

**Phison Electronics Corp. and Subsidiaries**  
**Consolidated Financial Statements**  
**With Independent Auditors' Review Report**  
**For the Nine Months Ended September 30, 2024 and 2023**

Address: 10F-6, No.251, Fuxing 1st St., Zhubei City, Hsinchu County  
Telephone: (037)586-896

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

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安侯建業聯合會計師事務所  
KPMG

新竹市科學園區300091展業一路11號  
No. 11, Prosperity Road I, Hsinchu Science Park,  
Hsinchu, 300091, Taiwan (R.O.C.)

電話 Tel	+ 886 3 579 9955
傳真 Fax	+ 886 3 563 2277
網址 Web	kpmg.com/tw

## Independent Auditors' Review Report

To the Board of Directors of Phison Electronics Corp.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Phison Electronics Corp. and its subsidiaries ("the Group") as of September 30, 2024 and 2023, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, changes in equity and cash flows for the nine months ended September 30, 2024 and 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard ("IASs") 34, "Interim Financial Reporting", endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 4(2), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$5,204,366 thousand and \$3,693,357 thousand, each constituting 7% and 6% of the consolidated total assets as of September 30, 2024 and 2023, respectively, total liabilities amounting to \$849,980 thousand and \$844,226 thousand, each constituting 3% and 4% of the consolidated total liabilities as of September 30, 2024 and 2023, respectively, and total comprehensive income (loss) amounting to \$(10,701) thousand, \$114,394 thousand, \$312,816 thousand and \$112,409 thousand, constituting 2%, 13%, 6% and 7% of the consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2024 and 2023, respectively.



## **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Phison Electronics Corp. and its subsidiaries as of September 30, 2024 and 2023, and of its consolidated financial performance for the three months and nine months ended September 30, 2024 and 2023, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting”, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)  
November 8, 2024

## **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**Phison Electronics Corp. and subsidiaries**  
**Consolidated Balance Sheets**  
**September 30, 2024, December 31, 2023, and September 30, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

		<u>September 30, 2024</u>		<u>December 31, 2023</u>		<u>September 30, 2023</u>				<u>September 30, 2024</u>		<u>December 31, 2023</u>		<u>September 30, 2023</u>	
<b>Assets</b>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<b>Liabilities and Equity</b>		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Current assets:</b>								<b>Current liabilities:</b>							
1100	Cash and cash equivalents (note 6(1))	\$ 14,918,538	21	14,220,367	22	13,892,342	23	2100	Short-term borrowings (note 6(12))	\$ 2,190,180	3	2,106,363	3	290,430	-
1110	Financial assets at fair value through profit or loss— current (notes 6(2) and 6(16))	843,652	1	980,757	2	1,436,233	2	2130	Contract liabilities—current	139,746	-	132,965	-	169,294	-
1136	Financial assets at amortized cost—current (notes 6(3) and 8)	40,807	-	40,568	-	40,568	-	2170	Accounts payable	2,009,334	3	5,478,643	8	5,518,048	9
1170	Accounts receivable, net (note 6(5))	7,977,525	11	7,814,027	12	7,079,570	12	2180	Accounts payable—related parties (note 7)	1,083,753	1	1,028,950	2	925,444	2
1180	Accounts receivable—related parties, net (notes 6(5) and 7)	983,731	1	1,807,764	3	1,519,533	3	2200	Other payables (note 6(13))	7,885,045	11	7,563,165	12	6,283,322	10
1200	Other receivables (notes 6(6) and 7)	457,065	1	418,775	1	353,333	1	2230	Tax payable	597,040	1	499,194	1	459,550	1
1220	Tax assets	17,124	-	10,345	-	3,995	-	2280	Lease liabilities—current (note 6(10))	82,914	-	64,400	-	41,389	-
130X	Inventories (note 6(7))	28,504,039	40	24,410,405	37	21,331,295	35	2320	Long-term borrowings, current portion (notes 6(15), 6(16) and 8)	3,514,834	5	3,498,863	5	27,323	-
1410	Prepayments (note 7)	1,599,164	2	115,036	-	128,654	-	2399	Other current liabilities (notes 6(14), 7 and 9(3))	<u>1,363,073</u>	<u>2</u>	<u>1,428,880</u>	<u>3</u>	<u>1,040,173</u>	<u>2</u>
1479	Other current assets	<u>2,654</u>	<u>-</u>	<u>1,627</u>	<u>-</u>	<u>2,195</u>	<u>-</u>			<u>18,865,919</u>	<u>26</u>	<u>21,801,423</u>	<u>34</u>	<u>14,754,973</u>	<u>24</u>
		<u>55,344,299</u>	<u>77</u>	<u>49,819,671</u>	<u>77</u>	<u>45,787,718</u>	<u>76</u>	<b>Non-Current liabilities:</b>							
<b>Non-current assets:</b>								2500	Financial liabilities at fair value through profit or loss—non-current (notes 6(2) and 6(16))	51,000	-	-	-	-	-
1510	Financial assets at fair value through profit or loss— non-current (note 6(2))	212,628	-	242,257	-	275,772	1	2530	Bonds payable (note 6(16))	5,587,616	8	-	-	3,463,972	6
1517	Financial assets at fair value through other comprehensive income—non-current (note 6(4))	411,621	1	457,457	1	490,323	1	2540	Long-term borrowings (notes 6(15) and 8)	67,582	-	88,513	-	95,436	-
1550	Investments accounted for using the equity method (note 6(8))	5,862,985	8	4,062,871	6	3,195,012	5	2570	Deferred tax liabilities	108,998	-	76,736	-	50,822	-
1600	Property, plant and equipment (notes 6(9) and 8)	7,318,012	10	7,447,729	12	7,452,863	12	2580	Lease liabilities—non-current (note 6(10))	111,339	-	83,731	-	68,235	-
1755	Right-of-use assets (note 6(10))	137,206	-	95,345	-	106,559	-	2640	Net defined benefit liabilities	120,112	-	118,222	-	116,645	-
1780	Intangible assets (note 6(11))	261,383	-	234,303	-	239,688	-	2645	Guarantee deposits received (note 9(3))	<u>6,359</u>	<u>-</u>	<u>5,746</u>	<u>-</u>	<u>974,046</u>	<u>2</u>
1840	Deferred tax assets	827,163	1	843,711	1	888,009	2			<u>6,053,006</u>	<u>8</u>	<u>372,948</u>	<u>-</u>	<u>4,769,156</u>	<u>8</u>
1900	Other non-current assets (note 9(2))	<u>1,862,608</u>	<u>3</u>	<u>1,759,180</u>	<u>3</u>	<u>1,849,239</u>	<u>3</u>	<b>Total liabilities</b>		<u>24,918,925</u>	<u>34</u>	<u>22,174,371</u>	<u>34</u>	<u>19,524,129</u>	<u>32</u>
		<u>16,893,606</u>	<u>23</u>	<u>15,142,853</u>	<u>23</u>	<u>14,497,465</u>	<u>24</u>	<b>Equity (notes 6(19) and 6(20)):</b>							
								Equity attributable to the shareholders of the parent company:							
								3100	Common shares	2,054,361	3	2,047,690	3	2,046,335	3
								3200	Capital surplus	13,648,915	19	11,552,379	18	11,417,992	19
								3300	Retained earnings	31,895,852	44	30,808,166	47	28,723,091	48
								3400	Other equity interest	(283,601)	-	(362,774)	-	(169,056)	-
								3500	Treasury shares	<u>-</u>	<u>-</u>	<u>(1,257,308)</u>	<u>(2)</u>	<u>(1,257,308)</u>	<u>(2)</u>
									<b>Total equity attributable to owners of the parent:</b>	<u>47,315,527</u>	<u>66</u>	<u>42,788,153</u>	<u>66</u>	<u>40,761,054</u>	<u>68</u>
								36XX	Non-controlling interests	<u>3,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
									<b>Total equity</b>	<u>47,318,980</u>	<u>66</u>	<u>42,788,153</u>	<u>66</u>	<u>40,761,054</u>	<u>68</u>
<b>Total assets</b>		<u>\$ 72,237,905</u>	<u>100</u>	<u>64,962,524</u>	<u>100</u>	<u>60,285,183</u>	<u>100</u>	<b>Total liabilities and equity</b>		<u>\$ 72,237,905</u>	<u>100</u>	<u>64,962,524</u>	<u>100</u>	<u>60,285,183</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

