ASPEED Technology Inc. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10, "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

ASPEED Technology Inc.

By

Chris Lin
Chairman

March 2, 2020

Deloitte.

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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, 2019 and 2018, 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 (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Recognition of revenue

The Group operates principally as a supplier of multimedia integrated circuits (ICs) and computer peripherals oriented ICs. For the year ended December 31, 2019, the Group recognized revenue of NT$2,484,295 thousand, which increased by 15% compared with that of last year, refer to Note 22 for related information. Due to the increasing market demand for remote server management system, the significant changes in the amount of the

Group’s operating revenue in recent years have a significant impact on the consolidated financial statements for the year ended December 31, 2019. For customers whose sales growth rates were significant, we 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: We evaluated the appropriateness of the Company’s accounting policies relating to revenue recognition. We understood the internal controls over the approval of sales order and shipping. We tested the effectiveness of those internal controls and sampled the sales documents to inspect sales details, including cash collections in the audited period and the subsequent period. Moreover, 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, 2019, goodwill was NT$369,040 thousand, accounting for 11% of the total assets, and it was significant to the consolidated financial statements. According to IAS 36, 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 consolidated financial statements for the information on the accounting policies, accounting estimates and assumptions of the impairment assessments.

We performed the following major auditing procedures (but not limited to the following) to assess the significant estimates and the reasonableness 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 understood the process and basis for the management's estimated sales growth rate and profit margin for the future operating outlook.

2. We examined 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., were updated as appropriate.

3. We adopted 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-calculated and checked.

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, 2019 and 2018 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, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ming Hui Chen and Yi Shin Kao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 2, 2020

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

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally 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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 1,421,959	42	$ 1,093,346	38
Financial assets at fair value through profit or loss - current (Note 7)	162,941	5	89,030	3
Financial assets at amortized cost - current (Note 8)	-	-	80,000	3
Trade receivable, net (Note 9)	627,829	18	398,741	14
Receivables from related parties, net (Notes 9 and 30)	1,018	-	2,249	-
Inventories (Note 10)	82,078	2	138,841	5
Prepayments and other current assets (Note 16)	20,409	1	17,109	1
Total current assets	2,316,234	68	1,819,316	64
NON-CURRENT ASSETS				
Property, plant and equipment (Note 12)	123,198	4	84,841	3
Right-of-use assets (Notes 3 and 13)	110,675	3	-	-
Goodwill (Notes 5 and 14)	369,040	11	369,040	13
Other Intangible assets, net (Note 15)	442,045	13	472,803	17
Deferred tax assets (Note 24)	42,919	1	35,700	1
Refundable deposits (Note 16)	11,938	-	7,232	-
Other non-current assets (Note 16)	2,845	-	43,743	2
Total non-current assets	1,102,660	32	1,013,359	36
TOTAL	$ 3,418,894	100	$ 2,832,675	100

	2019		2018	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Trade payables (Note 17)	$ 140,791	4	$ 35,497	1
Payables to related parties (Note 30)	14,990	1	17,915	1
Accrued employees' compensation and remuneration of directors (Note 23)	103,501	3	84,365	3
Other payables (Note 18)	43,397	1	42,177	1
Current tax liabilities (Note 24)	141,092	4	113,794	4
Provisions - current (Note 19)	26,571	1	21,670	1
Lease liabilities - current (Notes 3 and 13)	23,886	1	-	-
Other current liabilities (Note 18)	142,037	4	108,864	4
Total current liabilities	636,265	19	424,282	15
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 24)	62,135	2	77,844	3
Lease liabilities - non-current (Notes 3 and 13)	86,090	2	-	-
Other non-current liabilities (Note 18)	108	-	1,609	-
Provisions - non-current (Note 19)	910	-	-	-
Total liabilities	785,508	23	503,735	18
SHAREHOLDERS' EQUITY (Note 21)				
Capital				
Capital stock	341,848	10	340,656	12
Capital surplus	1,145,044	33	1,056,831	37
Retained earnings				
Legal reserve	286,740	9	218,148	8
Special reserve	31,499	1	10,166	-
Unappropriated earnings	862,848	25	734,639	26
Total retained earnings	1,181,087	35	962,953	34
Other equity	(34,593)	(1)	(31,500)	(1)
Total equity	2,633,386	77	2,328,940	82
TOTAL	$ 3,418,894	100	$ 2,832,675	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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 22, 30 and 34)				
Sale	$ 2,483,373	100	$ 2,152,754	100
Other operating revenue	922	-	765	-
Total operating revenue	2,484,295	100	2,153,519	100
OPERATING COSTS (Notes 10, 23 and 30)	913,248	37	863,688	40
GROSS PROFIT	1,571,047	63	1,289,831	60
OPERATING EXPENSES (Note 23)				
Selling and marketing expenses	62,227	3	67,817	3
General and administrative expenses	117,580	5	95,143	5
Research and development expenses	382,851	15	326,983	15
Total operating expenses	562,658	23	489,943	23
INCOME FROM OPERATIONS	1,008,389	40	799,888	37
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	16,950	1	34,589	2
Other gains and losses (Note 23)	(12,908)	(1)	20,276	1
Finance costs (Note 23)	(1,864)	-	(723)	-
Total non-operating income and expenses, net	2,178	-	54,142	3
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,010,567	40	854,030	40
INCOME TAX EXPENSE (Note 24)	179,382	7	168,108	8
NET INCOME FOR THE YEAR	831,185	33	685,922	32
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating financial statements of foreign operations	(1,097)	-	(152)	-
Total other comprehensive income (loss)	(1,097)	-	(152)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 830,088	33	$ 685,770	32

