Phison Electronics Corp.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Phison Electronics Corp.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and 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 Financial Statements section of our report. We are independent of the Corporation 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 financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the 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 Corporation's financial statements for the year ended December 31, 2019 is stated as follows:

<u>Sales Revenue Recognition</u>

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 Corporation's customers are numerous and diverse, and the net sales of the Corporation for the year ended December 31, 2019 amounted to NT$44,149,263 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 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 30 to the accompanying 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.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.

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

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

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

We also provide those charged with governance with 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 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 financial statements are intended only to present the 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 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 financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

PHISON ELECTRONICS CORP.

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)	$ 8,276,554	22	$ 12,778,312	36
Financial assets at fair value through profit or loss (FVTPL) (Notes 7 and 24)	3,158,984	8	2,979,132	8
Financial assets at amortized cost (Notes 9 and 26)	20,383	-	30,576	-
Notes and accounts receivable				
Non-related parties (Note 10)	5,333,785	14	4,853,397	13
Related parties (Notes 10 and 25)	564,913	1	383,602	1
Other receivables (Note 10)	409,011	1	253,105	1
Inventories (Note 11)	11,443,733	30	7,491,072	21
Prepayments	281,215	1	62,823	-
Other current assets	2,467	-	8,521	-
Total current assets	29,491,045	77	28,840,540	80
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (FVTPL) (Notes 7 and 24)	405,875	1	383,497	1
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 8 and 24)	213,736	1	163,443	1
Investments accounted for using the equity method (Note 12)	4,256,081	11	3,141,430	9
Property, plant and equipment (Note 13)	3,263,440	8	2,961,130	8
Right-of-use assets (Note 14)	32,840	-	-	-
Intangible assets (Note 15)	267,339	1	149,381	-
Deferred tax assets (Note 20)	345,395	1	306,595	1
Guarantee deposits paid	4,202	-	2,570	-
Total non-current assets	8,788,908	23	7,108,046	20
TOTAL	$ 38,279,953	100	$ 35,948,586	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities	$ 130,615	-	$ 34,266	-
Notes and accounts payable				
Non-related parties	2,252,521	6	1,936,292	5
Related parties (Note 25)	1,385,981	4	2,861,765	8
Other payables (Note 16)	4,050,837	11	3,290,868	9
Tax payable (Note 20)	597,762	2	522,579	2
Lease liabilities (Note 14)	12,520	-	-	-
Other current liabilities (Note 17)	549,427	1	297,716	1
Total current liabilities	8,979,663	24	8,943,486	25
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 20)	21,930	-	-	-
Lease liabilities (Note 14)	20,702	-	-	-
Net defined benefit liabilities (Note 18)	94,945	-	92,827	-
Guarantee deposits received	393	-	403	-
Total non-current liabilities	137,970	-	93,230	-
Total liabilities	9,117,633	24	9,036,716	25
EQUITY (Note 19)				
Share capital				
Common shares	1,970,740	5	1,970,740	5
Capital surplus	6,724,104	18	6,674,650	19
Retained earnings				
Legal reserve	3,850,715	10	3,418,903	10
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	52
Other equity	(176,125)	(1)	(380,927)	(1)
Total equity	29,162,320	76	26,911,870	75
TOTAL	$ 38,279,953	100	$ 35,948,586	100

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

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

PHISON ELECTRONICS CORP.

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 25)				
Gross sales	$ 44,812,822	101	$ 41,027,588	101
Less: Sales returns and allowances	663,559	2	371,291	1
Net sales	44,149,263	99	40,656,297	100
Other operating revenue	330,012	1	147,833	-
Total operating revenue	44,479,275	100	40,804,130	100
OPERATING COSTS (Notes 11, 21 and 25)	33,337,982	75	31,652,858	78
GROSS PROFIT	11,141,293	25	9,151,272	22
UNREALIZED LOSS (GAIN) ON TRANSACTIONS	11,288	-	(19,550)	-
REALIZED GROSS PROFIT	11,152,581	25	9,131,722	22
OPERATING EXPENSES (Note 21)				
Marketing	636,791	1	525,116	1
General and administrative	618,075	1	384,276	1
Research and development	4,728,405	11	3,525,077	9
Reversal of expected credit losses (Note 10)	(43,384)	-	(39,098)	-
Total operating expenses	5,939,887	13	4,395,371	11
OPERATING INCOME	5,212,694	12	4,736,351	11
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 21)	209,278	-	132,028	-
Other gains and losses (Note 21)	26,933	-	161,238	1
Share of losses of subsidiaries and associates (Note 12)	(106,453)	-	(24,194)	-
Financial costs (Note 21)	(2,006)	-	(5,070)	-
Total non-operating income and expenses	127,752	-	264,002	1
PROFIT BEFORE INCOME TAX	5,340,446	12	5,000,353	12
INCOME TAX EXPENSE (Note 20)	796,957	2	682,234	1
NET PROFIT FOR THE YEAR	4,543,489	10	4,318,119	11

(Continued)

PHISON ELECTRONICS CORP.

