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

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 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, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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, 2018. 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, 2018 are stated as follows:

Evaluation of Provisions Held Against Inventory

As of December 31, 2018, the Company held inventory of NT$1,690,972 thousand, comprising 12% of its total assets. Because the amount is significant, the measurement involves a great amount of judgment, inventory management 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.

Information of accounting policies, estimates and assumption of uncertainty and disclosures related to the evaluation of provisions held against inventory are indicated in Notes 4, 5 and 12 of the Notes to Consolidated Financial Statements.

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

As of December 31, 2018, the Company held Goodwill of NT$2,397,800 thousand, comprising 17% of its total assets. According to IAS 36 "Impairment of Assets", the assumption of impairment loss may occur has to be made on the balance sheet date. Management takes into consideration the recoverable amount of the allocation of cash-generating unit when making assumptions of impairment loss. Because the amount is significant and the measurement involves a great amount of judgment from management, and could also be influenced by future market condition or economy, thus as such was identified as one of the key audit matters.

Information of accounting policies, estimates and assumption of uncertainty and disclosures related to goodwill impairment loss are indicated in Notes 4, 5 and 16 of the Notes to Consolidated Financial Statements.

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

1. Understood and evaluated the reasonability of management's estimates of assets impairment.

2. Evaluated the professional qualifications, competence and independence of independent evaluators that management hired.

3. Understood management's estimation process and basis of future sales forecast and forecasted sales growth rate and profit margin of the cash-generating unit.

4. Evaluate the reasonability of the assumption and assessment method used in the goodwill impairment loss report provided by independent evaluators and consult with specialist within our firm.

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

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Jung Kuo and Cheng-Chun Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2019

Notice to Readers

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

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

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

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 3 and 6)	$ 2,618,420	19	$ 2,914,172	24
Financial assets at fair value through profit or loss - current (Notes 3, 7 and 19)	-	-	1,076	-
Financial assets at amortized cost - current (Notes 3 and 8)	2,022,896	15	-	-
Debt investments with no active market - current (Notes 3 and 10)	-	-	1,234,205	10
Accounts receivable, net (Notes 3 and 11)	581,860	4	583,440	5
Other receivables (Notes 3 and 11)	117,814	1	64,143	-
Inventories (Notes 5, 12 and 28)	1,690,972	12	1,643,851	14
Prepayments (Note 18)	69,641	-	64,174	1
Total current assets	7,101,603	51	6,505,061	54
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 3 and 7)	1,289,447	9	-	-
Financial assets measured at cost - non-current (Notes 3 and 9)	-	-	247,894	2
Debt investment with no active market - non-current (Notes 3 and 10)	-	-	29,760	-
Investments accounted for using equity method (Note 14)	595,650	4	624,913	5
Property, plant and equipment (Notes 15 and 28)	1,176,605	9	698,094	6
Goodwill (Notes 5, 16 and 28)	2,397,800	17	2,387,267	20
Other intangible assets (Notes 17 and 28)	1,191,113	9	1,312,100	11
Deferred tax assets (Notes 4, 5 and 25)	34,632	-	45,121	-
Refundable deposits (Note 3)	39,853	-	92,295	1
Net defined benefit assets - non-current (Notes 4 and 22)	1,309	-	1,518	-
Long-term prepayments (Notes 18)	49,433	1	147,435	1
Total non-current assets	6,775,842	49	5,586,397	46
TOTAL	$ 13,877,445	100	$ 12,091,458	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable (Note 20)	$ 475,293	4	$ 416,735	4
Accounts payable - related parties (Note 32)	584	-	-	-
Other payables (Note 21)	390,873	3	355,193	3
Current tax liabilities	8,527	-	16,740	-
Other current liabilities (Note 21)	25,585	-	11,977	-
Total current liabilities	900,862	7	800,645	7
NON-CURRENT LIABILITIES				
Bonds payable (Note 19)	-	-	670,404	6
Deferred tax liabilities (Notes 4 and 25)	141	-	164	-
Guarantee deposits	6,730	-	735	-
Other payables - non-current (Note 21)	32,251	-	49,104	-
Total non-current liabilities	39,122	-	720,407	6
Total liabilities	939,984	7	1,521,052	13
EQUITY (Notes 4, 19, 23 and 27)				
Share capital				
Common shares	902,566	6	877,326	7
Capital surplus	6,061,816	44	5,140,803	43
Retained earnings				
Legal reserve	580,995	4	400,194	3
Special reserve	363,370	3	-	-
Unappropriated earnings	5,337,529	38	4,573,721	38
Total retained earnings	6,281,894	45	4,973,915	41
Other equity				
Exchange differences on translating foreign operations	(237,236)	(2)	(363,370)	(3)
Unearned employee benefits	(71,579)	-	(58,268)	(1)
Total other equity	(308,815)	(2)	(421,638)	(4)
Total equity	12,937,461	93	10,570,406	87
TOTAL	$ 13,877,445	100	$ 12,091,458	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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE, NET (Notes 4 and 32)	$ 9,414,159	100	$ 8,599,237	100
OPERATING COSTS (Notes 12 and 32)	5,016,304	53	4,494,632	52
GROSS PROFIT	4,397,855	47	4,104,605	48
OPERATING EXPENSES (Notes 4, 11, 22, 24, 27 and 32)				
Selling and marketing expenses	626,006	7	637,393	7
General and administrative expenses	478,975	5	445,323	5
Research and development expenses	1,398,259	15	1,167,951	14
Gain on reversal of expected credit loss	(1,313)	-	-	-
Total operating expenses	2,501,927	27	2,250,667	26
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 14 and 24)	17,494	-	17,303	-
PROFIT FROM OPERATIONS	1,913,422	20	1,871,241	22
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4)	54,129	-	30,835	-
Other income (Notes 24)	75,174	1	53,715	1
Foreign exchange gain (loss), net (Notes 4 and 33)	27,786	-	(54,733)	(1)
Interest expenses (Note 19)	(10,214)	-	(20,556)	-
Miscellaneous expenses	(3,192)	-	(19,261)	-
Impairment loss (Note 16)	(60,673)	(1)	-	-
Gain on disposal of associates (Note 14)	845	-	-	-
Loss (gain) on financial instruments at fair value through profit or loss (Note 31)	(27,238)	-	10,844	-
Share of loss of associates (Note 14)	(39,441)	-	(9,698)	-
Total non-operating income and expenses	17,176	-	(8,854)	-
PROFIT BEFORE INCOME TAX	1,930,598	20	1,862,387	22
INCOME TAX EXPENSE (Notes 4 and 25)	(100,747)	(1)	(54,370)	(1)
NET PROFIT FOR THE YEAR	1,829,851	19	1,808,017	21

(Continued)

