Sonix Technology Co., Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of Sonix Technology Co., Ltd. as of and for the year ended December 31, 2018, under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Sonix Technology Co., Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

SONIX TECHNOLOGY CO., LTD.

By

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CHEN XIAN CHE
Chairman

March 20, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sonix Technology Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Timing Cut-off of Revenue Recognition

The Company's revenue mainly comes from export trade. The Company adopts the policy of FOB destination revenue recognition and provides related instructions regarding to the timing of revenue recognition in accordance with IAS 18. The Company recognizes revenue when a performance obligation is satisfied by transferring a promised good to the buyer (which is when the buyer obtains control of that good). However, there is a time gap in the delivery of goods from the time that they are shipped from the warehouse to the point at which the transfer is completed. There is a risk of sales being recorded in an inappropriate period, for example, before the risks and rewards have been transferred to customers in which physical deliveries have not been fulfilled but where the Company has recognized revenue from the point of shipment. Consequently, we will focus on the validity of the timing of revenue recognition. Thus, we determined this to be a key audit matter.

We performed the following key audit procedures for timing cut-off of revenue recognition:

1. We understood and tested the design and operating effectiveness of the key controls over the cut-off for the timing to recognize revenue.

2. We sent confirmations to verify the balance of the accounts receivable and performed alternative procedures including verifying source documents and inspecting the conditions of the collections on the confirmations not replied to during our audit session.

3. We took samples from the period before and after when revenue was recognized, operated cut-off tests, reviewed documents signed by entities to verify that the timing of revenue recognition met the criteria.

Inventory Valuation

The Group designs integrated circuits "IC" for consumer electronics, an activity which is characterized by rapid changes. The amount of inventories was considered to be significant, and the calculation for inventory valuation is complex. When the net realizable value of inventories was below cost, the assessment of the amount of allowance for the reduction of inventory to market price required significant judgment from management. Thus, the Group emphasizes the valuation for inventories. Therefore, we determined this to be a key audit matter.

We performed the following key audit procedures for inventory valuation:

1. We understood and tested the design and operating effectiveness of the key controls over the valuation for inventories.

2. We substantiated that the assessment of the net realizable value of each item was reasonable and consistent with the latest sales slips.

3. We verified that the allowance for inventory was based on the Group's policy for inventory valuation.

4. We calculated and assessed the reasonableness and methodology used in estimating sales expenses.

5. We calculated the allowance for the reduction of inventory to market prices to confirm whether it is accurate and whether the assessed amount is adequate.

Other Matter

The financial statements of Paradigm Venture Capital Company, an associate of the Company, and its investments in Jian Mau Investment Co., Ltd., which were accounted for under the equity method, were audited by other auditors. Therefore, the amounts within the accompanying consolidated financial statements for the aforementioned investments accounted for under the equity method as well as the gains and losses and relevant information are based solely on the report from other auditors. The aforementioned investments accounted for under the equity method amounted to NT$8,901 thousand and NT$5,805 thousand, representing 0.25% and 0.16% of the Group's consolidated total assets, as of December 31 2018 and 2017, respectively. The related share of the comprehensive income from the aforementioned investments accounted for under the equity method amounted to NT$15 thousand and NT$(686) thousand, representing 0.01% and (0.29%) of the Group's consolidated comprehensive income for the years ended December 31, 2018 and 2017, respectively.

