

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended February 28, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-34992

SemiLEDs Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-2735523
(I.R.S. Employer
Identification Number)

3F, No. 11 Ke Jung Rd., Chu-Nan Site,
Hsinchu Science Park, Chu-Nan 350,
Miao-Li County, Taiwan, R.O.C.
(Address of principal executive offices)

350
(Zip Code)

+886-37-586788

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0000056	LEDs	The Nasdaq Stock Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 4,057,823 shares of common stock, par value \$0.0000056 per share, outstanding as of April 6, 2021.

SEMILEDs CORPORATION
FORM 10-Q for the Quarter Ended February 28, 2021

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PART I — FINANCIAL INFORMATION**Item 1. Financial Statements**

SEMILEDs CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands of U.S. dollars and shares, except par value)

	February 28, 2021 (Unaudited)	August 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,086	\$ 2,832
Restricted cash and cash equivalents	88	85
Accounts receivable (including related parties), net of allowance for doubtful accounts of \$195 and \$187 as of February 28, 2021 and August 31, 2020, respectively	800	1,331
Inventories	2,905	2,476
Prepaid expenses and other current assets	743	781
Total current assets	6,622	7,505
Property, plant and equipment, net	5,549	5,645
Operating lease right of use assets	1,672	203
Intangible assets, net	120	89
Investments in unconsolidated entities	992	952
Other assets	172	186
TOTAL ASSETS	\$ 15,127	\$ 14,580
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current installments of long-term debt	\$ 5,023	\$ 4,750
Accounts payable	439	536
Advance receipt toward the convertible note	500	500
Accrued expenses and other current liabilities	2,483	2,654
Other payable to related parties	611	460
Operating lease liabilities, current	126	97
Total current liabilities	9,182	8,997
Long-term debt, excluding current installments	2,777	2,909
Operating lease liabilities, less current portion	1,546	106
Total liabilities	13,505	12,012
Commitments and contingencies (Note 5)		
EQUITY:		
SemiLEDs stockholders' equity		
Common stock, \$0.0000056 par value—7,500 shares authorized; 4,057 shares and 4,011 shares issued and outstanding as of February 28, 2021 and August 31, 2020, respectively	—	—
Additional paid-in capital	177,313	177,235
Accumulated other comprehensive income	3,585	3,647
Accumulated deficit	(179,312)	(178,360)
Total SemiLEDs stockholders' equity	1,586	2,522
Noncontrolling interests	36	46
Total equity	1,622	2,568
TOTAL LIABILITIES AND EQUITY	\$ 15,127	\$ 14,580

See notes to unaudited condensed consolidated financial statements.

SEMILEDs CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations
(In thousands of U.S. dollars and shares, except per share data)

	Three Months Ended		Six Months Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Revenues, net	\$ 1,206	\$ 1,537	\$ 1,925	\$ 3,100
Cost of revenues	965	989	1,706	2,034
Gross profit	241	548	219	1,066
Operating expenses:				
Research and development	288	307	634	737
Selling, general and administrative	667	633	1,348	1,359
Gain on disposals of long-lived assets, net	(207)	—	(284)	(79)
Total operating expenses	748	940	1,698	2,017
Loss from operations	(507)	(392)	(1,479)	(951)
Other income (expenses):				
Gain on disposal of investment	—	634	—	634
Interest expenses, net	(92)	(100)	(184)	(178)
Other income (losses), net	307	167	477	324
Foreign currency transaction gain, net	38	41	225	199
Total other income, net	253	742	518	979
Income (loss) before income taxes	(254)	350	(961)	28
Income tax expense	—	—	—	—
Net income (loss)	(254)	350	(961)	28
Less: Net income (loss) attributable to noncontrolling interests	1	2	(9)	(3)
Net income (loss) attributable to SemiLEDs stockholders	\$ (255)	\$ 348	\$ (952)	\$ 31
Net income (loss) per share attributable to SemiLEDs stockholders:				
Basic	\$ (0.06)	\$ 0.10	\$ (0.24)	\$ 0.01
Diluted	\$ (0.06)	\$ 0.08	\$ (0.24)	\$ 0.01
Shares used in computing net income (loss) per share attributable to SemiLEDs stockholders:				
Basic	4,033	3,613	4,023	3,604
Diluted	4,033	4,486	4,023	3,732

See notes to unaudited condensed consolidated financial statements.

SEMILEDs CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands of U.S. dollars)

	Three Months Ended		Six Months Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Net income (loss)	\$ (254)	\$ 350	\$ (961)	\$ 28
Other comprehensive loss, net of tax:				
Foreign currency translation adjustments, net of tax of \$0 for all periods presented	\$ (32)	(52)	(60)	(75)
Comprehensive income (loss)	<u>\$ (286)</u>	<u>\$ 298</u>	<u>\$ (1,021)</u>	<u>\$ (47)</u>
Comprehensive income (loss) attributable to noncontrolling interests	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ (7)</u>	<u>\$ (1)</u>
Comprehensive income (loss) attributable to SemiLEDs stockholders	<u>\$ (288)</u>	<u>\$ 295</u>	<u>\$ (1,014)</u>	<u>\$ (46)</u>

See notes to unaudited condensed consolidated financial statements.

SEMILEDs CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidated Statement of Changes in Equity
(In thousands of U.S. dollars and shares)

	Common Stock		Subscribed stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total SemiLEDs Shareholders' Equity	Non- Controlling Interests	Total Equity
	Shares	Amount							
BALANCE—September 1, 2020	4,011	\$ —	\$ —	\$ 177,235	\$ 3,647	\$ (178,360)	\$ 2,522	\$ 46	\$ 2,568
Stock-based compensation	—	—	—	21	—	—	21	—	21
Change ownership in SBDI*	—	—	—	(9)	—	—	(9)	(3)	(12)
Comprehensive income (loss):									
Other comprehensive income	—	—	—	—	(29)	—	(29)	1	(28)
Net loss	—	—	—	—	—	(697)	(697)	(10)	(707)
BALANCE—November 30, 2020	4,011	—	—	177,247	3,618	(179,057)	1,808	34	1,842
Issuance of common stock under equity incentive plans	47	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	66	—	—	66	—	66
Comprehensive loss:									
Other comprehensive income (loss)	—	—	—	—	(33)	—	(33)	1	(32)
Net loss	—	—	—	—	—	(255)	(255)	1	(254)
BALANCE—February 28, 2021	4,058	\$ —	\$ —	\$ 177,313	\$ 3,585	\$ (179,312)	\$ 1,586	\$ 36	\$ 1,622

	Common Stock		Subscribed stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total SemiLEDs Shareholders' Equity	Non- Controlling Interests	Total Equity
	Shares	Amount							
BALANCE—September 1, 2019	3,594	\$ —	\$ —	\$ 175,804	\$ 3,753	\$ (177,816)	\$ 1,741	\$ 47	\$ 1,788
Issuance of common stock under equity incentive plans	1	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	35	—	—	35	—	35
Comprehensive income (loss):									
Other comprehensive income	—	—	—	—	(24)	—	(24)	1	(23)
Net loss	—	—	—	—	—	(317)	(317)	(5)	(322)
BALANCE—November 30, 2019	3,595	—	—	175,839	3,729	(178,133)	1,435	43	1,478
Issuance of common stock under equity incentive plans	28	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	24	—	—	24	—	24
Issuance of common stock for private placement	150	—	600	—	—	—	600	—	600
Issuance of convertible notes	—	—	—	39	—	—	39	—	39
Comprehensive loss:									
Other comprehensive income (loss)	—	—	—	—	(53)	—	(53)	1	(52)
Net loss	—	—	—	—	—	348	348	2	350
BALANCE—February 28, 2020	3,773	\$ —	\$ 600	\$ 175,902	\$ 3,676	\$ (177,785)	\$ 2,393	\$ 46	\$ 2,439

See notes to unaudited condensed consolidated financial statements.

* SBDI (Taiwan Bandaoti Zhaoming Co., Ltd.) is one of the Company's subsidiaries.

SEMILEDs CORPORATION AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	Six Months Ended	
	February 28, 2021	February 29, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (961)	\$ 28
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	443	412
Stock-based compensation expense	87	59
Provisions for inventory write-downs	396	320
Gain on disposals of long-lived assets, net	(284)	(79)
Gain on disposals of investment	—	(634)
Changes in :		
Accounts receivable	810	302
Inventories	(725)	(680)
Prepaid expenses and other	68	69
Accounts payable	(119)	(79)
Accrued expenses and other current liabilities	(340)	88
Net cash used in operating activities	(625)	(194)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(97)	(159)
Proceeds from sales of property, plant and equipment	284	79
Payments for development of intangible assets	(10)	(8)
Net cash provided by (used in) investing activities	177	(88)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	—	2,000
Repayments of long-term debt	—	(207)
Issuance of common stock for private placement	—	600
Acquisition of noncontrolling interests	(12)	—
Net cash provided by (used in) financing activities	(12)	2,393
Changes in cash balances included in deconsolidated subsidiaries	—	(61)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(275)	(188)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(735)	1,862
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	3,012	1,471
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH—End of period	\$ 2,277	\$ 3,333
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Accrual related to property, plant and equipment	\$ 8	\$ 47

See notes to unaudited condensed consolidated financial statements.

SEMILEDs CORPORATION AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements

1. Business

SemiLEDs Corporation (“SemiLEDs” or the “parent company”) was incorporated in Delaware on January 4, 2005 and is a holding company for various wholly owned subsidiaries. SemiLEDs and its subsidiaries (collectively, the “Company”) develop, manufacture and sell high performance light emitting diodes (“LEDs”). The Company’s core products are LED components, as well as LED chips and lighting products. LED components have become the most important part of its business. A portion of the Company’s business consists of the sale of contract manufactured LED products. The Company’s customers are concentrated in a few select markets, including Taiwan, the United States and China.

As of February 28, 2021, SemiLEDs had two wholly owned subsidiaries. SemiLEDs Optoelectronics Co., Ltd., or Taiwan SemiLEDs, is the Company’s wholly owned operating subsidiary, where a substantial portion of the assets is held and located, and where a portion of our research, development, manufacturing and sales activities take place. Taiwan SemiLEDs owns a 97% equity interest in Taiwan Bandaoti Zhaoming Co., Ltd., formerly known as Silicon Base Development, Inc., which is engaged in the research, development, manufacturing and a substantial portion of marketing and sale of LED components, and where most of the Company’s employees are based. On November 27, 2019, SemiLEDs entered into a stock purchase agreement (the “Agreement”) with XianChang Ma (the “Purchaser”) pursuant to which the Purchaser agreed to purchase all of the outstanding shares of the Company’s Hong Kong subsidiary, Semileds International Corporation Limited, and its wholly owned subsidiary Xuhe Guangdian Co Ltd. for \$100,000 and an additional \$40,000 for the transaction costs. The Purchaser paid \$140,000 to the Company, and the transaction was completed in January 2020. The Purchaser also subscribed approximately 4% of the Company’s outstanding common shares on January 17, 2020 (see Note 6).

SemiLEDs’ common stock trades on the NASDAQ Capital Market under the symbol “LEDS”.

