Stock Code:8299

Phison Electronics Corp.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023

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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.

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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, 2024 and 2023, the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material 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, 2024 and 2023, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountant and Standards on Auditing of 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 Norm of Professional Ethics for Certified Public Accountant of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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. This exposes the Company to the risk that the sales transactions made close to the balance sheet date may not be recorded in the appropriate period. 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 evaluating the effectiveness of the design and performing internal controls over the timing of revenue recognition; sample testing 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 Group'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.

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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 An-Chin Cheng.

KPMG

Taipei, Taiwan (Republic of China)
March 7, 2025

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, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2024 Amount	%	December 31, 2023 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 12,000,049	17	12,205,330	19
1110	Financial assets at fair value through profit or loss－current (notes 6(2) and 6(14))	629,824	1	868,663	1
1136	Financial assets at amortized cost－current (note 8)	40,807	-	40,568	-
1170	Accounts receivable, net (note 6(4))	7,151,283	10	7,579,693	12
1180	Accounts receivable－related parties, net (notes 6(4) and 7)	785,347	1	2,067,256	3
1200	Other receivables (notes 6(5) and 7)	69,828	-	377,463	1
130X	Inventories (note 6(6))	24,424,962	36	24,231,726	38
1410	Prepayments (note 7)	475,144	1	104,603	-
1479	Other current assets	1,534	-	839	-
		45,578,778	66	47,476,141	74
	Non-current assets:				
1510	Financial assets at fair value through profit or loss－non-current (note 6(2))	149,802	-	163,624	-
1517	Financial assets at fair value through other comprehensive income－non-current (note 6(3))	266,896	-	296,098	1
1550	Investments accounted for using the equity method (note 6(7))	12,705,916	19	6,898,032	11
1600	Property, plant and equipment (notes 6(8) and 7)	7,003,890	10	6,733,056	10
1755	Right-of-use assets (note 6(9))	79,533	-	77,613	-
1780	Intangible assets (note 6(10))	387,184	1	224,236	-
1840	Deferred tax assets (note 6(16))	608,019	1	787,266	1
1900	Other non-current assets (note 9(2))	1,851,345	3	1,733,547	3
		23,052,585	34	16,913,472	26
	Total assets	**$ 68,631,363**	**100**	**64,389,613**	**100**

	Liabilities and Equity	December 31, 2024 Amount	%	December 31, 2023 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(11))	$ 813,068	1	2,106,363	3
2130	Contract liabilities－current	158,712	-	132,960	-
2170	Accounts payable	1,126,802	2	5,312,630	8
2180	Accounts payable－related parties (note 7)	55,003	-	1,148,482	2
2200	Other payables (note 6(12))	9,606,141	14	7,186,521	11
2230	Tax payable	925,638	2	435,245	1
2280	Lease liabilities－current (note 6(9))	73,645	-	54,593	-
2320	Long-term borrowings, current portion (note 6(14))	-	-	3,471,393	6
2399	Other current liabilities (notes 6(13), 7 and 9(3))	884,950	1	1,482,844	3
		13,643,959	20	21,331,031	34
	Non-Current liabilities:				
2500	Financial liabilities at fair value through profit or loss-non-current (notes 6(2) and 6(14))	40,800	-	-	-
2530	Bonds payable (note 6(14))	5,611,070	9	-	-
2570	Deferred tax liabilities (note 6(16))	99,531	-	76,685	-
2580	Lease liabilities－non-current (note 6(9))	51,209	-	72,768	-
2640	Net defined benefit liabilities (note 6(15))	125,339	-	118,222	-
2645	Guarantee deposits received	2,758	-	2,754	-
		5,930,707	9	270,429	-
	Total liabilities	19,574,666	29	21,601,460	34
	Equity (notes 6(17) and 6(18))**:**				
3100	Common shares	2,058,178	3	2,047,690	3
3200	Capital surplus	13,053,610	19	11,552,379	18
3300	Retained earnings	34,283,152	50	30,808,166	48
3400	Other equity interest	(338,243)	(1)	(362,774)	(1)
3500	Treasury shares	-	-	(1,257,308)	(2)
	Total equity	49,056,697	71	42,788,153	66
	Total liabilities and equity	**$ 68,631,363**	**100**	**64,389,613**	**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, 2024 and 2023

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

		2024		2023	
		Amount	**%**	**Amount**	**%**
4000	**Operating revenue** (notes 6(20) and 7)	$ 58,187,962	100	47,513,008	100
5000	**Operating costs** (notes 6(6), 6(21) and 7)	39,523,515	68	31,886,845	67
	Gross profit from operations	18,664,447	32	15,626,163	33
5910	Unrealized profit on transactions with associates (note 7)	(8,996)	-	(50,194)	-
5950	**Realized gross profit**	18,655,451	32	15,575,969	33
	Operating expenses (notes 6(21) and 7):				
6100	Marketing expenses	1,495,706	3	1,158,506	2
6200	General and administrative expenses	1,133,363	2	821,294	2
6300	Research and development expenses	12,534,516	21	10,309,104	22
6450	Expected credit loss (reversal gain) (note 6(4))	5,642	-	(50,759)	-
	Total operating expenses	15,169,227	26	12,238,145	26
	Net operating income	3,486,224	6	3,337,824	7
	Non-operating income and expenses:				
7010	Other income (notes 6(22) and 7)	301,121	-	252,959	1
7020	Other gains and losses (notes 6(22) and 7)	347,367	1	363,490	1
7050	Finance costs (note 6(22))	(268,025)	-	(49,465)	-
7100	Interest income (note 6(22))	208,591	-	187,371	-
7060	Shares of profit (loss) of subsidiaries and associates accounted for using the equity method (note 6(7))	5,262,554	9	(52,214)	-
		5,851,608	10	702,141	2
7900	**Profit before tax**	9,337,832	16	4,039,965	9
7950	**Income tax expenses** (note 6(16))	1,384,626	2	415,537	1
8200	**Net profit for the year**	7,953,206	14	3,624,428	8
8300	**Other comprehensive income (loss):**				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans(note 6(15))	(4,869)	-	(972)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note 6(23))	(59,202)	-	(70,986)	-
8330	Shares of other comprehensive income of subsidiaries and associates accounted for using the equity method	(20,794)	-	9,641	-
8349	Income tax related to items that will not be reclassified subsequently (note 6(16))	974	-	194	-
	Total items that will not be reclassified subsequently to profit or loss	(83,891)	-	(62,123)	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	130,659	-	(124,063)	(1)
8399	Income tax related to items that may be reclassified subsequently (note 6(16))	(26,132)	-	24,812	-
	Total items that may be reclassified subsequently to profit or loss	104,527	-	(99,251)	(1)
8300	**Other comprehensive income**	20,636	-	(161,374)	(1)
8500	**Total comprehensive income**	**$ 7,973,842**	**14**	**3,463,054**	**7**
	Earnings per share (New Taiwan Dollars) (note 6(19)):				
9750	Basic earnings per share	**$ 38.95**		**18.48**	
9850	Diluted earnings per share	**$ 35.68**		**17.57**	

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, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Share capital				Retained earnings				Total other equity interest				
	Common shares	Advance receipts for share capital	Total share capital	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	Treasury shares	Total equity
Balance at January 1, 2023	$ 1,970,740	16,005	1,986,745	8,970,438	6,347,501	-	22,605,164	28,952,665	27,271	(244,081)	(216,810)	(2,061,216)	37,631,822
Net profit for the year	-	-	-	-	-	-	3,624,428	3,624,428	-	-	-	-	3,624,428
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(778)	(778)	(99,251)	(61,345)	(160,596)	-	(161,374)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	3,623,650	3,623,650	(99,251)	(61,345)	(160,596)	-	3,463,054
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	216,340	-	(216,340)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	222,728	(222,728)	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(1,753,517)	(1,753,517)	-	-	-	-	(1,753,517)
Changes in equity of associates accounted for using the equity method	-	-	-	746,357	-	-	-	-	-	-	-	-	746,357
The transfer of treasury share to employees	-	-	-	274,982	-	-	-	-	-	-	-	803,908	1,078,890
Share-based payments-stock options	-	-	-	241,871	-	-	-	-	-	-	-	-	241,871
Exercise of employee stock options	73,950	(13,005)	60,945	1,318,731	-	-	-	-	-	-	-	-	1,379,676
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	(14,632)	(14,632)	-	14,632	14,632	-	-
Balance at December 31, 2023	2,044,690	3,000	2,047,690	11,552,379	6,563,841	222,728	24,021,597	30,808,166	(71,980)	(290,794)	(362,774)	(1,257,308)	42,788,153
Net profit for the year	-	-	-	-	-	-	7,953,206	7,953,206	-	-	-	-	7,953,206
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(3,895)	(3,895)	104,527	(79,996)	24,531	-	20,636
Total comprehensive income (loss) for the year	-	-	-	-	-	-	7,949,311	7,949,311	104,527	(79,996)	24,531	-	7,973,842
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	781,368	-	(781,368)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	65,691	(65,691)	-	-	-	-	-	-
Cash dividends of common shares	-	-	-	-	-	-	(4,474,325)	(4,474,325)	-	-	-	-	(4,474,325)
Changes in equity of associates accounted for using the equity method	-	-	-	(608,364)	-	-	-	-	-	-	-	-	(608,364)
Changes in ownership interests of subsidiaries	-	-	-	(85)	-	-	-	-	-	-	-	-	(85)
The transfer of treasury share to employees	-	-	-	1,241,794	-	-	-	-	-	-	-	1,257,308	2,499,102
Share-based payments-stock options	-	-	-	87,080	-	-	-	-	-	-	-	-	87,080
Exercise of employee stock options	8,520	1,835	10,355	274,200	-	-	-	-	-	-	-	-	284,555
Conversion of convertible bonds	131	2	133	6,610	-	-	-	-	-	-	-	-	6,743
Due to recognition of equity component of convertible bonds	-	-	-	499,996	-	-	-	-	-	-	-	-	499,996
Balance at December 31, 2024	**$ 2,053,341**	**4,837**	**2,058,178**	**13,053,610**	**7,345,209**	**288,419**	**26,649,524**	**34,283,152**	**32,547**	**(370,790)**	**(338,243)**	**-**	**49,056,697**