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

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 the IFRSs, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tung-Feng Lee and Ching Ting Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2019

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

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

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

SONIX TECHNOLOGY CO., LTD. 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 4 and 6)	$ 792,348	23	$ 798,224	22
Financial assets at fair value through profit or loss - current (Note 4)	177,359	5	-	-
Available-for-sale financial assets - current (Note 4)	-	-	90,292	3
Financial assets at amortized cost - current (Notes 4, 8 and 29)	189,562	6	-	-
Debt investments with no active market - current (Notes 4, 9 and 29)	-	-	936,551	26
Notes and trade receivables from unrelated parties (Notes 4, 5, 10 and 28)	387,784	11	410,422	12
Inventories (Notes 4, 5 and 11)	567,435	16	599,908	17
Other current assets (Note 28)	43,448	1	53,315	1
Total current assets	2,157,936	62	2,888,712	81
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	274,951	8	-	-
Financial assets measured at cost - non-current (Note 4)	-	-	34	-
Investments accounted for using equity method (Notes 4 and 13)	8,901	-	5,805	-
Property, plant and equipment (Notes 4, 14 and 29)	397,779	11	421,906	12
Investment properties (Notes 4 and 15)	160,196	5	163,407	5
Intangible assets (Notes 4 and 16)	59,928	2	44,298	1
Deferred tax assets (Notes 4 and 22)	34,664	1	31,067	1
Refundable deposits	6,244	-	6,868	-
Prepayment for buildings and land - for operating purpose (Note 17)	397,580	11	-	-
Other non-current assets	84	-	-	-
Total non-current assets	1,340,327	38	673,385	19
TOTAL	$ 3,498,263	100	$ 3,562,097	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables to unrelated parties	$ 181,234	5	$ 263,555	7
Other payables (Notes 18 and 28)	208,420	6	221,492	6
Current tax liabilities (Note 22)	39,427	1	28,859	1
Other current liabilities	11,748	-	23,891	1
Total current liabilities	440,829	12	537,797	15
NON-CURRENT LIABILITIES				
Provisions - non-current (Note 4)	6,145	-	6,468	-
Deferred tax liabilities (Notes 4 and 22)	-	-	6	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	27,099	1	27,491	1
Guarantee deposits	61,793	2	57,740	2
Total non-current liabilities	95,037	3	91,705	3
Total liabilities	535,866	15	629,502	18
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	1,678,770	48	1,678,770	47
Capital surplus	62,661	2	62,661	2
Retained earnings				
Legal reserve	936,044	27	952,614	27
Special reserve	21,894	-	18,081	-
Unappropriated earnings	383,910	11	242,135	7
Total retained earnings	1,341,848	38	1,212,830	34
Other equity	(120,882)	(3)	(21,666)	(1)
Total equity attributable to owners of the Company	2,962,397	85	2,932,595	82
Total equity	2,962,397	85	2,932,595	82
TOTAL	$ 3,498,263	100	$ 3,562,097	100

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

(With Deloitte & Touche auditors' report dated March 20, 2019)

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 28)				
Sales	$ 3,157,555	100	$ 3,341,280	100
OPERATING COSTS (Notes 11 and 21)				
Cost of goods sold	1,939,870	61	2,062,734	62
GROSS PROFIT	1,217,685	39	1,278,546	38
OPERATING EXPENSES (Notes 16, 19, 21 and 28)				
Sales and marketing expenses	73,692	2	71,005	2
General and administrative expenses	153,229	5	143,298	4
Research and development expenses	708,093	23	771,180	23
Total operating expenses	935,014	30	985,483	29
PROFIT FROM OPERATIONS	282,671	9	293,063	9
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4)	9,012	-	12,612	-
Leasing income (Notes 4 and 21)	5,035	-	6,154	-
Other income (Note 28)	43,328	1	15,011	1
Share of profit or loss of associates and joint ventures (Notes 4 and 13)	15	-	(686)	-
Gains (losses) on disposal of investments (Notes 12 and 24)	45,199	2	(98)	-
Loss on financial assets at fair value through profit or loss (Note 4)	(2,933)	-	-	-
Foreign exchange gains or losses (Notes 21 and 30)	23,531	1	(24,030)	(1)
Other expenditures (Note 21)	(3,644)	-	(2,638)	-
Total non-operating income and expenses	119,543	4	6,325	-
PROFIT BEFORE INCOME TAX	402,214	13	299,388	9
INCOME TAX EXPENSE (Notes 4 and 22)	63,542	2	62,182	2
NET PROFIT FOR THE YEAR	338,672	11	237,206	7

