

*(This MEETING HANDBOOK has been translated into English from the original Chinese version prepared and used in the Republic of China, and this English version was only for reference.)*



Stock code : 8299

**PHISON ELECTRONICS CORP.**

**2010**

**REGULAR SHAREHOLDERS MEETING**

**MEETING HANDBOOK**

Time: June 15, 2010

Location: 2F Meeting Room, No. 399, Yu-Yi Rd., Jhunan, Miaoli, Taiwan

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**PHISON ELECTRONICS CORP.**  
**2010**  
**REGULAR SHAREHOLDERS' MEETING**  
**MEETING PROCEDURE**

**I. MEETING PROCEDURE**

1. Call Meeting to Order
2. Chairperson's Takes Chair and Remarks
3. Items to Report
4. Accept items
5. Discussion items
6. Extemporaneous Motions
7. Meeting Adjourned

**PHISON ELECTRONICS CORP.**  
**2010**  
**REGULAR SHAREHOLDERS' MEETING**  
**MEETING AGENDA**

**II. MEETING AGENDA**

Time: 9:00 AM on June 15, 2010 (Tuesday)

Place: 2F Meeting Room, No. 399, Yu-Yi Rd., Jhunan, Miaoli, Taiwan

Chairperson: Director, Mr. KS Pua

1. Chairperson's Address

2. Items to Report:

- i. The business operation report of the Company for Year 2009.
- ii. The supervisors' report for reviewing the financial statements of the Company for Year 2009.
- iii. To amend the "Regulations Governing Procedure for Board of Directors Meetings".
- iv. To report the private placement of common shares approved the condition of by 2009 shareholders' meeting.

3. Accept items:

- i. The business operation report and the financial statements of the Company for Year 2009
- ii. For the matter regarding the retained earnings distribution of the Company for Year 2009

4. Discussion Items:

- i. The retained earnings capitalized plan for issuing new shares.
- ii. The revisions to the partial articles of the Articles of the Corporation, and proposed to raise the authorized capital to NT\$2,300,000,000.
- iii. The Company proposed to carry out private placement of new common shares with specific subscribers.

5. Extemporaneous Motions

6. Meeting Adjourned

### **III. ITEMS TO REPORT :**

#### **Motion 1. (Proposed by BOD meeting)**

**Topic: The business operation report of the Company for Year 2009, report for inspection.**

**Explanation:** The business operation report of the Company for Year 2009.  
Please refer to Attachment 1(page 14~16).

#### **Motion 2. (Proposed by BOD meeting)**

**Topic: To present the supervisors' review report for Year 2009, report for inspection.**

**Explanation:** (1) The financial statements of 2009 (including Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity and Cash Flow Statement) were audited by CPA, incorporated with the annual business operation report and the earning distribution of 2009 were reviewed by the supervisors. Please refer to attachment 2(page 17) of the Supervisors' review report which submit according to the Article 219 of Company Law.

(2) Please the Supervisors read this Supervisors' Review Report.

#### **Motion 3. (Proposed by BOD meeting)**

**Topic: To amend the "Regulations Governing Procedure for Board of Directors Meetings" , report for inspection.**

**Explanation:** (1) According to the Article 3-2 of "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" issued by the Letter of 09802090850 of Jin-Guan-Zheng No.1 on July 17, 2009, the Company proposed to amend the partial articles of "Regulations Governing Procedure for Board of Directors Meetings" of the Company.

(2) Regarding the revised articles of the Articles of the “Regulations Governing Procedure for Board of Directors Meetings” ,, please refer to as below of amendment comparison table for the Articles of the “Regulations Governing Procedure for Board of Directors Meetings”. Please refer to Attachment 3(page 18).

**Motion 4. (Proposed by BOD meeting)**

**Topic: To report the private placement of common shares approved the condition of by 2009 shareholders’ meeting. , report for inspection.**

**Explanation:** (1) The company of the approvals by the May 8, 2009 shareholders’ meeting private placement quantities is 32,000,000 shares.

(2) This private placement of new common shares may be carried out in one time or in installments within one year since the date of the resolution of the shareholders meeting and the first issued private placement of new common shares was approval by May 8, 2010 BOD meeting.

Item	2009 private placement common shares Issue date : June 19,2010
Private placement of common shares type	Common shares
The dates of the approvals by the shareholders’ meeting and quantities	The dates of the approvals by the shareholders’ meeting : May 8,2010 Quantities : 32,000,000 shares
The basis and reasonableness of the private placement price	The actual offering price was NT\$117.5 per share this time. The offering price was decided according to the method of setting the price approved by the regular shareholders meeting of May 8, 2009. So, the Company decided the actual offering price to be NT\$117.5 which was 70.23 % of NT\$167.3 of an average price of the closing stock price of 5 days before the date of deciding the price of May 8, 2009(not including the date of deciding the price).
The method for selecting the specific persons	The Company decided the actual specific subscribers according to the regulations of the Article 43-6-1 of Securities and Exchange Act. The specific subscriber is: Kingston Technology Corporation
The reasons for the necessity of conducting the private placement	In order to deal with the changing of the market, the Company planed to replenish the operating cash reserve to strengthen the financial structure, and bring in the strategic partners to ensure long-term business developing of the Company. Furthermore, the method of private placement have the characteristics of quick and simple procedure of offering new shares and the limitation of transferring shares, which can more ensure the long-term relationship with the strategic partners. So, we decided to carry out the method of private placement instead of the public offering.
Shares	5,600,000 shares.
Payment date	May 15, 2009.

	the places of the private placement	qualification requirements	subscription quantities	relationship to the company	involvement in company operations
The information of the specified persons	Kingston Technology Corporation	According to the actual specific subscribers according to the regulations of the Article 43-6-1 of Securities and Exchange Act.	5,600,000 shares	Customer	None
Actual subscription (or conversion) price	The actual subscription price was NT\$117.5				
The discrepancy between the actual subscription (or conversion) price and the reference price	The offering price and price setting method: The actual offering price was NT\$117.5 per share this time. The offering price was decided according to the method of setting the price approved by the regular shareholders meeting of May 8, 2009. So, the Company decided the actual offering price to be NT\$117.5 which was 70.23 % of NT\$167.3 of an average price of the closing stock price of 5 days before the date of deciding the price of May 8, 2009(not including the date of deciding the price).				
Any effect of the private placement on shareholder equity	溢價發行，資本公積-股票發行溢價增加 6.02 億元 (說明：(117.5-10)*5,600,000=602,000,000 元)				
The status of utilization of the funds, plan implementation progress	The fund is used to replenish the Company's operating cash reserve and had use up in 2009Q3.				
The realization of plan benefits from the time the price of the shares or subscription has been paid up in full until the fund utilization plan has been completely carried out.	The specified persons offer the company stable sales orders.				
The subscription private placement of common shares issuance of bonus shares	501,244 shares				

3. Until April 28,2010, we still have not issue private placement common shares of 26,400,000 shares and there are no confirmed specific subscribers now.

#### **IV. ACCEPT ITEMS :**

##### **Motion 1. (Proposed by BOD meeting)**

**Topic: The business operation report and the financial statements of the Company for Year 2009, please be accepted.**

**Explanation:** 1.The business operation report and the financial statements of the Company of Year 2009 have been prepared, and the financial statements has been certified by the certified public accountants of Deloitte & Touche, Mr. Dai Xin Wei(戴信維) and Mr. Lin Wen Ching(林文欽), and has been reviewed by our supervisors. Please be accepted.

2.Please refer to Attachment 1(page 14~16) of the 2009 business operation report and Attachment 4(page 19~36) of the 2009 financial statements.

##### **Resolution:**

##### **Motion 2. (Proposed by BOD meeting)**

**Topic: For the matter regarding the retained earnings distribution of the Company for Year 2009, please be discussed.**

**Explanation:** (1) The net profit after taxes of the Company for Year 2009 are NT\$2,063,060,046. The Company prepared the proposal regarding the distribution of profits for Year 2009 according to the rules of the Articles of the Corporation. The table of earnings distribution of the Company for Year 2009 is proposed as below :



**Phison Electronics Corp.**

**The table of earnings distribution for Year 2009**

(Unit : NT\$ Dollar)

ITEMS	Amount
<b>Balance of retained earnings at the beginning of the period</b>	<b>937,494,889</b>
Less : Sale the treasury stock cancel the unappropriated retained earnings	19,637,500
Add : Net profits after taxes of the Year 2009	2,063,060,046
Less : Allot special reserve under the law	1,643,702
Less : 10% Legal reserve	206,306,005
<b>Usable distribution</b>	<b>2,772,967,728</b>
<b>Items of distribution:</b>	
Shareholder Dividend-Stock (Distributed NT\$2 per share)	295,034,570
Shareholder Dividend-Cash (Distributed NT\$5 per share)	737,586,430
<b>Final Undistributed Retained Earnings</b>	<b>1,740,346,728</b>
<p>Remark 1 : Total amount of distribution: NT\$1,538,001,010</p> <p>Remark 2 : The compensation of directors and supervisors: NT\$15,380,010. Bonuses of cash to be allotted to employees: NT\$490,000,000.</p> <p>Remark 3 : (1)The compensation of directors and supervisors of NT\$15,380,010 is 1% of total distribution amount. (2)Total Bonuses to be allotted to employees of NT\$490,000,000 is 31.86% of total distribution amount. (3)Total Dividends to be allotted to shareholders of NT\$1,032,621,000 is 67.14% of total distribution amount.</p>	

(2) The shareholder cash dividends of NT\$737,586,430 are allotted to the shareholders recorded on the shareholders' register roster on the Base Day for cash dividend distribution and are distributed in proportion to the amount of their shares hold. The proportion is NT\$5 for every share. The above distributed amount per share for Shareholder Dividend was calculated based on the total actual outstanding common shares of the Company as of 2010/4/28 147,517,286 shares. Board of Directors are authorized to set a Base Day for cash dividend distribution and handle related procedures after the motion passed by regular shareholders' meeting. In addition, in case that the actual total outstanding shares of the Company on Base Day for cash dividend distribution(Ex-Dividend) changes, the Board of Directors are authorized to adjust the amount of dividend per share in

accordance with the actual total outstanding shares of the Company on Base Day of cash dividend distribution(Ex-Dividend). Regarding the actual list of distributing cash bonuses to employees will be decided by authorized management, and will be carry out after approving by the chairman and president of the Company.

