Silergy Corp.
(Incorporated in the Cayman Islands)
and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Silergy Corp.

Opinion

We have audited the accompanying consolidated financial statements of Silergy Corp. and its subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, 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 Company 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, 2017. 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 Company's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Evaluation of Provisions Held Against Inventory

As of December 31, 2017, the Company held inventory of NT$1,643,851 thousand, comprising 14% of its total assets. Because the amount is significant, the measurement involves a great amount of judgment, inventory management (as indicated in Notes 4-g and 5-d of the Notes to Consolidated Financial Statements) could influence the amount of provisions held against inventory, and the amount of provision is affected by market competition, the value of inventory and the provisions held against inventory was identified as one of the key audit matters.

The audit procedures developed for this key audit matter were as follows:

1. Understood, evaluated, and tested the internal control related to inventory management.

2. Confirmed whether the evaluation of provisions held against inventory is according to the lower of cost and net realizable value method; acquired the inventory net realizable value forms and inventory aging forms and then sampled and verified the last sale price.

3. Acquired inventory aging forms and performed a retrospective review to comparatively analyze the historical accuracy of judgments with reference to actual inventory write-downs; observed the physical count of inventory to test the reasonability of the evaluation of provisions held against inventory.

Goodwill Impairment Loss

According to IAS 36 "Impairment of Assets", the measurement of impairment loss has to be made every year and is based on an estimated recoverable amount which includes assumptions about long-term growth rates and discount rates from within the same industry. As of December 31, 2017, the book value of goodwill was NT$2,387,267 thousand, comprising 20% of the Company's total assets. Because the amount is significant and the measurement involves a great amount of judgment, it could influence the amount of impairment loss, and as such was identified as one of the key audit matters.

According to the audit procedures designed for this key audit matter, we evaluated the financial figures used by management in the model for goodwill impairment loss and tested the reasonability of management's stated future cash flows by comparing them to historical figures. Additionally, we engaged internal financial experts to evaluate the applicability of significant inputs about growth rates and discount rates and to test the accuracy of the calculation model.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, (including members of the Audit Committee) are responsible for overseeing the Company'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 Company's internal control.

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Company 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, 2016 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-Yen Chien and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2018

Notice to Readers

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

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

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,914,172	24	$ 2,679,526	25
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 18)	1,076	-	-	-
Debt investments with no active market - current (Notes 4 and 9)	1,234,205	10	667,849	6
Accounts receivable, net (Notes 4, 5 and 10)	583,440	5	582,472	5
Other receivables (Notes 4 and 10)	64,143	-	35,972	-
Inventories (Notes 4, 5, 11 and 27)	1,643,851	14	1,312,193	12
Prepayments (Note 17)	64,174	1	53,398	1
Total current assets	6,505,061	54	5,331,410	49
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 8)	247,894	2	131,259	1
Debt investment with no active market - non-current (Notes 4 and 9)	29,760	-	32,250	-
Investments accounted for using equity method (Notes 4 and 13)	624,913	5	629,921	6
Property, plant and equipment (Notes 4, 14 and 27)	698,094	6	387,356	4
Goodwill (Notes 4, 5, 15 and 27)	2,387,267	20	2,546,052	24
Other intangible assets (Notes 4, 16 and 27)	1,312,100	11	1,598,323	15
Deferred tax assets (Notes 4, 5 and 24)	45,121	-	38,697	-
Refundable deposits	92,295	1	28,006	-
Net defined benefit assets - non-current (Notes 4 and 21)	1,518	-	829	-
Long-term prepayments (Notes 4 and 17)	147,435	1	103,972	1
Total non-current assets	5,586,397	46	5,496,665	51
TOTAL	$ 12,091,458	100	$ 10,828,075	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 18)	$ -	-	$ 10,170	-
Accounts payable (Note 19)	416,735	4	460,318	4
Other payables (Note 20)	355,193	3	317,232	3
Current tax liabilities	16,740	-	5	-
Other current liabilities (Note 20)	11,977	-	5,209	-
Total current liabilities	800,645	7	792,934	7
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 18)	670,404	6	1,758,758	16
Deferred tax liabilities (Notes 4 and 24)	164	-	59	-
Guarantee deposits	735	-	9,001	-
Other payables - non-current (Note 20)	49,104	-	72,563	1
Total non-current liabilities	720,407	6	1,840,381	17
Total liabilities	1,521,052	13	2,633,315	24
EQUITY (Notes 4, 18, 22 and 26)				
Share capital				
Common shares	877,326	7	840,232	8
Capital surplus				
Paid-in capital	4,624,875	38	3,285,208	30
Employee share options	243,749	2	139,405	1
Share options	59,936	1	147,974	2
Restricted shares for employees	212,243	2	191,155	2
Total capital surplus	5,140,803	43	3,763,742	35
Retained earnings				
Legal reserve	400,194	3	253,228	2
Unappropriated earnings	4,573,721	38	3,332,282	31
Total retained earnings	4,973,915	41	3,585,510	33
Other equity				
Exchange differences on translating foreign operations	(363,370)	(3)	91,948	1
Unearned employee benefits	(58,268)	(1)	(86,672)	(1)
Total other equity	(421,638)	(4)	5,276	-
Total equity	10,570,406	87	8,194,760	76
TOTAL	$ 12,091,458	100	$ 10,828,075	100

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

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE, NET (Note 4)	$ 8,599,237	100	$ 7,138,903	100
OPERATING COSTS (Note 11)	4,494,632	52	3,738,293	52
GROSS PROFIT	4,104,605	48	3,400,610	48
OPERATING EXPENSES (Notes 4, 23 and 26)				
Selling and marketing expenses	637,393	7	460,294	7
General and administrative expenses	445,323	5	492,403	7
Research and development expenses	1,167,951	14	1,009,598	14
Total operating expenses	2,250,667	26	1,962,295	28
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 4, 13, 14, 15 and 23)	17,303	-	2,511	-
PROFIT FROM OPERATIONS	1,871,241	22	1,440,826	20
NON-OPERATING INCOME AND EXPENSES				
Share of loss of associates (Notes 4 and 13)	(9,698)	-	(17,513)	-
Interest income (Note 4)	30,835	-	16,825	-
Other income (Notes 4 and 23)	53,715	1	107,254	2
Foreign exchange gain (loss), net (Note 4)	(54,733)	(1)	17,959	-
Gain (loss) on financial instruments at fair value through profit or loss (Notes 4 and 18)	10,844	-	(618)	-
Interest expenses (Note 18)	(20,556)	-	(61,765)	(1)
Miscellaneous expenses	(19,261)	-	(4,726)	-
Total non-operating income and expenses	(8,854)	-	57,416	1
PROFIT BEFORE INCOME TAX	1,862,387	22	1,498,242	21
INCOME TAX EXPENSE (Notes 4, 5 and 24)	(54,370)	(1)	(28,586)	-
NET PROFIT FOR THE YEAR	1,808,017	21	1,469,656	21

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SILERGY CORP.
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 21 and 22)				
Items that will not be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of associates accounted for using equity method	$ 36,903	1	$ (43,002)	(1)
Exchange differences arising on translation to the presentation currency	(670,892)	(8)	(34,746)	-
Remeasurement of defined benefit plans	504	-	(17)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	178,671	2	(118,321)	(2)
Other comprehensive loss for the year, net of income tax	(454,814)	(5)	(196,086)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,353,203	16	$ 1,273,570	18
EARNINGS PER SHARE (Note 25)				
Basic	$21.20		$18.72	
Diluted	$19.96		$17.68	

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

SILERGY CORP.
(Incorporated in the Cayman Islands)
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company													
	Share Capital (Note 22)		Capital Surplus (Notes 18, 22 and 26)					Retained Earnings (Note 22)			Other Equity (Notes 4, 22 and 26)			
	Shares	Amount	Paid-in Capital	Employee Share Options	Share Options	Restricted Shares For Employees	Total	Legal Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unearned Employee Benefits	Total	Total Equity
BALANCE AT JANUARY 1, 2016	78,221	$ 782,206	$ 1,162,098	$ 38,186	$ -	$ 156,206	$ 1,356,490	$ 133,103	$ 2,139,278	$ 2,272,381	$ 288,017	$ (91,242)	$ 196,775	$ 4,607,852
Appropriation of the 2015 earnings														
Legal reserve	-	-	-	-	-	-	-	120,125	(120,125)	-	-	-	-	-
Cash dividends distributed by Silergy Corp.	-	-	-	-	-	-	-	-	(156,510)	(156,510)	-	-	-	(156,510)
Recognition of employee share options by Silergy Corp.	-	-	-	104,728	-	-	104,728	-	-	-	-	-	-	104,728
Equity component of convertible bonds issued by Silergy Corp.	-	-	-	-	310,870	-	310,870	-	-	-	-	-	-	310,870
Convertible bonds converted to common shares	5,000	50,006	2,016,107	-	(162,896)	-	1,853,211	-	-	-	-	-	-	1,903,217
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	-	-	1,469,656	1,469,656	-	-	-	1,469,656
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	-	-	(17)	(17)	(196,069)	-	(196,069)	(196,086)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	-	-	-	1,469,639	1,469,639	(196,069)	-	(196,069)	1,273,570
Issue of common shares under employee share options	488	4,884	10,504	(3,509)	-	-	6,995	-	-	-	-	-	-	11,879
Recognition of restricted employee shares issued by Silergy Corp.	314	3,136	96,499	-	-	34,949	131,448	-	-	-	-	4,570	4,570	139,154
BALANCE AT DECEMBER 31, 2016	84,023	840,232	3,285,208	139,405	147,974	191,155	3,763,742	253,228	3,332,282	3,585,510	91,948	(86,672)	5,276	8,194,760
Appropriation of the 2016 earnings														
Legal reserve	-	-	-	-	-	-	-	146,966	(146,966)	-	-	-	-	-
Cash dividends distributed by Silergy Corp.	-	-	-	-	-	-	-	-	(420,116)	(420,116)	-	-	-	(420,116)
Recognition of employee share options by Silergy Corp.	-	-	-	141,070	-	-	141,070	-	-	-	-	-	-	141,070
Convertible bonds converted to common shares	2,710	27,101	1,052,407	-	(88,038)	-	964,369	-	-	-	-	-	-	991,470
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	-	1,808,017	1,808,017	-	-	-	1,808,017
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	-	504	504	(455,318)	-	(455,318)	(454,814)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	-	1,808,521	1,808,521	(455,318)	-	(455,318)	1,353,203
Issue of common shares under employee share options	697	6,965	135,332	(36,726)	-	-	98,606	-	-	-	-	-	-	105,571
Recognition of restricted employee shares issued by Silergy Corp.	303	3,028	151,928	-	-	21,088	173,016	-	-	-	-	28,404	28,404	204,448
BALANCE AT DECEMBER 31, 2017	87,733	$ 877,326	$ 4,624,875	$ 243,749	$ 59,936	$ 212,243	$ 5,140,803	$ 400,194	$ 4,573,721	$ 4,973,915	$ (363,370)	$ (58,268)	$ (421,638)	$ 10,570,406

