Phison Electronics Corp. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

PHISON ELECTRONICS CORP.

By

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KHEIN SENG PUA
Chairman

March 11, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Phison Electronics Corp.

Opinion

We have audited the consolidated financial statements of Phison Electronics Corp. (the "Corporation") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is stated as follows:

Sales Revenue Recognition

Auditing standards generally accepted in the Republic of China presume that there is a risk of fraud in the recognition of sales revenue. Management may artificially inflate sales revenue due to pressure in meeting the sales target. The Group's customers are numerous and diverse, and the net sales of the Group for the year ended December 31, 2020 amounted to NT$48,307,304 thousand. Therefore, there is a high possibility of abnormal sales from transactions with customers and validity of such transactions may have a significant effect on the consolidated financial statements. Thus, the recognition of sales revenue has been identified as a key audit matter.

Our main audit procedures performed in response to this matter, included the following:

1. We understood and tested the process of sales revenue recognition and the design and implementation of the relevant internal controls.

2. We sampled the original sales orders, shipping documents, export declarations, and examined the process for the payment receipts to confirm the validity of sales transaction.

3. We checked if there were any instances of simultaneous purchases from and sales to the same entity. Where such situations existed, we further assessed the background of the entity and the goods purchased and sold in order to evaluate the reasonableness of the transactions and to confirm any instances of repeated purchases and sales.

Emphasis of Matter

As stated in Note 35 to the accompanying consolidated financial statements, the Corporation was under statutory investigation by the Taiwan Hsinchu District Prosecutorial Office ("District Prosecutorial Office") from August 5, 2016 for alleged violation of the Securities and Exchange Act (the "Case"). The investigation was concluded on August 31, 2017, and the chairman of the Corporation and other defendants were either charged with deferred prosecution or dropped claim for further prosecution by the prosecutor. Then, the District Prosecutorial Office ex officio sent the ruling to the Taiwan High Prosecutors Office ("High Prosecutors Office") for reconsideration. On November 18, 2017, High Prosecutors Office partially set aside and dismissed the original ruling, and ordered the District Prosecutorial Office to continue the investigation. On July 30, 2019, the District Prosecutorial Office concluded the investigation and indicted the chairman of the Corporation and others for their alleged violation of the Securities and Exchange Act and related provisions. A trial of the Case would be held in the Hsinchu District Court. The chairman of the Corporation would strive for a fair judgment in accordance with the law. Following the aforementioned indictment, the Corporation was served with complaints from the Hsinchu District Court on November 8, 2019 and December 13, 2019, that Securities and Futures Investors Protection Center ("Investors Protection Center") had filed two civil actions, respectively: (1) the first civil action was to remove Mr. K.S. Pua from director position of the Corporation's board ("Removal Action"); (2) the second civil action was to claim compensation damage against the Corporation, its board of directors and other co-defendants on behalf of certain investors ("Class Action"). Those two civil actions were derivative litigations arising from the Case. The Corporation had already appointed civil defense attorneys and filed a motion to dismiss those two civil actions with the court. As such, our audit opinion is not modified in respect of this matter.

Other Matter

We have also audited the parent company only financial statements of Phison Electronics Corp. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with emphasis of matter paragraph.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Hsin-Wei Tai and Li-Wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2021

<u>Notice to Readers</u>

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

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

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 14,961,122	31	$ 10,205,257	27
Financial assets at fair value through profit or loss (FVTPL) (Note 7)	5,494,720	12	3,440,905	9
Financial assets at amortized cost (Notes 9 and 31)	293,860	1	56,273	-
Accounts receivable				
Non-related parties (Note 10)	5,348,420	11	5,396,821	14
Related parties (Notes 10 and 30)	669,281	1	537,149	1
Other receivables (Note 10)	305,918	1	427,082	1
Current tax assets (Note 23)	4,635	-	45,499	-
Inventories (Note 11)	10,141,479	21	11,532,724	30
Prepayments	74,217	-	282,396	1
Other current assets	33,273	-	35,733	-
Total current assets	37,326,925	78	31,959,839	83
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (FVTPL) (Note 7)	437,236	1	459,306	1
Financial assets at fair value through other comprehensive income (FVTOCI) (Note 8)	360,304	1	636,432	2
Investments accounted for using the equity method (Note 13)	4,007,874	8	1,644,159	4
Property, plant and equipment (Notes 14 and 31)	4,646,540	10	3,282,950	8
Right-of-use assets (Note 15)	32,384	-	32,840	-
Intangible assets (Note 16)	313,894	1	268,026	1
Deferred tax assets (Note 23)	375,960	1	346,732	1
Other non-current assets	62,835	-	6,496	-
Total non-current assets	10,237,027	22	6,676,941	17
TOTAL	$ 47,563,952	100	$ 38,636,780	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 1,480,480	3	$ -	-
Contract liabilities	35,553	-	130,615	-
Accounts payable				
Non-related parties	2,166,195	5	2,258,562	6
Related parties (Note 30)	1,289,722	3	1,384,097	4
Other payables (Note 18)	6,045,010	13	4,398,129	11
Tax payable (Note 23)	93,608	-	602,714	2
Lease liabilities (Note 15)	16,420	-	12,520	-
Current portion of long-term borrowings (Notes 17 and 31)	30,486	-	-	-
Other current liabilities (Note 19)	605,208	1	519,744	1
Total current liabilities	11,762,682	25	9,306,381	24
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 31)	195,636	-	-	-
Deferred tax liabilities (Note 23)	325,441	1	21,930	-
Lease liabilities (Note 15)	16,212	-	20,702	-
Long-term deferred revenue	-	-	4,060	-
Net defined benefit liabilities (Note 20)	103,528	-	94,945	-
Guarantee deposits received	4,986	-	134	-
Total non-current liabilities	645,803	1	141,771	-
Total liabilities	12,408,485	26	9,448,152	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 21)				
Common shares	1,970,740	4	1,970,740	5
Capital surplus	6,586,173	14	6,724,104	17
Retained earnings				
Legal reserve	4,306,531	9	3,850,715	10
Special reserve	176,125	-	380,927	1
Unappropriated earnings	22,281,239	47	16,411,959	43
Total retained earnings	26,763,895	56	20,643,601	54
Other equity	(165,341)	-	(176,125)	-
Total equity attributable to owners of the Corporation	35,155,467	74	29,162,320	76
NON-CONTROLLING INTERESTS	-	-	26,308	-
Total equity	35,155,467	74	29,188,628	76
TOTAL	$ 47,563,952	100	$ 38,636,780	100

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

(With Deloitte & Touche auditors' report dated March 11, 2021)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 30)				
Gross sales	$ 48,787,954	101	$ 44,973,895	101
Less: Sales returns and allowances	480,650	1	637,192	2
Net sales	48,307,304	100	44,336,703	99
Other operating revenue	189,218	-	356,738	1
Total operating revenue	48,496,522	100	44,693,441	100
OPERATING COSTS (Notes 11, 22 and 30)	36,236,716	75	33,544,166	75
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	(12,331)	-	-	-
GROSS PROFIT	12,247,475	25	11,149,275	25
OPERATING EXPENSES (Note 22)				
Marketing	876,567	2	601,933	1
General and administrative	788,866	1	676,893	1
Research and development	6,752,676	14	4,714,400	11
Expected credit gains (Note 10)	(60,241)	-	(53,964)	-
Total operating expenses	8,357,868	17	5,939,262	13
OPERATING INCOME	3,889,607	8	5,210,013	12
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Other income	430,640	1	300,397	1
Other gains and losses (Note 13)	4,856,299	10	27,872	-
Financial costs	(5,132)	-	(2,006)	-
Interest income	42,993	-	58,473	-
Share of profits (losses) of associates (Note 13)	479,022	1	(243,815)	(1)
Total non-operating income and expenses	5,803,822	12	140,921	-
PROFIT BEFORE INCOME TAX	9,693,429	20	5,350,934	12
INCOME TAX EXPENSE (Note 23)	986,678	2	805,097	2
NET PROFIT FOR THE YEAR	8,706,751	18	4,545,837	10

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PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME FOR THE YEAR				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	$ (7,434)	-	$ (1,445)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(107,664)	-	265,956	1
Share of other comprehensive income of associates accounted for using the equity method	60,414	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	1,487	-	289	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	106,330	-	(59,969)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 23)	(30,630)	-	13,669	-
Other comprehensive income for the year, net of income tax	22,503	-	218,500	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 8,729,254	18	$ 4,764,337	11
NET PROFIT ATTRIBUTED TO:				
Owners of the Corporation	$ 8,699,044	18	$ 4,543,489	10
Non-controlling interests	7,707	-	2,348	-
	$ 8,706,751	18	$ 4,545,837	10
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:				
Owners of the Corporation	$ 8,721,255	18	$ 4,762,958	11
Non-controlling interests	7,999	-	1,379	-
	$ 8,729,254	18	$ 4,764,337	11

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PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (NT$, Note 24)				
Basic	$ 44.14		$ 23.05	
Diluted	$ 43.01		$ 22.78	

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

(With Deloitte & Touche auditors' report dated March 11, 2021) (Concluded)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation									
			Retained Earnings			Other Equity				
	Common Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	$ 1,970,740	$ 6,674,650	$ 3,418,903	$ -	$ 15,228,504	$ (67,908)	$ (313,019)	$ 26,911,870	$ -	$ 26,911,870
Appropriation of the 2018 earnings										
Legal reserve	-	-	431,812	-	(431,812)	-	-	-	-	-
Special reserve	-	-	-	380,927	(380,927)	-	-	-	-	-
Cash dividends - NT$13 per share	-	-	-	-	(2,561,962)	-	-	(2,561,962)	-	(2,561,962)
Changes in capital surplus from investments in associates accounted for using the equity method	-	47,085	-	-	-	-	-	47,085	-	47,085
Changes in percentage of ownership interests in subsidiaries	-	2,369	-	-	-	-	-	2,369	(2,369)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	27,298	27,298
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	15,823	-	(15,823)	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	4,543,489	-	-	4,543,489	2,348	4,545,837
Other comprehensive (loss) income for the year ended December 31, 2019, net of income tax	-	-	-	-	(1,156)	(44,591)	265,216	219,469	(969)	218,500
BALANCE AT DECEMBER 31, 2019	1,970,740	6,724,104	3,850,715	380,927	16,411,959	(112,499)	(63,626)	29,162,320	26,308	29,188,628
Appropriation of the 2019 earnings										
Legal reserve	-	-	455,816	-	(455,816)	-	-	-	-	-
Reversal of special reserve	-	-	-	(204,802)	204,802	-	-	-	-	-
Cash dividends - NT$13 per share	-	-	-	-	(2,561,962)	-	-	(2,561,962)	-	(2,561,962)
Changes in capital surplus from investments in associates accounted for using the equity method	-	(335,315)	-	-	(28,215)	-	-	(363,530)	94	(363,436)
Changes in percentage of ownership interests in subsidiaries	-	(426)	-	-	-	-	-	(426)	333	(93)
Recognition of employee share options	-	197,810	-	-	-	-	-	197,810	-	197,810
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(34,734)	(34,734)
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	17,374	-	(17,374)	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	8,699,044	-	-	8,699,044	7,707	8,706,751
Other comprehensive (loss) income for the year ended December 31, 2020, net of income tax	-	-	-	-	(5,947)	75,408	(47,250)	22,211	292	22,503
BALANCE AT DECEMBER 31, 2020	$ 1,970,740	$ 6,586,173	$ 4,306,531	$ 176,125	$ 22,281,239	$ (37,091)	$ (128,250)	$ 35,155,467	$ -	$ 35,155,467

