ASPEED Technology Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of ASPEED Technology Inc. as of and for the year ended December 31, 2018, under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards 10 “Consolidated Financial Statements”. In addition, the relevant information required to be disclosed in the combined financial statements has all been disclosed in the consolidated financial statements. Hence, we do not prepare a separate set of combined financial statements.

Very truly yours,

ASPEED Technology Inc.

By

Chris Lin
Chairman

March 11, 2019

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
30078 新竹市東區科學工業園區展業一路2號6樓

Deloitte & Touche
6F, Allied Association Industries
No. 2, Zhanye 1st Rd., Hsinchu Science Park
East Dist., Hsinchu 30078, Taiwan

Tel :+886 (3) 578-0899
Fax:+886 (3) 405-5999
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
ASPEED Technology Inc.

Opinion

We have audited the accompanying consolidated financial statements of ASPEED Technology Inc. and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. 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.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

<u>Recognition of revenue</u>

The Group operates principally as a supplier of multimedia integrated circuits (ICs) and computer peripherals oriented ICs. For the year ended December 31, 2018, the Group recognized revenue of NT$2,153,519 thousand, which increased by 14% compared with that of last year, refer to Note 23 for related information. Due to the increasing demand for remote server management system, the Group released certain sales orders by temporarily increasing the credit line. As such, this gives the rise of the potential risk of overstating sales. We therefore considered that testing the existence and occurrence of sales is a key audit matter of the current period.

Our audit procedures performed included, but not limited to, the following:

1. We evaluated the appropriateness of the Group's accounting policies relating to revenue recognition.

2. We understood the internal controls over the approval of sales order and shipping and tested the effectiveness of those internal controls.

3. We sampled the sales records to inspect sales documents, including related transaction documents and cash collections in the audited period and the subsequent period.

4. We verified if any deviant occurred in those parties when the sales were recorded and cash was received;

Goodwill impairment test

To create synergy that benefits the Group's existing products in response to the global growth of server remote management system, ASPEED Technology Inc. acquired Emulex Corporation's Pilot Business, which was under Broadcom Group, at the price of NT$926,937 thousand (or US$28,658 thousand), and ASPEED technology Inc. also recognized intangible assets including client relationship, know-how, licenses, trademark, and goodwill. As of December 31, 2018, goodwill was NT$369,040 thousand, accounting for 13% of the total assets, and it was significant to the financial statements. According to IAS36, the goodwill impairment assessment test should be conducted annually. When assessing whether goodwill is impaired or not, the management needs to assess whether the recoverable amount calculated according to the value-of-use model is still higher than the book value of goodwill. In assessing the foregoing, it is necessary to estimate the operating cash flow that may arise in the future and determine the appropriate discount rate to calculate the recoverable amount.

The management engaged an external appraiser to issue a goodwill impairment assessment report. When determining the future operating cash flow, the management will consider the sales growth rate and profit rate based on the future operating outlook, and calculate the weighted average cost of capital as the discount rate. Since these key assumptions involve subjective judgments of management and may be affected by future market or economy, there is a high degree of uncertainty over the estimates. Therefore, the goodwill impairment assessment is one of the key audit matters for the year.

Refer to Note 4 (i), Note 5 and Note 14 to the financial statements for the information on the accounting policies, accounting estimates and assumptions of the impairment assessments.

We will perform the following major auditing procedures (but not limited to the following) to assess the significant estimates and the rationality of assumptions used in the estimated future operating cash flows and weighted average cost of capital ratios when the Group estimates the impairment of goodwill:

1. We understand the process and basis for the management's estimated sales growth rate and profit margin for the future operating outlook.

2. We examine whether the estimates of the future operating cash flows are consistent with the future operating plans approved by the board of directors or not. The future sales growth rates and profit margins adopted, whether to consider the recent operating results, historical trends and industry profiles, etc., are updated as appropriate.

3. We adopt the financial advisors of the firm to assist in assessing the recoverable amount calculated by the management based on the value-of-use model, using the weighted average cost of capital, including the risk-free rate, volatility and risk premium assumptions, whether or not to comply with the industry situation, re-calculate and check.

Other Matter

We have also audited the parent company only financial statements of ASPEED Technology Inc. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the

consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 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 Ming Hui Chen and Yi Shin Kao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2019

Notice to Readers

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

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

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 1,093,346	39	$ 853,936	32
Financial assets at fair value through profit or loss - current (Note 7)	89,030	3	-	-
Available-for-sale financial assets - current (Note 9)	-	-	277,531	11
Financial assets at amortized cost - current (Note 8)	80,000	3	-	-
Trade receivable, net (Note 10)	398,741	14	360,932	14
Receivables from related parties, net (Notes 10 and 32)	2,249	-	2,520	-
Other receivables	1,463	-	6,758	-
Inventories (Note 11)	138,841	5	90,506	3
Other current assets (Note 16)	15,646	-	7,277	-
Total current assets	1,819,316	64	1,599,460	60
NON-CURRENT ASSETS				
Property, plant and equipment (Note 13)	84,841	3	53,213	2
Goodwill (Notes 5 and 14)	369,040	13	369,040	14
Other Intangible assets, net (Note 15)	472,803	17	569,545	22
Deferred tax assets (Note 25)	35,700	1	31,699	1
Refundable deposits (Note 16)	7,232	-	5,885	-
Other non-current assets (Note 16)	43,743	2	34,521	1
Total non-current assets	1,013,359	36	1,063,903	40
TOTAL	$ 2,832,675	100	$ 2,663,363	100

	2018		2017	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ -	-	$ 50,000	2
Trade payables (Note 18)	35,497	1	68,760	3
Payables to related parties (Note 32)	17,915	1	8,492	-
Accrued employees' compensation and remuneration of directors (Note 24)	84,365	3	67,832	3
Other payables (Note 19)	42,177	1	92,959	3
Current tax liabilities (Note 25)	113,794	4	91,742	3
Provisions - current (Note 20)	21,670	1	127,695	5
Other current liabilities (Note 19)	108,864	4	3,180	-
Total current liabilities	424,282	15	510,660	19
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 25)	77,844	3	73,967	3
Other non-current liabilities (Note 19)	1,609	-	789	-
Total liabilities	503,735	18	585,416	22
SHAREHOLDERS' EQUITY (Note 22)				
Capital				
Capital stock	340,656	12	339,378	13
Capital surplus	1,056,831	37	960,462	36
Retained earnings				
Legal reserve	218,148	8	165,011	6
Special reserve	10,166	-	13,085	-
Unappropriated earnings	734,639	26	610,179	23
Total retained earnings	962,953	34	788,275	29
Other equity	(31,500)	(1)	(10,168)	-
Total equity	2,328,940	82	2,077,947	78
TOTAL	$ 2,832,675	100	$ 2,663,363	100