2. Summary of Significant Accounting Policies

Basis of Presentation —The Company’s unaudited interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and applicable provisions of the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by the rules and regulations of the SEC. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K filed with the SEC on November 17, 2020. The unaudited condensed consolidated balance sheet as of August 31, 2020 included herein was derived from the audited consolidated financial statements as of that date.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company’s consolidated balance sheet as of February 28, 2021, the statements of operations and comprehensive loss for the three and six months ended February 28, 2021 and February 29, 2020, the statement of changes in equity for the three and six months ended February 28, 2021 and February 29, 2020, and the statements of cash flows for the six months ended February 28, 2021 and February 29, 2020. The results for the three or six months ended February 28, 2021 are not necessarily indicative of the results to be expected for the year ending August 31, 2021.

Going Concern —The accompanying unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Company’s ability to operate profitably, to generate cash flows from operations, and to pursue financing arrangements to support its working capital requirements.

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The Company suffered losses from operations of \$2.1 million and \$3.7 million, and net cash used in operating activities of \$1.0 million and \$3.5 million for the years ended August 31, 2020 and 2019, respectively. These facts and conditions raise substantial doubt about the Company's ability to continue as a going concern, even though gross profit on product sales was \$1.6 million for the year ended August 31, 2020 compared to \$452 thousand for the year ended August 31, 2019. Loss from operations for the three and six months ended February 28, 2021 were \$507 thousand and \$1.5 million, respectively. Net cash used in operating activities for the six months ended February 28, 2021 was \$625 thousand. Moreover, at February 28, 2021, the Company's cash and cash equivalents had decreased to \$2.1 million. However, management believes that it has developed a liquidity plan, as summarized below, that, if executed successfully, should provide sufficient liquidity to meet the Company's obligations as they become due for a reasonable period of time, and allow the development of its core business.

- Gaining positive cash-inflow from operating activities through continuous cost reductions and the sales of new higher margin products. Steady growth of module products and the continued commercial sales of its UV LED product are expected to improve the Company's future gross margin, operating results and cash flows. The Company is targeting niche markets and focusing on product enhancement and developing its LED products into many other applications or devices.
- Continuing to monitor prices, work with current and potential vendors to decrease costs and, consistent with its existing contractual commitments, may possibly decrease its activity level and capital expenditures further. This plan reflects its strategy of controlling capital costs and maintaining financial flexibility.
- Raising additional cash through potential equity offerings, sales of assets, and/or issuance of debt as considered necessary and looking at other potential business opportunities.

While the Company's management believes that the measures described in the above liquidity plan will be adequate to satisfy its liquidity requirements for the twelve months after the date that the financial statements are issued, there is no assurance that the liquidity plan will be successfully implemented. Failure to successfully implement the liquidity plan may have a material adverse effect on its business, results of operations and financial position, and may adversely affect its ability to continue as a going concern. These unaudited interim condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

Restricted Cash Equivalents—Restricted cash primarily consists of cash held in reserved bank accounts in Taiwan. As of February 28, 2021 and August 31, 2020, the Company's restricted cash equivalents at current portion amounted \$88 thousand and \$85 thousand, respectively. As of February 28, 2021 and August 31, 2020, the Company's restricted cash at noncurrent portion, which was recorded as other assets, amounted to \$103 thousand and \$95 thousand, respectively.

Revenue Recognition—Effective September 1, 2018, the Company adopted ASC 606 using the modified retrospective transition method. The Company applied the following five steps to achieve the core principles of ASC 606: 1) identified the contract with a customer; 2) identified the performance obligations (promises) in the contract; 3) determined the transaction price; 4) allocated the transaction price to the performance obligations in the contract; and 5) recognized revenue when (or as) the Company satisfies a performance obligation. The Company recognizes the amount of revenue when the Company satisfies a performance obligation to which it expects to be entitled for the transfer of promised goods or services to customers. The Company obtains written purchase authorizations from its customers as evidence of an arrangement and these authorizations generally provide for a specified amount of product at a fixed price. Generally, the Company considers delivery to have occurred at the time of shipment as this is generally when title and risk of loss for the products will pass to the customer. The Company provides its customers with limited rights of return for non-conforming shipments and product warranty claims. Based on historical return percentages, which have not been material to date, and other relevant factors, the Company estimates its potential future exposure on recorded product sales, which reduces product revenues in the consolidated statements of operations and reduces accounts receivable in the consolidated balance sheets. The Company also provides standard product warranties on its products, which generally range from three months to two years. Management estimates the Company's warranty obligations as a percentage of revenues, based on historical knowledge of warranty costs and other relevant factors. To date, the related estimated warranty provisions have been insignificant.

Principles of Consolidation—The unaudited interim condensed consolidated financial statements include the accounts of SemiLEDs and its consolidated subsidiaries. All intercompany transactions and balances have been eliminated during consolidation.

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On September 1, 2018, the Company adopted ASC 825-10, “Financial Instruments- Overall: Recognition and Measurement of Financial Assets and Financial Liabilities”. This standard allows equity investments that do not have readily determinable fair values to be re-measured at fair value either upon the occurrence of an observable price change or upon identification of impairment. The standard also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring assessment for impairment qualitatively at each reporting period.

Investments in which the Company has the ability to exercise significant influence over the investee but not a controlling financial interest, are accounted for using the equity method of accounting and are not consolidated. These investments are in joint ventures that are not subject to consolidation under the variable interest model, and for which the Company: (i) does not have a majority voting interest that would allow it to control the investee, or (ii) has a majority voting interest but for which other shareholders have significant participating rights, but for which the Company has the ability to exercise significant influence over operating and financial policies. Under the equity method, investments are stated at cost after adding or removing the Company’s portion of equity in undistributed earnings or losses, respectively. The Company’s investment in these equity-method entities is reported in the consolidated balance sheets in investments in unconsolidated entities, and the Company’s share of the income or loss of these equity-method entities, after the elimination of unrealized intercompany profits, is reported in the consolidated statements of operations in equity in losses from unconsolidated entities. When net losses from an equity-method investee exceed its carrying amount, the carrying amount of the investment is reduced to zero. The Company then suspends using the equity method to provide for additional losses unless the Company has guaranteed obligations or is otherwise committed to provide further financial support to the equity-method investee. The Company resumes accounting for the investment under the equity method if the investee subsequently returns to profitability and the Company’s share of the investee’s income exceeds its share of the cumulative losses that have not been previously recognized during the period the equity method is suspended.

Investments in entities that are not consolidated or accounted for under the equity method are recorded as investments without readily determinable fair values. Investments without readily determinable fair values are reported on the consolidated balance sheets in investments in unconsolidated entities, at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Dividend income, if any, received is reported in the consolidated statements of operations in equity in losses from unconsolidated entities.

If the fair value of an equity investment declines below its respective carrying amount and the decline is determined to be other-than-temporary, the investment will be written down to its fair value.

Use of Estimates —The preparation of unaudited interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the preparation of the Company’s consolidated financial statements on the basis that the Company will continue as a going concern, the collectability of accounts receivable, inventory net realizable values, realization of deferred tax assets, valuation of stock-based compensation expense, the useful lives of property, plant and equipment and intangible assets, the recoverability of the carrying amount of property, plant and equipment, intangible assets and investments in unconsolidated entities, the fair value of acquired tangible and intangible assets, income tax uncertainties, provision for potential litigation costs and other contingencies. Management bases its estimates on historical experience and also on assumptions that it believes are reasonable. Management assesses these estimates on a regular basis; however, actual results could differ materially from those estimates.

Certain Significant Risks and Uncertainties —The Company is subject to certain risks and uncertainties that could have a material and adverse effect on the Company’s future financial position or results of operations, which risks and uncertainties include, among others: it has incurred significant losses over the past few years, any inability of the Company to compete in a rapidly evolving market and to respond quickly and effectively to changing market requirements, any inability of the Company to grow its revenue and/or maintain or increase its margins, it may experience fluctuations in its revenues and operating results, any inability of the Company to protect its intellectual property rights, claims by others that the Company infringes their proprietary technology, and any inability of the Company to raise additional funds in the future.

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Concentration of Supply Risk —Some of the components and technologies used in the Company’s products are purchased and licensed from a limited number of sources and some of the Company’s products are produced by a limited number of contract manufacturers. The loss of any of these suppliers and contract manufacturers may cause the Company to incur transition costs to another supplier or contract manufacturer, result in delays in the manufacturing and delivery of the Company’s products, or cause it to carry excess or obsolete inventory. The Company relies on a limited number of such suppliers and contract manufacturers for the fulfillment of its customer orders. Any failure of such suppliers and contract manufacturers to perform could have an adverse effect upon the Company’s reputation and its ability to distribute its products or satisfy customers’ orders, which could adversely affect the Company’s business, financial position, results of operations and cash flows.

Concentration of Credit Risk —Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable.

The Company keeps its cash and cash equivalents in demand deposits with prominent banks of high credit quality and invests only in money market funds. Deposits held with banks may exceed the amount of insurance provided on such deposits. As of February 28, 2021 and August 31, 2020, cash and cash equivalents of the Company consisted of the following (in thousands):

Cash and Cash Equivalents by Location	February 28, 2021	August 31, 2020
United States;		
Denominated in U.S. dollars	\$ 35	\$ 251
Taiwan;		
Denominated in U.S. dollars	1,936	2,514
Denominated in New Taiwan dollars	58	52
Denominated in other currencies	57	15
Total cash and cash equivalents	\$ 2,086	\$ 2,832

The Company’s revenues are substantially derived from the sales of LED products. A significant portion of the Company’s revenues are derived from a limited number of customers and sales are concentrated in a few select markets. Management performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable. Management evaluates the need to establish an allowance for doubtful accounts for estimated potential credit losses at each reporting period. The allowance for doubtful accounts is based on the management’s assessment of the collectability of its customer accounts. Management regularly reviews the allowance by considering certain factors, such as historical experience, industry data, credit quality, age of accounts receivable balances and current economic conditions that may affect a customer’s ability to pay.

Net revenues generated from sales to the top ten customers represented 85% and 82% of the Company’s total net revenues for the three and six months ended February 28, 2021 respectively, and 88% and 84% of the Company’s net revenues for the three and six months ended February 29, 2020, respectively.

The Company’s revenues have been concentrated in a few select markets, including the Netherlands, Ireland, Taiwan, Japan, the United States, Germany and India. Net revenues generated from sales to customers in these markets, in the aggregate, accounted for 87 % and 83% of the Company’s net revenues for the three and six months ended February 28, 2021, respectively, and 91% and 90% of the Company’s net revenues for the three and six months ended February 29, 2020, respectively.

