Phison Electronics Corp. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

PHISON ELECTRONICS CORP.

By

KHEIN SENG PUA
Chairman

March 16, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Phison Electronics Corp.

Opinion

We have audited the consolidated financial statements of Phison Electronics Corp. (the "Corporation") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2019 is stated as follows:

Sales Revenue Recognition

Auditing standards generally accepted in the Republic of China presumes that there is a risk of fraud in the recognition of sales revenue. Management may artificially inflate sales revenue due to pressure in meeting the sales target. The Group's customers are numerous and diverse, and the net sales of the Group for the year ended December 31, 2019 amounted to NT$44,336,703 thousand. Therefore, there is a high possibility of abnormal sales from transactions with customers and validity of such transactions may have a significant effect on the consolidated financial statements. Thus, the recognition of sales revenue has been identified as a key audit matter.

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

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

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

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

Emphasis of Matter

As stated in Note 32 to the accompanying consolidated financial statements, the Corporation was under statutory investigation by the Taiwan Hsinchu District Prosecutorial Office ("District Prosecutorial Office") on and from August 5, 2016 for alleged violation of the Securities and Exchange Act (the "Case"). The investigation was concluded on August 31, 2017, and the chairman of the Corporation and other defendants were either charged with deferred prosecution or dropped claim for further prosecution by the prosecutor. Then, the District Prosecutorial Office ex officio sent the ruling to the Taiwan High Prosecutors Office ("High Prosecutors Office") for reconsideration. On November 18, 2019, High Prosecutors Office partially set aside and dismissed the original ruling, and ordered the District Prosecutorial Office to continue the investigation. On July 30, 2019, the District Prosecutorial Office concluded the investigation and indicted the chairman of the Corporation and others for their alleged violation of the Securities and Exchange Act and related provisions. A trial of the Case would be held in the Hsinchu District Court. The chairman of the Corporation would strive for a fair judgment in accordance with the law. Following the aforementioned indictment, the Corporation was served with complaints from the Hsinchu District Court on November 8, 2019 and December 13, 2019, that Securities and Futures Investors Protection Center ("Investors Protection Center") had filed two civil actions, respectively, as follows: (1) the first civil action was to remove Mr. K.S. Pua from director position of the Corporation's board ("Removal Action"); (2) the second civil action was to claim compensation damage against the Corporation, its board of directors and other co-defendants on behalf of certain investors ("Class Action"). Those two civil actions were derivative litigations arising from the Case. The Corporation had already appointed civil defense attorneys and filed a motion to dismiss those two civil actions with the court. As such, our audit opinion is not modified in respect of this matter.

Other Matter

We have also audited the parent company only financial statements of Phison Electronics Corp. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion with emphasis of matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 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 Hsin-Wei Tai and Li-Wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2020

<u>*Notice to Readers*</u>

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

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

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 10,205,257	27	$ 14,176,396	39
Financial assets at fair value through profit or loss (FVTPL) (Notes 7 and 26)	3,440,905	9	3,077,540	8
Financial assets at amortized cost (Notes 9 and 28)	56,273	-	67,217	-
Notes and accounts receivable				
Non-related parties (Note 10)	5,396,821	14	4,899,709	14
Related parties (Notes 10 and 27)	537,149	1	344,249	1
Other receivables (Note 10)	427,082	1	273,062	1
Current tax assets (Note 21)	45,499	-	23,448	-
Inventories (Note 11)	11,532,724	30	7,576,721	21
Prepayments	282,396	1	63,194	-
Other current assets	35,733	-	104,271	-
Total current assets	31,959,839	83	30,605,807	84
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (FVTPL) (Notes 7 and 26)	459,306	1	427,789	1
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 8 and 26)	636,432	2	450,397	1
Investments accounted for using the equity method (Note 13)	1,644,159	4	1,494,049	4
Property, plant and equipment (Note 14)	3,282,950	8	2,990,231	8
Right-of-use assets (Note 15)	32,840	-	-	-
Intangible assets (Note 16)	268,026	1	152,550	1
Deferred tax assets (Note 21)	346,732	1	310,563	1
Guarantee deposits paid	6,496	-	7,154	-
Total non-current assets	6,676,941	17	5,832,733	16
TOTAL	$ 38,636,780	100	$ 36,438,540	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities	$ 130,615	-	$ 34,270	-
Notes and accounts payable				
Non-related parties	2,258,562	6	1,949,403	5
Related parties (Note 27)	1,384,097	4	2,856,144	8
Other payables (Note 17)	4,398,129	11	3,716,898	10
Tax payable (Note 21)	602,714	2	523,854	2
Lease liabilities (Note 15)	12,520	-	-	-
Other current liabilities (Note 18)	519,744	1	339,062	1
Total current liabilities	9,306,381	24	9,419,631	26
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 21)	21,930	-	-	-
Lease liabilities (Note 15)	20,702	-	-	-
Long-term deferred revenue	4,060	-	14,068	-
Net defined benefit liabilities (Note 19)	94,945	-	92,827	-
Guarantee deposits received	134	-	144	-
Total non-current liabilities	141,771	-	107,039	-
Total liabilities	9,448,152	24	9,526,670	26
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 20 and 24)				
Share capital				
Common shares	1,970,740	5	1,970,740	6
Capital surplus	6,724,104	17	6,674,650	18
Retained earnings				
Legal reserve	3,850,715	10	3,418,903	9
Special reserve	380,927	1	-	-
Unappropriated earnings	16,411,959	43	15,228,504	42
Total retained earnings	20,643,601	54	18,647,407	51
Other equity	(176,125)	-	(380,927)	(1)
Total equity attributable to owners of the Corporation	29,162,320	76	26,911,870	74
NON-CONTROLLING INTERESTS	26,308	-	-	-
Total equity	29,188,628	76	26,911,870	74
TOTAL	$ 38,636,780	100	$ 36,438,540	100

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

(With Deloitte & Touche auditors' report dated March 16, 2020)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 27)				
Gross sales	$ 44,973,895	101	$ 40,976,395	101
Less: Sales returns and allowances	637,192	2	361,131	1
Net sales	44,336,703	99	40,615,264	100
Other operating revenue	356,738	1	172,841	-
Total operating revenue	44,693,441	100	40,788,105	100
OPERATING COSTS (Notes 11, 22 and 27)	33,544,166	75	31,656,151	78
GROSS PROFIT	11,149,275	25	9,131,954	22
OPERATING EXPENSES (Note 22)				
Marketing	601,933	1	513,837	1
General and administrative	676,893	1	441,225	1
Research and development	4,714,400	11	3,495,417	9
Reversal of expected credit losses (Note 10)	(53,964)	-	(28,309)	-
Total operating expenses	5,939,262	13	4,422,170	11
OPERATING INCOME	5,210,013	12	4,709,784	11
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses (Note 22)	27,872	-	175,624	-
Share of losses of associates (Note 13)	(243,815)	(1)	(174,654)	-
Other income (Note 22)	358,870	1	299,497	1
Financial costs (Note 22)	(2,006)	-	(5,070)	-
Total non-operating income and expenses	140,921	-	295,397	1
PROFIT BEFORE INCOME TAX	5,350,934	12	5,005,181	12
INCOME TAX EXPENSE (Note 21)	805,097	2	687,062	1
NET PROFIT FOR THE YEAR	4,545,837	10	4,318,119	11
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(1,445)	-	(3,701)	-

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PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	$ 265,956	1	$ (169,451)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	289	-	2,171	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(59,969)	-	(3,975)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 21)	13,669	-	3,214	-
Other comprehensive income (loss) for the year, net of income tax	218,500	1	(171,742)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 4,764,337	11	$ 4,146,377	10
NET PROFIT ATTRIBUTED TO:				
Owners of the Corporation	$ 4,543,489	10	$ 4,318,119	11
Non-controlling interests	2,348	-	-	-
	$ 4,545,837	10	$ 4,318,119	11
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:				
Owners of the Corporation	$ 4,762,958	11	$ 4,146,377	10
Non-controlling interests	1,379	-	-	-
	$ 4,764,337	11	$ 4,146,377	10
EARNINGS PER SHARE; NEW TAIWAN DOLLARS (Note 23)				
Basic	$ 23.05		$ 21.91	
Diluted	$ 22.78		$ 21.60	