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**	**%**
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)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	58,967	-	(106,094)	(1)
Share of the other comprehensive gain (loss) of associates and joint ventures accounted for using the equity method	206,249	1	(63,357)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	289	-	2,171	-
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss of subsidiaries and associates	(58,260)	-	(3,975)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss (Note 20)	13,669	-	3,214	-
Other comprehensive income (loss) for the year, net of income tax	219,469	1	(171,742)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 4,762,958	11	$ 4,146,377	10
EARNINGS PER SHARE; NEW TAIWAN DOLLARS (Note 22)				
Basic	$ 23.05		$ 21.91	
Diluted	$ 22.78		$ 21.60	

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

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

PHISON ELECTRONICS CORP.

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

			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 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
Appropriation of the 2017 earnings								
Legal reserve	-	-	576,097	-	(576,097)	-	-	-
Reversal of special reserve	-	-	-	(25,965)	25,965	-	-	-
Cash dividends - NT$17 per share	-	-	-	-	(3,350,258)	-	-	(3,350,258)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	14,148	-	-	-	-	-	14,148
Subsidiaries' disposal of the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(21,785)	-	21,785	-
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	(150,848)	-	150,848	-
Net profit for the year ended December 31, 2018	-	-	-	-	4,318,119	-	-	4,318,119
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(1,530)	(761)	(169,451)	(171,742)
BALANCE AT DECEMBER 31, 2018	1,970,740	6,674,650	3,418,903	-	15,228,504	(67,908)	(313,019)	26,911,870
Appropriation of the 2018 earnings								
Legal reserve	-	-	431,812	-	(431,812)	-	-	-
Special reserve	-	-	-	380,927	(380,927)	-	-	-
Cash dividends - NT$ 13 per share	-	-	-	-	(2,561,962)	-	-	(2,561,962)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	47,085	-	-	-	-	-	47,085
Changes in percentages of ownership interests in subsidiaries	-	2,369	-	-	-	-	-	2,369
Subsidiaries' disposal of the investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	14,689	-	(14,689)	-
Disposal of equity instrument investments at fair value through other comprehensive income	-	-	-	-	1,134	-	(1,134)	-
Net profit for the year ended December 31, 2019	-	-	-	-	4,543,489	-	-	4,543,489
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(1,156)	(44,591)	265,216	219,469
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

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

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

PHISON ELECTRONICS CORP.

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	$ 5,340,446	$ 5,000,353
Adjustments for:		
Depreciation	276,217	208,353
Amortization	157,195	198,436
Expected credit losses reversed on trade receivables	(43,384)	(39,098)
Financial costs	2,006	5,070
Interest income	(52,615)	(49,565)
Dividend income	(77,813)	(41,698)
Share of losses of subsidiaries and associates	106,453	24,194
Gains on disposal of property, plant and equipment	(14,429)	(1,406)
(Reversal) write-down of inventories	(63,700)	92,379
Unrealized (loss) gain on transactions with subsidiaries	(11,288)	19,550
Net loss (gain) on foreign currency exchange	83,862	(69,951)
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	(149,990)	11,605
Notes and accounts receivable	(700,786)	431,181
Other receivables	(157,014)	14,114
Inventories	(3,888,961)	(397,448)
Prepayments	(254,327)	(36,962)
Other current assets	6,054	(2,032)
Contract liabilities	96,349	34,266
Notes and accounts payable	(1,126,222)	1,165,893
Other payables	772,583	44,474
Other current liabilities	(111,779)	(318,759)
Net defined benefit liabilities	673	4,228
Cash generated from operations	553,020	6,463,825
Interest paid	(2,006)	(5,070)
Income tax paid	(724,686)	(1,246,975)
Net cash (used in) generated from operating activities	(173,672)	5,211,780
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	-	(53,712)
Proceeds from sale of financial assets at fair value through other comprehensive income	8,674	25,437
Purchase of financial assets at amortized cost	-	(10,027)
Proceeds from sale of financial assets at amortized cost	10,193	-
Purchase of financial assets at fair value through profit or loss	(138,733)	(3,021,042)
Proceeds from sale of financial assets at fair value through profit or loss	77,763	1,498,384
Purchase of investments accounted for using the equity method	(1,012,895)	(229,857)
Payment for property, plant and equipment	(531,390)	(374,975)

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PHISON ELECTRONICS CORP.