Noncontrolling Interests —Noncontrolling interests are classified in the consolidated statements of operations as part of consolidated net income (loss) and the accumulated amount of noncontrolling interests in the consolidated balance sheets as part of equity. Changes in ownership interest in a consolidated subsidiary that do not result in a loss of control are accounted for as an equity transaction. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net earnings. On September 1, 2018, Taiwan Bandaoti Zhaoming Co., Ltd. (“SBDI”), the Company’s then wholly owned operating subsidiary, issued 414,000 common shares and amended its certificate of incorporation to increase its common stock issued from 12,087,715 to 12,501,715 shares. As of the issuance date, the increased capital of \$176 thousand (NT\$5.4 million) has been received in full amount by Taiwan Bandaoti Zhaoming Co., Ltd. The Company did not subscribe for any newly issued common shares at the issuance date; as a result, noncontrolling interest in SBDI increased from zero to 3.31%. From January 2019 to February 2021, the Company purchased additional 33,000 common shares of SBDI from non-controlling shareholders. Therefore, noncontrolling interest in SBDI was down to 3.05% as of February 28, 2021.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, simplifying the Accounting for Income Taxes, as part of its initiative to reduce complexity in accounting standards. The amendments in the ASU are effective for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The Company is currently evaluating the impact ASU 2019-12 will have on the disclosures included in its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging- Contracts in Entity's Own Equity (Subtopic 815-40), to reduce the complexity associated with applying U.S. GAAP principles for certain financial instruments with characteristics of liabilities and equity. The amendments in this ASU reduce the number of accounting models for convertible instruments and expand the existing disclosure requirements over earnings per share as it relates to convertible instruments. This ASU will be effective for the fiscal year beginning January 1, 2022 and interim periods therein. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The amendments may be adopted through either a modified retrospective method, or a fully retrospective method. The Company is currently evaluating the impact of adopting ASU 2020-06.

3. Balance Sheet Components

Inventories

Inventories as of February 28, 2021 and August 31, 2020 consisted of the following (in thousands):

	February 28, 2021	August 31, 2020
Raw materials	\$ 445	\$ 433
Work in process	962	792
Finished goods	1,498	1,251
Total	<u>\$ 2,905</u>	<u>\$ 2,476</u>

Inventory write-downs to estimated net realizable values were \$200 thousand and \$396 thousand for the three and six months ended February 28, 2021, respectively, and \$201 thousand and \$320 thousand for the three and six months ended February 29, 2020, respectively.

Property, Plant and Equipment

Property, plant and equipment as of February 28, 2021 and August 31, 2020 consisted of the following (in thousands):

	February 28, 2021	August 31, 2020
Buildings and improvements	\$ 14,712	\$ 14,104
Machinery and equipment	33,765	33,977
Leasehold improvements	173	166
Other equipment	2,522	2,384
Construction in progress	—	7
Total property, plant and equipment	51,172	50,638
Less: Accumulated depreciation and amortization	(45,623)	(44,993)
Property, plant and equipment, net	<u>\$ 5,549</u>	<u>\$ 5,645</u>

Intangible Assets

Intangible assets as of February 28, 2021 and August 31, 2020 consisted of the following (in thousands):

February 28, 2021				
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and trademarks	15	\$ 605	\$ 485	\$ 120
Acquired technology	5	360	360	—
Total		<u>\$ 965</u>	<u>\$ 845</u>	<u>\$ 120</u>

August 31, 2020				
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and trademarks	15	\$ 550	\$ 461	\$ 89
Acquired technology	5	345	345	—
Total		<u>\$ 895</u>	<u>\$ 806</u>	<u>\$ 89</u>

4. Investments in Unconsolidated Entities

The Company's ownership interest and carrying amounts of investments in unconsolidated entities as of February 28, 2021 and August 31, 2020 consisted of the following (in thousands, except percentages):

	February 28, 2021		August 31, 2020	
	Percentage Ownership	Amount	Percentage Ownership	Amount
Equity method investments:				
Equity investment without readily determinable fair value	Various	\$ 992	Various	\$ 952
Total investments in unconsolidated entities		<u>\$ 992</u>		<u>\$ 952</u>

There were no dividends received from unconsolidated entities through February 28, 2021.

Equity Investments without Readily Determinable Fair Value

Equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the Company) which do not have readily determinable fair values are recorded as equity investment without readily determinable fair value. All equity investments without readily determinable fair value are assessed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable, and measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer.

5. Commitments and Contingencies

Operating Lease Agreements —The Company has several operating leases with unrelated parties, primarily for land, plant and office spaces in Taiwan, which include cancellable and noncancelable and which expire at various dates between December 2021 and December 2040. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. For lease agreements entered into or reassessed after the adoption of Topic 842, the Company did not combine lease and non-lease components.

Most leases do not include options to renew. The exercise of lease renewal options has to be agreed by the lessors. The depreciable life of assets and leasehold improvements are limited by the term of leases, unless there is a transfer of title or purchase option reasonably certain of exercise. Lease expense is recognized on a straight-line basis over the term of the lease. Lease expense related to these noncancelable operating leases was \$40 thousand and \$81 thousand for three months and six months ended February 28, 2021. Lease expense related to these noncancelable operating leases was \$38 thousand and \$76 thousand for three months and six months ended February 29, 2020.

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Balance sheet information related to the Company's leases is presented below:

	<u>February 28, 2021</u>
Assets	
Operating lease right of use assets	\$ 1,672
Liabilities	
Operating lease liabilities, current portion	\$ 126
Operating lease liabilities, less current portion	1,546
Total	<u>\$ 1,672</u>

The following provides details of the Company's lease expenses:

	<u>Six Months Ended</u> <u>February 28, 2021</u>
Operating lease expenses, net	<u>\$ 81</u>

Other information related to leases is presented below:

	<u>Six Months Ended</u> <u>February 28, 2021</u>
Cash Paid for amounts Included In Measurement of Liabilities:	
Operating cash flows from operating leases	\$ 81
Weighted Average Remaining Lease Term:	
Operating leases	12.35 years
Weighted Average Discount Rate	
Operating leases	1.76%

As most of the Company's leases do not provide an implicit rate, the Company uses its average borrowing rate from non-related parties of 1.76% based on the information available at commencement date in determining the present value of lease payments.

The aggregate future noncancelable minimum rental payments for the Company's operating leases as of February 28, 2021 consisted of the following (in thousands):

<u>Years Ending August 31,</u>	<u>Operating</u> <u>Leases</u>
Remainder of 2021	\$ 81
2022	121
2023	100
2024	100
2025	100
Thereafter	1,403
Total future minimum lease payments, undiscounted	1,905
Less: Imputed interest	233
Present value of future minimum lease payments	<u>\$ 1,672</u>

Purchase Obligations —The Company had purchase commitments for inventory, property, plant and equipment in the amount of \$108 thousand and \$33 thousand as of February 28, 2021 and August 31, 2020, respectively.

Litigation —The Company is directly or indirectly involved from time to time in various claims or legal proceedings arising in the ordinary course of business. The Company recognizes a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in assessing both the likelihood of an unfavorable outcome and whether the amount of loss, if any, can be reasonably estimated. However, the Company cannot predict the outcome of any litigation or the potential for future litigation.

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On June 21, 2017, Well Thrive Ltd. (“Well Thrive”) filed a complaint against SemiLEDs Corporation in the United States District Court for the District of Delaware. The complaint alleges that Well Thrive is entitled to return of \$500 thousand paid toward a note purchase pursuant to a purchase agreement (the “Purchase Agreement”) effective July 6, 2016 with Dr. Peter Chiou, which was assigned to Well Thrive on August 4, 2016. Pursuant to the terms of the Purchase Agreement, the Company retained the \$500 thousand payment as liquidated damages. Well Thrive alleged that the liquidated damages provision was unenforceable as an illegal penalty and did not reflect the amount of purported damages. The Court held a trial on March 2, 2020. After the trial, judge ordered both sides to prepare post-trial briefs and proposed findings of fact for the Court to be submitted before the end of April 2020. Both sides submitted post-trial briefs and proposed findings of fact on April 30, 2020. On December 21, 2020, the judge, following a hearing, issued her judgment, which ordered SemiLEDs to return the \$500,000 to Well Thrive, and required both parties, on or before January 6, 2021, to submit information on the appropriate amount of interest to be added. On January 6, 2021, the Company filed a brief arguing that there should not be an award of prejudgment interest, and Well Thrive is arguing for the amount of \$135,774 in prejudgment interest. As of the date of filing this report, the judge has not yet decided on the interest issue. On January 20, 2021, the Company filed a notice of appeal from the judgment in the U.S. Third Circuit Court of Appeals. The Court of Appeals has not yet set a briefing schedule and has not yet scheduled any argument. The Company recorded the \$500,000 in advance receipt toward the convertible note under current liabilities as of February 28, 2021.

Except as described above, as of February 28 2021, there was no pending or threatened litigation that could have a material impact on the Company’s financial position, results of operations or cash flows.

6. Common Stock

On January 17, 2020, the Company entered into a definitive common stock purchase agreement with XianChang Ma. Pursuant to the terms of the Agreement, Mr. Ma purchased 150,000 shares of the Company’s common stock at \$4.00 per share, representing approximately 4% of the outstanding shares of the Company at the time of purchase. The Company received the \$600,000 purchase price in full on January 17, 2020.

On May 25, 2020, the Company entered into a definitive common stock purchase agreement (the “Agreement”) with FengShuang Zhu. Pursuant to the terms of the Agreement, Mr. Zhu purchased 33,333 shares of the Company’s common stock at \$3.00 per share for an aggregate purchase price of \$100,000. The Company received the \$100,000 purchase price in full on May 25, 2020.

On May 25, 2020, J.R. Simplot Company, the largest shareholder of the Company, and Trung Doan, the Chairman and Chief Executive Officer of the Company, each converted \$300,000 of convertible unsecured promissory notes into 100,000 shares of the Company’s common stock (see Note 10).

7. Stock-based Compensation

The Company currently has one equity incentive plan (the “2010 Plan”), which provides for awards in the form of restricted shares, stock units, stock options or stock appreciation rights to the Company’s employees, officers, directors and consultants. In April 2014, SemiLEDs’ stockholders approved an amendment to the 2010 Plan that increased the number of shares authorized for issuance under the plan by an additional 250 thousand shares. On July 31, 2019, the stockholders approved an increase in the authorized share reserve under the 2010 plan by an additional 500 thousand shares, to extend expiration of the 2010 Plan to November 3, 2023, to remove the IRS Code section 162(m) provisions, and to modify the maximum grant limit to 35 thousand shares to one person in a one year period. On September 25, 2020, stockholders approved the amended 2010 Equity Incentive Plan to increase the authorized shares reserve by an additional 400 thousand shares.

Prior to SemiLEDs’ initial public offering, the Company had another stock-based compensation plan (the “2005 Plan”), but awards are made from the 2010 Plan after the initial public offering. Options outstanding under the 2005 Plan continue to be governed by its existing terms.

A total of 1,421 thousand and 1,021 thousand shares was reserved for issuance under the 2010 Plan, respectively, as of February 28, 2021 and February 29, 2020. As of February 28, 2021 and February 29, 2020, there were 1,048 thousand and 548 thousand shares of common stock available for future issuance under the equity incentive plans, respectively.

In November 2020, SemiLEDs granted 15 thousand restricted stock units to its directors, which vested 25% on February 12, 2021 and will vest 25% every three months on May 12, 2021, August 12, 2021 and November 12, 2021. In the event that the 2021 annual meeting falls before November 12, 2021, 100% of the stock units shall immediately vest on the date of the 2021 annual meeting. The grant-date fair value of the restricted stock units was \$3.00 per unit.