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

(With Deloitte & Touche auditors' report dated March 16, 2020) (Concluded)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation									
			Retained Earnings			Other Equity				
	Common Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 1,970,740	$ 6,660,502	$ 2,842,806	$ 25,965	$ 14,984,938	$ (67,147)	$ (316,201)	$ 26,101,603	$ -	$ 26,101,603
Appropriation of the 2017 earnings										
Legal reserve	-	-	576,097	-	(576,097)	-	-	-	-	-
Reversal of special reserve	-	-	-	(25,965)	25,965	-	-	-	-	-
Cash dividends - NT$17 per share	-	-	-	-	(3,350,258)	-	-	(3,350,258)	-	(3,350,258)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	14,148	-	-	-	-	-	14,148	-	14,148
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	(172,633)	-	172,633	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	4,318,119	-	-	4,318,119	-	4,318,119
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(1,530)	(761)	(169,451)	(171,742)	-	(171,742)
BALANCE AT DECEMBER 31, 2018	1,970,740	6,674,650	3,418,903	-	15,228,504	(67,908)	(313,019)	26,911,870	-	26,911,870
Appropriation of the 2018 earnings										
Legal reserve	-	-	431,812	-	(431,812)	-	-	-	-	-
Special reserve	-	-	-	380,927	(380,927)	-	-	-	-	-
Cash dividends - NT$13 per share	-	-	-	-	(2,561,962)	-	-	(2,561,962)	-	(2,561,962)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	27,298	27,298
Changes in percentage of ownership interests in subsidiaries	-	2,369	-	-	-	-	-	2,369	(2,369)	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	47,085	-	-	-	-	-	47,085	-	47,085
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	15,823	-	(15,823)	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	4,543,489	-	-	4,543,489	2,348	4,545,837
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(1,156)	(44,591)	265,216	219,469	(969)	218,500
BALANCE AT DECEMBER 31, 2019	$ 1,970,740	$ 6,724,104	$ 3,850,715	$ 380,927	$ 16,411,959	$ (112,499)	$ (63,626)	$ 29,162,320	$ 26,308	$ 29,188,628

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

(With Deloitte & Touche auditors' report dated March 16, 2020)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 5,350,934	$ 5,005,181
Adjustments for:		
Depreciation	293,221	223,830
Amortization	159,941	201,357
Expected credit losses reversed on trade receivables	(53,964)	(28,309)
Financial costs	2,006	5,070
Interest income	(58,473)	(54,189)
Dividend income	(81,192)	(41,698)
Share of losses of associates	243,815	174,654
Gains on disposal of property, plant and equipment	(14,907)	(1,413)
Loss (gain) on disposal of associates	2,960	(392)
(Reversal) write-down of inventories	(63,347)	94,910
Net loss (gain) on foreign currency exchange	66,000	(91,066)
Recognition of refund liabilities	363,490	166,648
Net changes related to operating assets and liabilities		
Financial assets at fair value through profit or loss	(154,451)	12,148
Notes and accounts receivable	(718,100)	501,434
Other receivables	(158,228)	16,046
Inventories	(3,892,546)	(479,247)
Prepayments	(255,137)	(36,059)
Other current assets	68,538	(39,081)
Contract liabilities	96,345	34,270
Notes and accounts payable	(1,129,555)	1,172,875
Other payables	693,799	(16,658)
Deferred revenue	(10,008)	(5,642)
Other current liabilities	(187,786)	(333,586)
Net defined benefit liabilities	673	7,930
Cash generated from operations	564,028	6,489,013
Interest paid	(2,006)	(5,070)
Income tax paid	(762,238)	(1,270,759)
Net cash (used in) generated from operating activities	(200,216)	5,213,184
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(33,160)	(134,207)
Proceeds from sale of financial assets at fair value through other comprehensive income	112,653	25,586
Proceeds from sale of financial assets at amortized cost	10,944	13,317
Purchase of financial assets at fair value through profit or loss	(348,962)	(3,032,790)
Proceeds from sale of financial assets at fair value through profit or loss	99,958	1,501,263
Acquisition of associates	(359,878)	(178,880)
Net cash inflow on disposal of associates	-	398

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PHISON ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Payment for property, plant and equipment	$ (534,637)	$ (370,970)
Proceeds from disposal of property, plant and equipment	15,008	1,628
Decrease (increase) in refundable deposits	632	(3,374)
Payment for intangible assets	(275,444)	(135,845)
Interest received	59,240	53,967
Dividends received from others	81,192	41,698
Dividends received from associates	-	233,310
Proceeds from capital reduction of financial assets at fair value through profit or loss	8,730	69,855
Net cash used in investing activities	(1,163,724)	(1,915,044)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits	(10)	(130)
Repayment of the principal portion of lease liabilities	(10,794)	-
Dividends paid	(2,561,962)	(3,350,258)
Increase in non-controlling interests	27,298	-
Net cash used in financing activities	(2,545,468)	(3,350,388)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(61,731)	86,255
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,971,139)	34,007
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	14,176,396	14,142,389
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 10,205,257	$ 14,176,396

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

(With Deloitte & Touche auditors' report dated March 16, 2020) (Concluded)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 16, 2020.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

   <u>IFRS 16 “Leases”</u>

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

   <u>Definition of a lease</u>

   The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The Group's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 2.6%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 43,283
Less: Recognition exemption for short-term leases	(15,405)
Less: Recognition exemption for leases of low-value assets	(14)
Undiscounted amounts on January 1, 2019	$ 27,864
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 26,667
Lease liabilities recognized on January 1, 2019	$ 26,667

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 26,831	$ 26,831
Guarantee deposits paid	7,154	(164)	6,990
Total effect on assets	$ 7,154	$ 26,667	$ 33,821
Lease liabilities - current	$ -	$ 8,277	$ 8,277
Lease liabilities - non-current	-	18,390	18,390
Total effect on liabilities	$ -	$ 26,667	$ 26,667

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

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

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

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

Basis of Consolidation

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

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

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

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

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

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

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

See Note 12 and Tables 5 and 6 following the Notes to Consolidated Financial Statements for detailed information on subsidiaries (including the percentage of ownership and main businesses).

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period 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 period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, and in which case, the exchange differences are also recognized directly in other comprehensive income.

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

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

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Inventories

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

Investment in Associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

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

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

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

Property, Plant and Equipment

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

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

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

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

Intangible Assets

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

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

Impairment of Tangible, Intangible Assets (Other Than Goodwill), and Assets Related to Contract Costs

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

Financial Instruments

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

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

a. Financial assets

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

   1) Measurement category

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

      a) Financial assets at FVTPL

         Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

         Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

      b) Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

ii. Breach of contract, such as a default;

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

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

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

c) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets and contract assets

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

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

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

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

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

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

b. Equity instruments

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

1) Recognition and measurement

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

2) Derecognition of financial liabilities

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

Revenue Recognition

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

Revenue from the sale of goods

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

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

Leases

2019

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

a. The Group as lessor

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

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

b. The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

2018

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.

a. The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Termination benefits

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

Share-based Payment Arrangements - Employee Share Options

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

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 93	$ 109
Checking accounts and demand deposits	7,672,079	9,299,883
Cash equivalents		
Time deposits with original maturities of less than 3 months	2,533,085	4,876,404
	$ 10,205,257	$ 14,176,396

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Non-derivative financial assets - current		
Financial assets mandatorily classified as FVTPL		
Beneficiary certificates - open-end funds	$ 2,816,597	$ 2,619,258
Domestic listed shares	529,538	372,994
Convertible bonds	94,770	85,288
	$ 3,440,905	$ 3,077,540
Non-derivative financial assets - non-current		
Financial assets mandatorily classified as FVTPL		
Private equity funds	$ 45,408	$ 47,366
Domestic unlisted shares	341,618	281,900
Overseas unlisted shares	72,280	98,523
	$ 459,306	$ 427,789

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

Investments in Equity Instruments at FVTOCI

	December 31	
	2019	2018
Domestic investments - unlisted shares	$ 230,267	$ 132,871
Overseas investments - unlisted shares	406,165	317,526
	$ 636,432	$ 450,397

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

9. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	December 31	
	2019	2018
Certificates of deposit	$ 20,383	$ 56,997
Time deposits with original maturities of more than 3 months	35,890	10,220
	$ 56,273	$ 67,217

As of December 31, 2019 and 2018, the interest rates for time deposits with original maturities of more than 3 months were 0.13%-1.75%. The Group assessed that the expected credit risk of the financial assets was not high and the credit risk has not increased significantly since initial recognition.

Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Accounts receivable		
At amortized cost		
Gross carrying amount - non-related parties	$ 5,494,199	$ 5,051,051
Gross carrying amount - related parties	537,149	344,249
	6,031,348	5,395,300
Less: Loss allowance	97,378	151,342
	$ 5,933,970	$ 5,243,958
Other receivables		
Income tax refund receivable	$ 292,145	$ 176,307
Convertible bonds redemption receivable	83,286	-
Factored accounts receivable	30,342	74,777
Others	21,309	21,978
	$ 427,082	$ 273,062

Trade Receivables

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

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

The Group applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit losses allowance for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix by reference to past default experience with the respective debtors and an analysis of each debtor’s current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group’s historical credit losses experience does not show significantly different loss patterns for different customer segments, the loss allowance, which is based on the past due status of receivables, is not further distinguished according to different segments of the Group’s customer base.

