Stock Code:8299

Phison Electronics Corp.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Parent Company Only Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8～9
(4) Summary of significant accounting policies	9～23
(5) Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty	23
(6) Description of significant accounts	23～57
(7) Related-party transactions	57～61
(8) Pledged assets	61
(9) Commitments and contingencies	61～62
(10) Losses due to major disasters	62
(11) Subsequent events	62
(12) Other	62～64
(13) Addition disclosures	
(a) Information on significant transactions	64～65、66～74
(b) Information on investees (excluding information on investees in Mainland China)	65、75～76
(c) Information on investment in Mainland China	65、77～78
(d) Information of major shareholder	65
(14) Segment information	65
9. List of major account titles	79～92

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Independent Auditors' Report

To the Board of Directors of Phison Electronics Corp.:

Opinion

We have audited the parent company only financial statements of Phison Electronics Corp.("the Company"), which comprise the parent company only balance sheets as of December 31, 2021, the parent company only statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

1. Revenue recognition

   Please refer to Note 4(14) "Summary of significant accounting policies－Revenue recognition", Note 6(20) "Description of significant accounts－Operating revenue" to the parent company only financial statements.

   Description of key audit matter:

   The Company engaged primarily in the sale of flash memory controllers and peripheral system applications. Revenue is recognized depending on the various trade terms agreed with customers. Whether the Company recognizes revenue depending on the trade term in each individual sale contract to ensure the performance obligation has been satisfied by transferring control over a product to a customer is considered to be complex. In addition, the Company operates in an industry in which sales revenue is easily influenced by various external factors such as supply and demand of the market, and this may impact the recognition of revenue. Consequently, this is one of the key areas that our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing internal controls over sales and collection cycle; understanding the Company's main revenue types, its related sales agreements, and trade terms; on a sample basis, inspecting related sales contracts or sales order and other trade documents to assess whether the timing of revenue recognition was depending on the trade term agreed with customers; performing a sample test on sales transaction that took place before and after the balance sheet date to assess the accuracy of the timing of revenue recognition; and assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures.

2. Valuation of inventories

Please refer to Note 4(7) "Summary of significant accounting policies — Inventories", Note 5 "Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty", and Note 6(6) "Description of significant accounts — Inventories" to the parent company only financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid technological innovations and highly competitive environment in the industry of the Company, the life cycles of products of the Company are short and the prices fluctuate rapidly, which could possibly result in a price decline and obsolescence of inventory, wherein the inventory cost may exceed its net realizable value. Consequently, this is one of the key areas that our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the aging report of inventory and analyzing the fluctuation of inventory aging; on a sample basis, verifying the accuracy of the net realizable value of inventories and the inventory aging report; assessing the historical reasonableness of management's estimates on inventory provisions; and evaluating whether valuation of inventories was accounted in accordance with the Company's accounting policies and assessing the adequacy of the Company's disclosures of its policy and other related disclosures.

Other Matter

Predecessor auditor issued the audit opinion with other matters paragraph

The parent company only financial statements of the Company as of and for the year ended December 31, 2020 were audited by another auditor, who have issued an unmodified opinion with emphasis of matter paragraph on March 11, 2021.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only financial statements.

As part of an audit in accordance with 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 parent company only 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 Company'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 Company'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 parent company only 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only financial statements of the current period 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 audit resulting in this independent auditors' report are Chien Hui Lu and Wan Yuan Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2022

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Phison Electronics Corp.

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 17,675,707	28	12,003,683	25
1110	Financial assets at fair value through profit or loss－current (note 6(2))	1,096,736	2	5,201,526	11
1136	Financial assets at amortized cost－current (notes 6(3) and 8)	568,694	1	293,860	1
1170	Accounts receivable, net (note 6(5))	5,914,769	9	5,346,886	11
1180	Accounts receivable－related parties, net (notes 6(5) and 7)	2,813,524	4	669,288	1
1200	Other receivables (notes 6(5) and 7)	543,778	1	275,957	1
130X	Inventories (note 6(6))	19,491,118	31	10,136,867	22
1410	Prepayments	18,213	-	42,921	-
1479	Other current assets	1,822	-	32,773	-
		48,124,361	76	34,003,761	72
	Non-current assets:				
1510	Financial assets at fair value through profit or loss－non-current (note 6(2))	358,649	1	374,597	1
1517	Financial assets at fair value through other comprehensive income－non-current (note 6(4))	438,944	1	199,247	-
1550	Investments accounted for using the equity method (note 6(7))	6,502,466	10	7,997,569	17
1600	Property, plant and equipment (note 6(8))	5,885,272	9	3,954,832	8
1755	Right-of-use assets (note 6(9))	57,174	-	33,221	-
1780	Intangible assets (note 6(10))	311,911	1	310,269	1
1840	Deferred tax assets (note 6(16))	495,176	1	375,927	1
1900	Other non-current assets (note 9(2))	583,614	1	33,702	-
		14,633,206	24	13,279,364	28
	Total assets	**$ 62,757,567**	**100**	**47,283,125**	**100**

	Liabilities and Equity	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(11))	$ 379,216	1	1,452,480	3
2130	Contract liabilities－current	203,044	-	35,553	-
2170	Accounts payable	5,832,288	9	2,163,954	5
2180	Accounts payable－related parties (note 7)	3,299,584	5	1,337,642	3
2200	Other payables (note 6(12))	9,698,997	15	5,963,775	13
2230	Tax payable	1,196,588	2	83,727	-
2280	Lease liabilities－current (note 6(9))	26,271	-	15,054	-
2399	Other current liabilities (notes 6(13) and 7)	1,079,909	2	627,577	1
		21,715,897	34	11,679,762	25
	Non-Current liabilities:				
2530	Bonds payable (note 6(14))	3,412,855	6	-	-
2570	Deferred tax liabilities (note 6(16))	183,178	-	325,441	1
2580	Lease liabilities－non-current (note 6(9))	31,678	-	18,440	-
2640	Net defined benefit liabilities (note 6(15))	104,897	-	103,528	-
2645	Guarantee deposits received	628	-	487	-
		3,733,236	6	447,896	1
	Total liabilities	25,449,133	40	12,127,658	26
	Equity (note 6(17))**:**				
3100	Common shares	1,970,740	3	1,970,740	4
3200	Capital surplus	7,238,436	12	6,586,173	14
3300	Retained earnings	27,995,974	45	26,763,895	56
3400	Other equity interest	103,284	-	(165,341)	-
	Total equity	37,308,434	60	35,155,467	74
	Total liabilities and equity	**$ 62,757,567**	**100**	**47,283,125**	**100**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Phison Electronics Corp.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue** (notes 6(20) and 7)	$ 62,552,823	100	48,350,427	100
5000	**Operating costs** (notes 6(6), (8), (15), (21) and 7)	43,504,064	70	36,191,425	75
	Gross profit from operations	19,048,759	30	12,159,002	25
5910	Unrealized profit on transactions with associates	(54,596)	-	(4,069)	-
	Realized gross profit	18,994,163	30	12,154,933	25
	Operating expenses (notes 6(8), (15), (21) and 7):				
6100	Marketing expenses	1,045,844	2	879,042	2
6200	General and administrative expenses	779,391	1	719,547	1
6300	Research and development expenses	8,128,771	13	6,763,563	14
6450	Expected credit loss (gain) (note 6(5))	6,600	-	(56,269)	-
	Total operating expenses	9,960,606	16	8,305,883	17
	Net operating income	9,033,557	14	3,849,050	8
	Non-operating income and expenses:				
7010	Other income (notes 6(22) and 7)	93,092	-	119,952	-
7020	Other gains and losses (note 6(22))	152,293	-	614,931	1
7050	Finance costs (note 6(22))	(15,359)	-	(3,156)	-
7100	Interest income (note 6(22))	27,869	-	31,699	-
7060	Shares of profit of subsidiaries and associates accounted for using the equity method (note 6(7))	297,189	1	4,691,780	10
		555,084	1	5,455,206	11
7900	**Profit before tax**	9,588,641	15	9,304,256	19
7950	**Income tax expenses** (note 6(16))	1,441,426	2	605,212	1
8200	**Net profit for the year**	8,147,215	13	8,699,044	18
8300	**Other comprehensive income (loss):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	(354)	-	(7,434)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(23))	134,692	-	(15,345)	-
8330	Shares of other comprehensive income of subsidiaries and associates accounted for using the equity method	251,977	-	(31,905)	-
8349	Income tax related to items that will not be reclassified subsequently (note 6(16))	71	-	1,487	-
	Total items that will not be reclassified subsequently to profit or loss	386,386	-	(53,197)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(106,472)	-	106,038	-
8399	Income tax related to items that may be reclassified subsequently (note 6(16))	-	-	(30,630)	-
	Total items that may be reclassified subsequently to profit or loss	(106,472)	-	75,408	-
8300	**Other comprehensive income**	279,914	-	22,211	-
8500	**Total comprehensive income**	**$ 8,427,129**	**13**	**8,721,255**	**18**
	Earnings per share (New Taiwan Dollars) (note 6(19)):				
9750	Basic earnings per share	**$**	**41.34**		**44.14**
9850	Diluted earnings per share	**$**	**40.09**		**43.01**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Phison Electronics Corp.

Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest			
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2020	$ 1,970,740	6,724,104	3,850,715	380,927	16,411,959	20,643,601	(112,499)	(63,626)	(176,125)	29,162,320
Net profit for the year	-	-	-	-	8,699,044	8,699,044	-	-	-	8,699,044
Other comprehensive income (loss) for the year	-	-	-	-	(5,947)	(5,947)	75,408	(47,250)	28,158	22,211
Total comprehensive income (loss) for the year	-	-	-	-	8,693,097	8,693,097	75,408	(47,250)	28,158	8,721,255
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	455,816	-	(455,816)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,561,962)	(2,561,962)	-	-	-	(2,561,962)
Reversal of special reserve	-	-	-	(204,802)	204,802	-	-	-	-	-
Changes in equity of associates accounted for using the equity method	-	(335,315)	-	-	(28,215)	(28,215)	-	-	-	(363,530)
Changes in ownership interests in subsidiaries	-	(426)	-	-	-	-	-	-	-	(426)
Share-based payments	-	197,810	-	-	-	-	-	-	-	197,810
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	17,374	17,374	-	(17,374)	(17,374)	-
Balance at December 31, 2020	1,970,740	6,586,173	4,306,531	176,125	22,281,239	26,763,895	(37,091)	(128,250)	(165,341)	35,155,467
Net profit for the year	-	-	-	-	8,147,215	8,147,215	-	-	-	8,147,215
Other comprehensive income (loss) for the year	-	-	-	-	(283)	(283)	(106,472)	386,669	280,197	279,914
Total comprehensive income (loss) for the year	-	-	-	-	8,146,932	8,146,932	(106,472)	386,669	280,197	8,427,129
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	1,223,777	-	(1,223,777)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(6,503,442)	(6,503,442)	-	-	-	(6,503,442)
Reversal of special reserve	-	-	-	(20,557)	20,557	-	-	-	-	-
Changes in equity of associates accounted for using the equity method	-	268,525	-	-	(422,983)	(422,983)	-	-	-	(154,458)
Share-based payments	-	281,369	-	-	-	-	-	-	-	281,369
Due to recognition of equity component of convertible bonds	-	102,369	-	-	-	-	-	-	-	102,369
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	11,572	11,572	-	(11,572)	(11,572)	-
Balance at December 31, 2021	**$ 1,970,740**	**7,238,436**	**5,530,308**	**155,568**	**22,310,098**	**27,995,974**	**(143,563)**	**246,847**	**103,284**	**37,308,434**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Phison Electronics Corp.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Profit before income tax	$ 9,588,641	9,304,256
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	396,316	340,969
Amortization expense	270,812	200,124
Expected credit loss (reversal gain)	6,600	(56,269)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(239,154)	27,217
Financial costs	15,359	3,156
Interest income	(27,869)	(31,699)
Dividend income	(61,691)	(82,471)
Share-based payments	278,593	195,970
Shares of profit of subsidiaries and associates accounted for using the equity method	(297,189)	(4,691,780)
Loss on disposal of property, plant and equipment	-	2,218
Gain on disposal of investments accounted for using the equity method	-	(961,153)
Unrealized profit on transactions with associates	54,596	4,069
Unrealized foreign exchange loss (gain)	(63,048)	102,380
Write-down of inventories	135,858	196,619
Recognition of refund liabilities	555,242	261,975
Gains on modification of lease	(6)	(468)
Total adjustments to reconcile profit (loss)	1,024,419	(4,489,143)
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(2,748,924)	(89,098)
Other receivables	(264,803)	133,214
Inventories	(9,490,109)	1,110,247
Prepayments	24,708	220,899
Other current assets	30,951	(30,306)
Contract liabilities	167,491	(95,062)
Accounts payable (including related parties)	5,655,017	(133,668)
Other payable	1,788,741	1,936,510
Other current liabilities	(108,676)	(183,825)
Net defined benefit liability	1,015	1,149
Total changes in operating assets and liabilities	(4,944,589)	2,870,060
Cash inflow generated from operations	5,668,471	7,685,173
Interest paid	(14,350)	(2,657)
Income taxes paid	(590,006)	(875,411)
Net cash flows from operating activities	5,064,115	6,807,105

(Continued)

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Phison Electronics Corp.

Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(105,005)	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	246
Acquisition of financial assets at amortized cost	(3,652,682)	(293,860)
Proceeds from disposal of financial assets at amortized cost	3,407,878	20,383
Acquisition of financial assets at fair value through profit or loss	-	(2,150,000)
Proceeds from disposal of financial assets at fair value through profit or loss	4,337,537	92,379
Proceeds from capital reduction of financial assets at fair value through profit and loss	21,450	19,140
Acquisition of investments accounted for using the equity method	(44,750)	(967,452)
Net cash inflow on disposal of associates	-	1,776,295
Proceeds from capital reduction of investments accounted for using the equity method	54,457	495,011
Acquisition of property, plant and equipment	(2,286,464)	(1,000,105)
Increase in refundable deposits	(515,401)	(6,039)
Acquisition of intangible assets	(272,454)	(243,054)
Increase in prepayments for equipment	(53,197)	(23,461)
Interest received	28,427	31,525
Dividends received	1,783,503	396,908
Net cash flows from (used in) investing activities	2,703,299	(1,852,084)
Cash flows from financing activities:		
Increase in short-term loans	7,732,390	4,032,516
Decrease in short-term loans	(8,808,888)	(2,573,023)
Proceeds from issuing bonds (excluding issuance costs)	3,511,309	-
Increase in guarantee deposits received	141	94
Payment of lease liabilities	(21,098)	(16,720)
Cash dividends paid	(4,532,702)	(2,561,962)
Net cash flows used in financing activities	(2,118,848)	(1,119,095)
Effect of exchange rate changes on cash and cash equivalents	23,458	(108,797)
Net increase in cash and cash equivalents	5,672,024	3,727,129
Cash and cash equivalents at beginning of period	12,003,683	8,276,554
Cash and cash equivalents at end of period	$ **17,675,707**	**12,003,683**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Phison Electronics Corp.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

Phison Electronics Corp. (the "Company") was incorporated on November 8, 2000, with the approval of the Ministry of Economic Affairs, R.O.C. The address of its registered office and principal place of business is 10F-6, No.251, Fuxing 1st St., Zhubei City, Hsinchu County. The major business activities of the Company are the design and manufacturing of flash memory controllers and peripheral system applications. The Company's shares have been trading on the Taipei Exchange (over the counter exchange in Taiwan) since December 6, 2004.

2. Approval date and procedures of the financial statements

The parent company only financial statements were approved and authorized for issue by the Board of Directors on March 4, 2022.

3. New standards, amendments and interpretations adopted

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent company only financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"

The Company has initially adopted the (following) new amendments, which do not have a significant impact on its parent company only financial statements, from April 1, 2021:

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its parent company only financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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

4. Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all the periods presented in the parent company only financial statements.

(1) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(2) Basis of preparation

A. Basis of measurement

The parent company only financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

(a) Financial assets measured at fair value through profit or loss are measured at fair value;

(b) Financial assets measured at fair value through other comprehensive income are measured at fair value;

(c) The defined benefit liabilities (assets) are measured at the fair value of the plan assets less the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. Unless otherwise noted, all financial information presented in NTD has been rounded to the nearest thousand.

(3) Foreign currencies

A. Foreign currency transactions

In preparing the Company's financial statements, transactions in currencies other than the Company'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 financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries and associates in other countries that use currencies different from the currency of the Company) are translated into the presentation currency, the NTD, 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.

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 are reclassified to profit or loss.

B. Foreign operations

The assets and liabilities of foreign operations are translated to NTD using the exchange rates at the reporting date, which is translated at historical cost rates, and income and expenses, which are translated to NTD at the average rate for the period. Foreign currency differences are recognized in other comprehensive income.

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 are reclassified to profit or loss.

(4) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

A. It is expected to be settled in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting period; or

D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash comprises cash on hand, check deposits and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(6) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

The Company classifies financial assets into the following categories: financial assets at amortized cost, investments in equity instruments at financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. Only when the Company changes its business model for managing financial assets it shall reclassify all affected financial assets.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

● it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

● its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are initially recognized at fair value, plus any directly attributable transaction costs. Subsequently, these assets are measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment losses, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. Purchases or sales of financial assets in trade practice are recognized and derecognized on a trade date basis.

(b) Financial assets measured at fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in equity will not be reclassified to profit or loss, instead, is reclassified to retained earnings.

Dividend income derived from equity investments is recognized in profit or loss on the date which the Company's right to receive payment is established.

(c) Financial assets measured at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets.

On initial recognition, these assets are measured at fair value. Net gains and losses, including any interest or dividend income and gains and losses of remeasurement, are recognized in profit or loss.

(d) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including accounts receivable).

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 Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

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

(ii) When a financial asset is overdue unless the Company 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.

(e) Derecognition of financial assets

The Company 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.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(d) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(7) Inventories

The cost of inventories includes all necessary expenditures and charges for bringing the inventory to a stable, useable, and marketable condition and location. The production overhead is allocated to inventories based on the normal capacity of the production. Inventories are substantially measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method. Under the equity method, investments in associates are initially recognized at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company’s share of equity of associates.

When the Company 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 Company’s proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus-changes in the Company’s share of the equity of associates. If the Company’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 Company’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 Company’s net investment in the associate), the Company discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When the Company 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 Company 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 Company 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.

Profits and losses resulting from the transactions between the Company and associates are recognized in the parent company only financial statements only to the extent of interests in the associate that are not related to Company.

(9) Investments in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, profit, other comprehensive income and equity in the parent company only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the parent company only financial statements.

The changes in the parent's ownership interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Except for land is not depreciated, the estimated useful lives of the other property, plant and equipment are as follows:

(a) Land improvements: 7 years

(b) Building－building cost: 20 to 50 years

(c) Building－electrical engineering: 20 years

(d) Testing equipment: 3 years

(e) Office equipment: 3 years

(f) Mechanical equipment: 3 years

(g) Other equipment: 2 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Leases

A. Identifying a lease

A contract is, or contains, a lease when all the following conditions are satisfied:

(a) the contract involves the use of an identified asset, and the supplier does not have a substantive right to substitute the asset; and

(b) the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and

(c) the Company has the right to direct the use of the identified asset throughout the period of use.

B. As a lessee

The Company 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 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 Company 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 Company 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 Company 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 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.

C. As a 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 from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

(12) 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 using the straight-line method based on the following estimated useful lives: Technology license fees－the estimated life of the technology or the term of the technology transfer contract; software and system design costs－3 years or contract period; patent and others－the economic life or contract period. 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. 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.

(13) Impairment of non-financial assets

Other than inventories and deferred tax assets, the carrying amounts of the Company's property, plant and equipment, right-of-use assets and other intangible assets with finite useful lives are reviewed at the reporting date to determine whether there is any indication of impairment. When there is an indication of impairment exists for the aforementioned assets, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset has been allocated to.

In performing an impairment test for other long-term non-financial assets, the estimated recoverable amount is evaluated in terms of an asset or a CGU. Any excess of the carrying amount of the asset or its related CGU over its recoverable amount is recognized as an impairment loss. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value in use. If there is evidence that the accumulated impairment loss of an asset in prior years no longer exists or has decreased, the amount previously recognized as an impairment loss is reversed, and the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. The increased carrying amount shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years.

For intangible assets with indefinite useful lives or that are not yet available for use, are required to be tested for impairment at least annually. Any excess of the carrying amount of the asset over its recoverable amount is recognized as an impairment loss.

(14) Revenue recognition

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(a) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company offers volume discounts and sale discounts to its customers based on aggregate sales of goods. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts and sale discounts. Historical experience and deal-way with customers is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional. The consideration received in advance from the customer but without delivery of goods is recognized as a contract liability, for which revenue is recognized when the control over the goods is transferred to the customer.

The Company 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.

(b) Rendering of services

The Company progressively recognizes service revenue based on the progress towards complete satisfaction of contract, and only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

If there are changes in circumstances, the estimates of revenue, cost, and the progress towards complete satisfaction of contract will be amended. Any changes therein are recognized in profit or loss during the period in which the changes and amendments are made.

(c) Financing components

The Company does not expect to have any contracts where the period between the transfer of the services to the customer and payment by the customer, exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(15) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Defined benefit plans

The Company’ s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

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 Company’ 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.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(16) Share-based payment

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 Company'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. The grant date is the date when both parties of the Company and the employees reach an agreement on the subscription price and the number of shares to be subscribed.

At the end of each reporting period, the Company 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 reflect the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

The grant by the Company 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 Company grants new equity instruments as a replacement for cancelled equity instruments, the Company 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.

(17) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations or items recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

A. Current taxes

Current taxes comprise the expected tax payables or receivables on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using the statutory tax rate or the actual legislative tax rate at the reporting date. In accordance with the ROC Income Tax Act, undistributed earnings from the companies located in the Republic of China is subject to an additional surtax. The surtax on unappropriated earnings is expensed in the year the shareholders approved the distributions.

B. Deferred taxes

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax liabilities are recognized for temporary difference of future taxable income. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company 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. Deferred tax assets and liabilities are offset only if the specific criteria are met.

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.

(18) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest’ s proportionate share of the acquiree’ s identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquire’ s net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(19) Earnings per share

Basic earnings per share is computed by dividing profit or loss of the period by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss of the period and the weighted average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued. The effects of dilutive potential common stock include estimated employee compensation, employee stock options and convertible bonds.

(20) Operating segments

The Company has disclosed its operating segment information in the consolidated financial statements; hence, it need not to be disclosed in the parent company only financial statements.

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

In preparing these parent company only financial statements in conformity with the Regulations, the management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows:

Inventories:

Inventories are measured at the lower of cost or net realizable value. The Company uses judgement and estimates to determine the net realizable value of inventory at each reporting date. The estimation of net realizable value is determined based on current market conditions and historical experience with product sales of a similar nature. However, rapid industrial transformation and the change of marketing conditions may result in a significant influence on the estimation. Please refer note 6(6) for further description of the valuation of inventories.

6. Description of significant accounts

(1) Cash and cash equivalent

	December 31, 2021	**December 31, 2020**
Cash, demand deposits and check deposits	$ 12,818,145	7,745,362
Cash equivalents－time deposits	4,857,562	4,258,321
	$ 17,675,707	**12,003,683**

Please refer to note 6(23) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

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

		December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss－current：			
Beneficiary certificates－open-end funds	$	363,760	4,696,149
Domestic listed stock		728,076	505,377
Derivative instruments－convertible bonds (note 6(14))		4,900	-
	$	**1,096,736**	**5,201,526**

		December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss－non-current：			
Domestic private equity funds	$	39,909	42,033
Domestic unlisted stocks		302,867	314,214
Foreign unlisted stocks		15,873	18,350
	$	**358,649**	**374,597**

None of financial assets mentioned above were pledged as collateral.

(3) Financial assets at amortized cost－current

		December 31, 2021	December 31, 2020
Segregated foreign exchange deposit account for Offshore Funds	$	528,235	253,451
Pledged time deposits		40,459	40,409
	$	**568,694**	**293,860**

A. The Company obtained approvals from the Ministry of Finance in August 2020, January 2021 and March 2021, respectively, to repatriate offshore funds 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.