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

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,862,387	$ 1,498,242
Adjustments for:		
Impairment loss recognized (reversed) on accounts receivable	3,008	(150)
Net (gain) loss on fair value changes of financial instruments designated as at fair value through profit or loss	(10,844)	618
Depreciation expenses	34,018	26,818
Amortization expenses	203,076	199,617
Interest income	(30,835)	(16,825)
Interest expenses	20,556	61,765
Compensation cost of employee share options	141,070	104,728
Compensation cost of restricted employee shares	204,448	139,154
Share of loss of associates	9,698	17,513
Write-down of inventories	63,986	55,806
Loss on disposal of property, plant and equipment	105	31
Property, plant and equipment transferred to expenses	24	306
Gains on disposal of intangible assets	(17,408)	(18,774)
Unrealized loss (gain) on foreign currency exchange	1,850	(514)
Impairment loss of goodwill	-	16,232
Changes in operating assets and liabilities		
Increase in accounts receivable	(5,770)	(253,430)
Decrease (increase) in other receivables	19,425	(7,430)
Increase in inventories	(378,998)	(192,176)
Increase in prepayments	(10,776)	(21,039)
Increase in defined benefit assets - non-current	(81)	(188)
Increase (decrease) in accounts payable	(43,467)	104,183
Increase in other payables	50,760	59,285
Increase (decrease) in other current liabilities	6,768	(956)
Cash generated from operations	2,123,000	1,772,816
Interest received	35,183	17,407
Interest paid	-	(37,715)
Income tax paid	(43,611)	(90,251)
Net cash generated from operating activities	2,114,572	1,662,257
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of debt investments with no active market	(566,356)	(32,250)
Proceeds from sale of debt investments with no active market	-	265,363
Purchase of financial assets measured at cost	(122,817)	-
Net cash outflow on business combinations (Note 27)	(40,952)	(4,098,925)
Acquisition of property, plant and equipment	(349,920)	(287,177)
Proceeds from disposal of property, plant and equipment	8	-

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SILERGY CORP.
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AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Payments for intangible assets	$ (47,441)	$ (21,647)
Decrease in other financial assets	-	36,108
Decrease (increase) in long-term prepayments	(98,389)	1,087
Increase in refundable deposits	(64,289)	(1,945)
Increase (decrease) in guarantee deposits	(8,266)	9,001
Net cash used in investing activities	(1,298,422)	(4,130,385)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	3,379,425
Decrease in short-term borrowings	-	(3,379,425)
Proceeds from issue of convertible bonds	-	3,925,262
Cash dividends paid	(431,421)	(153,638)
Proceeds from exercise of employee share options	105,571	11,879
Decrease in other receivables	-	9,786
Net cash generated from (used in) financing activities	(325,850)	3,793,289
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(255,654)	(66,320)
NET INCREASE IN CASH AND CASH EQUIVALENTS	234,646	1,258,841
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,679,526	1,420,685
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,914,172	$ 2,679,526

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

1. GENERAL INFORMATION

Silergy Corp. ("Silergy") was incorporated as a limited company under the Company Law of the Cayman Islands on February 7, 2008. Silergy Corp. and its subsidiaries (collectively, the "Company") mainly design, develop, and sell various integrated circuit products and provide related technical services.

Silergy's shares have been listed in the Republic of China (ROC) on the Taiwan Stock Exchange since December 2013.

The functional currency of Silergy is the U.S. dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars, since Silergy's shares are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 20, 2018.

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

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

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

   1) Amendment to IFRS 2 "Share-Based Payment"

      IFRS 2 was amended by the Annual Improvements to IFRSs 2010-2012 Cycle to change the definitions of "vesting condition" and "market condition" and add definitions of "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Company or another entity in the same group or the market price of the equity instruments of the Company or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Company as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Company, but also of other entities outside the Company. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions are accounted for differently, and the aforementioned amendment should be applied prospectively to those share-based payments granted on or after January 1, 2017. Refer to Note 26 for information on the share-based payments granted in 2017.

2) Amendment to IFRS 3 "Business Combinations"

IFRS 3 was amended by the Annual Improvements to IFRSs 2010-2012 Cycle to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment should be applied prospectively to business combination with acquisition date on or after January 1, 2017. Refer to Note 27 for information on business combinations that occurred in 2017.

3) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Company's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

b. 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 by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Concluded)

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

- IFRS 9 "Financial Instruments" and related amendments

  Classification, measurement and impairment of financial assets

  With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

  For the Company's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

  a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

  b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

  Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Unlisted shares measured at cost will be measured at fair value instead; and

b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Company has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables. In relation to debt instrument investments and financial guarantee contracts, the Company will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Impact on assets, liabilities and equity			
Financial assets measured at amortized cost - current	$ -	$ 1,234,205	$ 1,234,205
Debt investments with no active market - current	1,234,205	(1,234,205)	-
Financial assets at fair value through profit or loss - non-current	-	282,823	282,823
Debt investments with no active market - non-current	29,760	(29,760)	-
Financial assets measured at cost - non-current	247,894	(247,894)	-
Total effect on assets	$ 1,511,859	$ 5,169	$ 1,517,028
Retained earnings	$ 4,973,915	$ 5,169	$ 4,979,084
Total effect on equity	$ 4,973,915	$ 5,169	$ 4,979,084

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, there are no other impacts that the application of other standards and interpretations will have on the Company's financial position and financial performance

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)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

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

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 "Leases"

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

  Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

  The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

  When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the 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 the 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 twelve 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 twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve 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 Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of Silergy and the entities controlled by Silergy (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 date of acquisition up to the effective date of disposal, as appropriate.

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

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 Silergy and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12 and Tables 4 and 5 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 incurred.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. Other types of non-controlling interest are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

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

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

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 on 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 case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of Silergy and its foreign operations (including subsidiaries, associates or branches operating in other countries or currencies used are different from Silergy’s currency) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of Silergy and non-controlling interests as appropriate. The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the group entities into the presentation currency are not subsequently reclassified to profit or loss.

On the disposal of a foreign operation (i.e. a disposal of the Company’s entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of Silergy are reclassified to profit or loss.

g. Inventories

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

h. Investment in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes its share in the changes in the equity of associates attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

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

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

i. Property, plant and equipment

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

Properties, plant and equipment in the course of construction are carried at cost. Cost includes professional fees. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate 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.

j. Goodwill

Goodwill arising from the acquisition of a business is carried 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 Company'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 to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation 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.

k. Intangible assets

1) Intangible assets acquired separately

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

2) 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.

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company 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 Company 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.

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.

m. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are either held for trading or designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

ii. Available-for-sale financial assets

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

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

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, debt investments with no active market, accounts receivable, and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and 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

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

Financial assets carried at amortized cost, such as accounts receivable and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 45 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

Debt and equity instruments issued by the Company 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 Company are recognized at the proceeds received, net of direct issue costs.

No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of Silergy's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

n. Revenue recognition

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

1) Sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Interest income

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

o. Leasing

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

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 Company will comply with the conditions attached to the grants 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 Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Share-based payment arrangements

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

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

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

s. Taxation

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

1) Current tax

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. A deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 period in which the liabilities are settled or the assets are realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company'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 periods.

a. 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 value in use calculation requires management to estimate the future cash flows expected to arise from a cash-generating unit 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.

b. Income taxes

As of December 31, 2017 and 2016, the carrying amount of the deferred tax assets in relation to unused tax losses were both $0 thousand. As of December 31, 2017 and 2016, no deferred tax assets had been recognized on the tax loss of $45,591 thousand and $63,515 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

c. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss of accounts receivable, the Company takes into consideration the estimation of future cash flows such receivables. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Write-down of inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 678	$ 624
Checking accounts and demand deposits	2,496,854	2,220,592
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	416,640	458,310
	$ 2,914,172	$ 2,679,526

Interest rates for deposits in bank on the balance sheet date were as follows:

	December 31	
	2017	**2016**
Deposits	0.00%-1.95%	0.00%-1.54%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	**2016**
Financial assets - current		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Convertible options (Note 18)	$ 1,076	$ -
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Convertible options (Note 18)	$ -	$ 10,170

8. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT

	December 31	
	2017	2016
Overseas unlisted common shares		
Hangzhou Hualan Microelectronique Co., Ltd. (“Hualan”)	$ 31,881	$ 32,543
Calterah Semiconductor (“Calterah”)	36,436	18,596
Jiangsu CAS-IGBT Technology Co., Ltd. (“Jiangsu”)	15,303	15,620
Shenzhen Anchuang S&T Fund (“Anchuang”)	13,664	-
FSP-Powerland Technology Inc. (“FSP-Powerland”)	91,090	-
Overseas unlisted preferred shares		
Vango Technologies, Inc. (“Vango”)	59,520	64,500
	$ 247,894	$ 131,259
Financial assets by measurement category		
Available-for-sale financial assets	$ 247,894	$ 131,259

In January 2017, Silergy Semiconductor Technology (Hangzhou) (“Hangzhou Silergy”) signed an investment agreement with Anchuang to acquire a 6.78% equity interest for RMB6,000 thousand. The payment of the investment is a two-stage payment. As of December 31 2017, Hangzhou Silergy has paid RMB3,000 thousand.

In March 2017, Hangzhou Silergy signed a capital increase agreement with Calterah to inject capital of RMB4,000 thousand.

In December 2017, Hangzhou Silergy signed a capital increase agreement with FSP-Powerland to acquire a 7.69% equity interest for RMB20,000 thousand.

Management believed that the above unlisted equity investments held by the Company had fair values that could not be reliably measured because the range of reasonable fair value estimates was so significant; thus, these investments were measured at cost less impairment at the end of the reporting period.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Current		
Time deposits with original maturity of more than 3 months	$ 1,234,205	$ 667,849
Interest rate	1.35%-2.10%	0.95%-4.125%
Non-current		
Corporate bonds - Vango Technologies, Inc.	$ 29,760	$ 32,250

In December 2016, the Company bought a 3-year corporate convertible bond issued by Vango Technologies, Inc. with a coupon rate of 3% and an effective interest rate of 3.79%, at a par value of US$1,000 thousand.

10. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31 2017	December 31 2016
Accounts receivable		
Accounts receivable	$ 587,340	$ 584,067
Less: Allowance for impairment loss	3,900	1,595
	$ 583,440	$ 582,472
Other receivables		
Building payment refund receivables	$ 53,969	$ -
Interest receivables	4,937	9,285
Tax refund receivables - value added tax	-	15,763
Tax refund receivables - income tax	-	1,755
Others	5,237	9,169
	$ 64,143	$ 35,972

Accounts Receivable

The average credit period on sales of goods was 45 days. In determining the recoverability of accounts receivables, the Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of reporting period. The Company recognized an allowance for impairment loss of 100% against all receivables over 180 days because historical experience had been that receivables that are past due beyond 180 days were not recoverable. Allowance for impairment loss were recognized against accounts receivable between 1 day and 180 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the accounts receivable balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31 2017	December 31 2016
Not past due	$ 470,973	$ 512,670
1-60 days	113,660	70,268
61-90 days	1,084	135
91-180 days	1,002	433
More than 180 days	621	561
	$ 587,340	$ 584,067

The above aging schedule was based on the past-due date.

The aging of receivables that were past due but not impaired was as follows:

	December 31 2017	December 31 2016
1-60 days	$ 86,086	$ 62,438
61-90 days	1,002	-
	$ 87,088	$ 62,438

The above aging schedule was based on the past-due date.

The movements of the allowance for doubtful accounts were as follows:

	Collectively Assessed for Impairment
Balance at January 1, 2016	$ 3,342
Less: Impairment losses reversed	(150)
Less: Amount written off during the year as uncollectible	(1,487)
Effect of foreign currency exchange differences	(110)
Balance at December 31, 2016	$ 1,595
Balance at January 1, 2017	$ 1,595
Add: Impairment losses recognized on receivables	3,008
Less: Amount written off during the year as uncollectible	(531)
Effect of foreign currency exchange differences	(172)
Balance at December 31, 2017	$ 3,900

11. INVENTORIES

	December 31 2017	December 31 2016
Finished goods	$ 730,192	$ 518,666
Work in progress	655,200	563,804
Raw materials	258,459	229,723
	$ 1,643,851	$ 1,312,193

The cost of goods sold for the years ended December 31, 2017 and 2016 was $4,494,632 thousand and $3,738,293 thousand, respectively. The cost of goods sold included inventory write-downs of $63,986 thousand and $55,806 thousand for the years ended December 31, 2017 and 2016, respectively.

12. SUBSIDIARIES

Entities included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2016	2017	Remark
Silergy Corp. ("Silergy")	Silergy Technology ("TECH")	Development and design of power management ICs	100%	100%	a
	Silergy Semiconductor Technology (Hangzhou) ("Hangzhou Silergy")	Development, design and sales of electronic components, and related technical services	100%	100%	b
	Silergy Semiconductor (Samoa) Limited ("Silergy Samoa")	Holding company	100%	100%	c
	Silergy Semiconductor (Hong Kong) Limited ("HK Silergy")	Holding company	100%	100%	d
Hangzhou Silergy	Nanjing Silergy Semiconductor Technology ("Nanjing Silergy")	Development, design and sales of electronic components	100%	100%	e
	Hangzhou Innvolt Technology ("Innvolt")	Development, design and sales of electronic components, and related technical services	100%	-	f
	Xian Silergy Semiconductor Technology ("Xian Silergy")	Development, design and sales of electronic components	100%	100%	g
	Shanghai Pengxi Semiconductor Technology ("Shanghai Pengxi")	Development and design of electronic components	100%	100%	h
	Chengdu Silergy Semiconductor Technology ("Chengdu Silergy")	Development and design of electronic components	100%	100%	i
Silergy Samoa	Taiwan Silergy Co., LTD ("TW Silergy")	Development and design of electronic components	100%	-	j
	Silergy Technology (Taiwan) Inc. (Originally named Integrated Crystal Technology Inc.) ("Crystal")	Development, design and sales of electronic components	100%	100%	k
	Silergy Technologies Private Limited	Development, design and sales of electronic components	100%	100%	l
	Silergy Korea Limited	Development, design and sales of electronic components	-	100%	m
TECH	Gazelle Semiconductor Inc. ("Gazelle")	Development and design of electronic components	100%	-	n

Remarks:

a. In May 2008, Silergy set up TECH, which mainly develops and designs power management integrated circuits (ICs). For investment in Gazelle through TECH, Silergy injected US$2,000 thousand as TECH's additional paid-in capital in December 2015. The Company's board of directors agreed to inject US$2,947 thousand by asset pricing into TECH in August 2016, and the capital was injected in December 2016. As of December 31, 2017, the capital of TECH was US$3,122 thousand.

b. In May 2008, Silergy set up Hangzhou Silergy, which develops, designs, and sells electronic components (e.g., ICs), electronic products, communications products and computer software and provides related technical services. To meet the needs of Hangzhou Silergy for more working capital and to purchase properties, the board of directors of Silergy approved a capital increase in this investee of US$5,000 thousand, US$11,300 thousand, US$13,700 thousand and US$15,000 thousand in April 2015, April 2016, May 2017 and December 2017, respectively. As of December 31, 2017, the capital of Hangzhou Silergy was US$58,520 thousand.

c. In December 2012, Silergy set up Silergy Samoa, a holding company, and injected capital at US$2,000 thousand in this subsidiary in February 2013. In June 2014, for the establishment of TW Silergy through Silergy Samoa, the board of directors of Silergy agreed to inject capital at US$3,000 thousand in Silergy Samoa. When Silergy Samoa needed to invest in Taiwan and obtain working capital for its Taiwan branch, the board of directors of Silergy agreed to inject capital at US$10,000 thousand into Silergy Samoa in September 2014. It injected capital at US$4,700 thousand and US$2,600 thousand in July 2016 and February 2017, respectively. As of December 31, 2017, the capital of Silergy Samoa was US$22,300 thousand. In March 2013, Silergy Samoa set up a Taiwan branch, Silergy Semiconductor (Samoa TW) Limited; due to a merger of the investee subsidiaries in Taiwan, Silergy Semiconductor (Samoa TW) Limited was dismissed, and its registration was terminated in July 2017. Silergy Samoa set up a Japan branch in April 2016 and injected working capital in July 2016. As of December 31, 2017, a total capital of US$949 thousand had been injected into the Japan branch.

d. In October 2015, Silergy set up HK Silergy, a holding company. In December 2015, Silergy injected capital at US$11,365 thousand into this investee. As of December 31, 2017, the capital of HK Silergy was US$11,365 thousand.

e. In August 2012, Hangzhou Silergy set up Nanjing Silergy, which mainly develops, designs, and sells electronic components (e.g., ICs), electronic products, communications products and computer software. The board of directors of Silergy agreed to inject capital at RMB10,000 thousand, RMB6,000 thousand and RMB5,000 thousand in August 2013, October 2014 and September 2015, respectively. As of December 31, 2017, the capital of Nanjing Silergy was RMB31,000 thousand.

f. In March 2014, Hangzhou Silergy set up Innvolt, which develops, designs, and sells electronic components (e.g., ICs) and semiconductor electronic products and provides related technical services. Due to the Company's operation plan, Innvolt has dismissed, and its registration was terminated in December 2017.

g. In April 2015, Hangzhou Silergy set up Xian Silergy, which develops, designs, and sells electronic components (e.g., ICs), semiconductors and other electronic products and provides related technical services. Hangzhou Silergy injected capital into Xian Silergy at RMB11,000 thousand, RMB15,000 thousand, RMB21,000 thousand and RMB9,000 thousand in March 2016, March 2017, May 2017, and December 2017, respectively. As of December 31, 2017, the capital of Xian Silergy was RMB71,000 thousand.

h. In April 2016, Hangzhou Silergy set up Shanghai Pengxi, which develops and designs electronic components (e.g., ICs), semiconductors and other electronic products and provides related technical services. Hangzhou Silergy injected capital into Shanghai Pengxi at RMB11,000 thousand in May 2017. As of December 31, 2017, the capital of Shanghai Pengxi was RMB21,000 thousand.

i. In November 2016, Hangzhou Silergy set up Chengdu Silergy, which develops and designs electronic components (e.g., ICs), semiconductors and other electronic products and provides related technical services. As of December 31, 2017, the capital of Chengdu Silergy was RMB20,000 thousand.

j. In June 2014, Silergy Samoa set up TW Silergy and obtained investment approval by the Export Processing Zone Administration under the Ministry of Economic Affairs in July 2014. Due to a merger of the investee subsidiaries in Taiwan, TW Silergy was dismissed, and its registration was terminated in July 2017.

k. In September 2014, Silergy Samoa acquired a 42.59% equity interest in Crystal, consisting of 7,028 thousand common shares, at NT$71,685 thousand. Crystal mainly develops, designs, and sells electronic components. In January 2015, Silergy Samoa bought 9,472 thousand common shares of Crystal at NT$99,579 thousand and thus acquired a 100% equity interest in Crystal. In April 2015, to meet Crystal's need for more working capital, the board of directors of Silergy agreed to inject capital NT$36,000 thousand in this investee, as well as another NT$36,000 thousand, NT$30,000 and NT$50,000 thousand in August 2016, December 2016 and February 2017, respectively. As of December 31, 2016, Crystal's capital was NT$317,000 thousand. Additionally, concerning the efficiency and effectiveness of management, in order to improve the usage of resources and the plan for taxation in regard of the Company, in November 2016, the board of directors of Silergy agreed to reorganize the investees in Taiwan. Crystal obtained capital from Silergy Samoa to purchase all of the assets from Samoa TW and TW Silergy on the books and remain as the surviving entity. Samoa TW and TW Silergy were dismissed, and their registrations were terminated after all of the assets were sold to Crystal in July 2017. Subsequently, Crystal changed its registration name to Silergy Technology (Taiwan) Inc. in March 2017.

l. In May 2016, Silergy Samoa set up Silergy Technologies Private Limited in India, which develops, designs and sells electronic components, and injected capital at US$38 thousand in August 2016. As of December 31, 2017, the capital of Silergy Technologies Private Limited was US$2 thousand.

m. In November 2017, Silergy Samoa set up Silergy Korea Limited in Korea, which develops, designs and sells electronic components, and injected capital at US$600 thousand in December 2017. As of December 31, 2017, the capital of Silergy Korea Limited was US$311 thousand.

n. In December 2015, TECH acquired a 100% equity interest in Gazelle for US$2,000 thousand. Gazelle mainly develops and designs electronic components and other products. TECH merged with Gazelle during the three months period ended March 31, 2017, and Gazelle's registration was terminated on March 31, 2017.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	**2016**
Investments in associates		
Material associate		
Hefei SMAT Technology Co., Ltd. ("SMAT")	$ 624,913	$ 629,921

Material Associates

In December 2015, SMAT was set up by Hangzhou Silergy, HK Silergy and unrelated third parties. The Company acquired, through Hangzhou Silergy, a 22.22% equity interest in SMAT using a patent worth RMB100,000, and, through HK Silergy, a 16.42% equity interest for RMB73,876 thousand. The fair value of the patent was determined by an independent third party. Accordingly, in 2016 a gain of RMB61,361 thousand resulting from the patent-related transaction with SMAT was recognized only to the extent of the interests in this associate that were not related to the Company. To the extent of the investment related to the Company, Hangzhou Silergy recognized an unrealized gain of RMB38,639 thousand, which would be amortized along the economic life of the patent. As of the end of year 2016 and year 2017, the total realized gain was NT$18,774 thousand and NT$17,408, respectively.