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

(With Deloitte & Touche auditors' report dated March 11, 2021)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 9,693,429	$ 5,350,934
Adjustments for:		
Depreciation	377,747	293,221
Amortization	200,961	159,941
Expected credit gains	(60,241)	(53,964)
Net loss (gain) on financial assets at fair value through profit or loss	23,814	(154,451)
Financial costs	5,132	2,006
Interest income	(42,993)	(58,473)
Dividend income	(82,471)	(81,192)
Compensation costs of employee share options	197,810	-
Share of (profits) losses of associates	(479,022)	243,815
Loss (gain) on disposal of property, plant and equipment	2,282	(14,907)
(Gain) loss on disposal of investments	(5,202,580)	2,960
Write-down (reversal of write-down) of inventories	203,123	(63,347)
Unrealized gain on transactions with associates	12,331	-
Unrealized loss on foreign currency exchange	197,736	66,000
Gains on modification of lease	(468)	-
Recognition of refund liabilities	261,975	363,490
Net changes related to operating assets and liabilities		
Accounts receivable	(205,299)	(718,100)
Other receivables	126,753	(158,228)
Inventories	1,048,001	(3,892,546)
Prepayments	190,914	(255,137)
Other current assets	(10,615)	68,538
Contract liabilities	(92,481)	96,345
Accounts payable	(34,107)	(1,129,555)
Other payables	1,669,061	693,799
Other current liabilities	(171,443)	(187,786)
Net defined benefit liabilities	1,149	673
Deferred revenue	(1,060)	(10,008)
Cash generated from operations	7,829,438	564,028
Interest paid	(4,621)	(2,006)
Income tax paid	(1,222,691)	(762,238)
Net cash generated from (used in) operating activities	6,602,126	(200,216)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(3,825)	(33,160)
Proceeds from sale of financial assets at fair value through other comprehensive income	144,485	112,653
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	246	-
Purchase of financial assets at amortized cost	(274,164)	-

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PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
Proceeds from sale of financial assets at amortized cost	$ -	$ 10,944
Purchase of financial assets at fair value through profit or loss	(2,167,078)	(348,962)
Proceeds from sale of financial assets at fair value through profit or loss	92,379	99,958
Proceeds from capital reduction of financial assets at fair value through profit or loss	19,140	8,730
Acquisition of associates	(217,725)	(359,878)
Net cash inflow on disposal of associates	1,776,295	-
Net cash outflow on acquisition of subsidiaries	(316,430)	-
Net cash inflow on disposal of subsidiaries	1,713,062	-
Payments for property, plant and equipment	(1,057,251)	(534,637)
Proceeds from disposal of property, plant and equipment	177	15,008
(Increase) decrease in refundable deposits	(6,458)	632
Payments for intangible assets	(247,510)	(275,444)
Increase in prepayments for equipment	(53,049)	-
Interest received	43,189	59,240
Other dividends received	82,471	81,192
Dividends received from associates	37,436	-
Net cash used in investing activities	(434,610)	(1,163,724)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,457,493	-
Repayments of long-term borrowings	(106,700)	-
Decrease in guarantee deposits	(254)	(10)
Repayment of the principal portion of lease liabilities	(15,506)	(10,794)
Dividends paid	(2,561,962)	(2,561,962)
(Decrease) increase in non-controlling interests	(34,734)	27,298
Net cash used in financing activities	(1,261,663)	(2,545,468)
EFFECT OF EXCHANGE RATE CHANGES	(149,988)	(61,731)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,755,865	(3,971,139)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	10,205,257	14,176,396
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 14,961,122	$ 10,205,257

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

(With Deloitte & Touche auditors' report dated March 11, 2021) (Concluded)

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL INFORMATION

Phison Electronics Corp. (the "Corporation") was incorporated on November 8, 2000 under the Company Act of the Republic of China ("ROC"). The Corporation mainly designs and sells flash memory controllers and peripheral system applications.

The Corporation's shares have been trading on the Taipei Exchange (over-the-counter exchange in Taiwan) since December 6, 2004.

The consolidated financial statements of the Corporation and its subsidiaries, hereinafter collectively referred to as the "Group", are presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March 11, 2021.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

   As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value and net defined benefit liabilities measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

c. Level 3 inputs are unobservable inputs for an asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. Cash and cash equivalents, unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

All other assets and liabilities are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (2) the assets and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

Refer to Note 12, Table 6, and Table 7 for detailed information on subsidiaries, including the percentages of ownership and main businesses.

Business Combinations

Acquisitions of businesses are accounted for by using the acquisition method. Associated costs of acquisition are generally recognized in profit or loss as they are incurred.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, and in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation and its foreign operations (including subsidiaries and associates in other countries that use currencies different from the currency of the Corporation) are translated into the presentation currency, the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

Inventories

Inventories consist of raw materials, semi-finished goods, work-in-process, finished goods and merchandise, which are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at their weighted-average costs on the balance sheet date.

Investments in Associates

An associate is an entity over which the Group has significant influence and which is not a subsidiary.

The Group uses the equity method to account for its investments in associates. Under the equity method, investments in associates are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of the equity of associates. If the Group's ownership interest is reduced due to the additional subscription of new shares of an associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When the Group determines impairment loss, the entire carrying amount of an investment in an associate is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits or losses resulting from these transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended uses.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

b. Intangible assets acquired in a business combination

   Intangible assets acquired in a business combination is initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

c. Derecognition of intangible assets

   On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Property, Plant and Equipment, Right-of-use Asset and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition financial assets at amortized cost, including cash and cash equivalents and trade receivables, are measured at amortized cost and equal the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such a financial asset; and

ii. Financial assets that have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

i. Significant financial difficulty of the issuer or the borrower;

ii. Breach of contract, such as a default;

iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv. The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) at the end of each reporting period.

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For other financial assets, when the credit risk has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to the expected credit losses resulting from possible default events of the financial instruments within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to the expected credit losses resulting from possible default events over the expected life of the financial instruments.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. The portion of expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date are 12-month expected credit losses. Lifetime expected credit losses are the expected credit losses that arise if debtors default on their obligations at some time during the life of a financial instrument.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

a) Internal or external information shows that the debtor is unlikely to pay its creditors.

b) When a financial asset is overdue unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Financial liabilities

1) Recognition and measurement

On initial recognition, the transaction costs of financial assets that are neither held for trading nor designated as at FVTPL (including short-term borrowing, trade payables, other payables and guarantee deposits received) which are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities. Subsequent valuation is measured at amortized cost determined by the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Revenue Recognition

The Group identifies contracts with the customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

<u>Revenue from the sale of goods</u>

Revenue from the sale of goods comes from the sale of flash memory controllers, peripheral systems and other applications. Sales of the aforementioned goods are recognized as revenue when the goods are delivered to the customer’s specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently. When the customer initially purchases the goods, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials’ ownership.

Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss on the partial or full termination of the lease; making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined benefit retirement plans are determined using the projected unit credit method. Service costs and net interest on net defined benefit liabilities (assets) are recognized as employee benefits expenses in the period that they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Termination benefits

A liability for termination benefits is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefits and when the Group recognizes any related restructuring costs.

Share-based Payment Arrangements - Employee Share Options

The fair value at the grant date of employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

The grant by the Corporation of its equity instruments to the employees of a subsidiary under options is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by referring to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

Providing that the Group grants new equity instruments as a replacement for cancelled equity instruments, the Group shall recognize new equity instruments in the same way as a modification of original equity instruments. The incremental fair value is the difference between the fair value of new equity instruments and the net fair value of cancelled equity instruments at the date when new equity instruments are granted.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which a liability is settled or an asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Write-down of inventories

The net realizable value of inventory is its estimated selling price in the ordinary course of business less its estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	$ 126	$ 93
Checking accounts and demand deposits	10,490,173	7,672,079
Cash equivalents		
Time deposits with original maturities within 3 months	4,470,823	2,533,085
	$ 14,961,122	$ 10,205,257

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Non-derivative financial assets - current		
Financial assets mandatorily classified as FVTPL		
Beneficiary certificates - open-end funds	$ 4,989,343	$ 2,816,597
Domestic listed shares	505,377	529,538
Convertible bonds	-	94,770
	$ 5,494,720	$ 3,440,905
Non-derivative financial assets - non-current		
Financial assets mandatorily classified as FVTPL		
Private equity funds	$ 42,033	$ 45,408
Domestic unlisted shares	314,214	341,618
Overseas unlisted shares	80,989	72,280
	$ 437,236	$ 459,306

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

Investments in Equity Instruments at FVTOCI

	December 31	
	2020	2019
Domestic unlisted shares	$ 139,069	$ 230,267
Overseas unlisted shares	221,235	406,165
	$ 360,304	$ 636,432

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	December 31	
	2020	2019
Segregated foreign exchange deposit account for Offshore Funds (Note)	$ 253,451	$ -
Certificates of deposit	40,409	20,383
Time deposits with original maturities of more than 3 months	-	35,890
	$ 293,860	$ 56,273

As of December 31, 2019, the interest rate for time deposits with original maturities of more than 3 months was 1.75%. The Group assessed that the expected credit risk of above financial assets was not material because the credit risk has not increased significantly since initial recognition.

Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.

Note: The Group was approved by the Ministry of Finance in August 2020 to repatriate US$9,673 thousand in accordance with “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” (the Act). The repatriated amount, net of tax, was deposited into segregated foreign exchange deposit account (segregated account). The deposit in segregated account is subject to restrictions based on the Act.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2020	2019
Accounts receivable		
At amortized cost		
Gross carrying amount - non-related parties	$ 5,389,529	$ 5,494,199
Gross carrying amount - related parties	669,281	537,149
	6,058,810	6,031,348
Less: Loss allowance	(41,109)	(97,378)
	$ 6,017,701	$ 5,933,970
Other receivables		
Tax refunds receivable	$ 258,092	$ 292,145
Factored accounts receivable	15,790	30,342
Convertible bonds redemption receivable	-	83,286
Others	32,036	21,309
	$ 305,918	$ 427,082

Trade Receivables

The average credit period of sales of goods was 30 to 90 days. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated staff responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that an adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk is significantly reduced.

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

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

The following table details the loss allowance of trade receivables based on the Group's allowance matrix.

December 31, 2020

	Not Past Due	Less than 2 Months	2 to 3 Months	3 to 4 Months	4 to 5 Months	Over 5 Months	Total
Gross carrying amount	$ 5,070,972	$ 311,402	$ 7,128	$ 27	$ -	$ -	$ 5,389,529
Loss allowance (lifetime expected credit losses)	(18,516)	(17,414)	(5,156)	(23)	-	-	(41,109)
Amortized cost	$ 5,052,456	$ 293,988	$ 1,972	$ 4	$ -	$ -	$ 5,348,420

December 31, 2019

	Not Past Due	Less than 2 Months	2 to 3 Months	3 to 4 Months	4 to 5 Months	Over 5 Months	Total
Gross carrying amount	$ 5,028,970	$ 426,409	$ 2,282	$ 12,802	$ 667	$ 23,069	$ 5,494,199
Loss allowance (lifetime expected credit losses)	(23,357)	(41,121)	(1,238)	(8,059)	(534)	(23,069)	(97,378)
Amortized cost	$ 5,005,613	$ 385,288	$ 1,044	$ 4,743	$ 133	$ -	$ 5,396,821

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 97,378	$ 151,342
Add: Acquisitions through business combinations (Note 26)	4,151	-
Less: Amounts reversed	(60,241)	(53,964)
Less: Disposal of subsidiaries (Note 27)	(179)	-
Balance at December 31	$ 41,109	$ 97,378

Factored trade receivables that have not yet settled at end of period were as follows:

(In Thousands of Dollars)

Factor	Factor Amount	Reclassified to Other Receivables	Advances Received - Unused	Prepayments	Annual Interest Rates on Advances Received (Used) (%)
December 31, 2020					
HSBC Bank	US$ 690	US$ 554	$ -	$ -	-
December 31, 2019					
HSBC Bank	US$ 1,220	US$ 1,012	-	-	-

The factor was HSBC Bank (Taiwan) Limited. This sale was without recourse while the Group shall pay only the necessary related charges.

11. INVENTORIES

	December 31	
	2020	2019
Raw materials	$ 5,298,782	$ 6,933,204
Work-in-process	3,525,646	2,672,047
Semi-finished goods	1,267,154	1,762,677
Finished goods	49,897	120,337
Merchandise	-	44,459
	$ 10,141,479	$ 11,532,724

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2020 and 2019 were $36,236,716 thousand and $33,544,166 thousand, respectively.