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

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

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

	December 31, 2021	December 31, 2020
Domestic unlisted stocks	$ 205,867	113,156
Foreign unlisted stocks	233,077	86,091
	$ 438,944	**199,247**

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

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

	December 31, 2021	December 31, 2020
Accounts receivable	$ 5,954,959	5,387,995
Accounts receivable－related parties	2,821,043	669,288
	8,776,002	6,057,283
Less: loss allowance	(47,709)	(41,109)
Accounts receivable, net	**$ 8,728,293**	**6,016,174**

	December 31, 2021	December 31, 2020
Tax refunds receivable	$ 470,060	257,435
Factored accounts receivable	42,292	15,790
Other receivables－related parties (note 7)	26,512	1,153
Others	4,914	1,579
Less: loss allowance	-	-
Other receivables	**$ 543,778**	**275,957**

As of January 1, 2020, the ending balance of accounts receivable, net (including related parties) was $5,898,698 thousand.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime expected credit losses. The expected credit losses on accounts receivable are estimated using an allowance matrix by reference to past default experience with the respective debtors and an analysis of each debtor’s current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company’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 Company’s customer base.

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

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

	December 31, 2021		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance**
Current	$ 8,372,068	0.21%	17,670
1~60 days past due	384,532	4.47%	17,192
61~90 days past due	1,145	36.59%	419
91~120 days past due	10,521	45.26%	4,762
121~150 days past due	518	86.48%	448
More than 151 days past due	7,218	100.00%	7,218
	$ 8,776,002		**47,709**

	December 31, 2020		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance**
Current	$ 5,738,537	0.32%	18,516
1~60 days past due	311,591	5.59%	17,414
61~90 days past due	7,128	72.33%	5,156
91~120 days past due	27	85.19%	23
	$ 6,057,283		**41,109**

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

	2021	**2020**
Balance, beginning of the period	$ 41,109	97,378
Impairment losses recognized (reversed)	6,600	(56,269)
Balance, end of the period	**$ 47,709**	**41,109**

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

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

(Unit: USD in Thousands)

December 31, 2021				
Factor	**Factor Amount**	**Amount Recognized in Other Receivables**	**Range of Handling Fees Rate**	**Transferring Terms**
HSBC Bank (Taiwan) Limited	$ 1,748	1,528	0.55%~0.65%	Note 1~4

December 31, 2020				
Factor	**Factor Amount**	**Amount Recognized in Other Receivables**	**Range of Handling Fees Rate**	**Transferring Terms**
HSBC Bank (Taiwan) Limited	$ 690	554	0.55%~0.65%	Note 1~4

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

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

Note 3: As of December 31, 2021 and 2020, the outstanding receivables after the above transactions, net of fees charged by the factoring bank, of $42,292 thousand and $15,790 thousand, respectively, were recognized under other receivables.

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

(6) Inventories

		December 31, 2021	December 31, 2020
Raw materials	$	11,809,699	5,298,146
Work in process		4,642,900	3,521,681
Semi-finished goods		2,902,052	1,267,154
Finished goods		136,467	49,886
	$	**19,491,118**	**10,136,867**

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2021 and 2020 were $43,504,064 thousand and $36,191,425 thousand, respectively.

The costs of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of $135,858 thousand and $196,619 thousand, respectively.

None of the inventories mentioned above were pledged as collateral.

(7) Investments accounted for using the equity method

Summarizations of the Company investments accounted for using the equity method at the reporting date were as follows:

		December 31, 2021	December 31, 2020
Subsidiaries	$	5,885,825	7,518,150
Associates		616,641	479,419
	$	**6,502,466**	**7,997,569**

A. Subsidiaries:

Due to operational strategy, the Company increased its investment in Power Flash (Samoa) Limited, Phisontech Electronics Taiwan Corp. and Regis Investment (Samoa) Limited's common shares with a total of $44,750 thousand and $802,781 thousand in 2021 and 2020.

Due to the change in the percentage of ownership interest in the investees in 2020, the Company recognized capital surplus of $31,732 thousand.

The Company's subsidiary subscribed 54,500 thousand shares from the capital increase of Hosin Global Electronics Co., Ltd. (SZ) with consideration of 24.59% ownership (the amount of contribution was CN$54,500 thousand) in Hefei Core Storage Electronic Limited in November 2020. In addition, the Company subscribed 54,095 thousand shares from the capital increase of Hosin Global Electronics Co., Ltd. (SZ) with consideration of residual 24.41% ownership (the amount of contribution was CN$54,095 thousand) in Hefei Core Storage Electronic Limited in February 2021.

Besides the abovementioned stock transfer, the Company's subsidiary did not participate in the subscription of the cash capital increase of Hosin Global Electronics Co., Ltd. (SZ) in 2021, therefore, the changes in equity of associate recognized in the years of 2021 and 2020 by the Company amounted to $(145,046) thousand and $(93,593) thousand, respectively. In 2021, the retained earnings of $416,037 thousand was reversed and the capital surplus of $270,991 thousand was recognized. In 2020, the retained earnings of $28,215 thousand was reversed and the capital surplus previously generated from long-term investment of $65,378 thousand was reversed.

As of December 31, 2021, the Company's percentage of ownership interest in HOSIN Global Electronics Co., Ltd. (SZ) was 42.63%.

Please refer to consolidated financial statements for the years ended December 31, 2021 and 2020 for subsidiaries information.

B. Associates

		December 31, 2021	December 31, 2020
EpoStar Electronics (BVI) Corporation	$	421,077	269,809
ProGrade Digital Inc.		98,019	88,400
Nextorage Corporation		74,263	98,233
Microtops Design Corporation		23,282	22,977
	$	**616,641**	**479,419**

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

		2021	2020
Attributable to the Company:			
Net profit	$	51,782	403,485
Other comprehensive income		287,188	59,289
Total comprehensive income	**$**	**338,970**	**462,774**

Disposing of its ownership interests in Kingston Solutions Inc. to Kingston Technology Corporation, a non-related party, with $1,781,640 thousand in September 2020, the Company reversed capital surplus of $263,344 thousand and recognized a gain on the disposal of investment of $967,348 thousand.

Due to operational strategy, the Company increased its investment in ProGrade Digital, Inc. and Nextorage Corporation's common shares with a total of $164,671 thousand for the year of 2020.

In 2021, due to a capital reduction of EpoStar Electronics (BVI) Corporation amounting to $54,457 thousand and the change of percentage of ownership interests in ProGrade Digital,Inc., the changes in equity of associate recognized amounted to $(9,412) thousand, including reversals of capital surplus of $2,466 thousand and retained earnings of $6,946 thousand.

Due to the change in the percentage of ownership interest in EpoStar Electronics (BVI) Corporation and ProGrade Digital, Inc. in 2020, the Company reversed capital surplus of $38,325 thousand.

C. Pledged

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

(8) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

		Land	Buildings	Mechanical and testing equipment	Office and other equipment	Construction in progress	Total
Cost:							
Balance at January 1, 2021	$	958,807	2,105,353	983,815	137,390	712,397	4,897,762
Additions for the period		618,083	19,844	358,799	50,878	1,238,860	2,286,464
Disposal for the period		-	-	(151,416)	(16,386)	-	(167,802)
Reclassification		-	3,034	10,496	5,156	-	18,686
Balance at December 31, 2021	**$**	**1,576,890**	**2,128,231**	**1,201,694**	**177,038**	**1,951,257**	**7,035,110**
Balance at January 1, 2020	$	958,807	2,091,905	863,445	100,013	-	4,014,170
Additions for the period		-	13,448	224,085	50,175	712,397	1,000,105
Disposal for the period		-	-	(121,110)	(12,798)	-	(133,908)
Reclassification		-	-	17,395	-	-	17,395
Balance at December 31, 2020	**$**	**958,807**	**2,105,353**	**983,815**	**137,390**	**712,397**	**4,897,762**
Depreciation:							
Balance at January 1, 2021	$	-	416,663	458,732	67,535	-	942,930
Depreciation for the period		-	65,408	274,181	35,121	-	374,710
Disposal for the period		-	-	(151,416)	(16,386)	-	(167,802)
Balance at December 31, 2021	**$**	**-**	**482,071**	**581,497**	**86,270**	**-**	**1,149,838**
Balance at January 1, 2020	$	-	352,476	344,026	54,228	-	750,730
Depreciation for the period		-	64,187	235,733	23,970	-	323,890
Disposal for the period		-	-	(121,027)	(10,663)	-	(131,690)
Balance at December 31, 2020	**$**	**-**	**416,663**	**458,732**	**67,535**	**-**	**942,930**
Carrying amounts:							
Balance at December 31, 2021	**$**	**1,576,890**	**1,646,160**	**620,197**	**90,768**	**1,951,257**	**5,885,272**
Balance at December 31, 2020	**$**	**958,807**	**1,688,690**	**525,083**	**69,855**	**712,397**	**3,954,832**
Balance at January 1, 2020	**$**	**958,807**	**1,739,429**	**519,419**	**45,785**	**-**	**3,263,440**

None of the property, plant and equipment mentioned above were pledged as collateral.

To increase the scale of operations, the Company'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 Company. The total price of the project was approximately $1,398,000 thousand. The Company financed the construction with its own funds. The projected construction period is from March 2020 to December 2021. In addition, the Company'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 Company. The total price of the project was approximately $829,000 thousand. The Company financed the construction with its own funds. The construction period is from February 2021 to March 2022.

On May 27, 2021, the Company's Board of Directors resolved to purchase the land with buildings for the Company to expand operations in the future. The total amount without V.A.T of the purchase was $607,865 thousand.

(9) Lease arrangements

A. Right-of-use assets

The Company leases assets including buildings, transportation equipment and other assets. Information about leases was as follows:

	Buildings	Transportation equipment	Others	Total
Cost:				
Balance at January 1, 2021	$ 40,674	2,401	6,574	49,649
Additions for the period	45,900	-	-	45,900
Deduction for the period and others	(2,113)	(1,409)	-	(3,522)
Balance at December 31, 2021	**$ 84,461**	**992**	**6,574**	**92,027**
Balance at January 1, 2020	$ 42,632	1,408	-	44,040
Additions for the period	23,324	993	6,574	30,891
Deduction for the period and others	(25,282)	-	-	(25,282)
Balance at December 31, 2020	**$ 40,674**	**2,401**	**6,574**	**49,649**
Depreciation:				
Balance at January 1, 2021	$ 12,669	1,294	2,465	16,428
Depreciation for the period	17,732	587	3,287	21,606
Deduction for the period	(1,772)	(1,409)	-	(3,181)
Balance at December 31, 2021	**$ 28,629**	**472**	**5,752**	**34,853**
Balance at January 1, 2020	$ 10,574	626	-	11,200
Depreciation for the period	13,946	668	2,465	17,079
Deduction for the period	(11,851)	-	-	(11,851)
Balance at December 31, 2020	**$ 12,669**	**1,294**	**2,465**	**16,428**

	Buildings	Transportation equipment	Others	Total
Carrying amounts:				
Balance at December 31, 2021	$ 55,832	520	822	57,174
Balance at December 31, 2020	$ 28,005	1,107	4,109	33,221
Balance at January 1, 2020	$ 32,058	782	-	32,840

B. Lease liabilities

The carrying amounts of lease liabilities of the Company were as follows:

	December 31, 2021	December 31, 2020
Current	$ 26,271	15,054
Non-current	$ 31,678	18,440

For the maturity analysis, please refer to note 6(23) “Financial instruments”.