(Continued)

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

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

	2019		2018	
	Amount	**%**	**Amount**	**%**
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 831,185	33	$ 685,922	32
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 830,088	33	$ 685,770	32
EARNINGS PER SHARE (Note 25)				
Basic	$ 24.39		$ 20.20	
Diluted	$ 24.28		$ 20.10	

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except For Share Data)

	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, 2018	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)
Net income for the year ended December 31, 2018	-	-	-	-	-	685,922	-	-	-	685,922
Other comprehensive income (loss) after tax	-	-	-	-	-	-	-	(152)	-	(152)
Comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	685,922	-	(152)	-	685,770
Employee stock bonus - Record date: August 7, 2018	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)	-	-	-
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
Appropriations of prior year's earnings										
Legal reserve	-	-	-	68,592	-	(68,592)	-	-	-	-
Special reserve	-	-	-	-	21,333	(21,333)	-	-	-	-
Cash dividends to shareholders - NT$18.00 per share	-	-	-	-	-	(613,051)	-	-	-	(613,051)
Net income for the year ended December 31, 2019	-	-	-	-	-	831,185	-	-	-	831,185
Other comprehensive income (loss) after tax	-	-	-	-	-	-	-	(1,097)	-	(1,097)
Comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	831,185	-	(1,097)	-	830,088
Employee stock bonus - Record date: August 2, 2019	103	1,034	73,957	-	-	-	-	-	-	74,991
Issuance of restricted stock under employees share options on September 10, 2019	28	280	21,867	-	-	-	(22,147)	-	-	-
Cancellation of restricted stock under employees share options on March 11, 2019 and August 5, 2019	(12)	(122)	(7,611)	-	-	-	7,733	-	-	-
Compensation cost of restricted shares for employees	-	-	-	-	-	-	12,418	-	-	12,418
BALANCE AT DECEMBER 31, 2019	34,184	$ 341,848	$ 1,145,044	$ 286,740	$ 31,499	$ 862,848	$ (32,371)	$ (2,222)	$ -	$ 2,633,386

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,010,567	$ 854,030
Adjustments for:		
Depreciation expense	48,879	30,964
Amortization expense	105,393	107,218
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(2,692)	(1,640)
Finance costs	1,864	723
Interest income	(14,296)	(13,676)
Compensation cost of employee restricted shares	12,418	13,924
Loss on disposal of Property, plant and equipment	1,643	-
(Gain) loss on disposal of financial assets	(6,282)	8,075
(Reversal of) write-down of inventories	(1,928)	5,329
Net gain on foreign currency exchange	(37,877)	(25,186)
Recognition of provisions	4,901	4,688
Changes in operating assets and liabilities:		
Trade receivables (include related parties)	(239,469)	(35,899)
Inventories	58,691	(53,664)
Other current assets	(3,384)	1,748
Trade payables (include related parties)	104,906	(24,191)
Other payables	7,147	(11,900)
Provisions	-	(3,674)
Other current liabilities	35,176	(4,301)
Payables for employees' compensation and remuneration of directors	94,127	77,439
Other non-current liabilities	(1,501)	820
Cash generated from operations	1,178,283	930,827
Interest paid	(1,864)	(751)
Income taxes paid	(175,142)	(150,972)
Net cash generated from operating activities	1,001,277	779,104
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	-	(80,000)
Proceeds from of financial assets at amortized cost	80,000	-
Purchase of financial assets at fair value through profit or loss	(180,112)	(89,894)
Proceeds from sale of financial assets at fair value through profit or loss	115,175	271,960
Payments for Property, plant and equipment	(81,619)	(75,413)
Increase in refundable deposits	(4,706)	(1,347)
Payments for intangible assets	(36,697)	(46,105)
Increase in prepayments for equipment	(2,845)	-
Interest received	14,227	13,654
Net cash used in investing activities	(96,577)	(7,145)