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

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 23, 32 and 36)				
Sale	$ 2,152,754	100	$ 1,893,008	100
Other operating revenue	765	-	1,186	-
Total operating revenue	2,153,519	100	1,894,194	100
OPERATING COSTS (Notes 11, 24 and 32)	863,688	40	797,353	42
GROSS PROFIT	1,289,831	60	1,096,841	58
OPERATING EXPENSES (Note 24)				
Marketing expenses	67,817	3	55,266	3
General and administrative expenses	95,143	5	103,382	6
Research and development expenses	326,983	15	290,622	15
Total operating expenses	489,943	23	449,270	24
INCOME FROM OPERATIONS	799,888	37	647,571	34
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	34,589	2	22,607	1
Other gains and losses (Note 24)	20,276	1	(38,601)	(2)
Finance costs (Note 24)	(723)	-	(2,484)	-
Total non-operating income and expenses, net	54,142	3	(18,478)	(1)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	854,030	40	629,093	33
INCOME TAX EXPENSE (Note 25)	168,108	8	97,727	5
NET INCOME FOR THE YEAR	685,922	32	531,366	28
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(152)	-	(2,097)	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	(4,056)	-
Total other comprehensive income	(152)	-	(6,153)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 685,770	32	$ 525,213	28

(Continued)

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 685,922	32	$ 531,366	28
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 685,770	32	$ 525,213	28
EARNINGS PER SHARE (Note 26)				
Basic	$ 20.20		$ 15.70	-
Diluted	$ 20.10		$ 15.64	-

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

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Capital Stock - Common Stock			Retained Earnings			Other Equity			
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Employee Unearned Compensation	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2017	33,839	$ 338,401	$ 912,860	$ 120,419	$ -	$ 542,571	$ (16,629)	$ 1,124	$ 2,419	$ 1,901,165
Appropriations of prior year's earnings										
Legal reserve	-	-	-	44,592	-	(44,592)	-	-	-	-
Special reserve	-	-	-	-	13,085	(13,085)	-	-	-	-
Cash dividends to shareholders - NT$12.00 per share	-	-	-	-	-	(406,081)	-	-	-	(406,081)
Employee Stock Bonus	106	1,057	50,278	-	-	-	-	-	-	51,335
Write-off of restricted shares on May 26 and November 3, 2017	(8)	(80)	(2,676)	-	-	-	2,756	-	-	-
Net income for the year ended December 31, 2017	-	-	-	-	-	531,366	-	-	-	531,366
Other comprehensive income after tax	-	-	-	-	-	-	-	(2,097)	(4,056)	(6,153)
Comprehensive income for the year ended December 31, 2017	-	-	-	-	-	531,366	-	(2,097)	(4,056)	525,213
Compensation cost of restricted shares for employees	-	-	-	-	-	-	6,315	-	-	6,315
BALANCE AT DECEMBER 31, 2017	33,937	339,378	960,462	165,011	13,085	610,179	(7,558)	(973)	(1,637)	2,077,947
Effect of retrospective application	-	-	-	-	-	(1,637)	-	-	1,637	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	33,937	339,378	960,462	165,011	13,085	608,542	(7,558)	(973)	-	2,077,947
Appropriations of prior year's earnings										
Legal reserve	-	-	-	53,137	-	(53,137)	-	-	-	-
Special reserve	-	-	-	-	(2,919)	2,919	-	-	-	-
Cash dividends to shareholders - NT$15.00 per share	-	-	-	-	-	(509,607)	-	-	-	(509,607)
Employee stock bonus	71	708	60,198	-	-	-	-	-	-	60,906
Issuance of restricted stock under employees share options on February 5 and November 12, 2018	57	570	36,171	-	-	-	(36,741)	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	685,922	-	-	-	685,922
Other comprehensive income after tax	-	-	-	-	-	-	-	(152)	-	(152)
Comprehensive income for the year ended December 31, 2018	-	-	-	-	-	685,922	-	(152)	-	685,770
Compensation cost of restricted shares for employees	-	-	-	-	-	-	13,924	-	-	13,924
BALANCE AT DECEMBER 31, 2018	34,065	$ 340,656	$ 1,056,831	$ 218,148	$ 10,166	$ 734,639	$ (30,375)	$ (1,125)	$ -	$ 2,328,940

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

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 854,030	$ 629,093
Adjustments for:		
Depreciation expense	30,964	25,458
Amortization expense	107,218	102,059
Finance costs	723	2,484
Interest income	(13,676)	(7,426)
Compensation cost of employee restricted shares	13,924	6,315
Gain (loss) on disposal of available-for-sale financial assets	8,075	(3,338)
Write-down of inventories	5,329	1,107
Recognition of provisions	4,688	122,364
Net loss (gain) on foreign currency exchange	(25,186)	19,492
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(1,640)	-
Changes in operating assets and liabilities:		
Trade receivables (include related parties)	(35,899)	(80,368)
Other receivables	5,317	38,352
Inventories	(53,664)	(10,722)
Other current assets	(3,569)	(799)
Trade payables (include related parties)	(24,191)	41,368
Other payables	(11,900)	33,651
Other current liabilities	(4,301)	2,088
Provisions	(3,674)	(23,583)
Payables for employees' compensation and director's remuneration	77,439	61,821
Other non-current liabilities	820	-
Cash generated from operations	930,827	959,416
Interest paid	(751)	(2,576)
Income taxes paid	(150,972)	(136,485)
Net cash generated from operating activities	779,104	820,355
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at measured at cost	(80,000)	-
Purchase of financial assets at fair value through profit or loss	(89,894)	-
Proceeds from financial assets at fair value through profit or loss	271,960	-
Purchase of available-for-sale financial assets	-	(312,532)
Proceeds from sale of available-for-sale financial assets	-	160,658
Interest received	13,654	7,222
Payments for property, plant and equipment	(75,413)	(39,893)
Payments for intangible assets	(46,105)	(28,257)
Increase in refundable deposits	(1,347)	(2,036)
Net cash used in investing activities	(7,145)	(214,838)

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ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	**2017**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	$ (50,000)	$ (345,000)
Dividends paid to owners of the company	(509,607)	(406,081)
Net cash used in financing activities	(559,607)	(751,081)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	27,058	(19,866)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	239,410	(165,430)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	853,936	1,019,366
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,093,346	$ 853,936

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

1. GENERAL INFORMATION

ASPEED Technology Inc. (the "Company") has been approved by the Ministry of Economic Affairs for establishment on November 15, 2004. The Company is mainly engaged in manufacturing of electronic products, wholesale of information software, retail and service industry, international trade, intellectual property, product design, and other industrial and commercial service. The Company's shares have been traded on the Taipei Exchange since April 30, 2013.

The financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 11, 2019.

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).

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

1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9
Mutual funds	Available-for-sale	Mandatorily at FVTPL	$ 277,531	$ 277,531
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	370,210	370,210

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
Fair value through profit or loss						
Add: Reclassification from available-for-sale (IAS 39)	$ -	$ 277,531	$ -			
	-	277,531	-	$ 277,531	$ (1,637)	$ 1,637
Amortized cost						
Add: Reclassification from loans and receivables (IAS 39)	-	370,210	-			
	-	370,210	-	370,210	-	-
Total	$ -	$ 647,741	$ -	$ 647,741	$ (1,637)	$ 1,637

Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in an increase of $1,637 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and a decrease of $1,637 thousand in retained earnings on January 1, 2018.

Notes receivables, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

For a sale with a right of return, the Group recognizes a refund liability (i.e. other liabilities). Prior to the application of IFRS 15, return provisions were recognized when recognizing revenue.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract liabilities - current	$ 127,695	$ (110,713)	$ 16,982
Other current liabilities	3,180	110,713	113,893
Total effect on liabilities	$ 130,875	$ -	$ 130,875

Had the Group applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15:

Impact on assets, liabilities and equity for current year

	December 31, 2018
Increase in contract liabilities - current	$ (157)
Decrease in provisions	107,992
Decrease in other current liabilities - current	(107,835)
Increase (decrease) in liabilities	$ -

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect 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 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 8,945	$ 8,945
Total effect on assets	$ -	$ 8,945	$ 8,945
Lease liabilities - current	$ -	$ 4,160	$ 4,160
Lease liabilities - non-current	-	4,785	4,785
Total effect on liabilities	$ -	$ 8,945	$ 8,945

The Group as lessor

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

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

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

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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, which are described as follows:

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) 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:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

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

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

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

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

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

Refer to Note 12 and Note 35 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities (including subsidiaries that use currency different from the currency of the Company) 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; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

g. Inventories

Inventories consist of raw materials, finished goods, and work-in-process and 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. 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 standard cost and adjusted to approximate weighted - average cost on the balance sheet date.

h. Property, plant, and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation.

Depreciation on 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.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

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

4) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

l. Financial instruments

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

Transaction costs that are directly attributable to the acquisition or issue 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.

1) Financial assets

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

a) Measurement category

2018

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified 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, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 31.

ii. 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, trade receivables (including related parties) at amortized cost and other receivables, are measured at amortized cost, which equals 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 such 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 financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

2017

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment are disposed of or are determined to be impaired.

ii. Loans and receivables

Loans and receivables (including trade receivables (including related parties), cash and cash equivalents, other receivables and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables (including related parties)).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount 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 does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables (including related parties) and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, 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.

2) Equity instruments

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

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

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1) Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Group of the expenditures required to settle the Group's obligations.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

2018

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of multimedia integrated circuits (ICs) and computer peripherals oriented ICs. Sales of multimedia ICs and computer peripherals oriented ICs are recognized as revenue when the ICs are delivered to the customer. Trade receivables are recognized concurrently. Any amounts are reclassified to trade receivables when the remaining obligations are performed.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Royalties Revenue

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement and provided that it is probable that the economic benefits will flow to the Group and that the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangements.

<u>2017</u>

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangements.

3) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

o. Leasing

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

1) The Group as lessee

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

2) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Employee benefits

1) 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 service.

2) Retirement benefits

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

r. Restricted shares for employees

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

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in capital surplus - restricted shares for employees.

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

s. Taxation

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

1) Current tax

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

If a temporary difference arises from the initial recognition of assets and liabilities in a transaction that (other than in the acquisition of a subsidiary) affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on any taxable temporary difference arising from the initial recognition of goodwill included in the investment in the subsidiary.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, research and development expenditures and personnel training expenditures 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, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized 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 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 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 asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year which the liability is settled or the asset 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 company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

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 taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts 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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future years.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 76	$ 70
Checking accounts and demand deposits	180,382	148,098
Cash equivalents		
Time deposits	668,430	413,822
Repurchase agreements collateralized by bonds	244,458	291,946
	$ 1,093,346	$ 853,936

The market rate intervals of deposits in the bank at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Bank deposits	0.01%-2.90%	0.01%-1.83%
Repurchase agreements collateralized by bonds	0.45%-3.25%	1.55%

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31, 2018
Financial assets mandatorily classified as at FVTPL	
Non-derivative financial assets	$ 89,030

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2017
Current	
Time deposits with original maturity of more than 3 month	$ 80,000

The interest rates for time deposits with original maturity of more than 3 months were 0.15% to 0.78% as at the end of the reporting period.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017
Current	
Domestic investments	
Mutual funds	$ 121,517
Foreign investments	
Mutual funds	156,014
	$ 277,531

10. TRADE RECEIVABLES

	December 31	
	2018	2017
Trade receivables		
Non-related parties	$ 398,741	$ 360,932
Related parties	2,249	2,520
	$ 400,990	$ 363,452
Trade receivables		
At amortized cost		
Gross carrying amount	$ 400,990	$ 363,452
Less: Allowance for impairment loss	-	-
	$ 400,990	$ 363,452

In 2018

The average credit period of sale of goods was 30-60 days. The Group adopted a policy that is in order to minimize credit risk, the management of the Group regularly review credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Before trading any new customer, the Group assesses the potential customer's credit quality and defines credit limits based on an internal credit scoring system. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers.

The trading receivables that are overdue at the end of the reporting date but the Group has not yet recognized as the allowance for bad debts, because the credit quality has not changed significantly, the management of the company believes that the amount can still be recovered. The Group does not hold any collateral or other credit enhancements to those trading receivables.

The Group applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the 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 forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

	Gross Carrying Amount	Loss Allowance	Amortized Cost
Not past due	$ 307,346	$ -	$ 307,346
Past due			
Within 30 days	93,339	-	93,339
31-60 days	305	-	305
61-90 days	-	-	-
91-180 days	-	-	-
	$ 400,990	$ -	$ 400,990

In 2017

The average credit period of sale of goods was 30-60 days. In determining the recoverability of trade receivable, the Group considers any changes in the credit quality of the trade receivable from the original credit date to the end of the reporting date. The allowance for bad debts is based on the past default of the counterparty and the analysis of its current financial position to estimate the amount that cannot be recovered.

