	<u>116,756</u>

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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, 2024 and 2023. Please refer to note 6(11) of the consolidated financial statements for the year ended December 31, 2023, for other related information.

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

	Buildings	Transportation equipment	Total
For the three months ended March 31, 2024	\$ <u>11,414</u>	<u>103</u>	<u>11,517</u>
For the three months ended March 31, 2023	\$ <u>12,271</u>	<u>108</u>	<u>12,379</u>

B. Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
Current	\$ <u>66,535</u>	<u>64,400</u>	<u>44,143</u>
Non-current	\$ <u>84,859</u>	<u>83,731</u>	<u>74,319</u>

For the maturity analysis, please refer to note 6(25) "Financial instruments".

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

	For the three months ended March 31,	
	2024	2023
Interest expenses relating to lease liabilities	\$ <u>1,435</u>	<u>301</u>
Expenses relating to short-term lease	\$ <u>3,647</u>	<u>2,439</u>
Expenses relating to lease of low-value assets, excluding short-term lease of low-value assets	\$ <u>189</u>	<u>245</u>

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

	For the three months ended March 31,	
	2024	2023
Total cash outflow for leases	\$ <u>15,972</u>	<u>15,356</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.

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(11) Intangible assets

	Computer Software	Technology License Fees	Total
Cost:			
Balance at January 1, 2024	\$ 1,968,207	483,766	2,451,973
Additions for the period	134,125	84,168	218,293
Disposal for the period	(34)	-	(34)
Effect of movements in exchange rates	(100)	-	(100)
Balance at March 31, 2024	<u><u>\$ 2,102,198</u></u>	<u><u>567,934</u></u>	<u><u>2,670,132</u></u>
Balance at January 1, 2023	\$ 1,616,037	458,308	2,074,345
Additions for the period	57,420	1,682	59,102
Reclassification	572	-	572
Effect of movements in exchange rates	(85)	-	(85)
Balance at March 31, 2023	<u><u>\$ 1,673,944</u></u>	<u><u>459,990</u></u>	<u><u>2,133,934</u></u>
Amortization:			
Balance at January 1, 2024	\$ 1,749,952	467,718	2,217,670
Amortization for the period	114,328	10,976	125,304
Disposal for the period	(34)	-	(34)
Effect of movements in exchange rates	(43)	-	(43)
Balance at March 31, 2024	<u><u>\$ 1,864,203</u></u>	<u><u>478,694</u></u>	<u><u>2,342,897</u></u>
Balance at January 1, 2023	\$ 1,297,501	401,508	1,699,009
Amortization for the period	115,153	16,678	131,831
Effect of movements in exchange rates	(29)	-	(29)
Balance at March 31, 2023	<u><u>\$ 1,412,625</u></u>	<u><u>418,186</u></u>	<u><u>1,830,811</u></u>
Carrying amounts:			
Balance at January 1, 2024	<u><u>\$ 218,255</u></u>	<u><u>16,048</u></u>	<u><u>234,303</u></u>
Balance at March 31, 2024	<u><u>\$ 237,995</u></u>	<u><u>89,240</u></u>	<u><u>327,235</u></u>
Balance at January 1, 2023	<u><u>\$ 318,536</u></u>	<u><u>56,800</u></u>	<u><u>375,336</u></u>
Balance at March 31, 2023	<u><u>\$ 261,319</u></u>	<u><u>41,804</u></u>	<u><u>303,123</u></u>

None of the intangible assets mentioned above were pledged as collateral.

(12) Short-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank loans	<u><u>\$ 3,737,600</u></u>	<u><u>2,106,363</u></u>	<u><u>-</u></u>
Range of interest rates at the end of period (%)	<u><u>5.84~6.00</u></u>	<u><u>5.92~6.14</u></u>	<u><u>-</u></u>

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None of the short-term borrowings mentioned above were pledged as collateral.

(13) Other payables

	March 31, 2024	December 31, 2023	March 31, 2023
Salaries and bonus payable	\$ 3,976,676	5,412,949	3,779,542
Dividend payable (note 6(19))	1,773,481	887,774	866,185
Others	1,112,085	1,262,442	778,139
	<u>\$ 6,862,242</u>	<u>7,563,165</u>	<u>5,423,866</u>

(14) Other current liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
Guarantee deposits received (note 9(3))	\$ 800,000	767,625	457,421
Refund liabilities	330,781	366,589	561,407
Payables for purchases of equipment	21,276	76,635	25,998
Receipts under custody	89,847	109,969	92,508
Other payables-related parties	1,662	101,199	30,146
Others	11,549	6,863	12,990
	<u>\$ 1,255,115</u>	<u>1,428,880</u>	<u>1,180,470</u>

(15) Long-term borrowings

March 31, 2024			
	Rate of interest rates at the end of period (%)	Year of maturity	Amount
Secured bank loans	2.28	January, 2028	\$ 109,170
Less: current portion			(27,567)
			<u>\$ 81,603</u>
December 31, 2023			
	Rate of interest rates at the end of period (%)	Year of maturity	Amount
Secured bank loans	2.15	January, 2028	\$ 115,983
Less: current portion			(27,470)
			<u>\$ 88,513</u>

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	March 31, 2023		
	Rate of interest rates at the end of period (%)	Year of maturity	Amount
Secured bank loans	2.25	January, 2028	\$ 157,235
Less: current portion			(31,143)
			\$ 126,092

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

(16) Bonds payable

A. 1st unsecured convertible bonds

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. Total amount of the offering is \$3,517,500 thousand, which is at 100.5% of its face value, and coupon rate is 0%.

The details of 1st unsecured convertible bonds were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
Total convertible corporate bonds issued	\$ 3,500,000	3,500,000	3,500,000
Unamortized discounted corporate bonds payable	(21,210)	(28,607)	(50,743)
Accumulated converted amount	(5,500)	-	-
Less: current portion	(3,473,290)	(3,471,393)	-
Bonds payable at the end of period	\$ -	-	3,449,257
Embedded derivative instruments—call options, included in financial assets at fair value through profit or loss—current	\$ 2,442	350	350
Embedded derivative instruments—equity component—conversion options, included in capital surplus—stock options	\$ 102,208	102,369	102,369

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	For the three months ended March 31,	
	2024	2023
Embedded derivative instruments – net gains and losses of call options remeasured at fair value, included in other gains and losses	\$ <u><u>349</u></u>	<u><u>350</u></u>
Interest expense	\$ <u><u>7,353</u></u>	<u><u>7,226</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. The conversion price adjusted was as follows:

	(Amount in Dollars)	
<u>Ex-dividend date</u>	<u>Conversion price before adjustment</u>	<u>Conversion price after adjustment</u>
December 27, 2021	570.0	556.3
July 4, 2022	556.3	537.3
December 19, 2022	537.3	520.6
July 10, 2023	520.6	515.1
December 29, 2023	515.1	510.4

The convertible bonds mentioned above included liability and equity components. The equity component is included in capital surplus – stock options. The original effective interest rate of liability component is 0.85%.