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

	2019	2018
Proceeds from disposal of property, plant and equipment	$ 14,429	$ 1,585
Increase in refundable deposits	(1,658)	(1,199)
Payment for intangible assets	(275,153)	(135,709)
Interest received	53,242	49,114
Dividends received from associates	-	233,310
Dividends received from others	77,813	41,698
Proceeds from capital reduction of financial assets at fair value through profit or loss	8,730	69,855
Net cash used in investing activities	(1,708,985)	(1,907,138)
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)
Net cash used in financing activities	(2,572,766)	(3,350,388)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(46,335)	69,482
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,501,758)	23,736
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12,778,312	12,754,576
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 8,276,554	$ 12,778,312

The accompanying notes are an integral part of the 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 financial statements are presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The 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 Corporation's accounting policies:

   IFRS 16 "Leases"

   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.

   Definition of a lease

   The Corporation 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 Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases on the 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 statements of comprehensive income, the Corporation 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 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 statements of cash flows.

The Corporation 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 Corporation applies IAS 36 to all right-of-use assets.

The Corporation also applies the following practical expedients:

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

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

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

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

The Corporation’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	$ 28,286
Less: Recognition exemption for short-term leases	(407)
Less: Recognition exemption for leases of low-value assets	(14)
Undiscounted amounts on January 1, 2019	$ 27,865
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 26,667
Lease liabilities recognized on January 1, 2019	$ 26,667

The Corporation as lessor

The Corporation 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	2,570	(164)	2,406
Total effect on assets	$ 2,570	$ 26,667	$ 29,237
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 Corporation 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 Corporation shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the Corporation’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 financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the Corporation'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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations").

Basis of Preparation

The 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.

When preparing its parent company only financial statements, the Corporation used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in the accounting treatment between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, share of profit or loss of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates, as appropriate, in the parent company only financial statements.

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 Corporation 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.

Foreign Currencies

In preparing the Corporation’s financial statements, transactions in currencies other than the Corporation’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 financial statements, the functional currencies of the Corporation and its foreign operations 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.

Inventories

Inventories consist of raw materials, semi-finished 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.

Investments Accounted for Using the Equity Method

The Corporation uses the equity method to account for its investments in subsidiaries and associates.

Investments in subsidiaries

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. The Corporation also recognizes the changes in the Corporation’s share of equity of the subsidiary.

Changes in the Corporation’s ownership interests in subsidiaries that do not result in the Corporation’s loss of control over the subsidiaries are accounted for as equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the financial statements of the subsidiary as a whole. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits and losses resulting from any downstream transactions are eliminated in full only in the parent company’s financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company’s financial statements only to the extent of interests in the subsidiaries that are not related to the Corporation.

Investments in associates

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

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation’s share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation’s share of equity of associates.

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

When the Corporation 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 Corporation 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 Corporation 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 Corporation continues to apply the equity method and does not remeasure the retained interest.

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

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 Corporation 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 Corporation 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 Corporation 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 24.

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

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

b) When a financial asset is overdue unless the Corporation 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 Corporation 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 Corporation 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 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 Corporation 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 Corporation 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 Corporation assesses whether the contract is, or contains, a lease.

a. The Corporation 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 Corporation as lessee

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

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

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

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

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

b. The Corporation 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 Corporation'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 Corporation can no longer withdraw the offer of the termination benefits and when the Corporation 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 Corporation'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 Corporation 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 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 in the parent company only financial statements 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 Corporation 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 Corporation 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 Corporation’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	December 31 2018
Cash on hand	$ 60	$ 60
Checking accounts and demand deposits	5,910,829	7,956,746
Cash equivalents		
Time deposits with original maturities of less than 3 months	2,365,665	4,821,506
	$ 8,276,554	$ 12,778,312

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2019	December 31 2018
Non-derivative financial assets - current		
Financial assets mandatorily classified as FVTPL		
Beneficiary certificates - open-end funds	$ 2,534,676	$ 2,520,850
Domestic listed shares	529,538	372,994
Convertible bonds	94,770	85,288
	$ 3,158,984	$ 2,979,132
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	18,849	54,231
	$ 405,875	$ 383,497

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

Investments in Equity Instruments at FVTOCI

	December 31 2019	December 31 2018
Domestic investments - unlisted shares	$ 119,170	$ 70,134
Overseas investments - unlisted shares	94,566	93,309
	$ 213,736	$ 163,443

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 Corporation'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	$ 20,356
Time deposits with original maturities of more than 3 months	-	10,220
	$ 20,383	$ 30,576