The costs of goods sold for the years ended December 31, 2020 and 2019 included inventory write-downs of $203,123 thousand and reversals of inventory write-downs of $63,347 thousand, respectively. The reversals of previous write-downs resulted from an increase in market selling prices.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

Investor	Investee	Principal Activities	Proportion of Ownership December 31 2020	Proportion of Ownership December 31 2019	Remark
Phison Electronics Corp.	Lian Xu Dong Investment Corporation	Investment	100.00	100.00	-
	Phison Electronics Japan Corp.	Sales and service office	100.00	100.00	-
	Emtops Electronics Corp.	Investment	100.00	100.00	-
	Phisontech Electronics Taiwan Corp.	Investment and trade	100.00	100.00	-
	Phisontech Electronics (Malaysia) Sdn. Bhd.	Design, production and sale of flash memory controllers and peripheral system applications	-	100.00	Remark 1
	Global Flash Limited	Investment and trade	100.00	100.00	-
	Power Flash (Samoa) Limited	Investment and trade	100.00	100.00	-
	Everspeed Technology Limited	Trade of electronic components	100.00	100.00	-
	Regis Investment (Samoa) Limited	Investment	100.00	100.00	-
Global Flash Limited	Phisontech (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronics	-	100.00	Remark 2
	Core Storage Electronic (Samoa) Limited	Investment and trade	100.00	100.00	-
Core Storage Electronic (Samoa) Limited	Hefei Core Storage Electronic Limited	Design, R&D, production and sale of electronic products and technical support service and rendering of related services	-	97.69	Remark 3
Hefei Core Storage Electronic Limited	Hefei Yichao Electronics Technology Ltd.	Design, R&D and sale of electronic products and technical support service and rendering of related services and investment	-	100.00	Remark 3
	Phisontech (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronics	-	-	Remarks 2, 3
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trade of electronic components	100.00	100.00	-
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Sale and trade of electronic products	100.00	100.00	-
Everspeed Technology Limited	Memoryexchange Corporation	Design and sale of flash memory related products	100.00	100.00	-
Regis Investment (Samoa) Limited	RealYou Investment Limited	Investment	100.00	100.00	-
RealYou Investment Limited	Hefei Ruhan Electronic Technology Limited	Design, R&D and sale of electronic products and technical support service and rendering of related services and investment	100.00	100.00	-
Emtops Electronics Corp.	Phison Technology Inc.	Sales and service office	100.00	100.00	-
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Manufacture and trade of electronic components	100.00	-	Remark 4

Remark 1: The company ended its operations in October 2020 and completed the liquidation procedures.

Remark 2: Hefei Core Storage Electronic Limited acquired 100% equity of Phisontech (Shenzhen) Limited from Global Flash Limited in July 2020. This transaction was regarded as a reorganization under common control.

Remark 3: The Group lost control of Hefei Core Storage Electronic Limited in November 2020. Therefore, Hefei Core Storage Electronic Limited and its subsidiaries were no longer included in the consolidated financial statements and transferred into investments accounted for using equity method (associates). Refer to Notes 13 and 27 for related information.

Remark 4: The Group acquired 100% equity of Super Storage Technology Corporation in July 2020. Refer to Note 26 for related information.

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

c. During the preparation of the consolidated financial statements, the substantial transactions between the group entities were fully eliminated.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
Investments in Associates	**2020**	**2019**
Unlisted shares		
HOSIN Global Electronics Co., Ltd. (SZ)	$ 1,973,587	$ 390,993
Hefei Core Storage Electronic Limited	1,393,661	-
Hefei Xinpeng Technology Co., Ltd.	161,207	245,507
Epostar Electronics (BVI) Corporation	269,809	-
Nextorage Corporation	98,233	-
ProGrade Digital, Inc.	88,400	-
Microtops Design Corporation	22,977	24,403
PMS Technology Corporation	-	17,962
Kingston Solutions Inc.	-	965,294
	$ 4,007,874	$ 1,644,159

Refer to Tables 6 and 7 for the nature of activities, principal place of business and country of incorporation of the associates.

The Group invested JPY294,000 thousand in Nextorage Corporation, US$2,785 thousand in ProGrade Digital, Inc., and CNY20,000 thousand in Hefei Xinpeng Technology Co., Ltd in 2020. As of December 31, 2020, the Group's percentages of ownership in Nextorage Corporation, ProGrade Digital, Inc., and Hefei Xinpeng Technology Co., Ltd. were 49%, 32.01% and 24.23%, respectively.

EpoStar Electronics (BVI) Corporation disposed of its subsidiary in February 2020, resulting in an increase in the carrying amount of the Group's investment at the end of the year and an increase in the Group's share of profit of associates for the year.

The Group disposed of its investment in Kingston Solutions Inc. to Kingston Technology Corporation, a non-related party, with $1,781,640 thousand in September 2020, and recognized a gain on the disposal of investment of $967,348 thousand.

The Group invested CNY62,000 thousand in HOSIN Global Electronics Co., Ltd. (SZ) in 2019.

The Group participated in 54,500 thousand shares capital increase of Hosin Global Electronics Co., Ltd. with 24.59% ownership (the amount of contribution is CNY54,500 thousand) in Hefei Core Storage Electronic Limited in November 2020. As of December 31, 2020, the Group's percentages of ownership in Hefei Core Storage Electronic Limited and HOSIN Global Electronics Co., Ltd. (SZ) were 24.41% and 34.43%, respectively.

As of December 31, 2020 and 2019, no investments in associates were individually material to the Group.

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2020	2019
The Group's share of:		
Net income (loss) for the year	$ 479,022	$ (243,815)
Other comprehensive income (loss)	82,329	(37)
Total comprehensive income (loss) for the year	$ 561,351	$ (243,852)

The calculation of the investments accounted for using the equity method and the Group's share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on financial statements that had been audited.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Testing Equipment	Office Equipment	Mechanical Equipment	Other Equipment	Construction in Progress	Total
Cost									
Balance at January 1, 2019	$ 813,738	$ 23,680	$ 2,045,471	$ 654,966	$ 51,623	$ -	$ 43,084	$ -	$ 3,632,562
Additions	145,069	-	21,094	300,999	15,097	48,358	8,998	-	539,615
Disposals	-	(14,290)	-	(94,124)	(10,525)	-	(7,192)	-	(126,131)
Effects of foreign currency exchange difference	-	-	-	(2,045)	(293)	-	(119)	-	(2,457)
Reclassification	-	-	25,340	10,015	-	-	580	-	35,935
Balance at December 31, 2019	$ 958,807	$ 9,390	$ 2,091,905	$ 869,811	$ 55,902	$ 48,358	$ 45,351	$ -	$ 4,079,524
Accumulated depreciation									
Balance at January 1, 2019	$ -	$ 19,303	$ 289,919	$ 283,884	$ 29,267	$ -	$ 19,958	$ -	$ 642,331
Disposals	-	(14,290)	-	(94,124)	(10,424)	-	(7,192)	-	(126,030)
Depreciation	-	1,334	62,558	189,625	13,177	4,102	11,223	-	282,019
Effects of foreign currency exchange difference	-	-	-	(1,443)	(224)	-	(79)	-	(1,746)
Balance at December 31, 2019	$ -	$ 6,347	$ 352,477	$ 377,942	$ 31,796	$ 4,102	$ 23,910	$ -	$ 796,574
Balance at December 31, 2019, net	$ 958,807	$ 3,043	$ 1,739,428	$ 491,869	$ 24,106	$ 44,256	$ 21,441	$ -	$ 3,282,950
Cost									
Balance at January 1, 2020	$ 958,807	$ 9,390	$ 2,091,905	$ 869,811	$ 55,902	$ 48,358	$ 45,351	$ -	$ 4,079,524
Additions	-	-	13,448	230,565	24,433	38,104	32,993	712,397	1,051,940
Acquisitions through business combinations	185,930	-	498,286	-	-	84,946	77,296	3,391	849,849
Disposals	-	-	-	(121,390)	(6,980)	(5,365)	(6,410)	-	(140,145)
Disposal of subsidiaries	-	-	-	(65,998)	(8,367)	-	(3,926)	-	(78,291)
Effects of foreign currency exchange difference	-	-	-	(510)	3	-	11	-	(496)
Reclassification	-	-	-	17,395	3	100	2,337	(3,391)	16,444
Balance at December 31, 2020	$ 1,144,737	$ 9,390	$ 2,603,639	$ 929,873	$ 64,994	$ 166,143	$ 147,652	$ 712,397	$ 5,778,825
Accumulated depreciation									
Balance at January 1, 2020	$ -	$ 6,347	$ 352,477	$ 377,942	$ 31,796	$ 4,102	$ 23,910	$ -	$ 796,574
Acquisitions through business combinations	-	-	95,470	-	-	41,795	29,360	-	166,625
Disposals	-	-	-	(121,295)	(6,963)	(5,311)	(4,117)	-	(137,686)
Disposal of subsidiaries	-	-	-	(45,702)	(6,593)	-	(2,985)	-	(55,280)
Depreciation	-	1,178	70,580	232,850	12,969	22,091	22,237	-	361,905
Effects of foreign currency exchange difference	-	-	-	116	17	-	14	-	147
Balance at December 31, 2020	$ -	$ 7,525	$ 518,527	$ 443,911	$ 31,226	$ 62,677	$ 68,419	$ -	$ 1,132,285
Balance at December 31, 2020, net	$ 1,144,737	$ 1,865	$ 2,085,112	$ 485,962	$ 33,768	$ 103,466	$ 79,233	$ 712,397	$ 4,646,540

To increase the scale of operations, the Corporation’s board of directors resolved on January 17, 2020 to build a factory in Zhunan Guangyuan Science and Technology Park by contracting third parties to construct on the land owned by the Corporation. The total price of the project was approximately $1,398,000 thousand. The Corporation financed the construction with its own funds. The construction period is from March 2020 to December 2021. In addition, the Corporation’s board of directors resolved on November 12, 2020 to build a factory with loading and unloading parking space in Zhunan Guangyuan Science and Technology Park by contracting third parties to construct on the land owned by the Corporation. The total price of the project was approximately $829,000 thousand. The Corporation financed the construction with its own funds. The construction period is from February 2021 to March 2022.

The Group acquired Super Storage Technology Corporation in July 2020. Refer to Note 26 for information of acquisition relating to the property, plant and equipment.

The Group lost control of Hefei Core Storage Electronic Limited in November 2020. Therefore, Hefei Core Storage Electronic Limited and its subsidiaries were no longer included in the consolidated financial statements. Refer to Note 27 for related information.

Property, plant and equipment pledged as collateral for bank borrowings were disclosed in Note 31.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Land improvements	7 years
Buildings	20-50 years
Buildings - electrical engineering	20 years
Testing equipment	3-5 years
Office equipment	3-7 years
Mechanical equipment	1-6 years
Other equipment	2-10 years

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	**2019**
Carrying amounts		
Buildings	$ 27,169	$ 32,058
Transportation equipment	1,106	782
Other assets	4,109	-
	$ 32,384	$ 32,840

	For the Year Ended December 31	
	2020	**2019**
Depreciation charge for right-of-use assets		
Buildings	$ 12,709	$ 10,575
Transportation equipment	668	627
Other assets	2,465	-
	$ 15,842	$ 11,202

Except for the depreciation, the Group had no significant additions, subleases, and impairment losses recognized on right-of-use assets for the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	**2019**
Carrying amounts		
Current	$ 16,420	$ 12,520
Non-current	$ 16,212	$ 20,702

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	**2019**
Buildings	2.08%-4.00%	2.55%-2.85%
Transportation equipment	0.58%-2.60%	2.60%
Other assets	2.08%	-

c. Other lease information

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

16. INTANGIBLE ASSETS

	Computer Software	**Technology License Fees**	**Total**
Balance at January 1, 2019	$ 113,485	$ 39,065	$ 152,550
Additions	183,011	92,433	275,444
Amortization	(122,989)	(36,952)	(159,941)
Effects of foreign currency exchange differences	(27)	-	(27)
Balance at December 31, 2019	$ 173,480	$ 94,546	$ 268,026
Balance at January 1, 2020	$ 173,480	$ 94,546	$ 268,026
Additions	232,255	15,255	247,510
Acquisitions through business combinations (Note 26)	646	-	646
Amortization	(158,224)	(42,737)	(200,961)
Disposal of subsidiaries (Note 27)	(1,412)	-	(1,412)
Effects of foreign currency exchange differences	(10)	-	(10)
Reclassification	95	-	95
Balance at December 31, 2020	$ 246,830	$ 67,064	$ 313,894