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ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

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

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	$ -	$ (50,000)
Repayments of the principal portion of lease liabilities	(7,042)	-
Cash dividends	(613,051)	(509,607)
Net cash used in financing activities	(620,093)	(559,607)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	44,006	27,058
NET INCREASE IN CASH AND CASH EQUIVALENTS	328,613	239,410
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,093,346	853,936
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,421,959	$ 1,093,346

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

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 the 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 on March 2, 2020.

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

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

   Except for the following, 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 did not have material impact on the accounting policies of the Company and its subsidiaries (collectively referred to as the "Group"):

   1) IFRS 16 "Leases"

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

      <u>Definition of a lease</u>

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

The Group as lessee

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

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

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.15%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 12,100
Less: Recognition exemption for short-term leases	(3,795)
Undiscounted amounts on January 1, 2019	$ 8,305
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 8,098
Lease liabilities recognized on January 1, 2019	$ 8,098

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

	Pre-adjusted Amount on January 1, 2019	**Adjustments Arising from Initial Application**	**Adjusted Amount on January 1, 2019**
Right-of-use assets	$ -	$ 8,098	$ 8,098
Total effect on assets	$ -	$ 8,098	$ 8,098
Lease liabilities - current	$ -	$ 3,670	$ 3,670
Lease liabilities - non-current	-	4,428	4,428
Total effect on liabilities	$ -	$ 8,098	$ 8,098

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

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of 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.

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 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of 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, 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.

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 11 and Note 33 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 entity, transactions in currencies other than the entity’s functional currency (i.e., 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 its foreign operations (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 work-in-process and finished goods 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 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 Group 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 the 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 such an 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 on 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 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 categories

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 29.

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.

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

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

ii) Breach of contract, such as a default;

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

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

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

b) Impairment of financial assets

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 (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.

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

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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.

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

The 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.

2) Decommissioning

The Group has the obligation for decommissioning at the end of the useful lives of offices. Pursuant to regulations, the Group estimates the decommissioning costs, which are discounted by applying the effective interest rate and recognized as the carrying amount. The decommissioning costs are capitalized and added to the carrying amount of property, plant and equipment.

The Group recognizes both the increased decommissioning provisions discounted on a time basis and interest expenses. The Group regularly reviews the change of decommissioning obligation at each end of the reporting period and adjusts it to reflect the best estimates.

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 past experience and other relevant factors.

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. There were no materials delivered to subcontractors in 2019.

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.

o. Leasing

2019

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

1) The Group as lessor

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

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

2) The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

<u>2018</u>

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

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

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

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 services.

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 is 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 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 is expensed in the year the shareholders approve 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 is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Key Sources of Estimation Uncertainty

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	
	2019	**2018**
Cash on hand	$ 76	$ 76
Checking accounts and demand deposits	274,118	180,382
Cash equivalents		
Time deposits with original maturities of less than 3 months	815,956	668,430
Repurchase agreements collateralized by bonds	331,809	244,458
	$ 1,421,959	$ 1,093,346

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

	December 31	
	2019	**2018**
Bank deposits	0.01%-2.30%	0.01%-2.90%
Repurchase agreements collateralized by bonds	2.10%	0.45%-3.25%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	**2018**
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	$ 132,325	$ -
Mutual funds	30,616	89,030
	$ 162,941	$ 89,030

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	**2018**
Current		
Time deposits with original maturity of more than 3 months	$ -	$ 80,000

The range of interest rates for time deposits with original maturity of more than 3 months was 0.15% to 0.78% per annum as at the end of December 31, 2018.

9. TRADE RECEIVABLES

	December 31	
	2019	2018
Trade receivables		
Non-related parties	$ 627,829	$ 398,741
Related parties	1,018	2,249
	$ 628,847	$ 400,990
Trade receivables		
At amortized cost		
Gross carrying amount	$ 628,847	$ 400,990
Less: Allowance for impairment loss	-	-
	$ 628,847	$ 400,990

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 reviews credit limits and credit approvals and performs other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Before trading with new customers, the Group assesses the potential customer’s credit quality and defines credit limits based on the credit rating 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.