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

	2021	2020
Interest relating to lease liabilities	$ 803	1,048
Expenses relating to short-term lease	$ 3,665	987
Expenses relating to lease of low-value assets, excluding short-term lease of low-value assets	$ 848	771

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

	2021	2020
Total cash outflow for leases	$ 26,414	19,526

C. Other information about leases

The Company 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 Company had elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

(10) Intangible assets

The cost and amortization of intangible assets of the Company were as follows:

	Computer software	Technology License Fees	Total
Cost:			
Balance at January 1, 2021	$ 973,187	367,976	1,341,163
Additions for the period	236,735	35,719	272,454
Balance at December 31, 2021	**$ 1,209,922**	**403,695**	**1,613,617**
Balance at January 1, 2020	$ 745,388	352,721	1,098,109
Additions for the period	227,799	15,255	243,054
Balance at December 31, 2020	**$ 973,187**	**367,976**	**1,341,163**
Amortization:			
Balance at January 1, 2021	$ 729,982	300,912	1,030,894
Amortization for the period	226,504	44,308	270,812
Balance at December 31, 2021	**$ 956,486**	**345,220**	**1,301,706**
Balance at January 1, 2020	$ 572,595	258,175	830,770
Amortization for the period	157,387	42,737	200,124
Balance at December 31, 2020	**$ 729,982**	**300,912**	**1,030,894**
Carrying amounts:			
Balance at December 31, 2021	**$ 253,436**	**58,475**	**311,911**
Balance at December 31, 2020	**$ 243,205**	**67,064**	**310,269**
Balance at January 1, 2020	**$ 172,793**	**94,546**	**267,339**

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

(11) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured bank loans	**$ 379,216**	**1,452,480**
Range of interest rates at year end	**0.50%~0.51%**	**0.57%~0.66%**

(12) Other payables

	December 31, 2021	December 31, 2020
Salaries and bonus payable	$ 6,639,544	4,980,747
Interim dividend payable (note 6(17))	1,970,740	-
Others	1,088,713	983,028
	$ 9,698,997	**5,963,775**

(13) Other current liabilities

	December 31, 2021	December 31, 2020
Refund liabilities	$ 828,962	490,929
Payables for purchases of equipment	96,208	27,817
Receipts under custody	61,664	40,181
Others	93,075	68,650
	$ 1,079,909	**627,577**

(14) Bonds payable

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

The details of unsecured convertible bonds were as follows:

	December 31, 2021
Total convertible corporate bonds issued	$ 3,500,000
Unamortized discounted corporate bonds payable	(87,145)
Bonds payable at December 31, 2021	**$ 3,412,855**
Embedded derivative – call and conversion options, included in financial assets at fair value through profit or loss	**$ 4,900**
Embedded derivative instruments –Equity component – conversion options, included in capital surplus– stock options	**$ 102,369**

	2021
Embedded derivative instruments – net gains and losses of call and conversion options remeasured at fair value, included in other gains and losses	**$ 2,105**
Interest expense	**$ 1,120**

The conversion price per share at the time of issuance of NT$570 is calculated by multiplying the closing price of the Company' s ordinary shares traded on Taipei Exchange at one business day before the reference date for determining the conversion price, which is December 9, 2021, of NT$475 by the conversion premium rate of 120%. The number of convertible shares of the bonds is calculated by dividing the issued face value of the bonds by the conversion price. After the issuance of corporate bonds, the conversion price shall be adjusted in accordance with the article related to anti-dilution in the terms of issuance and conversion. Due to the distribution of cash dividends to shareholders, the conversion price shall be adjusted in accordance with the aforementioned terms. Starting from December 27, 2021, the conversion price was adjusted from NT$570 to NT$556.3. As of December 31, 2021, the conversion price has applied 1st adjustment. Above unsecured convertible bonds included liability and equity components. Equity component is included in capital surplus–stock options. The effective interest rate originally recognized for the liability component was 1.005%.

(15) Employee benefits

A. Defined benefit plans

According to the Labor Standards Law, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to certain percentage 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. By the end of each year, the Company 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 Company 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 Company has no right to influence the investment policy and strategy.

Reconciliations of the present value of defined benefit obligation and the fair value of plan asset were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 149,156	144,989
Fair value of plan assets	(44,259)	(41,461)
Net defined benefit liabilities	**$ 104,897**	**103,528**

(a) Composition of plan assets

The Company contributes pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

Bank of Taiwan labor pension reserve account balance of the Company amounted to $44,259 thousand as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(b) Movements in present value change of defined benefit obligation

		2021	2020
Defined benefit obligation at January 1	$	144,989	133,343
Current service cost		2,656	2,456
Current interest cost		580	1,066
Remeasurements of the net defined benefit liabilities (assets)			
—Actuarial losses (gains) arising from changes in demographic assumptions		240	-
—Actuarial losses (gains) arising from changes in experience adjustment		11,385	22,626
—Actuarial losses (gains) arising from changes in financial assumptions		(10,694)	(13,943)
Benefits paid		-	(559)
Defined benefit obligation at December 31	**$**	**149,156**	**144,989**

(c) Movements of defined benefit plan assets

		2021	2020
Fair value of plan assets at January 1	$	41,461	38,398
Interest income		166	307
Remeasurements of the net defined benefit liabilities (assets)			
—Return on plan assets (excluding current interest)		577	1,249
Contribution to the plan		2,055	2,066
Benefits paid		-	(559)
Fair value of plan assets at December 31	**$**	**44,259**	**41,461**

(d) Expenses recognized in profit or loss

		2021	2020
Current service cost	$	2,656	2,456
Net interest on the net defined benefit liabilities (assets)		414	759
	$	**3,070**	**3,215**

(e) Remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income

		2021	2020
Accumulated amount at January 1	$	(48,230)	(42,283)
Recognized during the period		(283)	(5,947)
Accumulated amount at December 31	**$**	**(48,513)**	**(48,230)**

(f) Actuarial assumptions

	December 31, 2021	December 31, 2020
Discount rate	0.80 %	0.40 %
Future salary increase rate	3.00 %	3.00 %

The Company is expecting a contribution of $2,096 thousand to its defined benefit plans in the following year after the reporting date.

The weighted-average duration of the defined benefit obligation is 17 years.

(g) Sensitivity analysis

If there was a change in the actuarial assumptions the impact on the present value of the defined benefit obligation would be as follows:

		Impact on present value of defined benefit obligations	
		Increase 0.25%	**Decrease 0.25%**
December 31, 2021			
Discount rate	$	(6,121)	6,435
Future salary increase rate		5,902	(5,660)
December 31, 2020			
Discount rate	$	(6,246)	6,577
Future salary increase rate		6,024	(5,769)

Reasonably possible changes at the reporting date in one of the relevant actuarial assumptions, assuming all other variables remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the parent company only balance sheets.

There were no changes in the method and assumptions used in calculating the sensitivity analysis for the years of 2021 and 2020.

B. Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs of the Company under the defined contribution method were $146,042 thousand and $111,966 thousand for 2021 and 2020, respectively. Payment was made to the Bureau of Labor Insurance.

(16) Income tax

A. Income tax recognized in profit or loss

The amounts of income tax expense were as follows:

		2021	2020
Current tax expense			
Current period	$	1,536,851	540,127
Adjustment for prior periods		-	(261,108)
Income tax expense of unappropriated earnings		166,016	82,357
		1,702,867	361,376
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		(261,441)	243,836
Income tax expense (benefit)	$	**1,441,426**	**605,212**

Reconciliations of income tax expense and profit before income tax expense were as follows:

		2021	2020
Profit before income tax	$	**9,588,641**	**9,304,256**
Income tax using the Company's domestic tax rate	$	1,917,728	1,860,851
Tax exempt income		(83,000)	(231,555)
Investment tax incentives		(566,219)	(257,045)
Effect of unrecognized deferred tax liabilities		-	(411,037)
Prior-year adjustments		-	(261,108)
Income tax expense of unappropriated earnings		166,016	82,357
Effect of repatriated offshore funds and others		6,901	(177,251)
Income tax expense	$	**1,441,426**	**605,212**

B. Income tax recognized in other comprehensive income

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

	2021	2020
Remeasurements from defined benefit plans	$ (71)	(1,487)
Exchange differences on translation of foreign financial statements	-	30,630
	$ (71)	**29,143**

C. Deferred tax assets and liabilities

(a) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021 and 2020. Also, it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2021	December 31, 2020
Unrecognized deferred tax liabilities	**$ 411,037**	**411,037**

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021
Deferred tax assets				
Refund liabilities	$ 98,186	67,606	-	165,792
Inventory write-downs	106,902	27,172	-	134,074
Unrealized exchange losses	120,325	13,334	-	133,659
Impairment loss on financial assets	25,258	-	-	25,258
Net defined benefit liabilities	20,706	203	71	20,980
Others	4,550	10,863	-	15,413
	$ 375,927	**119,178**	**71**	**495,176**

	January 1, 2021	Recognized in income statement	Recognized in other comprehensive income	December 31, 2021
Deferred tax liabilities:				
Share of gains of subsidiaries and associates accounted for using the equity method	$ 325,441	(142,263)	-	183,178

	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020
Deferred tax assets:				
Unrealized exchange losses	$ 107,512	12,813	-	120,325
Inventory write-downs	67,579	39,323	-	106,902
Refund liabilities	83,901	14,285	-	98,186
Impairment loss on financial assets	25,508	(250)	-	25,258
Net defined benefit liabilities	18,989	230	1,487	20,706
Exchange differences on translating foreign operations	30,630	-	(30,630)	-
Others	11,276	(6,726)	-	4,550
	$ 345,395	59,675	(29,143)	375,927

	January 1, 2020	Recognized in income statement	Recognized in other comprehensive income	December 31, 2020
Deferred tax liabilities:				
Share of gains of subsidiaries and associates accounted for using the equity method	$ 21,930	303,511	-	325,441

D. Examination and approval

The income tax returns of the Company had been examined and assessed by the tax authority for the years through 2019.

(17) Equity

A. Common shares

As of December 31, 2021 and 2020, the Company's authorized common shares amounted to $3,000,000 thousand, of which $290,000 thousand was reserved for employee share options. The issued common shares amounted to $1,970,740 thousand with par value of NT$10 per share.

B. Capital surplus

The details of the Company's capital surplus were as follows:

		December 31, 2021	December 31, 2020
Additional paid-in capital	$	6,237,434	6,237,434
Changes in equities of associates accounted for using the equity method		268,525	-
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
Changes in non-controlling interests		1,944	1,944
Employee share options		479,179	197,810
Due to recognition of equity component of convertible bonds		102,369	-
Expired employee stock options		227	227
	$	**7,238,436**	**6,586,173**

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

C. Retained earnings and dividend policy

The amendments to the Company's Articles of Incorporation (the "Articles") were approved by the Company' s shareholders' meeting on July 26, 2021, which stipulated that earnings distribution or offsetting of losses may be proposed at each half fiscal year.

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

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

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

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

The appropriations of 2021 half-yearly earnings have been approved by the Company's Board of Directors in its meeting. The appropriations and cash dividends per share were as follows:

	First Half of 2021	Second Half of 2021
Resolution date of the Company's Board of Directors	August 6, 2021	March 4, 2022
Legal reserve	$ 355,551	418,001
Reversal of special reserve	(9,773)	(155,568)
Cash dividends to shareholders	1,970,740	2,561,962
Cash dividends per share (NTD)	10	13

The amount of legal reserve and special reserve of 2021 will be submitted to the shareholders' meeting for approval on May 24, 2022.

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

The appropriations of 2020 and 2019 earnings were resolved in the shareholders' meetings on July 26, 2021 and June 3, 2020, respectively, and were as follows:

	2020	2019
Legal reserve	$ 868,226	455,816
Reversal of special reserve	(10,784)	(204,802)
Cash dividends to shareholders	4,532,702	2,561,962
Cash dividends per share (NTD)	23	13

D. Other equity (net of tax)

(a) Exchange differences on translation of foreign financial statements

	2021	2020
Balance at January 1	$ (37,091)	(112,499)
Foreign exchange differences (net of tax)	(106,472)	75,408
Balance at December 31	**$ (143,563)**	**(37,091)**

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

	2021	2020
Balance at January 1	$ (128,250)	(63,626)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	386,669	(47,250)
Disposal for the period	(11,572)	(17,374)
Balance at December 31	**$ 246,847**	**(128,250)**

(18) Share-based payment

Employee Share Option Plan

In accordance with employee share option plan approved in 2019, qualified employees of the Company 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 Company. 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 Company's ordinary shares on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly. In addition, with the consent of the share option holders, the Company 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 was as follows:

	2021		**2020**	
Employee share options	**Number of Options (In Thousands of Units)**	**Weighted-average exercise price (NTD)**	**Number of Options (In Thousands of Units)**	**Weighted-average exercise price (NTD)**
Outstanding at January 1	1,976	$ 262.00	6,000	$ 340.00
Cancelled during the period	-	-	(6,000)	-
Granted during the period	-	-	2,000	262.00
Forfeited during the period	(36)	-	(24)	-
Outstanding at December 31	**1,940**	243.30	**1,976**	262.00
Exercisable at December 31	**-**		**-**	
Weighted-average fair value of options granted (NTD)			**$ 59.63**	

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

	2019 2nd	2019 1st
Grant-date share price (NTD)	$ 262.00	340.00
Exercise price (NTD)	262.00	340.00
Expected volatility	35.27%-35.45%	31.30%-31.79%
Expected dividend yield	-	-
Expected life (year)	3	3
Risk free interest rate	0.20%-0.22%	0.52%-0.53%

The weighted-average remaining contractual life for outstanding option on December 31, 2021 and 2020, were 1.75 and 2.75 years, respectively.