The above items of intangible assets are amortized on a straight-line basis over the following estimated useful lives of the assets:

Computer software	1-5 years
Technology license fees	1-8 years

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	**2019**
Unsecured borrowings		
Bank loans	$ 1,480,480	$ -
Annual interest rates	0.57%-1.07%	-

b. Long-term borrowings

	December 31	
	2020	**2019**
Secured borrowings (Note 31)		
Bank loans	$ 226,122	$ -
Less: Current portions	(30,486)	-
Long-term borrowings	$ 195,636	$ -
Annual interest rate	1.50%	-
Maturity date	January 2028	-

18. OTHER PAYABLES

	December 31	
	2020	**2019**
Salaries and bonuses payable	$ 5,033,901	$ 3,221,135
Others	1,011,109	1,176,994
	$ 6,045,010	$ 4,398,129

19. OTHER CURRENT LIABILITIES

	December 31	
	2020	**2019**
Refund liabilities	$ 490,929	$ 419,506
Payables for purchases of equipment	30,499	35,810
Receipts under custody	42,321	29,245
Others	41,459	35,183
	$ 605,208	$ 519,744

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation and some subsidiaries of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Corporation's defined benefit plan were as follows:

	December 31	
	2020	**2019**
Present value of defined benefit obligation	$ 144,989	$ 133,343
Fair value of plan assets	(41,461)	(38,398)
Net defined benefit liabilities	$ 103,528	$ 94,945

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	$ 127,656	$ (34,829)	$ 92,827
Service costs			
Current service costs	1,591	-	1,591
Net interest expense (income)	1,532	(418)	1,114
Recognized in profit or loss	3,123	(418)	2,705
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,119)	(1,119)
Actuarial loss - changes in financial assumptions	8,565	-	8,565
Actuarial profit - experience adjustments	(6,001)	-	(6,001)
Recognized in other comprehensive income	2,564	(1,119)	1,445
Contributions from the employer	-	(2,032)	(2,032)
Balance at December 31, 2019	$ 133,343	$ (38,398)	$ 94,945
Balance at January 1, 2020	$ 133,343	$ (38,398)	$ 94,945
Service costs			
Current service costs	2,456	-	2,456
Net interest expense (income)	1,066	(307)	759
Recognized in profit or loss	3,522	(307)	3,215
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,249)	(1,249)
Actuarial profit - changes in financial assumptions	(13,943)	-	(13,943)
Actuarial loss - experience adjustments	22,626	-	22,626
Recognized in other comprehensive income	8,683	(1,249)	7,434
Benefits paid	(559)	559	-
Contributions from the employer	-	(2,066)	(2,066)
Balance at December 31, 2020	$ 144,989	$ (41,461)	$ 103,528

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plan is as follows:

	For the Year Ended December 31	
	2020	2019
Operating costs	$ 600	$ 433
Marketing expenses	348	302
Administrative expenses	919	695
Research and development expenses	1,348	1,275
	$ 3,215	$ 2,705

Recognized in other comprehensive income was an actuarial loss of $5,947 thousand and $1,156 thousand in 2020 and 2019, respectively. The cumulative amount of actuarial loss recognized in other comprehensive income as of December 31, 2020 and 2019 was $48,230 thousand and $42,283 thousand, respectively.

Through the defined benefit plan under the Labor Standards Law, the Corporation is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan’s debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	**2019**
Discount rate	0.40%	0.80%
Expected rate of salary increase	3.00%	4.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	**2019**
Discount rate		
0.25% increase	$ (6,246)	$ (5,430)
0.25% decrease	$ 6,577	$ 5,670
Expected rate of salary increase		
0.25% increase	$ 6,024	$ 5,174
0.25% decrease	$ (5,769)	$ (4,971)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	**2019**
The expected contributions to the plan for the next year	$ 2,059	$ 2,038
The average duration of the defined benefit obligation	18 years	17 years

21. EQUITY

a. Common shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	300,000	280,000
Shares authorized	$ 3,000,000	$ 2,800,000
Number of shares issued and fully paid (in thousands)	197,074	197,074
Shares issued	$ 1,970,740	$ 1,970,740

On November 13, 2018, an employee share option plan was approved by the Corporation’s board of directors which was declared effective on November 28, 2018, after the Financial Supervisory Commission (FSC) approved this plan as shown in the FSC’s issued document No. 1070344165. In accordance with Article 56, Section 2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers and the regulations of the issuance of employee share options in 2018, shares can be issued as a whole or in parts depending on the actual needs of the Corporation within 1 year starting from the date the issuer received the notification of approval from the authorities. After the expired date on November 27, 2019, employee share option of the plan in 2018 must not be granted anymore because there was no issuance of employee share options within above period.

On November 11, 2019, an employee share option plan was approved by the Corporation’s board of directors which was declared effective on November 22, 2019, after the FSC approved this plan as shown in the FSC’s issued document No. 1080336954. In accordance with Article 56, Section 2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers and the regulations of the issuance of employee share options in 2019, shares can be issued as a whole or in parts depending on the actual needs of the Corporation within 1 year starting from the date the issuer received the notification of approval from the authorities.

On March 27, 2020, an employee share option plan was approved by the Corporation’s board of directors, which was declared effective on April 10, 2020, after the FSC approved this plan as shown in the FSC’s issued document No. 1090337137. In accordance with Article 56, Section 2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers and the regulations of the issuance of employee share options in 2020, shares can be issued as a whole or in parts depending on the actual needs of the Corporation within 1 year starting from the date the issuer received the notification of approval from the authorities.

Fully paid issued common shares, which have a par value of NT$10, carry one vote per share and carry a right to dividends.

Of the Corporation’s authorized capital shares, 29,000 thousand shares were reserved for the issuance of employee share options.

Refer to Note 25 for information relating to actual outstanding employee share options.

b. Capital surplus

	December 31	
	2020	**2019**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of common shares	$ 6,237,434	$ 6,237,434
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,758	148,758
May only be used to offset a deficit		
Expired share options	227	227
Changes in percentage of ownership interests in subsidiaries (2)	1,944	2,370
Share of changes in capital surplus of associates	-	335,315
May not be used for any purpose		
Employee share options	197,810	-
	$ 6,586,173	$ 6,724,104

1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit until the accumulated legal capital reserve equals to the paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with the beginning balance of undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after the amendment, refer to Note 22(g) "employees' compensation and remuneration of directors and supervisors".

The Corporation's dividend distribution policy takes into consideration the current and future investment environment, capital requirements, domestic and international competition, capital budget plans, shareholders' interests, the balance between retained earnings and dividends, and the Corporation's long-term financial plans. In accordance with the laws and regulations, the board of directors proposes a distribution plan on an annual basis, which should be resolved in the shareholder's meeting. Profit may be distributed as cash or share dividends; however, cash dividends should be at least 10% of the total dividends distributed.

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

A legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2019 and 2018 were resolved in the shareholders' meeting on June 3, 2020 and June 12, 2019, respectively, and were as follows:

	Appropriation of Earnings	
	For Year 2019	**For Year 2018**
Legal reserve	$ 455,816	$ 431,812
(Reversal) special reserve	(204,802)	380,927
Cash dividends	2,561,962	2,561,962
Per share (NT$) of cash dividends	13	13

The appropriation of earnings for 2020 had been proposed by the Corporation's board of directors on March 11, 2021. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 868,226	
Reversal of special reserve	(10,784)	
Cash dividends	4,532,702	$23

The appropriation of earnings for 2020 are subject to the resolution of the shareholders in the shareholders' meeting to be held on May 28, 2021.

22. NET PROFIT FOR THE YEAR

a. Other gains and losses

	For the Year Ended December 31	
	2020	**2019**
Net (loss) gain on financial assets at FVTPL	$ (23,814)	$ 154,451
Gain (loss) on disposal of investments accounted for using the equity method (Notes 13 and 27)	5,202,580	(2,960)
Net foreign exchange losses	(318,756)	(138,374)
Others	(3,711)	14,755
	$ 4,856,299	$ 27,872

b. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	$ 36,672	$ 52,922
Others	6,321	5,551
	$ 42,993	$ 58,473

c. Other income

	For the Year Ended December 31	
	2020	2019
Dividend income	$ 82,471	$ 81,192
Rental income	13,942	2,478
Others	334,227	216,727
	$ 430,640	$ 300,397

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	$ 4,181	$ 1,085
Interest on lease liabilities	853	921
Others	98	-
	$ 5,132	$ 2,006

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	$ 361,905	$ 282,019
Right-of-use assets	15,842	11,202
Intangible assets	200,961	159,941
	$ 578,708	$ 453,162
An analysis of depreciation by function		
Operating costs	$ 96,095	$ 54,672
Operating expenses	281,652	238,549
	$ 377,747	$ 293,221
An analysis of amortization by function		
Operating costs	$ 70	$ -
Operating expenses	200,891	159,941
	$ 200,961	$ 159,941

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 6,504,873	$ 4,420,794
Post-employment benefits		
Defined contribution plan	117,770	96,078
Defined benefit plan (Note 20)	3,215	2,705
	120,985	98,783
Share-based payments		
Equity-settled	197,810	-
Other employee benefits		
Employee welfare	63,535	60,158
Food stipend	65,228	48,902
	128,763	109,060
Termination benefits	93	1,160
	$ 6,952,524	$ 4,629,797
Employee benefits		
Recognized in operating costs	$ 445,794	$ 240,521
Recognized in operating expenses	6,506,730	4,389,276
	$ 6,952,524	$ 4,629,797

g. Employees' compensation and remuneration of directors and supervisors

The Corporation accrued employees' compensation and remuneration of directors and supervisors at the rates of 8%-19% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, which have been approved by the Corporation's board of directors on March 11, 2021 and March 16, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation	9.66%	10.79%
Remuneration of directors and supervisors	0.43%	0.58%

Amount

	For the Year Ended December 31			
	2020		2019	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Employees' compensation	$ 1,000,000	$ -	$ 650,000	$ -
Remuneration of directors and supervisors	45,000	-	35,000	-

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2020	**2019**
Foreign exchange gains	$ 348,847	$ 358,481
Foreign exchange losses	(667,603)	(496,855)
Net losses	$ (318,756)	$ (138,374)

23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2020	**2019**
Current tax		
In respect of the current year	$ 922,727	$ 756,349
Adjustments for prior periods	(263,275)	33
Income tax on unappropriated earnings	83,053	49,037
	742,505	805,419
Deferred tax		
In respect of the current year	244,173	(322)
Income tax expense recognized in profit or loss	$ 986,678	$ 805,097

A reconciliation of accounting profit and income tax expense for 2020 and 2019 is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	$ 9,693,429	$ 5,350,934
Income tax expense calculated at the statutory rate	$ 1,938,686	$ 1,090,690
Nondeductible expenses in determining taxable income	161	-
Unrecognized deductible temporary differences	(663,422)	7,436
Tax-exempt income	(488,591)	(343,304)
Income tax on unappropriated earnings	83,053	49,037
Effect of different tax rate of group entitles operating in other jurisdictions	352,466	1,205
Effect of repatriation of overseas surplus	27,600	-
Adjustments for prior years' tax	(263,275)	33
Income tax expense recognized in profit or loss	$ 986,678	$ 805,097

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

The appropriation of the earnings is uncertain and is subject to approval at the shareholders' meeting in 2021; thus, the potential consequences of income tax on the 2020 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred income tax		
In respect of the current year		
Actuarial gain on defined benefit plan	$ 1,487	$ 289
Translation of foreign operations	(30,630)	13,669
Total income tax recognized in other comprehensive income	$ (29,143)	$ 13,958