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In November 2020, SemiLEDs granted 33 thousand restricted stock units to its employees, which vested 25% on February 12, 2021 and will vest 25% every three months on May 12, 2021, August 12, 2021 and November 12, 2021 and will become fully vested upon a change in control. The grant-date fair value of the restricted stock units was \$3.00 per unit.

In January 2020, SemiLEDs granted 136 thousand restricted stock units to its employees, which vested 25% on January 10, 2021 and will vest 25% each year on January 10 of 2022, 2023 and 2024 and will become fully vested upon a change in control. The grant-date fair value of the restricted stock units was \$2.39 per unit.

In September 2019, SemiLEDs granted 5 thousand restricted stock units to its directors, which vested 100% on July 31, 2020. The grant-date fair value of the restricted stock units was \$2.45 per unit.

In September 2019, SemiLEDs granted 2.5 thousand restricted stock units to a director, which vested 100% on September 5, 2020. The grant-date fair value of the restricted stock units was \$2.45 per unit.

The grant date fair value of stock options is determined using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires inputs including the market price of SemiLEDs' common stock on the date of grant, the term that the stock options are expected to be outstanding, the implied stock volatilities of several of the Company's publicly-traded peers over the expected term of stock options, risk-free interest rate and expected dividend. Each of these inputs is subjective and generally requires significant judgment to determine. The grant date fair value of stock units is based upon the market price of SemiLEDs' common stock on the date of the grant. This fair value is amortized to compensation expense over the vesting term.

Stock-based compensation expense is recorded net of estimated forfeitures such that expense is recorded only for those stock-based awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. A forfeiture rate of zero is estimated for stock-based awards with vesting term that is less than or equal to one year from the date of grant.

A summary of the stock-based compensation expense for the three and six months ended February 28, 2021 and February 29, 2020 was as follows (in thousands):

	Three Months Ended		Six Months Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Cost of revenues	\$ 18	\$ 6	\$ 23	\$ 17
Research and development	15	5	19	11
Selling, general and administrative	33	13	45	31
	<u>\$ 66</u>	<u>\$ 24</u>	<u>\$ 87</u>	<u>\$ 59</u>

8. Net Loss Per Share of Common Stock

The following stock-based compensation plan awards were excluded from the computation of diluted net loss per share of common stock for the periods presented because including them would have been anti-dilutive (in thousands of shares):

	Three Months Ended		Six Months Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Stock units and stock options to purchase common stock	<u>72</u>	<u>—</u>	<u>69</u>	<u>—</u>

9. Income Taxes

The Company's income (loss) before income taxes for the three and six months ended February 28, 2021 and February 29, 2020 consisted of the following (in thousands):

	Three Months Ended		Six Months Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
U.S. operations	\$ (201)	\$ 410	\$ (338)	\$ 209
Foreign operations	(53)	(60)	(623)	(181)
Income (loss) before income taxes	<u>\$ (254)</u>	<u>\$ 350</u>	<u>\$ (961)</u>	<u>\$ 28</u>

Unrecognized Tax Benefits

On December 22, 2017, the U.S. Tax Cuts and Jobs Act was adopted, which among other effects, reduced the U.S. federal corporate income tax rate to 21% from 34% (or 35% in certain cases) beginning in 2018, requires companies to pay a one-time transition tax on certain unrepatriated earnings from non-U.S. subsidiaries that is payable over eight years, makes the receipt of future non-U.S. sourced income of non-U.S. subsidiaries tax-free to U.S. companies and creates a new minimum tax on the earnings of non-U.S. subsidiaries relating to the parent's deductions for payments to the subsidiaries. Provisional estimate of the Company is that no tax will be due under this provision.

As of both February 28, 2021 and August 31, 2020, the Company had no unrecognized tax benefits related to tax positions taken in prior periods. The Company files income tax returns in the United States, various U.S. states and certain foreign jurisdictions. The tax years 2016 through 2019 remain open in most jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state, local, or foreign examinations by tax authorities for tax years before 2015.

10. Related Party Transactions

On December 6, 2019 and on December 10, 2019, the Company issued convertible unsecured promissory notes (the "Notes") to each of J.R. Simplot Company, its largest shareholder, and Trung Doan, its Chairman and Chief Executive Officer (together, the "Holders"), with a principal sum of \$1.5 million and \$500 thousand, respectively, and an annual interest rate of 3.5%. Principal and accrued interest shall be due on demand by the Holders on and at any time after May 30, 2021. The outstanding principal and unpaid accrued interest of the Notes may be converted into the Company's common stock based on a conversion price of \$3.00 per share, at the option of the Holders any time from the date of the Notes. On May 25, 2020, each of the Holders converted \$300,000 of the Notes into 100,000 shares of the Company's common stock.

On January 8, 2019, the Company entered into loan agreements with each of the Chairman and Chief Executive Officer and the largest shareholder of the Company, with aggregate amounts of \$1.7 million and \$1.5 million, respectively, and an annual interest rate of both 8%. All proceeds of the loans were exclusively used to return the deposit to Formosa Epitaxy Incorporation in connection with the cancelled proposed sale of the Company's headquarters building pursuant to the agreement dated December 15, 2015. The Company is required to repay the loans of \$1.5 million on January 14, 2021 and \$1.7 million on January 22, 2021, respectively. In February 2021, the loan agreements were extended with the same principal amount and interest rate for one year, which is due on January 15, 2022. As of February 28, 2021 and August 31, 2020, these loans totaled \$3.2 million. The loans are secured by a second priority security interest on the headquarters building of the Company.

11. Subsequent Events

The Company has analyzed its operations subsequent to February 28, 2021 to the date these unaudited condensed consolidated financial statements were issued, finding that the impact of COVID-19 on the Company is unknown at this time and the financial consequences of this situation cause uncertainty as to the future and its effects on the economy and the Company.

Except for the above, the Company has determined that it does not have any material subsequent events to disclose in these unaudited condensed consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This Quarterly Report on Form 10-Q, or this Quarterly Report, contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding the future results of operations of SemiLEDs Corporation, or "we," "our" or the "Company," and financial position, strategy and plans, and our expectations for future operations, including the execution of our restructuring plan and any resulting cost savings, are forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. The words "believe," "may," "should," "plan," "potential," "project," "will," "estimate," "continue," "anticipate," "design," "intend," "expect" and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, and actual results and the timing of certain events could differ materially and adversely from those anticipated or implied in the forward-looking statements as a result of many factors. These factors include, among other things,

- Declining cash position.
- The outcome of the pending appeal of the trial verdict ordering us to return the \$500,000 partial payment of the uncompleted \$1.6 million note financing and potentially pay pre-judgment interest.
- Our ability to improve our liquidity, access alternative sources of funding and obtain additional equity capital or credit when necessary for our operations, the difficulty of which may increase if our common stock is delisted from the NASDAQ Stock Market.
- Our ability to regain compliance with the minimum stockholders' equity requirement to avoid our stock being delisted from the Nasdaq Capital Market.
- The impact of the COVID-19 pandemic on our business and the business of our customers.
- The inability of our suppliers or other contract manufacturers to produce products that satisfy our requirements.
- Our ability to implement our cost reduction programs and to execute our restructuring plan effectively.
- Our ability to improve our gross margins, reduce our net losses and restore our operations to profitability.
- Our ability to successfully introduce new products that we can produce and that customers will purchase in such amounts as to be sufficiently profitable to cover the costs of developing and producing these products, as well as providing us additional net income from operations.
- Our ability to effectively develop, maintain and expand our sales and distribution channels, especially in the niche LED markets, including the UV LED and architectural lighting that we focus on.
- Our ability to successfully manage our operations in the face of the cyclical, rapid technological change, rapid product obsolescence, declining average selling prices and wide fluctuations in supply and demand typically found in the LED market.
- Competitive pressures from existing and new companies.
- Our ability to grow our revenues generated from the sales of our products and to control our expenses.
- Loss of any of our key personnel, or our failure to attract, assimilate and retain other highly qualified personnel.
- Intellectual property infringement or misappropriation claims by third parties against us or our customers, including our distributor customers.
- The failure of LEDs to achieve widespread adoption in the general lighting market, or if alternative technologies gain market acceptance.
- The loss of key suppliers or contract manufacturers.
- Our ability to effectively expand or upgrade our production facilities or do so in a timely or cost-effective manner.
- Difficulty in managing our future growth or in responding to a need to contract operations, and the associated changes to our operations.

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- Adverse development in those selected markets, including the Netherlands, Ireland, Taiwan, Japan, the United States, Germany and India, where our revenues are concentrated, including the impact of the COVID-19 pandemic on customer demand.
- Our ability to develop and execute upon a new strategy to exploit the China and India market.
- Our ability to resolve pending litigation on favorable terms.
- The reduction or elimination of government investment in LED lighting or the elimination of, or changes in, policies in certain countries that encourage the use of LEDs over some traditional lighting technologies.
- Our ability to implement our product innovation strategy effectively, particularly in view of the prohibition against our (and/or our assisting others in) making, using, importing, selling and/or offering to sell in the United States our accused products and/or any device that includes an accused product after October 1, 2012 as a result of the injunction agreed to in connection with the Cree Inc., or Cree, litigation.
- Loss of customers.
- Failure of our strategy of marketing and selling our products in jurisdictions with limited intellectual property enforcement regimes.
- Lack of marketing and distribution success by our third-party distributors.
- Our customers' ability to produce and sell products incorporating our LED products.
- Our failure to adequately prevent disclosure of trade secrets and other proprietary information.
- Ineffectiveness of our disclosure controls and procedures and our internal control over financial reporting.
- Our ability to profit from future joint ventures, investments, acquisitions and other strategic alliances.
- Impairment of long-lived assets or investments.
- Undetected defects in our products that harm our sales and reputation and adversely affect our manufacturing yields.
- The availability of adequate and timely supply of electricity and water for our manufacturing facilities.
- Our ability to comply with existing and future environmental laws and the cost of such compliance.
- The ability of SemiLEDs Optoelectronics Co., Ltd., or Taiwan SemiLEDs, to make dividends and other payments to SemiLEDs Corporation.
- Our ability to obtain necessary regulatory approvals to make further investments in Taiwan SemiLEDs.
- Catastrophic events such as fires, earthquakes, floods, tornados, tsunamis, typhoons, pandemics, including the COVID-19 pandemic, wars, terrorist activities and other similar events, particularly if these events occur at or near our operations, or the operations of our suppliers, contract manufacturers and customers.
- The effect of the legal system in the People's Republic of China, or the PRC.
- Labor shortages, strikes and other disturbances that affect our operations.
- Deterioration in the relations between the PRC and Taiwan governments.
- Fluctuations in the exchange rate among the U.S. dollar, the New Taiwan, or NT, dollar, the Japanese Yen and other currencies in which our sales, raw materials and component purchases and capital expenditures are denominated.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We have not assumed any obligation to, and you should not expect us to, update or revise these statements because of new information, future events or otherwise.

For more information on the significant risks that could affect the outcome of these forward-looking statements, see Item 1A "Risk Factors" in Part I of our Annual Report on Form 10-K for the fiscal year ended August 31, 2020, or the 2020 Annual Report, and those contained in Part II, Item 1A of this Quarterly Report, and other information provided from time to time in our filings with the Securities and Exchange Commission, or the SEC.