In accordance with employee share option plan approved in 2020, qualified employees of the Company 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 Company. 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 Company's ordinary shares on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	2021		2020	
Employee share options	**Number of Options (In Thousands of Units)**	**Weighted-average exercise price (NTD)**	**Number of Options (In Thousands of Units)**	**Weighted-average exercise price (NTD)**
Outstanding at January 1	5,835	$ 262.00	-	$ -
Granted during the period	-	-	6,000	262.00
Forfeited during the period	(53)	-	(165)	-
Outstanding at December 31	**5,782**	243.30	**5,835**	262.00
Exercisable at December 31	**-**		**-**	
Weighted-average fair value of options granted (NTD)			**$ 59.63**	

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

	2020 1st
Grant-date share price (NTD)	$ 262.00
Exercise price (NTD)	262.00
Expected volatility	35.27%-35.45%
Expected dividend yield	-
Expected life (year)	3
Risk free interest rate	0.20%-0.22%

The weighted-average remaining contractual life for outstanding option on December 31, 2021 and 2020, were 1.75 and 2.75 years, respectively.

In accordance with employee share option plan approved in 2021, qualified employees of the Company 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 Company. The options granted are valid for 4 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 Company's ordinary shares on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	2021	
Employee stock options	**Number of Options (In Thousands of Units)**	**Weighted-average exercise price (NTD)**
Outstanding at January 1	-	$ -
Granted during the period	6,000	414.50
Forfeited during the period	(13)	-
Outstanding at December 31	**5,987**	404.50
Exercisable at December 31	**-**	
Weighted-average fair value of options granted (NTD)	**$ 112.17**	

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

	2021 1st
Grant-date share price (NTD)	$ 414.50
Exercise price (NTD)	414.50
Expected volatility	37.44%-37.96%
Expected dividend yield	-
Expected life (year)	4
Risk free interest rate	0.40%-0.41%

The weighted-average remaining contractual life for outstanding option on December 31, 2021, was 3.89 years.

Compensation costs recognized by the Company for the years of 2021 and 2020, were $278,593 thousand and $195,970 thousand, respectively. Furthermore, compensation costs recognized by the Company's subsidiaries for the years of 2021 and 2020, were $2,776 thousand and $1,840 thousand, respectively.

(19) Earnings per share

The calculations of basic earnings per share and diluted earnings per share of the Company were as follows:

A. Basic earnings per share

		2021	2020
Net profit attributable to ordinary shareholders of the Company	$	**8,147,215**	**8,699,044**
Weighted-average number of shares outstanding during the year (in thousands of shares)		**197,074**	**197,074**
Basic earnings per share (NTD)	$	**41.34**	**44.14**

B. Diluted earnings per share

		2021	2020
Net profit attributable to ordinary shareholders of the Company (Basic)	$	8,147,215	8,699,044
Effect of dilutive potential ordinary shares			
Convertible bonds		(788)	-
Net profit attributable to ordinary shareholders of the Company (Diluted)	$	**8,146,427**	**8,699,044**
Weighted average number of shares outstanding during the year (in thousands of shares)		197,074	197,074
Effect of dilutive potential ordinary shares (in thousands of shares)			
Employee share options		3,315	1,656
Employees' compensation		2,575	3,511
Effect of conversion of convertible bonds		254	-
		203,218	**202,241**
Diluted earnings per share (NTD)	$	**40.09**	**43.01**

(20) Operating revenue

Disaggregations of revenues from contracts with customers were as follows:

		2021	2020
Primary geographical markets			
Asia	$	47,617,492	33,793,810
America		11,094,866	10,534,411
Europe		3,694,956	3,865,801
Australia		144,146	151,575
Others		1,363	4,830
	$	**62,552,823**	**48,350,427**

		2021	2020
Major product categories			
Flash memory module products	$	50,114,399	37,861,373
Controllers		9,347,429	7,391,298
Integrated Circuit		1,520,615	2,030,917
Others		1,570,380	1,066,839
	$	**62,552,823**	**48,350,427**

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

(21) Employees' compensation and remuneration of directors and supervisors

The Company 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, 2021 and 2020, which have been approved by the Company's Board of Directors on March 4, 2022 and March 11, 2021, respectively, were as follows:

Accrual rate

	2021	2020
Employees' compensation	10.24 %	9.66 %
Remuneration of directors and supervisors	0.47 %	0.43 %

Amount

	2021		2020	
	Cash Dividends	**Share Dividends**	**Cash Dividends**	**Share Dividends**
Employees' compensation	$ 1,100,000	-	1,000,000	-
Remuneration of directors and supervisors	50,000	-	45,000	-

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

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

(22) Non-operating income and expenses

A. Interest income

		2021	2020
Interest income from bank deposits	$	27,851	25,447
Others		18	6,252
	$	**27,869**	**31,699**

B. Other income

		2021	2020
Rental income	$	2,766	2,727
Dividend income		61,691	82,471
Others		28,635	34,754
	$	**93,092**	**119,952**

C. Other gains and losses

		2021	2020
Gains (Losses) on financial assets (liabilities) at fair value through profit or loss	$	239,154	(27,217)
Gain (Losses) on disposal of investments accounted for using the equity method (note 6(7))		-	961,153
Net foreign exchange losses		(84,587)	(315,238)
Others		(2,274)	(3,767)
	$	**152,293**	**614,931**

D. Finance costs

		2021	2020
Interest on bank loans	$	13,436	2,010
Interest on lease liabilities		803	1,048
Interest on convertible bond		1,120	-
Others		-	98
	$	**15,359**	**3,156**

(23) Financial instruments

A. Categories of financial instruments

		December 31, 2021	December 31, 2020
Financial assets			
Financial assets at FVTPL (current and non-current)	$	1,455,385	5,576,123
Financial assets at amortized cost (Note 1)		27,516,472	18,589,674
Financial assets at FVTOCI		438,944	199,247
	$	**29,410,801**	**24,365,044**
Financial liabilities			
Financial liabilities at amortized cost (Note 2)	$	**22,623,568**	**10,918,338**

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

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

B. Financial risk management objectives and policies

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

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

C. Market risk

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

(a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company 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 Company 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.

(i) Exposure to foreign currency risk

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

	December 31, 2021			December 31, 2020		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary items						
USD	477,159	27.68	13,207,749	243,465	28.48	6,933,897
Financial liabilities						
Monetary items						
USD	304,481	27.68	8,428,022	136,678	28.48	3,892,580

(ii) Sensitivity analysis

The Company's exposure to foreign currency risk primarily arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, (including related parties), short-term borrowings, and accounts payable (including related parties), that are denominated in USD. A weakening (strengthening) of 6% of the NTD against the USD as of December 31, 2021 and 2020, would have increased or decreased the net profit before income tax by $286,784 thousand and $182,479 thousand, respectively. The analysis was performed on the same basis for comparative years.

(iii) Foreign exchange gains and losses on monetary items

For the years of 2021 and 2020, the foreign exchange losses (including realized and unrealized) were $84,587 thousand and $315,238 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 Company.

(b) Interest rate risk

(i) Exposure to interest rate risk

The Company was exposed to interest rate risk because of holding bank deposits at floating interest rates. The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2021	**December 31, 2020**
Fair value interest rate risk		
－Financial assets	$ 4,898,021	4,552,181
－Financial liabilities	379,216	1,452,480
Cash flow interest rate risk		
－Financial assets	13,346,179	7,745,267

(ii) Sensitivity analysis

If interest rates had been 1 basis point higher and all other variables were held constant, the Company's net profit before income tax for the years of 2021 and 2020 would have increased by $1,335 thousand and $775 thousand, respectively.

(c) Other price risk

The Company was exposed to equity price risks through its investments in foreign and domestic listed and unlisted stock, 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 date.

If equity prices had been 1% higher or lower, net profit before income tax for the years of 2021 and 2020 would have increased or decreased by $14,554 thousand and $55,761 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. If equity prices had been 1% higher or lower, the other comprehensive income before income tax for the years of 2021 and 2020 would have increased or decreased by $4,389 thousand and $1,992 thousand, respectively, as a result of the changes in fair value of financial assets at FVOCI.

D. Concentration of credit risk

(a) Accounts receivable

The major customers of the Company are in the electronics industry and the Company usually grants credit limits to customers in accordance with credit policy, therefore, the credit risk of the Company is mainly affected by the electronics industry. However, the Company mostly sells products to customers with good reputation and continuously monitors the financial situation of customers to monitor the significant loss from credit risk. As of December 31, 2021, and 2020, 40% and 32%, respectively, of accounts receivable were from top five customers, so there was no significant concentration of credit risk. In addition, the Company periodically reviews the recoverable amounts of accounts receivable to ensure that an adequate allowance is recognized for possible irrecoverable amounts. In this regard, the management believes there is no expected material credit risk.

(b) Cash and cash equivalents

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

(c) Receivables and debt securities

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

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

E. Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity.

(a) Loan Facilities

	December 31, 2021	December 31, 2020
Unsecured bank facilities		
Amount used	$ 1,539,256	2,612,480
Amount unused	8,751,944	7,065,920
	$ 10,291,200	**9,678,400**

(b) Analysis of the contractual maturities of financial liabilities

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

	Carrying amount	Cash flow of contract	Within 1 year	1-5 years	Over 5 years
December 31, 2021					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 18,830,869	(18,830,869)	(18,830,869)	-	-
Lease liabilities	57,949	(58,845)	(26,823)	(32,022)	-
Bonds payable	3,412,855	(3,500,000)	-	(3,500,000)	-
Fixed interest rate liabilities	379,216	(379,697)	(379,697)	-	-
	$ 22,680,889	**(22,769,411)**	**(19,237,389)**	**(3,532,022)**	**-**

	Carrying amount	Cash flow of contract	Within 1 year	1-5 years	Over 5 years
December 31, 2020					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 9,465,371	(9,465,371)	(9,465,371)	-	-
Lease liabilities	33,494	(34,655)	(15,749)	(18,906)	-
Fixed interest rate liabilities	1,452,480	(1,453,711)	(1,453,711)	-	-
	$ 10,951,345	**(10,953,737)**	**(10,934,831)**	**(18,906)**	**-**

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

F. Fair value of financial instruments

(a) Fair value measurements recognized in the balance sheets

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

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

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

Fair value hierarchy

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

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Domestic listed stocks	$ 728,076	-	-	728,076
Domestic unlisted stocks	-	-	302,867	302,867
Foreign unlisted stocks	-	-	15,873	15,873
Domestic private equity funds	-	-	39,909	39,909
Beneficiary certificates－open-end funds	363,760	-	-	363,760
Derivative instruments－convertible bonds	-	-	4,900	4,900
	$ 1,091,836	**-**	**363,549**	**1,455,385**

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	$ -	-	205,867	205,867
Foreign unlisted stocks	-	-	233,077	233,077
	$ -	**-**	**438,944**	**438,944**

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Domestic listed stocks	$ 505,377	-	-	505,377
Domestic unlisted stocks	-	-	314,214	314,214
Foreign unlisted stocks	-	-	18,350	18,350
Domestic private equity funds	-	-	42,033	42,033
Beneficiary certificates－open-end funds	4,696,149	-	-	4,696,149
	$ 5,201,526	**-**	**374,597**	**5,576,123**
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	$ -	-	113,156	113,156
Foreign unlisted stocks	-	-	86,091	86,091
	$ -	**-**	**199,247**	**199,247**

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

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

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income	
	Private equity funds	Derivative instruments －convertible bonds	Equity instruments	Equity instruments	Total
January 1, 2021	$ 42,033	-	332,564	199,247	573,844
Recognized in profit or loss	(2,124)	2,105	31,126	-	31,107
Recognized in other comprehensive income	-	-	-	134,692	134,692
Additions for the period	-	2,795	-	105,005	107,800
Proceeds from capital reduction	-	-	(25,150)	-	(25,150)
Transfer out of the level 3	-	-	(19,800)	-	(19,800)
December 31, 2021	**$ 39,909**	**4,900**	**318,740**	**438,944**	**802,493**

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income	
	Private equity funds	**Derivative instruments －convertible bonds**	**Equity instruments**	**Equity instruments**	**Total**
January 1, 2020	$ 45,408	94,770	360,467	213,736	714,381
Recognized in profit or loss	(3,375)	(2,391)	(8,763)	-	(14,529)
Recognized in other comprehensive income	-	-	-	(14,243)	(14,243)
Disposal	-	(92,379)	-	(246)	(92,625)
Proceeds from capital reductions	-	-	(19,140)	-	(19,140)
December 31, 2020	**$ 42,033**	**-**	**332,564**	**199,247**	**573,844**

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

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, 2021	December 31, 2020
Discount for lack of marketability	25%～28.97%	15%

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, 2021	December 31, 2020
Discount for non-controlling interest	15%	15%
Discount for lack of marketability	15%	15%
Sustainable revenue growth rates	2.50%	1.28%
WACC	7.02%~9.59%	12.68%~16.66%

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 Company 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, 2021	**December 31, 2020**
Discount for non-controlling interest	10%	10%
Discount for lack of marketability	10%	10%

The fair values of derivatives instruments－convertible bonds is estimated by the binary tree convertible bond evaluation model, and the significant unobservable input value used is the stock price volatility. The stock price volatility adopted on December 31, 2021 was 43.39%.