## Phison Electronics Corp. and subsidiaries

## Consolidated Statements of Comprehensive Income

For the three and nine months ended September 30, 2024 and 2023

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

		For the three months ended September 30,				For the nine months ended September 30,			
		2024		2023		2024		2023	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	<b>Operating revenue</b> (notes 6(22) and 7)	\$ 13,942,559	100	12,388,565	100	46,363,204	100	32,473,630	100
5000	<b>Operating costs</b> (notes 6(7)、6(23) and 7)	9,860,519	71	8,374,201	68	31,069,088	67	21,998,333	68
	<b>Gross profit from operations</b>	4,082,040	29	4,014,364	32	15,294,116	33	10,475,297	32
5910	Unrealized profit on transactions with associates	(6,235)	-	(25,843)	-	(71,074)	-	(33,876)	-
5950	<b>Realized gross profit</b>	4,075,805	29	3,988,521	32	15,223,042	33	10,441,421	32
	<b>Operating expenses</b> (notes 6(23) and 7):								
6100	Marketing expenses	374,842	3	324,628	3	1,184,168	3	886,450	3
6200	General and administrative expenses	214,492	1	237,938	2	932,154	2	605,520	2
6300	Research and development expenses	2,161,333	15	2,895,760	23	8,550,820	18	6,879,502	21
6450	Expected credit loss (reversal gain) (note 6(5))	103,222	1	5,248	-	85,500	-	(10,864)	-
	<b>Total operating expenses</b>	2,853,889	20	3,463,574	28	10,752,642	23	8,360,608	26
	<b>Net operating income</b>	1,221,916	9	524,947	4	4,470,400	10	2,080,813	6
	<b>Non-operating income and expenses:</b>								
7010	Other income (notes 6(24) and 7)	63,147	-	48,012	1	156,168	-	187,889	1
7020	Other gains and losses (note 6(24))	(482,649)	(4)	343,108	3	111,163	-	695,537	2
7050	Finance costs (note 6(24))	(65,185)	-	(10,148)	-	(220,281)	-	(27,099)	-
7100	Interest income (note 6(24))	45,691	-	33,984	-	173,937	-	137,266	-
7060	Shares of profit (loss) of associates accounted for using the equity method (note 6(8))	(38,035)	-	11,724	-	1,777,757	4	(1,158,255)	(3)
		(477,031)	(4)	426,680	4	1,998,744	4	(164,662)	-
7900	<b>Profit before tax</b>	744,885	5	951,627	8	6,469,144	14	1,916,151	6
7950	<b>Income tax expenses</b> (note 6(18))	53,542	-	93,614	1	906,879	2	375,347	1
8200	<b>Net profit for the period</b>	691,343	5	858,013	7	5,562,265	12	1,540,804	5
8300	<b>Other comprehensive income (loss):</b>								
	<b>Items that will not be reclassified subsequently to profit or loss</b>								
8310									
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(25))	(85,107)	(1)	(22,976)	-	(78,651)	-	29,079	-
8320	Shares of other comprehensive income of associates accounted for using the equity method	(19,186)	-	(1,337)	-	(43,195)	-	23,253	-
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	(104,293)	(1)	(24,313)	-	(121,846)	-	52,332	-
8360	<b>Items that may be reclassified subsequently to profit or loss</b>								
8361	Exchange differences on translation of foreign financial statements	136,709	1	97,481	-	251,434	-	(26,797)	-
8399	Income tax related to items that may be reclassified subsequently (note 6(18))	(27,278)	-	(19,496)	-	(50,255)	-	5,359	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	109,431	1	77,985	-	201,179	-	(21,438)	-
8300	<b>Other comprehensive income</b>	5,138	-	53,672	-	79,333	-	30,894	-
8500	<b>Total comprehensive income</b>	\$ 696,481	5	911,685	7	5,641,598	12	1,571,698	5
	<b>Net profit attributable to:</b>								
8610	Shareholders of the parent company	\$ 691,424	5	858,013	7	5,562,011	12	1,540,804	5
8620	Non-controlling interests	(81)	-	-	-	254	-	-	-
		\$ 691,343	5	858,013	7	5,562,265	12	1,540,804	5
	<b>Total comprehensive income attributable to:</b>								
8710	Shareholders of the parent company	\$ 696,242	5	911,685	7	5,641,184	12	1,571,698	5
8720	Non-controlling interests	239	-	-	-	414	-	-	-
		\$ 696,481	5	911,685	7	5,641,598	12	1,571,698	5
	<b>Earnings per share (New Taiwan Dollars) (note 6(21)):</b>								
9750	Basic earnings per share	\$ 3.37		4.32		27.31		7.91	
9850	Diluted earnings per share	\$ 3.16		4.16		25.03		7.58	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Phison Electronics Corp. and subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the nine months ended September 30, 2024 and 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to the shareholders of the parent company								Total other equity interest						
									Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Treasury shares	Subtotal of equity attributable to the shareholders of the parent	Non-controlling interests	Total equity
	Share capital		Total share capital	Capital surplus	Retained earnings			Total							
	Common shares	Advance receipts for share capital			Legal reserve	Special reserve	Unappropriated retained earnings								
Balance at January 1, 2023	\$ 1,970,740	16,005	1,986,745	8,970,438	6,347,501	-	22,605,164	28,952,665	27,271	(244,081)	(216,810)	(2,061,216)	37,631,822	-	37,631,822
Net profit for the period	-	-	-	-	-	-	1,540,804	1,540,804	-	-	-	-	1,540,804	-	1,540,804
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	(21,438)	52,332	30,894	-	30,894	-	30,894
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,540,804	1,540,804	(21,438)	52,332	30,894	-	1,571,698	-	1,571,698
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	-	-	216,340	-	(216,340)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	222,728	(222,728)	-	-	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(1,753,518)	(1,753,518)	-	-	-	-	(1,753,518)	-	(1,753,518)
Changes in equity of associates accounted for using the equity method	-	-	-	678,088	-	-	-	-	-	-	-	-	678,088	-	678,088
The transfer of treasury share to employees	-	-	-	274,982	-	-	-	-	-	-	-	803,908	1,078,890	-	1,078,890
Share-based payments-stock options	-	-	-	204,926	-	-	-	-	-	-	-	-	204,926	-	204,926
Exercise of employee stock options	43,445	16,145	59,590	1,289,558	-	-	-	-	-	-	-	-	1,349,148	-	1,349,148
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(16,860)	(16,860)	-	16,860	16,860	-	-	-	-
Balance at September 30, 2023	\$ 2,014,185	32,150	2,046,335	11,417,992	6,563,841	222,728	21,936,522	28,723,091	5,833	(174,889)	(169,056)	(1,257,308)	40,761,054	-	40,761,054
Balance at January 1, 2024	\$ 2,044,690	3,000	2,047,690	11,552,379	6,563,841	222,728	24,021,597	30,808,166	(71,980)	(290,794)	(362,774)	(1,257,308)	42,788,153	-	42,788,153
Net profit for the period	-	-	-	-	-	-	5,562,011	5,562,011	-	-	-	-	5,562,011	254	5,562,265
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	201,019	(121,846)	79,173	-	79,173	160	79,333
Total comprehensive income (loss) for the period	-	-	-	-	-	-	5,562,011	5,562,011	201,019	(121,846)	79,173	-	5,641,184	414	5,641,598
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	-	-	781,368	-	(781,368)	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	65,691	(65,691)	-	-	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(4,474,325)	(4,474,325)	-	-	-	-	(4,474,325)	-	(4,474,325)
Changes in equity of associates accounted for using the equity method	-	-	-	95,784	-	-	-	-	-	-	-	-	95,784	-	95,784
Changes in ownership interests of subsidiaries	-	-	-	(270)	-	-	-	-	-	-	-	-	(270)	270	-
The transfer of treasury share to employees	-	-	-	1,241,794	-	-	-	-	-	-	-	1,257,308	2,499,102	-	2,499,102
Share-based payments-stock options	-	-	-	79,540	-	-	-	-	-	-	-	-	79,540	-	79,540
Exercise of employee stock options	3,000	3,540	6,540	173,179	-	-	-	-	-	-	-	-	179,719	-	179,719
Conversion of convertible bonds	121	10	131	6,513	-	-	-	-	-	-	-	-	6,644	-	6,644
Due to recognition of equity component of convertible bonds	-	-	-	499,996	-	-	-	-	-	-	-	-	499,996	-	499,996
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	2,769	2,769
Balance at September 30, 2024	\$ 2,047,811	6,550	2,054,361	13,648,915	7,345,209	288,419	24,262,224	31,895,852	129,039	(412,640)	(283,601)	-	47,315,527	3,453	47,318,980

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2024 and 2023**

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2024	2023
<b>Cash flows from operating activities:</b>		
Profit before income tax	\$ 6,469,144	1,916,151
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	512,062	516,506
Amortization expense	382,850	393,166
Expected credit loss (reversal gain)	85,500	(10,864)
Net loss (gain) on financial assets at fair value through profit or loss	182,797	(342,715)
Finance costs	220,281	27,099
Net loss (gain) on disposal of property, plant and equipment	(1,218)	185
Interest income	(173,937)	(137,266)
Dividend income	(44,843)	(85,563)
Share-based payments	1,324,554	481,973
Shares of loss (profit) of associates accounted for using the equity method	(1,777,757)	1,158,255
Unrealized profit on transactions with associates	71,074	33,876
Unrealized foreign exchange gain	(56,945)	(221,670)
Inventory obsolescence loss (reversal gain)	533,936	(152,266)
Recognition (reversal) of refund liabilities	91,926	(209,519)
Profit from lease modification	(909)	(30)
Total adjustments to reconcile profit	1,349,371	1,451,167
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable (including related parties)	423,212	(1,197,437)
Other receivables	113,590	(9,117)
Inventories	(4,627,570)	(788,654)
Prepayments	(1,484,128)	(59,383)
Other current assets	(1,027)	(740)
Contract liabilities	6,781	22,971
Accounts payable (including related parties)	(3,390,550)	214,940
Other payables	(1,504,747)	(1,592,615)
Other current liabilities	(171,195)	27,424
Net defined benefit liabilities	1,890	1,847
Total changes in operating assets and liabilities	(10,633,744)	(3,380,764)
Cash outflow generated from operations	(2,815,229)	(13,446)
Interest paid	(112,304)	(4,761)
Income taxes paid	(767,002)	(446,133)
<b>Net cash flows used in operating activities</b>	(3,694,535)	(464,340)

(Continued)

See accompanying notes to consolidated financial statements.



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

**Phison Electronics Corp. and subsidiaries**

**Consolidated Statements of Cash Flows (Continued)**

**For the nine months ended September 30, 2024 and 2023**

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

	<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(32,815)	(29,547)
Acquisition of financial assets at amortized cost	(239)	(69)
Acquisition of financial assets at fair value through profit or loss	(1,295)	(500,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	224,247
Acquisition of property, plant and equipment	(404,241)	(360,709)
Proceeds from disposal of property, plant and equipment	8,071	300
Decrease (increase) in refundable deposits	25,951	(1,118,433)
Acquisition of intangible assets	(409,851)	(257,167)
Interest received	171,370	135,794
Dividends received	44,843	85,563
<b>Net cash flows used in investing activities</b>	<b>(598,206)</b>	<b>(1,820,021)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	8,417,719	287,658
Decrease in short-term loans	(8,357,177)	-
Repayments of long-term borrowings	(20,517)	(42,173)
Proceeds from issuing bonds (excluding issuance costs)	6,054,064	-
Decrease in guarantee deposits received	(75,932)	(597,243)
Payment of lease liabilities	(37,513)	(34,451)
Cash dividends paid	(2,660,817)	(2,836,702)
Exercise of employee stock options	179,719	1,349,148
Treasury shares sold to employees	1,254,088	801,843
Increase in non-controlling interests	2,769	-
<b>Net cash flows from (used in) financing activities</b>	<b>4,756,403</b>	<b>(1,071,920)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>234,509</b>	<b>214,854</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>698,171</b>	<b>(3,141,427)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>14,220,367</b>	<b>17,033,769</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 14,918,538</b>	<b>13,892,342</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Phison Electronics Corp. and subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**September 30, 2024 and 2023**  
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

**1. Company history**

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

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 8, 2024.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2024:

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 21 “Lack of Exchangeability”

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

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

- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

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

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 18 “Presentation and Disclosure in Financial Statements”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Annual Improvements to IFRS Accounting Standards

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

**4. Summary of material accounting policies**

**(1) Statement of compliance**

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2023.

**(2) Basis of consolidation**

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

**A. List of subsidiaries in the consolidated financial statements**

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

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			September 30, 2024	December 31, 2023	September 30, 2023	
The Company	Lian Xu Dong Investment Corporation	Investment	100.00	100.00	100.00	
The Company	Phison Electronics Japan Corp.	Sales and service office	100.00	100.00	100.00	
The Company	Emtops Electronics Corp.	Investment	100.00	100.00	100.00	
The Company	Phisontech Electronics Taiwan Corp.	Investment and trade	100.00	100.00	100.00	

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

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			September 30, 2024	December 31, 2023	September 30, 2023	
The Company	Global Flash Limited	Investment and trade	100.00	100.00	100.00	
The Company	Power Flash (Samoa) Limited	Investment and trade	100.00	100.00	100.00	
The Company	Regis Investment (Samoa) Limited	Investment	100.00	100.00	100.00	
The Company	Nextorage Corporation	R&D, design, manufacture and sale of flash memory application products	99.38	100.00	100.00	Note 1
The Company	Phison Technology India Private Limited	Design, R&D, import and export of storage devices and electronic components	100.00	100.00	100.00	
The Company	Great Storage Investment Corporation	Investment	100.00	-	-	Note 2
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Investment and trade	100.00	100.00	100.00	
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trade of electronic components	100.00	100.00	100.00	
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Sale of electronic products	100.00	100.00	100.00	
Power Flash (Samoa) Limited	Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	100.00	100.00	100.00	
Power Flash (Samoa) Limited	Power Storage Electronics Limited	Design, R&D, production and sales of integrated circuits, systems and electronics hardware and software and rendering of related services	100.00	-	-	Note 3
Regis Investment (Samoa) Limited	RealYou Investment Limited	Investment	100.00	100.00	100.00	

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

Name investor	Name of subsidiary	Principal activity	Shareholding (%)			Note
			September 30, 2024	December 31, 2023	September 30, 2023	
RealYou Investment Limited	Hefei Ruhan Electronic Technology Limited	Design, R&D and sale of electronic products and technical support service and rendering of related services and investment	100.00	100.00	100.00	
Emtops Electronics Corp.	Phison Technology Inc.	Sale of electronic products and sales and service office	100.00	100.00	100.00	
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Manufacture and trade of electronic components	100.00	100.00	100.00	
Great Storage Investment Corporation	Maistorage Technology Sdn.Bhd.	R&D, design, manufacture, and sale of flash memory controller chips and storage solutions, along with trade, import and export, software development, and technical support services.	100.00	-	-	Note 4

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

Note 2: For operation needs, the Company set up Great Storage Investment Corporation in Taiwan in May, 2024.

Note 3: For operation needs, the Company set up Power Storage Electronics Limited in Xiamen in June, 2024.

Note 4: For operation needs, the Company set up Maistorage Technology Sdn.Bhd in Malaysia in July, 2024.

Note 5: Since all the above subsidiaries are non-significant, their financial statements have not been reviewed by independent auditors.

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

(3) Employee benefits

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

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

(4) Income taxes

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

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

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

**5. Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty**

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

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2023. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2023.

**6. Description of significant accounts**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the consolidated financial statements for the year ended December 31, 2023. Please refer to note 6 of consolidated financial statements for the year ended December 31, 2023.