**Resolution:**

**V. DISCUSSION ITEMS :**

**Motion 1. (Proposed by BOD meeting)**

**Topic : To approve the retained earnings capitalized plan for issuing new shares, please be discussed.**

**Explanation :** (1) In order to match the requirements of business operation and replenish the Company's operating cash reserve, the Company proposed to issue 29,503,457 new shares in proceeds from the shareholder stock dividends of NT\$295,034,570 which was distributed from usable distributing retained earnings of FY2009. The face value per share is NT\$10, and all new shares are common shares.

(2) Shareholder stock dividend are allotted to the shareholders recorded on the shareholders' register roster on the Base Day for stock dividend distribution and are distributed in proportion to the amount of their shares hold. The proportion is 200 shares for every thousand shares. For the fractional shares which are distributed less than one full share, shareholders may arrange for pooling together their fractional share entitlements to form one share and register such pooling within five days from the first date of shares transfer suspension period with Phison's stock affairs agency. For those unsolved fractional shares, the Chairman of the Board will consult with a certain person to buy the share at its face value. The above distributed amount per share for Shareholder Dividend was calculated based on the total actual outstanding common shares of the

Company as of 2009/4/28 147,517,286 shares. In addition, in case that the actual total outstanding shares of the Company on the Base Day for stock dividend distribution(Ex-Right) changes, the Board of Directors are authorized to adjust the shares dividend per share in accordance with the actual total outstanding shares of the Company on Base Day of stock dividend distribution(Ex-Right).

- (3)The new shares issued by this increase of capital are equivalent to common shares which have been issued in the right and the obligation.
- (4) This motion will be submitted to the competent authority of securities for approval according to the law after it has been approved by regular shareholders' meeting. The Board of Directors will additionally set a Base Day for Ex-Right(stock dividend). For other matters concerned, the Board of Directors will be fully authorized as well.

**Resolution:**

**Motion 2. (Proposed by BOD meeting)**

**Topic : To approve the revisions to the partial articles of the Articles of the Corporation, and proposed to raise the authorized capital to NT\$2,300,000,000, please be discussed.**

**Explanation :** (1) In order to meet the requirements of business operation, the authorized capital of the Company was proposed to raise to NT\$2,300,000,000 in which NT\$160,000,000 provided for the exercise of transfer right regarding the issuance of employee stock options were included.

- (2)Regarding the revised articles of the Articles of the Corporation, please refer to the Attachment 5 (page37~38) of amendment comparison table for the Articles of the Corporation.

## **Resolution:**

### **Motion 3. (Proposed by BOD meeting)**

**Topic : The Company proposed to carry out private placement of new common shares with specific subscribers, please be discussed.**

**Explanation:** (1) In order to replenish the Company's operating cash reserve to strengthen the financial structure and bring in the strategic partners to meet the requirements of company operation plan, after considering the timeliness and simplification of raising the capital and bringing in the strategic partners, we proposed to carry out private placement of new common shares with specific subscribers according to the Article 43-6 of Securities and Exchange Act and related regulations. The Company proposed to offer not more than 5,000,000 new shares of privately placed shares, and the issued capital of the Company will not be increased more than NT\$50,000,000. The face value per share is NT\$10, and all new shares are common shares.

(2) According to the Article 43-6 of Securities and Exchange Act, the explanation are as below:

a. The basis and rationale for the setting of the price:

For setting the offering price of privately placed shares, the offering price shall be not lower than 70% of "the average price of the closing stock price of 1 day, or 3 days, or 5 days before the date of deciding the offering price, deduct the Ex-Right effect of distributing stock dividend ,and cash dividend and add the reversed Ex-Right effect of decreasing issued capital", the Company will also consider the market condition of the common share price, the limitation of listing the shares on the OTC market and the limitation of selling the shares, etc. The offering price was temporarily set between NT\$180~195 per share(This temporary offering price was decided

according to above method and not lower than 70% of NT\$245 of an average price of the closing stock price of 1 day before the temporary date of deciding the offering price on March 26, 2010 (not including the temporary date of deciding the price). For the independent expert's opinion report for the rationality of actual offering price this time, please refer to the Attachment 6 (page 39-42) for the details.

The actual date of deciding the offering price was authorized the board directors to decide according to the condition of the actual specific subscribers and market situation.

Because the privately placed shares can't be freely transferred within three years and considering the business benefit from cooperating with the strategic partners, so the method of setting the offering price is rational.

b. The means of selecting the specified persons:

The Company will decide the actual specific subscribers according to the regulations of the Article 43-6-1 of Securities and Exchange Act. There are no confirmed specific subscribers now.

c. The reasons necessitating the private placement.

a)The reasons for the necessity for conducting the private placement, specify the reasons for not using a public offering : In order to deal with the changing of the market, the Company planed to replenish the operating cash reserve to strengthen the financial structure, and bring in the strategic partners to ensure long-term business developing of the Company. Furthermore, the method of private placement have the characteristics of quick and simple procedure of offering new shares and the limitation of transferring shares, which can more

ensure the long-term relationship with the strategic partners. So, we decided to carry out the method of private placement instead of the public offering.

- b) The limit on the private placement: Not more than 5,000,000 new shares.
- c) The use of the funds raised by the private placement : To replenish the Company's operating cash reserve to Strengthen the financial structure.
- d) The anticipated benefits : The Company will raise the capital and bringing in the strategic partners to have more sufficient cash and good strategic alliance plan to handle the business growth, strengthen the product technology, and expand the market share, to make the Company operate stably in the changing market.
- e) This private placement of new common shares may be carried out in two times in installments within one year since the date of the resolution of the shareholders meeting.

Specify the anticipated number of closings	The private placement of new common shares may be carried out	The use of the funds for each closing of the private placement	The anticipated benefits for each closing
The First Time	2,500,000 shares	To replenish the Company's operating cash reserve to Strengthen the financial structure	The Company will raise the capital and bringing in the strategic partners to have more sufficient cash and good strategic alliance plan to handle the business growth.
The Second Time	2,500,000 shares	To replenish the Company's operating cash reserve to strengthen the financial structure	The Company will raise the capital and bringing in the strategic partners to have more sufficient cash and good strategic alliance plan to handle the business growth.

(3) In principle, the right and the obligation of the privately placed new shares are equivalent to the common shares which have been issued by the Company. However, according to the Article 43-8 of Securities and Exchange Act, the privately placed shares may not be sold within

three full years since the delivery date of the shares. After three years since the delivery date of the shares, the Company will arrange with the chief authorities for a public offering and listing on the stock market for the privately placed shares, according to the regulations of Securities and Exchange Act and other related regulations.

(4) After the related items of private placement of new common shares being agreed by the shareholders meeting, the Board of Directors will be fully authorized to handle it and the other matters concerned or any items changed.

**Resolution:**

**VI. EXTEMPORANEOUS MOTIONS**

**VII. ATTACHMENT**

## 【Attachment 1】

### Phison Electronics Corporation *The Business Operation Report of Year 2009*

#### 1. Operating Overview

(1) Sales Revenue:

As a result of the Company continually developed and issued the new products and continually expanded the market share, the Company's net sales revenue is NT\$24,460,468 thousand dollars of FY2009, comparing to NT\$18,856,314 thousand dollars of FY2008, the increasing rate is 29.72% of NT\$5,604,154 thousand dollars increasing.

(2) Net Profit:

Our Company's net profit after taxes is NT\$2,063,061 thousand dollars of FY2009, comparing to NT\$553,984 thousand dollars of FY2008, the increasing rate is 272.40% of NT\$1,509,077 thousand dollars increasing.

(3) As of December 31, 2009, the Company has total 447 employees, including 250 employees of RD departments.

2. **Actual vs. Forecast** : Phison didn't disclose the 2009 Forecast information to the public, so we didn't have to disclose the actual executed results.

#### 3. Financial Analysis for FY2009 & FY2008

Unit: NT\$ Thousand

Items	2009	2008	Changed Amount	Changed rate(%)
Sales Revenue	24,460,468	18,856,314	5,604,154	29.72%
Sales margin	3,750,913	1,260,095	2,490,818	197.67%
Income from Operating	2,212,714	407,949	1,804,765	442.40%
Non-operating income and expenses	36,949	197,002	(160,053)	-81.24%
Net Profit After Taxes	2,063,061	553,984	1,509,077	272.40%



Items		2009	2008
Capital Structure Analysis	Debt ratio (%)	39.73	28.52
	Long-term fund to fixed assets ratio (%)	1,126.02	634.28
Liquidity Analysis	Current ratio (%)	229.11	287.95
	Quick ratio(%)	149.04	200.20
	Times interest earned(Times)	543.74	801.20
Profitability Analysis	ROA(%)	19.98	7.34
	ROE(%)	31.05	10.80
	Operating income to paid in capital ratio(%)	150.80	34.08
	Pre-tax income to paid in capital ratio(%)	153.32	47.72
	Net Profit Margin rate(%)	8.43	2.94
	EPS (NT dollar per share)	14.33	4.45

#### 4. Research & Development Overview

##### (1) The Research & Development Expenses for FY2009 & FY2008

We are the professional developer and provider for flash applications controller IC and system integration application. We spent a lot of manpower and money for R&D of new products, to meet the rapid product changing trend and keep our market advantage competition by shortening the research and development period to speed out new products become available in the market. The R&D expenses of FY2009 is NT\$980,389 thousand dollars and FY2008 is NT\$415,098, each occupy the full year total sales revenue 4.01% and 2.20%. Until to the end of 2009, we already got about 186 patents approved.

##### (2)R&D Achievements

In year 2009, we successfully developed and launched many new products which were well accepted by the market, including below:

- a.New USB2.0 Pen Drive Single-chip Controllers & system applications
- b.New SD/ microSD Memory Card Controllers and Memory Cards
- c.PATA/SATA SSD controller and 1.8/2.5 inch SSD system application for PC, low price PC and industry PC market.

- d. PCI Express controller and Express Card system applications
- e. Support smart card USB / Card Controller
- f. Other embedded flash application solution

(3) The main products lines in Year 2009

- a. Support 2xnm/1xnm and x3 NAND Flash USB2.0 Pen Drive and flash card Controllers & system applications
- b. Embedded eMMC/eSD system application solution for mobile phone and electronic book market
- c. New PATA/SATA SSD controller and 1.8/2.5 inch SSD system application for PC, low price PC and industry PC market.
- d. USB3.0 single chip controller and system applications
- e. PCI Express single chip controller and Express Card system applications
- f. Support advance data security NAND Flash controllers
- g. Support RTOS high operation ability flash card single chip controllers
- h. Other embedded flash application solution

**PHISON ELECTRONICS CORPORATION**

Chairman: KS Pua

President: AY CK

Accounting Manager: Nicole Liu

**【 Attachment 2 】**

**Supervisors' Review Report**

To:

The 2009 regular shareholders meeting of Phison Electronics Corp.