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, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	2024	2023
Cash flows from operating activities:		
Profit before income tax	$ 9,337,832	4,039,965
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	582,436	587,921
Amortization expense	532,877	514,923
Expected credit loss (reversal gain)	5,642	(50,759)
Net loss (gain) on financial assets at fair value through profit or loss	257,229	(453,131)
Finance costs	268,025	49,465
Interest income	(208,591)	(187,371)
Dividend income	(45,291)	(81,717)
Share-based payments	1,304,409	514,054
Shares of loss (profit) of subsidiaries and associates accounted for using the equity method	(5,262,554)	52,214
Gain on disposal of property, plant and equipment	(1,403)	-
Unrealized profit on transactions with associates	8,996	50,194
Unrealized foreign exchange (gain) loss	(445,156)	178,399
Inventory obsolescence reversal gain	(64,573)	(380,542)
Recognition (reversal) of refund liabilities	171,852	(191,265)
Profit from lease modification	(64)	(30)
Total adjustments to reconcile profit (loss)	(2,896,166)	602,355
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	1,817,957	(2,816,549)
Other receivables	309,231	(127,184)
Inventories	(128,663)	(3,566,869)
Prepayments	(370,541)	(42,315)
Other current assets	(695)	30
Contract liabilities	25,752	(13,363)
Accounts payable (including related parties)	(5,285,273)	614,588
Other payables	598,922	(377,861)
Other current liabilities	(166,046)	(102,727)
Net defined benefit liabilities	2,248	2,452
Total changes in operating assets and liabilities	(3,197,108)	(6,429,798)
Cash inflow (outflow) generated from operations	3,244,558	(1,787,478)
Interest paid	(144,433)	(13,717)
Income taxes paid	(717,298)	(349,771)
Net cash flows from (used in) operating activities	2,382,827	(2,150,966)

(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, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	2024	2023
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(30,000)	(85,300)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	9,000
Acquisition of financial assets at amortized cost	(239)	(69)
Proceeds from disposal of financial assets at fair value through profit or loss	-	801,049
Acquisition of financial assets at fair value through profit or loss	-	(500,000)
Proceeds from capital reduction of financial assets at fair value through profit of loss	-	9,000
Acquisition of investments accounted for using the equity method	(1,033,770)	-
Proceeds from disposal of investments accounted for using the equity method	8,545	-
Acquisition of property, plant and equipment	(795,675)	(376,767)
Proceeds from disposal of property, plant and equipment	9,539	-
Decrease (increase) in refundable deposits	32,917	(1,118,228)
Acquisition of intangible assets	(695,825)	(375,968)
Decrease (increase) in prepayments for land and equipment	(7,826)	48,053
Interest received	207,000	188,526
Dividends received	45,291	81,717
Net cash flows used in investing activities	(2,260,043)	(1,318,987)
Cash flows from financing activities:		
Increase in short-term loans	9,152,673	2,561,756
Decrease in short-term loans	(10,528,341)	(384,462)
Proceeds from issuing bonds (excluding issuance costs)	6,054,064	-
Redemption of bonds payable	(3,493,200)	-
Decrease in guarantee deposits received	(629,381)	(996,803)
Payment of lease liabilities	(70,094)	(53,713)
Cash dividends paid	(2,660,817)	(2,836,702)
Exercise of employee stock options	284,555	1,379,676
Treasury shares sold to employees	1,254,088	801,843
Net cash flows from (used in) financing activities	(636,453)	471,595
Effect of exchange rate changes on cash and cash equivalents	308,388	(8,902)
Net decrease in cash and cash equivalents	(205,281)	(3,007,260)
Cash and cash equivalents at beginning of period	12,205,330	15,212,590
Cash and cash equivalents at end of period	**$ 12,000,049**	**12,205,330**

See accompanying notes to parent company only financial statements.

Phison Electronics Corp.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2024 and 2023

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

1. Company history

Phison Electronics Corp. (the "Company") was incorporated on November 8, 2000, with the approval of the Ministry of Economic Affairs, R.O.C. The major business activities of the Company 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 of the Company on March 7, 2025.

3. New standards, amendments and interpretations adopted

(a) 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, 2024:

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

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

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

- Amendments to IAS 21 "Lack of Exchangeability"

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	January 1, 2027

The Company is evaluating the impact on its parent company only financial position and parent company only financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only financial statements:

- Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"
- Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"
- 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"
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures"
- Annual Improvements to IFRS Accounting Standards

4. Summary of material accounting policies

The material 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 exchange rates 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

The Company classifies the asset 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 (as defined by IAS 7), unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

The Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

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 balance sheet date; or

D. The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the balance sheet date.

(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) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(d) 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.

(e) 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.

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

(b) Building－electrical engineering: 20 years

(c) Testing equipment: 3 years

(d) Office equipment: 3 years

(e) Mechanical equipment: 3 years

(f) Other equipment: 3 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 profits (losses) 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.

The Company has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

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 certain 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) 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.

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 to made judgments and estimates regarding the following period (including climate-related risks and opportunities) 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively in the period of the change and future periods.

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, 2024	December 31, 2023
Cash	$ 90	135
Demand deposits and check deposits	8,252,749	10,261,005
Cash equivalents－time deposits	3,747,210	1,944,190
	$ 12,000,049	**12,205,330**

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, 2024	December 31, 2023
Financial assets at fair value through profit or loss－current:		
Domestic listed stock	$ 620,824	868,313
Derivative instruments－convertible bonds (note 6(14))	9,000	350
	$ 629,824	**868,663**
Financial assets at fair value through profit or loss－non-current:		
Domestic private equity funds	$ 4,296	27,201
Domestic unlisted stocks	144,882	132,719
Foreign unlisted stocks	624	3,704
	$ 149,802	**163,624**

	December 31, 2024	December 31, 2023
Financial liabilities at fair value through profit or loss－non-current:		
Derivative instruments－convertible bonds (note 6(14))	**$ 40,800**	**-**

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

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

	December 31, 2024	December 31, 2023
Domestic unlisted stocks	$ 213,832	174,345
Foreign unlisted stocks	53,064	121,753
	$ 266,896	**296,098**

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 mentioned above were pledge as collateral.

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

	December 31, 2024	December 31, 2023
Accounts receivable	$ 7,216,520	7,635,993
Accounts receivable－related parties	785,737	2,070,941
	8,002,257	9,706,934
Less: loss allowance	(65,627)	(59,985)
	$ 7,936,630	**9,646,949**

As of January 1, 2023, the ending balance of accounts receivable, net (including related parties) was $7,107,409 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, 2024		
	Gross carrying amount	Weighted-average loss rate (%)	Loss allowance
Current	$ 7,187,380	0.05	3,503
1~60 days past due	760,542	1.21	9,198
61~90 days past due	1,786	21.11	377
More than 151 days past due	52,549	100.00	52,549
	$ 8,002,257		**65,627**

	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate (%)	Loss allowance
Current	$ 9,243,098	0.17	15,285
1~60 days past due	453,780	7.63	34,644
More than 151 days past due	10,056	100.00	10,056
	$ 9,706,934		**59,985**

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

	For the years ended December 31,	
	2024	2023
Balance, beginning of the period	$ 59,985	110,744
Impairment losses recognized (reversed)	5,642	(50,759)
Balance, end of the period	**$ 65,627**	**59,985**

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

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, 2024				
Factor	**Factor Amount**	**Amount Recognized in Other Receivables**	**Range of Handling Fees Rate (%)**	**Transferring Terms**
-	$ -	-	-	-

December 31, 2023				
Factor	**Factor Amount**	**Amount Recognized in Other Receivables**	**Range of Handling Fees Rate (%)**	**Transferring Terms**
HSBC Bank (Taiwan) Limited	$ 312	253	0.22~0.65	Note 1~4

Note 1: The accounts receivable transferred to the factoring bank are subjected to the consents of agreement between the 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, 2024 and 2023, the outstanding receivables after the above transactions, net of fees charged by the factoring bank, of $0 thousand and $7,763 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.

(5) Other receivables

	December 31, 2024	December 31, 2023
Tax refunds receivable	$ 65,981	366,479
Factored accounts receivable (note 6(4))	-	7,763
Other receivables－related parties (note 7)	86	83
Others	3,761	3,138
Less: loss allowance	-	-
	$ 69,828	**377,463**

(6) Inventories

	December 31, 2024	December 31, 2023
Raw materials	$ 16,222,873	15,903,013
Work in process	3,325,392	5,137,785
Semi-finished goods	4,744,083	3,085,446
Finished goods	132,614	105,482
	$ 24,424,962	**24,231,726**

The costs of inventories recognized as costs of goods sold for the years ended December 31, 2024 and 2023 were $39,523,515 thousand and $31,886,845 thousand, respectively.

The costs of goods sold for the years ended December 31, 2024 and 2023 included inventory obsolescence loss reversal gain of $64,573 thousand and $380,542 thousand, respectively.

None of the inventories mentioned above were pledged as collateral.

(7) Investments accounted for using the equity method

	December 31, 2024	December 31, 2023
Subsidiaries	$ 12,308,413	6,522,412
Associates	397,503	375,620
	$ 12,705,916	**6,898,032**

A. Subsidiaries:

Based on the operational strategy, the Company has gradually increased its holdings of common shares in Power Flash (Samoa) Limited. The investment amounted to $283,770 thousand for the year ended December 31, 2024.

For the purpose of operation, the Company set up Great Storage Investment Corporation in Taiwan, in May 2023. The investment amounted to $750,000 thousand.

The Company's subsidiary did not participate in the subscription of the cash capital increase of investees in 2024 and 2023, therefore, the changes in equity of associates recognized in the capital surplus by the Company amounted to $51,370 thousand and $658,347 thousand for the years ended December 31, 2024 and 2023.

The Company's subsidiary sold a portion of its shares in Hosin Global Electronics Co., Ltd. (SZ) to unrelated parties for a price of $5,436,854 thousand in December 2024. As a result, $675,767 thousand was reversed from capital surplus, and a disposal gain of $4,289,820 thousand was recognized.

As of December 31, 2024 and 2023, the Company's percentage of ownership interest in HOSIN Global Electronics Co., Ltd. (SZ) was 23.20% and 35.83%, respectively.

In 2024 and 2023, the changes in percentage of ownership interests in investees of the Company's subsidiary resulted in the changes in equity of associates, so that the Company recognized capital surplus amounting to $15,615 thousand and $88,010 thousand.

Please refer to consolidated financial statements for the years ended December 31, 2024 and 2023 for subsidiaries information.