Refer to Table 5 "Information on Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associates.

The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

SMAT

	December 31	
	2017	**2016**
Current assets	$ 1,269,621	$ 1,666,922
Non-current assets	872,882	512,375
Total assets	$ 2,142,503	$ 2,179,297
Current liabilities	$ 160,839	$ 130,623
Equity	$ 1,981,664	$ 2,048,674
Proportion of the Company's ownership	38.64%	38.64%
Equity attributable to the Company	$ 765,698	$ 791,590
Unrealized gain on disposal of intangible assets with associates	(140,785)	(161,669)
Carrying amount	$ 624,913	$ 629,921

	For the Year Ended December 31	
	2017	2016
Net loss for the year	$ (25,099)	$ (45,326)

The investments accounted for using equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 were based on the associates' audited financial statements for the same years.

14. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2017					
	Buildings	Machinery and Equipment	Office Equipment	Leasehold Improvements	Construction in Progress	Total
Cost						
Balance, beginning of year	$ 58,729	$ 88,581	$ 38,314	$ 23,077	$ 264,829	$ 473,530
Acquisitions through business combinations (see Note 27)	-	52	-	-	-	52
Additions	96,564	35,145	10,736	531	206,944	349,920
Disposals	-	(243)	(465)	(179)	-	(887)
Reclassification	2,594	(1,960)	(1,372)	(5,223)	-	(5,961)
Effect of foreign currency exchange differences	355	(2,708)	(680)	(623)	(3,123)	(6,779)
Balance, end of year	158,242	118,867	46,533	17,583	468,650	809,875
Accumulated depreciation						
Balance, beginning of year	3,942	46,189	25,034	11,009	-	86,174
Depreciation expense	1,956	22,186	5,982	3,894	-	34,018
Disposals	-	(237)	(358)	(179)	-	(774)
Reclassification	1,288	(1,960)	(1,348)	(3,917)	-	(5,937)
Effect of foreign currency exchange differences	(17)	(1,089)	(398)	(196)	-	(1,700)
Balance, end of year	7,169	65,089	28,912	10,611	-	111,781
Net book value, end of year	$ 151,073	$ 53,778	$ 17,621	$ 6,972	$ 468,650	$ 698,094

	For the Year Ended December 31, 2016					
	Buildings	Machinery and Equipment	Office Equipment	Leasehold Improvements	Construction in Progress	Total
Cost						
Balance, beginning of year	$ 61,890	$ 53,198	$ 30,560	$ 19,866	$ 15,389	$ 180,903
Acquisitions through business combinations (see Note 27)	-	28,564	3,532	4,410	-	36,506
Additions	-	15,207	7,180	2,800	261,990	287,177
Disposals	-	(581)	(48)	-	-	(629)
Reclassification	-	(3,634)	(1,193)	(2,828)	-	(7,655)
Effect of foreign currency exchange differences	(3,161)	(4,173)	(1,717)	(1,171)	(12,550)	(22,772)
Balance, end of year	58,729	88,581	38,314	23,077	264,829	473,530
Accumulated depreciation						
Balance, beginning of year	2,865	37,003	22,046	9,501	-	71,415
Depreciation expense	1,296	15,517	5,064	4,941	-	26,818
Disposals	-	(553)	(45)	-	-	(598)
Reclassification	-	(3,557)	(964)	(2,828)	-	(7,349)
Effect of foreign currency exchange differences	(219)	(2,221)	(1,067)	(605)	-	(4,112)
Balance, end of year	3,942	46,189	25,034	11,009	-	86,174
Net book value, end of year	$ 54,787	$ 42,392	$ 13,280	$ 12,068	$ 264,829	$ 387,356

The Company planned to build a headquarters in Hangzhou. The total estimated amount to complete this plan is RMB350 million, and the construction will be done in 2018 according to the plan.

No impairment assessment was performed for the year ended December 31, 2016 and December 31, 2017 as there was no indication of impairment.

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

Buildings	35-50 years
Machinery and equipment	3-7 years
Office equipment	3-10 years
Leasehold improvements	3-5 years

15. GOODWILL

	For the Year Ended December 31	
	2017	**2016**
Cost		
Balance at January 1	$ 2,685,336	$ 401,424
Acquisitions through business combinations (see Note 27)	28,450	2,297,077
Effect of foreign currency exchange differences	(196,562)	(13,165)
Balance at December 31	$ 2,517,224	$ 2,685,336
Accumulated impairment losses		
Balance at January 1	$ (139,284)	$ (124,922)
Impairment losses recognized	-	(16,232)
Effect of foreign currency exchange differences	9,327	1,870
Balance at December 31	$ (129,957)	$ (139,284)
Net book value at December 31	$ 2,387,267	$ 2,546,052

For the year ended December 31, 2016, the Company recognized an impairment loss of US$503 thousand (NT$16,232 thousand) for goodwill relating to CitrusCom Corporation (CitrusCom). The recoverable amount of CitrusCom of US$5,333 thousand which was determined based on a value in use calculation and a discount rate of 16.6%.

Based on the estimation for the year ended December 31, 2017, the recoverable amount was higher than the related carrying amount. Thus, no impairment was recognized.

16. OTHER INTANGIBLE ASSETS

	For the Year Ended December 31, 2017				
	Computer Software	Technical Know-how	Customer Relationships	Back Orders	Total
Cost					
Balance, beginning of year	$ 33,025	$ 469,023	$ 1,265,918	$ 62,372	$ 1,830,338
Additions	29,182	-	-	-	29,182
Acquisitions through business combinations (see Note 27)	-	6,051	-	-	6,051
Disposals	(81)	-	-	-	(81)
Effect of foreign currency exchange differences	(2,996)	(34,994)	(97,264)	(4,816)	(140,070)
Balance, end of year	59,130	440,080	1,168,654	57,556	1,725,420
Accumulated amortization					
Balance, beginning of year	25,483	62,971	96,328	47,233	232,015
Amortization expenses	23,236	59,213	106,342	14,285	203,076
Disposals	(81)	-	-	-	(81)
Effect of foreign currency exchange differences	(2,407)	(5,711)	(9,610)	(3,962)	(21,690)
Balance, end of year	46,231	116,473	193,060	57,556	413,320
Net book value, end of year	$ 12,899	$ 323,607	$ 975,594	$ -	$ 1,312,100

	For the Year Ended December 31, 2016				
	Computer Software	Technical Know-how	Customer Relationships	Back Orders	Total
Cost					
Balance, beginning of year	$ 15,817	$ 131,326	$ 16,508	$ -	$ 163,651
Additions	17,995	95,565	-	-	113,560
Acquisitions through business combinations (see Note 27)	-	243,846	1,254,383	62,652	1,560,881
Disposals	(343)	-	-	-	(343)
Effect of foreign currency exchange differences	(444)	(1,714)	(4,973)	(280)	(7,411)
Balance, end of year	33,025	469,023	1,265,918	62,372	1,830,338
Accumulated amortization					
Balance, beginning of year	7,692	21,163	4,559	-	33,414
Amortization expenses	18,344	42,152	91,869	47,252	199,617
Disposals	(343)	-	-	-	(343)
Effect of foreign currency exchange differences	(210)	(344)	(100)	(19)	(673)
Balance, end of year	25,483	62,971	96,328	47,233	232,015
Net book value, end of year	$ 7,542	$ 406,052	$ 1,169,590	$ 15,139	$ 1,598,323

The above items of intangible assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Computer software	3-10 years
Technical know-how	6-10 years
Customer relationships	5-12 years
Back orders	1 year

17. PREPAYMENTS

	December 31	
	2017	2016
Current		
Prepaid expenses	$ 49,683	$ 46,613
Prepayments for equipment	12,203	-
Prepayments to suppliers	2,288	6,785
	$ 64,174	$ 53,398
Non-current		
Prepayments for property	$ 100,532	$ 55,088
Prepayments for leases	46,903	48,884
	$ 147,435	$ 103,972

Prepayment for leases refers to the right to use land in China, which was acquired by Hangzhou Silergy for the expansion of its operations. The useful life of the land use rights is 50 years.

Prepayments for property refers to payments by the Company to buy buildings in China for expansion of its operations.

18. BONDS PAYABLE

	December 31	
	2017	2016
Overseas convertible bonds	$ 717,216	$ 1,918,875
Less: Discount on overseas convertible bonds	(46,812)	(160,117)
	$ 670,404	$ 1,758,758

For the purpose of a business combination and diversity of fund raising, the board of directors of the Company approved to issue global zero-coupon overseas convertible bonds with a face value of US$125,000 thousand on March 11, 2016. This proposal was approved by the FSC in August, and total of 1,250 shares were issued in August 4, 2016, with total value of US$125,000 thousand. Approval-in-principal has been obtained for the listing of the bonds on the Singapore Exchange Securities Trading Limited ("SGX-ST"), with a duration of 5 years. According to IFRSs, the Company has bifurcated the bonds into a liability component and an equity component.

The bonds may be converted into common shares of the Company at any time on or after September 4, 2016 and up to July 25, 2021, and except during the book closure periods. The initial conversion price for the bonds is NT$420 per convertible share, with a fixed exchange rate of NT$32.065 per U.S. dollar will be applied when converting the U.S. dollar-denominated principal amount of the bonds to an N.T. dollar equivalent.

The conversion price will be subject to adjustment in the manner provided upon the occurrence of the following events, and will be based on the extent provided in article 13 of the Company's Prospectus on "Description of the Bonds - Conversion":

a. Distribution of stock dividends of common shares or other types of dividends.

b. Warrants or options issued to shareholders entitling them to subscribe for or purchase shares at less than the current market price per share.

c. Other issues of shares other than shares issued upon the conversion or exchange of any convertible or exchangeable security.

d. Adjustment upon capital reduction, excluding a decrease in capital resulting from the cancellation of treasury shares purchased.

e. Analogous events and modifications stated in the policy.

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each bond at 100.0% of its principal amount in cash on August 4, 2021 (the "Maturity Date").

According to the aforementioned "Description of the Bonds - Conversion", holders of the bonds will have the right to require the Company to repurchase the bonds for cash at 100.0% of the principal amount after August 4, 2018 if an 'Event of Delisting' or a 'Change of Control' occurs.

The Company has the option to redeem the bonds at a redemption amount equal to the early redemption amount, in whole or in part, at any time on or after August 4, 2018 and prior to the Maturity Date, (i) if the closing price of shares listed on the Taiwan Stock Exchange for 20 trading days in any consecutive 30-trading-day period, the last day of which occurs not more than five days prior to the date on which notice of such redemption is given, reaches 130% of the early redemption amount divided by the conversion ratio, (ii) where 90% or more in principal amount of the bonds issued have been redeemed, repurchased, cancelled or converted or (iii) the change in tax law and regulation of the Republic of China or Cayman Islands leads to additional tax liabilities, interest expenses and operating costs due to the issuance of convertible bonds.