As of December 31, 2018, the interest rate for time deposits with original maturities of more than 3 months was 0.13%. The Corporation 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 26 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	$ 5,431,163	$ 4,994,159
Gross carrying amount - related parties	564,913	383,602
	5,996,076	5,377,761
Less: Loss allowance	97,378	140,762
Accounts receivable, net	$ 5,898,698	$ 5,236,999
Other receivables		
Income tax refund receivable	$ 292,145	$ 176,010
Convertible bonds redemption receivable	83,286	-
Factored accounts receivable	30,342	74,777
Others	3,238	2,318
	$ 409,011	$ 253,105

Trade Receivables

The average credit period of sales of goods was 30 to 90 days. The Corporation 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 Corporation uses other publicly available financial information or its own trading records to rate its major customers. The Corporation'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 Corporation 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 Corporation 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 Corporation's credit risk is significantly reduced.

The Corporation 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 Corporation'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 Corporation's customer base.

The Corporation 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 Corporation 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 Corporation'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	$ 4,965,897	$ 426,446	$ 2,282	$ 12,802	$ 667	$ 23,069	$ 5,431,163
Loss allowance (lifetime expected credit losses)	(23,357)	(41,121)	(1,238)	(8,059)	(534)	(23,069)	(97,378)
Amortized cost	$ 4,942,540	$ 385,325	$ 1,044	$ 4,743	$ 133	$ -	$ 5,333,785

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	$ 4,548,162	$ 410,894	$ 4,813	$ 6,474	$ 13,879	$ 9,937	$ 4,994,159
Loss allowance (lifetime expected credit losses)	(72,558)	(47,920)	(923)	(1,687)	(8,203)	(9,471)	(140,762)
Amortized cost	$ 4,475,604	$ 362,974	$ 3,890	$ 4,787	$ 5,676	$ 466	$ 4,853,397

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

	December 31	
	2019	2018
Balance, beginning of period	$ 140,762	$ 185,393
Less: Reversal of loss allowance	(43,384)	(39,098)
Less: Amounts written off	-	(5,533)
Balance, end of period	$ 97,378	$ 140,762

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 Corporation shall pay only the necessary related charges.

11. INVENTORIES

	December 31	
	2019	2018
Raw materials	$ 6,906,706	$ 4,239,740
Work-in-process	2,665,101	1,942,660
Semi-finished goods	1,751,589	1,271,222
Finished goods	120,337	37,450
	$ 11,443,733	$ 7,491,072

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were $33,337,982 thousand and $31,652,858 thousand, respectively.

The costs of goods sold for the years ended December 31, 2019 and 2018 included reversals of inventory write-downs of $63,700 thousand and write-downs of $92,379 thousand, respectively. The reversals of previous write-downs resulted from an increase in market selling prices.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	$ 3,266,384	$ 1,843,167
Investments in associates	$ 989,697	$ 1,298,263

a. Investments in subsidiaries

	December 31	
	2019	**2018**
Unlisted shares		
Global Flash Limited	$ 1,157,998	$ 628,701
Lian Xu Dong Investment Corporation	676,498	484,367
Emtops Electronics Corp.	355,076	71,102
Phisontech Electronics Taiwan Corp.	40,518	-
Phisontech Electronics (Malaysia) Sdn. Bhd.	59,482	64,275
Power Flash (Samoa) Limited	99,223	101,359
Everspeed Technology Limited	343,601	252,981
Phison Electronics Japan Corp.	31,722	34,764
Regis Investment (Samoa) Limited	502,266	205,618
	$ 3,266,384	$ 1,843,167

At the end of the reporting period, the proportions of ownership and voting rights in subsidiaries held by the Corporation were as follows:

	December 31	
Name of Subsidiaries	**2019**	**2018**
Global Flash Limited	100%	100%
Lian Xu Dong Investment Corporation	100%	100%
Emtops Electronics Corp.	100%	100%
Phisontech Electronics Taiwan Corp.	100%	-
Phisontech Electronics (Malaysia) Sdn. Bhd.	100%	100%
Power Flash (Samoa) Limited	100%	100%
Everspeed Technology Limited	100%	100%
Phison Electronics Japan Corp.	100%	100%
Regis Investment (Samoa) Limited	100%	100%

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 business combinations involving entities under common control.

In March 2018, the Corporation invested in Regis Investment (Samoa) Limited, which is principally engaged in investment services.