B. 2nd unsecured convertible bonds

On November 7, 2023, the Company's Board of Directors resolved the issuance of domestic 2nd unsecured convertible bonds for the future growth in business scale and replenishing working capital. The issuance was approved by FSC on December 28, 2023. The issuance period is 5 years from January 23, 2024 to January 23, 2029. The total face value of the bonds issued is \$6,000,000 thousand. Total amount of the offering is \$6,060,000 thousand, which is at 101% of its face value, and coupon rate is 0%.

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The details of 2nd unsecured convertible bonds were as follows:

	March 31, 2024
Total convertible corporate bonds issued	\$ 6,000,000
Unamortized discounted corporate bonds payable	(458,997)
Bonds payable at the end of period	<u><u>\$ 5,541,003</u></u>
Embedded derivative instruments—call options, included in financial assets at fair value through profit or loss—current	<u><u>\$ 18,600</u></u>
Embedded derivative instruments—put options, included in financial liability at fair value through profit or loss—non-current	<u><u>\$ 23,400</u></u>
Embedded derivative instruments—equity component— conversion options, included in capital surplus—stock options	<u><u>\$ 499,996</u></u>
	For the three months ended March 31, 2024
Embedded derivative instruments – net gains and losses of call and put options remeasured at fair value, included in other gains and losses	<u><u>\$ (12,562)</u></u>
Interest expense	<u><u>\$ 23,160</u></u>

The conversion price per share at the time of issuance was NTD 588. In the event that the conversion price of the Company's ordinary shares is adjusted in accordance with the provisions of the issuance terms, the conversion price should be adjusted according to the formula specified in the issuance terms.

If the closing price of the Company's ordinary shares at the brokerage firm's business premises exceeds the conversion price by 30% (or more) for 30 consecutive business days or when the outstanding balance of the convertible corporate bonds is less than 10% of the total amount of the original issuance, between the day after the expiration of three months from the date of issuance (April 24, 2024) to the maturity date of the issuance period (January 23, 2029). The Company may repurchase the convertible bonds of the bondholders in cash at the face value of the bonds within five business days after the base date of the bond call.

It should be the basic date that the bondholder exercises put options of the convertible bonds in advance, after the date that convertible bonds had issued for three years (January 23, 2027). The bondholder could request for the Company to buy back the bonds in cash at the face value of the bonds. If accepting the request, the Company should repurchase the bonds in cash in eight business days after the basic date.

The convertible bonds mentioned above included liability and equity components. The equity component is included in capital surplus— stock options. The original effective interest rate of liability component is 1.68%.

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(17) 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 reports as of December 31, 2023 and 2022.

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

		For the three months ended March 31,	
		2024	2023
Pension	\$	<u><u>1,268</u></u>	<u><u>1,234</u></u>

B. Defined contribution plans

- (a) The pension costs of the Group's domestic subsidiaries under the defined contribution method were as follows and payment was made to the Bureau of Labor Insurance.

		For the three months ended March 31,	
		2024	2023
Pension	\$	<u><u>71,143</u></u>	<u><u>66,085</u></u>

- (b) The pension costs of the Group's overseas subsidiaries under the defined contribution method were as follows:

		For the three months ended March 31,	
		2024	2023
Pension	\$	<u><u>2,328</u></u>	<u><u>2,371</u></u>

(18) 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 of the year.

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

		For the three months ended March 31,	
		2024	2023
Current tax expense			
Current period	\$	<u><u>414,344</u></u>	<u><u>72,005</u></u>

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

	For the three months ended March 31,	
	2024	2023
Exchange differences on translation of foreign financial statements	\$ 16,889	1,455

D. Examination and approval

The income tax returns of the Company and its domestic subsidiary, Super Storage Technology Corporation, had been examined and assessed by the tax authority through 2021. The income tax returns of other domestic subsidiaries had been examined and assessed by the tax authority through 2022.

(19) Equity

A. Common shares

As of March 31, 2024, December 31, 2023, and March 31, 2023, the Company's authorized common shares amounted to \$3,000,000 thousand, of which \$290,000 thousand was reserved for employee share options. The registered issued common shares amounted to \$2,047,690 thousand, \$2,044,690 thousand and \$1,986,585 thousand, respectively, with par value of NTD10 per share.

For three months ended March 31, 2024, the Company issued 11 thousand new shares at face value due to the exercise of conversion rights on convertible corporate bonds. As of March 31, 2024, the registration procedures for the amounts of \$108 thousand, recognized as advance receipts for share capital, has yet to be completed.

As of December 31, 2023 and March 31, 2023, the Company issued 7,395 thousand and 1,584 thousand new common shares, respectively, with a par value of \$10 per share, as employee stock options. As of December 31, 2023 and March 31, 2023, the registration procedures for the amounts of \$3,000 thousand and \$9,665 thousand, respectively, recognized as advance receipts for share capital, has yet to be completed.