Before trading any new customer, the Group assesses the potential customer's credit quality and defines credit limits based on an internal credit scoring system. The credit limits and assessment of the customer will be reviewed every year.

The trading receivables that are overdue at the end of the reporting date but the Group has not yet recognized as the allowance for bad debts, because the credit quality has not changed significantly, the management of the company believes that the amount can still be recovered. The Group does not hold any collateral or other credit enhancements to those trading receivables.

The aging of trade receivables was as follows:

	December 31, 2017
Neither past due nor impaired	$ 310,163
Past due but not impaired	
Within 30 days	48,702
31-60 days	4,087
61-90 days	-
91-180 days	500
	$ 363,452

The above aging schedule was based on the past due days from the end of the credit term.

11. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 130,581	$ 79,042
Work in progress	8,260	11,464
	$ 138,841	$ 90,506

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $863,688 thousand and $797,353 thousand, respectively. The cost of goods sold included inventory write-downs as following amount:

	December 31	
	2018	2017
Inventory write-downs	$ 5,329	$ 1,107

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2018	Proportion of Ownership (%) December 31 2017	Remark
ASPEED Technology Inc.	ASPEED Technology (Samoa) Inc.	Investment holding company	100	100	-
	ASPEED Technology India Private Limited	R&D and technical services	1	1	-
	Cupola360 Inc.	Software Design Services	100	-	1
ASPEED Technology (Samoa) Inc.	ASPEED Technology (U.S.A) Inc.	R&D and technical services	100	100	-
	ASPEED Technology India Private Limited	R&D and technical services	99	99	-

Remarks:

1) Cupola360 Inc. was established in February 2018.

2) The profit and loss of subsidiaries and other comprehensive gains and losses using the equity method in the years of 2018 and 2017 are recognized based on the financial reports audited by the accountants in the same period.

13. PROPERTY, PLANT AND EQUIPMENT

	Years Ended December 31, 2017				
	Balance, Beginning of Year	Additions	Disposals	Net Exchange Differences	Balance, End of Year
Cost					
Machinery equipment	$ 3,749	$ 1,137	$ (61)	$ -	$ 4,825
Office equipment	1,525	1,992	-	(80)	3,437
Other equipment	66,767	47,975	(52,310)	-	62,432
	72,041	$ 51,104	$ (52,371)	$ (80)	70,694
Accumulated depreciation					
Machinery equipment	882	$ 1,115	$ (61)	$ -	1,936
Office equipment	166	718	-	(9)	875
Other equipment	43,355	23,625	(52,310)	-	14,670
	44,403	$ 25,458	$ (52,371)	$ (9)	17,481
Carrying amount at December 31, 2017	$ 27,638				$ 53,213

	Years Ended December 31, 2018				
	Balance, Beginning of Year	Additions	Disposals	Net Exchange Differences	Balance, End of Year
Cost					
Machinery equipment	$ 4,825	$ 15,751	$ (1,113)	$ -	$ 19,463
Office equipment	3,437	3,630	(150)	21	6,938
Other equipment	62,432	43,198	(11,383)	-	94,247
	70,694	$ 62,579	$ (12,646)	$ 21	120,648
Accumulated depreciation					
Machinery equipment	1,936	$ 3,368	$ (1,113)	$ -	4,191
Office equipment	875	1,183	(150)	8	1,916
Other equipment	14,670	26,413	(11,383)	-	29,700
	17,481	$ 30,964	$ (12,646)	$ 8	35,807
Carrying amount at December 31, 2018	$ 52,213				$ 84,841

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

Machinery equipment	4-5 years
Office equipment	3-7 years
Other equipment	2-6 years

14. GOODWILL

	December 31	
	2018	2017
Cost		
Balance at January 1 and December 31	$ 369,040	$ 369,040

The Group acquired the Pilot product line on December 30, 2016, which is mainly expected to create synergies and benefit the Group's existing products. When an impairment test is performed, the goodwill is related to the Group and deemed as a single cash-generating unit. Therefore, the impairment of goodwill is assessed by calculating the recoverable amount of the Group and the carrying amount of the net assets.

In addition, according to the asset impairment assessment analysis report issued by the Group, the financial forecast of the Group from 2019 to 2023 is based on the financial analysis, according to the following: (a) management's reference to revenue growth rate of historical period, and (b) the difference between actual results and estimates on operating profit in 2018, 2017 and 2016, with conservative data as the basis for prediction.

The recoverable amount of the consolidated total cash-generating unit is still greater than the book value, so no impairment loss is recognized.

The Group's recoverable amount is determined on the basis of the value in use, and the cash flow estimate of the financial budget for the next five years is approved by the management of the Group, and is calculated using the annual discount rate of 16.6%.

15. OTHER INTANGIBLE ASSETS

	Years Ended December 31, 2017			
	Balance, Beginning of Year	Additions	Disposals	Total
Cost				
Licenses	$ 89,880	$ 20,409	$ -	$ 110,289
Software	11,087	287	(9,059)	2,315
Client relationship	145,552	-	-	145,552
Existing technology	359,030	-	-	359,030
Trademark	45,283	-	-	45,283
Others	15,822	-	-	15,822
Balance at December 31, 2017	666,654	$ 20,696	$ (9,059)	678,291

(Continued)

	Years Ended December 31, 2017			
	Balance, Beginning of Year	**Additions**	**Disposals**	**Total**
Accumulated amortization and impairment				
Licenses	852	$ 19,772	$ -	20,624
Software	9,182	1,053	(9,059)	1,176
Client relationship	-	18,194	-	18,194
Existing technology	-	51,290	-	51,290
Trademark	-	6,469	-	6,469
Others	5,712	5,281	-	10,993
Balance at December 31, 2017	15,746	$ 102,059	$ (9,059)	108,746
Carrying amounts at December 31, 2017	$ 650,908			$ 569,545

(Concluded)

	Years Ended December 31, 2018			
	Balance, Beginning of Year	**Additions**	**Disposals**	**Total**
Cost				
Licenses	$ 110,289	$ -	$ (12,252)	$ 98,037
Software	2,315	-	(1,103)	1,212
Client relationship	145,552	-	-	145,552
Existing technology	359,030	-	-	359,030
Trademark	45,283	-	-	45,283
Others	15,822	10,476	(15,822)	10,476
Balance at December 31, 2018	678,291	$ 10,476	$ (29,177)	659,590
Accumulated amortization and impairment				
Licenses	$ 20,624	$ 24,296	$ (12,252)	$ 32,668
Software	1,176	569	(1,103)	642
Client relationship	18,194	18,194	-	36,388
Existing technology	51,290	51,291	-	102,581
Trademark	6,469	6,469	-	12,938
Others	10,993	6,399	(15,822)	1,570
Balance at December 31, 2018	108,746	$ 107,218	$ (29,177)	186,787
Carrying amounts at December 31, 2018	$ 569,545			$ 472,803

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Licenses	2-7 years
Software	3-5 years
Client relationship	8 years
Existing technology	7 years
Trademark	7 years
Others	2-5 years

16. OTHER ASSETS

	December 31	
	2018	2017
Current		
Prepayments	$ 9,943	$ 6,317
Others	5,703	960
	$ 15,646	$ 7,277
Non-current		
Refundable deposits	$ 7,232	$ 5,885
Prepayments for licenses	43,743	34,521
	$ 50,975	$ 40,406

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Bank loans	$ -	$ 50,000

The range of weighted average effective interest rate on bank loans was 1.2% per annum as of December 31, 2017.