B. Associates

	December 31, 2024	December 31, 2023
EpoStar Electronics (BVI) Corporation	$ 199,079	201,413
ProGrade Digital Inc.	169,130	148,009
Microtops Design Corporation	29,294	26,198
	$ 397,503	**375,620**

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

	For the years ended December 31,	
	2024	2023
Attributable to the Company:		
Net profit	$ 11,336	21,187
Other comprehensive income (loss)	(2,692)	(4,776)
Total comprehensive income (loss)	**$ 8,644**	**16,411**

In 2024, the change in percentage of ownership interests in associates resulted in a recognition of capital surplus amounting to $418 thousand.

C. Pledged

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

(8) Property, plant and equipment

	Land	Buildings	Mechanical and testing equipment	Office and other equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2024	$ 1,963,050	4,709,685	1,323,809	347,536	-	8,344,080
Additions for the period	-	36,895	333,352	49,406	405,000	824,653
Disposal for the period	-	-	(246,908)	(67,694)	-	(314,602)
Balance at December 31, 2024	**$ 1,963,050**	**4,746,580**	**1,410,253**	**329,248**	**405,000**	**8,854,131**
Balance at January 1, 2023	$ 1,963,050	4,559,348	1,349,329	278,382	43,733	8,193,842
Additions for the period	-	94,071	242,942	95,574	12,533	445,120
Disposal for the period	-	-	(268,462)	(26,420)	-	(294,882)
Reclassification	-	56,266	-	-	(56,266)	-
Balance at December 31, 2023	**$ 1,963,050**	**4,709,685**	**1,323,809**	**347,536**	**-**	**8,344,080**
Depreciation:						
Balance at January 1, 2024	$ -	736,337	717,768	156,919	-	1,611,024
Depreciation for the period	-	144,229	315,190	86,264	-	545,683
Disposal for the period	-	-	(238,772)	(67,694)	-	(306,466)
Balance at December 31, 2024	**$ -**	**880,566**	**794,186**	**175,489**	**-**	**1,850,241**
Balance at January 1, 2023	$ -	595,379	644,996	112,166	-	1,352,541
Depreciation for the period	-	140,958	341,234	71,173	-	553,365
Disposal for the period	-	-	(268,462)	(26,420)	-	(294,882)
Balance at December 31, 2023	**$ -**	**736,337**	**717,768**	**156,919**	**-**	**1,611,024**
Carrying amounts:						
Balance at December 31, 2024	**$ 1,963,050**	**3,866,014**	**616,067**	**153,759**	**405,000**	**7,003,890**
Balance at December 31, 2023	**$ 1,963,050**	**3,973,348**	**606,041**	**190,617**	**-**	**6,733,056**
Balance at January 1, 2023	**$ 1,963,050**	**3,963,969**	**704,333**	**166,216**	**43,733**	**6,841,301**

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

(9) Lease arrangements

A. Right-of-use assets

		Buildings	Transportation equipment	Total
Cost:				
Balance at January 1, 2024	$	139,838	1,001	140,839
Additions for the period		45,243	1,515	46,758
Deduction for the period		(32,949)	-	(32,949)
Balance at December 31, 2024	**$**	**152,132**	**2,516**	**154,648**
Balance at January 1, 2023	$	148,675	1,296	149,971
Additions for the period		1,266	473	1,739
Deduction for the period		(10,103)	(768)	(10,871)
Balance at December 31, 2023	**$**	**139,838**	**1,001**	**140,839**
Depreciation:				
Balance at January 1, 2024	$	62,908	318	63,226
Depreciation for the period		36,046	707	36,753
Deduction for the period		(24,864)	-	(24,864)
Balance at December 31, 2024	**$**	**74,090**	**1,025**	**75,115**
Balance at January 1, 2023	$	36,190	657	36,847
Depreciation for the period		34,127	429	34,556
Deduction for the period		(7,409)	(768)	(8,177)
Balance at December 31, 2023	**$**	**62,908**	**318**	**63,226**
Carrying amounts:				
Balance at December 31, 2024	**$**	**78,042**	**1,491**	**79,533**
Balance at December 31, 2023	**$**	**76,930**	**683**	**77,613**
Balance at January 1, 2023	**$**	**112,485**	**639**	**113,124**

B. Lease liabilities

		December 31, 2024	December 31, 2023
Current	**$**	**73,645**	**54,593**
Non-current	**$**	**51,209**	**72,768**

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:

	For the years ended December 31,	
	2024	2023
Interest expenses relating to lease liabilities	$ 4,939	775
Expenses relating to short-term lease	$ 5,562	4,706
Expenses relating to lease of low-value assets, excluding short-term lease of low-value assets	$ 1,460	1,395

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

	For the years ended December 31,	
	2024	2023
Total cash outflow for leases	$ 82,055	60,589

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

	Computer software	Technology License Fees	Total
Cost:			
Balance at January 1, 2024	$ 1,949,564	483,766	2,433,330
Additions for the period	444,464	251,361	695,825
Balance at December 31, 2024	$ 2,394,028	735,127	3,129,155
Balance at January 1, 2023	$ 1,599,054	458,308	2,057,362
Additions for the period	350,510	25,458	375,968
Balance at December 31, 2023	$ 1,949,564	483,766	2,433,330
Amortization:			
Balance at January 1, 2024	$ 1,741,376	467,718	2,209,094
Amortization for the period	481,965	50,912	532,877
Balance at December 31, 2024	$ 2,223,341	518,630	2,741,971
Balance at January 1, 2023	$ 1,292,663	401,508	1,694,171
Amortization for the period	448,713	66,210	514,923
Balance at December 31, 2023	$ 1,741,376	467,718	2,209,094
Carrying amounts:			
Balance at December 31, 2024	$ 170,687	216,497	387,184
Balance at December 31, 2023	$ 208,188	16,048	224,236
Balance at January 1, 2023	$ 306,391	56,800	363,191

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

(11) Short-term borrowings

	December 31, 2024	December 31, 2023
Unsecured bank loans	**$ 813,068**	**2,106,363**
Range of interest rates at the end of period (%)	**5.04~5.48**	**5.92~6.14**

None of short-term borrowings mentioned above were pledged as collateral.

(12) Other payables

	December 31, 2024	December 31, 2023
Salaries and bonus payable	$ 5,823,896	5,228,902
Dividend payable (note 6(17))	2,701,063	887,555
Others	1,081,182	1,070,064
	$ 9,606,141	**7,186,521**

(13) Other current liabilities

	December 31, 2024	December 31, 2023
Guarantee deposits received (note 9(3))	$ 163,925	767,625
Refund liabilities	429,105	366,589
Receipts under custody	94,521	106,442
Payables for purchases of equipment	53,297	69,908
Other payables－related parties (Note 7)	125,503	171,665
Others	18,599	615
	$ 884,950	**1,482,844**

(14) Bonds payable

A. 1st unsecured convertible bonds

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

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

	December 31, 2024	December 31, 2023
Total convertible corporate bonds issued	$ 3,500,000	3,500,000
Unamortized discounted corporate bonds payable	-	(28,607)
Less: current portion	-	(3,471,393)
Accumulated converted amount	(6,800)	-
Accumulated redeemed amount	(3,493,200)	-
Bonds payable at the end of period	**$ -**	**-**
Embedded derivative instruments-call options, included in financial assets at fair value through profit or loss-current	**$ -**	**350**
Embedded derivative instruments-equity component-conversion options, included in capital surplus-stock options	**$ -**	**102,369**

	For the years ended December 31,	
	2024	**2023**
Embedded derivative instruments -net gains and losses of call options remeasured at fair value, included in other gains and losses	**$ 2,445**	**350**
Interest expense	**$ 28,558**	**29,362**

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

(Amount in Dollars)

Ex-dividend date	Conversion price before adjustment	Conversion price after adjustment
December 27, 2021	570.0	556.3
July 4, 2022	556.3	537.3
December 19, 2022	537.3	520.6
July 10, 2023	520.6	515.1
December 29, 2023	515.1	510.4
July 15, 2024	510.4	503.2

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

B. 2nd unsecured convertible bonds

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

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

	December 31, 2024
Total convertible corporate bonds issued	$ 6,000,000
Unamortized discounted corporate bonds payable	(388,930)
Bonds payable at the end of period	**$ 5,611,070**
Embedded derivative instruments–call options, included in financial assets at fair value through profit or loss–current	**$ 9,000**
Embedded derivative instruments–put options included in financial liability at fair value through profit or loss–non-current	**$ 40,800**
Embedded derivative instruments–equity component– conversion options, included in capital surplus–stock options	**$ 499,996**

	For the year ended December 31, 2024
Embedded derivative instruments – net gains and losses of call options remeasured at fair value, included in other gains and losses	**$ 4,426**
Interest expense	**$ 93,227**

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

(Amount in Dollars)

Ex-dividend date	Conversion price before adjustment	Conversion price after adjustment
July 15, 2024	588.0	579.7

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

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

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

(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, 2024	December 31, 2023
Present value of defined benefit obligations	$ 186,029	170,925
Fair value of plan assets	(60,690)	(52,703)
Net defined benefit liabilities	**$ 125,339**	**118,222**

(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 $60,690 thousand as of December 31, 2024. 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

	For the years ended December 31,	
	2024	**2023**
Defined benefit obligation at January 1	$ 170,925	164,193
Current service cost	3,535	3,327
Current interest cost	2,222	2,299
Remeasurements of the net defined benefit liabilities (assets)		
－Actuarial losses (gains) arising from changes in experience adjustment	21,176	(1,630)
－Actuarial losses (gains) arising from changes in financial assumptions	(11,829)	2,736
Defined benefit obligation at December 31	**$ 186,029**	**170,925**

(c) Movements of defined benefit plan assets

	For the years ended December 31,	
	2024	**2023**
Fair value of plan assets at January 1	$ 52,703	49,395
Interest income	685	692
Remeasurements of the net defined benefit liabilities (assets)		
－Return on plan assets (excluding current interest)	4,478	134
Contribution to the plan	2,824	2,482
Fair value of plan assets at December 31	**$ 60,690**	**52,703**

(d) Expenses recognized in profit or loss

	For the years ended December 31,		
		2024	2023
Current service cost	$	3,535	3,327
Net interest on the net defined benefit liabilities (assets)		1,537	1,607
	$	5,072	4,934

(e) Actuarial assumptions

	December 31, 2024	December 31, 2023
Discount rate (%)	1.70	1.30
Future salary increase rate (%)	3.00	3.00

The Company is expecting a contribution of $5,699 thousand to its defined benefit plans in the following year after the reporting date.