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22, 23 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	$ 369,416	4	$ (670,892)	(8)
Remeasurement of defined benefit plans	(240)	-	504	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(213,592)	(2)	178,671	2
Share of the other comprehensive gain (loss) of associates accounted for using equity method	(29,690)	(1)	36,903	1
Other comprehensive income (loss) for the year, net of income tax	125,894	1	(454,814)	(5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,955,745	20	$ 1,353,203	16
EARNINGS PER SHARE (Note 26)				
Basic	$20.78		$21.20	
Diluted	$19.93		$19.96	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Share Capital (Note 23)		Capital Surplus (Notes 19, 23 and 27)	Retained Earnings (Note 23)				Other Equity (Notes 23 and 27)			
	Shares	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unearned Employee Benefits	Total	Total Equity
BALANCE AT JANUARY 1, 2017	84,023	$ 840,232	$ 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
Convertible bonds converted to common shares	2,710	27,101	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	98,606	-	-	-	-	-	-	-	105,571
Recognition of restricted employee shares issued by Silergy Corp.	303	3,028	173,016	-	-	-	-	-	28,404	28,404	204,448
BALANCE AT DECEMBER 31, 2017	87,733	877,326	5,140,803	400,194	-	4,573,721	4,973,915	(363,370)	(58,268)	(421,638)	10,570,406
Effect of retrospective application	-	-	-	-	-	5,169	5,169	-	-	-	5,169
BALANCE AT JANUARY 1, 2018 AS RESTATED	87,733	877,326	5,140,803	400,194	-	4,578,890	4,979,084	(363,370)	(58,268)	(421,638)	10,575,575
Appropriation of the 2017 earnings											
Legal reserve	-	-	-	180,801	-	(180,801)	-	-	-	-	-
Special reserve	-	-	-	-	363,370	(363,370)	-	-	-	-	-
Cash dividends distributed by Silergy Corp.	-	-	-	-	-	(526,396)	(526,396)	-	-	-	(526,396)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	3,025	-	-	-	-	-	-	-	3,025
Recognition of employee share options by Silergy Corp.	-	-	204,969	-	-	-	-	-	-	-	204,969
Convertible bonds converted to common shares	1,433	14,328	524,727	-	-	-	-	-	-	-	539,055
Redemption of equity component of convertible bonds	-	-	(13,678)	-	-	(405)	(405)	-	-	-	(14,083)
Net profit for the year ended December 31, 2018	-	-	-	-	-	1,829,851	1,829,851	-	-	-	1,829,851
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(240)	(240)	126,134	-	126,134	125,894
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	1,829,611	1,829,611	126,134	-	126,134	1,955,745
Issue of common shares under employee share options	874	8,742	98,121	-	-	-	-	-	-	-	106,863
Recognition of restricted employee shares issued by Silergy Corp.	220	2,200	104,120	-	-	-	-	-	(13,351)	(13,351)	92,969
Recognition of restricted employee shares forfeited	(3)	(30)	(271)	-	-	-	-	-	40	40	(261)
BALANCE AT DECEMBER 31, 2018	90,257	$ 902,566	$ 6,061,816	$ 580,995	$ 363,370	$ 5,337,529	$ 6,281,894	$ (237,236)	$ (71,579)	$ (308,815)	$ 12,937,461

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,930,598	$ 1,862,387
Adjustments for:		
Gain on reversal of expected credit loss	(1,313)	-
Impairment loss recognized on accounts receivable	-	3,008
Net loss (gain) on financial instruments at fair value through profit or loss	27,238	(10,844)
Depreciation expenses	47,421	34,018
Amortization expenses	183,305	203,076
Interest income	(54,129)	(30,835)
Interest expenses	10,214	20,556
Compensation cost of employee share options	204,969	141,070
Compensation cost of restricted employee shares	92,708	204,448
Share of loss of associates	39,441	9,698
Loss on disposal of property, plant and equipment	125	105
Property, plant and equipment transferred to expenses	-	24
Gains on disposal of intangible assets	(17,619)	(17,408)
Write-down of inventories	119,152	63,986
Unrealized loss on foreign currency exchange	2,159	1,850
Gain on redemption of bonds payable	(2,903)	-
Impairment loss of goodwill	60,673	-
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	632	(5,770)
Decrease (increase) in other receivables	(39,794)	19,425
Increase in inventories	(168,988)	(378,998)
Increase in prepayments	(5,313)	(10,776)
Increase in defined benefit assets - non-current	(91)	(81)
Increase (decrease) in accounts payable	58,622	(43,467)
Increase in accounts payable - related parties	584	-
Increase in other payables	37,526	50,760
Increase in other current liabilities	13,608	6,768
Cash generated from operations	2,538,825	2,123,000
Interest received	45,242	35,183
Income tax paid	(105,882)	(43,611)
Net cash generated from operating activities	2,478,185	2,114,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(788,691)	-
Purchase of debt investments with no active market	-	(566,356)
Purchase of financial assets measured at cost	-	(122,817)
Net cash outflow on business combinations (Note 28)	-	(40,952)

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

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

	2018	2017
Purchase of financial assets at fair value through profit or loss	$ (1,040,104)	$ -
Acquisition of property, plant and equipment	(445,450)	(349,920)
Proceeds from disposal of property, plant and equipment	1	8
Increase in long-term prepayments	(3,575)	(98,389)
Payments for intangible assets	(42,046)	(47,441)
Decrease (increase) in refundable deposits	52,442	(64,289)
Net cash used in investing activities	(2,267,423)	(1,290,156)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of bonds payable	(172,169)	-
Increase (decrease) in guarantee deposits	5,995	(8,266)
Cash dividends paid	(526,396)	(431,421)
Proceeds from exercise of employee share options	106,863	105,571
Net cash used in financing activities	(585,707)	(334,116)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	79,193	(255,654)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(295,752)	234,646
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,914,172	2,679,526
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,618,420	$ 2,914,172

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 on the Taiwan Stock Exchange of the Republic of China (ROC) since December 2013.

The functional currency of Silergy is the U.S. dollar. However, 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 19, 2019.

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:

   - IFRS 9 "Financial Instruments" and related amendments

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

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

Classification, measurement and impairment of financial assets

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

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

	Measurement Category		**Carrying Amount**		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 2,914,172	$ 2,914,172	
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	1,076	1,076	
Equity securities	Available-for-sale	Mandatorily at FVTPL	247,894	253,063	a
Debt securities	Loans and receivables	Mandatorily at FVTPL	29,760	29,760	b
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	1,234,205	1,234,205	c
Trade receivables and other receivables	Loans and receivables	Amortized cost	647,583	647,583	d
Refundable deposits	Loans and receivables	Amortized cost	92,295	92,295	d

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassifi-cations**	**Remea-surements**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Remark**
FVTPL	$ 1,076	$ -	$ -	$ 1,076	$ -	
Add: Reclassification from available-for-sale (IAS 39)	-	247,894	5,169	253,063	5,169	a
Add: Reclassification from loans and receivables (IAS 39)	-	29,760	-	29,760	-	b
	1,076	277,645	5,169	283,899	5,169	
Amortized cost						
Add: Reclassification from loans and receivables (IAS 39)	-	4,888,255	-	4,888,255	-	c and d
	-	4,888,255	-	4,888,255	-	
	$ 1,076	$5,165,909	$ 5,169	$5,172,154	$ 5,169	

1) Investments in unlisted shares previously measured at cost under IAS 39 have been classified at FVTPL under IFRS 9 and were remeasured at fair value. Consequently, an increase of $5,169 thousand was recognized in both financial assets at FVTPL and retained earnings on January 1, 2018.

2) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at FVTPL under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding, but the objective of the Company's business model was not to collect contractual cash flows nor was it achieved by both collecting contractual cash flows and selling financial assets.

3) Time deposits with original maturities of more than 3 months debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding, and these investments were held within a business model whose objective is to collect contractual cash flows.

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

b. 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 by the FSC for application starting from 2019

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

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

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

Note 3: The 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, IFRIC 4 and a number of related interpretations.

Definition of a lease

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

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in mainland China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

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

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

a) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Long-term prepayments for leases - non-current	$ 45,117	$ (45,117)	$ -
Right-of-use assets	-	164,274	164,274
Total effect on assets	$ 45,117	$ 119,157	$ 164,274
Lease liabilities - current	$ -	$ 34,379	$ 34,379
Lease liabilities - non-current	-	84,778	84,778
Total effect on liabilities	$ -	$ 119,157	$ 119,157

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Company continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

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

As of the date the consolidated financial statements were authorized for issue, the 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 12 months after the reporting period; and

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

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 statements 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.

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 they are 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 interests 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 (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising 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 those that use currencies that 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. 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. Investments 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 Company uses the equity method to account for its investments in associates. 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.

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

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 their 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 which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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 is recognized in profit or loss.

l. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

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.

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

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 FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

2018

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

<u>2017</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are either held for trading or are designated as at FVTPL.

Financial assets at FVTPL 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 31.

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 FVTPL.

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 as 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 the carrying amount and the 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 and contract assets

<u>2018</u>

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

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>2017</u>

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

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.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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:

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

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 31.

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

2018

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

- Revenue from the sale of goods

  Revenue from the sale of goods comes from sales of integrated circuit products. Sales of products are recognized as revenue at the time of delivery because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

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

2017

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. Allowances for sales returns and liabilities 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 the 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 a 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, with reference to the principal outstanding and at the applicable effective interest rate.