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SONIX TECHNOLOGY CO., LTD. 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**	**%**
OTHER COMPREHENSIVE INCOME AND LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 19)	$ (508)	-	$ 4,359	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(36,743)	(1)	-	-
Share of the other comprehensive income of associated accounted for using the equity method	3,682	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	247	-	(741)	-
	(33,322)	(1)	3,618	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(23,733)	(1)	(6,535)	-
Unrealized gain on available-for-sale financial assets	-	-	2,722	-
	(23,733)	(1)	(3,813)	-
Other comprehensive loss for the year, net of income tax	(57,055)	(2)	(195)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 281,617	9	$ 237,011	7
EARNINGS PER SHARE (Note 23)				
From continuing and discontinued operations				
Basic	$ 2.02		$ 1.41	
Diluted	$ 1.98		$ 1.40	

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

(With Deloitte & Touche auditors' report dated March 20, 2019) (Concluded)

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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											
								Other Equity				
	Share Capital			Retained Earnings				Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
	Shares (In Thousands)	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				Total	Total Equity
BALANCE AT JANUARY 1, 2017	167,877	$ 1,678,770	$ 62,661	$ 978,373	$ 228	$ 295,584	$ 1,274,185	$ (12,767)	$ (5,086)	$ -	$ (17,853)	$ 2,997,763
Appropriation of 2016 earnings												
Legal reserve	-	-	-	27,962	-	(27,962)	-	-	-	-	-	-
Special reserve	-	-	-	-	17,853	(17,853)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(248,458)	(248,458)	-	-	-	-	(248,458)
Issuance of share dividends from legal reserve	-	-	-	(53,721)	-	-	(53,721)	-	-	-	-	(53,721)
Net profit for the year ended December 31, 2017	-	-	-	-	-	237,206	237,206	-	-	-	-	237,206
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	3,618	3,618	(6,535)	2,722	-	(3,813)	(195)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	240,824	240,824	(6,535)	2,722	-	(3,813)	237,011
BALANCE AT DECEMBER 31, 2017	167,877	1,678,770	62,661	952,614	18,081	242,135	1,212,830	(19,302)	(2,364)	-	(21,666)	2,932,595
Effect of retrospective application	-	-	-	-	-	42,422	42,422	-	2,364	(44,786)	(42,422)	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	167,877	1,678,770	62,661	952,614	18,081	284,557	1,255,252	(19,302)	-	(44,786)	(64,088)	2,932,595
Appropriation of 2017 earnings												
Legal reserve	-	-	-	23,720	-	(23,720)	-	-	-	-	-	-
Special reserve	-	-	-	-	3,813	(3,813)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(211,525)	(211,525)	-	-	-	-	(211,525)
Issuance of share dividends from legal reserve	-	-	-	(40,290)	-	-	(40,290)	-	-	-	-	(40,290)
Net profit for the year ended December 31, 2018	-	-	-	-	-	338,672	338,672	-	-	-	-	338,672
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(261)	(261)	(23,733)	-	(33,061)	(56,794)	(57,055)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	338,411	338,411	(23,733)	-	(33,061)	(56,794)	281,617
BALANCE AT DECEMBER 31, 2018	167,877	$ 1,678,770	$ 62,661	$ 936,044	$ 21,894	$ 383,910	$ 1,341,848	$ (43,035)	$ -	$ (77,847)	$ (120,882)	$ 2,962,397

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

(With Deloitte & Touche auditors' report dated March 20, 2019)