(1) Cash and cash equivalent

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Cash	\$ 165	165	145
Demand deposits and check deposits	9,929,326	11,264,285	9,892,159
Cash equivalents — time deposits	4,989,047	2,955,917	4,000,038
	<b><u>\$ 14,918,538</u></b>	<b><u>14,220,367</u></b>	<b><u>13,892,342</u></b>

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

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

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Financial assets at fair value through profit or loss — current:			
Beneficiary certificates — open-end funds	\$ 113,262	112,094	612,233
Domestic listed stock	723,195	868,313	823,650
Derivative instruments — convertible bonds (note 6 (16))	7,195	350	350
	<b><u>\$ 843,652</u></b>	<b><u>980,757</u></b>	<b><u>1,436,233</u></b>
Financial assets at fair value through profit or loss — non-current:			
Domestic private equity funds	\$ 4,404	27,201	29,350
Domestic unlisted stocks	139,477	132,719	144,389
Foreign unlisted stocks	68,747	82,337	102,033
	<b><u>\$ 212,628</u></b>	<b><u>242,257</u></b>	<b><u>275,772</u></b>
Financial liability at fair value through profit or loss — non-current:			
Derivative instruments-convertible bonds (note 6(16))	<b><u>\$ 51,000</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

None of financial assets and liabilities mentioned above were pledged as collateral.

(3) Financial assets at amortized cost — current

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Pledged time deposits	<b><u>\$ 40,807</u></b>	<b><u>40,568</u></b>	<b><u>40,568</u></b>

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

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

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Domestic unlisted stocks	\$ 307,123	271,751	246,962
Foreign unlisted stocks	104,498	185,706	243,361
	<b><u>\$ 411,621</u></b>	<b><u>457,457</u></b>	<b><u>490,323</u></b>

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

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

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

	September 30, 2024	December 31, 2023	September 30, 2023
Accounts receivable	\$ 8,122,622	7,870,481	7,176,874
Accounts receivable—related parties	984,281	1,811,450	1,522,120
	9,106,903	9,681,931	8,698,994
Less: loss allowance	(145,647)	(60,140)	(99,891)
Accounts receivable, net	<u>\$ 8,961,256</u>	<u>9,621,791</u>	<u>8,599,103</u>

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

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

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

	September 30, 2024		
	Gross carrying amount	Weighted- average loss rate (%)	Loss allowance
Current	\$ 8,189,561	0.05	4,051
1~60 days past due	764,898	5.73	43,832
61~90 days past due	59,584	21.09	12,567
91~120 days past due	1,693	48.79	826
121~150 days past due	80,806	91.59	74,010
More than 151 days past due	10,361	100.00	10,361
	<u>\$ 9,106,903</u>		<u>145,647</u>



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

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

  

<b>September 30, 2023</b>			
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate (%)</b>	<b>Loss allowance</b>
Current	\$ 7,924,684	0.17	13,101
1~60 days past due	763,730	9.98	76,210
More than 151 days past due	10,580	100.00	10,580
	<b>\$ 8,698,994</b>		<b>99,891</b>

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

<b>For the nine months ended September 30,</b>		
	<b>2024</b>	<b>2023</b>
Balance, beginning of the period	\$ 60,140	110,744
Impairment losses recognized (reversed)	85,500	(10,864)
Effect of movements in exchange rates	7	11
Balance, end of the period	<b>\$ 145,647</b>	<b>99,891</b>

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

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

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

(Unit: USD in Thousands)

<b>September 30, 2024</b>				
<b>Factor</b>	<b>Factor Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Handling Fees Rate (%)</b>	<b>Transferring Terms</b>
HSBC Bank (Taiwan) Limited	\$ <u>1,223</u>	<u>952</u>	0.22~0.60	Note 1~4
<b>December 31, 2023</b>				
<b>Factor</b>	<b>Factor Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Handling Fees Rate (%)</b>	<b>Transferring Terms</b>
HSBC Bank (Taiwan) Limited	\$ <u>312</u>	<u>253</u>	0.22~0.65	Note 1~4
<b>September 30, 2023</b>				
<b>Factor</b>	<b>Factor Amount</b>	<b>Amount Recognized in Other Receivables</b>	<b>Range of Handling Fees Rate (%)</b>	<b>Transferring Terms</b>
HSBC Bank (Taiwan) Limited	\$ <u>900</u>	<u>790</u>	0.22~0.65	Note 1~4

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

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

Note 3: As of September 30, 2024, December 31, 2023, and September 30, 2023, the outstanding receivables after the above transactions, net of fees charged by the factoring bank, of \$30,128 thousand, \$7,763 thousand, and \$25,494 thousand, respectively, were recognized under other receivables.

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

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

(6) Other receivables

	September 30, 2024	December 31, 2023	September 30, 2023
Tax refund receivable	\$ 232,211	366,564	258,626
Factored accounts receivable	30,128	7,763	25,494
Dividend receivable	149,319	-	-
Others	45,407	44,448	69,213
Less: loss allowance	-	-	-
	<u>\$ 457,065</u>	<u>418,775</u>	<u>353,333</u>

(7) Inventories

	September 30, 2024	December 31, 2023	September 30, 2023
Raw materials	\$ 20,234,714	15,908,649	14,520,676
Work in process	2,299,460	5,144,759	4,397,177
Semi-finished goods	5,577,074	3,085,447	2,105,653
Finished goods	392,791	271,550	307,789
	<u>\$ 28,504,039</u>	<u>24,410,405</u>	<u>21,331,295</u>

The costs of inventories recognized as costs of goods sold for the three months and nine months ended September 30, 2024 and 2023 were \$9,860,519 thousand, \$8,374,201 thousand, \$31,069,088 thousand and \$21,998,333 thousand, respectively.

The costs of goods sold for the three months and nine months ended September 30, 2024 and 2023 included inventory obsolescence loss (reversal gain) of \$469,482 thousand, \$(90,736) thousand, \$533,936 thousand and \$(152,266) thousand, respectively.

None of the inventories mentioned above were pledged as collateral.

(8) Investments accounted for using the equity method

	September 30, 2024		December 31, 2023		September 30, 2023	
	Amount	Ownership interest (%)	Amount	Ownership interest (%)	Amount	Ownership interest (%)
HOSIN Global Electronics Co., Ltd. (SZ)	\$ 5,411,481	35.68	3,568,743	35.83	2,661,691	37.08
EpoStar Electronics (BVI) Corporation	158,675	30.51	201,413	30.51	230,190	30.51
Hefei Xinpeng Technology Co., Ltd.	105,278	24.23	118,508	24.23	132,837	24.23
ProGrade Digital Inc.	159,859	28.71	148,009	28.71	142,997	28.71
Microtops Design Corporation	27,692	49.00	26,198	49.00	27,297	49.00
	<u>\$ 5,862,985</u>		<u>4,062,871</u>		<u>3,195,012</u>	

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

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

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Current assets	\$ 33,741,350	22,004,218	18,390,772
Non-current assets	5,712,919	5,723,941	5,668,234
Current liabilities	(22,593,427)	(16,289,337)	(15,588,540)
Non-current liabilities	(741,875)	(589,175)	(388,213)
Net assets	<u>\$ 16,118,967</u>	<u>10,849,647</u>	<u>8,082,253</u>
	<b>For the three months ended September 30, 2024</b>	<b>For the three months ended September 30, 2023</b>	<b>For the nine months ended September 30, 2024</b>
Operating revenue	<u>\$ 8,995,761</u>	<u>9,508,362</u>	<u>31,232,577</u>
Net profit (loss)	<u>\$ (56,191)</u>	<u>43,184</u>	<u>5,282,198</u>
Other comprehensive income (loss)	<u>(142,635)</u>	<u>2,664</u>	<u>(199,847)</u>
Total comprehensive income (loss)	<u>\$ (198,826)</u>	<u>45,848</u>	<u>5,082,351</u>
	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Summarized information of the carrying amount of significant associates	<u>\$ 5,570,156</u>	<u>3,770,156</u>	<u>2,891,881</u>
	<b>For the three months ended September 30, 2024</b>	<b>For the three months ended September 30, 2023</b>	<b>For the nine months ended September 30, 2024</b>
Attributable to the Group:			
Net profit (loss)	\$ (20,596)	14,666	1,801,085
Other comprehensive income (loss)	83,388	(99,218)	111,152
Total comprehensive income (loss)	<u>\$ 62,792</u>	<u>(84,552)</u>	<u>1,912,237</u>

The Group did not participate in the subscription of the cash capital increase of Hosin Global Electronics Co., Ltd. in the first three quarters of 2024 and 2023, therefore, the changes in equity of associate recognized in the capital surplus by the Group amounted to \$81,705 thousand and \$598,869 thousand for the nine months ended September 30, 2024 and 2023, respective.

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Summarized information of the carrying amount of associates that were not individually significant	\$ <b><u>292,829</u></b>	<b><u>292,715</u></b>	<b><u>303,131</u></b>
	<b>For the three months ended September 30, 2024</b>	<b>For the three months ended September 30, 2023</b>	<b>For the nine months ended September 30, 2024</b>
Attributable to the Group:			
Net loss	\$ (17,439)	(2,942)	(23,328)
Other comprehensive income (loss)	<u>(2,993)</u>	<u>144,160</u>	<u>3,295</u>
Total comprehensive income (loss)	<b><u>\$ (20,432)</u></b>	<b><u>141,218</u></b>	<b><u>(20,033)</u></b>

C. Pledged

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

(9) Property, plant and equipment

	<b>Land</b>	<b>Buildings</b>	<b>Mechanical and testing equipment</b>	<b>Office and other equipment</b>	<b>Construction in progress</b>	<b>Total</b>
Cost:						
Balance at January 1, 2024	\$ 2,149,265	5,218,918	1,567,986	459,335	191	9,395,695
Additions for the period	-	15,431	297,496	24,993	-	337,920
Disposal for the period	-	-	(232,690)	(77,168)	-	(309,858)
Reclassification	-	-	5,371	737	-	6,108
Effect of movements in exchange rates	<u>7</u>	<u>419</u>	<u>2,526</u>	<u>1,848</u>	<u>5</u>	<u>4,805</u>
Balance at September 30, 2024	<b><u>\$ 2,149,272</u></b>	<b><u>5,234,768</u></b>	<b><u>1,640,689</u></b>	<b><u>409,745</u></b>	<b><u>196</u></b>	<b><u>9,434,670</u></b>
Balance at January 1, 2023	\$ 2,149,285	5,069,347	1,559,637	397,475	46,491	9,222,235
Additions for the period	-	92,313	209,652	22,449	12,532	336,946
Disposal for the period	-	-	(241,118)	(33,835)	-	(274,953)
Reclassification	-	56,265	2,157	-	(58,819)	(397)
Effect of movements in exchange rates	<u>(21)</u>	<u>(816)</u>	<u>2,005</u>	<u>(1,073)</u>	<u>(14)</u>	<u>81</u>
Balance at September 30, 2023	<b><u>\$ 2,149,264</u></b>	<b><u>5,217,109</u></b>	<b><u>1,532,333</u></b>	<b><u>385,016</u></b>	<b><u>190</u></b>	<b><u>9,283,912</u></b>

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	<u>Land</u>	<u>Buildings</u>	<u>Mechanical and testing equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Depreciation:						
Balance at January 1, 2024	\$ -	877,865	841,136	228,965	-	1,947,966
Depreciation for the period	-	117,755	273,549	78,155	-	469,459
Disposal for the period	-	-	(225,837)	(77,168)	-	(303,005)
Effect of movements in exchange rates	-	54	891	1,293	-	2,238
Balance at September 30, 2024	<u>\$ -</u>	<u>995,674</u>	<u>889,739</u>	<u>231,245</u>	<u>-</u>	<u>2,116,658</u>
Balance at January 1, 2023	\$ -	723,512	730,222	170,740	-	1,624,474
Depreciation for the period	-	115,322	295,904	69,486	-	480,712
Disposal for the period	-	-	(240,633)	(33,835)	-	(274,468)
Effect of movements in exchange rates	-	(67)	280	118	-	331
Balance at September 30, 2023	<u>\$ -</u>	<u>838,767</u>	<u>785,773</u>	<u>206,509</u>	<u>-</u>	<u>1,831,049</u>
Carrying amounts:						
Balance at January 1, 2024	<u>\$ 2,149,265</u>	<u>4,341,053</u>	<u>726,850</u>	<u>230,370</u>	<u>191</u>	<u>7,447,729</u>
Balance at September 30, 2024	<u>\$ 2,149,272</u>	<u>4,239,094</u>	<u>750,950</u>	<u>178,500</u>	<u>196</u>	<u>7,318,012</u>
Balance at January 1, 2023	<u>\$ 2,149,285</u>	<u>4,345,835</u>	<u>829,415</u>	<u>226,735</u>	<u>46,491</u>	<u>7,597,761</u>
Balance at September 30, 2023	<u>\$ 2,149,264</u>	<u>4,378,342</u>	<u>746,560</u>	<u>178,507</u>	<u>190</u>	<u>7,452,863</u>

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

(10) Lease arrangements

A. Right-of-use assets

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Carrying amounts:			
Balance January 1, 2024	<u>\$ 94,662</u>	<u>683</u>	<u>95,345</u>
Balance at September 30, 2024	<u>\$ 135,486</u>	<u>1,720</u>	<u>137,206</u>
Balance at September 30, 2023	<u>\$ 106,244</u>	<u>315</u>	<u>106,559</u>

There was no significant addition, disposal, or recognition and reversal of impairment losses of right-of-use assets of the Group for the nine months ended September 30, 2024 and 2023. Please refer to note 6(11) of the consolidated financial statements for the year ended December 31, 2023, for other related information.