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

December 31, 2019

	Gross Carrying Amount	Loss Allowance	Amortized Cost
Not past due	$ 481,267	$ -	$ 481,267
Past due			
Within 30 days	140,311	-	140,311
31-60 days	7,269	-	7,269
61-90 days	-	-	-
91-180 days	-	-	-
	$ 628,847	$ -	$ 628,847

December 31, 2018

	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

10. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 69,044	$ 130,581
Work in progress	13,034	8,260
	$ 82,078	$ 138,841

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $913,248 thousand and $863,688 thousand, respectively. The cost of inventories recognized as operating cost were as follows:

	December 31	
	2019	2018
Inventory write-downs (reversed)	$ (1,928)	$ 5,329

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2019	2018	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	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 investment accounted for using the equity method and the calculation of the share of profit or loss and other comprehensive income were recognized based on the financial statements of subsidiaries that have been audited.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
Assets used by the Group	$ 123,198

a. Assets used by the Group - 2019

	Year Ended December 31, 2019 Balance, Beginning of the Year	Additions	Disposals	Net Exchange Differences	Balance, End of the Year
Cost					
Machinery equipment	$ 19,463	$ 7,233	$ -	$ -	$ 26,696
Office equipment	6,938	2,962	-	(45)	9,855
Other equipment	94,247	46,327	(18,880)	-	121,694
Construction in progress	-	25,097	-	-	25,097
	120,648	$ 81,619	$ (18,880)	$ (45)	183,342
Accumulated depreciation					
Machinery equipment	4,191	$ 4,745	$ -	$ -	8,936
Office equipment	1,916	1,789	-	(28)	3,677
Other equipment	29,700	35,068	(17,237)	-	47,531
	35,807	$ 41,602	$ (17,237)	$ (28)	60,144
Carrying amount	$ 84,841				$ 123,198

b. 2018

	Year Ended December 31, 2018				
	Balance, Beginning of the Year	Additions	Disposals	Net Exchange Differences	Balance, End of the 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	$ 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	3-5 years
Office equipment	3-7 years
Other equipment	2-6 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 109,131
Transportation equipment	1,544
	$ 110,675

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Buildings	$ 6,394
Transportation equipment	883
	$ 7,277

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 23,886
Non-current	$ 86,090

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	2.00%
Transportation equipment	2.50%

c. Material lease-in activities and terms

The Group leases certain buildings for the use of manufacturing and office with lease terms of 1 to 5 years. The Group doesn't have options to purchase the equipment for a nominal amount at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 4,487
Expenses relating to low-value asset leases	$ 165
Total cash outflow for leases	$ (12,104)

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

2018

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

	December 31, 2018
Not later than 1 year	$ 7,952
Later than 1 year and not later than 5 years	4,148
	$ 12,100

14. GOODWILL

	December 31 2019	December 31 2018
Cost		
Balance at the 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 2020 to 2024 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 2019, 2018 and 2017, 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 13.73%.

15. OTHER INTANGIBLE ASSETS

	Years Ended December 31, 2019			
	Balance, Beginning of the Year	Additions	Disposals	Balance, End of the Year
Cost				
Licenses	$ 98,037	$ 73,667	$ (6,773)	$ 164,931
Software	1,212	518	(96)	1,634
Client relationship	145,552	-	-	145,552
Existing technology	359,030	-	-	359,030
Trademark	45,283	-	-	45,283
Others	10,476	450	-	10,926
Carrying amounts	659,590	$ 74,635	$ (6,869)	727,356
Accumulated amortization				
Licenses	$ 32,668	$ 26,902	$ (6,773)	$ 52,797
Software	642	418	(96)	964
Client relationship	36,388	18,194	-	54,582
Existing technology	102,581	51,289	-	153,870
Trademark	12,938	6,469	-	19,407
Others	1,570	2,121	-	3,691
Balance at December 31, 2019	186,787	$ 105,393	$ (6,869)	285,311
Carrying amounts	$ 472,803			$ 442,045

	Years Ended December 31, 2018			
	Balance, Beginning of the Year	Additions	Disposals	Balance, End of the Year
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
Carrying amounts	678,291	$ 10,476	$ (29,177)	659,590
Accumulated amortization				
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	$ 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	
	2019	2018
Current		
Prepayments	$ 13,245	$ 9,943
Tax refund receivables	5,550	5,703
Others	1,614	1,463
	$ 20,409	$ 17,109