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

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

December 31, 2019

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

December 31, 2018

	Not Past Due	Less than 2 Months	2 to 3 Months	3 to 4 Months	4 to 5 Months	Over 5 Months	Total
Gross carrying amount	$ 4,592,145	$ 413,222	$ 4,813	$ 6,474	$ 13,879	$ 20,518	$ 5,051,051
Loss allowance (lifetime expected credit losses)	(72,558)	(47,920)	(923)	(1,687)	(8,203)	(20,051)	(151,342)
Amortized cost	$ 4,519,587	$ 365,302	$ 3,890	$ 4,787	$ 5,676	$ 467	$ 4,899,709

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

	2019	2018
Balance, beginning of period	$ 151,342	$ 185,393
Less: Reversal of loss allowance	(53,964)	(28,309)
Less: Amounts written off	-	(5,533)
Foreign exchange gains and losses	-	(209)
Balance, end of period	$ 97,378	$ 151,342

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

(In Thousands of Dollars)

Factor	**Factor Amount**	**Reclassified to Other Receivables**	**Advances Received - Unused**	**Prepayments**	**Annual Interest Rates on Advances Received (Used) (%)**
For the year ended December 31, 2019					
HSBC Bank	US$ 16,704	US$ 1,012	-	-	-
For the year ended December 31, 2018					
HSBC Bank	US$ 42,640	US$ 2,435	-	-	-

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

11. INVENTORIES

	December 31	
	2019	**2018**
Raw materials	$ 6,933,204	$ 4,264,410
Work-in-process	2,672,047	2,000,892
Semi-finished goods	1,762,677	1,273,952
Finished goods	120,337	37,467
Merchandise	44,459	-
	$ 11,532,724	$ 7,576,721

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were $33,544,166 thousand and $31,656,151 thousand, respectively.

The costs of goods sold for the years ended December 31, 2019 and 2018 included reversals of inventory write-downs of $63,347 thousand and write-downs of $94,910 thousand, respectively. The reversals of previous write-downs resulted from an increase in market selling prices.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

Investor	Investee	Principal Activities	Proportion of Ownership December 31 2019	2018	Remark
Phison Electronics Corp.	Lian Xu Dong Investment Corporation	Investment	100.00	100.00	-
	Phison Electronics Japan Corp.	Sales and service office	100.00	100.00	-
	Emtops Electronics Corp.	Investment	100.00	100.00	-
	Phisontech Electronics Taiwan Corp.	Design of ASIC and R&D, manufacture, and sale of ASIC for IP and technical support service	100.00	-	Remark 5
	Phisontech Electronics (Malaysia) Sdn. Bhd.	Design, production and sale of flash memory controllers and peripheral system applications	100.00	100.00	-
	Global Flash Limited	Investment and trade	100.00	100.00	-
	Power Flash (Samoa) Limited	Investment and trade	100.00	100.00	-
	Everspeed Technology Limited	Trade of electronic components	100.00	100.00	-
	Regis Investment (Samoa) Limited	Investment	100.00	100.00	-
Global Flash Limited	Phisontech (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronics	100.00	100.00	-
	Core Storage Electronic (Samoa) Limited	Investment and trade	100.00	100.00	-
Core Storage Electronic (Samoa) Limited	Hefei Core Storage Electronic Limited	Design, R&D, production and sale of integrated circuits, systems and electronics hardware and software and rendering of related services.	97.69	100.00	Note 24
Hefei Core Storage Electronic Limited	Hefei Yichao Electronics Technology Ltd.	Design, R&D and sale of electronic products and technical support service and rendering of related services and investment.	100.00	100.00	Remark 3
Phisontech Electronics (Malaysia) Sdn. Bhd.	Phisontech Electronics Taiwan Corp.	Design of ASIC and R&D, manufacture, and sale of ASIC for IP and technical support service	-	100.00	Remark 5
Lian Xu Dong Investment Corporation	Ostek Corporation	Manufacture and trade of electronic components	100.00	100.00	-
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Sale of electronic products	100.00	100.00	-
Everspeed Technology Limited	Memoryexchange Corporation	Design and sale of flash memory related products	100.00	100.00	-
	Cloud Solution Global Limited	Trade of electronic components	-	100.00	Remark 1
	Fast Choice Global Limited	Trade of electronic components	-	100.00	Remark 1
Regis Investment (Samoa) Limited	RealYou Investment Limited	Investment	100.00	100.00	-
RealYou Investment Limited	Hefei Ruhan Electronic Technology Limited	Design, R&D and sale of electronic products and technical support service and rendering of related services and investment.	100.00	100.00	Remark 4
Emtops Electronics Corp.	Phison Technology Inc.	Sales and service office	100.00	-	Remark 2

Remark 1: The company ended its operations in August 2019 and completed the liquidation procedures.

Remark 2: In 2019, the Corporation invested Phison Technology Inc. through sub-company for the operational needs.

Remark 3: In 2018, the Corporation invested Hefei Yichao Electronics Technology Ltd through sub-company for the operational needs.

Remark 4: In 2018, the Corporation invested Hefei Ruhan Electronics Technology Limited through sub-company for the operational needs.

Remark 5: The Corporation acquired 100% equity of Phisontech Electronics Taiwan Corp. from its subsidiary, Phisontech Electronics (Malaysia) Sdn. Bhd. in November 2019. This transaction is regarded as a reorganization under common control.

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

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
Investments in Associates	**2019**	**2018**
Unlisted shares		
Kingston Solutions Inc.	$ 965,294	$ 1,257,971
Epostar Electronics (BVI) Corporation	-	17,596
Microtops Design Corporation (“Microtops”)	24,403	22,696
PMS Technology Corporation	17,962	17,929
Hefei Xinpeng Technology Co., Ltd.	245,507	177,857
HOSIN Global Electronics Co., Ltd. (SZ)	390,993	-
	$ 1,644,159	$ 1,494,049

Refer to Tables 5 and 6 for the nature of activities, principal place of business and country of incorporation of the associates.

Based on operational considerations, the Group invested CNY62,000 thousand in HOSIN Global Electronics Co., Ltd. (SZ) and acquired 38.46% shareholding in 2019.

As of December 31, 2019 and 2018, no investments in associates were individually material to the Group.

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	**2018**
The Group’s share of:		
Net loss for the year	$ (243,815)	$ (174,654)
Other comprehensive income (loss)	(37)	(745)
Total comprehensive loss for the year	$ (243,852)	$ (175,399)

The fiscal year end date for Microtops is March 31. For the purpose of applying the equity method of accounting, the consolidated financial statements of Microtops as of March 31, 2019 and 2018 have been used as the Group considers that it is impracticable for Microtops to prepare a separate set of financial statements as of December 31. Appropriate adjustments have been made accordingly for the effects of significant transactions between those dates and December 31, 2019 and 2018.

The calculation of the investments accounted for using the equity method and the Group's share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on financial statements that have been audited.

The Group's share of losses of an associate is limited to its interest in that associate. The amounts of unrecognized share of losses of those associates extracted from the relevant audited financial statements of associates, both for the period and cumulatively, were as follows:

	For the Year Ended December 31, 2019
Unrecognized share of losses of associates for the year	$ 4,974
Accumulated unrecognized share of losses of associates	$ 4,974

All the aforementioned associates are accounted for using the equity method.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Testing Equipment	Office Equipment	Mechanical Equipment	Other Equipment	Total
Cost								
Balance at January 1, 2018	$ 813,738	$ 28,775	$ 1,965,976	$ 414,707	$ 46,685	$ -	$ 30,322	$ 3,300,203
Additions	-	-	79,495	281,956	15,215	-	13,634	390,300
Disposals	-	(5,095)	-	(42,359)	(10,142)	-	(844)	(58,440)
Effects of foreign currency exchange difference	-	-	-	(923)	(135)	-	(28)	(1,086)
Reclassification	-	-	-	1,585	-	-	-	1,585
Balance at December 31, 2018	$ 813,738	$ 23,680	$ 2,045,471	$ 654,966	$ 51,623	$ -	$ 43,084	$ 3,632,562
Accumulated depreciation								
Balance at January 1, 2018	$ -	$ 20,926	$ 233,074	$ 188,492	$ 23,543	$ -	$ 11,287	$ 477,322
Disposals	-	(5,095)	-	(42,181)	(10,105)	-	(844)	(58,225)
Depreciation	-	3,472	56,845	138,056	15,928	-	9,529	223,830
Effects of foreign currency exchange difference	-	-	-	(483)	(99)	-	(14)	(596)
Balance at December 31, 2018	$ -	$ 19,303	$ 289,919	$ 283,884	$ 29,267	$ -	$ 19,958	$ 642,331
Balance at December 31, 2018, net	$ 813,738	$ 4,377	$ 1,755,552	$ 371,082	$ 22,356	$ -	$ 23,126	$ 2,990,231
Cost								
Balance at January 1, 2019	$ 813,738	$ 23,680	$ 2,045,471	$ 654,966	$ 51,623	$ -	$ 43,084	$ 3,632,562
Additions	145,069	-	21,094	300,999	15,097	48,358	8,998	539,615
Disposals	-	(14,290)	-	(94,124)	(10,525)	-	(7,192)	(126,131)
Effects of foreign currency exchange difference	-	-	-	(2,045)	(293)	-	(119)	(2,457)
Reclassification	-	-	25,340	10,015	-	-	580	35,935
Balance at December 31, 2019	$ 958,807	$ 9,390	$ 2,091,905	$ 869,811	$ 55,902	$ 48,358	$ 45,351	$ 4,079,524
Accumulated depreciation								
Balance at January 1, 2019	$ -	$ 19,303	$ 289,919	$ 283,884	$ 29,267	$ -	$ 19,958	$ 642,331
Disposals	-	(14,290)	-	(94,124)	(10,424)	-	(7,192)	(126,030)
Depreciation	-	1,334	62,558	189,625	13,177	4,102	11,223	282,019
Effects of foreign currency exchange difference	-	-	-	(1,443)	(224)	-	(79)	(1,746)
Balance at December 31, 2019	$ -	$ 6,347	$ 352,477	$ 377,942	$ 31,796	$ 4,102	$ 23,910	$ 796,574
Balance at December 31, 2019, net	$ 958,807	$ 3,043	$ 1,739,428	$ 491,869	$ 24,106	$ 44,256	$ 21,441	$ 3,282,950

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

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 32,058
Transportation equipment	782
	$ 32,840

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Buildings	$ 10,575
Transportation equipment	627
	$ 11,202

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

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 12,520
Non-current	$ 20,702

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	2.55%-2.85%
Transportation equipment	2.6%

c. Material lease-in activities and terms

The Group leases buildings for the use of plants and offices with lease terms from 2017 to 2024. The lease contract for buildings specifies that lease payments will be adjusted from the third year on the basis of changes in the consumer price index. The Group has no options to purchase the equipment for a nominal amount at the end of the lease terms.

d. Other lease information

2019

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

2018

The Group as lessee

The Group's lease contracts for a factory and an office expire on December 31, 2022.