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

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
For the three months ended September 30, 2024	<u>\$ 15,203</u>	<u>230</u>	<u>15,433</u>
For the three months ended September 30, 2023	<u>\$ 11,397</u>	<u>108</u>	<u>11,505</u>

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	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
For the nine months ended September 30, 2024	\$ <u>42,125</u>	<u>478</u>	<u>42,603</u>
For the nine months ended September 30, 2023	\$ <u>35,470</u>	<u>324</u>	<u>35,794</u>

**B. Lease liabilities**

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Current	\$ <u>82,914</u>	<u>64,400</u>	<u>41,389</u>
Non-current	\$ <u>111,339</u>	<u>83,731</u>	<u>68,235</u>

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

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

	<u>For the three months ended September 30, 2024</u>	<u>2023</u>	<u>For the nine months ended September 30, 2024</u>	<u>2023</u>
Interest expenses relating to lease liabilities	\$ <u>2,215</u>	<u>589</u>	<u>5,852</u>	<u>1,266</u>
Expenses relating to short-term lease	\$ <u>2,742</u>	<u>2,731</u>	<u>9,844</u>	<u>7,910</u>
Expenses relating to lease of low- value assets, excluding short-term lease of low-value assets	\$ <u>472</u>	<u>376</u>	<u>1,111</u>	<u>948</u>

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

	<u>For the nine months ended September 30, 2024</u>	<u>2023</u>
Total cash outflow for leases	\$ <u>54,320</u>	<u>44,575</u>

**C. Other information about leases**

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

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(11) Intangible assets

	<b>Computer Software</b>	<b>Technology License Fees</b>	<b>Total</b>
Cost:			
Balance at January 1, 2024	\$ 1,968,207	483,766	2,451,973
Additions for the period	305,824	104,027	409,851
Disposal for the period	(853)	-	(853)
Effect of movements in exchange rates	211	-	211
Balance at September 30, 2024	<u>\$ 2,273,389</u>	<u>587,793</u>	<u>2,861,182</u>
Balance at January 1, 2023	\$ 1,616,037	458,308	2,074,345
Additions for the period	236,447	20,720	257,167
Disposal for the period	(232)	-	(232)
Reclassification	572	-	572
Effect of movements in exchange rates	(327)	-	(327)
Balance at September 30, 2023	<u>\$ 1,852,497</u>	<u>479,028</u>	<u>2,331,525</u>
Amortization:			
Balance at January 1, 2024	\$ 1,749,952	467,718	2,217,670
Amortization for the period	350,058	32,792	382,850
Disposal for the period	(853)	-	(853)
Effect of movements in exchange rates	132	-	132
Balance at September 30, 2024	<u>\$ 2,099,289</u>	<u>500,510</u>	<u>2,599,799</u>
Balance at January 1, 2023	\$ 1,297,501	401,508	1,699,009
Amortization for the period	341,567	51,599	393,166
Disposal for the period	(232)	-	(232)
Effect of movements in exchange rates	(106)	-	(106)
Balance at September 30, 2023	<u>\$ 1,638,730</u>	<u>453,107</u>	<u>2,091,837</u>
Carrying amounts:			
Balance at January 1, 2024	<u>\$ 218,255</u>	<u>16,048</u>	<u>234,303</u>
Balance at September 30, 2024	<u>\$ 174,100</u>	<u>87,283</u>	<u>261,383</u>
Balance at January 1, 2023	<u>\$ 318,536</u>	<u>56,800</u>	<u>375,336</u>
Balance at September 30, 2023	<u>\$ 213,767</u>	<u>25,921</u>	<u>239,688</u>

Note of intangible assets mentioned above were pledged as collateral.



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(12) Short-term borrowings

	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured bank loans	\$ <u>2,190,180</u>	<u>2,106,363</u>	<u>290,430</u>
Range of interest rates at the end of period (%)	<u>5.29~6.00</u>	<u>5.92~6.14</u>	<u>5.90~5.98</u>

None of short-term borrowings mentioned above were provided with collateral.

(13) Other payables

	September 30, 2024	December 31, 2023	September 30, 2023
Salaries and bonus payable	\$ 4,474,313	5,412,949	4,124,912
Dividend payable (note 6(19))	2,701,282	887,774	887,778
Others	<u>709,450</u>	<u>1,262,442</u>	<u>1,270,632</u>
	<u>\$ 7,885,045</u>	<u>7,563,165</u>	<u>6,283,322</u>

(14) Other current liabilities

	September 30, 2024	December 31, 2023	September 30, 2023
Guarantee deposits received (note 9(3))	\$ 791,250	767,625	484,721
Refund liabilities	367,453	366,589	379,069
Payables for purchases of equipment	66,472	76,635	20,859
Receipts under custody	97,076	109,969	98,115
Other payables-related parties	22,640	101,199	43,274
Others	<u>18,182</u>	<u>6,863</u>	<u>14,135</u>
	<u>\$ 1,363,073</u>	<u>1,428,880</u>	<u>1,040,173</u>

(15) Long-term borrowings

	September 30, 2024		
	Rate of interest rates at the end of period (%)	Year of maturity	Amount
Secured bank loans	2.28	January, 2028	\$ 95,466
Less: current portion			<u>(27,884)</u>
			<u>\$ 67,582</u>

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<b>December 31, 2023</b>			
	<b>Rate of interest rates at the end of period (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured bank loans	2.15	January, 2028	\$ 115,983
Less: current portion			(27,470)
			<b>\$ 88,513</b>

  

<b>September 30, 2023</b>			
	<b>Rate of interest rates at the end of period (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured bank loans	2.15	January, 2028	\$ 122,759
Less: current portion			(27,323)
			<b>\$ 95,436</b>

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

(16) Bonds payable

A. 1st unsecured convertible bonds

On August 6, 2021, the Company's Board of Directors resolved the issuance of domestic 1st unsecured convertible bonds for purchasing properties, plants and equipment, and replenishing working capital. The issuance was approved by FSC on September 8, 2021. The issuance period is 3 years from December 17, 2021 to December 17, 2024. The total face value of the bonds issued is \$3,500,000 thousand. Total amount of the offering is \$3,517,500 thousand, which is at 100.5% of its face value and coupon rate is 0%.

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

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Total convertible corporate bonds issued	\$ 3,500,000	3,500,000	3,500,000
Unamortized discounted corporate bonds payable	(6,350)	(28,607)	(36,028)
Accumulated converted amount	(6,700)	-	-
Less: current portion	(3,486,950)	(3,471,393)	-
Bonds payable at the end of period	<b>\$ -</b>	<b>-</b>	<b>3,463,972</b>

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	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Embedded derivative instruments— call options, included in financial assets at fair value through profit or loss—current	\$ <u>(5)</u>	<u>350</u>	<u>350</u>
Embedded derivative instruments— equity component— conversion options, included in capital surplus—stock options	\$ <u>102,173</u>	<u>102,369</u>	<u>102,369</u>
	<u>For the three months ended September 30, 2024</u>	<u>For the nine months ended September 30, 2023</u>	
Embedded derivative instruments – net gains and losses of call options remeasured at fair value, included in other gains and losses	\$ <u>(349)</u>	<u>-</u>	<u>(350)</u>
Interest expense	\$ <u>7,475</u>	<u>7,406</u>	<u>22,208</u>
		<u>21,941</u>	

The conversion price per share at the time of issuance of NTD570 is calculated by multiplying the closing price of the Company's ordinary shares traded on Taipei Exchange at one business day before the reference date for determining the conversion price, which is December 9, 2021, of NTD475 by the conversion premium rate of 120%. The number of convertible shares of the bonds is calculated by dividing the issued face value of the bonds by the conversion price. After the issuance of corporate bonds, the conversion price shall be adjusted in accordance with the article related to anti-dilution in the terms of issuance and conversion. Due to the distribution of cash dividends to shareholders, the conversion price shall be adjusted in accordance with the aforementioned terms. The conversion price adjusted was as follows:

	(Amount in Dollars)	
<u>Ex-dividend date</u>	<u>Conversion price before adjustment</u>	<u>Conversion price after adjustment</u>
December 27, 2021	570.0	556.3
July 4, 2022	556.3	537.3
December 19, 2022	537.3	520.6
July 10, 2023	520.6	515.1
December 29, 2023	515.1	510.4
July 15, 2024	510.4	503.2

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

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**B. 2nd unsecured convertible bonds**

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

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

			<b>September 30, 2024</b>	
Total convertible corporate bonds issued	\$		6,000,000	
Unamortized discounted corporate bonds payable			(412,384)	
Bonds payable at the end of period	\$		<b>5,587,616</b>	
Embedded derivative instruments—call options, included in financial assets at fair value through profit or loss—current	\$		<b>7,200</b>	
Embedded derivative instruments—put options included in financial liability at fair value through profit or loss—non-current	\$		<b>51,000</b>	
Embedded derivative instruments—equity component— conversion options, included in capital surplus—stock options	\$		<b>499,996</b>	
			<b>For the three months ended September 30,</b>	<b>For the nine months ended September 30,</b>
			<b>2024</b>	<b>2023</b>
Embedded derivative instruments – net gains and losses of call and put options remeasured at fair value, included in other gains and losses	\$		<b>(19,800)</b>	-
Interest expense	\$		<b>23,356</b>	-

The conversion price per share at the time of issuance of NTD588 is calculated by multiplying the closing price of the Company's ordinary shares traded on Taipei Exchange at five business days before the reference date for determining the conversion price, which is January 15, 2024, of NTD491 by the conversion premium rate of 119.66%. The number of convertible shares of the bonds is calculated by dividing the issued face value of the bonds by the conversion price. After the issuance of corporate bonds, the conversion price shall be adjusted in accordance with the article related to anti-dilution in the terms of issuance and conversion. Due to the distribution of cash dividends to shareholders, the conversion price shall be adjusted in accordance with the aforementioned terms. The conversion price adjusted was as follows:

	<b>(Amount in Dollars)</b>	
<b>Ex-dividend date</b>	<b>Conversion price before adjustment</b>	<b>Conversion price after adjustment</b>
July 15, 2024	588.0	579.7

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

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

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

(17) Employee benefits

A. Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one time events since prior fiscal year. As a result, the pension costs in the accompanying interim periods were measured and disclosed according to the actuarial reports as of December 31, 2023 and 2022.