The weighted-average duration of the defined benefit obligation is 16 years.

(f) 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, 2024			
Discount rate	$	(6,948)	7,286
Future salary increase rate		6,707	6,443
December 31, 2023			
Discount rate	$	(6,740)	7,080
Future salary increase rate		6,512	(6,248)

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 2024 and 2023.

B. Defined contribution plans

The Company allocate 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 $281,584 thousand and $260,034 thousand for the years ended December 31, 2024 and 2023, 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:

	For the years ended December 31, 2024	2023
Current tax expense		
Current period	$ 1,231,379	414,150
Tax refund of repatriated offshore funds	-	(91,590)
Prior-year adjustments	(45,755)	(58,061)
Income tax expense of unappropriated earnings	22,067	48,658
	1,207,691	313,157
Deferred tax expense		
Origination and reversal of temporary differences	176,935	102,380
	$ 1,384,626	**415,537**

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

	For the years ended December 31, 2024	2023
Profit before income tax	**$ 9,337,832**	**4,039,965**
Income tax using the Company's domestic tax rate	$ 1,867,566	807,993
Permanent difference and controlled foreign corporation tax	50,668	(120,023)
Investment tax incentives	(537,191)	(198,346)
Effect of unrecognized deferred tax liabilities	27,271	26,906
Income tax expense of unappropriated earnings	22,067	48,658
Tax refund for repatriated offshore funds	-	(91,590)
Prior-year adjustments	(45,755)	(58,061)
Income tax expense	**$ 1,384,626**	**415,537**

B. Income tax recognized in other comprehensive income

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

	For the years ended December 31,	
	2024	2023
Remeasurements from defined benefit plans	$ (974)	(194)
Exchange differences on translation of foreign financial statements	26,132	(24,812)
	$ 25,158	(25,006)

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, 2024 and 2023. 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, 2024	December 31, 2023
Unrecognized deferred tax liabilities	$ 306,062	333,333

(b) Recognized deferred tax assets and liabilities

	January 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2024
Deferred tax assets				
Inventory write-downs	$ 392,297	(12,915)	-	379,382
Unrealized exchange losses	161,889	(121,715)	-	40,174
Refund liabilities	73,318	12,503	-	85,821
Loss on foreign investment accounted for using the equity method	73,123	(42,291)	-	30,832
Impairment loss on financial assets	23,116	-	-	23,116
Net defined benefit liabilities	23,643	450	974	25,067
Exchange differences on translating foreign operations	17,995	-	(17,995)	-
Others	21,885	1,742	-	23,627
	$ 787,266	(162,226)	(17,021)	608,019

	January 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2024
Deferred tax liabilities:				
Gain on foreign investment accounted for using the equity method	$ 76,685	14,709	-	91,394
Exchange differences on translating foreign operations	-	-	8,137	8,137
	$ 76,685	**14,709**	**8,137**	**99,531**

	January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Deferred tax assets:				
Inventory write-downs	$ 468,405	(76,108)	-	392,297
Unrealized exchange losses	136,062	25,827	-	161,889
Refund liabilities	124,155	(50,837)	-	73,318
Loss on foreign investment accounted for using the equity method	49,825	23,298	-	73,123
Impairment loss on financial assets	23,116	-	-	23,116
Net defined benefit liabilities	22,959	490	194	23,643
Exchange differences on translating foreign operations	-	-	17,995	17,995
Others	19,614	2,271	-	21,885
	$ 844,136	**(75,059)**	**18,189**	**787,266**
Deferred tax liabilities:				
Gain on foreign investment accounted for using the equity method	$ 49,364	27,321	-	76,685
Exchange differences on translating foreign operations	6,817	-	(6,817)	-
	$ 56,181	**27,321**	**(6,817)**	**76,685**

D. Examination and approval

The income tax returns of the Company had been examined and assessed by the tax authority through 2021.

(17) Equity

A. Common shares

As of December 31, 2024 and 2023, the Company's authorized common shares amounted to $3,000,000 thousand, of which $290,000 thousand was reserved for employee share options. The registered issued common shares amounted to $2,053,341 thousand and $2,044,690 thousand, respectively with par value of NTD10 per share.

As of December 31, 2024, due to exercise of conversion rights on convertible corporate bonds and employee stock options to issue new shares, the registration procedure for the amounts of $4,837 thousand, recognized as advance receipts for share capital, has yet to be completed.

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

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

(Unit: Shares in Thousands)

	For the years ended December 31,	
	2024	**2023**
Balance, beginning of the period	200,585	191,815
Bonds converted	13	-
Employee share options exercised	1,035	6,094
Transfer of treasury shares	4,184	2,676
Balance, end of the period	**205,817**	**200,585**

B. Capital surplus

	December 31, 2024	**December 31, 2023**
Additional paid-in capital	$ 8,763,177	8,416,171
Changes in equities of associates accounted for using the equity method	1,418,642	2,027,006
Difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,673	148,758
Changes in ownships interest in subsidiaries	1,944	1,944
Employee share options	602,005	580,922
Due to recognition of equity component of convertible bonds	499,996	102,369
Transaction of treasury stock	1,516,724	274,930
Others	102,449	279
	$ 13,053,610	**11,552,379**

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

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

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

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

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

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

The appropriation of 2024 earnings was as follows:

		Second Half of 2024	First Half of 2024
Resolution date of the Company's Board of Directors		March 7, 2025	August 14, 2024
Legal reserve	$	307,872	487,059
Special reserve appropriated (reversed)		49,824	(74,355)
Cash dividends to shareholders	$	2,471,062	2,701,063
Cash dividends per share (NTD) (Note)		12.00	13.12356282

The amount of legal reserve and special reserve of 2024 will be submitted to the shareholders' meeting for approval on May 27, 2025.

The appropriation of 2023 earnings was as follows:

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

The appropriation of 2022 earnings was as follows:

		Second Half of 2022	First Half of 2022
Resolution date of the Company's Board of Directors		March 15, 2023	July 29, 2022
Cash dividends to shareholders	$	865,962	1,970,740
Cash dividends per share (NTD) (Note)		4.45090808	10.27746561
Approval date of the Company's shareholders' meeting		May 31, 2023	May 31, 2023
Legal reserve	$	149,747	399,192
Special reserve		216,810	-

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

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

D. Treasury shares

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

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

E. Other equity (net of tax)

(a) Exchange differences on translation of foreign financial statements

	For the years ended December 31, 2024	2023
Balance at January 1	$ (71,980)	27,271
Foreign exchange differences (net of tax)	104,527	(99,251)
Balance at December 31	**$ 32,547**	**(71,980)**

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

	For the years ended December 31, 2024	2023
Balance at January 1	$ (290,794)	(244,081)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	(79,996)	(61,345)
Disposal for the period	-	14,632
Balance at December 31	**$ (370,790)**	**(290,794)**

(18) Share-based payment

The Company issued employee share options which each unit can be exercised to purchase one share of the Company. The duration of the plan is 3 to 4 years, and the plan was approved by the FSC. As of December 31, 2024, the information related to the employee share options was as follows:

Type	Authorization date	Issue date	Issued units (in thousands)	Grant Period	Exercise price per share (TWD)	Adjusted exercise price per share (TWD)
2022 First employee share options	July 27, 2022	September 7, 2022	6,000	service period between 2~3 years	293.50	274.80

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

The estimated fair values of the options granted were calculated at the date of grant using the Black-Scholes option pricing model. The Company recognized compensation cost amounting to $85,875 thousand and $238,663 thousand for the years ended December 31, 2024 and 2023, respectively. Furthermore, compensation costs recognized by the Company's subsidiaries for the years of 2024 and 2023, were $1,205 thousand and $3,208 thousand, respectively.

Weighted-average assumptions were as follows:

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

Information related to employee share options was as follows:

A. 2022 First employee share options

	For the years ended December 31,			
	2024		2023	
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	5,829	$ 278.80	5,969	$ 284.40
Granted during the period	-	-	-	-
Exercised during the period	(1,035)	274.80	-	-
Forfeited during the period	(59)	-	(140)	-
Outstanding at December 31	4,735	274.80	5,829	278.80
Exercisable at December 31	1,858		-	

As of December 31, 2024 and 2023, the weighted-average remaining contractual life for outstanding option were 1.69 and 2.69 years, respectively.

B. 2020 First employee share options

Employee share options	For the years ended December 31, 2023 Number of Options (In Thousands of Units)	Weighted-average exercise price (NTD)
Outstanding at January 1	4,642	$ 227.70
Granted during the period	-	-
Exercised during the period	(4,632)	226.39
Forfeited during the period	(10)	-
Outstanding at December 31	-	-
Exercisable at December 31	-	

The employee stock options have all expired and become invalid as of October 2023.

C. 2019 Second employee share options

Employee share options	For the years ended December 31, 2023 Number of Options (In Thousands of Units)	Weighted-average exercise price (NTD)
Outstanding at January 1	1,480	$ 227.70
Granted during the period	-	-
Exercised during the period	(1,479)	226.36
Forfeited during the period	(1)	-
Outstanding at December 31	-	-
Exercisable at December 31	-	

The employee stock options have all expired and become invalid as of October 2023.