The future minimum lease payments of operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 20,260
Later than 1 year and not later than 5 years	23,023
	$ 43,283

16. INTANGIBLE ASSETS

	Computer Software	Technology License Fees	Total
Balance at January 1, 2018	$ 153,511	$ 64,619	$ 218,130
Additions	112,514	23,331	135,845
Amortization	(152,472)	(48,885)	(201,357)
Effects of foreign currency exchange differences	(68)	-	(68)
Balance at December 31, 2018	$ 113,485	$ 39,065	$ 152,550

(Continued)

	Computer Software	Technology License Fees	Total
Balance at January 1, 2019	$ 113,485	$ 39,065	$ 152,550
Additions	183,011	92,433	275,444
Amortization	(122,989)	(36,952)	(159,941)
Effects of foreign currency exchange differences	(27)	-	(27)
Balance at December 31, 2019	$ 173,480	$ 94,546	$ 268,026

(Concluded)

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

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

17. OTHER PAYABLES

	December 31	
	2019	2018
Other payables		
Salaries and bonuses payable	$ 3,221,135	$ 2,452,835
Others	1,176,994	1,264,063
	$ 4,398,129	$ 3,716,898

18. OTHER CURRENT LIABILITIES

	December 31	
	2019	2018
Other payables		
Refund liabilities	$ 419,506	$ 185,919
Payables for purchases of equipment	35,810	30,832
Receipts under custody	29,245	23,927
Others	35,183	98,384
	$ 519,744	$ 339,062

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

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

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

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 133,343	$ 127,656
Fair value of plan assets	(38,398)	(34,829)
Net defined benefit liabilities	$ 94,945	$ 92,827

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 116,566	$ (31,669)	$ 84,897
Service costs			
Current service costs	4,954	-	4,954
Net interest expense (income)	1,633	(443)	1,190
Recognized in profit or loss	6,587	(443)	6,144
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(802)	(802)
Actuarial loss - changes in financial assumptions	4,695	-	4,695
Actuarial profit - experience adjustments	(192)	-	(192)
Recognized in other comprehensive income	4,503	(802)	3,701
Contributions from the employer	-	(1,915)	(1,915)
Balance at December 31, 2018	$ 127,656	$ (34,829)	$ 92,827
Balance at January 1, 2019	$ 127,656	$ (34,829)	$ 92,827
Service costs			
Current service costs	1,591	-	1,591
Net interest expense (income)	1,532	(418)	1,114
Recognized in profit or loss	3,123	(418)	2,705

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (1,119)	$ (1,119)
Actuarial loss - changes in financial assumptions	8,565	-	8,565
Actuarial profit - experience adjustments	(6,001)	-	(6,001)
Recognized in other comprehensive income	2,564	(1,119)	1,445
Contributions from the employer	-	(2,032)	(2,032)
Balance at December 31, 2019	$ 133,343	$ (38,398)	$ 94,945

(Concluded)

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

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 433	$ 859
Marketing expenses	302	716
Administrative expenses	695	1,597
Research and development expenses	1,275	2,972
	$ 2,705	$ 6,144

Recognized in other comprehensive income was an actuarial loss of $1,156 thousand and $1,530 thousand in 2019 and 2018, respectively. The cumulative amount of actuarial loss recognized in other comprehensive income as of December 31, 2019 and 2018 was $42,283 thousand and $41,127 thousand, respectively.

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

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

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

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

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

	December 31	
	2019	**2018**
Discount rate	0.80%	1.20%
Expected rate of salary increase	4.00%	4.00%

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

	December 31	
	2019	**2018**
Discount rate		
0.25% increase	$ (5,430)	$ (5,838)
0.25% decrease	$ 5,670	$ 6,160
Expected rate of salary increase		
0.25% increase	$ 5,174	$ 5,655
0.25% decrease	$ (4,971)	$ (5,404)

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

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 2,038	$ 2,097
The average duration of the defined benefit obligation	17 years	19 years

20. EQUITY

a. Share capital

Common shares

	December 31	
	2019	**2018**
Number of shares authorized (in thousands)	280,000	230,000
Shares authorized	$ 2,800,000	$ 2,300,000
Number of shares issued and fully paid (in thousands)	197,074	197,074
Shares issued	$ 1,970,740	$ 1,970,740

On November 13, 2018, an employee share option plan was approved by the Corporation's board of directors which was declared effective on November 28, 2018, after the Financial Supervisory Commission (FSC) approved this plan as shown in the FSC's issued document No. 1070344165. In accordance with Article 56, Section 2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers and the regulations of the issuance of employee share options in 2018, shares can be issued as a whole or in parts depending on the actual needs of the Corporation within the year starting from the date the issuer received the notification of approval from the authorities.

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

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

Of the Corporation's authorized capital shares, 16,000 thousand shares were reserved for the issuance of employee share options.

b. Capital surplus

	December 31	
	2019	**2018**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of common shares	$ 6,237,434	$ 6,237,434
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	148,758	148,758
May only be used to offset a deficit		
Expired share options	227	227
Changes in percentage of ownership interests in subsidiaries (2)	2,369	-
Share of changes in capital surplus of associates or joint ventures	335,316	288,231
	$ 6,724,104	$ 6,674,650

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

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

c. Retained earnings and dividend policy

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

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

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

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

The appropriations of earnings for 2018 and 2017 were approved in the shareholders’ meeting on June 12, 2019 and June 8, 2018, respectively, and were as follows:

	Appropriation of Earnings	
	For Year 2018	**For Year 2017**
Legal reserve	$ 431,812	$ 576,097
Special reserve (reversal)	380,927	(25,965)
Cash dividends	2,561,962	3,350,258
Cash dividends per share (NT$)	13	17

The appropriation of earnings for 2019 had been proposed by the Corporation’s board of directors on March 16, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 455,816	
Reversal of special reserve	(204,802)	
Cash dividends	2,561,962	$13

The appropriation of earnings for 2019 are subject to the resolution of the shareholders in the shareholders’ meeting to be held on June 3, 2020.

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 756,349	$ 659,411
Adjustments for prior periods	33	(163,086)
Income tax on unappropriated earnings	49,037	185,973
	805,419	682,298
Deferred tax		
In respect of the current year	(322)	54,748
Effect of change in tax rate	-	(49,984)
	(322)	4,764
Income tax expense recognized in profit or loss	$ 805,097	$ 687,062

A reconciliation of accounting profit and income tax expense for 2019 and 2018 is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 5,350,934	$ 5,005,181
Income tax expense calculated at the statutory rate	$ 1,090,690	$ 1,022,903
Nondeductible expenses in determining taxable income	-	1,107
Unrecognized deductible temporary differences	7,436	(6,690)
Tax-exempt income	(343,304)	(304,852)
Income tax on unappropriated earnings	49,037	185,973
Effect of change in tax rate	-	(49,984)
Effect of different tax rate of group entitles operating in other jurisdictions	1,205	1,691
Adjustments for prior years' tax	33	(163,086)
Income tax expense recognized in profit or loss	$ 805,097	$ 687,062

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 31, 2019.