18. TRADE PAYABLES

	December 31	
	2018	2017
Trade payables		
Operating	$ 35,497	$ 68,760

19. OTHER PAYABLES

	December 31	
	2018	2017
Current		
Other payables		
Payables for salaries or bonuses	$ 20,616	$ 30,089
Payables for licenses	5,805	32,212
Payables for royalties	4,080	7,382
Payables for service	3,676	3,329
Others	8,000	19,947
	$ 42,177	$ 92,959
Other liabilities		
Refund liabilities (Note 20)	$ 107,992	$ -
Agency receipts	715	3,180
Contract liabilities (Note 23)	157	-
	$ 108,864	$ 3,180
Non-current		
Other non-current liabilities		
Payables for salaries or bonuses	$ 1,609	$ 690
Others	-	99
	$ 1,609	$ 789

20. PROVISIONS

	December 31	
	2018	2017
Current		
Warranties (a)	$ 21,670	$ 16,982
Customer returns and rebates (b)	-	110,713
	$ 21,670	$ 127,695

	Warranties	Customer Returns and Rebates	Total
Balance at January 1, 2018	$ 16,982	$ 110,713	$ 127,695
Effect of retrospective application IFRS 15	-	(110,713)	(110,713)
Additional provisions recognized	4,688	-	4,688
Balance at December 31, 2018	$ 21,670	$ -	$ 21,670

a. The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

b. The provision for customer returns and rebates was based on historical experience, management's judgment and other known reasons for estimated product returns and rebates that may occur in the year. The provision was recognized as a reduction of operating income in the year in which the related goods were sold.

c. The Group applied IFRS 15 since 2018, and the provision for customer returns and rebates is recognized as refund liability, as of December 31, 2018, the refund liability amounted to NT$107,992 thousand was recorded as other current liability, refer to Note 19.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the LPA), which is deemed a defined contribution plan. Pursuant to the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

ASPEED Technology (U.S.A.) Inc. and ASPEED Technology India Private Limited contribute a specified percentage of employees' monthly payroll costs to the retirement benefit scheme.

The total expenses recognized in the consolidated statement of comprehensive income were NT$ 4,181 thousand and NT$3,293 thousand, representing the contributions made and to be made to these plans by the Company at the rates specified in the plans for the years ended December 31, 2018 and 2017, respectively.

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	**2017**
Number of shares authorized (in thousands)	50,000	50,000
Shares authorized	$ 500,000	$ 500,000
Number of shares issued and fully paid (in thousands)	34,065	33,937
Shares issued	$ 340,656	$ 339,378

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

In order to cooperate with the Group's acquisition of Emulex Corporation's server remote management chip Pilot product line and related assets follow-up strategic cooperation plan, the Company held a resolution of the temporary shareholders meeting on December 23, 2016, and issued a private placement in accordance with Article 43-6 of the Securities Exchange Act. The common stock was 2,022 thousand shares, and the private placement price per share was NT$297.6. The total private placement price was NT$601,747 thousand, and the capital increase base date was December 30, 2016.

The above-mentioned private shares issued by private placement have the same rights and obligations as the issued ordinary shares of the company; they are not freely transferable within 3 years after delivery, except in the specific circumstances that comply with the law. The board of directors was authorized to complete supplementary procedures for classification as a public company and apply for listing cabinet transactions to the competent authority in accordance with relevant laws and regulations after the delivery of the private equity common stock for three years.

b. Capital surplus

	December 31	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)		
Issuance of ordinary shares	$ 793,019	$ 793,019
May be used to offset a deficit only		
Employee stock bonus	194,396	134,198
Arising from expired/vested employee restricted shares	22,020	15,645
Arising from exercised/expired employee share options	2,156	2,156
May not be used for any purpose		
Employee restricted shares	45,240	15,444
	$ 1,056,831	$ 960,462

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 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 Company'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 bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 24(f).

The Company's Articles stipulate a dividends policy based on present and future projects, investment environment, capital requirements, domestic and international competitive environment, and the interests of shareholders, whereby the Company distribute not less than 10% of the distributable earnings in the form of dividend bonus. If the accumulatively distributable earnings was less than 50% of the Company's paid-in capital, the dividend bonus would not distribute. In principle, cash dividends are limited to no less than 10% of the total dividends distributed.

The appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 approved in the shareholders’ meetings on May 30, 2018 and May 26, 2017, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 53,137	$ 44,592		
Special reserve	(2,919)	13,085		
Cash dividends	509,607	406,081	$ 15.00	$ 12.00

The appropriation of earnings for 2018 has been proposed by the Company’s board of directors on March 11, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 68,592	
Special reserve	21,333	
Cash dividends	613,051	$ 18.00

The appropriation of earnings for 2018 is subject to the resolution of the shareholders’ meeting to be held on May 29, 2019.

d. Special reserve

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ 13,085	$ -
Appropriation	-	13,085
Reversal	(2,919)	-
Balance at December 31	$ 10,166	$ 13,085

e. Other equity items

1) Employee unearned benefits

The company issued the restricted share plan for employees, refer to Note 27.