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refunds receivable	$ 4,635	$ 45,499
Current tax liabilities		
Income tax payable	$ 93,608	$ 602,714

d. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Acquisitions through Business Combinations	Disposal of Subsidiaries	Closing Balance
Deferred tax assets							
Inventory write-downs	$ 67,579	$ 39,323	$ -	$ -	$ -	$ -	$ 106,902
Refund liabilities	83,901	14,285	-	-	-	-	98,186
Defined benefit obligation	18,989	230	1,487	-	-	-	20,706
Unrealized exchange losses	107,670	12,655	-	-	-	-	120,325
Impairment loss on financial assets	25,508	(250)	-	-	-	-	25,258
Exchange differences on translating foreign operations	30,630	-	(30,630)	-	-	-	-
Others	12,455	(7,114)	-	6	847	(1,611)	4,583
	$ 346,732	$ 59,129	$ (29,143)	$ 6	$ 847	$ (1,611)	$ 375,960
Deferred tax liabilities							
Share of gains of subsidiaries and associates	$ 21,930	$ 303,511	$ -	$ -	$ -	$ -	$ 325,441
Others	-	(209)	-	-	209	-	-
	$ 21,930	$ 303,302	$ -	$ -	$ 209	$ -	$ 325,441

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Acquisitions through Business Combinations	Disposal of Subsidiaries	Closing Balance
Deferred tax assets							
Inventory write-downs	$ 80,319	$ (12,740)	$ -	$ -	$ -	$ -	$ 67,579
Refund liabilities	37,184	46,717	-	-	-	-	83,901
Defined benefit obligation	18,565	135	289	-	-	-	18,989
Unrealized exchange losses	85,242	22,423	-	5	-	-	107,670
Impairment loss on financial assets	31,801	(6,293)	-	-	-	-	25,508
Exchange differences on translating foreign operations	16,961	-	13,669	-	-	-	30,630
Share of losses of subsidiaries and associates	13,110	(13,110)	-	-	-	-	-
Others	27,381	(14,880)	-	(46)	-	-	12,455
	$ 310,563	$ 22,252	$ 13,958	$ (41)	$ -	$ -	$ 346,732
Deferred tax liabilities							
Share of gains of subsidiaries and associates	$ -	$ 21,930	$ -	$ -	$ -	$ -	$ 21,930

e. Income tax assessments

Associate	For the Year Ended
Phison Electronics Corp.	2018
Lian Xu Dong Investment Corporation	2018
Emtops Electronics Corp.	2018
Ostek Corporation	2018
Phisontech Electronics Taiwan Corp.	2018
Memoryexchange Corporation	2018
Super Storage Technology Corporation	2018

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2020	**2019**
Basic earnings per share	$ 44.14	$ 23.05
Diluted earnings per share	$ 43.01	$ 22.78

The earnings and weighted-average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2020	**2019**
Earnings used in the computation of basic earnings per share		
Profit for the period attributable to owners of the Corporation	$ 8,699,044	$ 4,543,489
Earnings used in the computation of diluted earnings per share		
Profit for the period attributable to owners of the Corporation	$ 8,699,044	$ 4,543,489

Shares

(In Thousands of Shares)

	For the Year Ended December 31	
	2020	**2019**
Weighted-average number of common shares used in the computation of basic earnings per share	197,074	197,074
Effect of potentially dilutive common shares:		
Employees' compensation	3,511	2,367
Employees' stock options	1,656	-
Weighted-average number of common shares used in the computation of dilutive earnings per share	202,241	199,441

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. SHARE-BASED PAYMENT

a. Employee share option plan

In accordance with employee share option plan approved in 2019, qualified employees of the Corporation and its subsidiaries were granted 8,000 thousand units of options. Each option entitles the holder with the right to subscribe for one ordinary share of the Corporation. The options granted are valid for 3 years and exercisable at certain percentages after the second year from the grant date. The options were granted at an exercise price equal to the closing price of the Corporation's ordinary shares on the grant date. For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly. In addition, with the consent of the share option holders, the Corporation retracted and cancelled 6,000 thousand units of issued options and replaced them with employee share option plan approved in 2020.

Information on employee share options is as follows:

	For the Year Ended December 31			
	2020		2019	
	Number of Options (In Thousands of Units)	Weighted-average Exercise Price ($)	Number of Options (In Thousands of Units)	Weighted-average Exercise Price ($)
Balance at January 1	6,000	$ 340	-	$ -
Options cancelled	(6,000)	340	-	-
Options granted	2,000	262	6,000	340
Options forfeited	(24)	262	-	-
Balance at December 31	1,976	262	6,000	340
Options exercisable, end of year	-		-	
Weighted-average fair value of options granted ($)	$ 59.63		$ 70.44	

Options were priced by using the Black-Scholes pricing model, and the inputs to the model are as follows:

	For the Year Ended December 31	
	2020	2019
Grant-date share price	$262	$340
Exercise price	$262	$340
Expected volatility	35.27%-35.45%	31.30%-31.79%
Expected dividend yield	-	-
Expected life	3 years	3 years
Risk-free interest rate	0.20%-0.22%	0.52%-0.53%

In accordance with employee share option plan approved in 2020, qualified employees of the Corporation and its subsidiaries were granted 6,000 thousand units of options. Each option entitles the holder with the right to subscribe for one ordinary share of the Corporation. The options granted are valid for 3 years and exercisable at certain percentages after the second year from the grant date. The options were granted at an exercise price equal to the closing price of the Corporation's ordinary shares on the grant date. For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly.

	For the Year Ended December 31, 2020	
	Number of Options (In Thousands of Units)	**Weighted-average Exercise Price ($)**
Options granted	6,000	$ 262
Options forfeited	(165)	262
Balance at December 31	5,835	262
Options exercisable, end of year	-	
Weighted-average fair value of options granted ($)	$ 59.63	

Options were priced by using the Black-Scholes pricing model, and the inputs to the model are as follows:

	Input
Grant-date share price	$262
Exercise price	$262
Expected volatility	35.27%-35.45%
Expected dividend yield	-
Expected life	3 years
Risk-free interest rate	0.20%-0.22%

Information on outstanding options is as follows:

	December 31, 2020
Range of exercise price ($)	$262
Weighted-average remaining contractual life (in years)	2.75 years

Compensation costs recognized were $197,810 thousand for the year ended December 31, 2020.

26. BUSINESS COMBINATIONS

Based on the Group's development strategy, Phisontech Electronics Taiwan Corp., a subsidiary of the Group, acquired 100% ownership in Super Storage Technology Corporation by means of a share exchange at NT$13 per share in July 2020.

Associated costs of acquisition of $2,460 thousand were excluded from the consideration transferred and were recognized as other expenses.

a. Assets acquired and liabilities assumed at the date of acquisition

	July 1, 2020
Current assets	
Cash and cash equivalents	$ 136,524
Accounts receivable, net	39,020
Inventories	6,120
Others	6,883
Non-current assets	
Financial assets at fair value through other comprehensive income	4,500
Land	185,930
Buildings, net	402,816
Mechanical equipment, net	43,151
Other equipment, net	47,936
Construction in progress	3,391
Intangible assets, net	646
Others	903
Current liabilities	
Short-term borrowings	(30,000)
Accounts payable	(2,676)
Other payables	(44,607)
Others	(9,446)
Non-current liabilities	
Long-term borrowings	(332,822)
Others	(5,315)
	$ 452,954

b. Net cash outflow on the acquisition of subsidiaries

	July 1, 2020
Consideration paid in cash	$ 452,954
Less: Cash and cash equivalent acquired	(136,524)
	$ 316,430

27. DISPOSAL OF SUBSIDIARIES

On August 4, 2020, The board of directors resolved that Core Storage Electronic (Samoa) Limited, a subsidiary of the Corporation, disposed 46.48% ownership of Hefei Core Storage Electronic Limited at CNY6 per contribution (the disposed amount of contribution was CNY103,000 thousand), and the disposal amount was CNY618,000 thousand. The transaction was settled in November 2020. As the Group lost control of Hefei Core Storage Electronic Limited and its subsidiaries, it was no longer to include them in the consolidated financial statements and the Group transferred the residual ownership into investments accounted for using equity method (associates) at its fair value.

a. Analysis of assets and liabilities on the date control was lost

	Hefei Core Storage Electronic Limited and Its Subsidiaries
Current assets	
Cash and cash equivalents	$ 957,833
Financial assets at amortized cost	36,577
Accounts receivable	154,937
Inventories	146,162
Others	69,179
Non-current assets	
Property, plant and equipment	23,011
Intangible assets	1,412
Investments accounted for using the equity method	159,552
Others	5,693
Current liabilities	
Payables	(114,996)
Other payables	(43,209)
Others	(48,980)
Non-current liabilities	
Others	(3,000)
Net assets of disposal	$ 1,344,171

b. Gain on disposal of subsidiaries

	Hefei Core Storage Electronic Limited and Its Subsidiaries
Consideration received	$ 2,670,895
Net assets of disposal	(1,344,171)
Non-controlling interests	60,659
Reclassification of equity in respect of subsidiaries	(104,099)
Retained investment at fair value	2,809,567
Bank fees	2
Gain on disposal	$ 4,092,853

c. Net cash inflow on disposal of subsidiaries

	Hefei Core Storage Electronic Limited and Its Subsidiaries
Consideration received	$ 2,670,895
Less: Cash and cash equivalents balance disposed of	(957,833)
	$ 1,713,062

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debts (borrowings offset by cash and cash equivalents) and equity (comprising share capital, capital surplus, retained earnings and other equities).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The Group's management considers the carrying amounts recognized in the consolidated financial statements for financial assets and financial liabilities not carried at fair value to approximate their fair values or their fair values cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	$ 505,377	$ -	$ -	$ 505,377
Domestic unlisted shares	-	-	314,214	314,214
Overseas unlisted shares	-	-	80,989	80,989
Domestic private equity funds	-	-	42,033	42,033
Beneficiary certificates - open-end funds	4,989,343	-	-	4,989,343
	$ 5,494,720	$ -	$ 437,236	$ 5,931,956
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 139,069	$ 139,069
Overseas unlisted shares	-	-	221,235	221,235
	$ -	$ -	$ 360,304	$ 360,304

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	$ 529,538	$ -	$ -	$ 529,538
Domestic unlisted shares	-	-	341,618	341,618
Overseas unlisted shares	-	-	72,280	72,280
Domestic private equity funds	-	-	45,408	45,408
Beneficiary certificates - open-end funds	2,816,597	-	-	2,816,597
Convertible bonds	-	-	94,770	94,770
	$ 3,346,135	$ -	$ 554,076	$ 3,900,211
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 230,267	$ 230,267
Overseas unlisted shares	-	-	406,165	406,165
	$ -	$ -	$ 636,432	$ 636,432

There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL			Financial Assets at FVTOCI	
	Derivatives - Private Equity Funds	Derivatives - Convertible Bonds	Equity Instruments	Equity Instruments	Total
Balance at January 1, 2020	$ 45,408	$ 94,770	$ 413,898	$ 636,432	$ 1,190,508
Recognized in profit or loss	(3,375)	(2,391)	(6,633)	-	(12,399)
Recognized in other comprehensive income	-	-	-	(107,664)	(107,664)
Additions	-	-	7,078	3,825	10,903
Disposals and proceeds from capital reductions	-	(92,379)	(19,140)	(176,789)	(288,308)
Acquisitions through business combinations	-	-	-	4,500	4,500
Balance at December 31, 2020	$ 42,033	$ -	$ 395,203	$ 360,304	$ 797,540

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTPL			Financial Assets at FVTOCI	
	Derivatives - Private Equity Funds	Derivatives - Convertible Bonds	Equity Instruments	Equity Instruments	Total
Balance at January 1, 2019	$ 47,366	$ 85,288	$ 380,423	$ 450,397	$ 963,474
Recognized in profit or loss	(1,958)	(5,134)	(10,072)	-	(17,164)
Recognized in other comprehensive income	-	-	-	265,956	265,956
Additions	-	92,379	52,277	33,160	177,816
Disposals and proceeds from capital reductions	-	(77,763)	(8,730)	(112,653)	(199,146)
Effects of foreign currency exchange differences	-	-	-	(428)	(428)
Balance at December 31, 2019	$ 45,408	$ 94,770	$ 413,898	$ 636,432	$ 1,190,508

3) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

a) The fair values of convertible bonds are determined using the Binary Tree Evaluation Model and option pricing models where the significant unobservable input is historical volatility. As of December 31, 2019, the historical volatility used was 49.88%.

b) The fair values of unlisted equity securities - domestic and foreign were determined using the market approach. In accordance with the trading prices of analogous subjects, taking the difference between the unlisted equity securities and analogous subjects into consideration, the values of the unlisted equity securities are estimated using the appropriate multiplier. The significant unobservable inputs used are listed in the table below. A decrease in the discount for the lack of marketability used in isolation would result in an increase in fair value.