The appropriation of the 2020 earnings is uncertain and is subject to approval at the shareholders' meeting; thus, the potential consequences of income tax on the 2019 unappropriated earnings are not reliably determinable.

b. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred income tax		
Effect of change in tax rate	$ -	$ 3,857
Recognized in other comprehensive income		
Actuarial gain on defined benefit plan	289	740
Translation of foreign operations	13,669	788
Total income tax recognized in other comprehensive income	$ 13,958	$ 5,385

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 45,499	$ 23,448
Current tax liabilities		
Income tax payable	$ 602,714	$ 523,854

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for impairment loss	$ 17,397	$ (9,913)	$ -	$ -	$ 7,484
Inventory write-downs	80,319	(12,740)	-	-	67,579
Deferred revenue	3,878	(2,745)	-	(44)	1,089
Refund liabilities	37,184	46,717	-	-	83,901
Defined benefit obligation	18,565	135	289	-	18,989
Unrealized exchange losses	85,242	22,423	-	5	107,670
Impairment loss on financial assets	31,801	(6,293)	-	-	25,508
Exchange differences on translating foreign operations	16,960	-	13,669	-	30,629
Share of losses of subsidiaries and associates	13,110	(13,110)	-	-	-
Property, plant and equipment	2,197	(56)	-	-	2,141
Non-leaving-pay	-	92	-	(2)	90
Unrealized gain on transactions with subsidiaries	3,910	(2,258)	-	-	1,652
	$ 310,563	$ 22,252	$ 13,958	$ (41)	$ 346,732
Deferred tax liabilities					
Temporary differences					
Share of gains of subsidiaries and associates	$ -	$ 21,930	$ -	$ -	$ 21,930

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for impairment loss	$ 21,608	$ (4,211)	$ -	$ -	$ 17,397
Inventory write-downs	52,567	27,752	-	-	80,319
Deferred revenue	4,928	(967)	-	(83)	3,878
Refund liabilities	49,654	(12,470)	-	-	37,184
Defined benefit obligation	14,433	1,961	2,171	-	18,565
Unrealized exchange losses	77,475	7,767	-	-	85,242
Impairment loss on financial assets	44,475	(12,674)	-	-	31,801
Exchange differences on translating foreign operations	13,746	-	3,214	-	16,960
Share of losses of subsidiaries and associates	29,224	(16,114)	-	-	13,110
Property, plant and equipment	1,915	282	-	-	2,197
Unrealized gain on transactions with subsidiaries	-	3,910	-	-	3,910
	$ 310,025	$ (4,764)	$ 5,385	$ (83)	$ 310,563

e. Income tax assessments

Associate	For the Year Ended
Phison Electronics Corp.	2016
Lian Xu Dong Investment Corporation	2017
Emtops Electronics Corp.	2017
Ostek Corporation	2017
Phisontech Electronics Taiwan Corp.	2017
Memoryexchange Corporation	2017

22. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

The following items were included in the net profit:

a. Other gains and losses

	For the Year Ended December 31 2019	2018
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as FVTPL	$ 154,451	$ (12,148)
Net foreign exchange (losses) gains	(138,374)	185,916
Others	11,795	1,856
	$ 27,872	$ 175,624

b. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 52,922	$ 51,067
Others	5,551	3,122
	58,473	54,189
Rental income	2,478	1,885
Dividend income	81,192	41,698
Others	216,727	201,725
	$ 358,870	$ 299,497

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	$ 1,085	$ 5,070
Interest on lease liabilities	921	-
	$ 2,006	$ 5,070

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 282,019	$ 223,830
Right-of-use assets	11,202	-
Intangible assets	159,941	201,357
	$ 453,162	$ 425,187
An analysis of depreciation by function		
Operating costs	$ 54,672	$ 45,945
Operating expenses	238,549	177,885
	$ 293,221	$ 223,830
An analysis of amortization by function		
Operating expenses	$ 159,941	$ 201,357

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 4,420,794	$ 2,939,711
Post-employment benefits		
Defined contribution plan	96,078	82,200
Defined benefit plan	2,705	6,144
	98,783	88,344
Other employee benefits		
Employee welfare	60,158	55,870
Food stipend	48,902	41,210
	109,060	97,080
Termination benefits	1,160	55
	$ 4,629,797	$ 3,125,190
Employee benefits		
Recognized in operating costs	$ 240,521	$ 212,504
Recognized in operating expenses	4,389,276	2,912,686
	$ 4,629,797	$ 3,125,190

f. Employees' compensation and remuneration of directors and supervisors

The Corporation accrued employees' compensation and remuneration of directors and supervisors at the rates of 8%-19% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which have been approved by the Corporation's board of directors on March 16, 2020 and March 21, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	10.79%	9.84%
Remuneration of directors and supervisors	0.58%	0.72%

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Employees' compensation	$ 650,000	$ -	$ 550,000	$ -
Remuneration of directors and supervisors	35,000	-	40,000	-

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	**2018**
Foreign exchange gains	$ 358,481	$ 589,489
Foreign exchange losses	(496,855)	(403,573)
Net (losses) gains	$ (138,374)	$ 185,916

23. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic earnings per share	$ 23.05	$ 21.91
Diluted earnings per share	$ 22.78	$ 21.60

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

Net Profit for the Year

	For the Year Ended December 31	
	2019	**2018**
Earnings used in the computation of basic earnings per share		
Profit for the period attributable to owners of the Corporation	$ 4,543,489	$ 4,318,119
Earnings used in the computation of diluted earnings per share		
Profit for the period attributable to owners of the Corporation	$ 4,543,489	$ 4,318,119

Shares

(In Thousands of Shares)

	For the Year Ended December 31	
	2019	**2018**
Weighted-average number of common shares used in the computation of basic earnings per share	197,074	197,074
Effect of potentially dilutive common shares:		
Employees' compensation	2,367	2,867
Weighted-average number of common shares used in the computation of dilutive earnings per share	199,441	199,941

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

24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In 2019, the Group subscribed for additional new shares of Hefei Core Storage Electronic Limited at a percentage different from its existing ownership percentage, resulting in a reduction in its ownership percentage from 100% to 97.69%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	For the Year Ended December 31, 2019
Cash consideration received	$ 27,250
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(24,881)
Differences recognized from equity transactions	$ 2,369
Line items adjusted for equity transactions	
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ 2,369

25. CAPITAL MANAGEMENT

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

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

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

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

26. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2019

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

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	$ 372,994	$ -	$ -	$ 372,994
Domestic unlisted shares	-	-	281,900	281,900
Overseas unlisted shares	-	-	98,523	98,523
Domestic private equity funds	-	-	47,366	47,366
Beneficiary certificates - open-end funds	2,619,258	-	-	2,619,258
Convertible bonds	-	-	85,288	85,288
	$ 2,992,252	$ -	$ 513,077	$ 3,505,329
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 132,871	$ 132,871
Overseas unlisted shares	-	-	317,526	317,526
	$ -	$ -	$ 450,397	$ 450,397

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.

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

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTPL			Financial Assets at FVTOCI	Total
	Derivatives - Private Equity Funds	Derivatives - Convertible Bonds	Equity Instruments	Equity Instruments	
Balance at January 1, 2019	$ 47,366	$ 85,288	$ 380,423	$ 450,397	$ 963,474
Recognized in profit or loss					
Other losses	(1,958)	(5,134)	(10,072)	-	(17,164)
Recognized in other comprehensive income					
Unrealized gain on financial assets at FVTOCI	-	-	-	265,956	265,956
Capital reduction and refund of shares	-	-	(8,730)	-	(8,730)
Purchases	-	92,379	52,277	33,160	177,816
Sales	-	(77,763)	-	(112,653)	(190,416)
Effects of foreign currency exchange differences	-	-	-	(428)	(428)
Balance at December 31, 2019	$ 45,408	$ 94,770	$ 413,898	$ 636,432	$1,190,508

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTPL			Financial Assets at FVTOCI	Total
	Derivatives - Private Equity Funds	Derivatives - Convertible Bonds	Equity Instruments	Equity Instruments	
Balance at January 1, 2018 (IAS 39)	$ -	$ 53,722	$ 434,763	$ -	$ 488,485
Transfers into Level 3 (Application of IFRS 9)	47,032	-	302,656	511,227	860,915
Recognized in profit or loss					
Other losses	334	3,478	134,421	-	138,233
Recognized in other comprehensive income					
Unrealized gain on financial assets at FVTOCI	-	-	-	(169,451)	(169,451)
Purchases	-	77,763	13,201	134,207	225,171
Sales	-	(49,675)	-	(25,586)	(75,261)
Capital reduction and refund of shares	-	-	(69,855)	-	(69,855)
Transfers out of Level 3	-	-	(434,763)	-	(434,763)
Balance at December 31, 2018	$ 47,366	$ 85,288	$ 380,423	$ 450,397	$ 963,474

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

a) The fair values of convertible bonds are determined using the Binary Tree Evaluation Model and option pricing models where the significant unobservable input is historical volatility. As of December 31, 2019 and 2018, the historical volatilities used were 49.88% and 58.61%, respectively.

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

	December 31	
	2019	**2018**
Discount for lack of marketability	15%	15%

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

	December 31	
	2019	**2018**
Discount for non-controlling interest	15%	15%
Discount for lack of marketability	15%	15%
Sustainable revenue growth rates	2%	2%
WACC	12.78-14.39%	13.7%

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

	December 31	
	2019	**2018**
Discount for non-controlling interests	10%	10%
Discount for lack of marketability	10%	10%

c. Categories of financial instruments

	December 31	
	2019	**2018**
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as FVTPL	$ 3,900,211	$ 3,505,329
Financial assets at amortized cost (Note 1)	16,622,582	19,760,633
Financial assets at FVTOCI		
Equity instruments	636,432	450,397
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	8,040,788	8,522,445

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

Note 2: The balances include financial liabilities measured at amortized cost, which comprise notes payable, trade payables, and other payables.

d. Financial risk management objectives and policies

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are referred in Note 31.

Sensitivity analysis

The Group was mainly exposed to the US dollar.

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

	Impact of USD	
	For the Year Ended December 31	
	2019	**2018**
Profit or loss	$ 322,088	$ 256,005

b) Interest rate risk

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

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 2,589,358	$ 4,943,621
Financial liabilities	33,222	-
Cash flow interest rate risk		
Financial assets	7,672,079	9,299,883

Sensitivity analysis

If interest rates had been 1 basis point higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase by $767 thousand and $930 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2019 and 2018 would have increased/decreased by $39,002 thousand and $35,053 thousand respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by $6,364 thousand and $4,504 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

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

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized short-term bank loan facilities of $7,858,400 thousand and $7,922,200 thousand, respectively.