The Company's revenue recognition model in 2018 and 2017 have not changed significantly as a result of the application of the amended accounting standards.

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. Government grants whose primary condition is related to future costs are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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 liabilities (assets) are recognized as employee benefits expense in the period in which 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 liabilities (assets) represent 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 plan or reductions in future contributions to the plan.

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 vested 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 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 differences arising from the 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 carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the 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 recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and 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 estimates are 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, 2018 and 2017, the carrying amount of the deferred tax assets in relation to tax losses that are unused and have not been recognized are disclosed in Note 25. The realizability of the deferred tax assets 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. 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 is 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	
	2018	2017
Cash on hand	$ 675	$ 678
Checking accounts and demand deposits	2,279,880	2,496,854
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	337,865	416,640
	$ 2,618,420	$ 2,914,172

Interest rate ranges for bank deposits on the balance sheet date were as follows:

	December 31	
	2018	2017
Deposits	0.00%-3.35%	0.00%-1.95%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Financial assets - current		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Call and put options of convertible bonds (Note 19)	$ -	$ 1,076
Financial assets - non-current		
Non-derivative financial assets		
Overseas unlisted common shares		
Silicon Micro Technology L.P. (1)	$ 921,450	$ -
Hangzhou Hualan Microelectronique Co., Ltd. (“Hualan”)	32,216	-
Calterah Semiconductor (“Calterah”) (2)	30,403	-
Jiangsu CAS-IGBT Technology Co., Ltd. (“Jiangsu”)	30,766	-
Shenzhen Anchuang S&T Fund (“Anchuang”) (3)	26,852	-
FSP-Powerland Technology Inc. (“FSP-Powerland”) (4)	82,768	-
Ningbo Meishan Bonded Port Area Anchuang Growth Equity Investment Partnership L.P. (“Ningbo Anchuang”) (5)	78,318	-
Puhe Equity Investment Fund Partnership L.P. (“Puhe”) (6)	22,377	-
Overseas unlisted preferred shares		-
Vango Technologies, Inc. (“Vango”)	33,582	-
Hybrid financial assets		-
Convertible bonds		-
Vango Technologies, Inc. (“Vango”)	30,715	-
	$ 1,289,447	$ -

a. In August 2018, the Company signed an investment agreement with Silicon Micro Technology L.P. to acquire a 21.89% equity interest in Silicon Micro Technology L.P. for US$30,000 thousand.

b. In March 2017, Silergy Semiconductor Technology (Hangzhou) (“Hangzhou Silergy”) signed an investment agreement with Calterah to increase its shareholdings in Calterah for RMB4,000 thousand. Together with their original shareholdings, Hangzhou Silergy acquired a 10% equity interest in Calterah for a total of RMB8,000 thousand.

c. In January 2017, Hangzhou Silergy signed an investment agreement with Anchuang to acquire a 6.78% equity interest in the latter for RMB6,000 thousand. Hangzhou Silergy paid RMB3,000 thousand each in January 2017 and April 2018.

d. In December 2017, Hangzhou Silergy signed an investment agreement with FSP-Powerland to acquire a 7.69% equity interest in the latter for RMB20,000 thousand.

e. In March 2018, Hangzhou Silergy signed an investment agreement with Ningbo Anchuang to acquire a 1.186% equity interest in the latter for RMB17,500 thousand.

f. In August 2018, Nanjing Silergy Semiconductor Technology (“Nanjing Silergy”) signed an investment agreement with Puhe to acquire a 7.092% equity interest in Puhe for RMB10,000 thousand. As of December 31, 2018, Nanjing Silergy has paid RMB5,000 thousand.

   The above-mentioned equity instruments and convertible bonds were classified as financial assets measured at cost and debt investments with no active market under IAS 39, respectively. But under IFRS 9, the above-mentioned equity instruments and convertible bonds were mandatorily classified as at FVTPL. Refer to Notes 3, 9 and 10 for information relating to their reclassification and comparative information for 2017.

8. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2018

	December 31, 2018
Current	
Time deposits with original maturities of more than 3 months	$ 2,022,896
Interest rate range	1.62%-3.23%

Time deposits with original maturities of more than 3 months were previously classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 10 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017
Non-current	
Overseas unlisted common shares	
Hangzhou Hualan Microelectronique Co., Ltd. ("Hualan")	$ 31,881
Calterah Semiconductor ("Calterah")	36,436
Jiangsu CAS-IGBT Technology Co., Ltd. ("Jiangsu")	15,303
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
	$ 247,894
Financial assets by measurement category	
Available-for-sale financial assets	$ 247,894

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.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2017
Current	
Time deposits with original maturities of more than 3 months	$ 1,234,205
Interest rate range	1.35%-2.10%
Non-current	
Corporate bonds - Vango Technologies, Inc.	$ 29,760

11. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2018	2017
Accounts receivable		
At amortized cost		
Gross carrying amount	$ 583,978	$ 587,340
Less: Allowance for impairment loss	(2,118)	(3,900)
	$ 581,860	$ 583,440

(Continued)

	December 31	
	2018	2017
Other receivables		
Building payment refund receivables	$ 53,030	$ 53,969
Tax refund receivables - value added tax	27,205	-
Interest receivables	19,066	4,937
Tax refund receivables - income tax	4,990	-
Others	13,523	5,237
	$ 117,814	$ 64,143

(Concluded)

Accounts Receivable

2018

The average credit period of sales of goods was 45 days. Due to the short average credit period of sales of goods, no interest was charged on trade receivables.

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

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated with reference to the past default experience of the debtor and an analysis of the debtor's current financial position and general economic conditions of the industry in which the debtors operate. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The following table details the loss allowance of accounts receivable.

December 31, 2018

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	$ 535,932	$ 47,965	$ -	$ -	$ 81	$ 583,978
Loss allowance (Lifetime ECLs)	-	(2,037)	-	-	(81)	(2,118)
Amortized cost	$ 535,932	$ 45,928	$ -	$ -	$ -	$ 581,860

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

	2018
Balance at January 1, 2018	$ 3,900
Less: Net remeasurement of loss allowance	(1,313)
Less: Amounts written off	(507)
Foreign exchange gains and losses	38
Balance at December 31, 2018	$ 2,118

2017

The Company applied the same credit policy in 2018 and 2017. In assessing the allowance for impairment loss, the Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for impairment loss of 100% against all receivables past due over 180 days because historical experience was that receivables that are past due beyond 180 days were not recoverable. Allowance for impairment loss was recognized against accounts receivable between 1 day and 180 days based on estimated irrecoverable amounts determined by reference to the 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
Not past due	$ 470,973
1-60 days	113,660
61-90 days	1,084
91-180 days	1,002
More than 180 days	621
	$ 587,340

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
1-60 days	$ 86,086
61-90 days	1,002
	$ 87,088

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, 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

12. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 725,886	$ 730,192
Work in progress	481,581	655,200
Raw materials	483,505	258,459
	$ 1,690,972	$ 1,643,851

The cost of goods sold for the years ended December 31, 2018 and 2017 was $5,016,304 thousand and $4,494,632 thousand, respectively. The cost of goods sold included inventory write-downs of $119,152 thousand and $63,986 thousand for the years ended December 31, 2018 and 2017, respectively.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2017	Proportion of Ownership December 31 2018	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	-	-	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	-	-	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%	100%	m

Remarks:

a. In May 2008, Silergy set up TECH, which mainly develops and designs power management integrated circuits (ICs). In 2017Q1, TECH entered into a merger by absorption of Gazelle Semiconductor Inc. As of December 31, 2018, the paid-in 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$13,700 thousand and US$15,000 thousand in May 2017 and December 2017, respectively. As of December 31, 2018, the capital of Hangzhou Silergy was US$58,520 thousand.

c. In December 2012, Silergy set up Silergy Samoa, a holding company. The board of directors of Silergy agreed to inject capital at US$2,600 thousand and US$2,000 thousand in February 2017 and December 2018, respectively. As of December 31, 2018, the capital of Silergy Samoa was US$24,300 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. As of December 31, 2018, a total capital of US$1,699 thousand had been injected into the Japan branch.