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Notes to the Parent Company Only Financial Statements

(19) Earnings per share

A. Basic earnings per share

	For the years ended December 31,	
	2024	**2023**
Net profit attributable to ordinary shareholders of the Company	**$ 7,953,206**	**3,624,428**
Weighted-average number of shares outstanding during the year (in thousands of shares)	**204,173**	**196,176**
Basic earnings per share (NTD)	**$ 38.95**	**18.48**

B. Diluted earnings per share

	For the years ended December 31,	
	2024	**2023**
Net profit attributable to ordinary shareholders of the Company	$ 7,953,206	3,624,428
Effect of dilutive potential ordinary shares		
Convertible bonds	94,274	23,210
Net profit attributable to ordinary shareholders of the Company	**$ 8,047,480**	**3,647,638**
Weighted average number of shares outstanding during the year (in thousands of shares)	204,173	196,176
Effect of dilutive potential ordinary shares (in thousands of shares)		
Employee share options	2,925	2,270
Employees' compensation	2,155	2,380
Effect of conversion of convertible bonds	16,275	6,758
	225,528	**207,584**
Diluted earnings per share (NTD)	**$ 35.68**	**17.57**

(20) Operating revenue

	For the years ended December 31,	
	2024	**2023**
Primary geographical markets		
Asia	$ 45,413,229	35,397,883
America	11,340,710	10,133,589
Europe	1,325,219	1,926,058
Australia	41,431	55,229
Others	67,373	249
	$ 58,187,962	**47,513,008**

	For the years ended December 31,	
	2024	2023
Major product categories		
Flash memory module products	$ 42,450,328	36,393,849
Controllers	9,665,900	8,359,636
Integrated Circuit	4,612,899	1,090,017
Others	1,458,835	1,669,506
	$ 58,187,962	**47,513,008**

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

(21) Employees' compensation and remuneration of directors

The Company accrued its remunerations to employees and directors, at the rates of 8% to 19% and a maximum rate of 1.5%, of the net profit before income tax which excluded the remunerations to employees and directors, respectively. The remunerations to employees and directors for the years ended December 31, 2024 and 2023 had been approved during the Company's board meetings held on March 7, 2025 and March 8, 2024, respectively, as follows:

	For the years ended December 31,			
	2024		2023	
	Cash	Share	Cash	Share
Employees' compensation	$ 1,000,000	-	930,000	-
Remuneration of directors	35,000	-	23,000	-

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

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

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

(22) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2024	2023
Interest income from bank deposits	$ 190,653	187,371
Others	17,938	-
Interest income	**$ 208,591**	**187,371**

B. Other income

	For the years ended December 31, 2024	For the years ended December 31, 2023
Dividend income	$ 45,291	81,717
Rent income	11,407	6,058
Research project grant	184,310	104,912
Others	60,113	60,272
	$ 301,121	**252,959**

C. Other gains and losses

	For the years ended December 31, 2024	For the years ended December 31, 2023
Gains (Losses) on financial assets and liability at fair value through profit or loss	$ (257,229)	453,131
Net foreign exchange gains (losses)	603,129	(89,670)
Others	1,467	29
	$ 347,367	**363,490**

D. Finance costs

	For the years ended December 31, 2024	For the years ended December 31, 2023
Interest on bank loans	$ 141,272	19,316
Interest on lease liabilities	4,939	775
Interest on convertible bond	121,785	29,362
Others	29	12
	$ 268,025	**49,465**

(23) Financial instruments

A. Categories of financial instruments

	December 31, 2024	December 31, 2023
Financial assets		
Financial assets at FVTPL (current and non-current)	$ 779,626	1,032,287
Financial assets at amortized cost (Note 1)	21,890,532	24,003,556
Financial assets at FVTOCI	266,896	296,098
	$ 22,937,054	**25,331,941**

		December 31, 2024	December 31, 2023
Financial liabilities			
Financial liabilities at FVTPL (non-current)	$	40,800	-
Financial liabilities at amortized cost (Note 2)		17,378,767	19,995,768
	$	**17,419,567**	**19,995,768**

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

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payable (including related parties), other payables, bonds payable (including current portion), 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. The Company continues to evaluate future exchange rate movements, and the exposure to foreign currency risk of foreign currency net assets is still within the controllable range.

(i) Exposure to foreign currency risk

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

	December 31, 2024			December 31, 2023		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial assets						
Monetary items						
USD	378,208	32.785	12,399,552	550,935	30.705	16,916,449
Non-Monetary items						
JPY	2,726,589	0.210	572,311	2,415,631	0.217	524,675
Financial liabilities						
Monetary items						
USD	74,299	32.785	2,435,879	276,824	30.705	8,499,869

(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 5% of the NTD against the USD as of December 31, 2024 and 2023, would have increased or decreased the net profit before income tax for the years ended December 31, 2024 and 2023 by $498,184 thousand and $420,829 thousand, respectively. The analysis was performed on the same basis for comparative years.

(iii) Foreign exchange gains and losses on monetary items

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

For the years ended December 31,	
2024	**2023**
$ 603,129	**(89,670)**

(b) Interest rate risk

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

If interest rates had been 0.25% basis point higher and all other variables were held constant, the Company's net profit before income tax for the years ended December 2024 and 2023 would have increased by $20,632 thousand and $25,653 thousand, respectively. Due to the impact of variable interest rate cash and cash equivalents and short-term borrowings.

(c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 10% higher or lower, net profit before income tax for the years ended December 31, 2024 and 2023 would have increased or decreased by $76,633 thousand and $100,474 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL. If equity prices had been 10% higher or lower, the other comprehensive income before income tax for the years ended December 31, 2024 and 2023 would have increased or decreased by $26,690 thousand and $29,610 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, 2024 and 2023, 34% and 41%, 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(4) for details on the credit risk exposure of accounts receivable. financial assets at amortized cost including pledged time deposits. Please refer to notes 6(2) and (3) 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 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, 2024					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 10,954,629	(10,954,629)	(10,951,871)	(2,758)	-
Lease liabilities (current and non-current)	124,854	(130,699)	(77,431)	(53,268)	-
Fixed interest rate liabilities	6,424,138	(6,825,728)	(825,728)	(6,000,000)	-
	$ 17,503,621	**(17,911,056)**	**(11,855,030)**	**(6,056,026)**	**-**
December 31, 2023					
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 14,418,012	(14,418,012)	(14,415,258)	(2,754)	-
Lease liabilities (current and non-current)	127,361	(132,317)	(56,272)	(76,045)	-
Floating interest rate liabilities	122,820	(124,050)	(124,050)	-	-
Fixed interest rate liabilities	5,454,936	(5,504,093)	(5,504,093)	-	-
	$ 20,123,129	**(20,178,472)**	**(20,099,673)**	**(78,799)**	**-**

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, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Domestic listed stocks	$ 620,824	-	-	620,824
Domestic unlisted stocks	-	-	144,882	144,882
Foreign unlisted stocks	-	-	624	624
Domestic private equity funds	-	-	4,296	4,296
Derivative instruments－convertible bonds	-	9,000	-	9,000
	$ 620,824	**9,000**	**149,802**	**779,626**
Financial liabilities at fair value through profit or loss				
Derivative instruments-convertible bonds	**$ 40,800**	**-**	**-**	**40,800**
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	$ -	-	213,832	213,832
Foreign unlisted stocks	-	-	53,064	53,064
	$ -	**-**	**266,896**	**266,896**

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Domestic listed stocks	$ 868,313	-	-	868,313
Domestic unlisted stocks	-	-	132,719	132,719
Foreign unlisted stocks	-	-	3,704	3,704
Domestic private equity funds	-	-	27,201	27,201
Derivative instruments-convertible bonds	-	350	-	350
	$ 868,313	**350**	**163,624**	**1,032,287**
Financial assets at fair value through other comprehensive income				
Domestic unlisted stocks	$ -	-	174,345	174,345
Foreign unlisted stocks	-	-	121,753	121,753
	$ -	**-**	**296,098**	**296,098**

There were no transfers between Levels 1 and 2 for the years ended December 31, 2024 and 2023.

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

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	
	Private equity funds	**Equity instruments**	**Equity instruments**	**Total**
January 1, 2024	$ 27,201	136,423	296,098	459,722
Recognized in profit or loss	(22,905)	9,083	-	(13,822)
Recognized in other comprehensive income	-	-	(59,202)	(59,202)
Additions for the period	-	-	30,000	30,000
December 31, 2024	**$ 4,296**	**145,506**	**266,896**	**416,698**
January 1, 2023	$ 34,444	180,508	290,784	505,736
Recognized in profit or loss	(7,243)	(35,085)	-	(42,328)
Recognized in other comprehensive income	-	-	(70,986)	(70,986)
Additions for the period	-	-	85,300	85,300
Disposal and proceeds from capital reduction	-	(9,000)	(9,000)	(18,000)
December 31, 2023	**$ 27,201**	**136,423**	**296,098**	**459,722**

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income－equity investments without an active market	Market approach	· Discount for lack of marketability (December 31, 2024: 28.08%~29.98% and December 31, 2023: 30.00%)	· The higher the discount for lack of marketability, the lower the fair value

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income－equity investments without an active market	Income approach	· Sustainable revenue growth rate (December 31, 2024: 2.10% and December 31, 2023: 1.92%) · Weighted-average cost of capital (December 31, 2024: 5.83%~11.59% and December 31, 2023: 5.80%~12.25%) · Discount for lack of marketability (December 31, 2024 and December 31, 2023: 15%) · Discount for non-controlling interest (December 31, 2024 and December 31, 2023: 15%)	· The higher the sustainable revenue growth rate, the higher the fair value · The higher the weighted-average cost of capital, the lower the fair value · The higher the discount for lack of marketability, the lower the fair value · The higher the discount for non-controlling interest, the lower the fair value
Financial assets at fair value through profit or loss－equity investments without an active market and private equity funds	Asset-based approach	· Net Asset Value · Discount for lack of marketability (December 31, 2024 and December 31, 2023: 10%) · Discount for non-controlling interest (December 31, 2024 and December 31, 2023: 10%)	No applicable

(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 were respectively as follows:

	December 31, 2024	December 31, 2023
Total liabilities	$ 19,574,666	21,601,460
Total equity	49,056,697	42,788,153
Debt-to-adjusted-capital ratio (%)	40	50

As of December 31, 2024, the debt-to-equity ratio decreased primarily due to the increase in net profit for the period.

As of December 31, 2024, there is no change in the method of capital management of the Company.