Movements of host liability instruments from January 1 to December 31, 2017 and August 4 to December 31, 2016 were as follows:

	Host Liability Instruments From January 1, 2017 to December 31, 2017	
	US$	**NT$**
Beginning balance	$ 54,535	$ 1,758,758
Interest expense	676	20,556
Converted parts	(32,684)	(991,602)
Translation adjustments	-	(117,308)
Ending balance	$ 22,527	$ 670,404

	Host Liability Instruments From August 4, 2016 to December 31, 2016	
	US$	NT$
Issued date (deducting transaction cost of US$1,014 thousand)	$ 123,986	$ 3,925,262
Conversion option derivative instruments	(525)	(16,621)
Equity portions	(9,819)	(310,870)
Liability portions at issued date	113,642	3,597,771
Interest expenses	745	24,050
Converted parts	(59,852)	(1,895,946)
Translation adjustments	-	32,883
Ending balance	$ 54,535	$ 1,758,758

Movements of conversion option derivative instruments from January 1 to December 31, 2017 and August 4 to December 31, 2016 were as follows:

	The Conversion Option Derivative Instrument From January 1, 2017 to December 31, 2017	
	US$	NT$
Beginning balance	$ 315	$ 10,170
Gain from fair value changes	(356)	(10,844)
Converted parts	5	132
Translation adjustments	-	(534)
Ending balance	$ (36)	$ (1,076)

	The Conversion Option Derivative Instrument From August 4, 2016 to December 31, 2016	
	US$	NT$
Issued date	$ 525	$ 16,621
Loss from fair value changes	19	618
Converted parts	(229)	(7,271)
Translation adjustments	-	202
Ending balance	$ 315	$ 10,170

Movements of the equity portion of conversions were as follows:

	From January 1, 2017 to December 31, 2017
Beginning balance	$ 147,974
Converted parts	(88,038)
Ending balance	$ 59,936

	From August 4, 2016 to December 31, 2016
Issued date	$ 310,870
Converted parts	(162,896)
Ending balance	$ 147,974

As of December 31, 2017, bondholders requested the Company to convert the bonds with face values of US$100,900 thousand into common shares totaling 7,710 thousand shares, and the additional paid-in capital increased by NT$3,068,514 thousand. The total face value of the remaining outstanding convertible bonds was US$24,100 thousand.

19. ACCOUNTS PAYABLE

	December 31	
	2017	2016
Accounts payable - operating	$ 416,735	$ 460,318

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER PAYABLES AND LIABILITIES

	December 31	
	2017	2016
Current		
Other payables		
Payables for salaries and bonuses	$ 282,114	$ 243,589
Payables for royalties	17,856	19,350
Payables for mask fees	7,034	5,603
Payables for remuneration of directors	4,550	3,600
Payables for business tax	1,318	-
Payables for dividends	-	11,306
Others	42,321	33,784
	$ 355,193	$ 317,232
Other liabilities		
Advance on sales	$ 8,015	$ 3,376
Others	3,962	1,833
	$ 11,977	$ 5,209
Non-current		
Other payables		
Payables for royalties	$ 49,104	$ 72,563

In December 2016, the Company signed a cross-licensing agreement with Monolithic Power Systems, Inc. regarding particular patents. The agreement stated that the Company has to pay US$150 thousand each quarter, for 5 years, totaling US$3,000 thousand. As of December 31, 2017 and 2016, the payables for royalties were US$2,250 thousand and US$2,850 thousand, respectively.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Samoa TW, TW Silergy and Silergy Technology (Taiwan) Inc. (Originally named Integrated Crystal Technology Inc.) have pension plans under the Labor Pension Act in Taiwan (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of Silergy's subsidiaries in China are members of retirement benefit plans operated by their respective governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

Silergy's subsidiaries, branches and offices in other areas are required to contribute to the retirement benefit according to the respective policies.

b. Defined benefit plans

Silergy Technology (Taiwan) Inc. (Originally named Integrated Crystal Technology Inc.) adopted the defined benefit plan under the Labor Standards Act of Taiwan (LSA), under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Silergy Technology (Taiwan) Inc. (Originally named Integrated Crystal Technology Inc.) contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year, starting in March 2016, according to an amendment to LSA validated in February 2015. The pension fund is managed by the Bureau of Labor Funds ("the Bureau") under Taiwan's Ministry of Labor; the Company has no right to influence the Bureau's investment policy and strategy.

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

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 359	$ 958
Fair value of plan assets	(1,877)	(1,787)
Net defined benefit assets	$ (1,518)	$ (829)

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2017	$ 958	$ (1,787)	$ (829)
Net interest expense (income)	10	(20)	(10)
Recognized in profit or loss	10	(20)	(10)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2	2
Actuarial gain - experience adjustments	(610)	-	(610)
Actuarial loss - changes in financial assumptions	1	-	1
Recognized in other comprehensive income	(609)	2	(607)
Contributions from the employer	-	(72)	(72)
Balance at December 31, 2017	$ 359	$ (1,877)	$ (1,518)
Balance at January 1, 2016	$ 932	$ (1,587)	$ (655)
Net interest expense (income)	10	(17)	(7)
Recognized in profit or loss	10	(17)	(7)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	5	5
Actuarial gain - experience adjustments	(22)	-	(22)
Actuarial loss - changes in financial assumptions	38	-	38
Recognized in other comprehensive income	16	5	21
Contributions from the employer	-	(188)	(188)
Balance at December 31, 2016	$ 958	$ (1,787)	$ (829)

Through the defined benefit plans under the Labor Standards Act in Taiwan, the Company is exposed to the following risks:

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

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

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

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

	December 31	
	2017	2016
Discount rate	1.47%	1.12%
Expected rate of salary increase	2.00%	2.50%

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

	December 31	
	2017	2016
Discount rate		
0.5% increase	$ (33)	$ (65)
0.5% decrease	$ 37	$ 71
Expected rate of salary increase		
0.5% increase	$ 36	$ 69
0.5% decrease	$ (33)	$ (63)

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

	December 31	
	2017	2016
The expected contributions to the plan for the next year	$ 74	$ 193
The average duration of the defined benefit obligation	20 years	14 years

22. EQUITY

a. Common shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	$ 2,000,000	$ 2,000,000
Number of shares issued and fully paid (in thousands)	87,733	84,023
Shares issued	$ 877,326	$ 840,232

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

For the years ended December 31, 2017 and 2016, Silergy’s shares increased by 2,710 thousand and 5,000 thousand because of the bondholders’ exercise of their conversion rights, respectively.

For the years ended December 31, 2017 and 2016, Silergy's shares increased by 1,000 thousand and 802 thousand because of the employees' exercise of their employee share options and the issuance of restricted shares to employees, respectively.

b. Capital surplus

Capital surplus arising from issuance of common shares may be used to offset a deficit; in addition, when Silergy has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of Silergy's capital surplus and once a year).

Capital surplus arising from convertible bonds options, employee share options and restricted shares for employees should not be used for any purpose.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 2, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 23(e) on employee benefits expense.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals Silergy's paid-in capital. Legal reserve may be used to offset deficit. If Silergy has no deficit and the legal reserve has exceeded 25% of Silergy'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. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

The appropriations of earnings for 2016 and 2015 approved in the shareholders' meetings on June 2, 2017 and June 2, 2016, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 146,966	$ 120,125	$ -	$ -
Cash dividends	420,116	156,510	4.92446839	2.01364136

The appropriation of earnings for 2017 had been proposed by Silergy's board of directors on March 20, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 180,802	$ -
Special reserve	363,370	-
Cash dividends	526,396	6

The appropriation of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 8, 2018.

d. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 91,948	$ 288,017
Exchange differences on translating foreign operations	178,671	(118,321)
Share of other comprehensive income of associates accounted for using equity method	36,903	(43,002)
Exchange differences arising on translation to the presentation currency	(670,892)	(34,746)
Balance at December 31	$ (363,370)	$ 91,948

2) Unearned employee benefits

In the meetings of shareholders, the shareholders approved a restricted share plan for employees (see Note 26).

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ (86,672)	$ (91,242)
Shares granted	(176,044)	(134,584)
Share-based payment expenses recognized	204,448	139,154
Balance at December 31	$ (58,268)	$ (86,672)

23. NET PROFIT

a. Other operating income and expenses

	For the Year Ended December 31	
	2017	2016
Gain on disposal of intangible assets	$ 17,408	$ 18,774
Impairment loss on goodwill	-	(16,232)
Loss on disposal of property, plant and equipment	(105)	(31)
	$ 17,303	$ 2,511

b. Other income

	For the Year Ended December 31	
	2017	2016
Government grants	$ 45,582	$ 103,785
Others	8,133	3,469
	$ 53,715	$ 107,254

c. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Other intangible assets	$ 203,076	$ 199,617
Property, plant and equipment	34,018	26,818
	$ 237,094	$ 226,435
An analysis of depreciation by function		
Operating expenses	$ 34,018	$ 26,818
An analysis of amortization by function		
Operating expense	$ 203,076	$ 199,617

d. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits (see Note 21)		
Defined contribution plans	$ 62,525	$ 48,637
Share-based payments		
Equity-settled	345,518	243,882
Short-term employee benefits		
Salary	1,299,112	802,338
Labor and health insurance	61,773	52,309
Others	58,761	48,170
	1,419,646	902,817
Total employee benefits expense	$ 1,827,689	$ 1,195,336
An analysis of employee benefits expense by function		
Operating expenses	$ 1,827,689	$ 1,195,336

e. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates of 8% to 20% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016 which have been approved by the Company's board of directors on March 20, 2018 and March 15, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	8.09%	8.71%
Remuneration of directors	0.22%	0.22%

Amount

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	$ 164,333	$ 143,260
Remuneration of directors	4,550	3,600

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.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by Silergy's board of directors for 2018 and 2017 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAXES

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

	For the Year Ended December 31	
	2017	**2016**
Current tax		
In respect of the current year	$ (70,647)	$ (51,020)
In respect of prior years	9,091	17,967
Deferred tax		
In respect of the current year	7,186	4,467
Income tax expense recognized in profit or loss	$ (54,370)	$ (28,586)

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2017	**2016**
Profit before tax	$ 1,862,387	$ 1,498,242
Income tax expense calculated at the statutory rate	$ (89,328)	$ (32,289)
Nondeductible expenses in determining taxable income	(765)	(650)
Tax-exempt income	31,392	16,880
Unrecognized loss carryforwards	(9,601)	(31,427)
Adjustments for prior year's current tax expense	9,091	17,967
Others	4,841	933
Income tax expense recognized in profit or loss	$ (54,370)	$ (28,586)

Silergy and Silergy Samoa are exempt from business income tax in accordance with local laws and regulations.