The reconciliations of the numbers of outstanding shares of the Company were as follows:

(Unit: Shares in Thousands)

	For the three months ended March 31,	
	2024	2023
Balance, beginning of the period	200,585	191,815
Bonds converted	11	-
Employee share options exercised	-	950
Transfer of treasury shares	4,184	-
Balance, end of the period	204,780	192,765

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B. Capital surplus

	March 31, 2024	December 31, 2023	March 31, 2023
Additional paid-in capital	\$ 8,442,419	8,416,171	6,908,798
Changes in equities of associates accounted for using the equity method	2,027,424	2,027,006	1,284,914
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,488	148,758	148,758
Changes in ownships interest in subsidiaries	1,944	1,944	1,944
Employee share options	586,662	580,922	808,927
Due to recognition of equity component of convertible bonds	602,204	102,369	102,369
Transaction of treasury stock	1,516,724	274,930	-
Expired employee stock options	279	279	227
	<u>\$ 13,326,144</u>	<u>11,552,379</u>	<u>9,255,937</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

In accordance with the Company's Articles of Incorporation (the "Articles"), 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 2023 earnings were as follows:

	Second half of 2023	First half of 2023
Resolution date of the Company's Board of Directors	March 8, 2024	August 4, 2023
Cash dividends to shareholders	\$ 1,773,262	887,555
Cash dividends per share (NTD)	8.84	4.42484464(Note)
Legal reserve	294,309	66,593
Special reserve	140,046	5,918

The amount of legal reserve and special reserve of 2023 will be submitted to the shareholders' meeting for approval on May 27, 2024.

The appropriation of 2022 earnings was as follows:

	Second half of 2022	First half of 2022
Resolution date of the Company's Board of Directors	March 15, 2023	July 29, 2022
Cash dividends to shareholders	\$ 865,962	1,970,740
Cash dividends per share (NTD) (Note)	4.45090808	10.27746561
Approval date of the Company's shareholders' meeting	May 31, 2023	May 31, 2023
Legal reserve	\$ 149,747	399,192
Special reserve	216,810	-

Note: Due to the treasury shares and the exercise of employee stock options, the actual distribution of cash dividends per share was adjusted.

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

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D. Treasury shares

On July 15, 2022, the Company's Board of Directors resolved a plan to repurchase 10,000 thousand shares of its issued common shares to transfer to its employees at a price not to exceed \$325 per share for the period from July 18 to September 16, 2022, in accordance with the Securities and Exchange Act. Based on the resolution mentioned above, after fully execution, the Company bought back 6,860 thousand treasury shares amounting to \$2,061,216 thousand in total. As to March 31, 2024, the treasury shares above had been transferred.

The Company transferred 4,184 thousand treasury shares to its employees and subsidiary employees in the first quarter of 2024 and received the amount of \$1,254,088 thousand, resulting in the cost of the share-based compensation of \$1,245,014 thousand to be recognized.

E. Other equity (net of tax)

(a) Exchange differences on translation of foreign financial statements

	For the three months ended March 31,	
	2024	2023
Balance at January 1	\$ (71,980)	27,271
Foreign exchange differences (net of tax)	67,556	5,821
Balance at March 31	<u>\$ (4,424)</u>	<u>33,092</u>

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

	For the three months ended March 31,	
	2024	2023
Balance at January 1	\$ (290,794)	(244,081)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	4,431	92,629
Disposal for the period	-	16,860
Balance at March 31	<u>\$ (286,363)</u>	<u>(134,592)</u>

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E. Non-controlling interests (net of tax)

	For the three months ended March 31, 2024
Balance at January 1	\$ -
Attribute to non-controlling interest:	
Net income	190
Exchange differences on translation of foreign financial statements (net of tax)	(8)
Changes in equity of subsidiaries for using the equity method	270
Changes in equity of non-controlling interest	<u>2,769</u>
Balance at March 31	<u><u>\$ 3,221</u></u>

(20) 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, 2024, the information related to the employee share options was as follows:

<u>Type</u>	<u>Authorization date</u>	<u>Issue date</u>	<u>Issued units (in thousands)</u>	<u>Grant Period</u>	<u>Exercise price per share (TWD)</u>	<u>Adjusted exercise price per share (TWD)</u>
2022 First employee share options	July 27, 2022	September 7, 2022	6,000	service period between 2~3 years	293.50	278.80
2020 First employee share options	April 10, 2020	October 5, 2020	6,000	service period between 2~2.5 years	262.00	225.30
2019 Second employee share options	November 22, 2019	October 5, 2020	2,000	service period between 2~2.5 years	262.00	225.30

The estimated fair values of the options granted were calculated at the date of grant using the Black-Scholes option pricing model. The Group recognized compensation cost amounting to \$26,483 thousand and \$74,310 thousand for the three months ended March 31, 2024 and 2023, respectively.

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Weighted-average assumptions were as follows:

	<u>2022 1st</u>	<u>2020 1st</u>	<u>2019 2nd</u>
Grant-date share price (NTD)	\$ 293.50	262.00	262.00
Exercise price (NTD)	293.50	262.00	262.00
Expected volatility (%)	38.77~39.50	35.27~35.45	35.27~35.45
Expected dividend yield (%)	-	-	-
Expected life (year)	4	3	3
Risk free interest rate (%)	1.05~1.11	0.20~0.22	0.20~0.22
Fair value per option (NTD)	\$ 84.61	59.63	59.63

Information related to employee share options was as follows:

A. 2022 First employee share options

	<u>For the three months ended March 31,</u>			
	<u>2024</u>		<u>2023</u>	
	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)
Employee share options				
Outstanding at January 1	5,829	\$ 278.80	5,969	\$ 284.4
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	(16)	-	(7)	-
Outstanding at March 31	<u>5,813</u>	278.80	<u>5,962</u>	284.40
Exercisable at March 31	<u>-</u>		<u>-</u>	

As of March 31, 2024 and 2023, the weighted-average remaining contractual life for outstanding option were 2.44 and 3.44 years, respectively.

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C. 2020 First employee share options

	For the three months ended March 31,	
	2023	
Employee share options	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)
Outstanding at January 1	4,642	\$ 227.70
Granted during the period	-	-
Exercised during the period	(705)	227.70
Forfeited during the period	(6)	-
Outstanding at March 31	<u>3,931</u>	227.70
Exercisable at March 31	<u>1,056</u>	

As of March 31, 2023, the weighted-average remaining contractual life for outstanding option were 0.5 years.

D. 2019 Second employee share options

	For the three months ended March 31,	
	2023	
Employee share options	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)
Outstanding at January 1	1,480	\$ 227.70
Granted during the period	-	-
Exercised during the period	(246)	227.70
Forfeited during the period	-	-
Outstanding at March 31	<u>1,234</u>	227.70
Exercisable at March 31	<u>266</u>	

As of March 31, 2023, the weighted-average remaining contractual life for outstanding option, were 0.5 years.