The financial statements of 2009 (including Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity and Cash Flow Statement) were audited by the certified public accountants of Deloitte & Touche, Mr. Dai Xin Wei(戴信維) and Mr. Lin Wen Ching(林文欽), incorporated with the annual business operation report, financial report and the earning distribution of 2009 were reviewed by the supervisors and there is no inconsistentment. The supervisors submit the review report according to the rules of the article 219 of Company Law.

Phison Electronics Corp.

Supervisor: Eric AY

Li-Min Cheng

Y.P., Shen

Date: April 29, 2010

**【 Attachment 3 】**

**【 The amendment comparison table for the Articles of the “Regulations Governing Procedure for Board of Directors Meetings” 】**

Original	Amendment	Reason
<p>Article 3 The board of directors shall meet at least quarterly. The reasons for calling a board of directors meeting shall be notified to each director and supervisor at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice. All matters set out in the subparagraphs of Article12, paragraph 1, shall be specified in the notice of the reasons for calling a board of directors meeting; none of them may be raised by an extraordinary motion except in the case of an emergency or legitimate reason.</p>	<p>Article 3 The board of directors shall meet at least quarterly. The reasons for calling a board of directors meeting shall be notified to each director and supervisor at least seven days in advance. In emergency circumstances, However, a meeting may be called on shorter notice. <u>The calling a board of directors meeting notice also could be by Email or fax letters.</u> All matters set out in the subparagraphs of Article12, paragraph 1, shall be specified in the notice of the reasons for calling a board of directors meeting; none of them may be raised by an extraordinary motion except in the case of an emergency or legitimate reason.</p>	<p><b>To Amend according to the Company’s operation need.</b></p>

## **【Attachment 4】 The financial statements of the Company for Year 2009**

*(This INDEPENDENT AUDITORS' REPORT had been translated into English from the original Chinese version prepared and used in the Republic of China and only for reference.)*

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Phison Electronics Corp.

We have audited the accompanying nonconsolidated balance sheets of Phison Electronics Corp. (the "Corporation") as of December 31, 2009 and 2008, and the related nonconsolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These nonconsolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the nonconsolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall nonconsolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of Phison Electronics Corp. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the nonconsolidated financial statements, in March 2007, the Accounting Research and Development Foundation of the Republic of China issued Interpretation No. 2007-052, which requires companies to recognize as compensation expenses the bonuses to employees and remuneration to directors and supervisors beginning January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings.

We have also audited the consolidated financial statements of Phison Electronics Corp. and its subsidiary as of and for the years ended December 31, 2009 and 2008 and have issued an unqualified opinion and a modified unqualified opinion thereon, respectively, in our report dated February 5, 2010 (not presented herewith).

February 5, 2010

Notice to Readers

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

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

**PHISON ELECTRONICS CORP.**

**NONCONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2009 AND 2008**

**(In Thousands of New Taiwan Dollars, Except Par Value)**

ASSETS	2009		2008		LIABILITIES AND SHAREHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 4)	\$ 3,715,931	28	\$ 2,367,946	32	Short-term loans (Notes 13 and 21)	\$ 799,750	6	\$ -	-
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	461,604	4	-	-	Notes and accounts payable				
Notes and accounts receivable					Third parties	1,638,908	13	986,659	13
Third parties, net (Notes 2 and 6)	2,998,892	23	1,409,999	19	Related parties (Note 20)	1,611,637	12	695,063	10
Related parties (Note 20)	272,055	2	139,945	2	Income tax payable (Notes 2 and 15)	161,138	1	-	-
Other financial assets (Note 20)	31,295	-	31,906	1	Accrued expenses (Note 17)	980,634	7	359,842	5
Inventories, net (Notes 2, 3 and 7)	2,847,206	21	1,129,995	15	Other	88,168	1	48,043	1
Prepayments (Note 12)	1,380,460	10	703,614	10					
Deferred income tax assets - current (Notes 2 and 15)	163,177	1	150,198	2	Total current liabilities	5,280,235	40	2,089,607	29
Restricted assets (Note 21)	5,193	-	5,100	-					
Other	221,612	2	78,397	1	<b>OTHER LIABILITIES</b>				
Total current assets	12,097,425	91	6,017,100	82	Guarantee deposits received	66	-	353	-
					Deferred credits (Notes 2 and 20)	10,160	-	10,257	-
<b>LONG-TERM INVESTMENTS</b>					Total other liabilities	10,226	-	10,610	-
Investments accounted for by the equity method (Notes 2 and 9)	421,248	3	417,123	6	Total liabilities	5,290,461	40	2,100,217	29
Financial assets carried at cost - noncurrent (Notes 2 and 8)	19,953	-	35,356	-					
Total long-term investments	441,201	3	452,479	6	<b>SHAREHOLDERS' EQUITY (Notes 2, 3 and 17)</b>				
					Capital stock - NT\$10.00 par value				
<b>PROPERTIES (Notes 2, 10, 20 and 21)</b>					Authorized - 180,000 thousand shares				
Cost					Issued and outstanding - 146,727 thousand shares in 2009 and 126,766 thousand shares in 2008	1,467,273	11	1,267,662	17
Land	364,478	3	388,000	5	Advance receipts for common stock	66,166	-	-	-
Buildings	286,886	2	391,868	5	Capital surplus				
Testing equipment	108,135	1	97,502	2	Additional paid-in capital	3,016,551	23	2,235,062	31
Office equipment	15,652	-	14,948	-	From long-term investment	23,367	-	21,088	-
Other equipment	1,845	-	1,870	-	Employees stock options	42,183	-	321	-
Total cost	776,996	6	894,188	12	Total capital surplus	3,082,101	23	2,256,471	31
Less: Accumulated depreciation	92,251	1	67,969	1	Retained earnings				
	684,745	5	826,219	11	Legal reserve	429,879	3	374,481	5
Construction in progress	24,230	-	-	-	Unappropriated retained earnings	2,980,919	23	1,492,893	20
Prepayments for equipment	3,682	-	3,682	-	Total retained earnings	3,410,798	26	1,867,374	25
Net properties	712,657	5	829,901	11	Other equity				
					Cumulative translation adjustments	(1,643)	-	-	-
<b>INTANGIBLE ASSETS (Notes 2, 11, 20 and 22)</b>					Treasury stock - 750 thousand shares	-	-	(127,645)	(2)
					Total other equity	(1,643)	-	(127,645)	(2)
<b>OTHER ASSETS</b>					Total shareholders' equity	8,024,695	60	5,263,862	71
Guarantee deposits paid (Note 21)	1,827	-	4,228	-					
Deferred income tax assets - noncurrent (Notes 2 and 15)	1,798	-	1,448	-					
Miscellaneous (Notes 2 and 14)	3,741	-	4,332	-					
Total other assets	7,366	-	10,008	-					
<b>TOTAL</b>	<b>\$ 13,315,156</b>	<b>100</b>	<b>\$ 7,364,079</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 13,315,156</b>	<b>100</b>	<b>\$ 7,364,079</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated February 5, 2010)

**PHISON ELECTRONICS CORP.**  
**NONCONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 2 and 20)				
Gross sales	\$ 24,611,789	101	\$ 18,969,987	101
Less: Sales returns and allowances	<u>173,799</u>	<u>1</u>	<u>124,368</u>	<u>1</u>
Net sales	24,437,990	100	18,845,619	100
Service revenue	<u>22,478</u>	<u>-</u>	<u>10,695</u>	<u>-</u>
Total operating revenue	24,460,468	100	18,856,314	100
OPERATING COSTS (Notes 3, 7, 16 and 20)	<u>20,709,555</u>	<u>85</u>	<u>17,596,219</u>	<u>93</u>
GROSS PROFIT	<u>3,750,913</u>	<u>15</u>	<u>1,260,095</u>	<u>7</u>
OPERATING EXPENSES (Note 16)				
Marketing	295,976	1	201,810	1
General and administrative	261,834	1	235,238	2
Research and development	<u>980,389</u>	<u>4</u>	<u>415,098</u>	<u>2</u>
Total operating expenses	<u>1,538,199</u>	<u>6</u>	<u>852,146</u>	<u>5</u>
OPERATING INCOME	<u>2,212,714</u>	<u>9</u>	<u>407,949</u>	<u>2</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of properties (Notes 2 and 20)	39,242	-	-	-
Gains on disposal of investments, net (Notes 2, 5 and 8)	6,064	-	3,420	-
Interest income	3,493	-	24,611	-
Foreign exchange gains, net (Note 2)	-	-	114,011	1
Other (Notes 2, 5 and 20)	<u>28,518</u>	<u>-</u>	<u>69,796</u>	<u>-</u>
Total nonoperating income and gains	<u>77,317</u>	<u>-</u>	<u>211,838</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net (Note 2)	26,100	-	-	-
Equity in net loss of investees (Notes 2 and 9)	5,937	-	1,788	-
Interest expense	4,145	-	756	-
Impairment loss on financial assets carried at cost (Notes 2 and 8)	4,100	-	11,800	-
Other (Note 2)	<u>86</u>	<u>-</u>	<u>492</u>	<u>-</u>
Total nonoperating expenses and losses	<u>40,368</u>	<u>-</u>	<u>14,836</u>	<u>-</u>
INCOME BEFORE INCOME TAX	2,249,663	9	604,951	3
INCOME TAX EXPENSE (Notes 2 and 15)	<u>186,602</u>	<u>1</u>	<u>50,967</u>	<u>-</u>
NET INCOME	<u>\$ 2,063,061</u>	<u>8</u>	<u>\$ 553,984</u>	<u>3</u>

(Continued)



# PHISON ELECTRONICS CORP.

## NONCONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

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	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 15.63</u>	<u>\$ 14.33</u>	<u>\$ 4.46</u>	<u>\$ 4.08</u>
Diluted	<u>\$ 15.11</u>	<u>\$ 13.86</u>	<u>\$ 4.37</u>	<u>\$ 4.00</u>

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

(With Deloitte & Touche audit report dated February 5, 2010)

(Concluded)