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The following discussion and analysis of our financial condition and results of operations is based upon and should be read in conjunction with the unaudited interim condensed consolidated financial statements and the notes and other information included elsewhere in this Quarterly Report, in our 2020 Annual Report, and in other filings with the SEC.

Company Overview

We develop, manufacture and sell light emitting diode (LED) chips and LED components. Our products are used for general lighting applications, including street lights and commercial, industrial, system and residential lighting. Our LED chips may also be used in specialty industrial applications, such as ultraviolet, or UV, curing of polymers, LED light therapy in medical/cosmetic applications, counterfeit detection, LED lighting for horticulture applications, architectural lighting and entertainment lighting.

Utilizing our patented and proprietary technology, our manufacturing process begins by growing upon the surface of a sapphire wafer, or substrate, several very thin separate semiconductive crystalline layers of gallium nitride, or GaN, a process known as epitaxial growth, on top of which a mirror-like reflective silver layer is then deposited. After the subsequent addition of a copper alloy layer and finally the removal of the sapphire substrate, we further process this multiple-layered material to create individual vertical LED chips.

We package our LED chips into LED components, which we sell to distributors and a customer base that is heavily concentrated in a few select markets, including Netherlands, Ireland, Taiwan, Japan, the United States, Germany and India. We also sell our “Enhanced Vertical,” or EV, LED product series in blue, white, green and UV in selected markets. We sell our LED chips to packagers or to distributors, who in turn sell to packagers. Our lighting products customers are primarily original design manufacturers, or ODMs, of lighting products and the end-users of lighting devices. We also contract other manufacturers to produce for our sale certain LED products, and for certain aspects of our product fabrication, assembly and packaging processes, based on our design and technology requirements and under our quality control specifications and final inspection process.

We have developed advanced capabilities and proprietary know-how in:

- reusing sapphire substrate in subsequent production runs;
- optimizing our epitaxial growth processes to create layers that efficiently convert electrical current into light;
- employing a copper alloy base manufacturing technology to improve our chip’s thermal and electrical performance;
- utilizing nanoscale surface engineering to improve usable light extraction;
- manufacturing extremely small footprint LEDs with optimized yield, ideal for Mini LED applications;
- developing a LED structure that generally consists of multiple epitaxial layers which are vertically-stacked on top of a copper alloy base;
- developing low cost Chip Scaled Packaging (CSP) technology; and
- developing multi-pixel Mini LED packages for commercial displays.

These technical capabilities enable us to produce LED chips, LED component, LED modules and System products. We believe these capabilities and know-how should also allow us to reduce our manufacturing costs and our dependence on sapphire, a costly raw material used in the production of sapphire-based LED devices.

We were incorporated in the State of Delaware on January 4, 2005. We are a holding company for various wholly and majority owned subsidiaries. SemiLEDs Optoelectronics Co., Ltd., or Taiwan SemiLEDs, is our wholly owned operating subsidiary, where a substantial portion of our assets are held and located, where a portion of our research, development, manufacturing and sales activities take place. Taiwan SemiLEDs owns an approximately 97% equity interest in Taiwan Bandaoti Zhaoming Co., Ltd., formerly known as Silicon Base Development, Inc., which is engaged in the research, development, manufacture, and substantial portion of marketing and sale of LED products, including lighting fixtures and systems, and where most of our employees are based.

Key Factors Affecting Our Financial Condition, Results of Operations and Business

The following are key factors that we believe affect our financial condition, results of operations and business:

- **COVID-19 Pandemic.** In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the world. As a result, and in consideration of the health and well-being of our employees, customers and communities, and in support of efforts to contain the spread of the virus, we have taken several precautionary measures and adjusted our operational needs. Our workplaces are operating under enhanced measures to ensure the health and safety of our employees, including limiting the visitors coming into our workplace and using videoconferencing for meetings when possible. Our business, financial condition, liquidity and operating results have been, and will continue to be, adversely affected by COVID-19 and related restrictions. The conditions caused by the COVID-19 pandemic have adversely affected our customers' ability or willingness to purchase our products or services, delayed prospective customers' purchasing decisions, adversely impacted our ability to provide or deliver products and on-site services to our customers, delayed the provisioning of our offerings, or lengthened payment terms, all of which could adversely affect our future sales, operating results and overall financial performance. Our operations have also begun to be negatively affected by a range of external factors related to the COVID-19 pandemic that are not within our control. For example, our largest customer, Revlon, Inc., postponed its regular orders, which has decreased our sales revenue for the six months ended February 28, 2021, and we cannot foresee any order from Revlon after the ordered products being shipped. To avoid cash shortage due to the pandemic, we applied and received subsidies from the Taiwan government. Our bank granted us a deferment period for twelve months starting from May 2020. During this period, we do not need to pay the monthly payments of the principal but only the interest. We have also devoted ourselves to new product development and expect these new products could bring in new revenue, offsetting the losses resulted from existing customers' delayed purchasing. However, given the ongoing and evolving economic and business impact of the COVID-19 pandemic, we may be required to further revise certain accounting estimates and judgments, which could have a material adverse effect on our financial position and results of operations.
- **Our ability to raise additional debt, sell additional equity securities and improve our liquidity.** We may need to improve our liquidity, access alternative sources of funding and obtain additional equity capital or credit when necessary for our operations. However, we may not be able to obtain such debt funding or sell equity securities on terms that are favorable to us, or at all. The raising of additional debt funding by us, if required and available, would result in increased debt service obligations and could result in additional operating and financing covenants, or liens on our assets, that would restrict our operations. The sale of additional equity securities, if required and available, could result in dilution to our stockholders.
- **Our ability to get chips from other chip suppliers.** Our reliance on our chip suppliers exposes us to a number of significant risks, including reduced control over delivery schedules, quality assurance and production costs, lack of guaranteed production capacity or product supply. If our chip suppliers are unable or unwilling to continue to supply our chips at requested quality, quantity, performance and costs, or in a timely manner, our business and reputation could be seriously harmed. Our inability to procure chips from other chip suppliers at the desired quality, quantity, performance and cost might result in unforeseen manufacturing and operations problems. In such events, our customer relationships, business, financial condition and results of operations would be adversely affected.
- **Industry growth and demand for products and applications using LEDs.** The overall adoption of LED lighting devices to replace traditional lighting sources is expected to influence the growth and demand for LED chips and component products and impact our financial performance. We believe the potential market for LED lighting will continue to expand. LEDs for efficient generation of UV light are also starting to gain attention for various medical, germicidal and industrial applications. Since a substantial portion of our LED chips, LED components and our lighting products are used by end-users in general lighting applications and specialty industrial applications such as UV curing, medical/cosmetic, counterfeit detection, horticulture, architectural lighting and entertainment lighting the adoption of LEDs into these applications will have a strong impact on the demand of LED chips generally and, as a result, for our LED chips, LED components and LED lighting products.
- **Average selling price of our products.** The average selling price of our products may decline for a variety of factors, including prices charged by our competitors, the efficacy of our products, our cost basis, changes in our product mix, the size of the order and our relationship with the relevant customer, as well as general market and economic conditions. Competition in the markets for LED products is intense, and we expect that competition will continue to increase, thereby creating a highly aggressive pricing environment. For example, some of our competitors have in the past reduced their average selling prices, and the resulting competitive pricing pressures have caused us to similarly reduce our prices, accelerating the decline in our revenues and the gross margin of our products. When prices decline, we must also write down the value of our inventory. Furthermore, the average selling prices for our LED products have typically decreased over product life cycles. Therefore, our ability to continue to innovate and offer competitive products that meet our customers' specifications and pricing requirements, such as higher efficacy LED products at lower costs, will have a material influence on our ability to improve our revenues and product margins, although in the near term the introduction of such higher performance LED products may further reduce the selling prices of our existing products or render them obsolete.

- ***Changes in our product mix.*** We anticipate that our gross margins will continue to fluctuate from period to period as a result of the mix of products that we sell and the utilization of our manufacturing capacity in any given period, among other things. For example, we continue to pursue opportunities for profitable growth in areas of our business where we see the best opportunity to develop as an end-to-end LED module solution supplier by providing our customers with high quality, flexible and more complete LED system solution, customer technical support and LED module/system design, as opposed to just providing customers with individual components. As a strategic plan, we have placed greater emphasis on the sales of LED components rather than the sales of LED chips where we have been forced to cut prices on older inventory. Steady growth of the module product and the continued commercial sales of our UV LED product are expected to improve our gross margin, operating results and cash flows. In addition, we have adjusted the lower-priced LED components strategy as appropriate. We have adopted a strategy to adjust our product mix by exiting certain high volume but low unit selling price product lines in response to the general trend of lower average selling prices for products that have been available in the market for some time. However, as we expand and diversify our product offerings and with varying average selling prices, or execute new business initiatives, a change in the mix of products that we sell in any given period may increase volatility in our revenues and gross margin from period to period.
- ***Our ability to reduce cost to offset lower average selling prices.*** Competitors may reduce average selling prices faster than our ability to reduce costs, and competitive pricing pressures may accelerate the rate of decline of our average selling prices. To address increased pricing pressure, we have improved and increased our production yields to reduce the per-unit cost of production of our products. However, such cost savings currently have limited impact on our gross profit, as we currently suffer from the underutilization of manufacturing capacity and must absorb a high level of fixed costs, such as depreciation. While we intend to focus on managing our costs and expenses, over the long term we expect to be required to invest substantially in LED component products development and production equipment if we are to grow.
- ***Our ability to continue to innovate.*** As part of our growth strategy, we plan to continue to be innovative in product design, to deliver new products and to improve our manufacturing efficiencies. Our continued success depends on our ability to develop and introduce new, technologically advanced and lower cost products, such as more efficient, better performance LED component products. If we are unable to introduce new products that are commercially viable and meet rapidly evolving customer requirements or keep pace with evolving technological standards and market developments or are otherwise unable to execute our product innovation strategy effectively, we may not be able to take advantage of market opportunities as they arise, execute our business plan or be able to compete effectively. To differentiate ourselves from other LED package manufacturers, we are putting more resources towards module and system design. Along with our technical know-how in the chip and package sectors, we are able to further integrate electrical, thermal and mechanical manufacturing resources to provide customers with one-stop system services. Services include design, prototyping, OEM and ODM. Key markets that we intend to target at the system end include different types of UV LED industrial printers, aquarium lighting, medical applications, niche imaging light engines, horticultural lighting and high standard commercial lighting. The modules are designed for various printing, curing, and PCB exposure industrial equipment, providing uncompromised reliability and optical output. Our LED components include different sizes and wattage to accommodate different demands in the LED market.
- ***General economic conditions and geographic concentration.*** Many countries including the United States and the European Union (the “E.U.”) members have instituted, or have announced plans to institute, government regulations and programs designed to encourage or mandate increased energy efficiency in lighting. These actions include in certain cases banning the sale after specified dates of certain forms of incandescent lighting, which are advancing the adoption of more energy efficient lighting solutions such as LEDs. When the global economy slows or a financial crisis occurs, consumer and government confidence declines, with levels of government grants and subsidies for LED adoption and consumer spending likely to be adversely impacted. Our revenues have been concentrated in a few select markets, including the Netherlands, Ireland, Taiwan, Japan, the United States, Germany and India. Given that we are operating in a rapidly changing industry, our sales in specific markets may fluctuate from quarter to quarter. Therefore, our financial results will be impacted by general economic and political conditions in such markets. For example, the aggressive support by the Chinese government for the LED industry through significant government incentives and subsidies to encourage the use of LED lighting and to establish the LED - sector companies has resulted in production overcapacity in the market and intense competition. Furthermore, due to Chinese package manufacturers increasing usage of domestic LED chips, prices are increasingly competitive, leading to Chinese manufacturers growing market share in the global LED industry. In addition, we have historically derived a significant portion of our revenues from a limited number of customers. Some of our largest customers and what we produce/have produced for them have changed from quarter to quarter primarily as a result of the timing of discrete, large project-based purchases and broadening customer base, among other things. For the three and the six months ended February 28, 2021, sales to our three largest customers, in the aggregate, accounted for 64% and 54% of our revenues, respectively.