SONIX TECHNOLOGY CO., LTD. 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 from continuing operations	$ 402,214	$ 299,388
Adjustments for:		
Depreciation expenses	62,930	73,513
Amortization expenses	19,724	21,674
Expected credit loss reversed on trade receivables	(82)	-
Bad debt expenses	-	993
Net loss on fair value changes of financial assets designated as at fair value through profit or loss	2,933	-
Interest income	(9,012)	(12,612)
Dividend income	(2,849)	-
Share of (profit) loss of associates and joint ventures	(15)	686
Gain on disposal of property, plant and equipment	(8,464)	(474)
Gain on disposal of investment properties	-	(439)
Gain on disposal of subsidiary	(45,199)	-
Net loss on disposal of available-for-sale financial assets	-	98
Price reduction of inventories	13,731	6,442
Net loss on foreign currency exchange	1,359	266
Compensation costs of employee share options	(900)	(868)
Changes in operating assets and liabilities		
Notes and trade receivables	21,028	55,497
Inventories	18,470	(106,019)
Other current assets	2,346	8,299
Notes payable	-	(4,139)
Trade payables	(82,042)	(7,768)
Other payables	(10,981)	4,658
Provisions for employee benefits	(323)	(2,005)
Other current liabilities	27,139	(10,153)
Cash generated from operations	412,007	327,037
Interest received	11,531	11,576
Dividends received	2,849	-
Income tax paid	(57,041)	(92,308)
Net cash generated from operating activities	369,346	246,305
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(311,915)	-
Proceeds from sale of financial assets at amortized cost	746,944	-
Purchase of financial assets designated as at fair value through profit or loss	(90,000)	-
Purchase of available-for-sale financial assets	-	(59,897)
Proceeds from sale of available-for-sale financial assets	-	54,800
Purchase of debt investments with no active market	-	(381,527)
Proceeds from disposal of subsidiary	12,547	-

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SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2018	2017
Return of capital reduction from investees under equity method	$ 601	$ 1,646
Payments for property, plant and equipment	(40,467)	(70,303)
Proceeds from disposal of property, plant and equipment	11,573	653
Increase in refundable deposits	(244)	(320)
Payments for intangible assets	(36,714)	(17,660)
Proceeds from disposal of investment properties	-	8,238
Increase in other non-current assets	(84)	-
Increase in prepayment for buildings and land - for operating purpose	(397,580)	-
Dividends received	-	3,914
Net cash used in investing activities	(105,339)	(460,456)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	4,676	-
Refunds of guarantee deposits received	-	(8,827)
Dividends paid to owners of the Company	(251,815)	(302,179)
Net cash used in financing activities	(247,139)	(311,006)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(22,744)	(5,220)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,876)	(530,377)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	798,224	1,328,601
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 792,348	$ 798,224

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

(With Deloitte & Touche auditors’ report dated March 20, 2019) (Concluded)

1. GENERAL INFORMATION

Sonix Technology Co., Ltd. (the "Company") was incorporated in the Republic of China (ROC) in July 1996. The Company mainly develops, designs, manufactures and trades semiconductors.

The Company's shares have been listed on the Taipei Exchange since November 2000.

The consolidated financial statements for the Company and its subsidiaries (collectively, the "Group") are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and authorized for issue on March 20, 2019.

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

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

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

   1) Annual Improvements to IFRSs 2014-2016 Cycle

      Several standards, including IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures," were amended in this annual improvement.

   2) 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.

      Classification, measurement and impairment of financial assets

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

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

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 798,224	$ 798,224	-
Equity securities	Available for sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	34	34	a)
Mutual funds	Available for sale	Mandatorily at fair value through profit or loss (i.e. FVTPL)	90,292	90,292	b)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	936,551	936,551	c)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	410,422	410,422	d)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi- cations	Remeasure- ments	IFRS 9 Carrying Amount as of January 1, 2018	Remark
FVTPL	$ -				
Add: Reclassification from available-for-sale (IAS 39)	-	$ 90,292	$ -		b)
	-	90,292	-	$ 90,292	
FVTOCI	-				
Add: Reclassification from available-for-sale (IAS 39)	-	34	-		b)
	-	34	-	34	
Amortized cost	-				
Add: Reclassification from loans and receivables (IAS 39)	-	2,145,197	-		c) and d)
	-	2,145,197	-	2,145,197	
	$ -	$ 2,235,523	$ -	$ 2,235,523	

	IAS 39 Carrying Amount as of January 1, 2018	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Investments accounted for using the equity method	$ 5,805	$ 5,805	$ 19,786	$ (19,786)	e)

a) The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $25,000 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $25,000 thousand in retained earnings on January 1, 2018.

b) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in a decrease of $2,364 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and an increase of $2,364 thousand in retained earnings on January 1, 2018.

c) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 are 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.