(d) Fair value of financial instruments that are not measured at fair value

Except for the convertible bonds payable, the Company considers the carrying amounts of financial assets and liabilities not measured at fair value recognized in the parent company only financial statements to be approximate to their fair values or their fair values cannot be reliably measured. The fair values of convertible bonds payable are determined by the evaluation report provided by third party pricing services.

(24) Capital management

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

The Company manages its capital to ensure that the Company 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 Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company 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 Company may adjust the amount of dividends paid to shareholders and the amount of new debt issued or existing debt redeemed.

The Company’s debt-to-equity ratios at December 31, 2021 and 2020 were as follows:

	December 31, 2021	**December 31, 2020**
Total liabilities	$ 25,449,133	12,127,658
Total equity	37,308,434	35,155,467
Debt-to-adjusted-capital ratio	68 %	34 %

The release of convertible bonds resulted in the debt-to-equity ratio to increase as of December 31, 2021.

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

A. For leased right-of-use assets, please refer to note 6(9).

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

	January 1, 2021	**Cash flows**	**Foreign exchange movement and others**	**December 31, 2021**
Short-term borrowings	$ 1,452,480	(1,076,498)	3,234	379,216
Lease liabilities (current and non-current)	33,494	(21,098)	45,553	57,949
Bonds payable	-	3,511,309	(98,454)	3,412,855
Guarantee deposits received	487	141	-	628
Total liabilities from financing activities	**$ 1,486,461**	**2,413,854**	**(49,667)**	**3,850,648**

	January 1, 2020	**Cash flows**	**Foreign exchange movement and others**	**December 31, 2020**
Short-term borrowings	$ -	1,459,493	(7,013)	1,452,480
Lease liabilities (current and non-current)	33,222	(16,720)	16,992	33,494
Guarantee deposits received	393	94	-	487
Total liabilities from financing activities	**$ 33,615**	**1,442,867**	**9,979**	**1,486,461**

7. Related-party transactions

(1) Names and relationship with related parties

The followings are subsidiaries and related parties that have had transactions with the Company during the periods covered in the parent company only financial statements:

Name of related party	**Relationship with the Company**
PMS Technology Corporation	Associate
Microtops Design Corporation	Associate
Epostar Electronics Corporation	Associate
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

Phison Electronics Corp.
Notes to the Parent Company Only Financial Statements

Name of related party	Relationship with the Company
ProGrade Digital, Inc.	Associate
Nextorage Corporation	Associate
Kingston Solutions Inc.	Associate (Note 1)
Hefei Core Storage Electronic Limited	Subsidiary/Associate (Note 2)
Kioxia Corporation	Other related party
Kioxia America, Inc.	Other related party
Kioxia Taiwan Corporation	Other related party
Kioxia Asia, Limited	Other related party
Toshiba International Procurement HongKong, Ltd.	Other related party
Solid State Storage Technology Corporation Hsinchu Science Park Branch	Other related party
Orient Semiconductor Electronics Ltd.	Other related party
Apacer Technology Inc.	Other related party
LIU, TIAN-PAI	Other related party
Lian Xu Dong Investment Corporation	Subsidiary
Phison Electronics Japan Corp.	Subsidiary
Phison Technology Inc.	Subsidiary
Emtops Electronics Corp.	Subsidiary
Ostek Corporation	Subsidiary
Phisontech Electronics Taiwan Corp.	Subsidiary
Memoryexchange Corporation	Subsidiary (Note 3)
Super Storage Technology Corporation	Other related party/ Subsidiary (Note 4)

Note 1: Since September 4, 2020, Kingston Solutions Inc. was no longer a related party of the Company.

Note 2: Since November 2020, Hefei Core Storage Electronic Limited was no longer a subsidiary and became an associate of the Company.

Note 3: Memoryexchange Corporation ended operations since March 2021 and was in the process of liquidation.

Note 4: Since July 1, 2020, Super Storage Technology Corporation became a subsidiary of the Company.

(2) Significant transactions with related parties

A. Operating revenues

The amounts of significant sales by the Company to related parties were as follows:

Related Party Category / Name	2021	2020
Subsidiaries	$ 185	674,248
Associates	7,183,771	1,380,219
Other related parties	2,961,939	1,997,894
	$ 10,145,895	**4,052,361**

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

B. Purchase of goods and Processing costs

(a) Purchase of goods

Related Party Category / Name	2021	2020
Associates	$ 182,447	318,062
Other related party－Kioxia Taiwan Corporation	14,676,478	9,876,557
Other related parties	247	718,385
	$ 14,859,172	**10,913,004**

(b) Processing costs

Related Party Category / Name	2021	2020
Subsidiaries	$ 452,929	207,254
Associates	-	42
Other related parties	2,433,741	1,943,977
	$ 2,886,670	**2,151,273**

The payment terms to related parties were ranged from EOM 7 days to Net 75 days and that to non-related parties were ranged from T/T in advance to Net 90 days. There was no significant difference between the purchase price and payment terms of the Company from related parties and that of the third parties.

C. Payables to related parties

Related Party Category / Name	December 31, 2021	December 31, 2020
Subsidiaries	$ -	7
Associate－Hosin Global Electronics Co., Ltd. (HK)	1,614,392	116,308
Associates	553,795	231,560
Other related parties	652,856	321,413
	2,821,043	669,288
Less: Loss allowance	(7,519)	-
	$ 2,813,524	**669,288**

The outstanding accounts receivable from related parties are unsecured.

D. Payables to related parties

Related Party Category / Name	December 31, 2021	December 31, 2020
Subsidiaries	$ 99,277	47,920
Associates	-	17,918
Other related party－Kioxia Taiwan Corporation	2,764,162	1,063,257
Other related parties	436,145	208,547
	$ 3,299,584	**1,337,642**

E. Other transactions

Account Name	Related Party Category / Name	2021	2020
Operating Costs	Subsidiaries	$ 25,424	15,711
	Other related parties	1,334	8,704
		$ 26,758	**24,415**
Operating Expenses	Subsidiaries	$ 322,806	332,295
	Associates	277,377	49,942
	Other related parties	11,955	6,805
		$ 612,138	**389,042**
Non-operating incomes	Subsidiaries	$ 1,837	1,060
	Associates	1,405	2,544
	Other related parties	21,781	3,181
		$ 25,023	**6,785**

As of December 31, 2021 and 2020, the receivables arising from above transactions were $26,700 thousand and $1,153 thousand, respectively (recognized as other receivables), and the payables arising from above transactions were $92,543 thousand and $67,946 thousand, respectively (recognized as other current liabilities).

The related parties distributed $1,742,114 thousand and $341,164 thousand cash dividends to the Company for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the aforementioned dividends had been received.

The Company leased the office to related parties with lease terms and prices determined based on mutual agreements. The payment term for rental is 30~45 days after the end of the month, with the related income being classified under non-operating income. The related party leased the land to the Company with lease terms and prices determined based on mutual agreements. The payment term for rental is T/T in advance, with the related expense being classified under operating expenses.

(3) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	$ 561,395	510,947
Post-employment benefits	1,988	3,116
Share-based payments	86,679	78,476
	$ 650,062	**592,539**

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

Please refer to note 6(18) for further explanations related to share-based payment.

8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	**Object**	**December 31, 2021**	**December 31, 2020**
Pledged time deposits (recognized as financial assets at amortized cost－current)	As collateral for the tariff of imported raw materials	**$ 40,459**	**40,409**

9. Commitments and contingencies

(1) Significant commitments

A. The Company’s unused letters of credit

	December 31, 2021	**December 31, 2020**
Unused letters of credit	**$ 1,160,000**	**1,160,000**

B. The unpaid amounts of construction, plant and equipment that have been signed or ordered were as follows:

	December 31, 2021	December 31, 2020
	$ 373,455	1,612,315

(2) Purchase commitment

The Company entered into a long-term purchase agreement of material with a supplier and paid partial guarantee deposit as agreed. The relative purchase quantity and price of wafers are specified in the agreement.

10. Losses due to major disasters: None

11. Subsequent events

(1) The Company’s Board of Directors resolved on December 17, 2021, to acquire 6,120 shares (51% of ownership interests) of Nextorage Corporation from Sony Storage Media Solutions Corporation in cash amounting to JP$578,217 thousand. The transaction has been completed and Nextorage has become a subsidiary of the Company since January 1, 2022.

(2) The Company’s Board of Directors resolved on January 21, 2022, to participate the land auction for acquiring the land located on Datong Section, Zhunan Township, Miaoli County from the Miaoli County Government to set up a composite leisure club or similar real estate for employees' entertainment needs. The Company won the bid on January 25, 2022. The total transaction amount is $346,660 thousand.

12. Other

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

By function / By item	For the year ended December 31					
	2021			2020		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits						
Salary	334,337	6,949,459	7,283,796	237,049	5,641,661	5,878,710
Labor and health insurance	35,181	259,350	294,531	24,442	184,173	208,615
Pension	14,784	134,328	149,112	11,495	103,686	115,181
Remuneration of directors	-	50,000	50,000	-	39,283	39,283
Others	25,754	128,856	154,610	29,157	285,774	314,931
Depreciation	102,640	293,676	396,316	78,720	262,249	340,969
Amortization	506	270,306	270,812	42	200,082	200,124

The following provides information of the number of employees and employee benefits in 2021 and 2020, respectively:

	2021	2020
Number of employees	2,584	2,000
Number of directors who were not employees	5	4
Average employee benefit costs	$ 3,056	3,265
Average employee salary expenses	$ 2,824	2,945
Adjustment of average employee salary expenses	(4.11)%	
Remuneration of supervisors (Note)	$ -	5,717

Note: The Audit Committee was set up to replace supervisors in June 2020, in accordance with Securities and Exchange Act and the Company's Articles.

Remuneration policies for directors, supervisors, managerial personnel and employee were as follows:

The Company’s policy on the remuneration of directors and supervisors: The policy is provided in the Company’ s Articles of Incorporation, Article 16 which states that "Remuneration of the chairperson and directors of the Company shall be determined by the Board of Directors based on the value of the involvement and contribution of the chairperson and each director in the operation of the Company and with reference to industry standards." and Article 19 which states that "If the Company makes profit in the year, it shall appropriate 8% to 19% for compensation of employees and no more than 1.5% for remuneration of directors." No other remuneration of whatever kind or nature shall be made to the directors. For the determination of the amount of remuneration, the Board of Directors shall refer to the result of "Self-evaluation or peer-evaluation of the Board of Directors" as well as to the result of the evaluation of the performance of each director and supervisor, including attendance in meetings and continuing education of the Board of Directors. The remuneration committee will review the evaluation of each director and submit recommendation to the Board of Directors. The remuneration system shall be reviewed at any time necessary in the actual operating conditions in accordance with the provisions of relevant laws and regulations, in order to achieve the balance of the Company’s sustainable operation and risk control.

The Company’s policy on the salary and remuneration of employees: Remuneration of employees is divided into fixed and variable salary items. The fixed salary is based on the salary classification standard of the employee's position; the variable salary is based on the Company’s operating results, and is distributed corresponding to the employee's individual performance assessment. The policy is reviewed and modified timely based on actual operating conditions, market trends and relevant laws and regulations.