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Pension	\$ <u>1,268</u>	<u>1,234</u>	<u>3,804</u>	<u>3,701</u>

B. Defined contribution plans

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Pension	\$ <u>75,643</u>	<u>68,336</u>	<u>218,818</u>	<u>201,712</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Pension	\$ <u>1,850</u>	<u>2,080</u>	<u>6,309</u>	<u>6,341</u>

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(18) Income tax

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

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Current tax expense				
Current period	\$ 100,637	214,757	948,077	496,727
Income tax refund of repatriated earnings	-	(91,590)	-	(91,590)
Prior-year adjustments	(47,095)	(29,553)	(41,198)	(29,790)
	<u>\$ 53,542</u>	<u>93,614</u>	<u>906,879</u>	<u>375,347</u>

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

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Exchange differences on translation of foreign financial statements	\$ 27,278	19,496	50,255	(5,359)

D. Examination and approval

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

(19) Equity

A. Common shares

As of September 30, 2024, December 31, 2023 and September 30, 2023, the Company's authorized common shares amounted to \$3,000,000 thousand, of which \$290,000 thousand was reserved for employee share options. The registered issued common shares amounted to \$2,047,811 thousand, \$2,044,690 thousand and \$2,014,185 thousand, respectively, with par value of NTD10 per share.

As of September 30, 2024, due to exercise of conversion rights on convertible corporate bonds and employee stock options to issue new shares, the registration procedure for the amounts of \$6,550 thousand, recognized as advance receipts for share capital, has yet to be completed.

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As of December 31, 2023 and September 30, 2023, the registration procedure for the exercise of employee stock options to issue new shares amounting \$3,000 thousand and \$32,150 thousand, respectively, recognized as advance receipts for share capital, has yet to be completed.

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

(Unit: Shares in Thousands)

	<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
Balance, beginning of the period	200,585	191,815
Bonds converted	13	-
Employee share options exercised	654	5,959
Transfer of treasury shares	4,184	2,676
Balance, end of the period	<b>205,436</b>	<b>200,450</b>

**B. Capital surplus**

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Additional paid-in capital	\$ 8,616,802	8,416,171	8,176,645
Changes in equities of associates accounted for using the equity method	2,122,790	2,027,006	1,958,737
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,488	148,758	148,758
Changes in ownships interest in subsidiaries	1,944	1,944	1,944
Employee share options	639,719	580,922	754,330
Due to recognition of equity component of convertible bonds	602,169	102,369	102,369
Transaction of treasury stock	1,516,724	274,930	274,930
Expired employee stock options	279	279	279
	<b>\$ 13,648,915</b>	<b>11,552,379</b>	<b>11,417,992</b>

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

**Phison Electronics Corp. and subsidiaries**  
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C. Retained earnings and dividend policy

In accordance with the Company's Articles of Incorporation (the "Articles"), earnings distribution or offsetting of losses may be proposed at each half fiscal year.

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

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

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

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

The appropriations of earnings and cash dividends per share for the first half of 2024 were as follows:

	<b>First half of 2024</b>
Resolution date of the Company's Board of Directors	August 14, 2024
Legal reserve	487,059
Reversal of special reserve	(74,355)
Cash dividends to shareholders	2,701,063
Cash dividends per share (NTD)	13.19

The amount of legal reserve and special reserve for the first half of 2024 will be submitted to the shareholders' meeting for approval in the following year.



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The appropriation of 2023 earnings were as follows:

	<b>Second half of 2023</b>	<b>First half of 2023</b>
Resolution date of the Company's Board of Directors	March 8, 2024	August 4, 2023
Cash dividends to shareholders	\$ 1,773,262	887,555
Cash dividends per share (NTD) (Note)	8.65930424	4.42484464
Approval date of the Company's shareholders' meeting	May 27, 2024	May 27, 2024
Legal reserve	294,309	66,593
Special reserve	140,046	5,918

The appropriation of 2022 earnings was as follows:

	<b>Second Half of 2022</b>	<b>First Half of 2022</b>
Resolution date of the Company's Board of Directors	March 15, 2023	July 29, 2022
Cash dividends to shareholders	\$ 865,962	1,970,740
Cash dividends per share (NTD) (Note)	4.45090808	10.27746561
Approval date of the Company's shareholders' meeting	May 31, 2023	May 31, 2023
Legal reserve	\$ 149,748	399,192
Special reserve	216,810	-

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

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

**D. Treasury shares**

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

The Company transferred 4,184 thousand and 2,676 thousand treasury shares to its employees and subsidiary employees in the first quarter of 2024 and the third quarter of 2023, respectively, and received the amount of \$1,254,088 thousand and \$801,843 thousand, resulting in the cost of the share-based compensation of \$1,245,014 thousand and \$277,047 thousand to be recognized.

**Phison Electronics Corp. and subsidiaries**  
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E. Other equity (net of tax)

(a) Exchange differences on translation of foreign financial statements

	<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
Balance at January 1	\$ (71,980)	27,271
Foreign exchange differences (net of tax)	201,019	(21,438)
Balance at September 30	<u><u>\$ 129,039</u></u>	<u><u>5,833</u></u>

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

	<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
Balance at January 1	\$ (290,794)	(244,081)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	(121,846)	52,332
Disposal for the period	-	16,860
Balance at September 30	<u><u>\$ (412,640)</u></u>	<u><u>(174,889)</u></u>

F. Non-controlling interests (net of tax)

	<b>For the nine months ended September 30, 2024</b>
Balance at January 1	\$ -
Net income	254
Exchange differences on translation of foreign financial statements (net of tax)	160
Changes in equity of subsidiaries for using the equity method	270
Changes in equity of non-controlling interest	2,769
Balance at September 30	<u><u>\$ 3,453</u></u>

**Phison Electronics Corp. and subsidiaries**  
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(20) Share-based payment

The Company issued employee share options which each unit can be exercised to purchase one share of the Company. The duration of the plan is 3 to 4 years, and the plan was approved by the FSC. As of September 30, 2024, the information related to the employee share options was as follows:

Type	Authorization date	Issue date	Issued units (in thousands)	Grant Period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
2022 First employee share options	July 27, 2022	September 7, 2022	6,000	service period between 2~3 years	293.50	274.80
2020 First employee share options	April 10, 2020	October 5, 2020	6,000	service period between 2~2.5 years	262.00	225.30
2019 Second employee share options	November 22, 2019	October 5, 2020	2,000	service period between 2~2.5 years	262.00	225.30

The estimated fair values of the options granted were calculated at the date of grant using the Black-Scholes option pricing model. The Group recognized compensation cost amounting to \$79,540 thousand and \$204,926 thousand for the nine months ended September 30, 2024 and 2023, respectively.

Weighted-average assumptions were as follows:

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

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Information related to employee share options was as follows:

A. 2022 First employee share options

	For the nine months ended September 30,			
	2024		2023	
	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)
<b>Employee share options</b>				
Outstanding at January 1	5,829	\$ 278.80	5,969	\$ 284.4
Granted during the period	-	-	-	-
Exercised during the period	(552)	274.80	-	-
Forfeited during the period	(43)	-	(95)	-
Outstanding at September 30	<u>5,234</u>	274.80	<u>5,874</u>	281.40
Exercisable at September 30	<u>2,341</u>		<u>-</u>	

As of September 30, 2024 and 2023, the weighted-average remaining contractual life for outstanding option were 1.94 and 2.94 years, respectively.

B. 2020 First employee share options

	For the nine months ended September 30,	
	2023	
	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)
<b>Employee share options</b>		
Outstanding at January 1	4,642	\$ 227.70
Granted during the period	-	-
Exercised during the period	(4,401)	226.45
Forfeited during the period	(6)	-
Outstanding at September 30	<u>235</u>	225.30
Exercisable at September 30	<u>235</u>	

As of September 30, 2023, the weighted-average remaining contractual life for outstanding options was 0.01 years.

**Phison Electronics Corp. and subsidiaries**  
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C. 2019 Second employee share options

	For the nine months ended September 30, 2023	
	Number of Options (In Thousands of Units)	Weighted- average exercise price (NTD)
<b>Employee share options</b>		
Outstanding at January 1	1,480	\$ 227.70
Granted during the period	-	-
Exercised during the period	(1,410)	226.41
Forfeited during the period	-	-
Outstanding at September 30	<u>70</u>	225.30
Exercisable at September 30	<u>70</u>	

As of September 30, 2023, the weighted-average remaining contractual life for outstanding options was 0.01 years.

(21) Earnings per share

A. Basic earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Net profit attributable to ordinary shareholders of the Company	\$ <u>691,424</u>	<u>858,013</u>	<u>5,562,011</u>	<u>1,540,804</u>
Weighted-average number of shares outstanding during the period (in thousands of shares)	<u>204,900</u>	<u>198,448</u>	<u>203,671</u>	<u>194,691</u>
Basic earnings per share (NTD)	\$ <u>3.37</u>	<u>4.32</u>	<u>27.31</u>	<u>7.91</u>

B. Diluted earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Net profit attributable to ordinary shareholders of the Company	\$ 691,424	858,013	5,562,011	1,540,804
Effect of dilutive potential ordinary shares				
Convertible bonds	<u>19,664</u>	<u>5,924</u>	<u>65,947</u>	<u>17,273</u>
Net profit attributable to ordinary shareholders of the Company	\$ <u>711,088</u>	<u>863,937</u>	<u>5,627,958</u>	<u>1,558,077</u>

**Phison Electronics Corp. and subsidiaries**  
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	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Weighted average number of shares outstanding during the period (in thousands of shares)	204,900	198,448	203,671	194,691
Effect of dilutive potential ordinary shares (in thousands of shares)				
Employee share options	2,995	2,092	3,004	2,700
Employees' compensation	169	388	1,829	1,408
Effect of conversion of convertible bonds	17,255	6,788	16,300	6,745
	<b>225,319</b>	<b>207,716</b>	<b>224,804</b>	<b>205,544</b>
Diluted earnings per share (NTD)	<b>\$ 3.16</b>	<b>4.16</b>	<b>25.03</b>	<b>7.58</b>

(22) Operating revenue

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Primary geographical markets:				
Asia	\$ 11,041,254	9,301,373	36,390,920	23,653,117
America	2,669,196	2,579,586	8,916,081	7,473,953
Europe	226,844	489,005	956,650	1,306,571
Australia	5,265	18,601	32,180	39,740
Others	-	-	67,373	249
	<b>\$ 13,942,559</b>	<b>12,388,565</b>	<b>46,363,204</b>	<b>32,473,630</b>
Major product categories:				
Flash memory module products	\$ 10,487,872	9,320,750	33,214,939	24,537,515
Controllers	2,266,219	2,342,982	7,754,540	5,719,361
Integrated Circuit	686,351	216,717	3,896,211	639,361
Others	502,117	508,116	1,497,514	1,577,393
	<b>\$ 13,942,559</b>	<b>12,388,565</b>	<b>46,363,204</b>	<b>32,473,630</b>

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

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(23) Employees' compensation and remuneration of directors

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Employees' compensation	\$ <u>83,610</u>	<u>177,085</u>	<u>717,085</u>	<u>281,192</u>
Remuneration of directors	\$ <u>3,326</u>	<u>5,255</u>	<u>35,000</u>	<u>10,460</u>

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

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

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2023.