The applicable tax rate for Silergy Technology (Taiwan) Inc. in the ROC is the corporate tax rate of 17%, while the applicable tax rate used by Hangzhou Silergy, Nanjing Silergy, Innvolt, Xian Silergy, Shanghai Pengxi and Chengdu Silergy in China is 25%. Hangzhou Silergy and Nanjing Silergy obtained approval from local tax authorities to have tax credits on its IC design business. Thus, the applicable tax rate for Hangzhou Silergy was nil in 2013 and 2014 and will be 12.5% from 2015 to 2017. Hangzhou Silergy applied for an additional tax-deduction and obtained approval from the authorities; the applicable tax rate for 2016 and 2015 decreased to 10%. The applicable tax rate for Nanjing Silergy will be nil in 2016 and 2017 and will be 12.5% from 2018 to 2020. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

The tax returns of Silergy Technology (Taiwan) Inc. through 2015 have been assessed by the tax authorities.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	**2016**
Deferred tax		
In respect of the current year		
Remeasurement on defined benefit plan	$ (104)	$ 4

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, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Exchange Difference	Closing Balance
Deferred tax assets					
Temporary differences					
Write-downs of inventory	$ 11,131	$ 8,891	$ -	$ (129)	$ 19,893
Property, plant and equipment	809	-	-	(63)	746
Intangible assets	151	-	-	(12)	139
Allowance for uncollectible amounts	19	(13)	-	(1)	5
Financial assets measured at cost	3,235	-	-	(65)	3,170
Unrealized gain on disposal of intangible assets	23,352	(1,741)	-	(493)	21,118
Others	-	49	-	1	50
	$ 38,697	$ 7,186	$ -	$ (762)	$ 45,121
Deferred tax liabilities					
Temporary differences					
Prepaid pension	$ 59	$ -	$ 104	$ -	$ 163
Property, plant and equipment	-	-	-	1	1
	$ 59	$ -	$ 104	$ 1	$ 164

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Exchange Difference	Closing Balance
Deferred tax assets					
Temporary differences					
Write-downs of inventory	$ 9,907	$ 2,110	$ -	$ (886)	$ 11,131
Property, plant and equipment	-	809	-	-	809
Intangible assets	-	151	-	-	151
Allowance for uncollectible amounts	-	20	-	(1)	19
Tax losses	131	(126)	-	(5)	-
Financial assets measured at cost	2,932	564	-	(261)	3,235
Unrealized gain on disposal of intangible assets	24,415	939	-	(2,002)	23,352
	$ 37,385	$ 4,467	$ -	$ (3,155)	$ 38,697
Deferred tax liabilities					
Temporary differences					
Prepaid pension	$ 63	$ -	$ (4)	$ -	$ 59

d. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	For the Year Ended December 31	
	2017	2016
Loss carryforwards		
Expiry in 2019	$ 12,098	$ 25,038
Expiry in 2020	23,185	23,432
Expiry in 2021	42,694	43,579
Expiry in 2022	47,718	-
Expiry in 2023	20,902	38,709
Expiry in 2024	31,383	85,691
Expiry in 2025	18,311	92,376
Expiry in 2026	23,750	120,506
	$ 220,041	$ 429,331

25. EARNINGS PER SHARE

Unit: Dollars Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share	$ 21.20	$ 18.72
Diluted earnings per share	$ 19.96	$ 17.68

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

Net Profit for the Year

	For the Year Ended December 31	
	2017	2016
Earnings used in the computation of basic earnings per share	$ 1,808,017	$ 1,469,656
Effect of potentially dilutive common shares:		
Interest on convertible bonds	20,556	17,805
Earnings used in the computation of diluted earnings per share	$ 1,828,573	$ 1,487,461

Common Shares Outstanding

(In Thousand Shares)

	For the Year Ended December 31	
	2017	2016
Weighted average number of common shares in computation of basic earnings per share	85,301	78,514
Effect of potentially dilutive common shares:		
Convertible bonds	2,707	2,107
Employee share options	2,421	2,098
Employees’ compensation	296	438
Restricted shares for employees	909	957
Weighted average number of common shares used in the computation of diluted earnings per share	91,634	84,114

If the Company offered to settle compensation paid to employees in cash or shares, the Company 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 shareholders' meeting in the following year.

26. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company

Qualified employees of the Company were granted 639,000 options, 173,000 options, 262,000 options and 787,000 options in April 2017, June 2017, August 2017 and November 2017, respectively. Each option entitles the holder to subscribe for one common share of Silergy. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant dates.

The board of directors of Silergy agreed to issue 1,500,000 options on March 20, 2018. Each option entitles the holder to subscribe for one common share of the Silergy. Options will be issued when registration of this issuance with the Financial Supervisory Commission is completed.

Information about employee share options was as follows:

	For the Year Ended December 31			
	2017		2016	
Employee Share Options	**Units of Options**	**Weighted-average Exercise Price**	**Units of Options**	**Weighted-average Exercise Price**
Balance, beginning of year	4,433,542	$ 217	4,416,448	$ 180
Options granted	1,861,000	567	505,500	427
Options exercised	(696,518)	152	(488,406)	25
Balance, end of year	5,598,024	341	4,433,542	217
Options exercisable, end of year	1,576,666	129	658,794	26
Weighted-average fair value of options granted ($)	$ 186		$ 148	

For any subsequent changes in Silergy's capital surplus, the exercise price or the number of shares corresponding to each option unit is adjusted in accordance with the rules for each plan.

For the years ended December 31, 2017 and 2016, the weighted-average share prices at the date of exercise were NT$623 and NT$381, respectively.

Information about outstanding options as of December 31, 2017 and 2016 was as follows:

	December 31	
	2017	**2016**
Range of exercise price	$21-$608	$22-$449
Weighted-average remaining contractual life (years)	4.42-9.90	5.42-9.95

Options granted from 2016 to 2017 were priced using the binomial option pricing model and the inputs to the model were as follows:

Issue Date	Fair Value Per Option- Grant Date	Exercise Price	Expected Volatility	Expected Life	Expected Dividend Yield	Risk-free Interest
April 6, 2016	145	415	46.55%	10 years	-	0.825%
December 13, 2016	152	449	44.43%	10 years	-	1.16%
April 17, 2017	176	513	43.53%	10 years	-	1.02%
June 15, 2017	180	548	43.08%	10 years	-	1.05%
August 11, 2017	192	591	42.43%	10 years	-	1.035%
November 23, 2017	194	608	41.77%	10 years	-	0.998%

Compensation cost recognized was $141,070 thousand and $104,728 thousand for the years ended December 31, 2017 and 2016, respectively.

b. Restricted shares for employees

In the shareholder meeting on June 2, 2017, the shareholders approved the issuance of 300 thousand shares under a restricted share plan, and the registration of this issuance with the Financial Supervisory Commission (FSC) was completed on June 19, 2017. Silergy issued to employees 237,530 restricted shares in August 2017, and 17,000 restricted shares in November 2017.

In the shareholder meeting on June 2, 2016, the shareholders approved the issuance of 300 thousand shares under a restricted share plan, and the registration of this issuance with the Financial Supervisory Commission (FSC) was completed on July 12, 2016. Silergy issued to employees 169,950 restricted shares in August 2016, 81,800 restricted shares in December 2016, and 31,800 restricted shares in March 2017. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

1) The employees should not sell, pledge, transfer, donate or in any other way dispose of these shares.

2) The employees holding these shares are entitled for receive stock dividends but not cash dividends, but are not entitled to subscribe for new common shares issued for cash.

3) The employees holding these shares have no voting rights.

On March 20, 2018, the board of directors of Silergy proposed the issuance of 300 thousand shares under a restricted share plan, and this proposal will be presented to the shareholders for their approval in their meeting on June 8, 2018.

If an employee fails to meet the vesting conditions, Silergy will recall and cancel the restricted shares without any reimbursement.

Information on the restricted shares for employees is as follows:

Restricted Shares for Employees	For the Year Ended December 31 2017	2016
Balance, beginning of year	1,031,750	1,128,150
Shares issued	302,780	313,600
Shares vested	(460,000)	(410,000)
Balance, end of year	874,530	1,031,750

As of December 31, 2017 and December 31, 2016, information on the outstanding restricted employee shares is as follows:

Grant Date	Fair Value Per Share - Grant Date	Shares Granted (Thousand Shares)	Vesting Periods
April 6, 2016	$ 415	62	0.5 year
August 11, 2016	425	170	0.5 year
December 13, 2016	449	82	0.5 year
April 17, 2017	513	32	0.5 year
June 15, 2017	548	16	0.5 year
August 11, 2017	591	238	0.5 year
November 23, 2017	608	17	0.5 year

Compensation cost recognized was $204,448 thousand and $139,154 thousand for the years ended December 31, 2017 and 2016, respectively.

27. BUSINESS COMBINATIONS

a. Acquisition of assets and operations

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Energy Pass Incorporation business unit	Development and design of electronic components.	February 28, 2017	100.00	$ 40,952
NXP B.V., LED lighting business	Development, design and sell of electronic components.	April 5, 2016	100.00	$ 633,068
Maxim Integrated Products, Inc., department of smart meters and energy monitoring	Development, design and sell of electronic components.	March 2016	100.00	$ 3,401,475

The net assets and business of the department of smart meters and energy monitoring of Maxim Integrated Products, Inc. (“Maxim”) were wholly acquired in March 2016 to increase product lines.

The net assets and business of NXP B.V., LED lighting business ("NXP") were wholly acquired in April 2016 to increase product lines.

The net assets and business of Energy Pass Incorporation business unit ("EPI") were wholly acquired in February 2017 to increase product lines.

b. Considerations transferred

Acquisitions of EPI, NXP and Maxim were made under cash consideration arrangements in the amounts of US$40,952 thousand, US$19,630 thousand and US$105,000 thousand, respectively.

Acquisition-related costs were excluded from the consideration transferred and recognized as an expense in the year of acquisition.

c. Assets acquired and liabilities assumed at the date of acquisition

	EPI	NXP	Maxim
Current assets			
Inventories	$ 6,399	$ 10,907	$ 129,159
Other current assets	-	13	-
Non-current assets			
Property, plant and equipment	52	9,167	27,339
Other intangible assets	6,051	232,200	1,288,122
	$ 12,502	$ 252,287	$ 1,444,620

d. Goodwill arising on acquisition

	EPI	NXP	Maxim
Consideration transferred	$ 40,952	$ 633,068	$ 3,401,475
Less: Fair value of identifiable net assets acquired	(12,502)	(252,287)	(1,444,620)
Goodwill arising on acquisition	$ 28,450	$ 380,781	$ 1,956,855

Goodwill arose in the acquisition of EPI, NXP and Maxim because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on acquisition of subsidiaries, assets and operations

	EPI	NXP	Maxim
Consideration paid in cash	$ 40,952	$ 633,068	$ 3,401,475

f. Impact of acquisitions on the results of the Company

From the acquisition date to December 31, 2017, operating revenue and net loss for the year from EPI was $2,226 thousand and $13,982 thousand, respectively. From the acquisition date to December 31, 2016, operating revenue and gross profit from NXP and Maxim were $1,441,535 thousand and $798,649 thousand, respectively. Because the operating expenses incurred since the acquisition date cannot be allocated clearly to NXP and Maxim, the net profit for the year is unable to be disclosed.