**PHISON ELECTRONICS CORP.**

**NONCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2009 AND 2008  
(In Thousands of New Taiwan Dollars)**

	Capital Stocks Issued and Outstanding		Advance Receipts for Common Stock	Capital Surplus			Retained Earnings			Cumulative Translation Adjustments	Treasury Stock	Total Shareholders' Equity (Note 17)	
	Shares (Thousands)	Amount		Paid-in Capital in Excess of Par Value	Long-term Investment	Employee Stock Options	Total	Legal Reserve	Unappropriated				Total
BALANCE, JANUARY 1, 2008	101,180	\$ 1,011,802	\$ -	\$ 1,767,962	\$ 4,517	\$ -	\$ 1,772,479	\$ 235,243	\$ 1,977,073	\$ 2,212,316	\$ -	\$ -	\$ 4,996,597
Appropriation of the 2007 earnings													
Legal reserve	-	-	-	-	-	-	-	139,238	(139,238)	-	-	-	-
Bonus to employees - stock	2,200	22,000	-	-	-	-	-	-	(22,000)	(22,000)	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	(60,000)	(60,000)	-	-	(60,000)
Stock dividends - NT\$1.93637 per share	20,086	200,860	-	-	-	-	-	-	(200,860)	(200,860)	-	-	-
Cash dividends - NT\$5.80912 per share	-	-	-	-	-	-	-	-	(602,582)	(602,582)	-	-	(602,582)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(13,484)	(13,484)	-	-	(13,484)
Balance after appropriation	123,466	1,234,662	-	1,767,962	4,517	-	1,772,479	374,481	938,909	1,313,390	-	-	4,320,531
Effect of change in equity in an investee due to the Corporation's subscription for additional shares issued by an investee at a rate not equal to its current equity	-	-	-	-	16,571	-	16,571	-	-	-	-	-	16,571
Issuance of capital stock as of June 16, 2008 - NT\$128.00 per share	1,200	12,000	-	141,600	-	-	141,600	-	-	-	-	-	153,600
Issuance of capital stock as of June 23, 2008 - NT\$165.00 per share	2,100	21,000	-	325,500	-	-	325,500	-	-	-	-	-	346,500
Acquisition of treasury stock - 750 thousand shares	-	-	-	-	-	-	-	-	-	-	-	(127,645)	(127,645)
Compensation cost recognized for employee stock options	-	-	-	-	-	321	321	-	-	-	-	-	321
Net income in 2008	-	-	-	-	-	-	-	-	553,984	553,984	-	-	553,984
BALANCE, DECEMBER 31, 2008	126,766	1,267,662	-	2,235,062	21,088	321	2,256,471	374,481	1,492,893	1,867,374	-	(127,645)	5,263,862
Appropriation of the 2008 earnings													
Legal reserve	-	-	-	-	-	-	-	55,398	(55,398)	-	-	-	-
Stock dividends - NT\$0.89508 per share	12,000	120,000	-	-	-	-	-	-	(120,000)	(120,000)	-	-	-
Cash dividends - NT\$2.83442 per share	-	-	-	-	-	-	-	-	(380,000)	(380,000)	-	-	(380,000)
Balance after appropriation	138,766	1,387,662	-	2,235,062	21,088	321	2,256,471	429,879	937,495	1,367,374	-	(127,645)	4,883,862
Effect of change in equity in an investee due to the Corporation's subscription for additional shares issued by an investee at a rate not equal to its current equity	-	-	-	-	2,279	-	2,279	-	-	-	-	-	2,279
Bonus to employees - stock	661	6,611	-	106,389	-	-	106,389	-	-	-	-	-	113,000
Issuance of capital stock as of February 18, 2009 - NT\$53.00 per share	1,700	17,000	-	73,100	-	-	73,100	-	-	-	-	-	90,100
Issuance of capital stock as of May 15, 2009 - NT\$117.50 per share	5,600	56,000	-	602,000	-	-	602,000	-	-	-	-	-	658,000
Compensation cost recognized for employee stock options	-	-	-	-	-	41,862	41,862	-	-	-	-	-	41,862
Transfer of treasury stock to employees	-	-	-	-	-	-	-	-	(19,637)	(19,637)	-	127,645	108,008
Advance receipts for common stock - employee stock options	-	-	66,166	-	-	-	-	-	-	-	-	-	66,166
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	(1,643)	-	(1,643)
Net income in 2009	-	-	-	-	-	-	-	-	2,063,061	2,063,061	-	-	2,063,061
BALANCE, DECEMBER 31, 2009	146,727	\$ 1,467,273	\$ 66,166	\$ 3,016,551	\$ 23,367	\$ 42,183	\$ 3,082,101	\$ 429,879	\$ 2,980,919	\$ 3,410,798	\$ (1,643)	\$ -	\$ 8,024,695

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

(With Deloitte & Touche audit report dated February 5, 2010)

## PHISON ELECTRONICS CORP.

### NONCONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,063,061	\$ 553,984
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Amortization	55,552	55,013
Compensation cost of employee stock options	49,220	321
Depreciation	40,253	40,531
(Gain) loss on disposal and retirement of properties, net (including realized deferred credits)	(39,217)	207
Allowance for sales returns and discounts	24,383	-
Deferred income tax	(13,329)	18,474
Gain on disposal of intangible assets (including realized deferred credits)	(10,257)	(38,813)
Equity in net loss of investees	5,937	1,788
Allowance (reversal of) for doubtful accounts	4,117	(18,433)
Impairment loss on financial assets carried at cost	4,100	11,800
(Gain) loss on disposal of financial assets carried at cost	(2,365)	755
Losses on inventory valuation and obsolescence	-	24,036
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss - current	(461,604)	-
Notes and accounts receivable	(1,749,503)	321,698
Other financial assets	611	(30,665)
Inventories	(1,717,211)	629,067
Other current assets	(820,061)	(513,681)
Notes and accounts payable	1,568,823	(744,342)
Income tax payable	161,138	(111,670)
Accrued expenses	733,792	151,822
Other current liabilities	38,172	21,734
Prepaid pension cost	591	(629)
Net cash (used in) provided by operating activities	<u>(63,797)</u>	<u>372,997</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds of the disposal of properties	171,090	2,134
Increase in intangible assets	(57,468)	(35,082)

Increase in investments accounted for by the equity method	(43,353)	(135,138)
Acquisition of properties	(42,769)	(340,376)
Proceeds from investees' capital reduction	33,927	-
Proceeds of the disposal of financial assets carried at cost	16,965	1,745
Increase in financial assets carried at cost	(3,297)	(10,356)
Decrease in guarantee deposits paid	2,401	2,484
(Increase) decrease in restricted assets	(93)	5,153
Proceeds of the disposal of intangible assets	<u>-</u>	<u>50,000</u>
Net cash provided by (used in) investing activities	<u>77,403</u>	<u>(459,436)</u>

(Continued)

## PHISON ELECTRONICS CORP.

### NONCONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

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	2009	2008
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	\$ 799,750	\$ -
Proceeds of the issuance of capital stock	748,100	500,100
Cash dividends paid	(380,000)	(602,582)
Transfer of treasury stock to employee	100,650	-
Advance receipts for common stock - employee stock options	66,166	-
(Decrease) increase in guarantee deposit received	(287)	353
Cash paid for acquisition of treasury stock	-	(127,645)
Bonus to employees and remuneration to directors and supervisors	<u>-</u>	<u>(73,484)</u>
Net cash provided by (used in) financing activities	<u>1,334,379</u>	<u>(303,258)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,347,985</b>	<b>(389,697)</b>
<b>CASH, BEGINNING OF YEAR</b>	<u>2,367,946</u>	<u>2,757,643</u>
<b>CASH, END OF YEAR</b>	<u>\$ 3,715,931</u>	<u>\$ 2,367,946</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 4,068</u>	<u>\$ 756</u>
Income tax paid	<u>\$ 38,793</u>	<u>\$ 144,163</u>
<b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS</b>		
Increase in properties	\$ 44,722	\$ 337,626
(Increase) decrease in payables to contractors and equipment suppliers (included in other current liabilities)	<u>(1,953)</u>	<u>2,750</u>
Acquisition of properties	<u>\$ 42,769</u>	<u>\$ 340,376</u>

The accompanying notes are an integral part of the nonconsolidated financial statements.  
(With Deloitte & Touche audit report dated February 5, 2010)(Concluded)

### **REPRESENTATION LETTER**

The affiliates of Phison Electronics Corp. (the “Corporation”), which should have been included in the combined financial statements of the Corporation and its affiliates as of and for the year ended December 31, 2009 based on the “Regulations Governing The Preparation of Combined Financial Statements of Public Companies and Their Affiliates” in the Republic of China (ROC), are the same as those included in the consolidated financial statements of the Corporation and its subsidiary as of and for the year ended December 31, 2009, prepared under the Statement of Financial Accounting Standards No. 7, “Consolidated Financial Statements,” in the ROC. The information required to be disclosed in the combined financial statements has already been disclosed in the above consolidated financial statements. Consequently, there is no need to prepare separate combined financial statements of the Corporation and its affiliates.

Very truly yours,

PHISON ELECTRONICS CORP.

By

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KHEIN SENG PUA  
Chairman

February 5, 2010

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Phison Electronics Corp.

We have audited the accompanying consolidated balance sheets of Phison Electronics Corp. (the "Corporation") and its subsidiary as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Phison Electronics Corp. and its subsidiary as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the consolidated financial statements, in March 2007, the Accounting Research and Development Foundation of the Republic of China issued Interpretation No. 2007-052, which requires companies to recognize as compensation expenses the bonuses to employees and remuneration to directors and supervisors beginning January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings.