d. In October 2015, Silergy set up HK Silergy, a holding company. The board of directors of Silergy agreed to inject capital of US$10 thousand into the holding company in December 2018. As of December 31, 2017, the capital of HK Silergy was US$11,375 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. As of December 31, 2018, 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. Hangzhou Silergy injected capital into Xian Silergy at RMB15,000 thousand, RMB21,000 thousand, RMB9,000 thousand and RMB20,000 in March 2017, May 2017, December 2017 and January 2018, respectively. As of December 31, 2017, the capital of Xian Silergy was RMB91,000 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. Hangzhou Silergy injected capital into Shanghai Pengxi at RMB11,000 thousand and RMB16,000 thousand in May 2017 and April 2018. As of December 31, 2018, the capital of Shanghai Pengxi was RMB37,000 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. Hangzhou Silergy injected capital into Chengdu Silergy at RMB6,000 thousand in May 2018. As of December 31, 2018, the capital of Chengdu Silergy was RMB26,000 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 February 2017, to meet Crystal's need for more working capital, the board of directors of Silergy agreed to inject capital NT$50,000 thousand in this investee. As of December 31, 2018, 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, 2018, 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, 2018, the capital of Silergy Korea Limited was US$311 thousand.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	**2017**
Investments in associates		
Material associate		
Hefei SMAT Technology Co., Ltd. ("SMAT")	$ 595,650	$ 624,913

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 2018 and year 2017, the total realized gain was NT$17,619 thousand and NT$17,408, respectively.

The board of directors of SMAT agreed to increase capital and complete the related procedures by the first half of 2018. The Company did not subscribe to the capital increase in shares in accordance to the original shareholding ratio. Thus, the shareholding ratio of Hangzhou Silergy and HK Silergy dropped from 22.22% to 20.20% and 16.42% to 14.92%, respectively. The Company made adjustments to increase the share of changes in capital surplus of associates accounted for using the equity method by NT$3,025 thousand and recognized a gain of NT$845 thousand from the disposal of associates.

Refer to Table 7 "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	
	2018	**2017**
Current assets	$ 812,840	$ 1,269,621
Non-current assets	1,529,621	872,882
Total assets	$ 2,342,461	$ 2,142,503
Current liabilities	$ 242,946	$ 160,839
Non-current liabilities	59,186	-
Total liabilities	$ 302,132	$ 160,839
Equity	$ 2,040,329	$ 1,981,664
Proportion of the Company's ownership	35.12%	38.64%
Equity attributable to the Company	$ 716,696	$ 765,698
Unrealized gain on disposal of intangible assets with associates	(121,046)	(140,785)
Carrying amount	$ 595,650	$ 624,913

	For the Year Ended December 31	
	2018	**2017**
Operating income	$ 10,302	$ -
Net loss for the year	$ (110,318)	$ (25,099)

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the associates' audited financial statements for the same years.

15. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2018					
	Buildings	**Machinery and Equipment**	**Office Equipment**	**Leasehold Improvements**	**Construction in Progress**	**Total**
Cost						
Balance, beginning of year	$ 158,242	$ 118,867	$ 46,533	$ 17,583	$ 468,650	$ 809,875
Additions	57,626	55,348	5,766	9,532	317,178	445,450
Disposals	-	(425)	(2,281)	(3,038)	-	(5,744)
Reclassification	99,652	-	(79)	-	-	99,573
Effect of foreign currency exchange differences	(5,289)	(1,291)	(227)	27	(14,029)	(20,809)
Balance, end of year	310,231	172,499	49,712	24,104	771,799	1,328,345

(Continued)

	For the Year Ended December 31, 2018					
	Buildings	**Machinery and Equipment**	**Office Equipment**	**Leasehold Improvements**	**Construction in Progress**	**Total**
Accumulated depreciation						
Balance, beginning of year	$ 7,169	$ 65,089	$ 28,912	$ 10,611	$ -	$ 111,781
Depreciation expense	7,784	28,627	7,399	3,611	-	47,421
Disposals	-	(424)	(2,225)	(2,969)	-	(5,618)
Reclassification	-	-	(956)	-	-	(956)
Effect of foreign currency exchange differences	(253)	(464)	(144)	(27)	-	(888)
Balance, end of year	14,700	92,828	32,986	11,226	-	151,740
Net book value, end of year	$ 295,531	$ 79,671	$ 16,726	$ 12,878	$ 771,799	$ 1,176,605

(Concluded)

	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

The Company planned to build their headquarters in Hangzhou. The total estimated amount to complete this plan is RMB350 million, and the construction will be completed in 2019 Q2 according to the plan.

No impairment assessment was performed for the years ended December 31, 2018 and 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

16. GOODWILL

	For the Year Ended December 31	
	2018	2017
Cost		
Balance at January 1	$ 2,517,224	$ 2,685,336
Acquisitions through business combinations (see Note 28)	-	28,450
Effect of foreign currency exchange differences	75,388	(196,562)
Balance at December 31	$ 2,592,612	$ 2,517,224
Accumulated impairment losses		
Balance at January 1	$ (129,957)	$ (139,284)
Impairment losses recognized	(60,673)	-
Effect of foreign currency exchange differences	(4,182)	9,327
Balance at December 31	$ (194,812)	$ (129,957)
Net book value at December 31	$ 2,397,800	$ 2,387,267

For the year ended December 31, 2018, the Company recognized an impairment loss of NT$32,223 thousand and NT$28,450 thousand for goodwill relating to CitrusCom Corporation (CitrusCom) and Energy Pass Incorporation (EPI), respectively. The recoverable amount of CitrusCom of NT$110,085 thousand and EPI of NT$5,379 thousand was determined based on a value in use calculation and a discount rate of 15.7% and 16.7%, respectively. The main reason for the impairment loss was because the related products' profitabilities were lower than expected.

Based on the Purchase Price Allocation (PPA) report regarding the acquisition of EPI that the Company received on December 2017, the fair values of EPI's inventory, property, plant and equipment and other intangible assets on the acquisition date were NT$6,399 thousand, NT$52 thousand and NT$6,051 thousand, respectively. The comparative figures have been restated as if the initial accounting was completed on the acquisition date. Management believes there is no material impact on comparative figures that have not been restated.

Adjustments made on the balance sheet are as follows:

	Date of Acquisition
Goodwill	$ (5,661)
Inventory	$ (320)
Property, plant and equipment	$ (70)
Other intangible assets	$ 6,051

17. OTHER INTANGIBLE ASSETS

	For the Year Ended December 31, 2018				
	Computer Software	Technical Know-how	Customer Relationships	Back Orders	Total
Cost					
Balance, beginning of year	$ 59,130	$ 440,080	$ 1,168,654	$ 57,556	$ 1,725,420
Additions	23,957	-	-	-	23,957
Disposals	(93)	-	-	-	(93)
Effect of foreign currency exchange differences	1,954	13,422	37,304	1,847	54,527
Balance, end of year	84,948	453,502	1,205,958	59,403	1,803,811
Accumulated amortization					
Balance, beginning of year	46,231	116,473	193,060	57,556	413,320
Amortization expenses	19,291	58,651	105,363	-	183,305
Disposals	(93)	-	-	-	(93)
Effect of foreign currency exchange differences	1,746	4,516	8,057	1,847	16,166
Balance, end of year	67,175	179,640	306,480	59,403	612,698
Net book value, end of year	$ 17,773	$ 273,862	$ 899,478	$ -	$ 1,191,113

	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

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

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

18. PREPAYMENTS

	December 31	
	2018	2017
Current		
Prepaid expenses	$ 67,418	$ 49,683
Prepayments to suppliers	2,223	2,288
Prepayments for equipment	-	12,203
	$ 69,641	$ 64,174
Non-current		
Prepayments for leases	$ 45,117	$ 46,903
Prepayments for equipment	4,316	-
Prepayments for property	-	100,532
	$ 49,433	$ 147,435

Prepayments for leases refer to land use rights 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 refer to payments made by the Company to buy buildings in China for expansion of its operations.