Except for Global Flash Limited, Power Flash (Samoa) Limited, Everspeed Technology Limited and Regis Investment (Samoa) Limited, which were calculated based on the financial statements which have not been audited, other investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments held by the Corporation were calculated based on the financial statements which have been audited. Management believes there will be no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income if the financial statements of Global Flash Limited, Power Flash (Samoa) Limited, Everspeed Technology Limited and Regis Investment (Samoa) Limited were to be audited.

b. Investments in associates

	December 31 2019	December 31 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
	$ 989,697	$ 1,298,263

Refer to Table 4 for the nature of activities, principal place of business and country of incorporation of the associates.

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

Aggregate information of associates that are not individually material

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
The Corporation's share of:		
Net loss for the year	$ (329,903)	$ (174,924)
Other comprehensive income (loss)	(37)	(745)
Total comprehensive loss for the year	$ (329,940)	$ (175,669)

The fiscal year end date for Microtops is March 31. For the purpose of applying the equity method of accounting, the financial statements of Microtops as of March 31, 2019 and 2018 have been used as the Corporation 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.

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

The calculation of the investments accounted for using the equity method and the Corporation'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 Corporation's share of losses of an associate is limited to its interest in that associate. The amount 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

13. 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	$ 378,049	$ 40,194	$ -	$ 26,966	$ 3,253,698
Additions	-	-	79,495	267,500	14,623	-	13,357	374,975
Disposals	-	(5,095)	-	(42,359)	(9,994)	-	(188)	(57,636)
Reclassification	-	-	-	1,585	-	-	-	1,585
Balance at December 31, 2018	$ 813,738	$ 23,680	$ 2,045,471	$ 604,775	$ 44,823	$ -	$ 40,135	$ 3,572,622
Accumulated depreciation								
Balance at January 1, 2018	$ -	$ 20,926	$ 233,073	$ 176,109	$ 20,156	$ -	$ 10,332	$ 460,596
Disposals	-	(5,095)	-	(42,180)	(9,994)	-	(188)	(57,457)
Depreciation	-	3,472	56,845	125,299	14,085	-	8,652	208,353
Balance at December 31, 2018	$ -	$ 19,303	$ 289,918	$ 259,228	$ 24,247	$ -	$ 18,796	$ 611,492
Balance at December 31, 2018, net	$ 813,738	$ 4,377	$ 1,755,553	$ 345,547	$ 20,576	$ -	$ 21,339	$ 2,961,130
Cost								
Balance at January 1, 2019	$ 813,738	$ 23,680	$ 2,045,471	$ 604,775	$ 44,823	$ -	$ 40,135	$ 3,572,622
Additions	145,069	-	21,094	294,541	13,679	48,238	8,769	531,390
Disposals	-	(14,290)	-	(94,124)	(10,171)	-	(7,192)	(125,777)
Reclassification	-	-	25,340	10,015	-	-	580	35,935
Balance at December 31, 2019	$ 958,807	$ 9,390	$ 2,091,905	$ 815,207	$ 48,331	$ 48,238	$ 42,292	$ 4,014,170
Accumulated depreciation								
Balance at January 1, 2019	$ -	$ 19,303	$ 289,918	$ 259,228	$ 24,247	$ -	$ 18,796	$ 611,492
Disposals	-	(14,290)	-	(94,124)	(10,171)	-	(7,192)	(125,777)
Depreciation	-	1,334	62,558	174,823	11,916	4,099	10,285	265,015
Balance at December 31, 2019	$ -	$ 6,347	$ 352,476	$ 339,927	$ 25,992	$ 4,099	$ 21,889	$ 750,730
Balance at December 31, 2019, net	$ 958,807	$ 3,043	$ 1,739,429	$ 475,280	$ 22,339	$ 44,139	$ 20,403	$ 3,263,440

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

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

14. 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 Corporation 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 Corporation 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 Corporation has no options to purchase the equipment for a nominal amount at the end of the lease terms.

d. Other lease information

2019

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

2018

The Corporation as lessee

The Corporation’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	$ 9,294
Later than 1 year and not later than 5 years	18,992
	$ 28,286

15. INTANGIBLE ASSETS

	December 31	
	2019	2018
Computer software	$ 172,793	$ 110,317
Technology license fees	94,546	39,064
	$ 267,339	$ 149,381

	Computer Software	Technology License Fees	Total
Balance at January 1, 2018	$ 147,490	$ 64,618	$ 212,108
Additions	112,378	23,331	135,709
Amortization	(149,551)	(48,885)	(198,436)
Balance at December 31, 2018	$ 110,317	$ 39,064	$ 149,381
Balance at January 1, 2019	$ 110,317	$ 39,064	$ 149,381
Additions	182,719	92,434	275,153
Amortization	(120,243)	(36,952)	(157,195)
Balance at December 31, 2019	$ 172,793	$ 94,546	$ 267,339

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

16. OTHER PAYABLES

	December 31	
	2019	2018
Salaries and bonuses payable	$ 3,143,229	$ 2,386,479
Others	907,608	904,389
	$ 4,050,837	$ 3,290,868

17. OTHER CURRENT LIABILITIES

	December 31	
	2019	2018
Other payables		
Refund liabilities	$ 419,506	$ 185,919
Payables for purchases of equipment	35,711	30,295
Receipts under custody	31,395	31,029
Others	62,815	50,473
	$ 549,427	$ 297,716

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation 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 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
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

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

19. 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 21(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.