February 5, 2010

Notice to Readers

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

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



**PHISON ELECTRONICS CORP. AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2009 AND 2008**

**(In Thousands of New Taiwan Dollars, Except Par Value)**

ASSETS	2009		2008		LIABILITIES AND SHAREHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 4)	\$ 3,726,340	28	\$ 2,378,368	32	Short-term loans (Notes 13 and 21)	\$ 799,750	6	\$ -	-
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	461,604	4	-	-	Notes and accounts payable				
Notes and accounts receivable					Third parties	1,638,908	13	986,659	13
Third parties, net (Notes 2 and 6)	2,998,892	23	1,409,999	19	Related parties (Note 20)	1,611,637	12	695,063	10
Related parties (Note 20)	272,055	2	139,945	2	Income tax payable (Notes 2 and 15)	161,144	1	10	-
Other financial assets (Note 20)	31,295	-	31,906	1	Accrued expenses (Note 17)	980,634	7	359,842	5
Inventories, net (Notes 2, 3 and 7)	2,847,206	21	1,129,995	15	Other	88,168	1	48,043	1
Prepayments (Note 12)	1,380,472	10	703,641	10					
Deferred income tax assets - current (Notes 2 and 15)	163,177	1	150,198	2	Total current liabilities	5,280,241	40	2,089,617	29
Restricted assets (Note 21)	5,193	-	5,100	-					
Other	221,620	2	78,397	1	<b>OTHER LIABILITIES</b>				
					Guarantee deposits received	66	-	353	-
Total current assets	12,107,854	91	6,027,549	82	Deferred credits (Notes 2 and 20)	10,160	-	10,257	-
<b>LONG-TERM INVESTMENTS</b>					Total other liabilities	10,226	-	10,610	-
Investments accounted for by the equity method (Notes 2 and 9)	400,825	3	396,684	5					
Financial assets carried at cost - noncurrent (Notes 2 and 8)	29,953	-	45,356	1	Total liabilities	5,290,467	40	2,100,227	29
Total long-term investments	430,778	3	442,040	6	<b>SHAREHOLDERS' EQUITY (Notes 2, 3 and 17)</b>				
					Capital stock - NT\$10.00 par value				
<b>PROPERTIES (Notes 2, 10, 20 and 21)</b>					Authorized - 180,000 thousand shares				
Cost					Issued and outstanding - 146,727 thousand shares in 2009 and 126,766 thousand shares in 2008	1,467,273	11	1,267,662	17
Land	364,478	3	388,000	5	Advance receipts for common stock	66,166	-	-	-
Buildings	286,886	2	391,868	5	Capital surplus				
Testing equipment	108,135	1	97,502	2	Additional paid-in capital	3,016,551	23	2,235,062	31
Office equipment	15,652	-	14,948	-	From long-term investment	23,367	-	21,088	-
Other equipment	1,845	-	1,870	-	Employee stock options	42,183	-	321	-
Total cost	776,996	6	894,188	12	Total capital surplus	3,082,101	23	2,256,471	31
Less: Accumulated depreciation	92,251	1	67,969	1	Retained earnings				
	684,745	5	826,219	11	Legal reserve	429,879	3	374,481	5
Construction in progress	24,230	-	-	-	Unappropriated retained earnings	2,980,919	23	1,492,893	20
Prepayments for land and equipment	3,682	-	3,682	-	Total retained earnings	3,410,798	26	1,867,374	25
					Other equity				
Net properties	712,657	5	829,901	11	Cumulative translation adjustments	(1,643)	-	-	-
					Treasury stock - 750 thousand shares	-	-	(127,645)	(2)
<b>INTANGIBLE ASSETS (Notes 2, 11, 20 and 22)</b>					Total other equity	(1,643)	-	(127,645)	(2)
					Total shareholders' equity	8,024,695	60	5,263,862	71
<b>OTHER ASSETS</b>									
Guarantee deposits paid (Note 21)	1,827	-	4,228	-					
Deferred income tax assets - noncurrent (Notes 2 and 15)	1,798	-	1,448	-					
Miscellaneous (Notes 2 and 14)	3,741	-	4,332	-					
Total other assets	7,366	-	10,008	-					
<b>TOTAL</b>	<b>\$ 13,315,162</b>	<b>100</b>	<b>\$ 7,364,089</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 13,315,162</b>	<b>100</b>	<b>\$ 7,364,089</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated February 5, 2010)

# PHISON ELECTRONICS CORP. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 2 and 20)				
Gross sales	\$ 24,611,789	101	\$ 18,969,987	101
Less: Sales returns and allowances	<u>173,799</u>	<u>1</u>	<u>124,368</u>	<u>1</u>
Net sales	24,437,990	100	18,845,619	100
Service revenue	<u>22,478</u>	<u>-</u>	<u>10,695</u>	<u>-</u>
Total operating revenue	24,460,468	100	18,856,314	100
OPERATING COSTS (Notes 3, 7, 16 and 20)	<u>20,709,555</u>	<u>85</u>	<u>17,596,219</u>	<u>93</u>
GROSS PROFIT	<u>3,750,913</u>	<u>15</u>	<u>1,260,095</u>	<u>7</u>
OPERATING EXPENSES (Note 16)				
Marketing	295,976	1	201,810	1
General and administrative	261,887	1	235,296	2
Research and development	<u>980,389</u>	<u>4</u>	<u>415,098</u>	<u>2</u>
Total operating expenses	<u>1,538,252</u>	<u>6</u>	<u>852,204</u>	<u>5</u>
OPERATING INCOME	<u>2,212,661</u>	<u>9</u>	<u>407,891</u>	<u>2</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of properties (Notes 2 and 20)	39,242	-	-	-
Gains on disposal of investments, net (Notes 2, 5 and 8)	6,064	-	3,420	-
Interest income	3,549	-	24,810	-
Foreign exchange gains, net (Note 2)	-	-	114,011	1
Other (Notes 2, 5 and 20)	<u>28,518</u>	<u>-</u>	<u>69,798</u>	<u>-</u>
Total nonoperating income and gains	<u>77,373</u>	<u>-</u>	<u>212,039</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net (Note 2)	26,100	-	-	-
Equity in net loss of investees (Notes 2 and 9)	5,921	-	1,895	-
Interest expense	4,145	-	756	-
Impairment loss on financial assets carried at cost (Notes 2 and 8)	4,100	-	11,800	-
Other (Note 2)	<u>94</u>	<u>-</u>	<u>518</u>	<u>-</u>
Total nonoperating expenses and losses	<u>40,360</u>	<u>-</u>	<u>14,969</u>	<u>-</u>

(Continued)

**PHISON ELECTRONICS CORP. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF INCOME  
YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
CONSOLIDATED INCOME BEFORE INCOME TAX	\$ 2,249,674	9	\$ 604,961	3
INCOME TAX EXPENSE (Notes 2 and 15)	<u>186,613</u>	<u>1</u>	<u>50,977</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 2,063,061</u>	<u>8</u>	<u>\$ 553,984</u>	<u>3</u>
ATTRIBUTED TO SHAREHOLDERS OF THE PARENT	<u>\$ 2,063,061</u>	<u>8</u>	<u>\$ 553,984</u>	<u>3</u>
	<b>2009</b>		<b>2008</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 15.63</u>	<u>\$ 14.33</u>	<u>\$ 4.46</u>	<u>\$ 4.08</u>
Diluted	<u>\$ 15.11</u>	<u>\$ 13.86</u>	<u>\$ 4.37</u>	<u>\$ 4.00</u>

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

(With Deloitte & Touche audit report dated February 5, 2010)

(Concluded)

**PHISON ELECTRONICS CORP. AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2009 AND 2008  
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stocks Issued and Outstanding		Advance Receipts for Common Stock	Capital Surplus			Retained Earnings			Cumulative Translation Adjustment	Treasury Stock	Total Shareholders' Equity (Note 17)	
	Shares (Thousands)	Amount		Paid-in Capital in Excess of Par Value	Long-term Investment	Employee Stock Options	Total	Legal Reserve	Unappropriated				Total
BALANCE, JANUARY 1, 2008	101,180	\$ 1,011,802	\$ -	\$ 1,767,962	\$ 4,517	\$ -	\$ 1,772,479	\$ 235,243	\$ 1,977,073	\$ 2,212,316	\$ -	\$ -	\$ 4,996,597
Appropriation of the 2007 earnings													
Legal reserve	-	-	-	-	-	-	-	139,238	(139,238)	-	-	-	-
Bonus to employees - stock	2,200	22,000	-	-	-	-	-	-	(22,000)	(22,000)	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	(60,000)	(60,000)	-	-	(60,000)
Stock dividends - NT\$1.93637 per share	20,086	200,860	-	-	-	-	-	-	(200,860)	(200,860)	-	-	-
Cash dividends - NT\$5.80912 per share	-	-	-	-	-	-	-	-	(602,582)	(602,582)	-	-	(602,582)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(13,484)	(13,484)	-	-	(13,484)
Balance after appropriation	123,466	1,234,662	-	1,767,962	4,517	-	1,772,479	374,481	938,909	1,313,390	-	-	4,320,531
Effect of change in equity in an investee due to the Corporation's subscription for additional shares issued by an investee at a rate not equal to its current equity	-	-	-	-	16,571	-	16,571	-	-	-	-	-	16,571
Issuance of capital stock as of June 16, 2008 - NT\$128.00 per share	1,200	12,000	-	141,600	-	-	141,600	-	-	-	-	-	153,600
Issuance of capital stock as of June 23, 2008 - NT\$165.00 per share	2,100	21,000	-	325,500	-	-	325,500	-	-	-	-	-	346,500
Acquisition of treasury stock - 750 thousand shares	-	-	-	-	-	-	-	-	-	-	-	(127,645)	(127,645)
Compensation cost recognized for employee stock options	-	-	-	-	-	321	321	-	-	-	-	-	321
Consolidated net income in 2008	-	-	-	-	-	-	-	-	553,984	553,984	-	-	553,984
BALANCE, DECEMBER 31, 2008	126,766	1,267,662	-	2,235,062	21,088	321	2,256,471	374,481	1,492,893	1,867,374	-	(127,645)	5,263,862
Appropriation of the 2008 earnings													
Legal reserve	-	-	-	-	-	-	-	55,398	(55,398)	-	-	-	-
Stock dividends - NT\$0.89508 per share	12,000	120,000	-	-	-	-	-	-	(120,000)	(120,000)	-	-	-
Cash dividends - NT\$2.83442 per share	-	-	-	-	-	-	-	-	(380,000)	(380,000)	-	-	(380,000)
Balance after appropriation	138,766	1,387,662	-	2,235,062	21,088	321	2,256,471	429,879	937,495	1,367,374	-	(127,645)	4,883,862
Effect of change in equity in an investee due to the Corporation's subscription for additional shares issued by an investee at a rate not equal to its current equity	-	-	-	-	2,279	-	2,279	-	-	-	-	-	2,279
Bonus to employees - stock	661	6,611	-	106,389	-	-	106,389	-	-	-	-	-	113,000
Issuance of capital stock as of February 18, 2009 - NT\$53.00 per share	1,700	17,000	-	73,100	-	-	73,100	-	-	-	-	-	90,100
Issuance of capital stock as of May 15, 2009 - NT\$117.50 per share	5,600	56,000	-	602,000	-	-	602,000	-	-	-	-	-	658,000
Compensation cost recognized for employee stock options	-	-	-	-	-	41,862	41,862	-	-	-	-	-	41,862
Transfer of treasury stock to employees	-	-	-	-	-	-	-	-	(19,637)	(19,637)	-	127,645	108,008
Advance receipts for common stock - employee stock options	-	-	66,166	-	-	-	-	-	-	-	-	-	66,166
Foreign long-term investments translation adjustment	-	-	-	-	-	-	-	-	-	-	(1,643)	-	(1,643)
Consolidated net income in 2009	-	-	-	-	-	-	-	-	2,063,061	2,063,061	-	-	2,063,061
BALANCE, DECEMBER 31, 2009	146,727	\$ 1,467,273	\$ 66,166	\$ 3,016,551	\$ 23,367	\$ 42,183	\$ 3,082,101	\$ 429,879	\$ 2,980,919	\$ 3,410,798	\$ (1,643)	\$ -	\$ 8,024,695