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(21) Earnings per share

A. Basic earnings per share

	For the three months ended March 31,	
	2024	2023
Net profit attributable to ordinary shareholders of the Company	\$ <u>2,419,618</u>	<u>242,103</u>
Weighted-average number of shares outstanding during the year (in thousands of shares)	<u>201,321</u>	<u>192,254</u>
Basic earnings per share (NTD)	\$ <u>12.02</u>	<u>1.26</u>

B. Diluted earnings per share

	For the three months ended March 31,	
	2024	2023
Net profit attributable to ordinary shareholders of the Company	\$ 2,419,618	242,103
Effect of dilutive potential ordinary shares		
Convertible bonds	<u>27,775</u>	<u>5,501</u>
Net profit attributable to ordinary shareholders of the Company	\$ <u>2,447,393</u>	<u>247,604</u>
Weighted average number of shares outstanding during the year (in thousands of shares)	201,321	192,254
Effect of dilutive potential ordinary shares (in thousands of shares)		
Employee share options	2,868	2,722
Employees' compensation	1,581	2,487
Effect of conversion of convertible bonds	<u>10,070</u>	<u>6,723</u>
	<u>215,840</u>	<u>204,186</u>
Diluted earnings per share (NTD)	\$ <u>11.34</u>	<u>1.21</u>

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(22) Operating revenue

		For the three months ended March 31,	
		2024	2023
Primary geographical markets:			
Asia	\$	12,861,196	7,255,328
America		3,254,458	2,390,611
Europe		394,779	420,462
Australia		15,444	12,020
	\$	<u>16,525,877</u>	<u>10,078,421</u>
Major product categories:			
Flash memory module products	\$	12,289,154	7,531,217
Controllers		2,868,212	1,780,740
Integrated Circuit		879,070	287,116
Others		489,441	479,348
	\$	<u>16,525,877</u>	<u>10,078,421</u>

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

(23) Employees' compensation and remuneration of directors

The Company accrued its remunerations to employees and directors, at the rates of 8% to 19% and a maximum rate of 1.5%, of the net profit before income tax which excluded the remunerations to employees and directors, respectively. The employees' compensation and remuneration of directors were as follows:

		For the three months ended March 31,	
		2024	2023
Employees' compensation	\$	<u>314,358</u>	<u>34,230</u>
Remuneration of directors	\$	<u>15,718</u>	<u>1,711</u>

The employees' compensation and remuneration of directors for the year ended December 31, 2023, which have been approved by the Company's Board of Directors on March 8, 2024, was as follows:

		2023	
		Cash	Share
Employees' compensation	\$	930,000	-
Remuneration of directors		23,000	-

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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 paid and the amounts recognized in the financial statements for the year ended December 31, 2023.

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

(24) Non-operating income and expenses

A. Interest income

For the three months ended March 31,	
2024	2023
Interest income from bank deposits	
\$ <u>37,771</u>	<u>43,951</u>

B. Other income

For the three months ended March 31,	
2024	2023
Rent income	
\$ 6,875	5,741
Dividend income	
-	610
Others	
<u>21,782</u>	<u>14,735</u>
\$ <u>28,657</u>	<u>21,086</u>

C. Other gains and losses

For the three months ended March 31,	
2024	2023
Net foreign exchange gains(losses)	
\$ 363,362	(75,935)
Gains on financial assets and liability at fair value through profit or loss	
142,379	172,859
Others	
<u>-</u>	<u>(15)</u>
\$ <u>505,741</u>	<u>96,909</u>

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D. Finance costs

	For the three months ended March 31,	
	2024	2023
Interest on bank loans	\$ 46,970	854
Interest on lease liabilities	1,435	301
Interest on convertible bonds	30,513	7,226
Others	38	16
	\$ 78,956	8,397

(25) Financial instruments

A. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
Financial assets			
Financial assets at FVTPL (current and non-current)	\$ 1,352,563	1,223,014	1,252,543
Financial assets at amortized cost (Note 1)	26,669,352	26,050,348	16,745,118
Financial assets at FVTOCI	490,030	457,457	471,923
	\$ 28,511,945	27,730,819	18,469,584
Financial liabilities			
Financial liabilities at FVTPL (non-current)	\$ 23,400	-	-
Financial liabilities at amortized cost (Note 2)	27,345,157	20,537,868	12,611,458
Total	\$ 27,368,557	20,537,868	12,611,458

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), other receivables and refundable deposits.

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 (including current portion), long-term borrowings (including current portion), and guarantee deposits received.

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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 which 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, 2024			December 31, 2023			March 31, 2023		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	515,506	32.000	16,496,194	564,033	30.705	17,318,620	300,597	30.450	9,153,192
<u>Non-Monetary items</u>									
CNY	1,101,372	4.408	4,854,848	852,150	4.327	3,687,251	602,512	4.431	2,669,732
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	319,143	32.000	10,212,590	280,680	30.705	8,618,265	98,895	30.450	3,011,348

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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, 2024 and 2023, would have increased or decreased the net profit before income tax for the three months ended March 31, 2024 and 2023 by \$314,180 thousand and \$307,092 thousand, respectively. The analysis was performed on the same basis for comparative years.

(iii) Foreign exchange gains and losses on monetary items

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. The details of the net foreign currency exchange gains (losses) (including realized and unrealized) were as follows:

For the three months ended	
March 31,	
2024	2023
\$ 363,362	(75,935)

(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, 2024 and 2023 would have increased by \$5,551 thousand and \$4,320 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 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.