- **Intellectual property issues.** Competitors of ours and other third parties have in the past and will likely from time to time in the future allege that our products infringe on their intellectual property rights. Defending against any intellectual property infringement claims would likely result in costly litigation and ultimately may lead to our not being able to manufacture, use or sell products found to be infringing. In June 2012, we settled an intellectual property dispute involving Cree. We agreed to dismiss amended complaints filed against each other without prejudice. We agreed to the entry of a permanent injunction that was effective October 1, 2012 that precludes us from (and/or from assisting others in) making, using, importing, selling and/or offering to sell in the United States certain accused products and/or any device that includes such an accused product after that date and to payment of a settlement fee for past damages. All remaining claims between Cree and us were withdrawn without prejudice, with each retaining the right to assert them in the future. However, other third parties may also assert infringement claims against our customers with respect to our products, or our customers' products that incorporate our technologies or products. Any such legal action or the threat of legal action against us, or our customers, could impair such customers' continued demand for our products. This could prevent us from growing or even maintaining our revenues, or cause us to incur additional costs and expenses, and adversely affect our financial condition and results of operations.
- **Cash position.** Our cash and cash equivalents decreased to \$2.1 million as of February 28, 2021 primarily due to the net cash used in operating activities. We have implemented actions to accelerate operating cost reductions and improve operational efficiencies. The plan is further enhanced through the fabless business model in which we implemented certain workforce reductions and are exploring the opportunities to sell certain equipment related to the manufacturing of vertical LED chips, in order to reduce the idle capacity charges, minimize our research and development activities associated with chips manufacturing operation. We believe we will be able to generate positive cash inflows through the restructuring of our chip operation and the significant ongoing cost savings in the form of reduced payroll and research and development activities. The shipment of our new module product and the continued commercial sales of our UV LED product are expected to grow steadily. Based on our current financial projections, we believe that we will have sufficient sources of liquidity to fund our operations and capital expenditure plans for the next 12 months. Please see "Critical Accounting Policies and Estimates" for more information about our liquidity plans.

Critical Accounting Policies and Estimates

Effective September 1, 2020, we adopted ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). This standard requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in ASU 2016-13 require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. There was no material impact on our consolidated financial position, results of operations or cash flows due to the adoption.

Effective September 1, 2020, we adopted ASU No. 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework – Change to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). ASU 2018-13 removes, modifies and adds certain disclosure requirements in Topic 820, "Fair Value Measurement." ASU 2018-13 eliminates certain disclosures related to transfers and the valuation process, modifies disclosures for investments that are valued based on net asset value, clarifies the measurement uncertainty disclosure, and requires additional disclosures for Level 3 fair value measurements. There was no material impact on our consolidated financial position, results of operations or cash flows due to the adoption.

Except as described above, there have been no material changes in the matters for which we make critical accounting policies and estimates in the preparation of our unaudited interim condensed consolidated financial statements for the three months and six months ended February 28, 2021 as compared to those disclosed in our 2020 Annual Report.

Exchange Rate Information

We are a Delaware corporation and, under SEC requirements, must report our financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. At the same time, our subsidiaries use the local currency as their functional currency. For example, the functional currency for Taiwan SemiLEDs is the NT dollar. The assets and liabilities of the subsidiaries are, therefore, translated into U.S. dollars at exchange rates in effect at each balance sheet date, and income and expense accounts are translated at average exchange rates during the period. The resulting translation adjustments are recorded to a separate component of accumulated other comprehensive income (loss) within equity. Any gains and losses from transactions denominated in currencies other than their functional currencies are recognized in the consolidated statements of operations as a separate component of other income (expense). Due to exchange rate fluctuations, such translated amounts may vary from quarter to quarter even in circumstances where such amounts have not materially changed when denominated in their functional currencies.

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The translations from NT dollars to U.S. dollars were made at the exchange rates as set forth in the statistical release of the Bank of Taiwan. On February 28, 2021, the exchange rate was 28.28 NT dollars to one U.S. dollar. On April 6, 2021, the exchange rate was 28.49 NT dollars to one U.S. dollar.

No representation is made that the NT dollar or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or NT dollars, as the case may be, at any particular rate or at all.

Results of Operations

Three Months Ended February 28, 2021 Compared to the Three Months Ended February 29, 2020

	Three Months Ended		Three Months Ended		Change	Change
	February 28, 2021		February 29, 2020			
	\$	% of Revenues	\$	% of Revenues	\$	%
	(in thousands)					
LED chips	\$ 50	4 %	\$ 36	2 %	\$ 14	39 %
LED components	752	62 %	808	53 %	(56)	(7) %
Lighting products	152	13 %	124	8 %	28	23 %
Other revenues ⁽¹⁾	252	21 %	569	37 %	(317)	(56) %
Total revenues, net	1,206	100 %	1,537	100 %	(331)	(22) %
Cost of revenues	965	80 %	989	64 %	(24)	(2) %
Gross profit	<u>\$ 241</u>	<u>20 %</u>	<u>\$ 548</u>	<u>36 %</u>	<u>\$ (307)</u>	<u>(56) %</u>

- (1) Other includes primarily revenues attributable to the sale of epitaxial wafers, scraps and raw materials and the provision of services.

Revenues, net

Our revenues decreased by 22% to \$1.2 million for the three months ended February 28, 2021 from \$1.5 million for the three months ended February 29, 2020. The decrease in revenues was driven primarily by a \$56 thousand decrease in sales of LED components and a \$317 thousand decrease in other revenue, offset in part by a \$14 thousand increase in LED chips and a \$28 thousand increase in lighting products.

Revenues attributable to the sales of our LED chips were \$50 thousand and \$36 thousand, representing 4% and 2%, respectively, of our revenues for the three months ended February 28, 2021 and February 29, 2020, the increase was primarily due to varying volumes sold for the LED chips. We have adopted a strategy to adjust our product mix by exiting certain high volume but low unit selling price product lines in response to the general trend of lower average selling prices for products that have been available in the market for some time and to focus on profitable products.

Revenues attributable to the sales of our LED components were \$752 thousand and \$808 thousand, representing 62% and 53%, respectively, of our revenues for the three months ended February 28, 2021 and February 29, 2020. The decrease in revenues attributable to sales of LED components was primarily due to the impact of COVID-19 pandemic on customer demand for UV LED components products.

Revenues attributable to the sales of lighting products represented 13% and 8% of our revenues for the three months ended February 28, 2021 and February 29, 2020, respectively. Revenues attributable to the sales of lighting products were slightly higher for the three months ended February 29, 2020 primarily due to more volumes sold.

Revenues attributable to other revenues represented 21% and 37% of our revenues for the three months ended February 28, 2021 and February 29, 2020, respectively. The decrease in revenues attributable to other revenues was primarily due to no sale of raw materials in the three months ended February 28, 2021.

Cost of Revenues

Our cost of revenues decreased by 2% from \$989 thousand for the three months ended February 29, 2020 to \$965 thousand for the three months ended February 28, 2021. The decrease in cost of revenues was primarily due to the decrease in the volume of products sold.

Gross Profit

Our gross profit decreased from \$548 thousand for the three months ended February 29, 2020 to \$241 thousand for the three months ended February 28, 2021. The decrease was primarily a consequence of the COVID-19 pandemic impact on customer demand, as more fully described above.

Operating Expenses

	Three Months Ended				Change \$	Change %
	February 28, 2021	% of	February 29, 2020	% of		
	\$	Revenues	\$	Revenues		
	(in thousands)					
Research and development	\$ 288	24 %	\$ 307	20 %	\$ (19)	(6) %
Selling, general and administrative	667	55 %	633	41 %	34	5 %
Gain on disposals of long-lived assets, net	(207)	(17) %	—	— %	(207)	(100) %
Total operating expenses	<u>\$ 748</u>	<u>62 %</u>	<u>\$ 940</u>	<u>61 %</u>	<u>\$ (192)</u>	<u>(20) %</u>

Research and development

Our research and development expenses were \$288 thousand and \$307 thousand for the three months ended February 28, 2021 and February 29, 2020, respectively. The decrease was primary due to an \$11 thousand decrease in payroll and compensation and a \$21 thousand decrease in material and supplies used for our new products, offset partially by an increase in depreciation and amortization.

Selling, general and administrative

Our selling, general and administrative expenses increased from \$633 thousand for the three months ended February 29, 2020 to \$667 thousand for the three months ended February 28, 2021. The increase was mainly attributable to increases in stock-based compensation and in various other expenses.

Gain on disposal of long-lived assets, net

We recognized a net gain of \$207 thousand on the disposal of long-lived assets for the three months ended February 28, 2021. Due to the excess capacity charges that we have experienced for the last few years, considering the risk of technological obsolescence and according to the production plan built based on our sales forecast, we disposed of certain of our idle equipment.

Other Income (Expenses)

	Three Months Ended				Change \$	Change %
	February 28, 2021	% of	February 29, 2020	% of		
	\$	Revenues	\$	Revenues		
	(in thousands)					
Gain on disposal of investment	\$ —	— %	\$ 634	41 %		
Interest expenses, net	(92)	(8) %	(100)	(7) %		
Other income (expenses), net	307	25 %	167	11 %		
Foreign currency transaction gain, net	38	3 %	41	3 %		
Total other income (expenses), net	<u>\$ 253</u>	<u>21 %</u>	<u>\$ 742</u>	<u>48 %</u>		

Gain on disposal of investment We recognized a gain of \$634 thousand for the three months ended February 29, 2020. On November 27, 2019, we entered into a stock purchase agreement to sell all of the outstanding shares of our Hong Kong Subsidiary, Semileds International Corporation Limited, and its wholly owned subsidiary Xuhe Guangdian Co Ltd for \$100,000 and an additional \$40,000 for the transaction cost. The \$140,000 was fully received in November 2019, and the transaction was approved by the authority and closed in January 2020.

Interest expenses, net The decrease in interest expenses, net was primarily due to the decrease in debt balance, resulting from the conversion of \$600,000 of convertible notes into 200,000 shares of the Company's common stock in May 2020.