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

(24) Non-operating income and expenses

A. Interest income

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Interest income from bank deposits	\$ 44,564	33,984	156,000	137,266
Others	<u>1,127</u>	<u>-</u>	<u>17,937</u>	<u>-</u>
	\$ <u>45,691</u>	<u>33,984</u>	<u>173,937</u>	<u>137,266</u>

**Phison Electronics Corp. and subsidiaries**  
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B. Other income

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Dividend income	\$ 41,107	20,784	44,843	85,563
Rent income	7,450	6,243	22,662	18,433
Subsidy income	-	-	22,310	34,052
Others	14,590	20,985	66,353	49,841
	<u>\$ 63,147</u>	<u>48,012</u>	<u>156,168</u>	<u>187,889</u>

C. Other gains and losses

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net foreign exchange gains(losses)	\$ (224,651)	308,335	291,833	390,131
Gains (Losses) on financial assets and liability at fair value through profit or loss	(260,125)	35,221	(182,797)	342,715
Others	2,127	(448)	2,127	(37,309)
	<u>\$ (482,649)</u>	<u>343,108</u>	<u>111,163</u>	<u>695,537</u>

D. Finance costs

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Interest on bank loans	\$ 32,167	2,124	122,423	3,832
Interest on lease liabilities	2,215	589	5,852	1,266
Interest on convertible bonds	30,831	7,406	91,982	21,941
Others	(28)	29	24	60
	<u>\$ 65,185</u>	<u>10,148</u>	<u>220,281</u>	<u>27,099</u>

(25) Financial instruments

A. Categories of financial instruments

	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Financial assets			
Financial assets at FVTPL (current and non-current)	\$ 1,056,280	1,223,014	1,712,005
Financial assets at amortized cost (Note 1)	26,179,891	26,050,348	24,722,965
Financial assets at FVTOCI	411,621	457,457	490,323
	<u>\$ 27,647,792</u>	<u>27,730,819</u>	<u>26,925,293</u>



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	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>September 30,</u> <u>2023</u>
Financial liabilities			
Financial liabilities at FVTPL (non-current)	\$ 51,000	-	-
Financial liabilities at amortized cost (Note 2)	<u>23,135,953</u>	<u>20,537,868</u>	<u>18,062,742</u>
Total	<u>\$ 23,186,953</u>	<u>20,537,868</u>	<u>18,062,742</u>

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

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

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

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

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

**C. Market risk**

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

**(a) Foreign currency risk**

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To avoid the decrease in foreign currency assets and adverse fluctuations of future cash flows resulting from changes in foreign currency exchange rates, the Group used foreign currency borrowings to hedge risks of foreign currency exchange rates. The gain or loss caused by changes in foreign currency exchange rates will be offset by profit or loss from the hedge. The Group continues to evaluate future exchange rate movements, and the exposure to foreign currency risk of foreign currency net assets is still within the controllable range.

**Phison Electronics Corp. and subsidiaries**  
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(i) Exposure to foreign currency risk

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

	September 30, 2024			December 31, 2023			September 30, 2023		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	445,939	31.650	14,113,971	564,033	30.705	17,318,620	440,441	32.270	14,213,020
<u>Non-Monetary items</u>									
CNY	1,219,712	4.523	5,516,759	852,150	4.327	3,687,251	632,962	4.415	2,794,528
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	170,906	31.650	5,409,165	280,680	30.705	8,618,265	233,042	32.270	7,520,258

(ii) Sensitivity analysis

The Group's exposure to foreign currency risk primarily arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (including related parties), short-term borrowings, and accounts payable (including related parties), that are denominated in USD. A weakening (strengthening) of 5% of the NTD against the USD as of September 30, 2024 and 2023, would have increased or decreased the net profit before income tax for the nine months ended September 30, 2024 and 2023 by \$435,240 thousand and \$334,638 thousand, respectively. The analysis was performed on the same basis for comparative years.

(iii) Foreign exchange gains and losses on monetary items

It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities. The details of the net foreign currency exchange gains (losses) (including realized and unrealized) were as follows:

For the three months ended September 30,		For the nine months ended September 30,	
2024	2023	2024	2023
\$ (224,651)	308,335	291,833	390,131

(b) Interest rate risk

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

If interest rates had been 0.25% basis point higher and all other variables were held constant, the Group's net profit before income tax for the nine months ended September 30, 2024 and 2023 would have increased by \$17,865 thousand and \$17,675 thousand, respectively. Due to the impact of variable interest rate cash and cash equivalents, short-term and long-term borrowings.

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(c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 10% higher or lower, net profit before income tax for the nine months ended September 30, 2024 and 2023 would have increased or decreased by \$104,468 thousand and \$168,231 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. If equity prices had been 10% higher or lower, the other comprehensive income before income tax for the nine months ended September 30, 2024 and 2023 would have increased or decreased by \$41,162 thousand and \$49,032 thousand, respectively, as a result of the changes in fair value of financial assets at FVOCI.

D. Concentration of credit risk

(a) Accounts receivable

The major customers of the Group are in the electronics industry and the Group usually grants credit limits to customers in accordance with credit policy, therefore, the credit risk of the Group is mainly affected by the electronics industry. However, the Group mostly sells products to customers with good reputation and continuously monitors the financial situation of customers to monitor the significant loss from credit risk. As of September 30, 2024, December 31, 2023, and September 30, 2023, 31%, 41% and 40%, respectively, of accounts receivable (including related parties) were from top five customers, so there was no significant concentration of credit risk. In addition, the Group periodically reviews the recoverable amounts of accounts receivable to ensure that an adequate allowance is recognized for possible irrecoverable amounts. In this regard, the management believes there is no expected material credit risk.

(b) Cash and cash equivalents

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

(c) Receivables and debt securities

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

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

**E. Liquidity risk**

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<b>September 30, 2024</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 11,775,741	(11,775,741)	(11,769,382)	(4,363)	(1,996)
Lease liabilities (current and non-current)	194,253	(200,292)	(85,154)	(115,138)	-
Floating interest rate liabilities	317,016	(323,952)	(254,496)	(69,456)	-
Fixed interest rate liabilities	<u>11,043,196</u>	<u>(11,501,755)</u>	<u>(5,501,755)</u>	<u>(6,000,000)</u>	<u>-</u>
	<u><b>\$ 23,330,206</b></u>	<u><b>(23,801,740)</b></u>	<u><b>(17,610,787)</b></u>	<u><b>(6,188,957)</b></u>	<u><b>(1,996)</b></u>
<b>December 31, 2023</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 14,844,129	(14,844,129)	(14,838,383)	(4,336)	(1,410)
Lease liabilities (current and non-current)	148,131	(152,719)	(66,064)	(86,655)	-
Floating interest rate liabilities	238,803	(245,302)	(153,744)	(91,558)	-
Fixed interest rate liabilities	<u>5,454,936</u>	<u>(5,504,093)</u>	<u>(5,504,093)</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 20,685,999</b></u>	<u><b>(20,746,243)</b></u>	<u><b>(20,562,284)</b></u>	<u><b>(182,549)</b></u>	<u><b>(1,410)</b></u>
<b>September 30, 2023</b>					
Non-derivative financial liabilities					
Non-interest bearing liabilities	\$ 14,185,581	(14,185,581)	(13,211,535)	(972,782)	(1,264)
Lease liabilities (current and non-current)	109,624	(115,222)	(43,498)	(71,724)	-
Floating interest rate liabilities	316,379	(324,169)	(225,187)	(98,982)	-
Fixed interest rate liabilities	<u>3,560,782</u>	<u>(3,598,257)</u>	<u>(98,257)</u>	<u>(3,500,000)</u>	<u>-</u>
	<u><b>\$ 18,172,366</b></u>	<u><b>(18,223,229)</b></u>	<u><b>(13,578,477)</b></u>	<u><b>(4,643,488)</b></u>	<u><b>(1,264)</b></u>

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

**F. Fair value of financial instruments**

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

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- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair value hierarchy

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

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	\$ 723,195	-	-	723,195
Domestic unlisted stocks	-	-	139,477	139,477
Foreign unlisted stocks	-	-	68,747	68,747
Domestic private equity funds	-	-	4,404	4,404
Beneficiary certificates—open-end funds	113,262	-	-	113,262
Derivative instruments—convertible bonds	-	7,195	-	7,195
	<u>\$ 836,457</u>	<u>7,195</u>	<u>212,628</u>	<u>1,056,280</u>
Financial liabilities at fair value through profit or loss				
Derivative instruments—convertible bonds	\$ -	51,000	-	51,000
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	\$ -	-	307,123	307,123
Foreign unlisted stocks	-	-	104,498	104,498
	<u>\$ -</u>	<u>-</u>	<u>411,621</u>	<u>411,621</u>

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		December 31, 2023			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Domestic listed stocks	\$	868,313	-	-	868,313
Domestic unlisted stocks		-	-	132,719	132,719
Foreign unlisted stocks		-	-	82,337	82,337
Domestic private equity funds		-	-	27,201	27,201
Beneficiary certificates—open-end funds		112,094	-	-	112,094
Derivative instruments—convertible bonds		-	350	-	350
	\$	<u>980,407</u>	<u>350</u>	<u>242,257</u>	<u>1,223,014</u>
Financial assets at fair value through other comprehensive income					
Domestic unlisted stocks	\$	-	-	271,751	271,751
Foreign unlisted stocks		-	-	185,706	185,706
	\$	<u>-</u>	<u>-</u>	<u>457,457</u>	<u>457,457</u>
		September 30, 2023			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Domestic listed stocks	\$	823,650	-	-	823,650
Domestic unlisted stocks		-	-	144,389	144,389
Foreign unlisted stocks		-	-	102,033	102,033
Domestic private equity funds		-	-	29,350	29,350
Beneficiary certificates—open-end funds		612,233	-	-	612,233
Derivative instruments—convertible bonds		-	350	-	350
	\$	<u>1,435,883</u>	<u>350</u>	<u>275,772</u>	<u>1,712,005</u>
Financial assets at fair value through other comprehensive income					
Domestic unlisted stocks	\$	-	-	246,962	246,962
Foreign unlisted stocks		-	-	243,361	243,361
	\$	<u>-</u>	<u>-</u>	<u>490,323</u>	<u>490,323</u>

There were no transfers between Levels 1 and 2 for the nine months ended September 30, 2024 and 2023.

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

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	
	Private equity funds	Equity instruments	Equity instruments	Total
January 1, 2024	\$ 27,201	215,056	457,457	699,714
Recognized in profit or loss	(22,797)	(8,127)	-	(30,924)
Recognized in other comprehensive income	-	-	(78,651)	(78,651)
Additions for the period	-	1,295	32,815	34,110
September 30, 2024	<u>\$ 4,404</u>	<u>208,224</u>	<u>411,621</u>	<u>624,249</u>
January 1, 2023	\$ 34,444	282,903	431,697	749,044
Recognized in profit or loss	(5,094)	(36,481)	-	(41,575)
Recognized in other comprehensive income	-	-	29,079	29,079
Additions for the period	-	-	29,547	29,547
September 30, 2023	<u>\$ 29,350</u>	<u>246,422</u>	<u>490,323</u>	<u>766,095</u>

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income— equity investments without an active market	Market approach	Discount for lack of marketability (September 30, 2024: 21.74%~30.00%, December 31, 2023: 14.10%~30.00% and September 30, 2023: 12.48%~30.00%)	The higher the discount for lack of marketability, the lower the fair value

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<b>Item</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Financial assets at fair value through other comprehensive income—equity investments without an active market	Income approach	<ul style="list-style-type: none"> <li>· Sustainable revenue growth rate (September 30, 2024: 1.92%, December 31, 2023: 1.92% and September 30, 2023: 1.60%)</li> <li>· Weighted-average cost of capital (September 30, 2024: 5.80%~12.25%, December 31, 2023: 5.80%~12.25% and September 30, 2023: 6.25%~12.11%)</li> <li>· Discount for lack of marketability (September 30, 2024, December 31, 2023 and September 30, 2023: 15%)</li> <li>· Discount for non-controlling interest (September 30, 2024, December 31, 2023 and September 30, 2023: 15%)</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the sustainable revenue growth rate, the higher the fair value</li> <li>· The higher the weighted-average cost of capital, the lower the fair value</li> <li>· The higher the discount for lack of marketability, the lower the fair value</li> <li>· The higher the discount for non-controlling interest, the lower the fair value</li> </ul>
Financial assets at fair value through profit or loss—equity investments without an active market and private equity funds	Asset-based approach	<ul style="list-style-type: none"> <li>· Net Asset Value</li> <li>· Discount for lack of marketability (September 30, 2024, December 31, 2023 and September 30, 2023: 10%)</li> <li>· Discount for non-controlling interest (September 30, 2024, December 31, 2023 and September 30, 2023: 10%)</li> </ul>	No applicable

**(26) Capital management**

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2023. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2023. Please refer to Note 6(27) of the consolidated financial statements for the year ended December 31, 2023 for related information.