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (7,558)	$ (16,629)
Issuance of shares	(36,741)	-
Write off shares	-	2,756
Share-based payment expenses recognized	13,924	6,315
Balance at December 31	$ (30,375)	$ (7,558)

2) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (973)	$ 1,124
Exchange differences on translating foreign operations	(152)	(2,097)
Balance at December 31	$ (1,125)	$ (973)

3) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31, 2017
Balance at January 1	$ 2,419
Unrealized loss on available-for-sale financial assets	(4,056)
Balance at December 31, 2017	(1,637)
Adjustment on initial application of IFRS 9	1,637
Balance at January 1, 2018	$ -

23. REVENUE

a. Revenue from contracts with customers

	For the Year Ended December 31	
	2018	2017
Revenue from the sale of goods	$ 2,152,754	$ 1,893,008
Royalty income	765	1,186
	$ 2,153,519	$ 1,894,194

b. Contract balances

	For the Year Ended December 31, 2018
Trade receivables (Note 10)	$ 400,990
Contract liabilities	
Sale of goods	$ 157

The changes in the contract liability balances primarily result from the timing difference between the Group's performance and the customer's payment.

c. Disaggregation of revenue

	Reportable Segments			
	Multimedia Integrated Circuits (ICs)	Computer Peripherals Oriented ICs	Others	Total
For the year ended December 31, 2018				
Type of goods or services				
Sale of goods	$ 2,014,508	$ 136,556	$ 1,690	$ 2,152,754
Royalty	-	-	765	765
	$ 2,014,508	$ 136,556	$ 2,455	$ 2,153,519

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
Bank deposits	$ 5,021	$ 3,523
Repurchase agreements collateralized by bonds	7,395	3,635
Other	1,260	268
Government grants (Note 28)	19,355	13,535
Others	1,558	1,646
	$ 34,589	$ 22,607

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Net foreign exchange gains (losses)	$ 27,199	$ (41,776)
Net gain arising on fair value changes of financial assets through profit or loss	1,640	-
(Loss) gain on disposal of investment properties	(8,075)	3,338
Others	(488)	(163)
	$ 20,276	$ (38,601)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on loans	$ 723	$ 2,484

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 30,964	$ 25,458
Intangible assets	107,218	102,059
	$ 138,182	$ 127,517
An analysis of depreciation by function		
Operating costs	$ -	$ -
Operating expenses	30,964	25,458
	$ 30,964	$ 25,458
An analysis of amortization by function		
Operating costs	$ -	$ -
Marketing expenses	18,195	18,194
General and administration expenses	6,737	6,786
Research and development expenses	82,286	77,079
	$ 107,218	$ 102,059

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (Note 21)		
Defined contribution plans	$ 4,181	$ 3,293
Share-based payments (Note 27)	13,924	6,315
Other employee benefits	259,070	242,192
Total employee benefits expense	$ 277,175	$ 251,800
An analysis of employee benefits expense by function		
Operating costs	$ -	$ -
Operating expenses	277,175	251,800
	$ 277,175	$ 251,800

f. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 8% and no higher than 3%, 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, 2018 and 2017, which have been approved by the Company's board of directors on March 11, 2019 and March 9, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	8.00%	8.79%
Remuneration of directors and supervisors	1.00%	1.00%

Amount

	For the Year Ended December 31			
	2018		**2017**	
	Cash	**Shares**	**Cash**	**Shares**
Employees' compensation	$ -	$ 74,991	$ -	$ 60,906
Remuneration of directors and supervisors	9,374	-	6,926	-

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

The number of shares of the employees' compensation, determined by dividing the amount of the employees' compensation resolved for 2018 and 2017 by NT$725 and NT$861, respectively, the closing price per share on the day immediately preceding the meeting of the Company's board of directors, was 103 thousand shares and 71 thousand shares for 2018 and 2017, respectively.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 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	
	2018	**2017**
Foreign exchange gains	$ 54,484	$ 10,379
Foreign exchange losses	(27,285)	(52,155)
	$ 27,199	$ (41,776)

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2018	**2017**
Current tax		
In respect of the current year	$ 167,068	$ 144,193
Adjustments for prior years	(558)	(6,350)
	166,510	137,843
Deferred tax		
In respect of the current year	(6,653)	(40,116)
Effect of tax rate changes	8,251	-
Income tax expense recognized in profit or loss	$ 168,108	$ 97,727

A reconciliation of accounting loss and income tax expenses was as follows:

	For the Year Ended December 31	
	2018	**2017**
Income before tax from continuing operations	$ 854,030	$ 629,093
Income tax expense calculated at the statutory rate	$ 173,729	$ 101,989
Non-deductible expenses in determining taxable income	1,022	5,477
Deductible temporary differences	14,153	-
Additional income tax under the Alternative Minimum Tax Act	24	24
Investment credits	(12,011)	(6,463)
Loss carryforwards	-	(1,297)
Unrecognized deductible temporary differences	-	4,347
Effect of tax rate changes	(8,251)	-
Adjustments for prior years' tax	(558)	(6,350)
Income tax expense recognized in profit or loss	$ 168,108	$ 97,727

In 2017, the applicable corporate income tax rate used by the Company is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Current tax liabilities

	December 31	
	2018	**2017**
Current tax liabilities		
Income tax payable	$ 113,794	$ 91,742

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred Tax Assets			
Temporary differences			
Inventory write-down	$ 328	$ 692	$ 1,020
Investments accounted for using the equity method	4,908	42	4,950
Unrealized net foreign exchange gains (losses)	267	(267)	-
Provisions	2,887	1,447	4,334
Refund liabilities	18,821	2,777	21,598
Estimated expense payable and others	4,488	(690)	3,798
	$ 31,699	$ 4,001	$ 35,700
Deferred Tax Liabilities			
Temporary differences			
Unrealized net foreign exchange gains	$ -	$ 4,721	$ 4,721
Other intangible assets - acquisitions	73,967	(844)	73,123
	$ 73,967	$ 3,877	$ 77,844

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred Tax Assets			
Temporary differences			
Inventory write-down	$ 366	$ (38)	$ 328
Property, plant and equipment	3	(3)	-
Investments accounted for using the equity method	913	3,995	4,908
Unrealized net foreign exchange gains (losses)	(3,047)	3,314	267
Provisions	5,254	16,454	21,708
Estimated expense payable and others	-	4,488	4,488
	$ 3,489	$ 28,210	$ 31,699
Deferred Tax Liabilities			
Temporary difference			
Tax losses			
Other intangible assets - acquisitions	$ 85,779	$ (11,812)	$ 73,967

d. Income tax assessments

The Company's tax returns through 2016 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 20.20	$ 15.70
Diluted earnings per share	$ 20.10	$ 15.64

The income and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Income for the Year

	For the Year Ended December 31	
	2018	**2017**
Income for the year attributable to owners of the Company	$ 685,922	$ 531,366

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares in computation of basic earnings per share	33,958	33,845
Effect of potentially dilutive ordinary shares:		
Employees' compensation	140	105
Restricted shares to employees	25	35
Weighted average number of ordinary shares in computation of diluted earnings per share	34,123	33,985

Since the Group offered to settle compensation in cash or shares, the Group assumed the entire amount of the compensation 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.