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

e) As a result of the retrospective application of IFRS 9 by associates, there was a decrease in other equity - unrealized gain (loss) on financial assets at FVTOCI of $19,786 thousand and an increase in retained earnings of $19,786 thousand on January 1, 2018.

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

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

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

4) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments clarify that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

5) Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that the Group should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that evidence of a change in use is not limited to those illustrated in IAS 40.

6) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

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

1) IFRS 16 "Leases"

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

<u>Definition of a lease</u>

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

The Group as lessee

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

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 Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

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

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

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

The Group as lessor

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

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

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

3) Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the Group's net investment in an associate or joint venture.

For long-term interests that, in substance, form part of the Group's net investment in an associate or joint venture and are governed by IFRS 9, the Group shall, based on the facts and circumstances that exist on January 1, 2019, perform an assessment of the classification under IFRS 9 applied retrospectively.

4) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group will apply the above amendments prospectively.

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

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 Materiality"	January 1, 2020 (Note 3)

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

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

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

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e. the Group's share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e. the Group's share of the gain or loss is eliminated.

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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, other regulations 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 the financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

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

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

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

See Note 12 and Tables 6 and 7 for the detailed information of subsidiaries, including the percentage of ownership and main business.

e. 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.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. 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. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at their weighted-average costs.

g. Investments in associates

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

The Group uses the equity method to account for its investments in associates.

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

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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 Group’s proportionate interest in the associate. The Group 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 Group’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 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. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an 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.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

h. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

l. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL.

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 27.

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, notes and trade receivables at amortized cost, 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 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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

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

i. Available-for-sale financial assets

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

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

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group'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 presented as a separate line item as financial assets measured 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 of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including notes, trade receivables, cash and cash equivalents, and debt investments with no active market) 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 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

2018

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represents 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 represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

2017

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

Financial assets at amortized cost, such as trade 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 Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio.

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

For a financial asset 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 on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

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

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

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its 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 a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they 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 trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the 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. 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 a group entity 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 a group entity are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. Revenue recognition

<u>2018</u>

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

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of consumer IC and multimedia IC. Sales of consumer IC and multimedia IC are recognized as revenue when the goods are delivered to the customer's specific location 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.

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

<u>2017</u>

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) Revenue from the sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

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

n. Leasing

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

1) The Group as lessor

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

Contingent rentals are recognized as income in the period in which they are incurred.

2) The Group as lessee

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

Contingent rentals are recognized as expenses in the period in which they are incurred.

3) Leasehold land for own use

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

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

o. 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 expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

p. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

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.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets 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 (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimations 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 revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

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

c. Write-down of inventory

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 412	$ 324
Checking accounts and demand deposits	591,990	427,173
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	98,500	213,500
Repurchase agreements collateralized by bonds	101,446	157,227
	$ 792,348	$ 798,224

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

	December 31	
	2018	**2017**
Bank balance	0.01%-0.48%	0.01%-0.25%
Time deposits with original maturities of less than 3 months	0.60%-0.65%	0.63%-0.70%
Repurchase agreements collateralized by bonds	2%-2.5%	1.60%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Non-current	
Domestic investments	
Listed shares	
Ordinary shares - Champion Microelectronic Corp.	$ 261,492
Unlisted shares	
Ordinary shares - Ours Technology Inc.	34
Foreign investments	
Unlisted company	
Shenzhen YSX Electronics Co., Ltd.	13,425
	$ 274,951