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If equity prices had been 10% higher or lower, net profit before income tax for the three months ended March 31, 2024 and 2023 would have increased or decreased by \$131,204 thousand and \$120,823 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. If equity prices had been 10% higher or lower, the other comprehensive income before income tax for the three months ended March 31, 2024 and 2023 would have increased or decreased by \$49,003 thousand and \$47,192 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, 2024, December 31, 2023, and March 31, 2023, 41%, 41% and 30%, respectively, of accounts receivable (including related parties) 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 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>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
March 31, 2024					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 14,484,094	(14,484,094)	(14,477,735)	(4,363)	(1,996)
Lease liabilities (current and non-current)	151,394	(155,962)	(68,010)	(87,952)	-
Bonds payable (including current portion)	9,014,293	(9,500,000)	(3,500,000)	(6,000,000)	-
Floating interest rate liabilities	877,170	(889,589)	(805,250)	(84,339)	-
Fixed interest rate liabilities	2,969,600	(3,011,823)	(3,011,823)	-	-
	<u>\$ 27,496,551</u>	<u>(28,041,468)</u>	<u>(21,862,818)</u>	<u>(6,176,654)</u>	<u>(1,996)</u>
December 31, 2023					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 14,844,129	(14,844,129)	(14,838,383)	(4,336)	(1,410)
Lease liabilities (current and non-current)	148,131	(152,719)	(66,064)	(86,655)	-
Bonds payable (including current portion)	3,471,393	(3,500,000)	(3,500,000)	-	-
Floating interest rate liabilities	238,803	(245,302)	(153,744)	(91,558)	-
Fixed interest rate liabilities	1,983,543	(2,004,093)	(2,004,093)	-	-
	<u>\$ 20,685,999</u>	<u>(20,746,243)</u>	<u>(20,562,284)</u>	<u>(182,549)</u>	<u>(1,410)</u>
March 31, 2023					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 9,004,966	(9,004,966)	(8,086,912)	(916,790)	(1,264)
Lease liabilities (current and non-current)	118,462	(119,971)	(44,998)	(74,973)	-
Bonds payable	3,449,257	(3,500,000)	-	(3,500,000)	-
Floating interest rate liabilities	157,235	(166,081)	(34,355)	(131,726)	-
	<u>\$ 12,729,920</u>	<u>(12,791,018)</u>	<u>(8,166,265)</u>	<u>(4,623,489)</u>	<u>(1,264)</u>

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

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;

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- 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:

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 986,015	-	-	986,015
Domestic unlisted stocks	-	-	131,190	131,190
Foreign unlisted stocks	-	-	82,373	82,373
Domestic private equity funds	-	-	19,480	19,480
Beneficiary certificates — open-end funds	112,463	-	-	112,463
Derivative instruments — convertible bonds	-	21,042	-	21,042
	<u><u>\$ 1,098,478</u></u>	<u><u>21,042</u></u>	<u><u>233,043</u></u>	<u><u>1,352,563</u></u>
Financial liabilities at fair value through profit or loss				
Derivative instruments — convertible bonds	\$ -	23,400	-	23,400
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	284,175	284,175
Foreign unlisted stocks	-	-	205,855	205,855
	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>490,030</u></u>	<u><u>490,030</u></u>

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		December 31, 2023			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Domestic listed stocks	\$	868,313	-	-	868,313
Domestic unlisted stocks		-	-	132,719	132,719
Foreign unlisted stocks		-	-	82,337	82,337
Domestic private equity funds		-	-	27,201	27,201
Beneficiary certificates— open-end funds		112,094	-	-	112,094
Derivative instruments— convertible bonds		-	350	-	350
	\$	<u>980,407</u>	<u>350</u>	<u>242,257</u>	<u>1,223,014</u>
Financial assets at fair value through other comprehensive income					
Domestic unlisted stocks	\$	-	-	271,751	271,751
Foreign unlisted stocks		-	-	185,706	185,706
	\$	<u>-</u>	<u>-</u>	<u>457,457</u>	<u>457,457</u>
		March 31, 2023			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Domestic listed stocks	\$	827,079	-	-	827,079
Domestic unlisted stocks		-	-	167,112	167,112
Foreign unlisted stocks		-	-	102,970	102,970
Domestic private equity funds		-	-	43,968	43,968
Beneficiary certificates— open-end funds		111,064	-	-	111,064
Derivative instruments— convertible bonds		-	350	-	350
	\$	<u>938,143</u>	<u>350</u>	<u>314,050</u>	<u>1,252,543</u>
Financial assets at fair value through other comprehensive income					
Domestic unlisted stocks	\$	-	-	224,708	224,708
Foreign unlisted stocks		-	-	247,215	247,215
	\$	<u>-</u>	<u>-</u>	<u>471,923</u>	<u>471,923</u>

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2024 and 2023.

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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	
	Private equity funds	Equity instruments	Equity instruments	Total
January 1, 2024	\$ 27,201	215,056	457,457	699,714
Recognized in profit or loss	(7,721)	(1,493)	-	(9,214)
Recognized in other comprehensive income	-	-	32,573	32,573
March 31, 2024	<u>\$ 19,480</u>	<u>213,563</u>	<u>490,030</u>	<u>723,073</u>
January 1, 2023	\$ 34,444	282,903	431,697	749,044
Recognized in profit or loss	9,524	(12,821)	-	(3,297)
Recognized in other comprehensive income	-	-	37,979	37,979
Additions for the period	-	-	2,247	2,247
March 31, 2023	<u>\$ 43,968</u>	<u>270,082</u>	<u>471,923</u>	<u>785,973</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.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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	Discount for lack of marketability (March 31, 2024: 14.17%~30.00%, December 31, 2023: 14.10%~30.00% and March 31, 2023: 14.92%~30.00%)	The higher the discount for lack of marketability, the lower the fair value

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Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income — equity investments without an active market	Income approach	<ul style="list-style-type: none"> · Sustainable revenue growth rate (March 31, 2024: 1.92%, December 31, 2023: 1.92% and March 31, 2023: 1.6%) · Weighted-average cost of capital (March 31, 2024: 5.80%~12.25%, December 31, 2023: 5.80%~12.25% and March 31, 2023: 6.25%~12.11%) · Discount for lack of marketability (March 31, 2024, December 31, 2023 and March 31, 2023: 15%) · Discount for non-controlling interest (March 31, 2024, December 31, 2023 and March 31, 2023: 15%) 	<ul style="list-style-type: none"> · The higher the sustainable revenue growth rate, the higher the fair value · The higher the weighted-average cost of capital, the lower the fair value · The higher the discount for lack of marketability, the lower the fair value · The higher the discount for non-controlling interest, the lower the fair value
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"> · Net Asset Value · Discount for lack of marketability (March 31, 2024, December 31, 2023 and March 31, 2023: 10%) · Discount for non-controlling interest (March 31, 2024, December 31, 2023 and March 31, 2023: 10%) 	No applicable

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(26) 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, 2023. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2023. Please refer to Note 6(27) of the consolidated financial statements for the year ended December 31, 2023 for related information.