19. BONDS PAYABLE (DECEMBER 31, 2018: NONE)

	December 31, 2017
Overseas convertible bonds	$ 717,216
Less: Discount on overseas convertible bonds	(46,812)
	$ 670,404

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.

The Company has exercised their right of early redemption on October 31, 2018 in accordance with Article 12 of the Company's Prospectus on "Description of the Bonds - Conversion", and redeemed all the overseas convertible bonds at 101.12572% of the original face value. The profit on the redemption was US$94 thousand.

Movements of host liability instruments from January 1 to December 31, 2018 and 2017 were as follows:

	Host Liability Instruments From January 1, 2018 to December 31, 2018	
	US$	**NT$**
Beginning balance	$ 22,527	$ 670,404
Interest expense	338	10,214
Converted parts	(17,641)	(540,447)
Redemption of bonds payable	(5,224)	(161,719)
Translation adjustments	-	21,548
Ending balance	$ -	$ -

	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

Movements of call and put option derivative instruments from January 1 to December 31, 2018 and 2017 were as follows:

	Call And Put Option Derivative Instruments From January 1, 2018 to December 31, 2018	
	US$	**NT$**
Beginning balance	$ (36)	$ (1,076)
Gain from fair value changes	(23)	(690)
Converted parts	45	1,392
Translation adjustments	14	426
	-	(52)
Ending balance	$ -	$ -

	Call And Put Option Derivative Instruments 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)

Movements of the equity portion of the conversions were as follows:

	From January 1 to December 31	
	2018	**2017**
Beginning balance	$ 59,936	$ 147,974
Converted parts	(46,258)	(88,038)
Redemption of convertible bonds	(13,678)	-
Ending balance	$ -	$ 59,936

20. ACCOUNTS PAYABLE

	December 31	
	2018	2017
Accounts payable - operating	$ 475,293	$ 416,735

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

21. OTHER PAYABLES AND LIABILITIES

	December 31	
	2018	2017
Current		
Other payables		
Payables for salaries and bonuses	$ 312,928	$ 282,114
Payables for royalties	18,429	17,856
Payables for remuneration of directors	4,900	4,550
Payables for mask fees	4,878	7,034
Payables for business tax	1,441	1,318
Others	48,297	42,321
	$ 390,873	$ 355,193
Other liabilities		
Contract liabilities	$ 4,233	$ -
Advances on sales	-	8,015
Others	21,352	3,962
	$ 25,585	$ 11,977
Non-current		
Other payables		
Payables for royalties	$ 32,251	$ 49,104

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, 2018 and 2017, the payables for royalties were US$1,650 thousand and US$2,250 thousand, respectively.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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	
	2018	**2017**
Present value of defined benefit obligation	$ 676	$ 359
Fair value of plan assets	(1,985)	(1,877)
Net defined benefit assets	$ (1,309)	$ (1,518)

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, 2018	$ 359	$ (1,877)	$ (1,518)
Net interest expense (income)	5	(28)	(23)
Recognized in profit or loss	5	(28)	(23)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(48)	(48)
Actuarial gain - experience adjustments	267	-	267
Actuarial loss - changes in financial assumptions	45	-	45
Recognized in other comprehensive income	312	(48)	264
Contributions from the employer	-	(32)	(32)
Balance at December 31, 2018	$ 676	$ (1,985)	$ (1,309)

(Continued)

	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)

(Concluded)

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	
	2018	2017
Discount rate	1.11%	1.47%
Expected rate of salary increase	1.50%	2.00%

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

	December 31	
	2018	2017
Discount rate		
0.5% increase	$ (62)	$ (33)
0.5% decrease	$ 69	$ 37
Expected rate of salary increase		
0.5% increase	$ 68	$ 36
0.5% decrease	$ (61)	$ (33)

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	
	2018	2017
The expected contributions to the plan for the next year	$ 33	$ 74
The average duration of the defined benefit obligation	19.62 years	19.82 years

23. EQUITY

a. Common shares

	December 31	
	2018	2017
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)	90,257	87,733
Shares issued	$ 902,566	$ 877,326

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, 2018 and 2017, Silergy's shares increased by 1,433 thousand and 2,710 thousand because of the bondholders' exercise of their conversion rights, respectively.

For the years ended December 31, 2018 and 2017, Silergy's shares increased by 1,094 thousand and 1,000 thousand because of the employees' exercise of their employee share options and the issuance of restricted shares to employees, respectively. And on November 13, 2018, the board of directors resolved to recall 3 thousand employee restricted shares that have been issued with no compensation given. For further explanation refer to Note 27.

b. Capital surplus

	December 31	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of ordinary shares	$ 4,975,920	$ 4,306,814
May be used to offset a deficit only		
Employee share options	83,232	48,950
Employee restricted shares	465,268	269,111
Share of changes in capital surplus of associates	3,025	-
May not be used for any purpose		
Employee share options	414,436	243,749
Employee restricted shares	119,935	212,243
Conversion of bonds warrants	-	59,936
	$ 6,061,816	$ 5,140,803

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

c. Retained earnings and dividend policy

Under the Company's dividend policy in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as 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 24(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 2017 and 2016 approved in the shareholders' meetings on June 8, 2018 and June 2, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 180,801	$ 146,966	$ -	$ -
Special reserve	363,370	-	-	-
Cash dividends	526,396	420,116	5.97988710	4.92446839

The appropriation of earnings for 2018 had been proposed by Silergy's board of directors on March 19, 2019. The appropriation of earnings and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 182,985	$ -
Reversal of special reserve	(126,134)	-
Cash dividends	586,668	6.5

The appropriation of earnings for 2018 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 13, 2019.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (363,370)	$ 91,948
Recognized for the year		
Exchange differences arising on translation to the presentation currency	369,416	(670,892)
Exchange differences on translating the financial statements of foreign operations	(213,592)	178,671
Share of other comprehensive income of associates accounted for using the equity method	(29,690)	36,903
Balance at December 31	$ (237,236)	$ (363,370)

2) Unearned employee benefits

In the meetings of the shareholders, the shareholders approved a restricted share plan for employees (see Note 27 for the details).

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (58,268)	$ (86,672)
Shares granted	(106,320)	(176,044)
Share-based payment expenses recognized	92,969	204,448
Share-based payment expenses reversed	(261)	-
Employee’s restricted shares retired	301	-
Balance at December 31	$ (71,579)	$ (58,268)

24. NET PROFIT

a. Other operating income and expenses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of intangible assets (Note 14)	$ 17,619	$ 17,408
Loss on disposal of property, plant and equipment	(125)	(105)
	$ 17,494	$ 17,303

b. Other income

	For the Year Ended December 31	
	2018	2017
Government grants	$ 50,204	$ 45,582
Others	24,970	8,133
	$ 75,174	$ 53,715

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Other intangible assets	$ 183,305	$ 203,076
Property, plant and equipment	47,421	34,018
	$ 230,726	$ 237,094
An analysis of depreciation by function		
Operating expenses	$ 47,421	$ 34,018
An analysis of amortization by function		
Operating expenses	$ 183,305	$ 203,076

d. Employee benefits expense

	For the Year Ended December 31	
	2018	**2017**
Post-employment benefits (see Note 22)	$ 71,569	$ 62,525
Share-based payments		
Equity-settled	297,677	345,518
Short-term employee benefits		
Salary	1,059,523	938,758
Labor and health insurance	73,081	61,773
Others	95,683	73,597
	1,228,287	1,074,128
Total employee benefits expense	$ 1,597,533	$ 1,482,171
An analysis of employee benefits expense by function		
Operating expenses	$ 1,597,533	$ 1,482,171

e. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at 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, 2018 and 2017 which have been approved by the Company's board of directors on March 19, 2019 and March 20, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	8.35%	8.09%
Remuneration of directors	0.23%	0.22%

Amount

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	$ 176,372	$ 164,333
Remuneration of directors	4,900	4,550

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, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by Silergy's board of directors for 2019 and 2018 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 89,126	$ 70,647
In respect of prior years	1,700	(9,091)
Deferred tax		
In respect of the current year	9,921	(7,186)
Income tax expense recognized in profit or loss	$ 100,747	$ 54,370

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 1,930,598	$ 1,862,387
Income tax expense calculated at the statutory rate	$ 139,465	$ 89,328
Nondeductible expenses in determining taxable income	6,764	765
Tax-exempt income	(54,929)	(31,392)
Unrecognized loss carryforwards	(6,414)	9,601
Adjustments for prior year's current tax expense	1,700	(9,091)
Others	14,161	(4,841)
Income tax expense recognized in profit or loss	$ 100,747	$ 54,370

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

In 2017, the applicable corporate tax rate for Silergy Technology (Taiwan) Inc. in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

The applicable tax rate used by Hangzhou Silergy, Nanjing Silergy, 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.