These investments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Domestic investments	
Time deposits with original maturity of more than 3 months (a)	$ 187,016
Foreign investments	
Time deposits with original maturity of more than 3 months (a)	2,546
	$ 189,562

a. The interest rates for time deposits with original maturity of more than 3 months were from 1.01% to 1.045% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Current	
Time deposits with original maturities of more than 3 months (a)	$ 936,551

a. As of December 31, 2017, the market interest rates of the time deposits with original maturities more than 3 months was 0.77%-1.75%.

b. Refer to Note 29 for information relating to bond investments with no active market pledged as security.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2018	**2017**
Notes receivable	$ 1,311	$ 4,340
Trade receivables		
At amortized cost		
Gross carrying amount	$ 390,737	$ 410,428
Less: Allowance for impairment loss	(4,264)	(4,346)
	$ 386,473	$ 406,082

Trade Receivables

In 2018

The average credit period of sales of goods was 60 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group 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 trade receivables. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables.

December 31, 2018

	Less than 60 Days	**61 to 91 Days**	**Over 180 Days**	**Total**
Expected credit loss rate	0%	1.70%	100%	-
Gross carrying amount	$ 365,962	$ 20,865	$ 3,910	$ 390,737
Loss allowance (Lifetime ECL)	-	(354)	(3,910)	(4,264)
Amortized cost	$ 365,962	$ 20,511	$ -	$ 386,473

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

	2018
Balance at January 1, 2018 per IAS 39	$ 4,346
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	4,346
Less: Net remeasurement of loss allowance	(82)
Balance at December 31, 2018	$ 4,264

In 2017

The Group applied the same credit policy in 2018 and 2017. The Group recognized an allowance for impairment loss of 100% against all receivables over 180 days because historical experience was that receivables that are past due beyond 180 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 0 days and 180 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

	December 31, 2017
Up to 60 days	$ 388,815
61-90 days	16,990
91-180 days	5
Over 180 days	4,618
	$ 410,428

The above aging schedule was based on the number of past due days from the invoice date.

The Group has no trade receivables past due but not impaired.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 3,000	$ 353	$ 3,353
Add: Impairment losses recognized on receivables	993	-	993
Balance at December 31, 2017	$ 3,993	$ 353	$ 4,346

As of December 31, 2017, the amount of individually impaired trade receivables was $3,993 thousand. The Group did not hold any collateral over these balances.

11. INVENTORIES

	December 31	
	2018	2017
Inventory in transit	$ 1,285	$ 1,519
Finished goods	153,404	164,529
Work in progress	302,950	309,430
Raw materials	109,796	124,430
	$ 567,435	$ 599,908

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $1,939,870 thousand and $2,062,734 thousand, respectively.

The cost of goods sold for the year ended December 31, 2018 included reversals of inventory write-downs of $12,476 thousand and obsolescence loss of $26,207 thousand.

The cost of goods sold for the year ended December 31, 2017 included inventory loss due to a market decline on net realizable value of $2,508 thousand and obsolescence loss of $3,934 thousand.

12. SUBSIDIARIES

Subsidiaries included in consolidated financial statements are shown below:

			% of Ownership December 31		
Investor	Investee	Nature of Activities	2018	2017	Remarks
Sonix Technology Company Limited	Sonix Semiconductor BVI	Investment	100.00	100.00	
	Jian Mou Investment Company Limited	Investment	100.00	100.00	
	Sonix Technology K.K.	Design, development, after-sales service, wholesale of semi-conductor products and parts and related software and commission agency services	100.00	100.00	
Sonix Semiconductor BVI	Sonix Holding	Investment	100.00	100.00	
Sonix Holding	Sonix Technology (Chengdu) Co., Ltd.	Computer system integration and technical consultation services	100.00	100.00	
	Sonix Technology (Shenzhen) Co., Ltd.	Computer system integration and technical consultation services	100.00	100.00	
Sonix Technology (Shenzhen) Co., Ltd.	Shenzhen Yudi Digital Media Co., Ltd.	Internet of things, multimedia technical development and technical consultation services	-	100.00	*