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

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

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

	<b>January 1, 2024</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>September 30, 2024</b>
Short-term borrowings	\$ 2,106,363	60,542	23,275	2,190,180
Bonds payable (including current portion)	3,471,393	6,054,064	(450,891)	9,074,566
Long-term borrowings (including current portion)	115,983	(20,517)	-	95,466
Lease liabilities (current and non-current)	148,131	(37,513)	83,635	194,253
Guarantee deposits received (current and non-current)	773,371	(75,932)	100,170	797,609
Total liabilities from financing activities	<u>\$ 6,615,241</u>	<u>5,980,644</u>	<u>(243,811)</u>	<u>12,352,074</u>

	<b>January 1, 2023</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>September 30, 2023</b>
Short-term borrowings	\$ -	287,658	2,772	290,430
Bonds payable	3,442,031	-	21,941	3,463,972
Long-term borrowings (including current portion)	164,932	(42,173)	-	122,759
Lease liabilities (current and non-current)	131,776	(34,451)	12,299	109,624
Guarantee deposits received (current and non-current)	1,847,780	(597,243)	208,230	1,458,767
Total liabilities from financing activities	<u>\$ 5,586,519</u>	<u>(386,209)</u>	<u>245,242</u>	<u>5,445,552</u>

**7. Related-party transactions**

(1) Names and relationship with related parties

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

<b>Name of related party</b>	<b>Relationship with the Group</b>
Microtops Design Corporation	Associate
Hosin Global Electronics Co., Ltd. (SZ) (Hosin Global SZ)	Associate

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<b>Name of related party</b>	<b>Relationship with the Group</b>
Hosin Global Electronics Co., Ltd. (HK)	Hosin Global SZ's subsidiary
Hefei Core Storage Electronic Limited	Hosin Global SZ's subsidiary
Hefei Kaimeng Technology Co., Ltd.	Hosin Global SZ's second-tier subsidiary
Xiamen Hongxinchuang Electronics Co., Ltd.	Hosin Global SZ's subsidiary
Shanghai Hongxinyu Microelectronics Technology Co., Ltd.	Hosin Global SZ's subsidiary
Hefei Datang Storage Technology Co., Ltd.	Hefei Xinpeng's subsidiary
ProGrade Digital, Inc.	Associate
Kioxia Corporation (KIC)	The Company's director
Kioxia Taiwan Corporation	KIC's subsidiary
Kioxia Asia, Limited	KIC's subsidiary
Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	KIC's subsidiary
Toshiba International Procurement HongKong, Ltd.	KIC's associate
Apacer Technology Inc.	The Company resigned the director of the Company on May 31, 2024, hence, it was no longer a related party of the Group since then.
UD INFO Corp.	Apacer Technology Inc's subsidiary

(2) Significant transactions with related parties

A. Operating revenues

<b>Related Party Category</b>	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Associates	\$ 888,945	1,203,441	4,167,670	1,932,695
Other related parties	383,890	586,845	1,602,680	1,451,442
	<b>\$ 1,272,835</b>	<b>1,790,286</b>	<b>5,770,350</b>	<b>3,384,137</b>

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

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**B. Purchase of goods**

<b>Related Party Category / Name</b>	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Other related parties – Kioxia				
Taiwan Corporation	\$ 2,791,366	1,699,183	12,504,055	6,377,562
Associates	-	30,793	-	30,793
Other related parties	-	-	8,256	20
	<u>\$ 2,791,366</u>	<u>1,729,976</u>	<u>12,512,311</u>	<u>6,408,375</u>

The payment terms to related parties were ranged from T/T in advance to EOM 45 days and that to non-related parties were ranged from T/T in advance to EOM 90 days. There was no significant difference between the purchase price and payment terms of the Group from related parties and that from the third parties.

**C. Receivable from related parties**

<b>Related Party Category / Name</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Associates – Hosin Global			
Electronics Co., Ltd. (HK)	\$ 635,540	1,118,344	851,702
Associates	70,673	49,338	164,419
Other related parties	278,068	643,767	505,999
	984,281	1,811,449	1,522,120
Less: Loss allowance	(550)	(3,685)	(2,587)
	<u>\$ 983,731</u>	<u>1,807,764</u>	<u>1,519,533</u>

The outstanding accounts receivable from related parties are unsecured.

**D. Payables to related parties**

<b>Related Party Category / Name</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Other related parties – Kioxia			
Taiwan Corporation	\$ <u>1,083,753</u>	<u>1,028,950</u>	<u>925,444</u>

**E. Prepayments**

<b>Related Party Category / Name</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Other related parties – Kioxia			
Taiwan Corporation	\$ <u>1,488,478</u>	<u>-</u>	<u>-</u>

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F. Other transactions

<u>Account Name</u>	<u>Related Party Category</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Operating costs	Associates	\$ -	2,381	3,239	6,990
	Other related parties	12	24	405	409
		<u>\$ 12</u>	<u>2,405</u>	<u>3,644</u>	<u>7,399</u>
Operating Expenses	Associates	\$ 28,903	60,529	59,394	188,585
	Other related parties	-	866	2,043	1,862
		<u>\$ 28,903</u>	<u>61,395</u>	<u>61,437</u>	<u>190,447</u>
Non-operating incomes	Associates	\$ 231	231	694	693
	Other related parties (Note)	-	1,578	52	43,028
		<u>\$ 231</u>	<u>1,809</u>	<u>746</u>	<u>43,721</u>

Note: The related parties distributed of NT\$149,319 thousand (recognized as other receivables) and NT\$41,430 thousand cash dividend to the Group for the nine months ended September 30, 2024 and 2023.

As of September 30, 2024, December 31, 2023, and September 30, 2023, the receivables arising from abovementioned transactions were all \$81 thousand(recognized as other receivables), and the payables arising from abovementioned transactions were \$22,640 thousand, \$101,199 thousand and \$43,274 thousand, respectively (recognized as other current liabilities).

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

(3) Key management personnel compensation

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 34,357	46,484	228,062	106,127
Post-employment benefits	348	347	1,080	1,107
Share-based payments	1,183	4,451	142,739	10,870
	<u>\$ 35,888</u>	<u>51,282</u>	<u>371,881</u>	<u>118,104</u>

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

Please refer to note 6(20) for further explanations related to share-based payment.

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**8. Pledged assets**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
Property, plant and equipment	As collateral for loans and finance facilities	\$ 495,527	505,118	508,315
Pledged time deposits (recognized as financial assets at amortized cost — current)	As collateral for the tariff of imported raw materials	40,807	40,568	40,568
		<u><u>\$ 536,334</u></u>	<u><u>545,686</u></u>	<u><u>548,883</u></u>

**9. Commitments and contingencies**

(1) Significant commitments

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

<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
<u><u>\$ 320,000</u></u>	<u><u>660,000</u></u>	<u><u>1,160,000</u></u>

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

<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
<u><u>\$ 22,310</u></u>	<u><u>101,290</u></u>	<u><u>34,052</u></u>

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

<b>September 30, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
<u><u>\$ 1,000</u></u>	<u><u>1,000</u></u>	<u><u>1,000</u></u>

(2) Purchase commitment

The Group entered into a long-term purchase agreement of materials with a supplier. The relative purchase quantity and price of wafers are specified in the agreement. According to the agreement, the Group has to pay partial guarantee deposit before the agreed date. As of September 30, 2024, the Group has paid US\$56,000 thousand of guarantee deposit (recognized as other non-current assets).

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(3) Long-term supply agreement

The Group entered into a long-term supply agreement with a customer in 2021, and received a guarantee deposit of US\$90,000 thousand as agreed. The Group was required to sell controllers to the customer in the amount agreed upon by both parties during the agreed period. As of September 30, 2024, the guarantee deposits received were classified as current liabilities of \$791,250 thousand (recognized as other current liabilities) based on the expected repayment period.

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

**11. Subsequent events: None.**

**12. Other**

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

By item	By function	For the three months ended September 30,					
		2024			2023		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits							
	Salary	184,884	1,793,796	1,978,680	198,299	2,070,736	2,269,035
	Labor and health insurance	18,367	123,502	141,869	18,413	106,481	124,894
	Pension	8,046	70,715	78,761	7,796	63,854	71,650
	Others	9,928	52,462	62,390	9,075	44,652	53,727
	Depreciation	47,940	125,830	173,770	51,713	117,809	169,522
	Amortization	547	132,455	133,002	487	132,113	132,600

By item	By function	For the nine months ended September 30,					
		2024			2023		
		Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits							
	Salary	648,195	7,784,529	8,432,724	570,139	5,109,232	5,679,371
	Labor and health insurance	58,701	383,112	441,813	58,435	344,274	402,709
	Pension	24,161	204,770	228,931	23,667	188,087	211,754
	Others	30,444	157,551	187,995	26,545	128,559	155,104
	Depreciation	144,697	367,365	512,062	154,800	361,706	516,506
	Amortization	1,582	381,268	382,850	1,477	391,689	393,166

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- (2) On November 8 and December 13, 2019, the Securities and Futures Investors Protection Center (“SFIPC”) filed two lawsuits against the Company to the Taiwan Hsinchu District Court, with the following demands:

- A. Mr. K.S. Pua should be removed from his position as the Company’s chairman of the board (“Removal Action”);
- B. The Company, its board of directors, and other co-defendants, must compensate for the damage amounting to NT\$685,570 thousand on behalf of certain investors (“Class Action”).

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

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

With regard to the Class Action, the Taiwan Hsinchu District Court dismissed the plaintiff’s claims and provisional execution on May 3, 2024, with the plaintiff bearing all the litigation expenses. However, the plaintiff disagreed with the court’s decision and filed an appeal to the Taiwan High Court.

**13. Addition disclosures**

- (1) Information on significant transactions:

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

- A. Loans to other parties: None.
- B. Guarantees and endorsements for other parties: None.
- C. Securities held as of September 30, 2024 (excluding investment in subsidiaries, associates and joint ventures) : Please refer to Table 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock : Please refer to Table 2.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 3.

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- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 4.
- I. Trading in derivative instruments: Please refer to Notes 6(2).
- J. Business relationships and significant intercompany transactions: Please refer to Table 5.
- (2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 6.
- (3) Information on investment in Mainland China:
- A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 7.
- B. Limitation on investment in Mainland China: Please refer to Table 7.
- C. Significant transactions:
- For the nine months ended September 30, 2024, the significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

- (4) Major shareholders:

(in units of shares)

Shareholder's Name	Shareholding	Shares	Percentage
Trust Investment Account of KIOXIA Corporation by First Bank		19,821,112	9.65 %

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of differences in the basis of preparation.