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

A. For leased right-of-use assets, please refer to note 6(10).

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

	January 1, 2024	Cash flows	Foreign exchange movement and others	March 31, 2024
Short-term borrowings	\$ 2,106,363	1,508,704	122,533	3,737,600
Bonds payable (including current portion)	3,471,393	6,054,065	(511,165)	9,014,293
Long-term borrowings (including current portion)	115,983	(6,813)	-	109,170
Lease liabilities (current and non-current)	148,131	(10,701)	13,964	151,394
Guarantee deposits received (current and non-current)	<u>773,371</u>	<u>(75,932)</u>	<u>108,920</u>	<u>806,359</u>
Total liabilities from financing activities	<u>\$ 6,615,241</u>	<u>7,469,323</u>	<u>(265,748)</u>	<u>13,818,816</u>
			Foreign exchange movement and others	
	January 1, 2023	Cash flows	March 31, 2023	
Bonds payable	\$ 3,442,031	-	7,226	3,449,257
Long-term borrowings (including current portion)	164,932	(7,697)	-	157,235
Lease liabilities (current and non-current)	131,776	(12,371)	(943)	118,462
Guarantee deposits received (current and non-current)	<u>1,847,780</u>	<u>(598,635)</u>	<u>126,330</u>	<u>1,375,475</u>
Total liabilities from financing activities	<u>\$ 5,586,519</u>	<u>(618,703)</u>	<u>132,613</u>	<u>5,100,429</u>

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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
Hefei Core Storage Electronic Limited	Hosin Global SZ's subsidiary
Hefei Kaimeng Technology Co., Ltd.	Hosin Global SZ's second-tier subsidiary
Xiamen Hongxinchuang Electronics Co., Ltd.	Hosin Global SZ's subsidiary
Shanghai Hongxinyu Microelectronics Technology Co., Ltd.	Hosin Global SZ's subsidiary
Hefei Datang Storage Technology Co., Ltd.	Hefei Xinpeng's subsidiary
ProGrade Digital, Inc.	Associate
Kioxia Corporation (KIC)	The Company's director
Kioxia Taiwan Corporation	KIC's subsidiary
Kioxia Asia, Limited	KIC's subsidiary
Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	KIC's subsidiary
Toshiba International Procurement HongKong, Ltd.	KIC's associate
Apacer Technology Inc.	The Company is its director
UD INFO Corp.	Apacer Technology Inc's subsidiary

(2) Significant transactions with related parties

A. Operating revenues

<u>Related Party Category / Name</u>	<u>For the three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Associates	\$ 1,713,161	346,669
Other related parties	605,038	405,286
	<u><u>\$ 2,318,199</u></u>	<u><u>751,955</u></u>

The credit terms to related parties were ranged from T/T in advance to EOM 90 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

Related Party Category / Name	For the three months ended March 31,	
	2024	2023
Other related parties – Kioxia Taiwan Corporation	\$ 6,275,454	3,357,920
Other related parties	8,256	-
	\$ 6,283,710	3,357,920

The payment terms to related parties were ranged from T/T in advance to EOM 45 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 purchase price and payment terms of the Group from related parties and that from the third parties.

C. Receivable from related parties

Related Party Category / Name	March 31, 2024	December 31, 2023	March 31, 2023
Associates – Hosin Global Electronics Co., Ltd. (HK)	\$ 1,224,096	1,118,344	164,814
Associates	74,766	49,338	109,664
Other related parties	472,758	643,767	269,882
	1,771,620	1,811,449	544,360
Less: Loss allowance	(973)	(3,685)	(1,160)
	\$ 1,770,647	1,807,764	543,200

The outstanding accounts receivable from related parties are unsecured.

D. Payables to related parties

Related Party Category / Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related parties – Kioxia Taiwan Corporation	\$ 2,038,551	1,028,950	201,881
Other related parties	8,758	-	-
	\$ 2,047,309	1,028,950	201,881

E. Prepayments

Related Party Category / Name	March 31, 2024	December 31, 2023	March 31, 2023
Other related parties – Kioxia Taiwan Corporation	\$ 2,976,999	-	-

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F. Other transactions

Account Name	Related Party Category / Name	For the three months ended March 31,	
		2024	2023
Operating costs	Other related parties	<u>\$ 210</u>	<u>226</u>
Operating Expenses	Associates	\$ -	88,094
	Other related parties	<u>1,659</u>	<u>380</u>
		<u>\$ 1,659</u>	<u>88,474</u>
Non-operating incomes	Associates	\$ 232	231
	Other related parties	<u>10</u>	<u>10</u>
		<u>\$ 242</u>	<u>241</u>

As of March 31, 2024, December 31, 2023, and March 31, 2023, the receivables arising from abovementioned transactions were all \$81 thousand (recognized as other receivables), and the payables arising from abovementioned transactions were \$1,662 thousand, \$101,199 thousand and \$30,146 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.

(3) Key management personnel compensation

	For the three months ended March 31,	
	2024	2023
Short-term employee benefits	\$ 95,649	24,599
Post-employment benefits	363	400
Share-based payments	<u>140,405</u>	<u>3,614</u>
	<u>\$ 236,417</u>	<u>28,613</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(20) for further explanations related to share-based payment.

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8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	March 31, 2024	December 31, 2023	March 31, 2023
Property, plant and equipment	As collateral for loans and finance facilities	\$ 501,921	505,118	514,709
Pledged time deposits (recognized as financial assets at amortized cost — current)	As collateral for the tariff of imported raw materials	40,739	40,568	40,530
		<u><u>\$ 542,660</u></u>	<u><u>545,686</u></u>	<u><u>555,239</u></u>

9. Commitments and contingencies

(1) Significant commitments

A. The Group's unused letters of credit as follows:

March 31, 2024	December 31, 2023	March 31, 2023
<u><u>\$ 320,000</u></u>	<u><u>660,000</u></u>	<u><u>1,160,000</u></u>

B. In order to receive the research project grant, the Group obtain a performance guarantee letter from the bank as follows:

March 31, 2024	December 31, 2023	March 31, 2023
<u><u>\$ 123,600</u></u>	<u><u>101,290</u></u>	<u><u>26,400</u></u>

C. In order to apply post release duty payment for imported goods, the Group obtain a customs duties guarantee from the bank as follows:

March 31, 2024	December 31, 2023	March 31, 2023
<u><u>\$ 1,000</u></u>	<u><u>1,000</u></u>	<u><u>1,000</u></u>

(2) Purchase commitment

The Group entered into a long-term purchase agreement of materials with a supplier. The relative purchase quantity and price of wafers are specified in the agreement. According to the agreement, the Group has to pay partial guarantee deposit before the agreed date. As of March 31, 2024, the Group has paid US\$56,000 thousand of guarantee deposit (recognized as other non-current assets).