(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, 2024	Cash flows	Foreign exchange movement and others	December 31, 2024
Short-term borrowings	$ 2,106,363	(1,375,668)	82,373	813,068
Lease liabilities (current and non-current)	127,361	(70,094)	67,587	124,854
Bonds payable(including current portion)	3,471,393	2,560,864	(421,187)	5,611,070
Guarantee deposits received (current and non-current)	770,379	(629,381)	25,685	166,683
Total liabilities from financing activities	**$ 6,475,496**	**485,721**	**(245,542)**	**6,715,675**

	January 1, 2023	Cash flows	Foreign exchange movement and others	December 31, 2023
Short-term borrowings	$ -	2,177,294	(70,931)	2,106,363
Lease liabilities (current and non-current)	113,706	(53,713)	67,368	127,361
Bonds payable (including current portion)	3,442,031	-	29,362	3,471,393
Guarantee deposits received (current and non-current)	1,844,300	(996,803)	(77,118)	770,379
Total liabilities from financing activities	**$ 5,400,037**	**1,126,778**	**(51,319)**	**6,475,496**

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
Microtops Design Corporation	Associate
Hosin Global Electronics Co., Ltd. (SZ)	Associate
Hosin Global Electronics Co., Ltd. (HK)	Hosin Global Electronics Co., Ltd. (SZ)’s subsidiary
Hefei Core Storage Electronic Limited	Hosin Global Electronics Co., Ltd. (SZ)’s subsidiary
Hefei Kaimeng Technology Co., Ltd.	Hosin Global Electronics Co., Ltd. (SZ)’s second-tier subsidiary
Xiamen Hongxinchuang Electronics Co., Ltd.	Hosin Global Electronics Co., Ltd. (SZ)’s subsidiary
Shanghai Hongxinyu Microelectronics Technology Co., Ltd.	Hosin Global Electronics Co., Ltd. (SZ)’s subsidiary
Hefei Datang Storage Technology Co., Ltd.	Hefei Xinpeng’s subsidiary
ProGrade Digital, Inc.	Associate
Kioxia Corporation (KIC)	The Company’s director
Kioxia Taiwan Corporation	KIC’s subsidiary
Kioxia Asia, Limited	KIC’s subsidiary
Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	KIC’s subsidiary
Toshiba International Procurement HongKong, Ltd.	KIC’s associate

Name of related party	Relationship with the Company
Apacer Technology Inc.	The Company resigned the director of the Company on May 31, 2024, hence, it was no longer a related party of the Company since then.
UD INFO Corp.	Apacer Technology Inc's subsidiary
Lian Xu Dong Investment Corporation	Subsidiary
Phison Electronics Japan Corp.	Subsidiary
Phison Technology Inc.	Sub-subsidiary
Emtops Electronics Corp. (Emtops)	Subsidiary
Ostek Company	Sub-subsidiary
Phisontech Electronics Taiwan Corp.	Subsidiary
Super Storage Technology Corporation	Sub-subsidiary
Power Storage Technology (Shenzhen) Limited	Sub-subsidiary
Phison Technology India Private Limited	Subsidiary
Great Storage Investment Corporation	Subsidiary
Global Flash Limited	Subsidiary
Core Storage Electronic (Samoa) Limited	Sub-subsidiary
Power Flash (Samoa) Limited	Subsidiary
Power Flash (HK) Limited	Sub-subsidiary
PowerStorage Electronics Limited	Sub-subsidiary
Regis Investment (Samoa) Limited	Subsidiary
RealYou Investment Limited	Sub-subsidiary
Hefei Ruhan Electronic Technology Limited	Sub-subsidiary
Hefei Xinpeng Technology Co., Ltd.	Hefei Ruhan's associate
Nextorage Corporation	Subsidiary
Maistorage Technology Sdn. Bhd.	Sub-subsidiary
Miphi Semiconductors Private Limited	Emtops's associate
United Power Research Technology Corp.	Other related parties

(2) Excluding that has been reported on other disclosures of the consolidated financial statements, the summary of significant related-party transactions as follows:

A. Operating revenues

Related Party Category	For the years ended December 31, 2024	2023
Subsidiaries	$ 1,145,396	1,104,418
Associates	4,866,806	3,247,097
Other related parties	1,763,366	2,234,809
	$ 7,775,568	**6,586,324**

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

As of December 31, 2024 and 2023, the unrealized profits arising from sales to related parties amounted to $8,996 thousand and $50,194 thousand, respectively, and were recorded as deductions from investments accounted for using the equity method.

B. Purchase of goods and Processing costs

(a) Purchase of goods

Related Party Category / Name	For the years ended December 31, 2024	2023
Other related parties－Kioxia Taiwan Corporation	$ 13,589,653	10,032,575
Associates	-	30,793
Subsidiaries	2,600	-
Other related parties	8,256	20
	$ 13,600,509	**10,063,388**

(b) Processing costs

Related Party Category	For the years ended December 31, 2024	2023
Subsidiaries	**$ 525,299**	**521,551**

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

C. Receivable from related parties

Related Party Category / Name	December 31, 2024	December 31, 2023
Associates - Hosin Global Electronics Co., Ltd. (HK)	$ 461,877	1,118,344
Subsidiaries	181,900	259,492
Associates	59,840	49,338
Other related parties	82,120	643,767
	785,737	2,070,941
Less: Loss allowance	(390)	(3,685)
	$ 785,347	**2,067,256**

The outstanding accounts receivable from related parties are unsecured.

D. Payables to related parties

Related Party Category / Name	December 31, 2024	December 31, 2023
Subsidiaries	$ 55,003	119,532
Other related parties－Kioxia Taiwan Corporation	-	1,028,950
	$ 55,003	**1,148,482**

E. Prepayments

Related Party Category / Name	December 31, 2024	December 31, 2023
Other related parties－Kioxia Taiwan Corporation	**$ 402,880**	**-**

F. Other transactions

Account Name	Related Party Category / Name	For the years ended December 31, 2024	2023
Operating Costs	Subsidiaries	$ 18,278	22,204
	Associates	3,239	9,395
	Other related parties	405	440
		$ 21,922	**32,039**
Operating Expenses	Subsidiaries	$ 758,876	594,032
	Associates	88,162	332,805
	Other related parties	2,043	2,506
		$ 849,081	**929,343**
Non-operating incomes	Subsidiaries	$ 7,296	1,796
	Associates	925	924
	Other related parties	52	43,048
		$ 8,273	**45,768**

Note: The related parties distributed $0 thousand and $41,430 thousand cash dividends, which were recognized as dividend income, to the Company for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, respectively, all the aforementioned dividends had been fully received.

In 2024, the Company sold property, plant and equipment to its subsidiary for $8,071 thousand, resulting in a disposal gain of $1,218 thousand (classified under other gains and losses).

As of December 31, 2024 and 2023, the receivables arising from abovementioned transactions were $86 thousand and $83 thousand, respectively (recognized as other receivables), and the payables arising from abovementioned transactions were $125,503 thousand and $171,665 thousand, respectively (recognized as other current liabilities).

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 days after the end of the month, with the related income being classified under non-operating income.

(3) Key management personnel compensation

	For the years ended December 31,	
	2024	**2023**
Short-term employee benefits	$ 369,189	228,709
Post-employment benefits	1,397	1,402
Share-based payments	143,109	12,514
	$ 513,695	**242,625**

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, 2024	December 31, 2023
Pledged time deposits (recognized as financial assets at amortized cost－current)	As collateral for the tariff of imported raw materials	**$ 40,807**	**40,568**

9. Commitments and contingencies

(1) Significant commitments

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

December 31, 2024	December 31, 2023
$ 320,000	**660,000**

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

	December 31, 2024	December 31, 2023
	$ 180,000	101,290

(2) Purchase commitment

The Company entered into a long-term purchase agreement of material with a supplier. The relative purchase quantity and price of wafers are specified in the agreement. According to the agreement, the Company has to pay partial guarantee deposit before the agreed date. As of December 31, 2024, the Company has paid US$56,000 thousand of guarantee deposit (recognized as other non-current assets).

(3) Long-term supply agreement

The Company entered into a long-term supply agreement with a customer in 2021, and received a guarantee deposit of US$90,000 thousand as agreed. The Company was required to sell controllers to the customer in the amount agreed upon by both parties during the agreed period. As of December 31, 2024, the guarantee deposits received were classified as current liabilities of $163,925 thousand (recognized as other current liabilities) based on the expected repayment period.

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other

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

By function / By item	For the year ended December 31,					
	2024			2023		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits						
Salary	503,496	10,636,702	11,140,198	440,457	7,557,047	7,997,504
Labor and health insurance	39,529	467,511	507,040	40,560	426,315	466,875
Pension	21,209	265,447	286,656	20,820	244,148	264,968
Remuneration of directors	-	35,000	35,000	-	23,000	23,000
Others	19,851	198,521	218,372	21,056	177,729	198,785
Depreciation	133,735	448,701	582,436	152,454	435,467	587,921
Amortization	-	532,877	532,877	465	514,458	514,923

The following provides information of the number of employees and employee benefits in 2024 and 2023, respectively:

	For the year ended December 31,	
	2024	2023
Number of employees	3,886	3,698
Number of directors who were not employees	6	6
Average employee benefit costs	$ 3,132	2,418
Average employee salary expenses	$ 2,871	2,166
Adjustment of average employee salary expenses	32.548 %	

Note: The Company did not have a supervisor hence, no remuneration to supervisors had been accrued.

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

The Company’s policy on the remuneration of directors: 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) On November 8 and December 13, 2019, the Securities and Futures Investors Protection Center ("SFIPC") filed two lawsuits against the Company to the Taiwan Hsinchu District Court, with the following demands:

A. Mr. K.S. Pua should be removed from his position as the Company' s chairman of the board ("Removal Action");

B. The Company, its board of directors, and other co-defendants, must compensate for the damage amounting to NT$685,570 thousand on behalf of certain investors ("Class Action").

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

Of which, the termination lawsuit was declared on January 15, 2025, and the Taiwan High Court ruled that Mr. K.S. Pua's position as a director of the Company should be terminated. Nevertheless, since Mr. K.S. Pua had resigned from his position on November 18, 2021, the Removal Action's future development has no impact to the Company.

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

13. Addition disclosures

(1) Information on significant transactions:

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

A. Loans to other parties: None

B. Guarantees and endorsements for other parties: None

C. Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 1.

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

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

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

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 3.

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: Please refer to Table 4.

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

(2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 5.

(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 6.

B. Limitation on investment in Mainland China: Please refer to Table 6.

C. Significant transactions:

For the year ended December 31, 2024, the significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(4) Major shareholders:

(in units of shares)

Shareholding / Shareholder’s Name	Shares	Percentage
Trust Investment Account of KIOXIA Corporation by First Bank	19,821,112	9.63 %
Capital Tip Customized Taiwan Select High Dividend Exchange Traded Fund	14,200,000	6.89 %

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, 2024.

Phison Electronics Corp.

Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures)

December 31, 2024

Table 1

(Shares/Units in Thousands /Amounts in Thousands)

Name of Holder	Type and Name of Marketable Securities	Relationship with Company	Account Title	Ending Balance				Note
				Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	Common shares							
	Apacer Technology Inc.	-	Financial assets at fair value through profit or loss－current	12,555	562,445	9.75	562,445	
	Orient Semiconductor Electronics, Ltd.	-	Same as above	1,536	53,312	0.21	53,312	
	Acer Synergy Tech Corp.	-	Same as above	90	5,067	0.41	5,067	
					620,824			
	AppWorks Fund II Co., Ltd.	-	Financial assets at fair value through profit or loss－non-current	4,455	103,059	11.11	103,059	
	Taiwan Capital Buffalo Fund Co., Ltd. (formerly known as Taishan Buffalo Investment Co., Ltd.)	-	Same as above	46,300	30,860	1.08	30,860	
	Innorich Venture Capital Corp.	-	Same as above	3,000	10,963	5.61	10,963	
	JAFCO ASIA TECHNOLOGY FUND VI L.P.	-	Same as above	1,000	624	0.67	624	
					145,506			
	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Financial assets at fair value through other comprehensive income－non-current	11,966	47,516	17.16	47,516	
	AppWorks Fund III Co., Ltd.	-	Same as above	8,385	76,243	2.92	76,243	
	Adam Elements International Co., Ltd.	-	Same as above	1,710	30,181	19.00	30,181	
	H3 Platform, Inc.	-	Same as above	18,400	3,242	8.53	3,242	
	Gospal Ltd.	-	Same as above	811,857	2,306	3.19	2,306	
	AppWorks Fund IV L.P.L	-	Same as above	130,000	96,355	8.16	96,355	
	Aptos Technology Inc.	-	Same as above	212	-	0.35	-	
	THLight Co., Ltd.	-	Same as above	6,388	-	12.79	-	

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	Geo Things, Inc.	-	Financial assets at fair value through other comprehensive income－non-current	150	-	3.13	-	
	Ironyun Incorporated	-	Same as above	5,000	-	2.80	-	
	Deep Mentor Inc.	-	Same as above	700	11,053	3.72	11,053	
					266,896			
	Private equity funds							
	Fuh Hwa Smart Energy Fund	-	Financial assets at fair value through profit or loss－non-current	6,000	4,296	3.78	4,296	
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	32,961	1.18	32,961	
	Translink Capital Partners IV L.P	-	Same as above	1,000	36,781	0.59	36,781	
					69,742			
	Liqid, Inc. (preference shares)	-	Financial assets at fair value through other comprehensive income－non-current	2,111	9,551	0.23	9,551	
	Translink Capital Partners V, L.P.	-	Same as above	1,530	39,457	1.60	39,457	
	Taiwania Capital Buffalo Fund V, LP.	-	Same as above	50,000	34,854	3.19	34,854	
	Cathy Private Equity Smart Technology Limited Partnership	-	Same as above	36,282	35,422	7.39	35,422	
	New Future III Limited Partnership	-	Same as above	28,003	22,351	3.17	22,351	
	Omni Media International Incorporation	-	Same as above	1,714	5,229	2.60	5,229	
					146,864			
Emtops Electronics Corporation	My Digital Discount, Inc.	-	Financial assets at fair value through other comprehensive income－non-current	-	-	19.00	-	

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	
Phisontech Electronic Taiwan Corporation	Beneficiary certificates－open-end funds							
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss－current	167	30,995	-	30,995	
	Franklin Templeton Sinoam Money Market Fund	-	Same as above	1,917	20,667	-	20,667	
	FSITC Taiwan Money Market Fund	-	Same as above	1,295	20,680	-	20,680	
	Mega Diamond Money Market Fund	-	Same as above	1,580	20,671	-	20,671	
	Capital Money Market Fund	-	Same as above	1,229	20,675	-	20,675	
					113,688			
Super Storage Technology Corporation	Common shares							
	Power Research Technology Corp.	-	Financial assets at fair value through other comprehensive income－non-current	833	17,990	10.22	17,990	

Phison Electronics Corp.
Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock
For the year ended December 31, 2024

Table 2 (Shares in Thousands /Amounts in Thousands)

Name of company	Category and name of security	Account name	Name of counter-party	Nature of relationship	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Great Storage Investment Corporation equity interests	Investments accounted for using equity method	-	Subsidiary	-	-	75,000	750,000	-	-	-	-	75,000	732,212
Great Storage Investment Corporation	Maistorage Technology Sdn. Bhd. equity interests	Investments accounted for using equity method	-	Subsidiary	-	-	100,000	709,459	-	-	-	-	100,000	690,948
Core Storage Electronic (Samoa) Limited	Hosin Global Electronics Co., Ltd. (SZ) equity interest	Investments accounted for using equity method	FUTURE PAFI Investment Limited、Honor International Limited、ACPT Limited、KunYue (Xiamen) Enterprise Management Consulting Partnership (Limited Partnership)、Shanghai Lianxin Technology Equity Investment Center (Limited Partnership)、Shanghai Liansheng Yeke Enterprise Management Partnership (Limited Partnership)	Associate	108,595	2,443,760	-	-	53,323	5,436,854	1,872,150	4,289,820	55,272	1,628,551

Phison Electronics Corp.

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

For the year ended December 31, 2024

Table 3 (Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sales	Amount	Percentage of Total Purchases/ Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
The Company	Kioxia Taiwan Corporation	The subsidiary of KIC	Purchase	13,589,653	40	T/T in advance to net 30 days after monthly closing	None	None	-	-	
	Super Storage Technology Corporation	Sub-subsidiary	Processing cost	508,870	1	Net 30 days after monthly closing	None	None	(53,142)	(4)	
	Kioxia Corporation	The Company's director	Sales	(831,014)	(1)	Net 60 days after monthly closing	None	None	72,691	1	
	Solid State Storage Technology Corporation (including Hsinchu Science Park Branch)	The subsidiary of KIC	Sales	(197,168)	-	Net 60 to 90 days after monthly closing	None	None	9,387	-	
	Apacer Technology Inc.	The Company is its director	Sales	(531,956)	(1)	Net 45 days after monthly closing	None	None	-	-	
	UD INFO Corp.	The subsidiary of Apacer Technology Inc.	Sales	(162,104)	-	Net 45 days after monthly closing	None	None	-	-	

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sales	Amount	Percentage of Total Purchases/ Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable) (%)	
The Company	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global (SZ)	Sales	(4,237,266)	(7)	Net 45 days after monthly closing	None	None	461,646	6	
	Hefei Datang Storage Technology Co., Ltd.	The subsidiary of Hefei Xinpeng	Sales	(181,647)	-	Net 60 days after receipt date	None	None	14,184	-	
	ProGrade Digital Incorporated	Associate	Sales	(332,628)	(1)	Net 30 days after receipt date	None	None	30,074	-	
	Nextorage Corporation	Subsidiary	Sales	(433,873)	(1)	Net 60 days after monthly closing	None	None	49,699	1	
	Phison Technology Inc.	Sub-subsidiary	Sales	(706,241)	(1)	Net 45 days after monthly closing	None	None	130,759	2	

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

Phison Electronics Corp.

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

December 31, 2024

Table 4 (Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 1)	Allowance for Bad Debts	Note
					Amount	Action Taken			
The Company	Hosin Global Electronics Co., Ltd. (HK)	The subsidiary of Hosin Global Electronics Co.,Ltd. (SZ)	461,646	5.37	-	-	367,386	231	
	Phison Technology Inc.	Sub-subsidiary	130,759	4.78	-	-	127,095	-	

Note : Information as of February 18, 2025.

Phison Electronics Corp.

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

For the year ended December 31, 2024

Table 5 (Amount in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2024			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				December 31, 2024	December 31, 2023	Shares	Percentage of Ownership (%)	Carrying Value			
The Company	Global Flash Limited	Samoa	Investment and trade	726,307	726,307	22,100,000	100.00	7,193,537	4,897,133	4,897,133	Subsidiary
	Regis Investment (Samoa) Limited	Samoa	Investment	655,995	655,995	21,900,000	100.00	1,597,788	226,233	226,233	Subsidiary
	Phisontech Electronics Taiwan Corp.	Taiwan	Investment and trade	581,363	581,363	55,000,000	100.00	806,351	32,171	32,107	Subsidiary
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	449,364	(8,339)	(8,339)	Subsidiary
	EpoStar Electronics (BVI) Corporation	British Virgin Islands	Investment	79,531	79,531	6,288,523	30.51	199,079	1,174	358	Investee accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	380,000	380,000	38,000,000	100.00	524,938	67,749	67,749	Subsidiary
	Nextorage Corporation	Japan	R&D, design, manufacture and sale of flash memory application products	211,170	219,715	11,797	98.31	544,294	74,528	73,735	Subsidiary
	Power Flash (Samoa) Limited	Samoa	Investment and trade	433,960	150,190	13,800,000	100.00	420,575	(25,743)	(25,743)	Subsidiary

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2024			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				December 31, 2024	December 31, 2023	Shares	Percentage of Ownership (%)	Carrying Value			
	ProGrade Digital Inc.	USA	Flash memory related products and market development	83,439	83,439	2,785,000	28.71	169,130	27,451	7,882	Investee accounted for using the equity method
The Company	Phison Electronics Japan Corp.	Japan	Sales and service office	59,508	59,508	2,000	100.00	28,017	891	891	Subsidiary
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	8,768	8,768	2,299,990	100.00	11,337	1,645	1,645	Subsidiary
	Microtops Design Corporation	Taiwan	Development and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	29,294	6,320	3,096	Investee accounted for using the equity method
	Great Storage Investment Corporation	Taiwan	Investment	750,000	-	75,000,000	100.00	732,212	(14,193)	(14,193)	Subsidiary
								12,705,916		5,262,554	
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	23,510	(3,950)	Note 1	Sub-subsidiary
Emtops Electronics Corporation	Phison Technology Inc.	USA	Sale of electronic products and business service office	90,419	90,419	3,000,000	100.00	258,483	67,372	Note 1	Sub-subsidiary
	Phison Technology India Private Limited	India	Design, R&D, import and export of storage devices and electronic components	-	-	10	-	-	1,645	Note 1	Sub-subsidiary

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2024			Net Income (Losses) of Investee	Share of Profits/ Losses of Investee	Note
				December 31, 2024	December 31, 2023	Shares	Percentage of Ownership (%)	Carrying Value			
Emtops Electronics Corporation	Miphi Semiconductors Private Limited	India	Development, design, sales, and technical service of flash memory-related application products and software	143,721	-	37,350,000	45.00	137,036	(13,313)	Note 1	Investee accounted for using the equity method
Phisontech Electronics Taiwan Corp.	Super Storage Technology Corporation	Taiwan	Manufacture and trade of electronic components	452,954	452,954	34,842,595	100.00	689,353	33,494	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	7,192,046	4,894,279	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	113,154	4,888	Note 1	Sub-subsidiary
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	654,726	654,726	21,850,000	100.00	1,642,677	226,276	Note 1	Sub-subsidiary
Great Storage Investment Corporation	Maistorage Technology Sdn. Bhd.	Malaysia	R&D, design, manufacture, and sale of flash memory controller chips and storage solutions, along with trade, import and export, software development, and technical support services.	709,459	-	100,000,000	100.00	690,948	(14,916)	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.