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	
	2018	2017
Deferred tax		
In respect of the current year		
Remeasurement on defined benefit plan	$ 24	$ (104)

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Exchange Difference	Closing Balance
Deferred tax assets					
Temporary differences					
Write-downs of inventory	$ 19,893	$ (2,567)	$ -	$ (298)	$ 17,028
Property, plant and equipment	746	875	-	41	1,662
Intangible assets	139	(1,147)	-	(16)	(1,024)
Allowance for uncollectible amounts	5	154	-	(3)	156
Financial assets at FVTPL	3,170	(857)	-	(40)	2,273
Unrealized gain on disposal of intangible assets	21,118	(8,809)	-	(204)	12,105
Others	50	2,432	-	(50)	2,432
	$ 45,121	$ (9,919)	$ -	$ (570)	$ 34,632
Deferred tax liabilities					
Temporary differences					
Prepaid pension	$ 163	$ -	$ (24)	$ -	$ 139
Property, plant and equipment	1	2	-	(1)	2
	$ 164	$ 2	$ (24)	$ (1)	$ 141

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

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Exchange Difference	Closing Balance
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

(Concluded)

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

	For the Year Ended December 31	
	2018	2017
Loss carryforwards		
Expiry in 2019	$ -	$ 12,098
Expiry in 2020	10,098	23,185
Expiry in 2021	41,951	42,694
Expiry in 2022	56,640	47,718
Expiry in 2023	14,246	20,902
Expiry in 2024	31,383	31,383
Expiry in 2025	18,311	18,311
Expiry in 2026	23,750	23,750
	$ 196,379	$ 220,041

26. EARNINGS PER SHARE

Unit: Dollars Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	$ 20.78	$ 21.20
Diluted earnings per share	$ 19.93	$ 19.96

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

Net Profit for the Year

	For the Year Ended December 31	
	2018	**2017**
Earnings used in the computation of basic earnings per share	$ 1,829,851	$ 1,808,017
Effect of potentially dilutive common shares:		
Interest on convertible bonds	10,214	20,556
Earnings used in the computation of diluted earnings per share	$ 1,840,065	$ 1,828,573

Common Shares Outstanding

(In Thousands of Shares)

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of common shares used in the computation of basic earnings per share	88,072	85,301
Effect of potentially dilutive common shares:		
Employee share options	1,814	2,421
Convertible bonds	1,354	2,707
Restricted shares for employees	657	909
Employees' compensation	442	296
Weighted average number of common shares used in the computation of diluted earnings per share	92,339	91,634

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.

27. 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. Furthermore, qualified employees of the Company were granted an additional 373,000 options and 78,000 options in February 2018 and May 2018, respectively. Each option entitles the holder to subscribe for one common share of Silergy. The outstanding options granted in 2018 and 2017 are valid for 10 years and exercisable at certain percentages after a certain anniversary from the grant date. Except for options currently outstanding but granted before the IPO whose exercise price needs to be separately agreed on, other 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 1,350,000 options on March 20, 2018. Upon completion of registration with the FSC, Silergy issued 179,000 options and 705,250 options in September 2018 and November 2018, respectively. Each option entitles the holder to subscribe for one common share of Silergy.

Information about employee share options was as follows:

	For the Year Ended December 31			
	2018		2017	
Employee Share Options	**Units of Options**	**Weighted-average Exercise Price**	**Units of Options**	**Weighted-average Exercise Price**
Balance, beginning of year	5,598,024	$ 341	4,433,542	$ 217
Options granted	1,335,250	484	1,861,000	567
Options exercised	(874,180)	122	(696,518)	152
Balance, end of year	6,059,094	404	5,598,024	341
Options exercisable, end of year	1,441,186	223	1,576,666	129
Weighted-average fair value of options granted ($)	$ 151		$ 186	

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, 2018 and 2017, the weighted-average share prices at the date of exercise were NT$652 and NT$623, respectively.

Information about outstanding options as of December 31, 2018 and 2017 was as follows:

	December 31	
	2018	**2017**
Range of exercise price	$48-$616	$21-$608
Weighted-average remaining contractual life (years)	3.99-9.89	4.42-9.90

Options granted from 2017 to 2018 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 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%
February 7, 2018	183	596	41.32%	6.0 years-7.5 years	-	0.750%-0.855%
May 11, 2018	191	616	40.87%	6.0 years-7.5 years	-	0.802%-0.880%
September 28, 2018	170	550	40.62%	6.0 years-7.5 years	-	0.790%-0.828%
November 22, 2018	124	394	41.95%	6.0 years-7.5 years	-	0.824%-0.860%

Compensation cost recognized was $204,969 thousand and $141,070 thousand for the years ended December 31, 2018 and 2017, respectively.

b. Restricted shares for employees

In the shareholders’ meeting on June 2, 2017, the shareholders approved the issuance of 300,000 shares under a restricted share plan. Upon the completion of the registration of this issuance with the Financial Supervisory Commission (FSC), Silergy issued to employees 237,530 restricted shares in August 2017, 17,000 restricted shares in November 2017, 2,800 restricted shares in February 2018, and 42,670 restricted shares in May 2018.

The restrictions on the rights of the outstanding restricted shares in 2018 and 2017 that 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.

In the shareholders’ meeting on June 8, 2018, the shareholders approved the issuance of 300,000 shares under a restricted share plan. Upon the completion of the registration of this issuance with the FSC, Silergy issued to employees 61,550 shares and 112,980 shares in September 2018 and November 2018, respectively.

If an employee fails to meet the vesting conditions, Silergy will recall and cancel the restricted shares without any reimbursement. On November 13, 2018, the board of directors of Silergy resolved to recall and retire 3,000 shares of the restricted shares with no compensation given.

Information on the restricted shares for employees is as follows:

	For the Year Ended December 31	
Restricted Shares for Employees	**2018**	**2017**
Balance, beginning of year	874,530	1,031,750
Shares issued	220,000	302,780
Shares vested	(458,500)	(460,000)
Shares forfeited	(3,000)	-
Balance, end of year	633,030	874,530

As of December 31, 2018 and 2017, information on the outstanding restricted employee shares is as follows:

Grant Date	**Fair Value Per Share - Grant Date**	**Shares Granted (In Thousands of Shares)**	**Vesting Period**
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
February 7, 2018	596	3	0.5 year
May 11, 2018	616	43	0.5 year
September 28, 2018	550	62	1 year
November 22, 2018	394	113	1 year

Compensation cost recognized was $92,708 thousand and $204,448 thousand for the years ended December 31, 2018 and 2017, respectively.

28. 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

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 were made under cash consideration arrangements in the amount of US$40,952 thousand. 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
Current assets	
Inventories	$ 6,399
Non-current assets	
Property, plant and equipment	52
Other intangible assets	6,051
	$ 12,502

d. Goodwill arising on acquisition

	EPI
Consideration transferred	$ 40,952
Less: Fair value of identifiable net assets acquired	(12,502)
Goodwill arising on acquisition	$ 28,450

Goodwill arose in the acquisition of EPI 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
Consideration paid in cash	$ 40,952

f. Impact of acquisition on the results of the Company

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

29. 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 leased office at the expiration of the lease periods.