The extrapolated results of operations from the acquisitions of EPI, NXP and Maxim had the acquisitions been in effect for the whole year could not be reliably estimated, so the Company's pro-forma financial information related to such acquisitions is unable to be disclosed.

28. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

Operating leases relate to leases of land, office facilities and parking lots with lease terms between 1 and 10 years. The Company does not have a bargain purchase option to acquire the lease office at the expiration of the lease periods.

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

	December 31	
	2017	**2016**
Not later than 1 year	$ 30,466	$ 24,677
Later than 1 year and not later than 2 years	6,092	8,846
Later than 2 years and not later than 5 years	13,435	4,313
Later than 5 years	335	254
	$ 50,328	$ 38,090

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Company's capital structure management strategy is based on (a) its scale of operations and expected growth and product development - an appropriate market share target is determined, and the capital expenditures required to meet this target are estimated; (b) industry developments - the Company calculates the required working capital under an overall plan for long-term asset development; and (c) the Company's competitiveness - estimates are made of marginal contribution, operating profit rate and cash flows of possible products, taking into consideration the risk factors of industrial cyclical fluctuations and product life cycles to determine the Company's appropriate capital structure.

Management regularly reviews the Company's capital structure and considers the costs and risks of different capital structures, and balances the Company's capital structure by raising debt and issuing convertible bonds. In general, the Company has a prudent risk management strategy.

30. FINANCIAL INSTRUMENTS

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

Management believed the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximated their fair values.

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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	$ -	$ -	$ 1,076	$ 1,076

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives	$ -	$ -	$ 10,170	$ 10,170

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

For the year ended December 31, 2017

	Financial Liabilities at Fair Value Through Profit or Loss	
	Derivatives	
	US$	NT$
Financial liabilities (assets)		
Balance at January 1, 2017	$ 315	$ 10,170
Recognized in profit or loss		
Realized	(241)	(7,326)
Unrealized	(115)	(3,518)
Transfers	5	132
Net exchange differences	-	(534)
Balance at December 31, 2017	$ (36)	$ (1,076)

For the year ended December 31, 2016

	Financial Liabilities at Fair Value Through Profit or Loss	
	Derivatives	
	US$	NT$
Financial liabilities		
Balance at January 1, 2016	$ -	$ -
Additions	525	16,621
Recognized in profit or loss		
Realized	(70)	(2,246)
Unrealized	89	2,864
Transfers	(229)	(7,271)
Net exchange differences	-	202
Balance at December 31, 2016	$ 315	$ 10,170

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

The fair values of financial asset and liability components of convertible bonds were determined using the binomial tree modeling. The significant factors used are listed in the table below.

	December 31	
	2017	**2016**
Fluctuation	31.64%	40.65%
Risk-free rate	2.0584%	1.9241%
Risk discount rate	2.7469%	2.6126%
Liquidity risk	7.09%	7.09%

c. Categories of financial instruments

	December 31	
	2017	**2016**
Financial assets		
Loans and receivables (1)	$ 4,918,015	$ 4,008,557
Available-for-sale financial assets (2)	247,894	131,259
Fair value through profit or loss held for trading	1,076	-
Financial liabilities		
Fair value through profit or loss held for trading	-	10,170
Amortized costs (3)	1,492,171	2,617,872

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables (excluding tax receivable), and refundable deposits.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise accounts payable, other payables, bonds payable, guarantee deposits and other long-term liabilities.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, accounts receivable, other receivables, refundable deposits, accounts payable, other payables, bonds payable, guarantee deposits and other long-term liabilities. The Company's Corporate Treasury function provides services to the business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company'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 Company had foreign currency-denominated sales and purchases, which exposed the Company to foreign currency risk. The carrying amounts of the Company'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 Company was mainly exposed to the U.S. dollar.

The following table details the Company's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. 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 U.S. dollar strengthen 5% against the relevant currency. For a 5% weakening of the U.S. dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	U.S. Dollar Impact	
	For the Year Ended December 31	
	2017	2016
Profit or loss and equity*	$ 18,815	$ 15,156

* This was mainly attributable to the exposure outstanding on U.S. dollar-denominated deposits, receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

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

	December 31	
	2017	2016
Interest rate risk on fair value		
Financial assets	$ 1,680,605	$ 1,126,159
Financial liabilities	670,404	1,758,758
Interest rate risk on cash flow		
Financial assets	2,334,644	2,062,847

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's financial assets and financial liabilities belong to floating rate at the end of the reporting period.

Had interest rates been 50 basis points higher and all other variables held constant, the Company's pretax profit for the years ended December 31, 2017 and 2016 would have increased by $11,673 thousand and $10,314 thousand, respectively, which was mainly attributable to the Company's exposure to interest rate changes on its variable-rate bank deposits.

2) Credit risk

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

The Company 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 Company uses publicly or non-publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Accounts receivable balance of single customers, which were each more than 10% of total amounts as of December 31, 2017 and 2016, were as follows:

	December 31	
	2017	**2016**
Customer A	$ 122,987	$ 165,797
Customer B	100,987	83,805
Customer C	91,097	-
Customer D	67,287	66,884
Customer E	-	59,196
	$ 382,358	$ 375,682

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

As of December 31, 2017, the Company's working capital was sufficient and there was no liquidity risk due to lack of funds needed to meet contractual obligations.

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between Silergy and its subsidiaries which were related parties of Silergy, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and its related parties are disclosed below.

a. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31, 2017
Sales	Associates	
	Hefei SMAT Technology Co., Ltd. ("SMAT")	$ 92

The sales of goods to related parties were made at the agreement between the Company and its associates. Thus, there are no other transaction prices for reference.

b. Compensation of key management personnel

	December 31	
	2017	2016
Salaries	$ 72,017	$ 61,105
Share-based payments	2,232	2,562
	$ 74,249	$ 63,667

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	NT$
Financial assets			
Monetary items			
USD	$ 1,662	29.760 (USD:NTD)	$ 49,447
USD	11,325	6.5342 (USD:RMB)	337,024
GBP	13	1.347782 (GPB:USD)	514
NTD	692	0.0336 (NTD:USD)	692
KRW	45,830	0.000945 (KRW:USD)	1,289
			$ 388,966

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	NT$
Financial liabilities			
Monetary items			
USD	$ 341	6.5342 (USD:RMB)	$ 10,162
NTD	4,550	0.0336 (NTD:USD)	4,550
KRW	458,082	0.000945 (KRW:USD)	12,881
			$ 27,593

(Concluded)

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	NT$
Financial assets			
Monetary items			
USD	$ 567	32.250 (USD:NTD)	$ 18,294
USD	9,052	6.9370 (USD:RMB)	291,914
USD	40	117.0174 (USD:JPY)	1,290
GBP	15	1.228217 (GPB:JPY)	596
NTD	779	0.0310 (NTD:USD)	779
KRW	159,763	0.000838 (KRW:USD)	4,315
			$ 317,188
Financial liabilities			
Monetary items			
USD	6	32.250 (USD:NTD)	$ 196
USD	254	6.9370 (USD:RMB)	8,178
NTD	14,906	0.0310 (NTD:USD)	14,906
KRW	389,904	0.000838 (KRW:USD)	10,531
			$ 33,811

For the years ended December 31, 2017 and 2016, (realized and unrealized) net foreign exchange gains (losses) were NT$(54,733) thousand and NT$17,959 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (Table 1)

3) Marketable securities held (excluding investments in subsidiaries and associates). (Table 2)

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

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

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

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

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. (Notes 7 and 18)

10) Intercompany relationships and significant intercompany transactions. (Table 3)

11) Information on investees. (Table 4)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Table 5)

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

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)

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 receiving of services. (None)

34. SEGMENT INFORMATION

a. Segment information

Information reported to the chief operating decision maker is for the purposes of resource allocation and assessment of segment performance. Under IFRS 8 “Operating Segments,” if the operating revenue of an operating segment accounts for up to 90% of the Company’s total revenue, the Company is considered as having only one reportable segment.

b. Revenue from major products and services

The Company mainly develops, designs, and sells electronic products, which are the major source of revenue.

c. Geographical information

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
China (including Hong Kong)	$ 4,120,536	$ 3,353,710	$ 4,307,468	$ 4,338,015
Others	4,478,701	3,785,193	329,723	325,694
	$ 8,599,237	$ 7,138,903	$ 4,637,191	$ 4,663,709

Non-current assets included property, plant and equipment, goodwill, other intangible assets, refundable deposits and long-term prepayments.

d. Information about major customers

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

	For the Year Ended December 31			
	2017		2016	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue
Customer A	$ 929,346	10.81	$ 1,001,613	14.03

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 5)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
1	Hangzhou Silergy	Xian Silergy	2	$ 801,741	$ 54,654	$ 54,654	$ 54,654	$ 54,654	1.36	$ 2,004,353	N	N	Y	

Note 1: No. 0 represents the parent company; other numbers represent subsidiaries.

Note 2: The nature of the relationship between the endorser/guarantor and the endorsee/guarantee are represented by the following numerals:

No. 1 - companies with business transactions.
No. 2 - a subsidiary directly holding over 50% of the common shares.
No. 3 - a parent and subsidiary collectively holding over 50% of the commons shares of the investee company.
No. 4 - a parent company holding 50% of the commons shares directly or through a subsidiary indirectly.
No. 5 - companies (based on the contractual project requirements of the same industry) with contractual mutual guarantees.
No. 6 - companies guaranteed by their respective common shareholdings in accordance with mutual investment relations.

Note 3: The total amount of guarantee shall not exceed 50% of Hangzhou Silergy's net value. The total amount of the guarantee provided by Hangzhou Silergy to any individual entity shall not exceed 20% of Hangzhou Silergy's net value.

Note 4: The column indicates the maximum amount guaranteed for others during 2017.

Note 5: By the end of the year, if the Company signed an endorsement to ensure the amount of a contract or bill and was approved by the bank, it shall bear the endorsement or guarantee responsibility; and other related parties who have endorsed the guarantee shall be included in the outstanding guarantee balance.

Note 6: The amount entered is the endorsee's actual usage of the endorsement within the scope of the actual borrowing amount.