20. 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	$ 752,924	$ 657,085
Income tax expense of unappropriated earnings	46,945	185,370
Adjustments for prior periods	-	(163,846)
	799,869	678,609
Deferred tax		
In respect of the current year	(2,912)	53,562
Effect of change in tax rate	-	(49,937)
	(2,912)	3,625
Income tax expense recognized in profit or loss	$ 796,957	$ 682,234

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	$ 5,340,446	$ 5,000,353
Income tax expense calculated at the statutory rate	$ 1,068,089	$ 1,000,071
Tax-exempt income	(322,687)	(289,424)
Income tax on unappropriated earnings	46,945	185,370
	4,610	-
Effect of change in tax rate	-	(49,937)
Adjustments for prior years' tax	-	(163,846)
Income tax expense recognized in profit or loss	$ 796,957	$ 682,234

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 Corporation 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
In respect of the current period		
Share of other comprehensive income of subsidiaries and associates	13,669	788
Actuarial gain on defined benefit plan	289	740
Total income tax expense recognized in other comprehensive income	$ 13,958	$ 5,385

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax liabilities		
Income tax payable	$ 597,762	$ 522,579

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 Comprehensive Income	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
Refund liabilities	37,184	46,717	-	83,901
Defined benefit obligation	18,565	135	289	18,989
Unrealized exchange losses	85,152	22,360	-	107,512
Impairment loss on financial assets	31,801	(6,293)	-	25,508
Exchange differences on translating foreign operations	16,960	-	13,669	30,629

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Share of losses of subsidiaries and associates	$ 13,110	$ (13,110)	$ -	$ -
Unrealized gain on transactions with subsidiaries	3,910	(2,258)	-	1,652
Property, plant and equipment	2,197	(56)	-	2,141
	$ 306,595	$ 24,842	$ 13,958	$ 345,395
Deferred tax liabilities				
Share of gains of subsidiaries and associates	$ -	$ 21,930	$ -	$ 21,930

(Concluded)

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	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
Refund liabilities	49,654	(12,470)	-	37,184
Defined benefit obligation	14,433	1,961	2,171	18,565
Unrealized exchange losses	77,212	7,940	-	85,152
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	29,225	(16,115)	-	13,110
Unrealized gain on transactions with subsidiaries	-	3,910	-	3,910
Property, plant and equipment	1,915	282	-	2,197
	$ 304,835	$ (3,625)	$ 5,385	$ 306,595

e. Income tax assessments

Income tax returns through 2016 have been assessed by the tax authorities.

21. 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	$ 149,990	$ (11,605)
Net foreign exchange (losses) gains	(137,486)	171,439
Others	14,429	1,404
	$ 26,933	$ 161,238

b. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 47,065	$ 46,443
Others	5,550	3,122
	52,615	49,565
Rental income	3,451	2,964
Dividend income	77,813	41,698
Others	75,399	37,801
	$ 209,278	$ 132,028

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	$ 265,015	$ 208,353
Right-of-use assets	11,202	-
Intangible assets	157,195	198,436
	$ 433,412	$ 406,789
An analysis of depreciation by function		
Operating costs	$ 54,413	$ 45,880
Operating expenses	221,804	162,473
	$ 276,217	$ 208,353
An analysis of amortization by function		
Operating expenses	$ 157,195	$ 198,436

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 4,186,750	$ 2,767,933
Post-employment benefits		
Defined contribution plan	94,799	80,851
Defined benefit plan	2,705	6,144
	97,504	86,995
Other employee benefits		
Employee welfare	57,867	53,016
Food stipend	47,547	39,684
	105,414	92,700
	$ 4,389,668	$ 2,947,628
Employee benefits		
Recognized in operating costs	$ 202,519	$ 178,713
Recognized in operating expenses	4,187,149	2,768,915
	$ 4,389,668	$ 2,947,628

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 financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 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	$ 351,696	$ 572,646
Foreign exchange losses	(489,182)	(401,207)
Net (losses) gains	$ (137,486)	$ 171,439

22. 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 Corporation offered to settle compensation or bonuses paid to employees in cash or shares, the Corporation 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.

23. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that the Corporation 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 Corporation consists of net debts (borrowings offset by cash and cash equivalents) and equity (comprising share capital, capital surplus, retained earnings and other equities).

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

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

24. FINANCIAL INSTRUMENTS

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

The Corporation's management considers the carrying amounts recognized in the 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	-	-	18,849	18,849
Domestic private equity funds	-	-	45,408	45,408
Beneficiary certificates - open-end funds	2,534,676	-	-	2,534,676
Convertible bonds	-	-	94,770	94,770
	$ 3,064,214	$ -	$ 500,645	$ 3,564,859
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 119,170	$ 119,170
Overseas unlisted shares	-	-	94,566	94,566
	$ -	$ -	$ 213,736	$ 213,736

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	-	-	54,231	54,231
Domestic private equity funds	-	-	47,366	47,366
Beneficiary certificates - open-end funds	2,520,850	-	-	2,520,850
Convertible bonds	-	-	85,288	85,288
	$ 2,893,844	$ -	$ 468,785	$ 3,362,629
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 70,134	$ 70,134
Overseas unlisted shares	-	-	93,309	93,309
	$ -	$ -	$ 163,443	$ 163,443

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 at FVTPL			Financial Assets at FVTOCI	
Financial Assets	Derivatives - Private Equity Funds	Derivatives - Convertible Bonds	Equity Instruments	Equity Instruments	Total
Balance at January 1, 2019	$ 47,366	$ 85,288	$ 336,131	$ 163,443	$ 632,228
Recognized in profit or loss					
Other losses	(1,958)	(5,134)	(13,288)	-	(20,380)
Recognized in other comprehensive income					
Unrealized gain on financial assets at FVTOCI	-	-	-	58,967	58,967
Purchases	-	92,379	46,354	-	138,733
Sales	-	(77,763)	-	(8,674)	(86,437)
Capital reduction and refund of shares	-	-	(8,730)	-	(8,730)
Balance at December 31, 2019	$ 45,408	$ 94,770	$ 360,467	$ 213,736	$ 714,381

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTPL			Financial Assets at FVTOCI	
	Derivatives - Private Equity Funds	Derivatives - Convertible Bonds	Equity Instruments	Equity Instruments	Total
Balance at January 1, 2018 (IAS 39)	$ -	$ 53,722	$ 434,763	$ -	$ 488,485
Transfers into Level 3 (Application of IFRS 9)	47,032	-	268,580	241,262	556,874
Recognized in profit or loss					
Other gains	334	3,478	135,952	-	139,764
Recognized in other comprehensive income					
Unrealized loss on financial assets at FVTOCI	-	-	-	(106,094)	(106,094)
Purchases	-	77,763	1,454	53,712	132,929
Sales	-	(49,675)	-	(25,437)	(75,112)
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	$ 336,131	$ 163,443	$ 632,228

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**
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as FVTPL	$ 3,564,859	$ 3,362,629
Financial assets at amortized cost (Note 1)	14,604,646	18,298,992
Financial assets at FVTOCI		
Equity instruments	213,736	163,443
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	7,689,339	8,088,925

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 Corporation's major financial instruments include equity investments, trade receivables, trade payables, borrowings and lease liabilities. The Corporation'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 Corporation's activities expose it primarily to the financial risks of changes in foreign currency rates and interest rates.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation 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 Corporation 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 Corporation'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 29.

Sensitivity analysis

The Corporation was mainly exposed to the US dollar.

The following table details the Corporation'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	$ 293,806	$ 235,207

b) Interest rate risk

The carrying amount of the Corporation'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	$ 2,386,048	$ 4,852,082
Financial liabilities	33,222	-
Cash flow interest rate risk		
Financial assets	5,910,829	7,956,746

Sensitivity analysis

If interest rates had been 1 basis point higher and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2019 and 2018 would increase by $591 thousand and $796 thousand, respectively.

c) Other price risk

The Corporation 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 Corporation's exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $35,649 thousand and $33,626 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 $2,137 thousand and $1,634 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 Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to a failure of counterparties to discharge an obligation and financial guarantees provided by the Corporation, comes from the carrying amounts of the respective recognized financial assets as stated in the parent company only balance sheets.

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

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation’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 Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Corporation had available unutilized short-term bank loan facilities of $7,838,400 thousand and $7,887,200 thousand, respectively.