	December 31	
	2020	**2019**
Discount for lack of marketability	15%	15%

c) The fair values of unlisted equity securities - foreign were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed in the table below. Decreases in the discount for non-controlling interests, the discount for lack of marketability and the weighted-average cost of capital (WACC) would result in increases in fair value. A decrease in sustainable revenue growth rates would result in a decrease in fair value.

	December 31	
	2020	**2019**
Discount for non-controlling interest	15%	15%
Discount for lack of marketability	15%	15%
Sustainable revenue growth rates	1.28-2.40%	2%
WACC	11.49-16.66%	12.78-14.39%

d) The fair values of unlisted equity securities - domestic and foreign and private equity funds were determined using the asset-based approach. In order to reflect the overall value of the Corporation or business, the total market values of the individual assets and individual liabilities of the evaluation target are evaluated. The significant unobservable inputs used are listed in the table below. Decreases in the discount for non-controlling interests and the discount for a lack of marketability would result in increases in fair value.

	December 31	
	2020	**2019**
Discount for non-controlling interests	10%	10%
Discount for lack of marketability	10%	10%

c. Categories of financial instruments

	December 31	
	2020	**2019**
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as FVTPL	$ 5,931,956	$ 3,900,211
Financial assets at amortized cost (Note 1)	21,578,601	16,622,582
Financial assets at FVTOCI		
Equity instruments	360,304	636,432
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	11,212,515	8,040,922

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

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

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, borrowings, and lease liabilities. The Group's financial management department provides services to the business unit and coordinates access to domestic and international financial markets. The risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To avoid the decrease in foreign currency assets and adverse fluctuations of future cash flows resulting from changes in foreign currency exchange rates, the Group used foreign currency borrowings to hedge risks of foreign currency exchange rates. The gain or loss caused by changes in foreign currency exchange rates will be offset by profit or loss from the hedge. As a result, the market risk is immaterial.

For the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period, refer to Note 34.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 6% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 6%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts its translation at the end of the reporting period for a 6% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 6% against the relevant currency. For a 6% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	Impact of USD	
	For the Year Ended December 31	
	2020	**2019**
Profit or loss	$ 299,803	$ 322,088

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group held bank deposits at floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2020	**2019**
Fair value interest rate risk		
Financial assets	$ 4,764,683	$ 2,589,358
Financial liabilities	1,485,112	33,222
Cash flow interest rate risk		
Financial assets	10,490,173	7,672,079
Financial liabilities	254,122	-

Sensitivity analysis

If interest rates had been 1 basis point higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would increase by $1,024 thousand and $767 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risks through its investments in international and domestic listed and unlisted stock, convertible bonds, private equity funds and beneficiary certificates.

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by $59,320 thousand and $39,002 thousand respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2020 and 2019 would have increased/decreased by $3,603 thousand and $6,364 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to a failure of counterparties to discharge an obligation and financial guarantees provided by the Group, comes from the carrying amounts of the respective recognized financial assets as stated in the consolidated balance sheets.

The targets of the aforementioned evaluation are financial assets that could potentially be influenced by the Group's counterparties defaulting on their contractual obligations and contracts with positive fair values as of the balance sheet date. The customers of the Group are financial institutions or manufacturers with good credit ratings; and thus, there is no expected material credit risk.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity.

a) Financing facilities

	December 31	
	2020	**2019**
Unsecured bank facilities:		
Amount used	$ 2,640,480	$ 1,660,000
Amount unused	7,167,920	7,858,400
	$ 9,808,400	$ 9,518,400
Secured bank facilities:		
Amount used	$ 226,122	$ -
Amount unused	-	-
	$ 226,122	$ -

b) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

	December 31, 2020				
	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 3,248,851	$ 2,091,340	$ 4,254,344	$ -	$ -
Fixed interest rate liabilities	783,728	669,983	-	-	-
Variable interest rate liabilities	2,831	5,661	53,276	134,676	70,144
Lease liabilities	1,438	2,877	12,572	16,646	-
	$ 4,036,848	$ 2,769,861	$ 4,320,192	$ 151,322	$ 70,144

	December 31, 2019				
	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	More than 5 Years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 3,172,708	$ 1,995,386	$ 3,475,408	$ -	$ -
Lease liabilities	1,110	2,220	9,934	21,433	-
	$ 3,173,818	$ 1,997,606	$ 3,485,342	$ 21,433	$ -

e. Information on transfers of financial assets

Refer to Note 10 for more information relating to the Group's factored trade receivables.

30. RELATED PARTY TRANSACTIONS

Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships

Related Party	Relationship
Toshiba International Procurement Hong Kong, Ltd.	Other related party
Kioxia America, Inc.	Other related party (Note 1)
Kioxia Corporation	Other related party (Note 2)
Kioxia Taiwan Corporation	Other related party (Note 3)
Orient Semiconductor Electronics Ltd.	Other related party
Apacer Technology Inc.	Other related party
Super Storage Technology Corporation	Other related party (Note 4)
Solid State Storage Technology Corporation Hsinchu Science Park Branch	Other related party
Kingston Solutions Inc.	Associate (Note 5)
PMS Technology Corporation	Associate
Microtops Design Corporation	Associate

(Continued)

Related Party	Relationship
Epostar Electronics Corporation	Associate
Shenzhen EpoStar Electronics Limited Co.	Associate (Note 6)
Hosin Global Electronics Co., Ltd. (HK)	Associate
Hefei Datang Storage Technology Co., Ltd.	Associate
SiliTai Electronics Co., Limited	Associate
Hosin Global Electronics Co., Ltd. (SZ)	Associate
Hefei Core Storage Electronic Limited	Associate (Note 7)
ProGrade Digital, Inc.	Associate
Nextorage Corporation	Associate
Wang Chih Ling	Board of subsidiary, Hefei Core Storage Electronic Limited (Note 7)
Lin Wai	Board of subsidiary, Hefei Core Storage Electronic Limited (Note 7)

(Concluded)

Note 1: Toshiba Memory America, Inc. was renamed as Kioxia America, Inc. on October 1, 2019.

Note 2: Toshiba Memory Corporation was renamed as Kioxia Corporation on October 1, 2019.

Note 3: Toshiba Memory Taiwan Corporation was renamed as Kioxia Taiwan Corporation on October 1, 2019.

Note 4: Starting from July 1, 2020, Super Storage Technology Corporation became a subsidiary of the Group.

Note 5: Starting from September 4, 2020, Kingston Solutions Inc. was no longer a related party of the Group.

Note 6: Starting from February 26, 2020, Shenzhen EpoStar Electronics Limited Co. was no longer a related party of the Group.

Note 7: Starting from November 2020, Hefei Core Storage Electronic Limited was no longer a subsidiary and became an associate of the Group.

b. Operating revenue

	For the Year Ended December 31	
Related Party Categories/Name	**2020**	**2019**
Associates	$ 1,381,547	$ 1,323,270
Other related parties	1,997,894	1,932,615
	$ 3,379,441	$ 3,255,885

The terms of sales to related parties were similar to those for third parties.

c. Operating costs

1) Purchase of goods

Related Party Categories/Name	For the Year Ended December 31 2020	2019
Associates	$ 318,062	$ 1,462,239
Other related parties		
Kioxia Taiwan Corporation	9,876,557	11,432,366
Others	718,385	1,437,493
	$ 10,913,004	$ 14,332,098

2) Processing costs

Related Party Categories/Name	For the Year Ended December 31 2020	2019
Associates	$ 42	$ 458
Other related parties	1,943,977	2,385,170
	$ 1,944,019	$ 2,385,628

The terms of operating costs from related parties were similar to those for third parties.

d. Receivables from related parties

Related Party Categories/Name	December 31 2020	2019
Associates	$ 347,868	$ 246,653
Other related parties	321,413	290,496
	$ 669,281	$ 537,149

The outstanding trade receivables from related parties are unsecured. No bad debt expense was recognized for the allowance for impaired trade receivables with respect to the amounts owed by related parties in 2020 and 2019.

e. Payables to related parties

Related Party Categories/Name	December 31 2020	2019
Associates	$ 17,918	$ 29,796
Other related parties		
Kioxia Taiwan Corporation	1,063,257	1,034,293
Others	208,547	320,008
	$ 1,289,722	$ 1,384,097

The outstanding trade payables from related parties are unsecured.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 511,167	$ 279,451
Post-employment benefits	3,116	2,624
Termination benefits	-	643
Share-based payments	78,476	-
Other employee benefits	5,726	3,442
	$ 598,485	$ 286,160

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

g. Issuance of ordinary shares for cash by subsidiary

1) Hefei Core Storage Electronic Limited

On February 1, 2019, it was resolved in the shareholders' meeting of Hefei Core Storage Electronic Limited to issue ordinary shares which amounted to $27,250 thousand (CNY5,950 thousand). The board of directors of Hefei Core Storage Electronic Limited, Wang Chih Ling and Lin Wai, each funded $8,175 thousand.

2) Phisontech Electronics Taiwan Corp.

On February 11, 2020, the Group purchased Phisontech Electronics Taiwan Corp.'s 54,000 thousand ordinary shares for $540,000 thousand through capital increase by cash. As of December 31, 2020, the Group's shareholding percentage in Phisontech Electronics Taiwan Corp. was 100%.

3) Regis Investment (Samoa) Limited

On September 1, 2020, the Group purchased Regis Investment (Samoa) Limited 8,900 thousand shares for USD 8,900 thousand through capital increase. As of December 31, 2020, the Group's shareholding percentage in Regis Investment (Samoa) Limited was 100%.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariff of imported raw materials and bank borrowings:

	December 31	
	2020	2019
Refundable deposits for customs duties - certificates of deposit (financial assets at amortized cost - current)	$ 40,409	$ 20,383
Buildings	$ 396,422	$ -

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2020 and 2019 were as follows:

Significant Commitments

	December 31	
	2020	**2019**
Unused letters of credit	$ 1,160,000	$ 1,660,000

33. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On November 30, 2020, The board of directors resolved that Core Storage Electronic (Samoa) Limited, a subsidiary of the Corporation will participate in 54,095 thousand shares capital increase of Hosin Global Electronics Co., Ltd. with 24.41% residual ownership (the amount of contribution is CNY54,095 thousand) in Hefei Core Storage Electronic Limited. The transaction was settled in February 2021, the Group's shareholding percentage in Hosin Global Electronics Co., Ltd (SZ). was 44.35%.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' monetary financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

In Thousands of New Taiwan Dollars and Foreign Currencies

	December 31, 2020		
	Foreign Currencies	**Exchange Rates**	**New Taiwan Dollars**
Financial assets			
Monetary			
USD (USD:NTD)	$ 312,127	28.4800	$ 8,889,370
CNY (CNY:NTD)	67,468	4.3770	295,309
Financial liabilities			
Monetary			
USD (USD:NTD)	136,680	28.4800	3,892,659

	December 31, 2019		
	Foreign Currencies	Exchange Rates	New Taiwan Dollars
Financial assets			
Monetary			
USD (USD:NTD)	$ 255,830	29.9800	$ 7,669,784
USD (USD:CNY)	9,023	6.9762	270,504
CNY (CNY:NTD)	34,065	4.3050	146,651
Financial liabilities			
Monetary			
USD (USD:NTD)	85,796	29.9800	2,572,158

For the years ended December 31, 2020 and 2019, (realized and unrealized) net foreign exchange losses were $318,756 thousand and $138,374 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

35. OTHER SIGNIFICANT EVENTS

a. When considering the impact of the COVID-19 pandemic, the Group assessed that the pandemic had no significant influence on its finance and operations, and there were no doubts about its ability to continue as a going concern in relation to the recognition of an impairment loss and the risk of financing.

b. The Corporation was under statutory investigation by the Taiwan Hsinchu District Prosecutorial Office ("District Prosecutorial Office") on and from August 5, 2016 for alleged violation of the Securities and Exchange Act (the "Case"). The investigation was concluded on August 31, 2017, and the chairman of the Corporation and other defendants were either charged with deferred prosecution or dropped claim for further prosecution by the prosecutor. Then the District Prosecutorial Office ex officio sent the ruling to the Taiwan High Prosecutors Office ("High Prosecutors Office") for reconsideration. On November 18, 2017, High Prosecutors Office partially set aside and dismissed the original ruling, and ordered the District Prosecutorial Office to continue the investigation. On July 30, 2019, the District Prosecutorial Office concluded the investigation and indicted the chairman of the Corporation and others for their alleged violation of the Securities and Exchange Act and related provisions. A trial of the Case would be held in the Hsinchu District Court. The chairman of the Corporation would strive for a fair judgment in accordance with the law. The Corporation evaluated that its finance and operations had not yet been affected. Following the aforementioned indictment, the Corporation was served with complaints from the Hsinchu District Court on November 8, 2019 and December 13, 2019, that Securities and Futures Investors Protection Center ("Investors Protection Center") had filed two civil actions respectively: (1) the first civil action was to remove Mr. K.S. Pua from director position of the Corporation's board ("Removal Action"); (2) the second civil action was to claim compensation damage of $697,389 thousand against the Corporation, its board of directors and other co-defendants on behalf of certain investors ("Class Action"). Those two civil actions were derivative litigations arising from the Case. The Corporation has already appointed civil defense attorneys and filed a motion to dismiss those two civil actions with the court. With regard to the aforementioned civil actions filed by Investors Protection Center, the possible consequences or developments resulting from litigations could not be assessed by the Corporation, but it was considered to have no significant influence to its finance and operations at the present stage.