SILERGY CORP.
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MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer of Marketable Security	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Bonds							
Silergy Corp.	Vango Technologies, Inc.	-	Debt investments with no active market - non-current	-	$ 29,760 (US$ 1,000,000)	-	$ -	
	Shares							
Silergy Corp.	Vango Technologies, Inc.	-	Financial assets measured at cost - non-current	2,666,667	59,520 (US$ 2,000,000)	8.04 (Note 1)	-	
Hangzhou Silergy	Jiangsu	-	Financial assets measured at cost - non-current	-	15,303 (RMB 3,360,000)	3.442	-	
	Hualan	-	Financial assets measured at cost - non-current	1,166,700	31,881 (RMB 7,000,000)	1.84	-	
	Calterah	-	Financial assets measured at cost - non-current	-	36,436 (RMB 8,000,000)	10.00	-	
	Anchuang	-	Financial assets measured at cost - non-current	-	13,664 (RMB 3,000,000)	6.78	-	
	FSP-Powerland	-	Financial assets measured at cost - non-current	-	91,090 (RMB 20,000,000)	7.69	-	

Note 1: Percentage of ownership refers to preference shares.

Note 2: Refer to Tables 4 and 5 for information about subsidiaries and associates.

SILERGY CORP.
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INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 4)	Terms (Note 5)	Percentage to Consolidated Total Gross Sales or Total Assets (Note 3)
0	Silergy	TECH	1	Other payables - related parties	$ 14,559	-	0.12
		Hangzhou Silergy	1	Other payables - related parties	27,248	-	0.23
		Hangzhou Silergy	1	Sales	425	-	-
		Silergy Samoa	1	Other payables - related parties	19,866	-	0.16
		TECH	1	Operating expenses	380,814	-	4.43
		TECH	1	Sales	18,339	-	0.21
		Gazelle	1	Operating expenses	44	-	-
		Silergy Technologies Private Limited	1	Other payables - related parties	1,238	-	0.01
		Silergy Technologies Private Limited	1	Operating expenses	21,977	-	0.26
		HK Silergy	1	Other receivables - related parties	52	-	-
		Silergy Technology (Taiwan) Inc.	1	Other receivables - related parties	11,526	-	0.10
		Silergy Technology (Taiwan) Inc.	1	Operating expenses	132,733	-	1.54
1	Hangzhou Silergy	Silergy	2	Sales	73,699	-	0.86
		TECH	3	Sales	197	-	-
		Nanjin Silergy	3	Sales	298	-	-
		Nanjin Silergy	3	Other payables - related parties	2,682	-	0.02
		Xian Silergy	3	Sales	2,345	-	0.03
		Xian Silergy	3	Accounts receivables - related parties	2,370	-	0.02
		Shanghai Pengxi	3	Operating expenses	4,250	-	0.05
2	Silergy Technology (Taiwan) Inc.	Silergy	2	Sales	40,539	-	0.47
		Silergy	2	Accounts receivable - related parties	15,621	-	0.13
		Silergy Samoa	3	Other receivables - related parties	1,554	-	0.01
3	Nanjin Silergy	Silergy	2	Sales	21,751	-	0.25
		Hangzhou Silergy	3	Sales	683	-	0.01
		TECH	3	Sales	25	-	-
4	Xian Silergy	Silergy	2	Sales	12,540	-	0.15
		Hangzhou Silergy	3	Sales	131	-	-
5	TECH	Silergy	2	Sales	2,433	-	0.03

(Continued)

Note 1: No. 0 represents the parent company; other numbers represent subsidiaries.

Note 2: The directional flow of the transactions are represented by the following numerals:

No. 1 - from parent company to subsidiary.
No. 2 - from subsidiary to parent company.
No. 3 - between subsidiaries.

Note 3: The accounts in the consolidated balance sheets and those in the consolidated statements of comprehensive income were based on the Company's consolidated total assets and total gross sales, respectively.

Note 4: Intercompany balances and transactions were eliminated upon consolidation.

Note 5: The selling prices and payment terms for intercompany sales and purchases were not significantly different from those for unrelated parties. For other intercompany transactions, prices and terms were based on mutual agreements.

(Concluded)

TABLE 4

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee (Notes 3 and 4)	Share of Profit (Loss) (Notes 1, 3 and 4)	Note
				December 31, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount (Notes 1 and 2)			
Silergy Corp.	TECH	Suite 215, 2F 1309 S. Mary Ave., Sunnyvale City, Santa Clara County, California, U.S.A.	Development and design of power management IC	US$ 6,971,913	US$ 5,201,902	-	100.00	$ 236,184	$ 13,021 (US$ 427,879)	$ 13,021 (US$ 427,879)	Subsidiary
	Silergy Samoa	Portcullis Trust Net chambers, P.O. Box 1225, Apia, Samoa	Holding Company	US$ 22,300,000	US$ 19,700,000	-	100.00	327,938	(22,408) (US$ -736,334)	(22,408) (US$ -736,334)	Subsidiary
	HK Silergy	Suite 2302-6, 23/F Great Eagle CTR 23 Harbour Rd., WanChai, Hong Kong	Holding Company	US$ 11,365,000	US$ 11,365,000	-	100.00	325,515	(4,168) (US$ -136,960)	(4,168) (US$ -136,960)	Subsidiary
Silergy Samoa	TW Silergy	8F.-5, No. 2, Fuxing 4th Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan	Development and design of electronic components	- (Note 6)	60,000	-	-	-	(3,472)	(3,472)	Subsidiary
	Silergy Technology (Taiwan) Inc.	7F.-8, No. 38, Taiyuan St., Zhubei City, Hsinchu County 302, Taiwan	Development, design and sales of electronic components	314,831 (Note 7)	264,831	31,700,000	100.00	256,641	11,417	7,869	Subsidiary
	Silergy Technologies Private Limited	No 41, Patalamma Temple Street, Near South End Circle, Basavanagudi, Bangalore, Karnataka, India, 560004	Development, design and sales of electronic components	US$ 38,200	US$ 38,200	-	100.00	4,333	7,228 (US$ 237,518)	7,228 (US$ 237,518)	Subsidiary
	Silergy Korea Limited	#1202, #1203, 120 Heungdeokjungang-ro, Giheung-gu, Yongin-si, Gyeonggi-do, Korea (UTOWER)	Development, design and sales of electronic components	US$ 600,000	-	-	100.00	18,011	(415) (US$ -13,640)	(415) (US$ -13,640)	Subsidiary
TECH	Gazelle	3500 South Dupont Highway, Dover City, Kent County, Delaware, U.S.A.	Development and design of electronic components	US$ - (Note 8)	US$ 2,000,000	-	-	-	2 (US$ 68)	(441) (US$ -14,482)	Subsidiary

Note 1: The carrying amount of the investments and the share of profit or loss were eliminated upon consolidation.

Note 2: Translation was based on the exchange rate at December 31, 2017.

Note 3: Translation was based on the average exchange rate for the year ended December 31, 2017.

Note 4: Information was based on the investee's current year's audited financial statements.

Note 5: Refer to Table 5 for information on investments in mainland China.

Note 6: TW Silergy was dismissed, and its registration was terminated in July 2017.

Note 7: Silergy Samoa acquired 9,472 thousand shares of Silergy Technology (Taiwan) Inc. at NT$99,579 thousand in January 2015, resulting in Silergy Technology (Taiwan) Inc. becoming a wholly owned subsidiary of Silergy Samoa. The fair value of the equity interest held previously was NT$63,252 thousand. Silergy Samoa injected more capital at NT$36,000 thousand, NT$36,000 thousand, NT$30,000 thousand and NT$50,000 thousand in Silergy Technology (Taiwan) Inc. in April 2015, August 2016, December 2016 and February 2017, respectively. Thus, Silergy Samoa's investment in Silergy Technology (Taiwan) Inc. increased to NT$314,831 thousand.

Note 8: TECH merged with Gazelle during the three month period ended March 31, 2017, and Gazelle's registration was terminated on March 31, 2017.

SILERGY CORP.
(Incorporated in the Cayman Islands)
AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee (Note 2)	Percentage of Ownership (%)	Investment Income (Loss) Recognized (Notes 2, 3 and 4)	Carrying Amount as of December 31, 2017 (Note 4)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
Hangzhou Silergy	Development, design and sale of electronic components and related technical services	US$ 58,520,270 (RMB 381,687,917)	Through Silergy	$ -	$ -	$ -	$ -	$ 924,707 (RMB 205,248,298)	100.00	$ 924,707 (RMB 205,248,298)	$ 4,008,707	$ -
Nangjing Silergy	Development, design and sale of electronic components	RMB 31,000,000	Through Hangzhou Silergy	-	-	-	-	238,495 (RMB 52,936,360)	100.00	238,495 (RMB 52,936,360)	559,117	-
Innvolt	Development, design and sale of electronic components and related technical services	RMB - (Note 7)	Through Hangzhou Silergy	-	-	-	-	121 (RMB 26,752)	-	121 (RMB 26,752)	-	-
Xian Silergy	Development, design, and sale of electronic components	RMB 71,000,000	Through Hangzhou Silergy	-	-	-	-	(57,020) (RMB -12,656,078)	100.00	(57,020) (RMB -12,656,078)	211,148	-
Shanghai Pengxi	Development and design of electronic components	RMB 21,000,000	Through Hangzhou Silergy	-	-	-	-	(49,033) (RMB -10,883,313)	100.00	(49,033) (RMB -10,883,313)	24,257	-
Chengdu Silergy	Development and design of electronic components	RMB 20,000,000	Through Hangzhou Silergy	-	-	-	-	(16,262) (RMB -3,609,478)	100.00	(16,262) (RMB -3,609,478)	74,645	-
SMAT	Development and manufacturing of vehicles and IOT	RMB 450,000,000	Through Hangzhou Silergy	-	-	-	-	(25,099) (RMB -5,570,957)	22.22	(5,578) (RMB -1,237,990)	299,585 (Note 6)	-
		RMB 450,000,000	Through HK Silergy	-	-	-	-	(25,099) (US$ -824,753)	16.42	(4,120) (US$ -135,399)	325,328	-

Accumulated Outward Remittance for Investment from Taiwan in Mainland China as of December 31, 2017	Investment Amount Authorized by the Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ - (Note 5)	$ - (Note 5)	$ - (Note 5)

Note 1: Translation was based on the exchange rate at December 31, 2017.

Note 2: Translation was based on the average exchange rate for the year ended December 31, 2017.

Note 3: Information was based on the investee's current year's audited financial statements.

Note 4: Except for SMAT, the carrying amount of the investments and the share of profit or loss were eliminated upon consolidation.

Note 5: Foreign security issuers are not subject to the investment limitation set out in the "Guidelines on Investment and Technical Cooperation in Mainland China" issued by the Ministry of Economic Affairs on August 29, 2008, whereby the limit is 60% of an investment entity's most recent net value.

Note 6: The information was reduced by net profit from disposal of unrealized intangible assets.

Note 7: Innvolt was dismissed, and its registration was terminated in December 2017.