27. SHARE-BASED PAYMENT ARRANGEMENTS

a. Restricted share plan for employees

Information on restricted share plan for employees was as follows:

Approved Date	Grant Shares (Thousand)	Board of Directors Approved Issue Date	Issued Date	Issued Shares (Thousand)	Fair Value
2013/06/07	150	2013/08/01	2013/10/08	61	$ 150
		2014/03/17	2014/04/25	45	243
2014/06/19	100	2014/10/27	2014/11/19	22	235
2015/06/03	100	-	-	-	-
2016/06/29	100	2016/11/04	2016/12/05	30	446
2017/05/26	100	2017/11/03	2018/02/05	36	740
2018/05/30	40	2018/11/05	2018/11/12	21	481

In the board of directors' meeting on March 11, 2019, the board of directors proposed a restricted share plan for employees with a total of 100 thousand shares. The Company shall set up the actual issuance date (s) in one tranche or in installments within one year from the date of receipt of the effective registration of the competent authority. The board of directors authorized chairman to determine the issue date. The main elements of the restricted share plan for employees was as follows:

1) Issue price: the Company issued the gratuitous restricted stocks for employees.

2) Vesting conditions of restricted stocks for employees are as follows:

   a) To meet the vesting conditions, an employee has to meet performance and other conditions over the vesting period, as follows:

      Remain employed by the Company within 1 year - 10% of restricted shares will be vested;

      Remain employed by the Company within 2 year - 10% of restricted shares will be vested;

      Remain employed by the Company within 3 year - 40% of restricted shares will be vested;

      Remain employed by the Company within 4 year - 40% of restricted shares will be vested;

   b) When the employees do not reach the vesting conditions, the Company will recover and cancel the shares.

   c) During the vesting period, the dividends will distribute to employees gratuitously.

3) In addition to the vesting conditions, the limitations are as follows:

   a) The employees cannot sell, pledge, transfer, donate or, in any other way, dispose of these shares.

   b) During the vesting period, the rights of attending shareholders' meeting, proposal, speech, resolution and voting right, etc., will enforce by trust corporation.

Information on restricted share plan for employees was as follows:

	Number of Shares (In Thousands) For the Year Ended December 31	
	2018	**2017**
Balance at January 1	46	98
Granted	57	-
Vested	(25)	(44)
Write off	-	(8)
Balance at December 31	78	46

For the years ended December 31, 2018 and 2017, the compensation costs recognized were NT$13,924 thousand and NT$6,315 thousand, respectively.

28. GOVERNMENT GRANTS

In March 2017, the Group applied for a government grant of NT$33,100 thousand towards its project related to an industrial upgrading innovation platform from Industrial Development Bureau, Ministry of Economic Affairs. The period of the grant is from November 1, 2016 to October 31, 2018. The grant that the Group received was NT$33,100 thousand and was recognized as other income as of the year ended December 31, 2018.

29. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of property and official car with lease terms between 1-3 years. The Group does not have a bargain purchase options to acquire the property and official car at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2018	**2017**
Not later than 1 year	$ 7,952	$ 7,575
1-5 years	4,148	6,333
	$ 12,100	$ 13,908

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to operate under the premises of going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Group (comprising issued capital, reserves, retained earnings and other equity).

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

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

31. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments measured at fair value

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 89,030	$ -	$ -	$ 89,030

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	$ 277,531	$ -	$ -	$ 277,531

There were no transfers between Level 1 and Level 2 in the current and prior periods.

c. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Loans and receivables (i)	$ -	$ 1,230,031
Available-for-sale financial assets	-	277,531
Financial assets at amortized cost (ii)	1,583,031	-
Financial assets at FVTPL	89,030	-
Financial liabilities		
Measured at amortized cost (iii)	72,410	189,198

i) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, trade and other receivables (including related parties), and refundable deposits.

ii) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, trade and other receivables (including related parties), financial assets at amortized cost and refundable deposits.

iii) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, trade payables (including related parties) and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include mutual investments, trade receivables and trade payables. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), and interest rates (see (b) below).

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 100% of the Group's sales were denominated in currencies other than the functional currency, whilst almost 99% of costs were denominated in the group entity's functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2018	**2017**
Profit or loss	$ 23,537	$ 39,416

This was mainly attributable to the exposure on outstanding receivables and payables in USD which were not hedged at the end of the reporting period.

The Group's sensitivity to USD currency decreased during the current period mainly due to the decrease in the net assets of the USD which was due to the decrease in cash and cash equivalents denominated in USD.

The management believes that the sensitivity analysis cannot represent the inherent risk of the exchange rate, because the foreign currency risk at the end of the reporting period cannot reflect the mid-year risk situation.

b) Interest rate risk

Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring that the most cost-effective hedging strategies are applied.

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 992,888	$ 705,768
Financial liabilities	-	50,000
Cash flow interest rate risk		
Financial assets	180,382	148,098

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year.

A 0.1 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group had no floating rate liabilities for the years ended December 31, 2018 and 2017.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

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

Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized short-term bank loan facilities of $650,000 thousand and $590,000 thousand, respectively.

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

The Group's remaining contractual maturity for its non-derivative financial liabilities had been drawn up based on the undiscounted cash flows (included principal and interest) of financial liabilities from the earliest date on which the Group can be required to pay.

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	5+ Years	Total
Non-derivative financial liabilities						
Non-interest bearing						
Trade payables (including related parties)	$ 53,078	$ 334	$ -	$ -	$ -	$ 53,412
Other payables	15,720	3,229	282	-	-	19,231
Fixed interest rate liabilities	-	-	-	-	-	-
	$ 68,798	$ 3,563	$ 282	$ -	$ -	$ 72,643

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	5+ Years	Total
Non-derivative financial liabilities						
Non-interest bearing						
Trade payables (including related parties)	$ 76,530	$ 722	$ -	$ -	$ -	$ 77,252
Other payables	41,253	20,409	375	-	-	62,037
Fixed interest rate liabilities	50,000	-	-	-	-	50,000
	$ 167,783	$ 21,131	$ 375	$ -	$ -	$ 189,289

b) Financing facilities:

	December 31 2018	December 31 2017
Unsecured borrowings facilities		
Amount used	$ -	$ 50,000
Amount unused	650,000	590,000
	$ 650,000	$ 640,000

32. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and their relationships associated with the Group:

Related Parties	Relationship with the Group
ATEN International Co., Ltd.	Investor with significant influence over the Group
Avago Technologies International Sales PTE. Limited	Investor with significant influence over the Group
EMEL Explorer Inc.	Substantial related party

b. Operating revenues

	For the Year Ended December 31	
Related Party Category	**2018**	**2017**
Investor with significant influence over the Group	$ 9,682	$ 6,291

The sales of the related parties are determined according to the agreed terms of both parties, and the collection conditions are equivalent to the general trading conditions.