The Company’ s policy on the remuneration of managers: The remuneration policy is reviewed regularly by the remuneration committee, and the content and amount of remuneration are determined individually based on the manager’ s achievement of performance goals; then, recommendations are submitted to the Board of Directors for discussion and decision. The policy is reviewed and modified timely based on actual operating conditions, market trends and relevant laws and regulations.

(2) When considering the impact of the COVID-19 pandemic, the Company 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.

(3) The Company was served two complaints from Taiwan Hsinchu District Court on November 8, 2019 and December 13, 2019 that, the Securities and Futures Investors Protection Center ("SFIPC") filed the following two civil actions:

A. To ask to remove Mr. K.S. Pua from the Company's Board Director Position ("Removal Action");

B. To claim monetary damage amounting to $697,389 thousand against the Company, Mr. K.S. Pua and other co-defendants ("Claim Action").

These two civil actions were derivative litigations from the criminal litigation associated with the Company's financial case occurred on August 05, 2016. The Company has engaged attorneys to answer and ask the court to dismiss SFIPC's allegations. Of which, Taiwan Hsinchu District Court rendered judgment on February 18, 2022 to dismiss the Removal Action, and the current status is to see whether SFIPC will file petition for appeal or not. Nevertheless, since Mr. K.S. Pua had resigned from the Company's chairman and Board Director Position on November 18, 2021, the Removal Action's future development has no influence on the Company. With regard to the Class Action, even though its future development and possible consequence could not be assessed by the Company, at current stage it has no significant influence on the Company's finance and operations.

13. Addition disclosures

(1) Information on significant transactions:

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

A. Loans to other parties: None

B. Guarantees and endorsements for other parties: None

C. Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 1.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: Please refer to Table 2.

E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: Please refer to Table 3.

F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock: Please refer to Table 4.

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 5.

I. Trading in derivative instruments: Please refer to Notes 6(2).

(2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 6.

(3) Information on investment in Mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 7.

B. Limitation on investment in Mainland China: Please refer to Table 7.

C. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(4) Major shareholders:

(in units of shares)

Shareholding Shareholder's Name	Shares	Percentage
Trust Investment Account of KIOXIA Corporation by First Bank	19,821,112	10.05 %

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

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

14. Segment information

Please refer to consolidated financial statements for the year ended December 31, 2021.

Phison Electronics Corp.

Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures)

December 31, 2021

Table 1 (Shares in Thousands /Amounts in Thousands)

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
The Company	Beneficiary certificates－open-end funds							
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss－current	16,326	206,978	-	206,978	
	FSITC Taiwan Money Market Fund	-	Same as above	10,134	156,782	-	156,782	
					363,760			
	Common shares							
	Apacer Technology Inc.	-	Same as above	10,050	488,932	9.87 %	488,932	
	Orient Semiconductor Electronics, Ltd.	-	Same as above	7,336	194,414	0.89 %	194,414	
	Acer Synergy Tech Corp.	-	Same as above	900	44,730	6.91 %	44,730	
					728,076			
	AppWorks Fund II Co., Ltd.	-	Financial assets at fair value through profit or loss－non-current	5,355	229,089	11.11 %	229,089	
	Taishan Buffalo Investment Co., Ltd.	-	Same as above	46,300	42,583	1.08 %	42,583	
	Innorich Venture Capital Corp.	-	Same as above	3,000	17,124	5.61 %	17,124	
	JAFCO ASIA TECHNOLOGY FUND VI L.P.	-	Same as above	1,000	15,873	0.67 %	15,873	
	AppWorks Fund I Co., Ltd.	-	Same as above	728	14,071	18.75 %	14,071	
					318,740			

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
The Company	CAL COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Financial assets at fair value through other comprehensive income－non-current	11,966	216,047	17.16 %	216,047	
	AppWorks Fund III Co., Ltd.	-	Same as above	10,000	105,005	2.92 %	105,005	
	UD INFO Corp.	-	Same as above	1,252	72,290	17.40 %	72,290	
	Adam Elements International Co., Ltd.	-	Same as above	1,710	28,572	19.00 %	28,572	
	Gomore Inc.	-	Same as above	16,925	8,649	3.39 %	8,649	
	H3 Platform, Inc.	-	Same as above	18,400	4,755	12.14 %	4,755	
	Gospal Ltd.	-	Same as above	811,857	3,626	3.19 %	3,626	
	Aptos Technology Inc.	-	Same as above	529	-	0.60 %	-	
	THLight Co., Ltd.	-	Same as above	6,388	-	12.54 %	-	
	GeoThings, Inc.	-	Same as above	150	-	5.36 %	-	
	Ironyun Incorporated	-	Same as above	5,000	-	5.64 %	-	
					438,944			
	Private equity funds							
	Fuh Hwa Smart Energy Fund	-	Financial assets at fair value through profit or loss－non-current	6,000	39,909	3.81 %	39,909	
Lian Xu Dong Investment Corporation	Common shares							
	Translink Capital Partners III L.P	-	Financial assets at fair value through profit or loss－non-current	1,500	50,475	1.18 %	50,475	
	Translink Capital Partners IV L.P	-	Same as above	790	42,445	0.59 %	42,445	
					92,920			

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Lian Xu Dong Investment Corporation	Liqid, Inc. (preference shares)	-	Financial assets at fair value through other comprehensive income－non-current	2,111	107,247	4.79 %	107,247	
	Taiwania Capital Buffalo Fund V, LP.	-	Same as above	25,000	25,000	3.19 %	25,000	
	Cathy Private Equity Smart Technology Limited Partnership	-	Same as above	25,000	25,000	11.90 %	25,000	
	New Future III Limited Partnership	-	Same as above	19,967	19,967	6.37 %	19,967	
	Omni Media International Incorporation	-	Same as above	1,714	6,655	2.60 %	6,655	
	UMBO CV INC. (preference shares)	-	Same as above	1,626	-	2.34 %	-	
					183,869			
Emtops Electronics Corporation	My Digital Discount, Inc.	-	Financial assets at fair value through other comprehensive income－non-current	-	-	19.00 %	-	
Phisontech Electronics	Beneficiary certificates-open-end funds							
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss－non-current	167	30,075	-	30,075	
	Franklin Templeton Sinoam Money Market Fund	-	Same as above	1,917	20,039	-	20,039	
	FSITC Taiwan Money Market Fund	-	Same as above	1,295	20,038	-	20,038	
	Mega Diamond Money Market Fund	-	Same as above	1,580	20,035	-	20,035	
	Capital Money Market Fund	-	Same as above	1,229	20,031	-	20,031	
					110,218			

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Super Storage Technology Corporation	Common shares							
	Power Research Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	833	11,944	13.88 %	11,944	

Phison Electronics Corp.
Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock
For the year ended December 31, 2021

Table 2 (Shares in Thousands /Amounts in Thousands)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance (Note 1)	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Core Storage Electronic (Samoa) Limited and RealYou Investment Limited	Hosin Global Electronics Co., Ltd. (SZ)	Investments accounted for using the equity method	Juridical Person	Associates	104,500	1,973,587	54,095 (Note 2)	1,388,832 (Note 2)	-	-	-	-	158,595	3,402,515

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: Please refer to consolidated financial statements note 6(7) for related transaction.

Phison Electronics Corp.
Acquisition of Individual Real Estate Properties at Costs of at least NT$300 Million or 20% of the paid-in capital
For the year ended December 31, 2021

Table 3 (Amounts in Thousands)

Company Name	Types of Property	Transaction Date	Transaction Amount	Status of Payment	Counter-Party	Nature of Relationships	Prior Transaction of Related Counter-Party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship with the Company	Date of Transfer	Amount			
The Company	Land	May 27, 2021 (Note)	607,865	Full payment	TYNTEK CORPORATION	None	-	-	-	-	Appraisal report, market value announced, and actual price registration of transactions in the neighborhood	For operational use	None

Note: The purchase of the land was approved by the Board of Directors, and was recognized under property, plant and equipment after the inspection in November 2021.

Phison Electronics Corp.

Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock

For the year ended December 31, 2021

Table 4 (Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sales	Amount	Percentage of Total Purchases/ Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
The Company	Kioxia Taiwan Corporation	The subsidiary of the Company's director	Purchase	14,676,478	33 %	Net 30 days after monthly closing	None	None	(2,764,162)	(30)%	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of the sub-subsidiary's associate	Purchase	161,201	-	Net 7 days after receipt date and Net 75 days after monthly closing	None	None	-	-	
	Orient Semiconductor Electronics, Ltd.	The Company is its director	Processing cost	2,433,741	6 %	Net 30 days after monthly closing	None	None	(436,145)	(5)%	
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	433,389	1 %	Net 30 days after monthly closing	None	None	(94,765)	(1)%	
	Kioxia Corporation	The Company's director	Sales	(1,247,331)	(2)%	Net 60 days after monthly closing	None	None	303,871	3%	
	Solid State Storage Technology Corporation Hsinchu Science Park Branch	The subsidiary of the Company's director	Sales	(433,889)	(1)%	Net 60 days after monthly closing and Net 90 days after receipt date	None	None	116,120	1%	
	Apacer Technology Inc.	The Company is its director	Sales	(1,146,901)	(2)%	Net 45 days after monthly closing	None	None	202,185	2%	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sales	Amount	Percentage of Total Purchases/ Sales	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
The Company	Hefei Core Storage Electronic Limited	The subsidiary of the sub-subsidiary's associate	Sales	(910,400)	(1)%	Net 30 days after receipt date and Net 45 days after monthly closing	None	None	279,963	3%	
	Hefei Datang Storage Technology Co.,Ltd.	The subsidiary of the sub-subsidiary's associate	Sales	(605,934)	(1)%	Net 60 days after receipt date	None	None	131,654	2%	
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of the sub-subsidiary's associate	Sales	(4,695,138)	(8)%	Net 30 days after receipt date and Net 45 days after monthly closing	None	None	1,611,002	18%	
	ProGrade Digital Inc.	Investee accounted for using the equity method	Sales	(442,435)	(1)%	Net 30 days after receipt date	None	None	81,224	1%	
	Nextorage Corporation	Investee accounted for using the equity method	Sales	(490,030)	(1)%	Net 60 days after monthly closing	None	None	58,162	1%	

Note: The sales and purchase prices to related parties were similar to those offered to unrelated parties.

Phison Electronics Corp.

Receivables from Related Parties Amounting to at least NT$100 Million or 20% of the Paid-in Capital

December 31, 2021

Table 5 (Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note)	Allowance for Bad Debts
					Amount	Action Taken		
The Company	Apacer Technology Inc.	The Company is its director	202,185	5.10	-	-	202,185	425
	Kioxia Corporation	The Company's director	303,871	7.21	-	-	303,871	639
	Solid State Storage Technology Corporation Hsinchu Science Park Branch	The subsidiary of the Company's directors	116,120	6.28	-	-	61,157	244
	Hefei Core Storage Electronic Limited	The subsidiary of the sub-subsidiary's associate	279,963	5.77	-	-	279,963	589
	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of the sub-subsidiary's associate	1,611,002	5.44	-	-	1,253,033	3,390
	Hefei Datang Storage Technology Co., Ltd.	Investee accounted for using the equity method	131,654	5.19	48,193	Collection in subsequent period	116,014	1,876

Note: Information as of March 1, 2022.

Phison Electronics Corp.