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

(With Deloitte & Touche audit report dated February 5, 2010)

**PHISON ELECTRONICS CORP. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**  
**(In Thousands of New Taiwan Dollars)**

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 2,063,061	\$ 553,984
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Amortization	55,552	55,013
Compensation cost of employee stock options	49,220	321
Depreciation	40,253	40,531
(Gain) loss on disposal and retirement of properties, net (including realized deferred credits)	(39,217)	207
Allowance for sales returns and discounts	24,383	-
Deferred income tax	(13,329)	18,474
Gain on disposal of intangible assets (including realized deferred credits)	(10,257)	(38,813)
Equity in net loss of investees	5,921	1,895
Allowance (reversal of) for doubtful accounts	4,117	(18,433)
Impairment loss on financial assets carried at cost	4,100	11,800
(Gain) loss on disposal of financial assets carried at cost	(2,365)	755
Losses on inventory valuation and obsolescence	-	24,036
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss - current	(461,604)	-
Notes and accounts receivable	(1,749,503)	321,698
Other financial assets	611	(30,665)
Inventories	(1,717,211)	629,067
Other current assets	(820,054)	(513,694)
Notes and accounts payable	1,568,823	(744,342)
Income tax payable	161,134	(111,660)
Accrued expenses	733,792	151,822
Other current liabilities	38,172	21,734
Prepaid pension cost	591	(629)
	<u>(63,810)</u>	<u>373,101</u>
Net cash (used in) provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds of the disposal of properties	171,090	2,134
Increase in intangible assets	(57,468)	(35,082)
Increase in investments accounted for by the equity method	(43,353)	(135,138)
Acquisition of properties	(42,769)	(340,376)
Proceeds from investees' capital reduction	33,927	-
Proceeds of the disposal of financial assets carried at cost	16,965	1,745
Increase in financial assets carried at cost	(3,297)	(10,356)
Decrease in guarantee deposits paid	2,401	2,484
(Increase) decrease in restricted assets	(93)	5,153
Proceeds of the disposal of intangible assets	-	50,000
	<u>-</u>	<u>50,000</u>
Net cash provided by (used in) investing activities	<u>77,403</u>	<u>(459,436)</u>

(Continued)

# PHISON ELECTRONICS CORP. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	\$ 799,750	\$ -
Proceeds of the issuance of capital stock	748,100	500,100
Cash dividends paid	(380,000)	(602,582)
Transfer of treasury stock to employee	100,650	-
Advance receipts for common stock - employee stock options	66,166	-
(Decrease) increase in guarantee deposit received	(287)	353
Capital paid for acquisition of treasury stock	-	(127,645)
Bonus to employees and remuneration to directors and supervisors	<u>-</u>	<u>(73,484)</u>
Net cash provided by (used in) financing activities	<u>1,334,379</u>	<u>(303,258)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,347,972</b>	<b>(389,593)</b>
<b>CASH , BEGINNING OF YEAR</b>	<u><b>2,378,368</b></u>	<u><b>2,767,961</b></u>
<b>CASH, END OF YEAR</b>	<u><b>\$ 3,726,340</b></u>	<u><b>\$ 2,378,368</b></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 4,068</u>	<u>\$ 756</u>
Income tax paid	<u>\$ 38,804</u>	<u>\$ 144,173</u>
<b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS</b>		
Increase in properties	\$ 44,722	\$ 337,626
(Increase) decrease in payables to contractors and equipment suppliers (included in other current liabilities)	<u>(1,953)</u>	<u>2,750</u>
Acquisition of properties	<u>\$ 42,769</u>	<u>\$ 340,376</u>

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

(With Deloitte & Touche audit report dated February 5, 2010)

(Concluded)

**【 Attachment 5 】**  
**【 The amendment comparison table for the Articles of the Corporation 】**

Original	Amendment	Reason
<p>Article 5</p> <p>The total capital stock of the Company shall be in the amount of 2,000,000,000 New Taiwan Dollars, divided into 200,000,000 shares, at ten New Taiwan Dollars each, and authorize the Board of Directors to issue in installments.</p> <p>The Company may reserve 120,000,000 New Taiwan Dollars of the total capital stock of the Company, divided into 12,000,000 shares, at ten New Taiwan Dollars each, to issue employee stock options in installments under resolution of the Board of Directors.</p>	<p>Article 5</p> <p>The total capital stock of the Company shall be in the amount of <u>2,300,000,000</u> New Taiwan Dollars, divided into <u>230,000,000</u> shares, at ten New Taiwan Dollars each, and authorize the Board of Directors to issue in installments.</p> <p>The Company may reserve <u>160,000,000</u> New Taiwan Dollars of the total capital stock of the Company, divided into <u>16,000,000</u> shares, at ten New Taiwan Dollars each, to issue employee stock options in installments under resolution of the Board of Directors.</p>	<p><b>To Amend according to the Company's operation need.</b></p>
<p>Article 7</p> <p>The share certificates of the Company shall all be name-bearing share certificates with signatures or stamps not less than three Directors.</p> <p>The Company may print a consolidated share certificate in issuing new shares after going public. It may also be exempted from printing any share certificate for the shares issued.</p>	<p>Article 7</p> <p>The share certificates of the Company shall all be name-bearing share certificates with signatures or stamps not less than three Directors.</p> <p>The Company may print a consolidated share certificate in issuing new shares after going public. <u>It may also be exempted from printing any share certificate for the shares issued and login at TDCC. (Taiwan Depository &amp; Clearing Corp.)</u></p>	<p><b>To Amend according to the Company's operation need.</b></p>
<p>Article 8-1</p> <p>The stock affairs of the Company shall follow the 'Criteria Governing Handling of Stock Affairs by Public Companies'.</p>	<p>Article 8-1</p> <p>The stock affairs of the Company shall follow the 'Criteria Governing Handling of <u>Stock</u> Affairs by Public Companies'.</p>	

Original	Amendment	Reason
None	<u>Article 12-1</u> <u>The reasons for calling a board of directors meeting shall be notified to each director and supervisor at least seven days in advance. In emergency circumstances, However, a meeting may be called on shorter notice. The calling a board of directors meeting notice also could be by Email or fax letters.</u>	<b>To Amend according to the Company's operation need.</b>
<p>Article 21</p> <p>These Articles of Incorporation are agreed to and signed on October 24, 2000.</p> <p>The first Amendment was approved by the shareholders' meeting on November 24, 2000, the second Amendment on September 5, 2001, the third Amendment on February 15, 2002, the fourth Amendment on April 9, 2002, the fifth Amendment on June 25, 2002, the sixth Amendment on March 26, 2003, the seventh Amendment on November 12, 2003, the eighth Amendment on June 15, 2004, the ninth Amendment on March 17, 2005, the tenth Amendment on June 16, 2005. the eleventh Amendment on June 14, 2006. the twelveth Amendment on November 1, 2006. the thirteenth Amendment on June 13, 2007. the fourteenth Amendment on June 13, 2008.</p>	<p>Article 21</p> <p>These Articles of Incorporation are agreed to and signed on October 24, 2000.</p> <p>The first Amendment was approved by the shareholders' meeting on November 24, 2000, the second Amendment on September 5, 2001, the third Amendment on February 15, 2002, the fourth Amendment on April 9, 2002, the fifth Amendment on June 25, 2002, the sixth Amendment on March 26, 2003, the seventh Amendment on November 12, 2003, the eighth Amendment on June 15, 2004, the ninth Amendment on March 17, 2005, the tenth Amendment on June 16, 2005. the eleventh Amendment on June 14, 2006. the twelveth Amendment on November 1, 2006. the thirteenth Amendment on June 13, 2007. the fourteenth Amendment on June 13, 2008, the fifteenth Amendment on May 8, 2009.</p> <p><b><u>the sixteenth Amendment on June 15,2010.</u></b></p>	<p><b>Add the date of the sixteenth Amendment</b></p>



## 【Attachment 6】

### 群聯電子股份有限公司 九十九年度私募現金增資發行新股價格合理性 獨立專家審查意見

群聯電子股份有限公司(以下簡稱該公司)目前實收資本額 1,472,647,860 元，每股面額 10 元，分為 147,264,786 股。該公司擬於 99 年 3 月 26 日召開董事會決議通過私募現金增資發行新股案，並提報 99 年 6 月 15 日股東常會通過，預計發行私募普通股總額不超過 5,000 仟股，每股面額 10 元，增加實收資本額總額不超過 50,000 仟元，且預計於一年內分二次發行。該公司本次私募每股價格之訂定，不得低於定價日前一、三或五個營業日擇一計算之普通股收盤價簡單算術平均數扣除無償配股除權及配息，並加回減資反除權後之每股股價之七成，本人依據「公開發行公司辦理私募有價證券應注意事項」出具本次私募價格之合理性意見如下：

#### 一、最近三年度及最近期財務資料

##### (一)資產負債表

單位：新台幣仟元

年度 項目	95 年底	96 年底	97 年底	98 年度 9 月底
流動資產	5,486,189	6,828,580	6,017,100	10,328,392
基金及投資	125,769	306,502	452,479	411,894
固定資產	77,617	535,147	829,901	704,298
無形資產	37,065	75,577	54,591	38,159
其他資產	62,041	10,536	10,008	329,580
資產總額	5,788,681	7,756,342	7,364,079	11,812,323
流動負債	2,941,556	2,759,745	2,089,607	4,577,527
長期負債	-	-	-	-
其他負債	-	-	10,610	17,181
負債總額	2,941,556	2,759,745	2,100,217	4,594,708
股本	725,771	1,011,802	1,267,662	1,467,273
資本公積	723,524	1,772,479	2,256,471	3,068,443
保留盈餘	1,397,830	2,212,316	1,867,374	2,681,899
庫藏股票	-	-	(127,645)	-
股東權益總額	2,847,125	4,996,597	5,263,862	7,217,615

資料來源：95~97 年度及 98 年度第三季經會計師查核簽證或核閱之財務報告

##### (二)損益表

單位：新台幣仟元

項目 年度	95 年度	96 年度	97 年度	98 年度 第三季
營業收入	12,451,974	20,258,191	18,856,314	16,562,413
營業毛利	1,705,356	2,301,363	1,284,126	2,522,709
營業利益	1,152,451	1,584,666	431,980	1,468,164
營業外收入	75,811	98,329	211,843	60,426
營業外支出	124,740	152,478	38,872	43,138
稅前淨利	1,103,522	1,530,517	604,951	1,485,452
本期淨利	1,071,212	1,394,553	553,984	1,334,163
每股盈餘(註)	15.15	14.15	4.45	9.33