(Continued)

	December 31	
	2019	2018
Non-current		
Refundable deposits	$ 11,938	$ 7,232
Prepayments for equipment	2,845	-
Prepayments for licenses	-	43,743
	$ 14,783	$ 50,975

(Concluded)

17. TRADE PAYABLES

	December 31	
	2019	2018
Trade payables		
Operating	$ 140,791	$ 35,497

18. OTHER PAYABLES

	December 31	
	2019	2018
Current		
Other payables		
Payables for salaries or bonuses	$ 26,834	$ 20,616
Payables for service	4,998	3,676
Payables for royalties	4,468	4,080
Payables for licenses	-	5,805
Others	7,097	8,000
	$ 43,397	$ 42,177
Other liabilities		
Refund liabilities	$ 141,015	$ 107,992
Others	1,022	872
	$ 142,037	$ 108,864
Non-current		
Other non-current liabilities		
Payables for salaries or bonuses	$ 108	$ 1,609

19. PROVISIONS

	December 31	
	2019	2018
Current		
Warranties (a)	$ 26,571	$ 21,670
Non-current		
Decommissioning (b)	$ 910	$ -

	Warranties	Decommissioning
Balance at January 1, 2019	$ 21,670	$ -
Additional provisions recognized	4,901	910
Balance at December 31, 2019	$ 26,571	$ 910

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 decommissioning represents the Company's obligation to decommission (including the restoration of the office). The costs are estimated based on internal research, and the Company regularly reviews and adjusts it to reflect the best estimates.

20. 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 $5,024 thousand and $4,181 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, 2019 and 2018, respectively.

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands of shares)	50,000	50,000
Shares authorized par value $10 (in thousands of NTD)	$ 500,000	$ 500,000
Number of shares issued and fully paid (in thousands of shares)	34,184	34,065
Shares issued and fully paid (in thousands of NTD)	$ 341,848	$ 340,656

Fully paid ordinary shares issued each has a par value of NT$10. Each share is entitled to the rights to vote and 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 total ordinary shares issued were 2,022 thousand shares, and the price per share of private placement 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 were 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 ordinary shares for three years.

b. Capital surplus

	December 31	
	2019	2018
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	268,353	194,396
Arising from expired/vested employee restricted shares	29,936	22,020
Arising from exercised/expired employee share options	2,156	2,156
May not be used for any purpose		
Employee restricted shares	51,580	45,240
	$ 1,145,044	$ 1,056,831

a) The 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 and to once a year).

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on May 29, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the Corporation may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge. When the reserves are to be distributed in cash, the distribution may be approved by the board of directors and reported to the shareholders' meeting.

Under the dividends policy as set forth in the Articles after the amendments, 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 distribution 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 23(f).

The Company's Articles stipulate the 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 distributes no less than 10% of the distributable earnings in the form of dividend bonus. If the accumulatively distributable earnings were less than 50% of the Company's paid-in capital, the dividend bonus would not distributed. 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 2018 and 2017 approved in the shareholders' meetings on May 29, 2019 and May 30, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Legal reserve	$ 68,592	$ 53,137
Special reserve	$ 21,333	$ (2,919)
Cash dividends	$ 613,051	$ 509,607
Cash dividends per share (NT$)	$ 18.00	$ 15.00

The appropriation of earnings for 2019 has been proposed by the Company's board of directors on March 2, 2020. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2019
Legal reserve	$ 83,118
Special reserve	$ 3,093
Cash dividends	$ 752,946
Cash dividends per share (NT$)	$ 22.00

d. Special reserve

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 10,166	$ 13,085
Appropriation (reversal)		
Debits (reversal of debits) to other equity items	21,333	(2,919)
Balance at December 31	$ 31,499	$ 10,166

e. Other equity items

1) Unearned employee benefits

For information about the restricted share plans for employees, refer to Note 26.