36. ADDITIONAL DISCLOSURES

a. Information about significant transactions

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (None)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures). (Table 1)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 2)

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

9) Trading in derivative instruments. (None)

10) Other: Intercompany relationships and significant intercompany transactions. (Table 5)

b. Information of investees. (Table 6)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investments in the mainland China area. (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses.

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 8)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 8)

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the period and their purposes. (None)

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services. (None)

d. Information of major shareholders：List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 9)

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group’s reportable segments include departments that design and sell flash memory controllers and make investments.

a. Segment revenue and results

The following was an analysis of the Group’s revenue and results by reportable segments:

	Segment Revenue		**Segment Profit (Loss)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2020	**2019**	**2020**	**2019**
Department that designs and sells flash memory controllers	$ 48,496,522	$ 44,693,441	$ 3,891,125	$ 5,185,563
Investment department	-	-	(1,518)	24,450
Total operating segments	$ 48,496,522	$ 44,693,441	3,889,607	5,210,013
Other gains and losses			4,856,299	27,872
Share of profits (losses) of associates			479,022	(243,815)
Interest income			42,993	58,473
Other income			430,640	300,397
Financial costs			(5,132)	(2,006)
Profit before income tax			$ 9,693,429	$ 5,350,934

Segment revenue reported above was generated from external customers. There were no intersegment sales for the years 2020 and 2019.

b. Segment assets and liabilities

The Group does not report segment assets and liabilities or other segment information to the chief operating decision maker. Therefore, no information is disclosed.

c. Revenue from major products and services

The following is an analysis of the Group's revenue of its major products and services:

	For the Year Ended December 31	
	2020	2019
Sales of nand flash controller and application products etc.	$ 48,307,304	$ 44,336,703
Services income	189,218	356,738
	$ 48,496,522	$ 44,693,441

d. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Asia	$ 33,939,905	$ 30,003,289	$ 4,966,295	$ 3,583,816
America	10,534,411	10,225,567	26,523	-
Europe	3,865,801	4,209,463	-	-
Australia	151,575	254,547	-	-
Others	4,830	575	-	-
	$ 48,496,522	$ 44,693,441	$ 4,992,818	$ 3,583,816

Revenue was categorized depending on clients' locations. Non-current assets refer to property, plant and equipment, right-of-use assets, and intangible assets.

e. Information about major customers

There are no single customer contributed 10% or more to the Group's revenue for 2020.

Included in revenue arising from the sale of nand flash, controller and application products is revenue of approximately $5,289,287 thousand which arose from sales to the Group's largest customer. Except for the aforementioned, no other single customer contributed 10% or more to the Group's revenue for 2019.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type/Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares or Units (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership (%)	Market Value	
Phison Electronics Corp.	Beneficiary certificates - open-end funds							
	Mega Diamond Money Market Fund	-	Financial assets at FVTPL - current	16,326	$ 206,526	-	$ 206,526	Note 3
	FSITC Taiwan Money Market Fund	-	Same as above	13,369	206,334	-	206,334	Note 3
	Franklin Templeton SinoAm Money Market Fund	-	Same as above	20,685	215,711	-	215,711	Note 3
	Yuanta De-Li Money Market Fund	-	Same as above	9,298	152,850	-	152,850	Note 3
	Jih Sun Money Market Fund	-	Same as above	13,767	205,809	-	205,809	Note 3
	Allianz Global Investors Taiwan Money Market Fund	-	Same as above	16,113	203,552	-	203,552	Note 3
	CTBC Hwa-win Money Market Fund	-	Same as above	18,239	202,588	-	202,588	Note 3
	Prudential Financial Money Market Fund	-	Same as above	12,070	192,573	-	192,573	Note 3
	Eastspring Investments Well Pool Money Market Fund	-	Same as above	14,734	202,042	-	202,042	Note 3
	Taishin 1699 Money Market Fund	-	Same as above	14,809	202,082	-	202,082	Note 3
	Taishin Ta-Chong Money Market Fund	-	Same as above	14,102	201,946	-	201,946	Note 3
	TCB Taiwan Money Market Fund	-	Same as above	19,716	201,843	-	201,843	Note 3
	Capital Money Market Fund	-	Same as above	12,416	201,952	-	201,952	Note 3
	Yuanta De-Bao Money Market Fund	-	Same as above	4,130	50,008	-	50,008	Note 3
	Yuanta Wan Tai Money Market Fund	-	Same as above	9,834	150,020	-	150,020	Note 3
	Cathay Taiwan Money Market Fund	-	Same as above	15,959	200,034	-	200,034	Note 3
	FSITC Money Market	-	Same as above	556	100,019	-	100,019	Note 3
	Upamc James Bond Money Market Fund	-	Same as above	11,878	200,031	-	200,031	Note 3
	Nomura Taiwan Money Market Fund	-	Same as above	12,165	200,035	-	200,035	Note 3
	Fubon Chi-Hsiang Money Market Fund	-	Same as above	12,657	200,030	-	200,030	Note 3
	Fuh Hwa You Li Money Market Fund	-	Same as above	14,732	200,031	-	200,031	Note 3
	Fuh Hwa Money Market	-	Same as above	13,753	200,029	-	200,029	Note 3
	Hua Nan Phoenix Money Market Fund	-	Same as above	12,208	200,034	-	200,034	Note 3
	Hua Nan Kirin Money Market Fund	-	Same as above	16,579	200,032	-	200,032	Note 3
	Union Money Market Fund	-	Same as above	15,029	200,038	-	200,038	Note 3
	Common shares							
	Orient Semiconductor Electronics, Ltd.	-	Financial assets at FVTPL - current	7,336	110,412	0.89	110,412	Note 4
	Apacer Technology Inc.	-	Same as above	10,050	394,965	9.96	394,965	Note 4
	JAFCO Asia Technology Fund VI L.P.	-	Financial assets at FVTPL - non-current	1,000	18,350	0.67	18,350	Note 5
	AppWorks Fund II Co., Ltd.	-	Same as above	7,500	213,729	11.11	213,729	Note 5
	Innorich Venture Capital Corp.	-	Same as above	3,000	17,841	5.61	17,841	Note 5
	AppWorks Fund I Co., Ltd.	-	Same as above	728	12,681	18.75	12,681	Note 5
	Acer Synergy Tech Corp.	-	Same as above	900	32,024	6.91	32,024	Note 5
	Taishan Buffalo Investment Co., Ltd. (preference shares)	-	Same as above	50,000	37,939	1.08	37,939	Note 5
	Aptos Technology Inc.	-	Financial assets at FVTOCI - non-current	529	-	0.60	-	-

(Continued)

Holding Company Name	Marketable Securities Type/Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares or Units (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership (%)	Market Value	
	Adam Elements International Co., Ltd.	-	Financial assets at FVTOCI - non-current	1,710	$ 32,165	19.00	$ 32,165	Note 5
	THLight Co., Ltd.	-	Same as above	6,388	-	13.19	-	-
	UD INFO Corp.	-	Same as above	963	80,991	17.65	80,991	Note 5
	GeoThings, Inc.	-	Same as above	150	-	5.36	-	-
	Ironyun Incorporated (preference shares)	-	Same as above	5,000	-	5.64	-	-
	Gospal Ltd.	-	Same as above	811,857	2,014	3.40	2,014	Note 5
	H3 Platform, Inc.	-	Same as above	18,400	12,895	12.14	12,895	Note 5
	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Same as above	11,966	62,303	17.16	62,303	Note 5
	Gomore Inc.	-	Same as above	16,925	8,879	3.39	8,879	Note 5
	Private equity fund							
	Fuh Hwa Smart Energy Fund	-	Financial assets at FVTPL - non-current	6,000	42,033	3.81	42,033	Note 5
Lian Xu Dong Investment Corporation	Beneficiary certificates - open-end funds							
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	1,986	30,652	-	30,652	Note 3
	Allianz Global Investors Taiwan Money Market Fund	-	Same as above	2,424	30,623	-	30,623	Note 3
	Common shares							
	Translink Capital Partners III, L.P.	-	Financial assets at FVTPL - non-current	1,500	40,729	1.18	40,729	Note 5
	Translink Capital Partners IV L.P.	-	Same as above	670	21,910	0.59	21,910	Note 5
	Liqid, Inc. (preference shares)	-	Financial assets at FVTOCI - non-current	2,111	114,791	6.70	114,791	Note 7
	UMBO CV Inc. (preference shares)	-	Same as above	1,626	7,024	2.34	7,024	Note 5
	Omni Media International Incorporation	-	Same as above	1,714	17,588	2.60	17,588	Note 5
	RENIAC, INC. (preference shares)	-	Same as above	302	13,329	1.97	13,329	Note 5
Emtops Electronics Corporation	Beneficiary certificates - open-end funds							
	Mega Diamond Money Market Fund	-	Financial assets at FVTPL - current	3,980	50,341	-	50,341	Note 3
	FSITC Money Market	-	Same as above	280	50,305	-	50,305	Note 3
	Taishin Ta-Chong Money Market Fund	-	Same as above	3,513	50,307	-	50,307	Note 3
	Allianz Global Investors Taiwan Money Market Fund	-	Same as above	815	10,293	-	10,293	Note 3
	Franklin Templeton SinoAm Money Market Fund	-	Same as above	5,816	60,650	-	60,650	Note 3
	Common shares							
	My Digital Discount, Inc.	-	Financial assets at FVTOCI - non-current	-	-	19.00	-	-
Phisontech Electronics Taiwan Corp.	Beneficiary certificates - open-end funds							
	FSITC Money Market	-	Financial assets at FVTPL - current	56	10,023	-	10,023	Note 3
Super Storage Technology Corporation	Common shares							
	United Power Research Technology Corp.	-	Financial assets at FVTOCI - non-current	833	8,325	13.88	8,325	Note 6

Note 1: The marketable securities listed refer to the types of financial instruments within the scope of IFRS 9 “Financial Instruments”.

Note 2: The carrying amount is either the fair value or the original cost net of allowance loss.

Note 3: The calculation of the market value was based on the net asset value as of December 31, 2020.

Note 4: The calculation of the market value was based on the closing price as of December 31, 2020.

(Continued)

Note 5: Refer to Note 29 (b)-3 for market value information.

Note 6: The calculation of the market value was based on the most recent acquisition price.

Note 7: The calculation of the market value was based on the expert appraisal report on December 31, 2020.

Note 8: The Group held marketable securities that had not been guaranteed, pledged or mortgaged as collateral or restricted by other commitments.