資料來源：95~97 年度及 98 年度第三季經會計師查核簽證或核閱之財務報告

註：係列示各年度財務報告揭露之基本每股稅後盈餘

## 二、私募價格低於參考價格成數合理性評估

群聯電子擬於 99 年 3 月 26 日董事會決議本次私募每股價格之訂定，以不低於參考價格之七成為原則，若以該公司 99 年 3 月 26 日為暫訂定價日，以暫訂定價日前 1 個營業日普通股收盤價簡單算術平均數 245.00 元之七成計算之暫定參考價格為 171.50 元，則該公司暫定之私募價格新台幣 180 元~195 元，經核算不低於上述參考價格之七成。另經採樣最近一年內，國內六家上市櫃公司業經股東會決議之私募案，主要辦理私募之必要理由係以引進策略性投資法人為主，其所定私募價格與參考價格成數之關係，彙列如下：

公司名稱	股東會決議日期	不低於參考價成數
嘉晶	98.03.20	八成
原相	98.04.30	七成
聚積	98.06.03	六成
亞元	98.06.16	八成
威剛	98.06.30	七成
勁永	98.08.14	八成

資料來源：公開資訊觀測站

## 三、私募價格合理性評估

該公司主要營業項目為設計與銷售 NAND 型快閃記憶體控制晶片、矽碟機及小型記憶卡等產品，採樣依據係以主要營業項目與該公司相近者為主，因此以上市公司創見資訊與上櫃公司威剛科技及安國科技為採樣同業，其相關資料如下：

項目	採樣同業 創見(2451)	威剛(3260)	安國(8054)	群聯(8299)
98.09.30 股東權益(千元)(1)	16,715,726	6,666,989	1,691,065	7,217,615
99.02.28 發行股數(股)(2)	418,891	225,907	82,426	147,265
每股淨值(元)(3)=(1)÷(2)	39.90	29.51	20.52	49.01
最近 30 個交易日平均收盤價(元)(99.2.4~99.3.25) (4)	108.90	83.07	55.63	219.98
股價淨值比(倍)(4)÷(3)	2.73	2.81	2.71	4.49

最近四季稅後盈餘(仟元) (97.10.01~98.09.30) (5)	3,588,254	464,898	195,859	1,508,823
每股盈餘(元)(6)=(5)÷(2)	8.57	2.06	2.38	10.25
本益比(倍)(7)=(4)÷(6)	12.71	40.33	23.37	21.46

資料來源：各公司 97 年度及 98 年度第三季經會計師查核簽證或核閱之財務報告；台灣證券交易所、財團法人中華民國證券櫃檯買賣中心及公開資訊觀測站之統計資料。

目前市場上一般常用之股價評估方式包括淨值比還原法及本益比還原法等，茲利用此二項評價法評估該公司之合理價格說明如下：

(一) 淨值比還原法

$$\begin{aligned} \text{每股價值} &= \text{採樣公司平均股價淨值比} \times \text{該公司每股淨值} \\ &= [(2.73 + 2.81 + 2.71) \div 3] \times 49.01 \\ &= 134.78 \text{ 元} \end{aligned}$$

(二) 本益比還原法

$$\begin{aligned} \text{每股價值} &= \text{採樣公司平均本益比(註)} \times \text{該公司每股盈餘} \\ &= [(12.71 + 40.33 + 23.37) \div 3] \times 10.25 \\ &= 261.07 \text{ 元} \end{aligned}$$

四、結論

本人經比較群聯電子與前述之國內上市櫃公司私募案所定私募價格與參考價格成數關係，該公司本次私募每股價格之訂定以不低於參考價格之七成為原則，及其暫訂之私募價格佔參考價格之成數，與採樣公司所定成數相較，尚屬合理。另，依據淨值比還原法及本益比還原法計算之該公司合理發行價格分別為 134.78 元及 261.07 元，以該公司暫訂之私募價格為新台幣 180 元~195 元之區間，亦介於同業淨值比還原法及本益比還原法計算值之間。綜上所述，群聯電子本次私募案經選樣比較，其私募價格低於參考價格之成數，尚屬合理；其暫訂之私募價格區間經依本益比法及股價淨值法與選樣資訊比較，尚屬合理。

## 證券專家獨立聲明書

本人受託就群聯電子股份有限公司辦理九十九年度私募現金增資發行新股案，就其私募價格出具合理性意見書。

本人為執行上開業務，特聲明並無下列情事：

1. 本人或配偶現受該發行公司或證券承銷商聘雇，擔任經常工作，支領固定薪給者。
2. 本人或配偶曾任該發行公司或證券承銷商之職員，而解任未滿二年者。
3. 本人或配偶任職之公司與該發行公司或證券承銷商互為關係人者。
4. 與該發行公司或證券承銷商負責人或經理人有配偶或二等親以內親屬關係者。
5. 本人或配偶與該發行公司或證券承銷商有投資或分享利益之關係者。
6. 為台灣證券交易所股份有限公司現任之董事、監察人及其配偶或二等親以內親屬關係者。
7. 本人或配偶任職之公司與該發行公司具有業務往來關係者。

本人為群聯電子股份有限公司辦理九十九年度私募現金增資發行新股案，提出之專家評估意見均維持超然獨立之精神。

評估人： 劉克宜

中 華 民 國 九 十 九 年 三 月 二 十 五 日

## **【 APPENDIX 1 】**

### **PHISON ELECTRONICS CORP.**

#### **RULES AND PROCEDURES OF SHAREHOLDERS' MEETING**

1. Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures. Any matter not provided in these Rules and Procedures shall be handled in accordance with the Company Law and the Articles of Incorporation of the Company.
2. Shareholders or their representatives attending the Meeting shall wear on Certificate of Attendance. They shall also sign on the attendance book or submit the attendance card for the purpose of calculating the number of shares represented by shareholders attending the Meeting.
3. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
4. The Company may appoint designated counsel, CPA or other related persons to attend the Meeting. Persons handling affairs of the Meeting shall wear identification cards or badges.
5. The process of the Meeting shall be tape-recorded or videotaped and these tapes shall be preserved for at least one year.
6. Chairman shall call the Meeting to order at the time the number of shares represented by the shareholders present at the Meeting constituted the quorum. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, Chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of the total outstanding shares, tentative resolutions may be made in accordance with Article 175 of the Company Law. If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, Chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law.
7. The Agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda.

The above provision applies mutatis mutandis to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

7-1 The shareholders who held more than one percent (including one percent) of total outstanding shares of the Company can propose the motion of the regular shareholder meeting in written form.

The Company should announce the period and place of accepting shareholders to propose the motions before the suspension period of stock transfer before the regular shareholder meeting. And the period of accepting shareholders to propose the motions can not less than ten days.

The motions proposed by the shareholders need to be discussed by the board directors meeting, if there are no any concerns happened as below , the motions should be added into the meeting notice of the regular shareholders meeting:

- (1) The motion should not be discussed by the shareholders meeting.
- (2) The shareholder who proposed the motion, his/her shareholding rate of total outstanding shares of the Company did not reach one percent during the suspension period of stock transfer before the regular shareholder meeting..
- (3) The motion was proposed over the accepting period announced by the Company.
- (4) The shareholder proposed more than one motion, or the wordings (including the punctuation marks) in the motion more than 300 words, or the motion was not proposed in written form.

The Company should inform the shareholder the result of the motion proposed by this shareholder before the date of the notice of regular shareholder meeting. For the motions not added into the regular shareholder meeting, the board directors should explain the reason in the meeting agenda handbook of regular shareholder meeting, and don't need to be included in the meeting agenda and minutes.

8. Chairman of the Board of Directors shall be the Chairman presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. In case the Chairman of the Board of Directors is on leave of absence or cannot exercise his powers and authority for any cause, the Vice Chairman shall act on his behalf. In case there is no Vice Chairman or Vice Chairman

is also on leave of absence or cannot exercise his power and authority for any cause, Chairman of the Board of Directors may designate one of the managing directors or, where there are no managing directors, one of the directors, to act on his behalf. In the absence of such a designation, the managing directors or directors shall elect one from among themselves. If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the Chairman to preside at the Meeting.

9. During the Meeting, the Chairman may, at his discretion, set time for intermission.
10. Items which were not listed on the Meeting Agenda shall not be discussed or be resolved. Chairman may announce to end or stop the discussion if Chairman deems it appropriate.
11. When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card), the name of the shareholder and the amount his shareholding. The sequence of speeches by shareholders should be decided by Chairman.
12. Unless otherwise permitted by the Chairman, each shareholder shall not speak more than two times (each time not exceeding 5 minutes). If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.
13. After the speech of a shareholder, the Chairman may respond himself/herself or appoint an appropriate person to respond.
14. In case the speech of any shareholder exceeds the limitation of time or the scope of the discussion item, Chairman may stop the speech of such shareholder. If the shareholder who do not obey Chairman's order and disturb the order of the Meeting, Chairman may stop his attendance.
15. The Chairman shall announce to go into voting if the issues had been announced to end or stop the discussion.
16. Except otherwise specified in the Company Law or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by Chairman.
17. The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.

18. If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.  
If the motions in written form proposed by the shareholders according to the Article 172-1 of the Company Law and were approved to add into the regular shareholders meeting were the same kind of motion proposed by the board directors, the motions will be combined and be discussed by the rule of above-mentioned item.  
The chairman shall decide the sequence of discussing and voting of the motions proposed by shareholders at the extemporaneous motions period.
19. The Chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.
20. In case of air attack alarmed during the proceeding of the Meeting, the Meeting shall be suspended and the attendants shall split immediately. Chairman may resume the Meeting one hour after the alarm dismissed.
21. This "Rules and Procedures" shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.
22. This "Rules and Procedures" was established on 26<sup>th</sup> March 2003.  
The first Amendment was on June 14, 2006.