Phison Electronics Corp.
Information on Investment in Mainland China
For the year ended December 31, 2024

Table 6 (Amounts in Thousands)

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2024	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of December 31, 2024	Note
					Outflow	Inflow							
Hefei Ruhan Electronic Technology Limited	Design, R&D, sale of electronics product and technical support service and rendering of related services and investment	182,825	2(1)	182,825	-	-	182,825	(57,117)	100.00	(57,117)	86,970	-	
Hefei Xinpeng Technology Co., Ltd.	R&D, production and sale of electronic product and technical service and rendering of related services and investment	735,136	2(1)	-	-	-	-	(235,625)	24.23	(57,097)	81,208	-	
Hosin Global Electronics Co., Ltd. (SZ)	R&D and sale of electronic product and technical service and rendering of related services	1,988,232	2(1) and 2(2)	442,780	-	-	442,780	2,751,896	23.20	1,202,600	3,102,148	-	

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2024	Net Income (Losses) of the Investee	Percentage of Ownership (%)	Investment Income (Losses)	Book Value	Accumulated Remittance of Earnings in as of December 31, 2024	Note
					Outflow	Inflow							
Power Storage Technology (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronic components	43,520	2(3)	43,520	-	-	43,520	2,872	100.00	2,872	50,016	-	
Power Storage Electronics Limited	Design, R&D, production and sales of integrated circuits, systems and electronics hardware and software and rendering of related services	267,720	2(3)	-	267,720	-	267,720	(44,225)	100.00	(44,225)	224,220	-	

(2) Limitation on investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 2)
936,845	1,664,498	29,439,638

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

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

Phison Electronics Corp.

Statement of Cash and Cash Equivalents

December 31, 2024

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

Item	Description	Amount
Cash	Petty cash and cash on hand	$ 90
	Demand deposits	5,624,128
	Time deposits	3,657,650
	Foreign demand deposits (USD：79,402 thousand；JPY：115,306 thousand；CNY：276 thousand)	2,628,621
	Foreign time deposits (CNY：20,000 thousand)	89,560
	Subtotal	11,999,959
	Total	**$ 12,000,049**

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

USD to NTD: 32.785

JPY to NTD: 0.2099

CNY to NTD: 4.478

Phison Electronics Corp.

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

December 31, 2024

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 Amortized Cost- Current

Please refer to note 8 for further information of Pledged assets.

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

Please refer to note 6(3) 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, 2024

(Expressed in Thousands of New Taiwan Dollars)

Name of customer	Amount
Related parties	
Company A	$ 461,877
Company B	130,759
Company C	72,728
Company D	49,699
Others (the amount of individual customer does not exceed 5% of the account balance)	70,674
Subtotal	785,737
Less: loss allowance	(390)
	$ 785,347
Unrelated parties	
Company E	$ 689,901
Company F	609,725
Company G	568,617
Company H	422,239
Company I	370,066
Others (the amount of individual customer does not exceed 5% of the account balance)	4,555,972
Subtotal	7,216,520
Less: loss allowance	(65,237)
	$ 7,151,283

Note: Accounts receivable are generated from operating activities.

Phison Electronics Corp.

Statement of Inventories

December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realizable value
Raw materials	$ 16,222,873	20,451,635
Work in process	3,325,392	4,372,361
Semi-finished goods	4,744,083	5,731,532
Finished goods	132,614	157,750
Total	**$ 24,424,962**	**30,713,278**

Statement of Prepayments

Item	Amount
Prepayment for purchases	$ 409,316
Prepaid insurance	19,685
Others (individual amount does not exceed 5% of the account balance)	46,143
Total	**$ 475,144**

Statement of Other Current Assets

Item	Amount
Temporary payments	$ 810
Disbursements on Behalf	724
	$ 1,534

Phison Electronics Corp.
Statement of Movements in Investments Accounted for Using the Equity Method
For the year ended December 31, 2024
(Expressed in Thousands of New Taiwan Dollars, in thousands shares)

	Beginning balance		Increase (Decrease)								Ending balance				
Name of investee	Shares	Amount	Shares	Amount	Share of profits/losses of investee	Exchange differences on translation of foreign financial statements	Capital surplus	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehen-sive income	Other adjustments	Unrealized gain on transaction	Shares	Amount	Percentage of ownership (%)	Net assets value	Pledged as collateral
ProGrade Digital Inc.	2,785	$ 148,009	-	-	7,882	7,619	418	-	-	5,202	2,785	169,130	28.71	438,187	None
EpoStar Electronics (BVI) Corporation	6,289	201,413	-	-	358	-	-	(2,692)	-	-	6,289	199,079	30.51	652,505	None
Microtops Design Corporation	2,264	26,198	-	-	3,096	-	-	-	-	-	2,264	29,294	49.00	59,784	None
Nextorage Corporation	12	496,596	-	(8,545)	73,735	(17,407)	(85)	-	-	-	12	544,294	98.31	553,660	None
Lian Xu Dong Investment Company	65,000	484,909	-	-	(8,339)	-	-	(27,801)	595	-	65,000	449,364	100.00	449,364	None
Emtops Electronics Corp.	38,000	417,832	-	-	67,749	12,267	-	-	27,090	-	38,000	524,938	100.00	524,938	None
Phison Electronics Japan Corp.	2	28,079	-	-	891	(953)	-	-	-	-	2	28,017	100.00	28,016	None
Phisontech Electronics Taiwan Corp	55,000	764,545	-	-	32,107	-	-	9,699	-	-	55,000	806,351	100.00	806,351	None
Power Flash (Samoa) Limited	4,800	153,254	9,000	283,770	(25,743)	9,294	-	-	-	-	13,800	420,575	100.00	420,576	None
Regis Investment (Samoa) Limited	21,900	1,283,888	-	-	226,233	56,048	51,290	-	-	(19,671)	21,900	1,597,788	100.00	1,643,805	None
Global Flash Limited	22,100	2,883,955	-	-	4,897,133	67,048	(660,072)	-	-	5,473	22,100	7,193,537	100.00	7,244,200	None
Phison Technology India Private Limited	2,300	9,354	-	-	1,645	338	-	-	-	-	2,300	11,337	100.00	11,338	None
Great Storage Investment Corporation	-	-	75,000	750,000	(14,193)	(3,595)	-	-	-	-	75,000	732,212	100.00	732,212	None
Total		$ 6,898,032		1,025,225	5,262,554	130,659	(608,449)	(20,794)	27,685	(8,996)		12,705,916		13,564,936	

Phison Electronics Corp.

Statement of Movement in Right-of-Use Assets

For the year ended December 31, 2024

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

Statement of Movement in Intangible Assets

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

Statement of Other Non-current Assets

December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Refundable deposits	$ 1,843,218
Prepayments for equipment	8,127
	$ 1,851,345

Phison Electronics Corp.

Statement of Accounts Payable

December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

Vendor name	Amount
Related parties	
Company J	$ 53,142
Others (the amount of individual vendor does not exceed 5% of the account balance)	1,861
	$ 55,003
Unrelated parties	
Company K	$ 161,406
Company L	111,527
Company M	110,563
Others (the amount of individual vendor does not exceed 5% of the account balance)	743,306
	$ 1,126,802

Note: Accounts payable are generated from operating activities.

Phison Electronics Corp.

Statement of Other Payables

December 31, 2024

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

Statement of Other Current Liabilities

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

Statement of Lease Liabilities

(Expressed in Thousands of New Taiwan Dollars)

Item	Summary	Lease period	Discount rate	Ending balance	Note
Building	Plant and dormitory	2-5 years	0.508%-6.10%	$ 79,100	
Transportation equipment	Company car	2-3 years	0.81%-6.00%	1,520	
Others	Testing equipment	3 years	6.00%	44,234	
				124,854	
Less: lease liabilities, current portion				(73,645)	
				$ 51,209	

Phison Electronics Corp.

Statement of Operating Revenue

For the year ended December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

Item	Quantity	Amount
Operating revenue:		
Flash memory module products	104,098 thousand	$ 43,347,967
Integrated Circuit	97,743 thousand	4,636,468
Controllers	331,100 thousand	9,768,875
Others		1,488,403
		59,241,713
Less: Sales returns and allowances		(1,053,751)
Net operating revenue		**$ 58,187,962**

Phison Electronics Corp.

Statement of Operating Costs

For the year ended December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Beginning balance of raw materials	$ 15,903,013
Add: Raw materials purchased	33,475,665
Less: Others	903,048
Ending balance of raw materials	16,222,873
Direct raw material	32,252,757
Direct labor	386
Manufacturing overhead	7,521,506
Manufacturing cost	39,774,649
Add: Beginning balance of work-in -process	5,137,785
Beginning balance of semi-finished goods	3,085,446
Work-in-process and semi-finished goods purchased	135,255
Less: Ending balance of work-in -process	3,325,392
Ending balance of semi-finished goods	4,744,083
Others	511,473
Cost of finished goods	39,552,187
Add: Beginning balance of finished goods	105,482
Finished goods purchased	3,236
Less: Ending balance of finished goods	132,614
Others	5,346
Cost of finished goods	39,522,945
Add: Merchandise purchased	570
Total cost of sales	**$ 39,523,515**

Phison Electronics Corp.

Statement of Operating Expenses

For the year ended December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

Item	Marketing expenses	General and administrative expenses	Research and development expenses	Expected credit loss (gain)
Payroll expense	$ 423,599	765,580	9,447,523	-
Promotion service	755,421	-	-	-
Commission expense	100,124	-	-	-
Amortization	-	50,132	482,745	-
Depreciation	3,982	73,318	371,401	-
Labor expense	91	97,690	42,325	-
Sample expense	80,315	-	-	-
Impairment loss	-	-	-	5,642
Others (individual amount does not exceed 5% of the account balance)	132,174	146,643	2,190,522	-
Total	**$ 1,495,706**	**1,133,363**	**12,534,516**	**5,642**