Other income (expenses), net Other income (expenses), net increase from \$167 thousand for the three months ended February 29, 2020, to \$307 thousand for the three months ended February 28, 2021, primarily due to subsidies received from the Taiwan government for the COVID-19 pandemic.

Foreign currency transaction gain, net We recognized a net foreign currency transaction gain of \$38 thousand and \$41 thousand for the three months ended February 28, 2021 and February 29, 2020, respectively, primarily due to the depreciation of the U.S. dollar against the NT dollar from bank deposits and accounts receivables.

Income Tax Expense

Our effective tax rate is expected to be approximately zero for fiscal 2021 and was zero for fiscal 2020, since Taiwan SemiLEDs incurred losses, and because we provided a full valuation allowance on all deferred tax assets, which consisted primarily of net operating loss carryforwards and foreign investment loss.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act was adopted, which among other effects, reduced the U.S. federal corporate income tax rate to 21% from 34% (or 35% in certain cases) beginning in 2018, requires companies to pay a one-time transition tax on certain unrepatriated earnings from non-U.S. subsidiaries that is payable over eight years, makes the receipt of future non-U.S. sourced income of non-U.S. subsidiaries tax-free to U.S. companies and creates a new minimum tax on the earnings of non-U.S. subsidiaries relating to the parent's deductions for payments to the subsidiaries.

Net Income Attributable to Noncontrolling Interests

	Three Months Ended			
	February 28, 2021		February 29, 2020	
	\$	% of Revenues	\$	% of Revenues
(in thousands)				
Net income attributable to noncontrolling interests	\$ 1	—	\$ 2	—

We recognized net income attributable to non-controlling interests of \$1 thousand and \$2 thousand for the three months ended February 28, 2021 and February 29, 2020, respectively, which was attributable to the share of the net losses of Taiwan Bandaoti Zhaoming Co., Ltd held by the remaining non-controlling holders. Non-controlling interests represented 3.05% and 3.29% equity interest in Taiwan Bandaoti Zhaoming CO., Ltd, as of February 28, 2021 and February 29, 2020, respectively.

Six Months Ended February 28, 2021 Compared to the Six Months Ended February 29, 2020

	Six Months Ended					
	February 28, 2021			February 29, 2020		
	% of		% of		Change	Change
	\$	Revenues	\$	Revenues		
	(in thousands)					
LED chips	\$ 87	4 %	\$ 44	1 %	\$ 43	98 %
LED components	1,257	65 %	1,881	61 %	(624)	(33) %
Lighting products	321	17 %	202	7 %	119	59 %
Other revenues ⁽¹⁾	260	14 %	973	31 %	(713)	(73) %
Total revenues, net	1,925	100 %	3,100	100 %	(1,175)	(38) %
Cost of revenues	1,706	89 %	2,034	66 %	(328)	(16) %
Gross profit	\$ 219	11 %	\$ 1,066	34 %	\$ (847)	(79) %

- (1) Other includes primarily revenues attributable to the sale of epitaxial wafers, scraps and raw materials and the provision of services.

Revenues, net

Our revenues decreased by 38% from \$3.1 million for the six months ended February 29, 2020 to \$1.9 million for the six months ended February 28, 2021. The \$1.2 million decrease in revenues reflects a \$624 thousand decrease in sales of LED components and a \$713 thousand decrease in revenues attributable to other revenue, offset by a \$43 thousand increase in sales of LED chips and a \$119 thousand increase in revenues attributable to sales of lighting products.

Revenues attributable to the sales of our LED chips represented 4% and 1% of our revenues for the six months ended February 28, 2021 and February 29, 2020, respectively. The increase in revenues attributable to sales of LED chips was a result of an increase in the volume of LED chips sold.

Revenues attributable to the sales of our LED components were \$1.3 million and \$1.9 million, representing 65% and 61%, respectively, of our revenues for the six months ended February 28, 2021 and February 29, 2020. The decrease in revenues attributable to sales of LED components was primarily due to the impact of COVID-19 pandemic on customer demand for UV LED components products.

Revenues attributable to the sales of lighting products represented 17% and 7% of our revenues for the six months ended February 28, 2021 and February 29, 2020, respectively. Revenues attributable to the sales of lighting products was \$119 thousand higher for the six months ended February 28, 2021 primarily due to a seasonal swing in demand on LED luminaries.

Revenues attributable to other revenues represented 14% and 31% of our revenues for the six months ended February 28, 2021 and February 29, 2020, respectively. The decrease in revenues attributable to other revenues was primarily due to no sale of raw materials in the six months ended February 28, 2021.

Cost of Revenues

Our cost of revenues decreased by 16% from \$2.0 million for the six months ended February 29, 2020 to \$1.7 million for the six months ended February 28, 2021. The decrease in cost of revenues was primarily due to the decrease in the volume of products sold.

Gross Profit

Our gross profit decreased from \$1.1 million for the six months ended February 29, 2020 to \$219 thousand for the six months ended February 28, 2021. Our gross margin percentage was 11% for the six months ended February 28, 2021, as compared to 34% for the six months ended February 29, 2020 as a consequence of the COVID-19 pandemic impact on customer demand, as more fully described above.

Operating Expenses

	Six Months Ended						
	February 28, 2021			February 29, 2020			
	% of			% of		Change	Change
	\$	Revenues		\$	Revenues		
	(in thousands)						
Research and development	\$ 634	33 %	\$ 737	24 %	\$ (103)	(14) %	
Selling, general and administrative	1,348	70 %	1,359	44 %	(11)	(1) %	
Gain on disposals of long-lived assets, net	(284)	(15) %	(79)	(3) %	(205)	259 %	
Total operating expenses	\$ 1,698	88 %	\$ 2,017	65 %	\$ (319)	— %	

Research and development

Our research and development expenses were \$634 thousand and \$737 thousand for the six months ended February 28, 2021 and February 29, 2020, respectively. The decrease was primary due to a \$105 thousand decrease in materials and supplies used for our new products and a \$9 decrease in payroll and compensation expense, offset partially by an increase in depreciation and amortization expense.

Selling, general and administrative

Our selling, general and administrative expenses were \$1.4 million for both the six months ended February 29, 2020 and February 28, 2019. The slight decrease was mainly attributable to a \$33 thousand decrease in professional service fee, offset partially by increases in stock-based compensation and in various other expenses.

Gain on disposal of long-lived assets, net

We recognized a net gain of \$284 thousand and \$79 thousand on the disposal of long-lived assets for the six months ended February 28, 2021 and February 29, 2020, respectively. Due to the excess capacity charges that we have experienced for the last few years, considering the risk of technological obsolescence and according to the production plan built based on our sales forecast, we disposed of certain of our idle equipment.

Other Income (Expenses)

	Six Months Ended			
	February 28, 2021		February 29, 2020	
	\$	% of Revenues	\$	% of Revenues
	(in thousands)			
Gain on disposal of investment	\$ —	— %	\$ 634	21 %
Interest expenses, net	(184)	(9) %	(178)	(5) %
Other income (expenses), net	477	25 %	324	10 %
Foreign currency transaction gain, net	225	12 %	199	6 %
Total other income (expenses), net	<u>\$ 518</u>	<u>27 %</u>	<u>\$ 979</u>	<u>32 %</u>

Gain on disposal of investment We recognized a gain of \$634 thousand for the six months ended February 29, 2020. On November 27, 2019, we entered into a stock purchase agreement to sell all of the outstanding shares of our Hong Kong Subsidiary, Semileds International Corporation Limited, and its wholly owned subsidiary Xuhe Guangdian Co Ltd for \$100,000 and an additional \$40,000 for the transaction cost. The \$140,000 was fully received in November 2019, and the transaction was approved by the authority and closed in January 2020.

Interest expenses, net The increase in interest expenses, net was primarily due to the issuance of \$2 million of convertible notes in December 2019, and our entry into an aggregate amount of \$3.2 million of loan agreements in January 8, 2019, with each of our Chairman and Chief Executive Officer and our largest shareholder, offset by the conversion of \$600,000 of convertible notes into 200,000 shares of the Company's common stock in May 2020.

Other income (expenses), net Other income for the six months ended February 28, 2021 primarily consist of rental income from the lease of spare space in our Hsinchu building and subsidies received from the Taiwan government for COVID-19 pandemic. Other income for the six months ended February 29, 2020 primarily consist of rental income from the lease of spare space in our Hsinchu building.

Foreign currency transaction gain, net We recognized net foreign currency transaction gain of \$225 thousand and \$199 thousand for the six months ended February 28, 2021 and February 29, 2020, respectively, primarily due to the depreciation of the U.S. dollar against the NT dollar from bank deposits and accounts receivables held by Taiwan SemiLEDs and Taiwan Bandaoti Zhaoming Co., Ltd. in currency other than the functional currency of such subsidiaries.

Income Tax Expense

Our effective tax rate is expected to be approximately zero for fiscal 2021 and was zero for fiscal 2020, since Taiwan SemiLEDs incurred losses, and because we provided a full valuation allowance on all deferred tax assets, which consisted primarily of net operating loss carryforwards and foreign investment loss.

Net Loss Attributable to Noncontrolling Interests

	Six Months Ended			
	February 28, 2021		February 29, 2020	
	\$	% of Revenues	\$	% of Revenues
	(in thousands)			
Net loss attributable to noncontrolling interests	\$ (9)	—	% \$ (3)	—

We recognized net loss attributable to non-controlling interests of \$9 thousand \$3 thousand for the six months ended February 28, 2021 and February 29, 2020, respectively, which was attributable to the share of the net losses of Taiwan Bandaoti Zhaoming Co., Ltd held by the remaining non-controlling holders. Non-controlling interests represented 3.05% and 3.29% equity interest in Taiwan Bandaoti Zhaoming CO., Ltd., as of February 28, 2021 and February 29, 2020.

Liquidity and Capital Resources

As of February 28, 2021 and August 31, 2020, we had cash and cash equivalents of \$2.1 million and \$2.8 million, respectively, which were predominately held in U.S. dollar denominated demand deposits and/or money market funds.

As of April 6, 2021, we had no available credit facility.

Our long-term debt, which consisted of NT dollar denominated long-term notes, convertible unsecured promissory notes, and loans from our Chairman and our largest shareholder, totaled \$7.8 million and \$7.7 million as of February 28, 2021 and August 31, 2020, respectively.

Our NT dollar denominated long-term notes totaled \$3.2 million and \$3.1 million as of February 28, 2021 and August 31, 2020, respectively. These long-term notes consisted of two loans, which we entered into on July 5, 2019, with aggregate amounts of \$3.2 million (NT\$100 million). The first loan originally for \$2.0 million (NT\$62 million) has an annual floating interest rate equal to the NTD base lending rate plus 0.64% (or 1.465% currently), and was exclusively used to repay the existing loans. The second loan originally for \$1.2 million (NT\$38 million) has an annual floating interest rate equal to the NTD base lending rate plus 1.02% (or 1.845% currently) and is available for operating capital. These loans are secured by an \$88 thousand (NT\$2.5 million) security deposit and a first priority security interest on the Company's headquarters building. Due to the impact of the COVID-19 pandemic, the bank agreed to give us a deferment period for twelve months starting from May 2020. During this period, we don't need to pay the monthly payments of the principal but only the interest.