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

	December 31	
	2018	**2017**
Not later than 1 year	$ 40,273	$ 30,466
Later than 1 year and not later than 2 years	31,704	6,092
Later than 2 years and not later than 5 years	55,449	13,435
Later than 5 years	267	335
	$ 127,693	$ 50,328

30. 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.

31. 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 approximate 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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Equity instruments	$ -	$ -	$ 1,258,732	$ 1,258,732
Convertible bonds	-	-	30,715	30,715
	$ -	$ -	$ 1,289,447	$ 1,289,447

December 31, 2017

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

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

For the year ended December 31, 2018

	Financial Assets at FVTPL			
Financial Assets	**Derivatives**	**Equity Instruments**	**Convertible Bonds**	**Total**
Balance at January 1, 2018	$ 1,076	$ 253,063	$ 29,760	$ 283,899
Recognized in profit or loss	690	(27,928)	-	(27,238)
Current year additions	-	1,040,104	-	1,040,104
Current year conversions	(1,392)	-	-	(1,392)
Current year redemptions	(426)	-	-	(426)
Translation adjustments	52	(6,507)	955	(5,500)
Balance at December 31, 2018	$ -	$ 1,258,732	$ 30,715	$ 1,289,447

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

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

a) The fair values of financial asset and liability components of convertible bonds were determined using the binomial option pricing model. The significant inputs used are listed in the table below. (December 31, 2018: None)

	December 31, 2017
Fluctuation rate	31.64%
Risk-free rate	2.0584%
Risk discount rate	2.7469%
Liquidity risk rate	7.09%

b) Equity instrument investments

Equity instrument investments are unlisted company stock with no active market. Fair values are estimated using the market approach, with reference to the Company’s recent financing activities, valuation of similar companies, market conditions and other economic indicators, etc.

c) Convertible bond investment

Future cash flows are estimated based on the equity value of the invested company on the balance sheet date and the exercise price stated in the contract, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2018	**2017**
<u>Financial assets</u>		
Financial assets at FVTPL		
Derivatives	$ -	$ 1,076
Equity instruments	1,258,732	-
Convertible bonds	30,715	-
Loans and receivables (1)	-	4,918,015
Available-for-sale financial assets - non-current (2)	-	247,894
Assets measured at amortized cost (3)	5,348,648	-
<u>Financial liabilities</u>		
Measured at amortized cost (4)	905,731	1,492,171

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 assets measured at amortized cost, which comprise cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, other receivables (excluding tax receivable), and refundable deposits.

4) The balances included financial liabilities measured at amortized cost, which comprise accounts payable, accounts payable - related parties, 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. 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), interest rates (see (b) below) and other prices (see (c) 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 (including those eliminated on consolidation) 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 strengthening 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	
	2018	**2017**
Profit or loss and equity*	$ 21,791	$ 18,815

* 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	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 2,360,761	$ 1,680,605
Financial liabilities	-	670,404
Cash flow interest rate risk		
Financial assets	2,087,866	2,334,644

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's floating-rate financial assets and financial liabilities 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, 2018 and 2017 would have increased by $10,439 thousand and $11,673 thousand, respectively, which was mainly attributable to the Company's exposure to interest rate changes on its variable-rate bank deposits.

c) Other price risk

The Company's price risk of equity instrument investments in 2018 are primarily from the investments of financial assets at FVTPL.

If the price of the equity instrument increased (decreased) by 5% at the end of the reporting period, the Company's profit before tax will increase (decrease) by $62,937 thousand in 2018.

2) Credit risk

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

The accounts receivable balances of individual customers, which each accounted for more than 10% of the total balance as of December 31, 2018 and 2017, were as follows:

	December 31, 2018
Customer A	$ 178,557
Customer B	67,729
Customer C	60,939
	$ 307,225

	December 31, 2017
Customer A	$ 122,987
Customer D	100,987
Customer E	91,097
Customer C	67,287
	$ 382,358

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, 2018, the Company's working capital was sufficient and there was no liquidity risk due to lack of funds needed to meet contractual obligations.

32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between Silergy and its subsidiaries which are 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 (for the year ended December 31, 2018: None)

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 based on the prices and terms stated in the agreements made between the Company and its associates. Thus, there are no other transaction prices for reference.

b. Purchases of goods (for the year ended December 31, 2017: None)

Related Party Category/Name	For the Year Ended December 31, 2018
Associates	
SMAT	$ 38

Terms and conditions for purchases of goods from related parties are the same as that of general transactions.

c. Payables to related parties (December 31, 2017: None)

Line Item	Related Party Category/Name	For the Year Ended December 31, 2018
Accounts payable - related parties	Associates SMAT	$ 584

d. Others (for the year ended December 31, 2017: None)

Line Item	Related Party Category/Name	For the Year Ended December 31, 2018
Research and development expense	Associates SMAT	$ 3,617

e. Compensation of key management personnel

	December 31	
	2018	2017
Salaries	$ 74,013	$ 72,017
Share-based payments	9,902	2,232
	$ 83,915	$ 74,249

33. 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:

(In Thousands of Dollars, Except for Exchange Rate which is in Dollars)

December 31, 2018

	Foreign Currency	Exchange Rate	NT$
Financial assets			
Monetary items			
USD	$ 2,397	30.715 (USD:NTD)	$ 73,622
USD	11,193	6.8632 (USD:RMB)	343,801
USD	781	1,106.85 (USD:KRW)	23,992
			$ 441,415
Financial liabilities			
Monetary items			
USD	75	30.715 (USD:NTD)	$ 2,312
USD	107	6.8632 (USD:RMB)	3,287
NTD	4,900	0.0326 (NTD:USD)	4,900
			$ 10,499

December 31, 2017

	Foreign Currency	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
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

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were NT$27,786 thousand and NT$(54,733) 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.

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and 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 or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (Table 3)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (Table 4)

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

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (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 19)

10) Intercompany relationships and significant intercompany transactions (Table 5)

11) Information on investees (Table 6)

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 7)

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)

35. 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 is 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 For the Year Ended December 31		Non-current Assets December 31	
	2018	**2017**	**2018**	**2017**
China (including Hong Kong)	$ 4,370,164	$ 4,120,536	$ 4,556,306	$ 4,307,468
Others	5,043,995	4,478,701	298,498	329,723
	$ 9,414,159	$ 8,599,237	$ 4,854,804	$ 4,637,191

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, 2018	
	Amount	**Percentage of Revenue**
Customer A	$ 1,264,774	13.43
Customer B	954,897	10.14
	$ 2,219,671	23.57

	For the Year Ended December 31, 2017	
	Amount	**Percentage of Revenue**
Customer A	$ 929,346	10.81

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ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 971,373	$ 55,189	$ -	$ -	$ -	-	$ 2,428,433	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.
No. 7 - companies engaged in performance guarantees of contracts related to the pre-sale of real estate in accordance with the Consumer Protection Law.

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.

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MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Bonds							
Silergy Corp.	Vango Technologies, Inc.	-	Financial assets at FVTPL - non-current	-	$ 30,715 (US$ 1,000,000)	-	$ 30,715 (US$ 1,000,000)	
	Shares							
	Vango Technologies, Inc.	-	Financial assets at FVTPL - non-current	2,666,667	33,582 (US$ 1,093,333)	8.04 (Note 1)	33,582 (US$ 1,093,333)	
	Silicon Micro Technology L.P.	-	Financial assets at FVTPL - non-current	-	921,450 (US$ 30,000,000)	21.89	921,450 (US$ 30,000,000)	
Hangzhou Silergy	Jiangsu	-	Financial assets at FVTPL - non-current	-	30,766 (RMB 6,874,689)	3.442	30,766 (RMB 6,874,689)	
	Hualan	-	Financial assets at FVTPL - non-current	1,166,700	32,216 (RMB 7,198,539)	1.84	32,216 (RMB 7,198,539)	
	Calterah	-	Financial assets at FVTPL - non-current	-	30,403 (RMB 6,793,653)	10.00	30,403 (RMB 6,793,653)	
	Anchuang	-	Financial assets at FVTPL - non-current	-	26,852 (RMB 6,000,000)	6.78	26,852 (RMB 6,000,000)	
	FSP-Powerland	-	Financial assets at FVTPL - non-current	-	82,768 (RMB 18,494,326)	7.69	82,768 (RMB 18,494,326)	
	Ningbo Anchuang	-	Financial assets at FVTPL - non-current	-	78,318 (RMB 17,500,000)	1.186	78,318 (RMB 17,500,000)	
Nanjing Silergy	Puhe	-	Financial assets at FVTPL - non-current	-	22,377 (RMB 5,000,000)	7.092	22,377 (RMB 5,000,000)	