## **【 APPENDIX 2】**

*(This Rules For Election Of Directors And Supervisors had been translated into English from the original Chinese version prepared and used in the Republic of China and only for reference.)*

# **PHISON ELECTRONICS CORP. ARTICLES OF THE CORPORATION**

### **Section I - General Provisions**

1. The Company shall be incorporated under the Company Law, and its name shall be Phison Electronics Corp.
2. The scope of business of the Company shall be as below:
  - 1). CC01080 Electronics Parts Production
  - 2). I301010 Information Software Service
  - 3). F218010 Information Software Retailing
  - 4). F119010 Electronics Material Wholesaling
  - 5). F219010 Electronics Material Retailing
  - 6). CE01030 Optical Instruments Manufacturing
  - 7). CC01120 Data Storage Media Equipment Manufacturing and coping
  - 8). I501010 Product Designation
  - 9). F401010 International Trade Business
  - 10). ZZ99999 In addition to the permitted businesses, the Company can operate the business and the investments which are not forbade or limited by the laws.
- 2-1. The Company may provide endorsement and guarantee and act as a guarantor.
- 2-2. The total amount of the Company's reinvestment shall not be subject to the restriction of not more than forty percent of the Company's paid-up capital as provided in Article 13 of the Company Law.
3. The Company shall have its head office in Hsin Chu, Taiwan, Republic of China, and shall be free to set up branch offices at various locations within and without the territory of the Republic of China upon the resolution of the Board of Directors.
4. (deleted)

## **Section II - Capital Stock**

5. The total capital stock of the Company shall be in the amount of 2,000,000,000 New Taiwan Dollars, divided into 200,000,000 shares, at ten New Taiwan Dollars each, and authorize the Board of Directors to issue in installments.

The Company may reserve 120,000,000 New Taiwan Dollars of the total capital stock of the Company, divided into 12,000,000 shares, at ten New Taiwan Dollars each, to issue employee stock options in installments under resolution of the Board of Directors.

6. (deleted)

7. The share certificates of the Company shall all be name-bearing share certificates with signatures or stamps not less than three Directors.

The Company may print a consolidated share certificate in issuing new shares after going public. It may also be exempted from printing any share certificate for the shares issued.

8. Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular shareholder's meeting, and thirty (30) days immediately before the date of any special shareholder's meeting, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company.

Time of previous item, starts from the date the meeting was hold or from standard date.

- 8-1. The stock affairs of the Company shall follow the 'Criteria Governing Handling of Stock Affairs by Public Companies'.

## **Section III - Shareholder's Meeting**

9. Shareholders' meetings of the Company are of two types, namely: (1) regular meetings and (2) special meetings. Regular meetings shall be convened, by the Board of Directors, within six (6) months after the close of each fiscal year. Special meetings shall be convened if necessary in accordance with the relevant laws.
10. If a shareholder is unable to attend a meeting, he/she may appoint a representative to attend it, and to exercise, on his/her behalf, all rights at the meeting by executing a power of attorney printed by the Company therein the

scope of power authorized to the proxy. Excepted provided by Article 177 of the Company Law, the use of proxy shall follow 'Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies'.

11. Each share of stock shall be entitled to one vote, except the conditions regulated by the Term 3 of Article 157 and Article 179 of Company Law.
- 11-1. The shareholders' meeting shall be convened by the Board of Directors and be presided over by the Chairman of the Board of Directors of the Company. In case the Chairman of the Board of Directors is on leave of absence, the Chairman may designate one of the directors, to act on his behalf. In the absence of such a designation, the directors shall elect one from among themselves. If the Meeting is convened by any other person entitled to convene the Meeting, such person shall be the chairman to preside at the Meeting. If there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.
12. Except as provided in the Company Law, shareholders' meetings may be held if attended by shareholders in person or by proxy representing more than one half of the total issued and outstanding capital stock of the Company, and resolutions shall be adopted at the meeting with the concurrence of a majority of the votes held by shareholders present at the meeting.

#### **Section IV - Directors and Supervisors**

13. The Company shall have seven Directors and three Supervisors who shall be elected by the shareholders' meeting from among the persons with disposing capacity. The tenure of them shall be three (3) years. But he /she may be eligible for re-election.

The total shares of the nominal shares of all directors and supervisors must not be less than the shareholding percentage regulation which was set by the rules and audit procedures for directors and supervisors share ownership ratio at public companies.

- 13-1.

The Company shall have two independent Directors among the above-mentioned number of Directors. The independent Directors shall be elected by the system of

nominating candidates and by the shareholders' meeting from the list of candidates of independent Directors

14. The Board of Directors is constituted by the Directors. The Directors shall elect from among themselves a Chairman of the Board of Directors by a majority in a meeting attended by over two-thirds of the Directors. The Chairman of the Board of Directors shall have the authority to represent the Company.
15. In case the Chairman of the Board of Directors is on leave of absence, the affairs of chairing the board of directors' meeting shall be dealt by Article 208 of the Company Law. The board of directors' meeting shall be convened by the Chairman of the Board of Directors. The chairing of the board of directors' meeting shall in accordance with the 'Regulations Governing Procedure for Board of Directors Meetings.

Each director shall attend the meeting of the board of directors in person. In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person. In case a director appoints another director to attend a meeting of the board of directors in his/her behalf, he/she shall, in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. Consigned proxy is limited to one director per person only.

16. The compensation of the chairman, directors and supervisors shall be resolved by the authorized Board of directors according to their individual participated degree of business operating and the contribution value and the normal standard of the same business companies.

The Company may take out liability insurance for Directors and Supervisors for the legal liability in their scope of business performance within the term of office.

## **Section V - Managers**

17. The Company may appoint the managements. Appointment, discharge and remuneration of the managements shall be dealt in accordance with the Article 29 of Company Law.

## Section VI - Accounts

18. After the close of each fiscal year, thirty (30) days before the date of regular shareholder's meeting, the Company shall submit the following reports which shall be prepared by the Board of Directors, and, after being audited by the Supervisors of the Company, to the regular shareholders' meeting for acceptance:
1. Business Report;
  2. Financial Statements;
  3. Proposal Concerning Appropriation of Net Profits or Covering of Losses.
19. When allocating the profits for each fiscal year, the Company shall first paid its tax, offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, and shall set aside or reverse the special surplus capital reserve according to the law and regulation of related authorities. The rest of the profits accumulated with the not yet distributed profits in previous years shall be wholly or partly to set aside as the distributable profits. The Board of Directors shall submit a proposal regarding the distribution of profits in accordance the actual operation situation of the Company to the Shareholders' Meeting for their approval. The profits shall be distributed by the following sequence: (1)1% for the compensation of the Directors and Supervisors, (2)22% to 32% for employees' bonus, and (3) the others for shareholders' dividends. If the employees' bonus are distributed by the share stocks, the employees who can be distributed the stock bonus may include the employees of subsidiaries who need conform to specific conditions.

It is because of the business of the Company is during the period of growing, and therefore the policy shall be made regarding dividend distribution shall be adjusted in accordance with the factors such as investment circumstance, cash demanding, competition inside and outside the country, and budget of the capital. The interest of shareholders, equivalent of dividends and long-term financial plan shall also be considered in making the policy. The Board of Directors shall submit the Report of Dividends Distribution to the Shareholders' Meeting annually for their approval. In paying of the shareholders' dividends, the Company shall distribute dividends by cash or stocks, and the cash-dividends shall take the ratio of the total amount of the shareholders' dividends not less than 10%.

## **Section VII - Supplementary Provisions**

20. In regard to all matters not provided for in these Articles of the Corporation, the Company Law shall govern.

21. These Articles of Incorporation are agreed to and signed on October 24, 2000.

The first Amendment was approved by the shareholders' meeting on November 24, 2000, the second Amendment on September 5, 2001, the third Amendment on February 15, 2002, the fourth Amendment on April 9, 2002, the fifth Amendment on June 25, 2002, the sixth Amendment on March 26, 2003, the seventh Amendment on November 12, 2003, the eighth Amendment on June 15, 2004, the ninth Amendment on March 17, 2005, the tenth Amendment on June 16, 2005, the eleventh Amendment on June 14, 2006, the twelfth Amendment on November 1, 2006, the thirteenth Amendment on June 13, 2007, the fourteenth Amendment on November 1, 2006, the fifteenth Amendment on May 8, 2008.

**【 APPENDIX 3 】****THE EXPLAIN TABLE OF EMPLOYEES BONUS AND THE  
COMPENSATION OF DIRECTORS AND SUPERVISORS**

ITEMS	BOD Meeting proposed amount(A)	Estimation Amount ( B )	Difference amount ( A-B )	Different Reason and processing affairs
Employees cash dividends	490,000,000	483,524,892	6,475,108	Consider to Phison Articles of the Corporation and encourage to employees, the different will be list on 2010 profit or loss.
COMPENSATION OF DIRECTORS AND SUPERVISORS	15,380,010	21,978,405	-6,598,395	

**【 APPENDIX 4 】****PHISON ELECTRONICS CORP.****SHAREHOLDING OF ALL DIRECTORS AND SUPERVISORS**

1. The mandatory ratio of shareholding for Directors and Supervisors and their shareholdings are as follows :
  - 1). The outstanding shares : 147,517,286 common shares
  - 2). The minimum required combined shareholding of all directors by law : 8,851,037 shares
  - 3). The minimum required combined shareholding of all supervisors by law : 885,103 shares
2. The shareholding of all Directors and Supervisors as of 17<sup>th</sup> April, 2010, the start date of lock up of this Regular Shareholders' Meeting, are as follows:

As of 17<sup>th</sup> April, 2010

Title	Name	Shareholding	Representative
Chairman	K.S. Pua	3,793,483	
Director	TOSHIBA CORP.	22,696,953	T. Nakagawa
Director	Daniel Jow	952,462	
Director	C.K. AW	3,907,965	
Director	Kuang	1,223,170	
Independent Director	Shu-Fen Wang	0	
Independent Director	Uchida-san	0	
Total Amount of Shares Held by Directors		32,574,033	
Ratio of total Outstanding Shares		22.08	
Supervisor	Joe Wang	80,629	
Supervisor	Eric OY	867,026	
Independent Supervisor	Yang-Bin Shen	0	
Total Amount of Shares Held by Supervisors		947,655	
Ratio of total Outstanding Shares		0.64	



## **【 APPENDIX 5】**

**The effect for the Company's operating performance, EPS and ROE changed in 2010 by the stock dividend distribution of 2009 which proposed to be discussed at the shareholders meeting**

The Company didn't disclose the financial forecast of 2010, so we don't need to disclose the information of operating performance, EPS and ROE in 2010.

## **【 APPENDIX 6】 OTHER EXPLANATION ITEMS**

For the status of the motions proposed by the shareholders at the regular shareholders meeting:

Explanation:

1. According to the article 172-1 of Company Law, the shareholders who held more than one percent (including one percent) of total outstanding shares of the Company can propose the motion of the regular shareholder meeting in written form. And the shareholder can only propose one motion, and the wordings (including the punctuation marks) in the motion cannot be more than 300 words.
2. The period of accepting the shareholder to propose the motion for this regular shareholders meeting was April 9~April 19, 2010, and the period was also announced on the website of MOPS.
3. The Company did not receive any motions proposed by the shareholders.