Liquidity and interest risk rate table for non-derivative financial liabilities

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

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

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	**1-5 Years**	**5-10 Years**	**10-15 Years**	**15-20 Years**	**20+ Years**
Lease liabilities	$ 13,264	$ 21,433	$ -	$ -	$ -	$ -

	December 31, 2018				
	On Demand or Less Than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**More than 5 Years**
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 3,848,521	$ 2,902,468	$ 2,295,310	$ -	$ -

e. Information on transfers of financial assets

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

27. RELATED PARTY TRANSACTIONS

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

a. Related parties and their relationships

Related Party	Relationship
Toshiba International Procurement Hong Kong, Ltd.	Other related parties
Kioxia America, Inc.	Other related parties (Note 1)
Toshiba Corporation, Japan	Other related parties
Toshiba Singapore Pte. Ltd.	Other related parties
Dynabook ANZ Pty. Limited	Other related parties (Note 2)
Kioxia Corporation	Other related parties (Note 3)
Kioxia Singapore Pte. Ltd.	Other related parties (Note 4)
Kioxia America, Inc.	Other related parties (Note 5)
Kioxia Taiwan Corporation	Other related parties (Note 6)
Toshiba Electronic Components Taiwan Corporation	Other related parties
Orient Semiconductor Electronics Ltd.	Other related parties
Dawning Leading Technology Inc.	Other related parties (Note 7)
Apacer Technology Inc.	Other related parties
United Power Research Technology Corporation	Other related parties
Kingston Solutions Inc.	Associates
PMS Technology Corporation	Associates
Microtops Design Corporation	Associates
Epostar Electronics Corporation	Associates
Shenzhen EpoStar Electronics Limited Co.	Associates
HOSIN Global Electronics Co., Ltd. (HK)	Associates
Hefei DATANG Storage Technology Co., Ltd.	Associates
SiliTai Electronics Co., Limited	Associates
HOSIN Global Electronics Co., Ltd. (SZ)	Associates
Wang Chih Ling	Board of subsidiary Hefei Core Storage Electronic Limited
Lin Wai	Board of subsidiary Hefei Core Storage Electronic Limited

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

Note 2: Toshiba Client Solutions ANZ Pty Limited was renamed as Dynabook ANZ Pty. Limited on April 1, 2019.

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

Note 4: Toshiba Memory Singapore Pte. Ltd. was renamed as Kioxia Singapore Pte. Ltd. on October 1, 2019.

Note 5: Toshiba Memory America, Inc. was renamed as Kioxia America, Inc. on October 1, 2019.

Note 6: Toshiba Memory Taiwan Corporation was renamed as Kioxia Taiwan Corporation on October 1, 2019.

Note 7: The dissolution of Dawning Leading Technology Inc. was approved in the shareholders' meeting held on August 29, 2018 and the date of merger was set as November 1, 2018; thus, starting from November 1, 2018, Dawning Leading Technology Inc. was no longer a related party of the Group.

b. Operating revenue

Related Party Categories	**For the Year Ended December 31**	
	2019	**2018**
Associates	$ 1,323,270	$ 88,762
Other related parties	1,932,615	1,831,022
	$ 3,255,885	$ 1,919,784

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

c. Operating costs

1) Purchase of goods

Related Party Categories	**For the Year Ended December 31**	
	2019	**2018**
Associates	$ 1,462,239	$ 689,883
Other related parties		
Kioxia Taiwan Corporation	11,432,366	13,871,205
Others	1,437,493	4,477,557
	$ 14,332,098	$ 19,038,645

2) Processing costs

Related Party Categories	**For the Year Ended December 31**	
	2019	**2018**
Associates	$ 458	$ 185
Other related parties	2,385,170	1,758,073
	$ 2,385,628	$ 1,758,258

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

d. Receivables from related parties

Related Party Categories	**December 31**	
	2019	**2018**
Associates	$ 246,653	$ 81,354
Other related parties	290,496	262,895
	$ 537,149	$ 344,249

The outstanding trade receivables from related parties are unsecured. No bad debt expense was recognized for the allowance for impaired trade receivables with respect to the amounts owed by related parties in 2019 and 2018.

e. Payables to related parties

Related Party Categories	December 31 2019	December 31 2018
Associates	$ 29,796	$ 134,362
Other related parties		
Kioxia Taiwan Corporation	1,034,293	2,077,768
Others	320,008	644,014
	$ 1,384,097	$ 2,856,144

The outstanding trade payables from related parties are unsecured.

f. Compensation of key management personnel

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Short-term employee benefits	$ 279,451	$ 192,693
Post-employment benefits	2,624	1,866
Termination benefits	643	-
Other employee benefits	3,442	4,294
	$ 286,160	$ 198,853

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

g. Issuance of ordinary shares for cash by subsidiary

On February 1, 2019, it was resolved in the shareholders' meeting of Hefei Core Storage Electronic Limited to issue ordinary shares which amounted to $27,250 thousand (CNY5,950 thousand). The board of directors of Hefei Core Storage Electronic Limited, Wang Chih Ling and Lin Wai, each funded $8,175 thousand and their shareholding percentages were both 0.69%.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31 2019	December 31 2018
Refundable deposits for customs duties - certificates of deposit (financial assets at amortized cost - current)	$ 20,383	$ 56,997

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2019 and 2018 were as follows:

Significant Commitments

	December 31	
	2019	**2018**
Unused letters of credit	$ 1,660,000	$ 1,670,000

30. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In response to the growth of the operation, the Corporation’s board of directors resolved on January 17, 2020 to build a factory building in Zhunan Guangyuan Science and Technology Park by contracting third parties to construct on the land owned by the Corporation. The total price of the project was approximately $1,398,000 thousand. The Corporation will finance the construction with its own funds. The expected construction period is from March 2020 to December 2021.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

In Thousands of New Taiwan Dollars and Foreign Currencies

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

	December 31, 2018		
	Foreign Currencies	Exchange Rates	New Taiwan Dollars
Financial assets			
Monetary			
USD (USD:NTD)	$ 240,853	30.7150	$ 7,397,797
USD (USD:CNY)	4,805	6.8632	147,582
CNY (CNY:NTD)	33,224	4.4720	148,577
Financial liabilities			
Monetary			
USD (USD:NTD)	106,744	30.7150	3,278,640

For the years ended December 31, 2019 and 2018, (realized and unrealized) net foreign exchange losses were $138,374 thousand and gains $185,916 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

32. OTHER SIGNIFICANT EVENT

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

33. ADDITIONAL DISCLOSURES

a. Information about significant transactions and b. investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (None)

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

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (None)

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

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

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 2)

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

9) Trading in derivative instruments. (None)

10) Other: Intercompany relationships and significant intercompany transactions. (Table 4)

11) Information of investees. (Table 5)

c. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investments in the mainland China area. (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Table 7)

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

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

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the period and their purposes.

   e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

   f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

34. SEGMENT INFORMATION

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

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segment Profit (Loss)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Department that designs and sells flash memory controllers	$ 44,693,441	$ 40,788,105	$ 5,185,563	$ 4,710,274
Investment department	-	-	24,450	(490)
Total operating segments	$ 44,693,441	$ 40,788,105	5,210,013	4,709,784
Other gains and losses			27,872	175,624
Share of losses of associates			(243,815)	(174,654)
Other income			358,870	299,497
Financial costs			(2,006)	(5,070)
Income before income tax			$ 5,350,934	$ 5,005,181

Segment revenue reported above was generated from external customers. There were no intersegment sales for the years 2019 and 2018.

Segment profit represented the profit before tax earned by each segment without the share of gains or losses of associates, rental income, interest income, gains or losses on the disposal of property, plant and equipment, gains or losses on sales of investments, exchange gains or losses, valuation gains or losses on financial instruments, financial costs and income tax expense.

b. Segment assets and liabilities

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

c. Revenue from major products and services

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

	For the Year Ended December 31	
	2019	2018
Sales of nand flash controller and application products etc.	$ 44,336,703	$ 40,615,264
Services income	356,738	172,841
	$ 44,693,441	$ 40,788,105

d. Geographical information

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Asia	$ 30,003,289	$ 24,336,197	$ 3,583,816	$ 3,142,781
America	10,225,567	12,646,332	-	-
Europe	4,209,463	3,609,347	-	-
Australia	254,547	195,271	-	-
Others	575	958	-	-
	$ 44,693,441	$ 40,788,105	$ 3,583,816	$ 3,142,781