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

Acquire, Dispose Company	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relation	Beginning Balance		Acquired		Disposed				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Sale Price	Cost	Profit and Loss on Disposal	Shares	Amount
Silergy Corp.	Unlisted equity investments Silicon Micro Technology L.P.	Financial assets at FVTPL - non-current	-	-	-	$ -	-	$ 921,450 (US$ 30,000,000)	-	$ -	$ -	$ -	-	$ 921,450 (US$ 30,000,000)

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

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Acquisition of Real Estate Company	Asset Name	Acquisition Date	Transaction Amount (Foreign Currency in Thousands)	Payment Status	Counterparty	Relation	Last Transaction Information If Counterparty Was Related				Price Decision Reference	Acquisition Purpose and Usage	Other Agreements
							Holder	Relation to Issuer	Transfer Date	Amount			
Xian Silergy	Office	January 26, 2018	$ 191,630 (RMB 41,584)	Already paid in full	Zhongtou Real Estate Co. Ltd	-	NA	NA	NA	NA	Refer to PPA report then negotiated by both parties	Office use	None

TABLE 5

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 Corp.	Silergy Technology	1	Other payables - related parties	$ 44,372	-	0.32%
		Silergy Technology	1	Accounts payable - related parties	15	-	-
		Hangzhou Silergy	1	Other payables - related parties	28,123	-	0.20%
		Hangzhou Silergy	1	Sales	756	-	0.01%
		Silergy Semiconductor (Samoa) Limited	1	Other payables - related parties	20,504	-	0.15%
		Silergy Technology	1	Operating expenses	381,548	-	4.05%
		Silergy Technology	1	Sales	62,211	-	0.66%
		Silergy Technologies Private Limited	1	Other payables - related parties	4,976	-	0.04%
		Silergy Technologies Private Limited	1	Operating expenses	19,324	-	0.21%
		HK Silergy	1	Other receivables - related parties	53	-	-
		Silergy Technology (Taiwan) Inc.	1	Other payables - related parties	11,896	-	0.09%
		Silergy Technology (Taiwan) Inc.	1	Operating expenses	176,309	-	1.87%
		Silergy Korea Limited	1	Other payables - related parties	16,524	-	0.12%
		Silergy Korea Limited	1	Operating expenses	76,674	-	0.81%
1	Hangzhou Silergy	Silergy Corp.	2	Sales	50,392	-	0.54%
		Silergy Technology	3	Sales	1,991	-	0.02%
		Silergy Technology	3	Accounts receivable - related parties	54	-	-
		Nanjin Silergy	3	Other payables - related parties	2,635	-	0.02%
		Xian Silergy	3	Sales	621	-	0.01%
		Shanghai Pengxi	3	Operating expenses	6,883	-	0.07%
2	Silergy Technology (Taiwan) Inc.	Silergy Corp.	2	Sales	53,741	-	0.57%
		Silergy Corp.	2	Accounts receivable - related parties	22,522	-	0.16%
		Silergy Semiconductor (Samoa) Limited	3	Other payables - related parties	1,604	-	0.01%
3	Nanjin Silergy	Silergy Corp.	2	Sales	2,236	-	0.02%
4	Xian Silergy	Silergy Corp.	2	Sales	94,696	-	1.01%
5	Silergy Technology	Silergy Corp.	2	Sales	850	-	0.01%

(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)

SILERGY CORP.
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INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee (Notes 3 and 4)	Share of Profit (Loss) (Notes 1, 3 and 4)	Note
				December 31, 2018	December 31, 2017	Number of Shares	Percentage of Ownership (%)	Carrying Amount (Notes 1 and 2)			
Silergy Corp.	Silergy Technology	Suite 215, 2F 1309 S. Mary Ave. Sunnyvale City, Santa Clara County, California State, U.S.A.	Development and design of power management IC	US$ 7,378,454	US$ 6,971,913	-	100.00	$ 332,169	$ 74,520 (US$ 2,471,714)	$ 74,520 (US$ 2,471,714)	Subsidiary
	Silergy Semiconductor (Samoa) Limited	Portcullis Trus tNet chambers, P.O. Box 1225, Apia, Samoa	Holding Company	US$ 24,300,000	US$ 22,300,000	-	100.00	384,936	(8,820) (US$ -292,531)	(8,820) (US$ -292,531)	Subsidiary
	HK Silergy	Suite 2302-6, 23/F Great Eagle CTR 23 Harbour Rd., WanChai, Hong Kong	Holding Company	US$ 11,375,000	US$ 11,365,000	-	100.00	304,905	(16,059) (US$ -532,646)	(16,059) (US$ -532,646)	Subsidiary
Silergy Semiconductor (Samoa) Limited	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 6)	314,831	31,700,000	100.00	258,856	2,011	(1,503)	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	6,923	2,899 (US$ 96,168)	2,899 (US$ 96,168)	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 (KRW 655,800,000)	US$ 600,000 (KRW 655,800,000)	-	100.00	29,757	11,922 (US$ 395,442)	11,922 (US$ 395,442)	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, 2018.

Note 3: Translation was based on the average exchange rate for the year ended December 31, 2018.

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

Note 5: Refer to Table 7 for information on investments in mainland China.

Note 6: 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 a total of NT$152,000 thousand in Silergy Technology (Taiwan) Inc. from April 2015 to February 2017. Thus, Silergy Samoa's investment in Silergy Technology (Taiwan) Inc. increased to NT$314,831 thousand.

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INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018 (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	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, 2018 (Note 4)	Accumulated Repatriation of Investment Income as of December 31, 2018
					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	$ -	$ -	$ -	$ -	$ 922,394 (RMB 202,284,762)	100	$ 922,394 (RMB 202,284,762)	$ 4,856,866	$ -
Nanjing Silergy	Development, design and sale of electronic components	RMB 31,000,000	Through Hangzhou Silergy	-	-	-	-	222,192 (RMB 48,727,604)	100	222,192 (RMB 48,727,604)	767,468	-
Xian Silergy	Development, design, and sale of electronic components	RMB 91,000,000	Through Hangzhou Silergy	-	-	-	-	1,611 (RMB 353,219)	100	1,611 (RMB 353,219)	298,564	-
Shanghai Pengxi	Development and design of electronic components	RMB 37,000,000	Through Hangzhou Silergy	-	-	-	-	(54,160) (RMB -11,877,460)	100	(54,160) (RMB -11,877,460)	42,285	-
Chengdu Silergy	Development and design of electronic components	RMB 26,000,000	Through Hangzhou Silergy	-	-	-	-	(26,509) (RMB -5,813,548)	100	(26,509) (RMB -5,813,548)	74,182	-
SMAT	Development and manufacturing of vehicles and IOT	RMB 495,000,000	Through Hangzhou Silergy	-	-	-	-	(110,318) (RMB -24,193,297)	20.20	(22,621) (RMB -4,960,881)	291,142 (Note 6)	-
	Development and manufacturing of vehicles and IOT	RMB 495,000,000	Through HK Silergy	-	-	-	-	(110,318) (US$ -3,659,109)	14.92	(16,820) (US$ -557,892)	304,508	-

Accumulated Outward Remittance for Investments from Taiwan in Mainland China as of December 31, 2018	Investment Amount Authorized by the Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
$ - (Note 5)	$ - (Note 5)	$ - (Note 5)

Note 1: Translation was based on the exchange rate at December 31, 2018.

Note 2: Translation was based on the average exchange rate for the year ended December 31, 2018.

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.