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(3) Long-term supply agreement

The Group entered into a long-term supply agreement with a customer in 2021, and received a guarantee deposit of US\$90,000 thousand as agreed. The Group was required to sell controllers to the customer in the amount agreed upon by both parties during the agreed period. As of March 31, 2024, the guarantee deposits received were classified as current liabilities of \$800,000 thousand (recognized as other current liabilities) based on the expected repayment period.

10. Losses due to major disasters: None.

11. Subsequent events

- (1) For the purpose of industry-academia cooperation and cultivation of talents, the Company's Board of Directors resolved on April 10, 2024 to build a new building on the campus of National Yang Ming Chiao Tung University (NYCU) in Zhubei, Taiwan, and to donate it to NYCU upon completion of the construction. However, in consideration of the fact that NCTU had not reached a consensus, the Company announced on May 7, 2024 that it would suspend the donation project.
- (2) On May 10, 2024, the Board of Directors of the Company resolved to establish a Taiwan investment company and a Malaysian subsidiary with a total investment of \$750,000 thousand and RM100,000 thousand, respectively, in order to meet the needs of the Company's overall operational development and future external investment.

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,					
		2024			2023		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits							
	Salary	270,318	3,461,634	3,731,952	184,347	1,457,105	1,641,452
	Labor and health insurance	21,918	149,471	171,389	21,472	132,998	154,470
	Pension	8,065	66,674	74,739	7,973	61,717	69,690
	Others	10,323	52,794	63,117	8,752	41,355	50,107
	Depreciation	49,562	121,009	170,571	50,716	121,379	172,095
	Amortization	508	124,796	125,304	486	131,345	131,831

- (2) On November 8 and December 13, 2019, the Securities and Futures Investors Protection Center ("SFIPC") filed two lawsuits against the Company to the Taiwan Hsinchu District Court, with the following demands:
 - A. Mr. K.S. Pua should be removed from his position as the Company's chairman of the board ("Removal Action");

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

- B. The Company, its board of directors, and other co-defendants, must compensate for the damage amounting to NT\$697,389 thousand on behalf of certain investors (“Class Action”).

Both civil lawsuits above derived from the criminal litigation associated with the Company’s financial case dated August 05, 2016, where Company has engaged attorneys to defend its case and request the court to dismiss SFIPC’s allegations.

On March 12, 2024, the Supreme Court reversed the original ruling on the Removal Action and remanded to the Taiwan High Court. Nevertheless, since Mr. K.S. Pua has resigned from his position on November 18, 2021, the Removal Action’s future development has no influence to the Company.

With regard to the Class Action, the Taiwan Hsinchu District Court dismissed the plaintiff’s claims and provisional execution on May 3, 2024, with the plaintiff bearing all the litigation expenses.

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, 2024 (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 with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- 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\$100 million or 20% of the capital stock: Please refer to Table 2.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 3.
- I. Trading in derivative instruments: Please refer to Notes 6(2).
- J. Business relationships and significant intercompany transactions: Please refer to Table 4.

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

- (2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 5.
- (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 6.
- B. Limitation on investment in Mainland China: Please refer to Table 6.
- C. Significant transactions:
- For the three months ended March 31, 2024, 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”.
- (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	9.67 %

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.

Phison Electronics Corp. and subsidiaries
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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, 2024 (excluding investment in subsidiaries, associates and joint ventures)
March 31, 2024

Table 1

(Shares/Units 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>Common shares</u>							
	Apacer Technology Inc.	-	Financial assets at fair value through profit or loss – current	12,555	878,821	9.75	878,821	
	Orient Semiconductor Electronics, Ltd.	-	Same as above	1,536	100,786	0.21	100,786	
	Acer Synergy Tech Corp.	-	Same as above	90	6,408	0.41	6,408	
					<u>986,015</u>			
	AppWorks Fund II Co., Ltd.	-	Financial assets at fair value through profit or loss – non-current	4,455	88,562	11.11	88,562	
	Taiwan Capital Buffalo Fund Co., Ltd.(formerly known as Taishan Buffalo Investment Co., Ltd.)	-	Same as above	46,300	31,372	1.08	31,372	
	Innorich Venture Capital Corp.	-	Same as above	3,000	11,256	5.61	11,256	
	JAFCO ASIA TECHNOLOGY FUND VI L.P.	-	Same as above	1,000	4,241	0.67	4,241	
					<u>135,431</u>			
	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Financial assets at fair value through other comprehensive income – non-current	11,966	106,532	17.16	106,532	
	AppWorks Fund III Co., Ltd.	-	Same as above	8,385	65,290	2.92	65,290	
	Adam Elements International Co., Ltd.	-	Same as above	1,710	28,027	19.00	28,027	

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	H3 Platform, Inc.	-	Same as above	18,400	1,894	12.14	1,894	
	Gospal Ltd.	-	Same as above	811,857	3,188	3.19	3,188	
	AppWorks Fund IV L.P.	-	Same as above	100,000	72,162	8.43	72,162	
	Aptos Technology Inc.	-	Same as above	212	-	0.35	-	
	THLight Co., Ltd.	-	Same as above	6,388	-	12.79	-	
	GeoThings, Inc.	-	Same as above	150	-	3.13	-	
	Ironyun Incorporated	-	Same as above	5,000	-	2.94	-	
	Deep Mentor Inc.	-	Same as above	700	16,800	3.72	16,800	
					<u>293,893</u>			
	<u>Private equity funds</u>							
	Fuh Hwa Smart Energy Fund	-	Financial assets at fair value through profit or loss — non-current	6,000	19,480	3.78	19,480	
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	40,838	1.18	40,838	
	Translink Capital Partners IV L.P	-	Same as above	960	37,294	0.59	37,294	
					<u>78,132</u>			
	Liquid, Inc. (preference shares)	-	Financial assets at fair value through other comprehensive income — non-current	2,111	71,825	4.75	71,825	
	Translink Capital Partners V, L.P.	-	Same as above	1,050	22,416	1.66	22,416	
	Taiwania Capital Buffalo Fund V, LP.	-	Same as above	50,000	39,653	3.19	39,653	