c. Purchases

	For the Year Ended December 31	
Related Party Name	**2018**	**2017**
Avago Technologies International Sales PTE. Limited	$ 210,062	$ 86,526

The purchase of the related party is determined according to the agreed terms of the two parties, and there is no other suitable trading object to compare.

d. Receivables from related parties

	December 31	
Related Party Category	**2018**	**2017**
Investor with significant influence over the Group	$ 2,249	$ 2,520

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

	December 31	
Related Party Name	**2018**	**2017**
Avago Technologies International Sales PTE. Limited	$ 17,915	$ 8,492

The outstanding trade payables from related parties are unsecured.

f. Acquisitions of other assets

Related Party Name	December 31 2018	December 31 2017
EMEL Explorer Inc.	$ 10,476	$ -

g. Compensation of key management personnel

The total amount of payroll to directors and supervisors and other key executives in 2018 and 2017 were as follows:

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Short-term benefits	$ 25,146	$ 18,756
Post-employment benefits	459	414
Share-based payments	4,468	-
	$ 30,073	$ 19,170

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

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2018 and 2017 were as follows:

Under an agreement, the Group shall pay royalties at a percentage of net sales of certain products. For the years ended December 31, 2018 and 2017, royalty expense amounted to $339 thousand and $607 thousand, respectively.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant 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:

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 20,221	30.715	$ 621,088
Non-monetary items			
Financial assets at FVTPL			
USD	960	30.715	29,490

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	5,855	30.715	179,836
			(Concluded)

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 34,670	29.76	$ 1,031,779
Non-monetary items			
Available-for-sale financial assets			
USD	6,271	29.76	186,629
Financial liabilities			
Monetary items			
USD	8,181	29.76	243,467

The significant (unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.715 (USD:NTD)	$ 23,607	29.76 (USD:NTD)	$ (1,571)

35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

1) Financing provided to others: None

2) Endorsements/guarantees provided: None

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities):

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares (In Thousands)	Carrying Amount (In Thousands)	Percentage of Ownership (%)	Fair Value (In Thousands)	
ASPEED Technology Inc.	Funds - Fuh Hwa Emerging Market RMB Short-term Income Fund	-	Financial assets at FVTPL	1,462	$ 15,268	-	$ 15,268	Note
	Funds - Fuh Hwa Emerging Market Short-term Income Fund	-	Financial assets at FVTPL	4,107	44,272	-	44,272	Note
	Funds - Allianz Flexi Asia Bond AT (USD)	-	Financial assets at FVTPL	85	29,490	-	29,490	Note

Note: The value is calculated by net value on December 31, 2018.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 1 (attached)

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

6) Disposal 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 (attached)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

9) Trading in derivative instruments: None

10) Information on investees:

				Original Investment Amount (In thousands) December 31		As of December 31, 2018			Net Income (Loss) of the Investee (In Thousands)	Share of Profits (Loss) (In Thousands)	
Investor Company	Investee Company	Location	Main Businesses and Products	2018	2017	Number of Shares (In Thousands)	%	Carrying Amount (In Thousands)			Note
ASPEED Technology Inc.	ASPEED Technology (Samoa) Inc.	Samoa	Investment holding company	$ 48,763	$ 48,763	1,550	100	$ 24,722	$ 5,884	$ 5,884	-
	ASPEED Technology India Private Limited	India	R&D and technical services	166	166	35	1	106	1,092	11	-
	Cupola360 Inc.	Taiwan	Software Design Services	15,000	-	1,500	100	13,227	(1,773)	(1,773)	-
ASPEED Technology (Samoa) Inc.	ASPEED Technology (U.S.A) Inc.	U.S.A.	R&D and technical services	31,460	31,460	1,000	100	13,637	4,839	4,839	-
	ASPEED Technology India Private Limited	India	R&D and technical services	16,068	16,068	3,465	99	10,486	1,092	1,081	-

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gains or losses, carrying amount of the investment at the end of the period, repatriations investment gains or losses, and limit on the amount of investment in the mainland China area: None

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: None.

   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 or guarantees or pledges of collateral at the end of the period and the 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

36. SEGMENT INFORMATION

The Group is considered as a single operating segment. Profit and loss, assets and liabilities are measured on the same basis as the basis for the preparation of the consolidated financial statements. For relevant operating information, refer to the consolidated financial statements.

a. Major revenue of products and service

The following was an analysis of the Group's major revenue by products and service from continuing operations by reportable segments.

	For the Year Ended December 31	
	2018	**2017**
Multimedia Integrated Circuits (ICs)	$ 2,014,508	$ 1,752,167
Computer Peripherals Oriented ICs	136,556	137,367
Other	2,455	4,660
	$ 2,153,519	$ 1,894,194

b. Geographical information

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2018	**2017**	**2018**	**2017**
Taiwan	$ 774,574	$ 642,173	$ 969,862	$ 1,025,548
China	930,834	871,162	-	-
U.S.A.	343,552	262,916	502	679
Others	104,559	117,943	63	92
	$ 2,153,519	$ 1,894,194	$ 970,427	$ 1,026,319

Non-current assets exclude financial instruments and deferred tax assets.

c. Information about major customers

Single customers who contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2018	**2017**
Customer A	$ 473,283	$ 383,012
Customer B	300,207	235,903
Customer C	244,040	199,963
Customer D	228,113	245,395
Customer E	207,400	139,835

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Beginning Balance		Acquisition		Disposal				Ending Balance	
			Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
ASPEED Technology Inc.	PIMCO Emerging Market Bond Fund E Class US D Income	Financial assets FVTPL - current	86	$ 28,752	175	$ 60,626	268	$ 85,259	$ 89,378	$ (4,119)	-	$ -
ASPEED Technology Inc.	PIMCO GIS Diversified Income Fund E Class USD Income	Financial assets at FVTPL - current	212	86,192	-	-	218	87,084	86,192	892	-	-

TABLE 2

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trades Receivable (Payable)	
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total
ASPEED Technology Inc.	Avago Technologies International Sales PTE. Limited	Investor with significant influence over the group	Purchase	$ 210,062	23.66	Payment shall be made within 30 days after inspection and acceptance	No major differences	No major differences	$ 17,915	33.54

TABLE 3

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	The Company	ASPEED Technology (U.S.A.) Inc.	1	Other payables	$ 5,928	Note 2	0.2
				Technical service expense	63,413	Note 2	2.9
		ASPEED Technology India Private Limited	1	Other payables	3,174	Note 2	0.1
				Technical service expense	18,476	Note 2	0.9

Note 1: No.1 represents the transactions from parent company to subsidiary.

Note 2: Payment terms are determined according to the agreed terms of the two parties.