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (30,375)	$ (7,558)
Issued	(22,147)	(36,741)
Cancelled	7,733	-
Share-based payment expenses recognized	12,418	13,924
Balance at December 31	$ (32,371)	$ (30,375)

2) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (1,125)	$ (973)
Exchange differences on translating the financial statements of foreign operations	(1,097)	(152)
Balance at December 31	$ (2,222)	$ (1,125)

22. REVENUE

a. Revenue from contracts with customers

	For the Year Ended December 31	
	2019	2018
Revenue from the sale of goods	$ 2,483,373	$ 2,152,754
Royalty income	922	765
	$ 2,484,295	$ 2,153,519

b. Contract balances

	For the Year Ended December 31	
	2019	2018
Trade receivables (Note 9)	$ 628,847	$ 400,900
Contract liabilities		
Sale of goods	$ -	$ 157

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

c. Disaggregation of revenue

For the year ended December 31, 2019

	Reportable Segments			
	Multimedia Integrated Circuits (ICs)	Computer Peripherals Oriented ICs	Others	Total
Type of goods or services				
Sale of goods	$ 2,327,708	$ 155,337	$ 328	$ 2,483,373
Royalty	-	-	922	922
	$ 2,327,708	$ 155,337	$ 1,250	$ 2,484,295

For the year ended December 31, 2018

	Reportable Segments			
	Multimedia Integrated Circuits (ICs)	Computer Peripherals Oriented ICs	Others	Total
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

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 6,116	$ 5,021
Repurchase agreements collateralized by bonds	7,997	7,395
Other	183	1,260
	14,296	13,676
Government grants (Note 27)	-	19,355
Others	2,654	1,558
	$ 16,950	$ 34,589

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net foreign exchange (losses) gains	$ (20,021)	$ 27,199
Gain (loss) on disposal of investment properties	6,282	(8,075)
Net gain arising on fair value changes of financial assets through profit or loss	2,692	1,640
Loss on disposal of property, plant and equipment	(1,643)	-
Others	(218)	(488)
	$ (12,908)	$ 20,276

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on loans	$ 1,454	$ 723
Interest on lease liabilities	410	-
	$ 1,864	$ 723

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ -	$ -
Operating expenses	48,879	30,964
	$ 48,879	$ 30,964

(Continued)

	For the Year Ended December 31	
	2019	2018
An analysis of amortization by function		
Operating costs	$ -	$ -
Selling and marketing expenses	18,194	18,195
General and administration expenses	6,777	6,737
Research and development expenses	80,422	82,286
	$ 105,393	$ 107,218

(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 20)		
Defined contribution plans	$ 5,024	$ 4,181
Share-based payments (Note 26)	12,418	13,924
Other employee benefits	308,496	259,070
Total employee benefits expense	$ 325,938	$ 277,175
An analysis of employee benefits expense by function		
Operating costs	$ -	$ -
Operating expenses	325,938	277,175
	$ 325,938	$ 277,175

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, 2019 and 2018, which have been approved by the Company’s board of directors on March 2, 2020 and March 11, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees’ compensation	8%	8%
Remuneration of directors and supervisors	1%	1%

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash	Shares	Cash	Shares
Employees' compensation	$ -	$ 92,361	$ -	$ 74,991
Remuneration of directors and supervisors	11,140	-	9,374	-

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, which was determined by dividing the amount of the employees' compensation resolved for 2019 and 2018 by NT$946 and NT$725, respectively, which is the closing price per share determined on the day immediately preceding the meeting of the Company's board of directors, was 98 thousand shares and 103 thousand shares for 2019 and 2018, 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, 2018 and 2017.

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

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 25,589	$ 54,484
Foreign exchange losses	(45,610)	(27,285)
	$ (20,021)	$ 27,199

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 203,129	$ 167,068
Adjustments for prior years	(668)	(558)
	202,461	166,510
Deferred tax		
In respect of the current year	(23,079)	(6,653)
Effect of tax rate changes	-	8,251
Income tax expense recognized in profit or loss	$ 179,382	$ 168,108

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

	For the Year Ended December 31	
	2019	**2018**
Income before tax from continuing operations	$ 1,010,567	$ 854,030
Income tax expense calculated at the statutory rate	$ 205,299	$ 173,729
Non-deductible expenses in determining taxable income	(2,031)	1,022
Deductible temporary differences	(2,931)	14,153
Additional income tax under the Alternative Minimum Tax Act	25	24
Investment credits	(20,312)	(12,011)
Effect of tax rate changes	-	(8,251)
Adjustments for prior years' tax	(668)	(558)
Income tax expense recognized in profit or loss	$ 179,382	$ 168,108

The Income Tax Act in the ROC was amended in February 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 was reduced from 10% to 5%.

b. Current tax liabilities

	December 31	
	2019	**2018**
Current tax liabilities		
Income tax payable	$ 141,092	$ 113,794