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	Cathy Private Equity Smart Technology Limited Partnership	-	Same as above	30,000	22,495	7.39	22,495	
	New Future III Limited Partnership	-	Same as above	28,003	19,733	3.29	19,733	
	Omni Media International Incorporation	-	Same as above	1,714	6,429	2.60	6,429	
Emtops Electronics Corporation	My Digital Discount, Inc.	-	Financial assets at fair value through other comprehensive income — non-current	-	<u>182,551</u>	19.00	-	
					<u>-</u>			
Phisontech Electronics Taiwan Corporation	<u>Beneficiary certificates-open-end funds</u>							
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss — current	167	30,664	-	30,664	
	Franklin Templeton Sinoam Money Market Fund	-	Same as above	1,917	20,444	-	20,444	
	FSITC Taiwan Money Market Fund	-	Same as above	1,295	20,450	-	20,450	
	Mega Diamond Money Market Fund	-	Same as above	1,580	20,452	-	20,452	
	Capital Money Market Fund	-	Same as above	1,229	20,453	-	20,453	
					<u>112,463</u>			
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>13,586</u>	12.53	13,586	

Phison Electronics Corp. and Subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock

For the three months ended March 31, 2024

Table 2

(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	6,275,454	44	T/T in advance to net 30 days after monthly closing	None	None	(2,038,551)	(30)	
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	150,219	1	Net 30 days after monthly closing	None	None	(107,751)	(2)	Note 2
	Kioxia Corporation	The Company's director	Sales	(203,062)	(1)	Net 60 days after monthly closing	None	None	128,050	1	
	Apacer Technology Inc.	The Company is its director	Sales	(262,731)	(2)	Net 45 days after monthly closing	None	None	208,382	2	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	Sales	(1,538,118)	(9)	Net 45 days after monthly closing	None	None	1,223,484	12	
	Nextorage Corporation	Subsidiary	Sales	(127,275)	(1)	Net 60 days after monthly closing	None	None	86,486	1	Note 2
	Phison Technology Inc.	Sub-subsidiary	Sales	(238,804)	(1)	Net 45 days after monthly closing	None	None	152,343	2	Note 2

Note 1: The sales and purchase price 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, 2024

Table 3

(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	208,382	3.75	-	-	117,583	104	
	Kioxia Corporation	The Company's director	128,050	5.58	-	-	56,399	64	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	1,223,484	5.26	-	-	396,231	612	
	Phison Technology Inc.	Sub-subsidiary	152,343	6.02	-	-	102,773	-	Note 2
Super Storage Technology Corporation	The Company	Parent Company	108,009	5.37	-	-	99,701	-	Note 2

Note 1: Information as of April 30, 2024.

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

Phison Electronics Corp. and Subsidiaries
Business relationships and significant intercompany transactions
For the three months ended March 31, 2024

Table 4

(Amounts in Thousands)

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	150,219	General trading terms	0.91
			1	Accounts payable	107,751	General trading terms	0.14
		Phison Technology Inc.	1	Sales	238,804	General trading terms	1.45
			1	Accounts receivable	152,343	General trading terms	0.20
			1	Marketing expenses	150,394	General trading terms	0.91
			1	Other payables	71,003	General trading terms	0.09
		Nextorage Corporation	1	Sales	127,275	General trading terms	0.77
			1	Accounts receivable	86,486	General trading terms	0.11
		Power Storage Technology (Shenzhen) Limited	1	Marketing expenses	16,380	General trading terms	0.10
			1	Other payables	16,373	General trading terms	0.02

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 three months ended March 31, 2024

Table 5

(Amounts in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2024			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				March 31, 2024	December 31, 2023	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Global Flash Limited	Samoa	Investment and trade	726,307	726,307	22,100,000	100.00	3,696,787	761,355	761,355	Subsidiary and note 2
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00	1,651,287	339,043	339,043	Subsidiary and note 2
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00	791,606	21,766	21,766	Subsidiary and note 2
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	515,208	222	222	Subsidiary and note 2
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	79,531	6,288,523	30.51	173,654	1,255	383	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	380,000	380,000	38,000,000	100.00	462,164	11,035	11,035	Subsidiary and note 2
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	216,946	219,715	11,925	99.38	512,254	31,988	31,798	Subsidiary and note 2
	Power Flash (Samoa) Limited	Samoa	Investment and trade	433,960	150,190	13,800,000	100.00	448,787	6,612	6,612	Subsidiary and note 2
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	28.71	151,503	(5,739)	(1,647)	Investee accounted for using the equity method

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2024			Net Income (Losses) of Investee	Share of Profits/Losses of Investee	Note
				March 31, 2024	December 31, 2023	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Phison Electronics Japan Corp.	Japan	Sales and service office	59,508	59,508	2,000	100.00	27,800	459	459	Subsidiary and note 2
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	8,768	8,768	2,299,990	100.00	10,132	407	407	Subsidiary and note 2
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	27,607	2,877	1,410	Investee accounted for using the equity method
								8,468,789		1,172,843	
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	25,655	(1,806)	Note 1	Sub-Subsidiary and note 2
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sale of electronic products and business service office	90,419	90,419	3,000,000	100.00	193,616	9,260	Note 1	Sub-subsidiary and note 2
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	-	-	10	-	-	407	Note 1	Subsidiary and note 2
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Taiwan	Manufacture and trade of electronic components	452,954	452,954	34,842,595	100.00	672,926	21,470	Note 1	Sub-subsidiary and note 2
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	636,593	19,150,000	100.00	3,703,355	760,145	Note 1	Sub-subsidiary and note 2
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	106,768	1,174	Note 1	Sub-subsidiary and note 2
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	654,726	21,850,000	100.00	1,676,740	338,991	Note 1	Sub-subsidiary and note 2

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: The aforementioned 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 three months ended March 31, 2024

Table 6

(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, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2024	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of March 31, 2024	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	(6,318)	100.00	(6,318)	120,556	-	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)	-	-	-	-	(26,105)	24.23	(6,326)	114,553	-	-
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,958,329	2(1) and 2(2)	442,780	-	-	442,780	3,068,445	35.83	1,095,614	4,740,295	-	-
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	514	100.00	514	46,911	-	Note 3

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of March 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 2)
669,125	1,664,498	27,924,539

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 aforementioned inter-company transactions and balance have been eliminated in the consolidated financial statements.