(Concluded)

TABLE 2

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 1)		Acquisition		Disposal				Ending Balance (Note 1)	
					Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares (In Thousands)	Amount
The Corporation	Phisontech Electronics Taiwan Corp.	Investments accounted for using the equity method	Subsidiary	Subsidiary	1,000	$ 40,518	54,000	$ 540,000	-	$ -	$ -	$ -	55,000	$ 609,344
	Kingston Solutions Inc.	Same as above	Kingston Technology Corporation	Non-related parties	10,605	965,294	-	-	10,605	1,781,640	1,072,154	967,348	-	-
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Same as above	Corporations and individuals	Non-related parties	-	-	34,843	452,954	-	-	-	-	34,843	486,048
Core Storage Electronic (Samoa) Limited	Hefei Core Storage Electronic Limited	Same as above	Corporations	Non-related parties	Note 2	1,104,340	-	-	Note 2	2,670,895 (Note 3)	1,283,512 (Note 3)	4,092,853 (Note 3)	Note 2	1,393,661
	Hosin Global Electronics Co., Ltd. (SZ)	Same as above	Corporations	Associate	-	-	54,500 (Note 4)	1,410,024 (Note 4)	-	-	-	-	54,500	1,029,245

Note 1: The amounts of the beginning and ending balances include the valuation gains or losses on investments accounted for using the equity method.

Note 2: The company is not the one of company limited by shares, therefore no number of shares were presented in the report.

Note 3: Refer to Note 27 for related transactions.

Note 4: Refer to Note 13 for related transactions.

TABLE 3

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	Kingston Solutions Inc.	Investee company accounted for using the equity method	Purchase	$ 170,286	1	Net 30 days after monthly closing	None	None	$ -	-	1
	Kioxia America, Inc.	The subsidiary of the Corporation's legal entity board of directors	Purchase	710,064	2	Net 30 days after receipt date	None	None	-	-	-
	Kioxia Taiwan Corporation	The subsidiary of the Corporation's legal entity board of directors	Purchase	9,876,557	35	Net 30 days after monthly closing	None	None	(1,063,257)	(30)	-
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of the sub-subsidiary's associate	Purchase	131,841	-	Net 7 days after receipt date	None	None	(10,037)	-	-
	Orient Semiconductor Electronics, Ltd.	The Corporation is its director	Processing cost	1,774,367	5	Net 30 days after monthly closing	None	None	(208,547)	(6)	-
	Super Storage Technology Corporation	The subsidiary is its director	Processing cost	169,610	-	Net 30 days after monthly closing	None	None	-	-	2
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	186,267	-	Net 30 days after monthly closing	None	None	45,763	1	2
	Kioxia Corporation	The Corporation's legal entity board of directors	Sale	(641,484)	(1)	Net 60 days after monthly closing	None	None	42,000	1	-
	Solid State Storage Technology Corporation Hsinchu Science Park Branch	The sub-subsidiary of the Corporation's legal entity board of directors	Sale	(201,698)	-	Net 90 days after receipt date	None	None	21,961	-	-
	Kingston Solutions Inc.	Investee company accounted for using the equity method	Sale	(464,146)	(1)	Net 60 days after monthly closing	None	None	-	-	1
	Apacer Technology Inc.	The Corporation is its director	Sale	(1,084,371)	(2)	Net 45 days after monthly closing	None	None	247,337	4	-
	Hefei Core Storage Electronic Limited	Sub-subsidiary	Sale	(673,765)	(1)	Net 30 days after monthly closing	None	None	-	-	3
	Hefei Datang Storage Technology Co., Ltd.	The subsidiary of the sub-subsidiary's associate	Sale	(317,025)	(1)	Net 60 days after receipt date	None	None	101,882	2	-
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of the sub-subsidiary's associate	Sale	(240,433)	-	Net 45 days after monthly closing	None	None	116,308	2	-
	ProGrade Digital Incorporated	Investee company accounted for using the equity method	Sale	(149,310)	-	Net 30 days after receipt date	None	None	23,935	-	-

Note 1: Starting from September 2020, Kingston Solutions Inc. was no longer a related party of the Group.

Note 2: Starting from July 2020, Super Storage Technology Corporation became a subsidiary of the Group.

Note 3: Starting from November 2020, Hefei Core Storage Electronic Limited was no longer a subsidiary and transferred into investments accounted for using equity method (associate) of the Group.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
					Amount	Action Taken		
The Corporation	Apacer Technology Inc.	The Corporation is its director	$ 247,337	5.04	$ -	-	$ 247,336	$ -
	Hefei Datang Storage Technology Co., Ltd.	The subsidiary of the sub-subsidiary’s associate	101,882	4.35	-	-	99,725	-
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of the sub-subsidiary’s associate	116,308	3.91	-	-	111,273	-

Note: As of March 3, 2021.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number	Company Name	Counterparty	Flow of Transaction (Note)	Transaction Details			Percentage of Transaction Amount to Consolidated Operating Revenue or Total Assets (%)
				Account	Amount	Transaction Terms	
0	The Corporation	Hefei Core Storage Electronic Limited	1	Sales revenue	$ 673,765	Based on regular terms	1
			1	Research expenses	136,759	Based on regular terms	-
		Ostek Corporation	1	Manufacturing expenses	33,027	Based on regular terms	-
			1	Accounts payable	2,156	Based on regular terms	-
			1	Other payables	1,176	Based on regular terms	-
		Super Storage Technology Corporation	1	Manufacturing expenses	189,938	Based on regular terms	-
			1	Accounts payable	45,763	Based on regular terms	-
		Phison Electronics Japan Corp.	1	Sales expenses	18,079	Based on regular terms	-
			1	Other payables	4,867	Based on regular terms	-
		Phison Technology Inc.	1	Sales expenses	177,263	Based on regular terms	-
			1	Other payables	20,704	Based on regular terms	-

Note: Parent company to subsidiary: 1.

TABLE 6

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
The Corporation	Kingston Solutions Inc.	Taiwan	Embedded flash product and market development	$ -	$ 106,050	-	-	$ -	$ 324,705	$ 106,860	-
	Emtops Electronics Corporation	Taiwan	Investment	380,000	380,000	38,000,000	100.00	354,492	2,711	2,711	Subsidiary
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	582,534	(1,803)	(1,803)	Subsidiary
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	22,977	(2,910)	(1,426)	Investee company accounted for using the equity method
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	41,363	55,000,000	100.00	609,344	28,731	28,826	Subsidiary
	Phison Electronics Japan Corp.	Japan	Sales and service office	59,508	59,508	2,000	100.00	32,512	757	757	Subsidiary
	Global Flash Limited	Samoa	Investment and trade	726,307	1,158,472	22,100,000	100.00	4,387,550	3,928,788	3,928,788	Subsidiary
	Phisontech Electronics (Malaysia) Sdn. Bhd.	Malaysia	Design, production and sale of flash memory controllers and peripheral system applications	-	91,422	-	-	-	-	2,560	-
	Epostar Electronics (BVI) Corporation	British Virgin Islands	Investment	133,988	133,988	10,600,000	37.82	269,809	620,955	269,531	Investee company accounted for using the equity method
	Power Flash (Samoa) Limited	Samoa	Investment and trade	105,440	105,440	3,200,000	100.00	94,274	(276)	(276)	Subsidiary
	Everspeed Technology Limited	Samoa	Trade of electronic components	-	-	1,000,000	100.00	315,133	261,532	261,532	Subsidiary
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	393,214	21,900,000	100.00	1,142,311	65,200	65,200	Subsidiary
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	-	2,785,000	32.01	88,400	33,560	11,513	Investee company accounted for using the equity method
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	81,232	-	5,880	49.00	98,233	34,708	17,007	Investee company accounted for using the equity method

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2020	Original Investment Amount December 31, 2019	Balance as of December 31, 2020 Number of Shares	Balance as of December 31, 2020 Percentage of Ownership (%)	Balance as of December 31, 2020 Carrying Amount	Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	$ 9,000	$ 9,000	900,000	100.00	$ 28,182	$ (772)	$ -	Sub-subsidiary
	PMS Technology Corporation	Taiwan	Development and design of flash memory controllers and related products	-	2,000	-	-	-	396	-	-
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sales and service office	90,419	31,415	3,000,000	100.00	92,182	4,892	-	Sub-subsidiary
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Taiwan	Manufacture and trade of electronic components	452,954	-	34,842,595	100.00	486,048	33,094	-	Sub-subsidiary
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	1,068,818	19,150,000	100.00	2,920,824	3,945,768	-	Sub-subsidiary
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Hong Kong	Sales and trade of electronic products	98,754	98,754	3,000,000	100.00	88,725	58	-	Sub-subsidiary
Everspeed Technology Limited	Memoryexchange Corporation	Taiwan	Manufacture and sale of flash memory related products	191,986	391,986	20,950,000	100.00	271,426	261,210	-	Sub-subsidiary
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	391,989	21,850,000	100.00	1,146,076	65,379	-	Sub-subsidiary

(Concluded)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Percentage of Ownership (%)	Share of Profit (Loss) (Note 2)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow						
Phisontech (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronics	$ -	b (2)	$ 53,096	$ -	$ -	$ 53,096	-	$ (1,992)	$ -	$ -	3
Hefei Core Storage Electronic Limited	Design, R&D, production and sale of electronic product and technical support service and rendering of related services	1,059,715	b (2)	1,063,215	-	432,225	630,990	24.41	168,053	1,393,661	-	3
Hefei Ruhan Electronic Technology Limited	Design, R&D, sale of electronics product and technical support service and rendering of related services and investment	182,825	b (1)	182,825	-	-	182,825	100.00	(4,421)	170,044	-	-
Hefei Yichao Electronics Technology Ltd.	Design, R&D, sale of electronics hardware and rendering of related services and investment	-	b (2)	-	-	-	-	-	114,148	-	-	3
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sale of electronic product and technical service and rendering of related services and investment	735,136	b (1), b (2)	-	-	-	-	24.23	(11,810)	161,207	-	-
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,347,675	b (1), b (2)	183,640	259,140	-	442,780	34.43	92,744	1,973,587	-	-

Accumulated Investments in Mainland China as of December 31, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$ 1,309,691 (US$ 41,332)	$ 1,336,236 (US$ 42,390)	$ 21,093,280

(Continued)

Note 1: Method of investment:

a. Directly invested in mainland China.

b. Indirectly invested in mainland China through companies registered in a third region.

1) Indirectly invested in a China-based company through a company located in a third region, Regis Investment Limited and its subsidiaries.
2) Indirectly invested in a China-based company through a company located in a third region, Global Flash Limited and its subsidiaries.

Note 2: The amounts were recognized based on audited financial statements.

Note 3: The Group lost control of Hefei Core Storage Electronic Limited in November, 2020. Therefore, Hefei Core Storage Electronic Limited and its subsidiaries were no longer included in the consolidated financial statement and transferred into investments accounted for using equity method. Refer to Notes 13 and 27 for related information.

(Concluded)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Corporation	Hefei Core Storage Electronic Limited	Sub-subsidiary	Sale	$ 673,765	(1)	Net 30 days after monthly closing	None	None	$ -	-	-
	Hefei Core Storage Electronic Limited	The reinvestment of the second-tier subsidiary’s associate	Sale	88,916	-	Net 30 days after monthly closing	None	None	35,703	-	-
	Hefei Datang Storage Technology Co., Ltd.	The subsidiary of the second-tier subsidiary’s associate	Sale	317,025	(1)	Net 60 days after receipt date	None	None	101,882	2	-
	Hosin Global Electronics Co., Ltd. (SZ)	The reinvestment of the second-tier subsidiary’s associate	Sale	6,446	-	Net 45 days after monthly closing	None	None	-	-	-
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of the reinvestment of the second-tier subsidiary’s associate	Sale	240,433	-	Net 45 days after monthly closing	None	None	116,308	2	-
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of the reinvestment of the second-tier subsidiary’s associate	Purchase	131,841	-	Net 7 days after receipt date	None	None	(10,037)	-	-
	Hefei Datang Storage Technology Co., Ltd.	The subsidiary of the reinvestment of the second-tier subsidiary’s associate	Purchase	3,439	-	Net 60 days after monthly closing	None	None	-	-	-
Hefei Core Storage Electronic Limited	Hefei Datang Storage Technology Co., Ltd.	The subsidiary of the reinvestment of the second-tier subsidiary’s associate	Sale	1,328	-	Net 30 days after receipt date	None	None	-	-	-

TABLE 9

PHISON ELECTRONICS CORP.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Trust Investment Account of KIOXIA Corporation by First Bank	19,821,112	10.05

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