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, 2019

Deferred Tax Assets	**Opening Balance**	**Recognized in Profit or Loss**	**Closing Balance**
Temporary differences			
Inventory write-down	$ 1,020	$ (832)	$ 188
Investments accounted for using the equity method	4,950	(1,083)	3,867
Provisions	4,334	980	5,314
Refund liabilities	21,598	6,605	28,203
Estimated expense payable and others	3,798	1,549	5,347
	$ 35,700	$ 7,219	$ 42,919
Deferred Tax Liabilities			
Temporary differences			
Unrealized net foreign exchange gains	$ 4,721	$ (1,812)	$ 2,909
Other intangible assets - acquisitions	73,123	(13,897)	59,226
	$ 77,844	$ (15,709)	$ 62,135

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Closing Balance
Deferred Tax Assets			
Temporary differences			
Inventory write-downs	$ 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

d. Income tax assessments

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

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 24.39	$ 20.20
Diluted earnings per share	$ 24.28	$ 20.10

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	
	2019	2018
Income for the year attributable to owners of the Company	$ 831,185	$ 685,922

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

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	34,075	33,958
Effect of potentially dilutive ordinary shares:		
Employees' compensation	116	140
Restricted shares to employees	48	25
Weighted average number of ordinary shares in computation of diluted earnings per share	34,239	34,123

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.

26. 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
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
2019/05/29	100	2019/08/02	2019/09/10	28	791
2019/05/29	100	2019/08/02	2020/02/05	31	952
2019/05/29	100	2019/08/02	2020/03/02	9	1,005

On May 29, 2019, the shareholder's meeting resolved to issue 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 the Company's chairman to determine the issue date. The main elements of the restricted share plan for employees were 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 institutions.

Information on restricted share plan for employees was as follows:

	Number of Shares (In Thousands)	
	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	78	46
Granted	28	57
Vested	(16)	(25)
Cancelled	(12)	-
Balance at December 31	78	78

For the years ended December 31, 2019 and 2018, the compensation costs recognized were NT$12,418 thousand and NT$13,924 thousand, respectively.

27. 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 December 31, 2019.

28. 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.

29. 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, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	$ 132,325	$ -	$ -	$ 132,325
Mutual funds	30,616	-	-	30,616
	$ 162,941	$ -	$ -	$ 162,941

December 31, 2018

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

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

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Financial assets at amortized cost (i)	2,064,354	1,583,031
Financial assets at FVTPL	162,941	89,030
Financial liabilities		
Measured at amortized cost (ii)	170,445	72,410

i) 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.

ii) The balances include financial liabilities measured at amortized cost, which comprise 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 32.

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	
	2019	**2018**
Pre-tax profit	$ 41,197	$ 23,537

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	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 1,147,765	$ 992,888
Cash flow interest rate risk		
Financial assets	274,119	180,382

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, 2019 and 2018.

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, 2019 and 2018, the Group had available unutilized short-term bank loan facilities of $650,000 thousand.

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, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	5+ Years	Total
Non-derivative financial liabilities						
Lease liabilities	$ 2,177	$ 4,353	$ 19,342	$ 89,264	$ -	$ 115,136
Non-interest bearing						
Trade payables (including related parties)	85,875	69,906	-	-	-	155,781
Other payables	9,848	2,585	2,244	-	-	14,677
	$ 97,900	$ 76,844	$ 21,586	$ 89,264	$ -	$ 285,594

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 25,872	$ 89,264	$ -	$ -	$ -	$ -

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
	$ 68,798	$ 3,563	$ 282	$ -	$ -	$ 72,643

b) Financing facilities:

	December 31	
	2019	2018
Unsecured borrowings facilities		
Amount unused	$ 650,000	$ 650,000

30. 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

Related Party Category	For the Year Ended December 31	
	2019	2018
Investor with significant influence over the Group	$ 7,824	$ 9,682

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

Related Party Name	For the Year Ended December 31	
	2019	2018
Avago Technologies International Sales PTE. Limited	$ 103,236	$ 210,062

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

Related Party Category	December 31	
	2019	2018
Investor with significant influence over the Group	$ 1,018	$ 2,249

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

Related Party Name	December 31	
	2019	2018
Avago Technologies International Sales PTE. Limited	$ 14,990	$ 17,915

The outstanding trade payables from related parties are unsecured. The transaction price was based on the market price and is determined by both parties.

f. Acquisitions of other assets

Related Party Name	December 31 2019	December 31 2018
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 2019 and 2018 were as follows:

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Short-term benefits	$ 27,483	$ 25,146
Post-employment benefits	324	459
Share-based payments	2,774	4,468
	$ 30,581	$ 30,073

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

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

Under an agreement, the Group shall pay royalties at a percentage of net sales of certain products. For the years ended December 31, 2019 and 2018, royalty expense amounted to $157 thousand and $339 thousand, respectively.