- Starting from May 2021, the first note payable requires monthly payments of principal in the amount of \$23 thousand plus interest over the 74-month term of the note with final payment to occur in July 2027 and, as of February 28, 2021, our outstanding balance on this note payable was approximately \$2.0 million.
- Starting from May 2021, the second note payable requires monthly payments of principal in the amount of \$14 thousand plus interest over the 74-month term of the note with final payment to occur in July 2027 and, as of February 28, 2021, our outstanding balance on this note payable was approximately \$1.2 million.

Property, plant and equipment pledged as collateral for our notes payable were both \$3.6 million as of February 28, 2021 and August 31, 2020.

On January 8, 2019, we entered into loan agreements with each of our Chairman and Chief Executive Officer and our largest shareholder, with aggregate amounts of \$3.2 million, and an annual interest rate of 8%. All proceeds of the loans were exclusively used to return the deposit to Formosa Epitaxy Incorporation in connection with the proposed sale of our headquarters building pursuant to the agreement dated December 15, 2015. We are required to repay the loans of \$1.5 million on January 14, 2021 and \$1.7 million on January 22, 2021, respectively. In February 2021, the loan agreements were extended with the same principal amount and interest rate for one year, which is due on January 15, 2022. As of February 28, 2021 and August 31, 2020, these loans totaled \$3.2 million. The Loans are secured by a second priority security interest on our headquarters building.

On December 6, 2019 and on December 10, 2019, we issued convertible unsecured promissory notes to each of our Chairman and Chief Executive Officer and our largest shareholder (the "Holders"), with a principal sum of \$2 million and an annual interest rate of 3.5%. Principal and accrued interest shall be due on demand by the Holders on and at any time after May 30, 2021 (the "Maturity Date"). The outstanding principal and unpaid accrued interest of the Notes may be converted into our Common Stock based on a conversion price of \$3 dollars per share, at the option of the Holders any time from the date of the Notes. On May 25, 2020, the Holders each converted \$300 thousand of notes into 100,000 shares of our Common stock. As of February 28, 2021 and August 31, 2020, the outstanding principal of these notes totaled \$1.4 million.

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We have incurred significant losses since inception, including net losses attributable to SemiLEDs stockholders of \$544 thousand and \$3.6 million during the years ended August 31, 2020 and 2019, respectively. Net cash used in operating activities for the year ended August 31, 2020 was \$1.0 million. As of August 31, 2020, we had cash and cash equivalents of \$2.8 million. We have undertaken actions to decrease losses incurred and implemented cost reduction programs in an effort to transform the Company into a profitable operation. In addition, we are planning to issue additional equity to our stockholders.

Based on our current financial projections and assuming the successful implementation of our liquidity plans, we believe that we will have sufficient sources of liquidity to fund our operations and capital expenditure plans for the next 12 months. However, there can be no assurances that our planned activities will be successful in raising additional capital, reducing losses and preserving cash. If we are not able to generate positive cash flows from operations, we may need to consider alternative financing sources and seek additional funds through public or private equity financings or from other sources, or refinance our indebtedness, to support our working capital requirements or for other purposes. There can be no assurance that additional debt or equity financing will be available to us or that, if available, such financing will be available on terms favorable to us.

Cash Flows

The following summary of our cash flows for the periods indicated has been derived from our unaudited interim condensed consolidated financial statements, which are included elsewhere in this Quarterly Report (in thousands):

	Six Months Ended	
	February 28, 2021	February 29, 2020
Net cash used in operating activities	\$ (625)	\$ (194)
Net cash provided by (used in) investing activities	\$ 177	\$ (88)
Net cash provided by (used in) financing activities	\$ (12)	\$ 2,393

Cash Flows Used In Operating Activities

Net cash used in operating activities for the six months ended February 28, 2021 and February 29, 2020 were \$625 thousand and \$194 thousand, respectively. The \$431 thousand increase in cash flows used in operating activities for the six months ended February 28, 2021 was primary attributable to an increase of \$725 thousand in inventories and a decrease of \$340 thousand in accrued expenses and other current liabilities, offset partially by \$810 thousand in cash collected from customers.

Cash Flows Provided By (Used In) Investing Activities

Net cash provided by investing activities for the six months ended February 28, 2021 was \$177 thousand, consisting primarily of \$284 thousand of proceeds from the sales of machinery and equipment, offset in part by \$97 thousand of purchases of machinery and equipment.

Net cash used in investing activities for the six months ended February 29, 2020 was \$88 thousand, consisting primarily of \$159 thousand of purchases of machinery and equipment, offset in part by the proceeds from the sales of machinery and equipment.

Cash Flows Provided By (Used In) Financing Activities

Net cash used in financing activities for the six months ended February 28, 2021 was \$12 thousand for acquisition of noncontrolling interest.

Net cash provided by financing activities for the six months ended February 29, 2020 was \$2.4 million, consisting primarily of \$2 million of proceeds from convertible notes, and \$600 thousand of issuance of common stocks, offset in part by the repayments on long-term debt.

Capital Expenditures

We had capital expenditures of \$97 thousand and \$159 thousand for the six months ended February 28, 2021 and February 29, 2020, respectively. Our capital expenditures consisted primarily of the purchases of machinery and equipment, construction in progress, prepayments for our manufacturing facilities and prepayments for equipment purchases. We expect to continue investing in capital expenditures in the future as we expand our business operations and invest in such expansion of our production capacity as we deem appropriate under market conditions and customer demand. However, in response to controlling capital costs and maintaining financial flexibility, our management continues to monitor prices and, consistent with its existing contractual commitments, may decrease further its activity level and capital expenditures as appropriate.

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Off-Balance Sheet Arrangements

As of February 28, 2021, we did not engage in any off-balance sheet arrangements. We do not have any interests in variable interest entities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, with the participation of our chief executive officer, or CEO, and our chief financial officer, or CFO, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of February 28, 2021. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based upon the aforementioned evaluation, our CEO and CFO have concluded that, as of February 28, 2021, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended February 28, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Due to the complex technology required to compete successfully in the LED industry, participants in our industry are often engaged in significant intellectual property licensing arrangements, negotiations, disputes and litigation. We are directly or indirectly involved from time to time and may be named in various other claims or legal proceedings arising in the ordinary course of our business or otherwise.

On June 21, 2017, Well Thrive Ltd. (“Well Thrive”) filed a complaint against SemiLEDs Corporation in the United States District Court for the District of Delaware. The complaint alleged that Well Thrive was entitled to return of \$500 thousand paid toward a note purchase pursuant to a purchase agreement (the “Purchase Agreement”) effective July 6, 2016 with Dr. Peter Chiou, which was assigned to Well Thrive on August 4, 2016. Pursuant to the terms of the Purchase Agreement, we retained the \$500 thousand payment as liquidated damages. Well Thrive alleged that the liquidated damages provision was unenforceable as an illegal penalty and did not reflect the amount of purported damages. The Court held a trial on March 2, 2020. After the trial, the judge ordered both sides to prepare post-trial briefs and proposed findings of fact for the Court to be submitted before end of April 2020. Both sides submitted post-trial briefs and proposed findings of fact on April 30, 2020. On December 21, 2020, the judge, following a hearing, issued her judgment, which ordered SemiLEDs to return the \$500,000 to Well Thrive, and required both parties, on or before January 6, 2021, to submit information on the appropriate amount of interest to be added. On January 6, 2021, the Company filed a brief arguing that there should not be an award of prejudgment interest and Well Thrive is arguing for the amount of \$135,774 in pre-judgment interest. As of the date of filing this report, the judge has not yet decided on the interest issue. On January 20, 2021, the Company filed a notice of appeal from the judgment in the U.S. Third Circuit Court of Appeals. The Court of Appeals has not yet set a briefing schedule and has not yet scheduled any argument.

Except as described above, there was no material pending legal proceedings or claims as of February 28, 2021.

Item 1A. Risk Factors

Except as set forth below, there are no material changes related to risk factors from the risk factors described in Item 1A “Risk Factors” in Part I of our 2020 Annual Report.

We may fail to qualify for continued listing on NASDAQ which could make it more difficult for investors to sell their shares.

Our common stock trades on the Nasdaq Capital Market. To maintain that listing, we must satisfy the continued listing requirements of Nasdaq for inclusion in the Nasdaq Capital Market. On January 19, 2021, we received a notice from The Nasdaq Stock Market indicating that we do not meet the minimum of \$2,500,000 in stockholders’ equity required by Listing Rule 5550(b)(1) for continued listing. We also do not meet the alternatives of market value of listed securities or net income from continuing operations. On February 5, 2021, we submitted a plan to regain compliance to The Nasdaq Stock Market. Under the listing rule, if the plan is accepted by The Nasdaq Stock Market, an extension of up to 180 calendar days from January 19, 2021 will be granted. A representative of The Nasdaq Stock Market advised us in late February, that they would not make a decision on whether to accept our compliance plan until after we file this quarterly report. If The Nasdaq Stock Market does not accept our plan, we will have the opportunity to appeal that decision to a Hearings Panel.

Even though we intend to regain compliance with the Rule, there can be no assurance that our plan will be accepted or that we will be able to implement our intention, regain and maintain compliance with the continued listing requirements or that our common stock will not be delisted from Nasdaq in the future. If our common stock is delisted by Nasdaq, we expect prices for our common stock to be quoted on one of the OTC Markets or the OTC Bulletin Board. Under such circumstances, stockholders may find it more difficult to sell, or to obtain accurate quotations, for our common stock, and our common stock would become substantially less attractive to certain purchasers such as financial institutions, hedge funds and other similar investors. There is no assurance, however, that prices for our common stock would be quoted on one of these other trading systems or that an active trading market for our common stock would thereafter exist, which would materially and adversely impact the market value of our common stock and your ability to sell our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

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Repurchases

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: April 12, 2021

SEMILEDs CORPORATION
(Registrant)

By: /s/ Christopher Lee
Name: Christopher Lee
Title: Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Trung Tri Doan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SemiLEDs Corporation (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a—15(f) and 15d—15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Dated: April 12, 2021

/s/ Trung Tri Doan

Name: Trung Tri Doan

Title: Chairman and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher Lee, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SemiLEDs Corporation (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a—15(f) and 15d—15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Dated: April 12, 2021

/s/ Christopher Lee

Name: Christopher Lee

Title: Chief Financial Officer

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of SemiLEDs Corporation (the “Registrant”) on Form 10-Q for the quarter ended February 28, 2021, as filed with the Securities and Exchange Commission as of the date hereof (the “Report”), I, Trung Tri Doan, Chairman and Chief Executive Officer of the Registrant, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: April 12, 2021

/s/ Trung Tri Doan

Name: Trung Tri Doan

Title: Chairman and Chief Executive Officer

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of SemiLEDs Corporation (the “Registrant”) on Form 10-Q for the quarter ended February 28, 2021, as filed with the Securities and Exchange Commission as of the date hereof (the “Report”), I, Christopher Lee, Chief Financial Officer of the Registrant, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: April 12, 2021

/s/ Christopher Lee

Name: Christopher Lee

Title: Chief Financial Officer