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

e. Information about major customers

Included in revenue arising from the sale of nand flash, controller and application products of $44,336,703 thousand and $40,615,264 thousand in 2019 and 2018, respectively, is revenue of approximately $5,289,287 thousand and $8,928,975 thousand which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type/ Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares or Units (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership (%)	Market Value	
Phison Electronics Corp.	Beneficiary certificates							
	Mega Diamond Money Market Fund	-	Financial assets at FVTPL - current	16,326	$ 205,565	-	$ 205,565	Note 3
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	13,369	205,391	-	205,391	Note 3
	Franklin Templeton SinoAm Money Market Fund	-	Financial assets at FVTPL - current	20,685	214,691	-	214,691	Note 3
	Yuanta De-Li Money Market Fund	-	Financial assets at FVTPL - current	9,298	152,208	-	152,208	Note 3
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - current	13,767	204,813	-	204,813	Note 3
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at FVTPL - current	16,113	202,698	-	202,698	Note 3
	CTBC Hwa-win Money Market Fund	-	Financial assets at FVTPL - current	18,239	201,762	-	201,762	Note 3
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	12,070	191,690	-	191,690	Note 3
	Eastspring Investments Well Pool Money Market Fund	-	Financial assets at FVTPL - current	11,087	151,408	-	151,408	Note 3
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	14,809	201,168	-	201,168	Note 3
	Taishin Ta-Chong Money Market Fund	-	Financial assets at FVTPL - current	14,102	201,111	-	201,111	Note 3
	TCB Taiwan Money Market Fund	-	Financial assets at FVTPL - current	19,716	201,067	-	201,067	Note 3
	Capital Money Market Fund	-	Financial assets at FVTPL - current	12,416	201,104	-	201,104	Note 3
	Convertible bonds							
	Ubitus Inc.	-	Financial assets at FVTPL - current	-	94,770	-	94,770	Note 9
	Common shares							
	Orient Semiconductor Electronics, Ltd.	-	Financial assets at FVTPL - current	7,336	108,945	1.32	108,945	Note 4
	Apacer Technology Inc.	-	Financial assets at FVTPL - current	10,050	420,593	9.96	420,593	Note 4
	JAFCO Asia Technology Fund VI L.P.	-	Financial assets at FVTPL - non-current	1,000	18,849	0.67	18,849	Note 5
	AppWorks Fund II Co., Ltd.	-	Financial assets at FVTPL - non-current	8,850	232,179	11.11	232,179	Note 5
	Innorich Venture Capital Corp.	-	Financial assets at FVTPL - non-current	3,000	19,438	5.61	19,438	Note 5
	AppWorks Fund I Co., Ltd.	-	Financial assets at FVTPL - non-current	1,292	20,201	18.75	20,201	Note 5
	Aptos Technology Inc.	-	Financial assets at FVTOCI - non-current	529	-	0.60	-	-
	Viva Baseball Co., Ltd.	-	Financial assets at FVTOCI - non-current	Note 6	-	8.33	-	-
	Adam Elements International Co., Ltd.	-	Financial assets at FVTOCI - non-current	1,710	37,906	19.00	37,906	Note 5
	THLight Co., Ltd.	-	Financial assets at FVTOCI - non-current	6,388	-	13.19	-	-
	UD INFO Corp.	-	Financial assets at FVTOCI - non-current	741	81,264	17.98	81,264	Note 5
	GeoThings, Inc.	-	Financial assets at FVTOCI - non-current	150	-	6.70	-	-
	Ironyun Incorporated (preference shares)	-	Financial assets at FVTOCI - non-current	5,000	-	5.64	-	-
	Gospal Ltd.	-	Financial assets at FVTOCI - non-current	811,857	3,156	3.40	3,156	Note 5
	H3 Platform, Inc.	-	Financial assets at FVTOCI - non-current	18,400	14,141	12.14	14,141	Note 5
	CAL-COMP INDUSTRIA DE SEMICONDUCTORES S.A.	-	Financial assets at FVTOCI - non-current	11,966	67,208	17.16	67,208	Note 5
	Acer Synergy Tech Corp.	-	Financial assets at FVTPL - non-current	900	19,800	8.09	19,800	Note 7
	Gomore Inc.	-	Financial assets at FVTOCI - non-current	16,925	10,061	3.39	10,061	Note 8
	Taishan Buffalo Investment Co., Ltd. (preference shares)	-	Financial assets at FVTPL - non-current	50,000	50,000	1.08	50,000	Note 8

(Continued)

Holding Company Name	Marketable Securities Type/ Name and Issuer (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2019 Shares or Units (In Thousands)	Carrying Amount (Note 2)	Percentage of Ownership (%)	Market Value	Note
	Private equity fund							
	Fuh Hwa Smart Energy Fund	-	Financial assets at FVTPL - non-current	6,000	$ 45,408	3.81	$ 45,408	Note 5
Lian Xu Dong Investment Corporation	Beneficiary certificates							
	FSITC Taiwan Money Market Fund	-	Financial assets at FVTPL - current	1,986	30,513	-	30,513	Note 3
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at FVTPL - current	2,424	30,495	-	30,495	Note 3
	Common shares							
	United Power Research Technology Corp.	-	Financial assets at FVTOCI - non-current	5,616	65,188	16.12	65,188	Note 5
	Fresco Logic, Inc. (preference shares)	-	Financial assets at FVTOCI - non-current	1,250	-	2.23	-	-
	Translink Capital Partners III, L.P.	-	Financial assets at FVTPL - non-current	1,500	41,954	1.18	41,954	Note 5
	Translink Capital Partners IV L.P.	-	Financial assets at FVTPL - non-current	430	11,477	0.59	11,477	Note 5
	Liqid, Inc. (preference shares)	-	Financial assets at FVTOCI - non-current	2,111	233,497	7.04	233,497	Note 8
	UMBO CV Inc. (preference shares)	-	Financial assets at FVTOCI - non-current	1,626	28,986	2.51	28,986	Note 8
	Omni Media International Incorporation	-	Financial assets at FVTOCI - non-current	1,714	45,909	4.56	45,909	Note 5
	RENIAC, INC. (preference shares)	-	Financial assets at FVTOCI - non-current	302	15,956	1.97	15,956	Note 8
Emtops Electronics Corporation	Beneficiary certificates - open-end funds							
	Mega Diamond Money Market Fund	-	Financial assets at FVTPL - current	3,980	50,107	-	50,107	Note 3
	FSITC Money Market	-	Financial assets at FVTPL - current	280	50,095	-	50,095	Note 3
	Taishin Ta-Chong Money Market Fund	-	Financial assets at FVTPL - current	3,513	50,099	-	50,099	Note 3
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at FVTPL - current	815	10,249	-	10,249	Note 3
	Franklin Templeton SinoAm Money Market Fund	-	Financial assets at FVTPL - current	5,816	60,363	-	60,363	Note 3
	Preference shares							
	ProGrade Digital, Inc.	-	Financial assets at FVTOCI - non-current	1,070	33,160	15.73	33,160	Note 7
	Common shares							
	My Digital Discount, Inc.	-	Financial assets at FVTOCI - non-current	-	-	19.00	-	-

Note 1: The marketable securities listed refer to the types of financial instruments within the scope of IFRS 9 “Financial Instruments”.
Note 2: The carrying amount is either the fair value or the original cost net of allowance loss.
Note 3: The calculation of the market value was based on the net asset value as of December 31, 2019.
Note 4: The calculation of the market value was based on the closing price as of December 31, 2019.
Note 5: Refer to Note 26 (b)-3 for market value information.
Note 6: The issuing company is not limited by shares.
Note 7: The calculation of the market value was based on the most recent buying price.
Note 8: The calculation of the market value was based on the most recent acquisition price.
Note 9: The calculation of the market value was based on the expert evaluation report as of December 31, 2019.
Note 10: The Group held marketable securities that had not been guaranteed, pledged or mortgaged as collateral or restricted by other commitments.

(Concluded)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Phison Electronics Corp.	Kingston Solutions Inc.	Investee company accounted for using the equity method	Purchase	$ 540,495	2	Net 30 days after monthly closing	None	None	$ (29,796)	(1)	-
	Kioxia America, Inc.	The subsidiary of the Corporation's legal entity board of directors	Purchase	1,435,200	5	Net 30 days after receipt date	None	None	(97,230)	(3)	-
	Kioxia Taiwan Corporation	The subsidiary of the Corporation's legal entity board of directors	Purchase	11,432,366	37	Net 30 days after monthly closing	None	None	(1,034,293)	(28)	-
	HOSIN Global Electronics Co., Ltd. (HK)	The subsidiary of the sub-subsidiary's associates	Purchase	917,343	3	Net 7 days after receipt date	None	None	-	-	-
	Orient Semiconductor Electronics, Ltd.	The Corporation is its director	Processing cost	2,371,331	7	Net 30 days after monthly closing	None	None	(195,595)	(5)	-
	Kioxia Corporation	The Corporation's legal entity board of directors	Sale	(710,310)	(2)	Net 60 days after monthly closing	None	None	72,050	1	-
	Kingston Solutions Inc.	Investee company accounted for using the equity method	Sale	(905,565)	(2)	Net 60 days after monthly closing	None	None	195,512	3	-
	Apacer Technology Inc.	The Corporation is its director	Sale	(1,084,131)	(2)	Net 45 days after monthly closing	None	None	182,600	3	-
	Hefei Core Storage Electronic Limited	Sub-subsidiary	Sale	(331,306)	(1)	Net 30 days after monthly closing	None	None	27,487	-	-
	Hefei DATANG Storage Technology Co., Ltd.	The subsidiary of the sub-subsidiary's associates	Sale	(347,372)	(1)	Net 60 days after receipt date	None	None	43,890	1	-

TABLE 3

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
					Amount	Action Taken		
Phison Electronics Corp.	Apacer Technology Inc.	The Corporation is its director	$ 182,600	6.88	$ -	-	$ 182,600	$ -
	Kingston Solutions Inc.	Investee company accounted for using the equity method	195,512	6.56	-	-	195,512	-

Note: As of February 29, 2020.