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



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

**14. Segment information**

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

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

**Phison Electronics Corp. and Subsidiaries**  
**Securities held as of September 30, 2024 (excluding investment in subsidiaries, associates and joint ventures)**  
**September 30, 2024**

Table 1

(Shares /Units in Thousands/ Amounts in Thousands)

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Unit	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	<u>Common shares</u>							
	Apacer Technology Inc.	-	Financial assets at fair value through profit or loss – current	12,555	656,604	9.75	656,604	
	Orient Semiconductor Electronics, Ltd.	-	Same as above	1,536	61,839	0.21	61,839	
	Acer Synergy Tech Corp.	-	Same as above	90	<u>4,752</u>	0.41	4,752	
					<u>723,195</u>			
	AppWorks Fund II Co., Ltd.	-	Financial assets at fair value through profit or loss – non-current	4,455	99,176	11.11	99,176	
	Taiwania Capital Buffalo Fund Co., Ltd. (formerly known as Taishan Buffalo Investment Co., Ltd.)	-	Same as above	46,300	29,310	1.08	29,310	
	Innorich Venture Capital Corp.	-	Same as above	3,000	10,991	5.61	10,991	
	JAFCO ASIA TECHNOLOGY FUND VI L.P.	-	Same as above	1,000	<u>965</u>	0.67	965	
					<u>140,442</u>			

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Unit	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Financial assets at fair value through other comprehensive income — non-current	11,966	54,222	17.16	54,222	
	AppWorks Fund III Co., Ltd.	-	Same as above	8,385	67,752	2.92	67,752	
	Adam Elements International Co., Ltd.	-	Same as above	1,710	33,362	19.00	33,362	
	H3 Platform, Inc.	-	Same as above	18,400	1,873	12.14	1,873	
	Gospal Ltd.	-	Same as above	811,857	3,154	3.19	3,154	
	AppWorks Fund IV L.P.	-	Same as above	117,500	84,632	8.43	84,632	
	Aptos Technology Inc.	-	Same as above	212	-	0.35	-	
	THLight Co., Ltd.	-	Same as above	6,388	-	12.79	-	
	GeoThings, Inc.	-	Same as above	150	-	3.13	-	
	Ironyun Incorporated	-	Same as above	5,000	-	2.94	-	
	Deep Mentor Inc.	-	Same as above	700	14,056	3.72	14,056	
					<u>259,051</u>			
	<u>Private equity funds</u>							
	Fuh Hwa Smart Energy Fund	-	Financial assets at fair value through profit or loss — non-current	6,000	4,404	3.78	4,404	
Lian Xu Dong Investment Corporation	<u>Common shares</u>							
	Translink Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss — non-current	1,500	31,895	1.18	31,895	
	Translink Capital Partners IV, L.P.	-	Same as above	1,000	35,887	0.59	35,887	
					<u>67,782</u>			

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Unit	Carrying Value	Percentage of Ownership (%)	Fair Value	
Lian Xu Dong Investment Corporation	Liquid, Inc. (preference shares)	-	Financial assets at fair value through other comprehensive income — non-current	2,111	8,217	4.75	8,217	
	Translink Capital Partners V, L.P.	-	Same as above	1,530	37,032	1.65	37,032	
	Taiwania Capital Buffalo Fund V, LP.	-	Same as above	50,000	36,407	3.19	36,407	
	Cathy Private Equity Smart Technology Limited Partnership	-	Same as above	30,000	23,621	7.39	23,621	
	New Future III Limited Partnership	-	Same as above	28,003	22,445	3.23	22,445	
	Omni Media International Incorporation	-	Same as above	1,714	5,983	2.60	5,983	
					<u>133,705</u>			
Emtops Electronics Corporation	My Digital Discount, Inc.	-	Financial assets at fair value through other comprehensive income — non-current	-	-	19.00	-	
Phisontech Electronic Taiwan Corporation	<u>Beneficiary certificates open end funds</u>							
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss — current	167	30,881	-	30,881	
	Franklin Templeton Sinoam Money Market Fund	-	Same as above	1,917	20,590	-	20,590	
	FSITC Taiwan Money Market Fund	-	Same as above	1,295	20,601	-	20,601	
	Mega Diamond Money Market Fund	-	Same as above	1,580	20,593	-	20,593	
	Capital Money Market Fund	-	Same as above	1,229	20,597	-	20,597	
					<u>113,262</u>			

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Unit	Carrying Value	Percentage of Ownership (%)	Fair Value	
Super Storage Technology Corporation	<u>Common shares</u>							
	Power Research Technology Corp.	-	Financial assets at fair value through other comprehensive income — non-current	833	<u>18,865</u>	10.22	18,865	

**Phison Electronics Corp. and Subsidiaries**

**Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock  
For the nine months ended September 30, 2024**

Table 2

(Shares in Thousands /Amounts in Thousands)

Name of company	Category and name of security	Account name	Name of counter-party	Nature of relationship	Beginning Balance		Purchases(Note 1)		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Great Storage Investment Corporation equity interests	Investments accounted for using equity method	-	Subsidiary	-	-	75,000	750,000	-	-	-	-	75,000	779,820
Great Storage Investment Corporation	Maistorage Technology Sdn. Bhd. equity interests	Investments accounted for using equity method	-	Subsidiary	-	-	100,000	709,459	-	-	-	-	100,000	738,842

Note 1: The inter-company transactions and balance had been eliminated in the consolidated financial statements.

**Phison Electronics Corp. and Subsidiaries**

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

**For the nine months ended September 30, 2024**

Table 3

(Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
The Company	Kioxia Taiwan Corporation	The subsidiary of KIC	Purchase	12,504,055	41	T/T in advance to net 30 days after monthly closing	None	None	(1,083,753)	(37)	Note 2
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	390,607	1	Net 30 days after monthly closing	None	None	(53,420)	(2)	
	Kioxia Corporation	The Company's director	Sales	(696,991)	(2)	Net 60 days after monthly closing	None	None	216,846	2	
	Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	The subsidiary of KIC	Sales	(171,719)	-	Net 60 to 90 days after monthly closing	None	None	49,378	1	
	Apacer Technology Inc.	The Company is its director	Sales	(531,956)	(1)	Net 45 days after monthly closing	None	None	-	-	
	UD INFO Corp.	The subsidiary of Apacer Technology Inc.	Sales	(162,104)	-	Net 45 days after monthly closing	None	None	-	-	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	Sales	(3,674,098)	(8)	Net 45 days after monthly closing	None	None	635,222	7	
	Hefei Datang Storage Technology Co., Ltd.	Hefei Xinpeng's subsidiary	Sales	(164,574)	-	Net 60 days after receipt date	None	None	37,962	-	
	ProGrade Digital Incorporated	Associates	Sales	(233,908)	(1)	Net 30 days after receipt date	None	None	31,321	-	
	Nextorage Corporation	Subsidiary	Sales	(350,638)	(1)	Net 60 days after monthly closing	None	None	48,935	1	Note 2
	Phison Technology Inc.	Sub-subsidiary	Sales	(554,035)	(1)	Net 45 days after monthly closing	None	None	105,336	1	Note 2

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

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



**Phison Electronics Corp. and Subsidiaries**  
**Receivables from Related Parties Amounting to at least NT\$100 Million or 20% of the Paid-in Capital**  
**September 30, 2024**

Table 4

(Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts	Note
					Amount	Action Taken			
The Company	Kioxia Corporation	The Company is its director	216,846	4.89	-	-	94,307	109	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	635,222	5.59	-	-	284,021	318	
	Phison Technology Inc.	Sub-subsidiary	105,336	5.46	-	-	50,673	-	Note 2

Note 1: Information as of October 31, 2024.

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

**Phison Electronics Corp. and Subsidiaries**  
**Business relationships and significant intercompany transactions**  
**For the nine months ended September 30, 2024**

Table 5

(Amounts in Thousands)

No.	Name of company	Name of counter-party	Nature of relationship (Note 1)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets (%)
0	The Company	Ostek Corporation	1	Manufacturing cost	21,892	General trading terms	0.05
		Super Storage Technology Corporation	1	Processing cost	390,607	General trading terms	0.84
			1	Accounts payable	53,420	General trading terms	0.07
		Phison Technology Inc.	1	Sales	554,035	General trading terms	1.19
			1	Accounts receivable	105,336	General trading terms	0.15
			1	Marketing expenses	458,170	General trading terms	0.99
			1	Other payables	50,091	General trading terms	0.07
		Nextorage Corporation	1	Sales	350,638	General trading terms	0.76
			1	Accounts receivable	48,935	General trading terms	0.07
		Phison Electronics Japan Corp.	1	Marketing expenses	16,162	General trading terms	0.03
		Power Storage Technology (Shenzhen) Limited	1	Marketing expenses	65,158	General trading terms	0.14
			1	Other payables	26,458	General trading terms	0.04

Note 1: 1.Parent Company to its subsidiaries

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

**Phison Electronics Corp. and Subsidiaries**  
**Information on Investees (Excluding Information on Investees in Mainland China)**  
**For the nine months ended September 30, 2024**

Table 6

(Amounts in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2024			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				September 30, 2024	December 31, 2023	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Global Flash Limited	Samoa	Investment and trade	726,307	726,307	22,100,000	100.00	4,276,007	1,260,211	1,260,211	Subsidiary and note 2
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00	1,899,538	536,299	536,299	Subsidiary and note 2
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00	805,554	30,500	30,436	Subsidiary and note 2
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	439,126	(11,700)	(11,700)	Subsidiary and note 2
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	79,531	6,288,523	30.51	158,675	1,497	457	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	380,000	380,000	38,000,000	100.00	471,604	22,075	22,075	Subsidiary and note 2
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	216,946	219,715	11,925	99.38	549,052	42,219	41,966	Subsidiary and note 2
	Power Flash (Samoa) Limited	Samoa	Investment and trade	433,960	150,190	13,800,000	100.00	438,374	(7,083)	(7,083)	Subsidiary and note 2
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	28.71	159,859	23,997	6,890	Investee accounted for using the equity method

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2024			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				September 30, 2024	December 31, 2023	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Phison Electronics Japan Corp.	Japan	Sales and service office	59,508	59,508	2,000	100.00	29,558	782	782	Subsidiary and note 2
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	8,768	8,768	2,299,990	100.00	10,791	1,247	1,247	Subsidiary and note 2
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	27,692	3,050	1,494	Investee accounted for using the equity method
	Great Storage Investment Corporation	Taiwan	Investment	750,000	-	75,000,000	100.00	<u>779,820</u>	(2,436)	(2,436)	Subsidiary and note 2
								<u>10,045,650</u>		<u>1,880,638</u>	
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	23,899	(3,561)	Note1	Sub-Subsidiary and note 2
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sale of electronic products and business service office	90,419	90,419	3,000,000	100.00	202,642	19,886	Note1	Sub-Subsidiary and note 2
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	-	-	10	-	-	1,247	Note1	Sub-Subsidiary and note 2
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Taiwan	Manufacture and trade of electronic components	452,954	452,954	34,842,595	100.00	686,264	29,531	Note1	Sub-Subsidiary and note 2
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	636,593	19,150,000	100.00	4,329,182	1,257,038	Note1	Sub-Subsidiary and note 2
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Hong Kong	Sales and trade of electronic products	98,754	98,754	3,000,000	100.00	108,034	3,659	Note1	Sub-Subsidiary and note 2

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2024			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				September 30, 2024	December 31, 2023	Shares	Percentage of Ownership (%)	Carrying Value			
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	654,726	21,850,000	100.00	1,947,488	536,266	Note1	Sub-Subsidiary and note 2
Great Storage Investment Corporation	Maistorage Technology Sdn. Bhd.	Malaysia	R&D, design, manufacture, and sale of flash memory controller chips and storage solutions, along with trade, import and export, software development, and technical support services.	709,459	-	100,000,000	100.00	738,842	(2,872)	Note1	Sub-Subsidiary and note 2

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

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

**Phison Electronics Corp. and Subsidiaries**  
**Information on Investment in Mainland China**  
**For the nine months ended September 30, 2024**

Table 7

(Amounts in Thousands)

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2024	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of September 30, 2024	Note
					Outflow	Inflow							
Hefei Ruhan Electronic Technology Limited	Design, R&D, sale of electronics product and technical support service and rendering of related services and investment	182,825	2(1)	182,825	-	-	182,825	(31,693)	100.00	(31,693)	111,598	-	Note 3
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sale of electronic product and technical service and rendering of related services and investment	735,136	2(1)	-	-	-	-	(130,867)	24.23	(31,712)	105,278	-	
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,965,862	2(1) and 2(2)	442,780	-	-	442,780	5,280,701	35.68	1,800,628	5,411,481	-	
Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	43,520	2(3)	43,520	-	-	43,520	2,727	100.00	2,727	50,379	-	Note 3

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2024	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of September 30, 2024	Note
					Outflow	Inflow							
PowerStorage Electronics Limited	Design, R&D, production and sales of integrated circuits, systems and electronics hardware and software and rendering of related services	267,720	2(3)	-	267,720	-	267,720	(22,897)	100.00	(22,897)	248,069	-	Note 3

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of September 30, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 2)
936,845	1,664,498	28,391,388

Note 1: Method of investment.

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

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

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