32. 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, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 36,755	29.98	$ 1,101,915
Non-monetary items			
Financial assets at FVTPL			
USD	1,021	29.98	30,610
Financial liabilities			
Monetary items			
USD	10,293	29.98	308,584

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
Financial liabilities			
Monetary items			
USD	5,855	30.715	179,836

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

	For the Year Ended December 31			
	2019		2018	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	29.98 (USD:NTD)	$ 14,545	30.715 (USD:NTD)	$ 23,607

33. 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:

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares (In Thousands)	Carrying Amount (In Thousands)	Percentage of Ownership (%)	Fair Value (In Thousands)	
ASPEED Technology Inc.	Funds - Allianz Global Investors Fund - Allianz Flexi Asia Bond AT USD	-	Financial assets at FVTPL - current	85	$ 30,616	-	$ 30,616	Note
	Shares - CTBC Financial Holding Co., Ltd. Preferred Shares C	-	Financial assets at FVTPL - current	1,000	63,400	0.6	63,400	Note
	Shares - Shin Kong Financial Holding Co.,Ltd. Preferred Shares A	-	Financial assets at FVTPL - current	1,500	68,925	2	68,925	Note

Note: The value is calculated by net value on December 31, 2019.

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)

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)

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) Intercompany relationships and significant intercompany transactions (Table 3)

11) Information on investees:

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (In thousands) December 31 2019	Original Investment Amount (In thousands) December 31 2018	As of December 31, 2019 Number of Shares (In Thousands)	As of December 31, 2019 %	As of December 31, 2019 Carrying Amount (In Thousands)	Net Income (Loss) of the Investee (In Thousands)	Share of Profits (Loss) (In Thousands)	Note
ASPEED Technology Inc.	ASPEED Technology (Samoa) Inc.	Samoa	Investment holding company	$ 48,763	$ 48,763	1,550	100	$ 31,186	$ 7,555	$ 7,555	-
	ASPEED Technology India Private Limited	India	R&D and technical services	166	166	35	1	113	1,260	13	-
	Cupola360 Inc.	Taiwan	Software Design Services	15,000	15,000	1,500	100	11,073	(2,154)	(2,154)	-
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	19,465	6,345	6,345	-
	ASPEED Technology India Private Limited	India	R&D and technical services	16,068	16,068	3,465	99	11,173	1,260	1,247	-

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

34. 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	
	2019	**2018**
Multimedia Integrated Circuits (ICs)	$ 2,327,708	$ 2,014,508
Computer Peripherals Oriented ICs	155,537	136,556
Other	1,250	2,455
	$ 2,484,295	$ 2,153,519

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		Non-current Assets	
	For the Year Ended December 31		December 31	
	2019	**2018**	**2019**	**2018**
Taiwan	$ 985,081	$ 774,574	$ 1,045,996	$ 969,862
China	1,086,059	930,834	-	-
U.S.A.	245,539	343,552	12,604	502
Others	167,616	104,559	1,141	63
	$ 2,484,295	$ 2,153,519	$ 1,059,741	$ 970,427

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	
	2019	**2018**
Customer A	$ 537,116	$ 473,283
Customer B	368,222	228,113
Customer C	253,925	207,400
Customer D	200,170	300,207

TABLE 1

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, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Beginning Balance		Acquisition		Unrealized Assessment of Financial Assets	Ending Balance	
			Number of Shares (Thousands)	Amount	Number of Shares (Thousands)	Amount		Number of Shares (Thousands)	Amount
ASPEED Technology Inc.	Shin Kong Financial Holding Co., Ltd. Preferred Shares A	Financial assets at FVTPL - current	-	$ -	1,500	$ 69,870	$ (945)	1,500	$ 68,925

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, 2019
(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	$ 103,236	12.43	Payment shall be made within 30 days after inspection and acceptance	No major differences	No major differences	$ 14,990	9.62

ASPEED TECHNOLOGY INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	$ 7,364	Note 2	0.22
				Technical service expense	77,595	Note 2	3.12
		ASPEED Technology India Private Limited	1	Other payables	1,339	Note 2	0.04
				Technical service expense	9,702	Note 2	0.39

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.