Information on Investees (Excluding Information on Investees in Mainland China)

For the year ended December 31, 2021

Table 6 (Shares in Thousands /Amount in Thousands)

The following is the information on investees for the years ended December 31, 2020 (excluding information on investees in Mainland China):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
The Company	Global Flash Limited	Samoa	Investment and trade	726,307	726,307	22,100,000	100.00 %	2,753,036	76,048	76,048	Subsidiary
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00 %	1,246,189	63,742	63,742	Subsidiary
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00 %	664,963	51,881	52,000	Subsidiary
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00 %	589,527	45,665	45,665	Subsidiary
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	133,988	6,288,523	30.51 %	421,077	(8,212)	(3,205)	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	380,000	380,000	38,000,000	100.00 %	358,981	4,730	4,730	Subsidiary
	Power Flash (Samoa) Limited	Samoa	Investment and trade	150,190	105,440	4,800,000	100.00 %	135,870	(661)	(661)	Subsidiary
	Everspeed Technology Limited	Samoa	Trade of electronic components	-	-	1,000,000	100.00 %	108,037	2,904	2,904	Subsidiary
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	30.27 %	98,019	100,196	31,905	Investee accounted for using the equity method

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, 2021	Original Investment Amount December 31, 2020	Balance as of December 31, 2021 Shares	Balance as of December 31, 2021 Percentage of Ownership	Balance as of December 31, 2021 Carrying Value	Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	81,232	81,232	5,880	49.00 %	74,263	46,479	22,776	Investee accounted for using the equity method
	Phison Electronics Japan Corp.	Japan	Sales and service office	59,508	59,508	2,000.0	100.00 %	29,222	980	980	Subsidiary
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00 %	23,282	623	305	Investee accounted for using the equity method
								6,502,466		297,189	
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00 %	28,935	595	Note 1	Sub-subsidiary
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sales and service office	90,419	90,419	3,000,000	100.00 %	97,568	5,628	Note 1	Sub-subsidiary
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Taiwan	Manufacture and trade of electronic components	452,954	452,954	34,842,595	100.00 %	543,450	53,782	Note 1	Sub-subsidiary
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	636,593	636,593	19,150,000	100.00 %	2,717,008	59,096	Note 1	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 %	86,285	53	Note 1	Sub-subsidiary
Everspeed Technology Limited	Memoryexchange Corporation	Taiwan	Manufacture and sale of flash memory related products	-	191,986	-	-	-	(435)	Note 1	Note 2
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	654,726	21,850,000	100.00 %	1,253,334	63,824	Note 1	Sub-subsidiary

Note 1: The share of profits/losses of the investee company is not disclosed herein as such amount is already included in the share of profits/losses of the investor company.
Note 2: Memoryexchange Corporation ended operations since March 2021 and was in the process of liquidation.

Phison Electronics Corp.

Information on Investment in Mainland China

For the year ended December 31, 2021

Table 7 (Amounts in Thousands)

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Losses) of the Investee	Percentage of Ownership	Investment Income (Losses) (Note 2)	Book Value	Accumulated Remittance of Earnings in as of December 31, 2021	Note
					Outflow	Inflow							
Hefei Core Storage Electronic Limited	Design, R&D, production and sale of electronic product and technical support service and rendering of related services	-	2(2)	630,990	-	-	630,990	-	-	(5,182)	-	-	Note 3
Ruhan Electronic Technology Limited	Design, R&D, sale of electronics product and technical support service and rendering of related services and investment	182,825	2(1)	182,825	-	-	182,825	(23,107)	100.00%	(23,107)	145,593	-	
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sale of electronic product and technical service and rendering of related services	735,136	2(1)	-	-	-	-	(95,225)	24.23%	(23,075)	135,887	-	
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,647,590	2(1) and 2(2)	442,780	-	-	442,780	592,721	42.63%	267,210	3,402,515	-	

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 4)
1,256,595	1,336,236	22,385,060

Note 1: Method of investment.

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

Note 2: The financial statements were audited by the Company's accountants based on the materiality standards and recognized shares of the associates accounted for using the equity method.

Note 3: Please refer to consolidated financial statements note 6(8) for related transactions.

Note 4: In accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China amended on August 29, 2008, the limitation on investment in Mainland China shall not exceed 60% of the Company's net worth.

Phison Electronics Corp.

Statement of Cash and Cash Equivalents

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

(Foreign Currencies Dollars)

Item	Description	Amount
Cash	Petty cash and cash on hand	$ 200
	Demand deposits	9,057,683
	Time deposits	4,857,562
	Foreign currency deposits (USD：130,481,905.65；JPY：612,295,114；CNY：291,330.77)	3,760,262
	Subtotal	17,675,507
	Total	**$ 17,675,707**

Note: The exchange rates at the balance sheet date were as follows:

USD to NTD: 27.68

JPY to NTD: 0.2405

CNY to NTD: 4.344

Phison Electronics Corp.

Statement of Financial Assets Measured at Fair Value through Profit or Loss－Current and Non-current

December 31, 2021

Please refer to note 6(2) for further information of financial assets measured at fair value through profit or loss.

Statement of Financial Assets Measured at Fair Value through Other Comprehensive Income－Non-current

For the year ended December 31, 2021

Please refer to note 6(4) for further information of financial assets measured at fair value through other comprehensive income－non-current.

Phison Electronics Corp.

Statement of Accounts Receivable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of customer	Amount
Related parties	
Company A	$ 1,614,392
Company B	304,510
Company C	280,552
Company D	202,610
Others (the amount of individual customer does not exceed 5% of the account balance)	418,979
Subtotal	2,821,043
Less: loss allowance	(7,519)
	$ 2,813,524
Unrelated parties	
Company E	$ 846,389
Company F	409,388
Company G	372,077
Company H	311,451
Others (the amount of individual customer does not exceed 5% of the account balance)	4,015,654
Subtotal	5,954,959
Less: loss allowance	(40,190)
	$ 5,914,769

Note: Accounts receivable are generated from operating activities.

Phison Electronics Corp.

Statement of Inventories

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Net realizable value
Raw materials	$ 11,809,699	14,944,821
Work in process	4,642,900	5,964,259
Semi-finished goods	2,902,052	3,409,216
Finished goods	136,467	157,979
Total	**$ 19,491,118**	**24,476,275**

Statement of Other Current Assets

Item	Amount
Temporary payments	**$ 1,822**

Phison Electronics Corp.

Statement of Prepayments

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Prepaid insurance	$ 5,169
Prepayment for purchases	4,318
Others (individual amount does not exceed 5% of the account balance)	8,726
Total	**$ 18,213**

Phison Electronics Corp.

Statement of Movements in Investments Accounted for Using the Equity Method

December 31, 2021

(Expressed in thousands of New Taiwan Dollars, in thousands shares)

Name of investee	Beginning balance		Increase (Decrease)		Share of profits/losses of investee	Cash dividends	Capital surplus	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehen-sive income	Other adjustments	Unrealized gain on transaction	Ending balance			Net assets value	Pledged as collateral
	Shares	Amount	Shares	Amount								Shares	Amount	Percentage of ownership		
Global Flash Limited	22,100	$ 4,387,550	-	-	76,048	(1,440,500)	186,064	(60,658)	-	(388,318)	(7,150)	22,100	2,753,036	100.00	2,764,669	None
Regis Investment (Samoa) Limited	21,900	1,142,311	-	-	63,742	-	84,927	(13,775)	-	(27,719)	(3,297)	21,900	1,246,189	100.00	1,254,527	None
Phisontech Electronics Taiwan Corp	55,000	609,344	-	-	52,000	-	-	-	3,619	-	-	55,000	664,963	100.00	664,749	None
Lian Xu Dong Investment Company	65,000	582,534	-	-	45,665	-	158	-	(38,830)	-	-	65,000	589,527	100.00	589,527	None
EpoStar Electronics (BVI) Corporation	10,600	269,809	(4,311)	(54,457)	(3,205)	(71,312)	-	-	287,188	(6,946)	-	6,289	421,077	30.51	1,380,124	None
Emtops Electronics Corp.	38,000	354,492	-	-	4,730	-	2,618	(2,859)	-	-	-	38,000	358,981	100.00	358,981	None
Power Flash (Samoa) Limited	3,200	94,274	1,600	44,750	(661)	-	-	(2,493)	-	-	-	4,800	135,870	100.00	135,870	None
Everspeed Technology Limited	1,000	315,133	-	-	2,904	(210,000)	-	-	-	-	-	1,000	108,037	100.00	108,037	None
ProGrade Digital Inc.	2,785	88,400	-	-	31,905	-	(2,466)	(1,389)	-	-	(18,431)	2,785	98,019	30.27	210,676	None
Nextorage Corporation	6	98,233	-	-	22,776	-	-	(21,028)	-	-	(25,718)	6	74,263	49.00	313,837	None
Phison Electronics Japan Corp.	2	32,512	-	-	980	-	-	(4,270)	-	-	-	2	29,222	100.00	29,222	None
Microtops Design Company	2,264	22,977	-	-	305	-	-	-	-	-	-	2,264	23,282	49.00	47,515	None
Total		$ 7,997,569		(9,707)	297,189	(1,721,812)	271,301	(106,472)	251,977	(422,983)	(54,596)		6,502,466		7,857,734	

Phison Electronics Corp.

Statement of Movement in Right-of-Use Assets

For the year ended December 31, 2021

Please refer to note 6(9) for further information of lease.

Statement of Movement in Intangible Assets

For the year ended December 31, 2021

Please refer to note 6(10) for further information of intangible assets.

Statement of Other Non-current Assets

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Refundable deposits	$ 525,282
Prepayments for equipment	58,332
	$ 583,614

Phison Electronics Corp.

Statement of Short-Term Borrowings

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Bank	Description	Ending balance	Contract period	Range of interest rate	Unused credit lines	Pledged as collateral
Taiwan Land Bank	Operating capital	**$ 379,216**	Note 1	Note 3	**$ 620,784**	None

Note 1: The contract period is usually within three months depending on the actual operating needs. The operating cycle is one year.

Note 2: Except for the abovementioned unused credit lines, the Company had the remaining unused credit lines of $8,131,160 thousand.

Note 3: The range of interest rate is 0.5%~0.51%.

Phison Electronics Corp.

Statement of Accounts Payable

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Vendor name	Amount
Related parties	
Company I	$ 2,764,162
Company J	436,145
Others (the amount of individual vendor does not exceed 5% of the account balance)	99,277
	$ 3,299,584
Unrelated parties	
Company K	$ 1,998,551
Company L	674,667
Company M	411,497
Others (the amount of individual vendor does not exceed 5% of the account balance)	2,747,573
	$ 5,832,288

Note: Accounts payable are generated from operating activities.

Phison Electronics Corp.

Statement of Other Payables

December 31, 2021

Please refer to note 6(12) for further information of other payables

Statement of Other Current Liabilities

December 31, 2021

Please refer to note 6(13) for further information of other current liabilities

Phison Electronics Corp.

Statement of Lease Liabilities

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Summary	Lease period	Discount rate	Ending balance	Note
Building	Plant and dormitory	April 1, 2019~ October 31, 2026	0.508%-3.78%	$ 56,590	
Transportation equipment	Company car	August 1, 2020~ November 1, 2023	0.579%-2.08%	522	
Others	Parking lot	April 1, 2020~ March 31, 2022	2.08%	837	
				57,949	
Less: lease liabilities, current portion				(26,271)	
				$ 31,678	

Phison Electronics Corp.

Statement of Operating Revenue

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount
Operating revenue:		
Flash memory module products	156,486 thousand	$ 50,550,804
Integrated Circuit	33,223 thousand	1,520,882
Controllers	346,655 thousand	9,509,613
Others		1,990,950
		63,572,249
Less: Sales returns and allowances		(1,019,426)
Net operating revenue		**$ 62,552,823**

Phison Electronics Corp.

Statement of Operating Costs

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Beginning balance of raw materials	$ 5,298,146
Add: Raw materials purchased	44,243,440
Less: Others	335,976
Ending balance of raw materials	11,809,699
Direct raw material	37,395,911
Direct labor	56,162
Manufacturing overhead	8,872,774
Manufacturing cost	46,324,847
Add: Beginning balance of work-in -process	3,521,681
Beginning balance of semi-finished goods	1,267,154
Work-in-process and semi-finished goods purchased	429,773
Less: Ending balance of work-in -process	4,642,900
Ending balance of semi-finished goods	2,902,052
Others	408,358
Cost of finished goods	43,590,145
Add: Beginning balance of finished goods	49,886
Less: Ending balance of finished goods	136,467
Others	2,067
Cost of finished goods	43,501,497
Add: Merchandise purchased	3,905
Less: others	1,338
Total cost of sales	**$ 43,504,064**

Phison Electronics Corp.

Statement of Operating Expenses

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Marketing expenses	General and administrative expenses	Research and development expenses	Expected credit loss (gain)
Payroll expense	$ 384,288	577,561	6,038,403	-
Promotion service	319,121	-	-	-
Royalty expense	95,844	-	20,466	-
Commission expense	79,617	-	-	-
Depreciation	2,167	40,238	251,270	-
Impairment loss	-	-	-	6,600
Others (individual amount does not exceed 5% of the account balance)	164,807	161,592	1,818,632	-
Total	**$ 1,045,844**	**779,391**	**8,128,771**	**6,600**