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Number	Company Name	Counterparty	Flow of Transaction	Transaction Details			Percentage of Transaction Amount to Consolidated Operating Revenue or Total Assets (%)
				Account	Amount	Transaction Terms	
0	Phison Electronics Corp.	Hefei Core Storage Electronic Limited	1	Sales revenue	$ 331,306	Based on regular terms	1
		Hefei Core Storage Electronic Limited	1	Accounts receivable	27,487	Based on regular terms	-
		Hefei Core Storage Electronic Limited	1	Research expenses	199,849	Based on regular terms	-
		Hefei Core Storage Electronic Limited	1	Other payables	45,681	Based on regular terms	-
		Ostek Corporation	1	Manufacturing expenses	33,889	Based on regular terms	-
		Ostek Corporation	1	Accounts payable	1,883	Based on regular terms	-
		Phison Electronics Japan Corp.	1	Sales expenses	13,032	Based on regular terms	-
		Phison Electronics Japan Corp.	1	Other payables	2,994	Based on regular terms	-
		Phisontech Electronics (Malaysia) Sdn. Bhd.	1	Sales revenue	5,935	Based on regular terms	-
		Phisontech Electronics (Malaysia) Sdn. Bhd.	1	Purchase	1,550	Based on regular terms	-
		Phison Technology Inc.	1	Other payables	12,833	Based on regular terms	-
		Phison Technology Inc.	1	Sales expenses	26,138	Based on regular terms	-
		Hefei Ruhan Electronic Technology Limited	1	Sales revenue	86,241	Based on regular terms	-
1	Hefei Core Storage Electronic Limited	Hefei Ruhan Electronic Technology Limited	2	Purchase	85,327	Based on regular terms	-

Note: The following numerals represent the corresponding directional flow of transactions.

a. Parent company to subsidiary: 1.
b. Between subsidiaries: 2.

TABLE 5

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net (Loss) Income of the Investee	Investment (Loss) Income	Note
				December 31, 2019	December 31, 2018	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Phison Electronics Corp.	Kingston Solutions Inc.	Taiwan	Embedded flash product and market development	$ 106,050	$ 106,050	10,605,000	32.91	$ 965,294	$ (889,121)	$ (292,610)	Investee company accounted for using the equity method
	Emtops Electronics Corporation	Taiwan	Investment	380,000	95,000	38,000,000	100.00	355,076	425	425	Subsidiary
	Lian Xu Dong Investment Corporation	Taiwan	Investment	650,000	650,000	65,000,000	100.00	676,498	9,052	9,052	Subsidiary
	Microtops Design Corporation	Taiwan	Research and design of flash memory controllers and related products	22,638	22,638	2,263,800	49.00	24,403	3,484	1,707	Investee company accounted for using the equity method
	Phisontech Electronics Taiwan Corp.	Taiwan	Design of ASIC and R&D, manufacture, and sale of ASIC for IP and technical support service	41,363	-	1,000,000	100.00	40,518	(1,118)	(231)	Subsidiary
	Phison Electronics Japan Corp.	Japan	Sales and service office	59,508	59,508	2,000	100.00	31,722	(2,844)	(2,844)	Subsidiary
	Global Flash Limited	Samoa	Investment and trade	1,158,472	665,823	37,100,000	100.00	1,157,998	36,412	36,412	Subsidiary
	Phisontech Electronics (Malaysia) Sdn. Bhd.	Malaysia	Design, production and sale of flash memory controllers and peripheral system applications	91,422	91,422	10,000,000	100.00	59,482	(4,803)	(4,803)	Subsidiary
	Epostar Electronics (BVI) Corporation	British Virgin Islands	Investment	133,988	133,988	10,600,000	37.82	-	(116,273)	(39,000)	Investee company accounted for using the equity method
	Power Flash (Samoa) Limited	Samoa	Investment and trade	105,440	105,440	3,200,000	100.00	99,223	154	154	Subsidiary
	Everspeed Technology Limited	Samoa	Trade of electronic components	-	-	1,000,000	100.00	343,601	87,325	87,325	Subsidiary
	Regis Investment (Samoa) Limited	Samoa	Investment	393,214	199,332	13,000,000	100.00	502,266	97,960	97,960	Subsidiary
Lian Xu Dong Investment Corporation	Ostek Corporation	Taiwan	Manufacture and trade of electronic components	9,000	9,000	900,000	100.00	58,795	5,941	-	Sub-subsidiary
	PMS Technology Corporation	Taiwan	Research and design of flash memory controllers and related products	2,000	2,000	200,000	33.33	17,962	99	-	Investee company accounted for using the equity method

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount December 31, 2019	Investment Amount December 31, 2018	Balance as of December 31, 2019 Number of Shares	Balance as of December 31, 2019 Percentage of Ownership (%)	Balance as of December 31, 2019 Carrying Amount	Net (Loss) Income of the Investee	Investment (Loss) Income	Note
Emtops Electronics Corporation	Phison Technology Inc.	America	Sales and service office	$ 31,415	$ -	1,000,000	100.00	$ 30,478	$ 514	$ -	Sub-subsidiary
Global Flash Limited	Core Storage Electronic (Samoa) Limited	Samoa	Investment and trade	1,068,818	576,229	34,150,000	100.00	1,121,055	39,315	-	Sub-subsidiary
Power Flash (Samoa) Limited	Power Flash (HK) Limited	Hong Kong	Trade of electronic products	98,754	98,754	3,000,000	100.00	93,339	322	-	Sub-subsidiary
Everspeed Technology Limited	Memoryexchange Corporation	Taiwan	Design and sale of flash memory related products	391,986	391,986	40,950,000	100.00	210,217	93,698	-	Sub-subsidiary
Regis Investment (Samoa) Limited	RealYou Investment Limited	Hong Kong	Investment	391,989	197,760	12,950,000	100.00	500,855	97,697	-	Sub-subsidiary

(Concluded)

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Percentage of Ownership (%)	Investment (Loss) Income (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow						
Phisontech (Shenzhen) Limited	Design, R&D, import and export of storage devices and electronics	$ 53,096	b	$ 53,096	$ -	$ -	$ 53,096	100.00	$ (2,260)	$ 6,273	$ -	b (2)
Hefei Core Storage Electronic Limited	Design, R&D, production and sale of integrated circuits, systems and electronics hardware and software and rendering of related services	1,039,083	b	576,780	486,435	-	1,063,215	97.69	38,775	1,104,340	-	b (2)
Hefei Ruhan Electronic Technology Limited	Design, R&D, sale of electronics hardware and rendering of related services and investment	182,825	b	182,825	-	-	182,825	100.00	(1,968)	174,418	-	b (1)
Hefei Yichao Electronics Technology Ltd.	Design, R&D, sale of electronics hardware and rendering of related services and investment	280,387	b	-	-	-	-	100.00	(10,522)	259,402	-	b (2)
Hefei Xinpeng Technology Co., Ltd.	Design, R&D, production and sale of integrated circuits and electronics hardware and software and rendering of related services	618,078	b	-	-	-	-	43.62	(13,740)	245,507	-	b (1), b (2)
Hosin Global Electronics Co., Ltd. (SZ)	Design, R&D and sale of integrated circuits and electronics hardware and software and rendering of related services	588,160	b	-	183,640	-	183,640	38.46	99,795	390,993	-	b (1), b (2)

(Continued)

Accumulated Investments in Mainland China as of December 31, 2019	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investments (Note 3)
$ 1,482,776 (US$ 47,608)	$ 1,514,933 (US$ 48,790)	$ 17,513,177

Note 1: Method of investment:

a. Directly invested in mainland China.

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

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

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

(Concluded)

TABLE 7

PHISON ELECTRONICS CORP. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Phison Electronics Corp.	Hefei Core Storage Electronic Limited	Sub-subsidiary	Sale	$ 331,306	1	Net 30 days after monthly closing	None	None	$ 27,487	-	-
	Hefei Ruhan Electronic Technology Limited	Sub-subsidiary	Sale	86,241	-	Net 30 days after monthly closing	None	None	-	-	-
	Shenzhen EpoStar Electronics Limited CO.	Associates' subsidiary	Sale	19,999	-	Delivery after receipt	None	None	-	-	-
	Hefei DATANG Storage Technology Co., Ltd.	The subsidiary of the sub-subsidiary's associates	Sale	347,372	1	Net 60 days after receipt date	None	None	43,890	1	-
	Hosin Global Electronics Co., Ltd. (SZ)	The reinvested of the sub-subsidiary	Sale	6,714	-	Delivery after receipt	None	None	-	-	-
Hefei Core Storage Electronic Limited	Hefei Ruhan Electronic Technology Limited	Sister company	Purchase	85,327	18	Net 30 days after monthly closing	None	None	-	-	-
	Hefei DATANG Storage Technology Co., Ltd.	The subsidiary of the subsidiary's associates	Sale	1,494	-	Net 30 days after receipt date	None	None	-	-	-