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

The following tables detail the Corporation’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 Corporation 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	$ 3,110,774	$ 1,975,254	$ 3,201,073	$ -	$ -
Lease liabilities	1,110	2,220	9,934	21,433	-
	$ 3,111,884	$ 1,977,474	$ 3,211,007	$ 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	$ 3,827,886	$ 2,845,240	$ 1,938,378	$ -	$ -

e. Information on transfers of financial assets

Refer to Note 10 for more information relating to the Corporation’s factored trade receivables.

25. RELATED PARTY TRANSACTIONS

Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation 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 Singapore Pte. Ltd.	Other related parties
Toshiba Corporation, Japan	Other related parties
Dynabook ANZ Pty. Limited	Other related parties (Note 2)
Kioxia Corporation	Other related parties (Note 3)
Kioxia Taiwan Corporation	Other related parties (Note 4)
Toshiba Electronic Components Taiwan Corporation	Other related parties
Orient Semiconductor Electronics Ltd.	Other related parties
Dawning Leading Technology Inc.	Other related parties (Note 5)
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
Lian Xu Dong Investment Corporation	Subsidiary
Phisontech Electronics (Malaysia) Sdn. Bhd.	Subsidiary
Phison Electronics Japan Corp.	Subsidiary
Phison Technology Inc.	Subsidiary
Hefei Ruhan Electronic Technology Limited	Subsidiary
Emtops Electronics Corp.	Subsidiary
Ostek Corporation	Subsidiary
Phisontech Electronics Taiwan Corp.	Subsidiary
Hefei Core Storage Electronic Limited	Subsidiary
Memoryexchange Corporation	Subsidiary

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 Taiwan Corporation was renamed as Kioxia Taiwan Corporation on October 1, 2019.

Note 5: 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 Corporation.

b. Operating revenue

	For the Year Ended December 31	
	2019	2018
Related Party Categories		
Subsidiaries	$ 424,638	$ 399,107
Associates	1,321,776	88,762
Other related parties	1,932,615	1,831,022
	$ 3,679,029	$ 2,318,891

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

c. Operating costs

1) Purchase of goods

	For the Year Ended December 31	
	2019	2018
Related Party Categories		
Subsidiaries	$ 1,550	$ 6,643
Associates	1,462,239	689,883
Other related parties		
Kioxia Taiwan Corporation	11,432,366	13,871,205
Others	1,437,493	4,472,843
	$ 14,333,648	$ 19,040,574

2) Processing costs

	For the Year Ended December 31	
	2019	2018
Related Party Categories		
Subsidiaries	$ 24,457	$ 24,977
Associates	458	185
Other related parties	2,385,170	1,758,073
	$ 2,410,085	$ 1,783,235

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

d. Receivables from related parties

	December 31	
	2019	2018
Related Party Categories		
Subsidiaries	$ 27,764	$ 39,353
Associates	246,653	81,354
Other related parties	290,496	262,895
	$ 564,913	$ 383,602

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

	December 31	
	2019	2018
Related Party Categories		
Subsidiaries	$ 1,884	$ 5,621
Associates	29,796	134,362
Other related parties		
Kioxia Taiwan Corporation	1,034,293	2,077,768
Others	320,008	644,014
	$ 1,385,981	$ 2,861,765

The outstanding trade payables from related parties are unsecured.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 273,749	$ 188,245
Post-employment benefits	2,561	1,803
Other employee benefits	3,436	4,288
	$ 279,746	$ 194,336

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2019	2018
Refundable deposits for customs duties - certificates of deposit (financial assets at amortized cost - current)	$ 20,383	$ 20,356

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation 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

28. 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.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's 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	$ 249,130	29.980	$ 7,468,930
CNY	24,144	4.305	103,938
Financial liabilities			
Monetary			
USD	85,796	29.980	2,572,158

	December 31, 2018		
	Foreign Currencies	Exchange Rates	New Taiwan Dollars
Financial assets			
Monetary			
USD	$ 234,373	30.715	$ 7,198,760
CNY	23,545	4.472	105,292
Financial liabilities			
Monetary			
USD	106,744	30.715	3,278,640

30. 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 had 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 finance and operations at the present stage.

31. ADDITIONAL DISCLOSURES

a. Information about significant transactions and 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) Information of investees. (Table 4)

b. 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 5)

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 6)

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.

TABLE 1

PHISON ELECTRONICS CORP.

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	-	-

(Continued)

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	
	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
	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.

(Continued)

Note 5: Refer to Note 24 (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 Corporation held marketable securities that had not been guaranteed, pledged or mortgaged as collateral or restricted by other commitments.

(Concluded)

PHISON ELECTRONICS CORP.

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	-

PHISON ELECTRONICS CORP.

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.

TABLE 4

PHISON ELECTRONICS CORP.

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		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			
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.

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 6

PHISON ELECTRONICS CORP.

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	-	-	-