* On August 7, 2018, the Company's board of directors resolved the disposal of Shenzhen Yudi Digital Media Co., Ltd. 100% acquisition and the disposal was completed in August 2018, and the disposal proceeds were all received.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Investments in associates	$ 8,901	$ 5,805

Paradigm Venture Capital Corporation, an investee under the equity method, reduced capital in order to cover accumulated deficits by withdrawing shares on July 31, 2018 and August 28, 2017 of $601 thousand and $1,646 thousand, respectively. The shares withdrawn for the capital reduction were all received.

The investments accounted for by 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' financial statements audited by the auditors for the same years.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Office Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2017	$ 110,192	$ 348,843	$ 153,923	$ 148,712	$ 761,670
Additions	-	-	7,093	63,210	70,303
Disposals	-	(281)	(1,777)	(1,679)	(3,737)
Retirements	-	-	(14,536)	-	(14,536)
Transfers from investment properties	792	356	-	-	1,148
Effects of foreign currency exchange differences	-	(1,633)	(304)	(35)	(1,972)
Balance at December 31, 2017	$ 110,984	$ 347,285	$ 144,399	$ 210,208	$ 812,876
Accumulated depreciation and impairment					
Balance at January 1, 2017	$ -	$ 80,695	$ 129,577	$ 128,961	$ 339,233
Depreciation expenses	-	9,002	12,915	48,639	70,556
Disposals	-	(281)	(1,755)	(1,522)	(3,558)
Retirements	-	-	(14,536)	-	(14,536)
Transfers from investment properties	-	97	-	-	97
Effects of foreign currency exchange differences	-	(581)	(197)	(44)	(822)
Balance at December 31, 2017	$ -	$ 88,932	$ 126,004	$ 176,034	$ 390,970
Carrying amounts at December 31, 2017	$ 110,984	$ 258,353	$ 18,395	$ 34,174	$ 421,906

(Continued)

	Freehold Land	Buildings	Office Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2018	$ 110,984	$ 347,285	$ 144,399	$ 210,208	$ 812,876
Additions	-	-	15,791	24,676	40,467
Disposals	-	(4,572)	(1,015)	(109)	(5,696)
Retirements	-	-	(24,566)	-	(24,566)
Disposal of subsidiary	-	-	(2,321)	-	(2,321)
Effects of foreign currency exchange differences	-	(1,278)	(258)	(39)	(1,575)
Balance at December 31, 2018	$ 110,984	$ 341,435	$ 132,030	$ 234,736	$ 819,185
Accumulated depreciation and impairment					
Balance at January 1, 2018	$ -	$ 88,932	$ 126,004	$ 176,034	$ 390,970
Depreciation expenses	-	8,845	12,502	38,617	59,964
Disposals	-	(1,529)	(1,010)	(48)	(2,587)
Retirements	-	-	(24,566)	-	(24,566)
Disposal of subsidiary	-	-	(1,560)	-	(1,560)
Effects of foreign currency exchange differences	-	(611)	(194)	(10)	(815)
Balance at December 31, 2018	$ -	$ 95,637	$ 111,176	$ 214,593	$ 421,406
Carrying amounts at December 31, 2018	$ 110,984	$ 245,798	$ 20,854	$ 20,143	$ 397,779

(Concluded)

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

Buildings	
Main buildings	20-50 years
Renovation equipment	2-20 years
Office equipment	2-5 years
Other equipment	3-5 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

15. INVESTMENT PROPERTIES

	Amount
Cost	
Balance at January 1, 2017	$ 214,775
Disposals	(8,504)
Transferred to property, plant and equipment	(1,148)
Effects of foreign currency exchange differences	(690)
Balance at December 31, 2017	$ 204,433
Accumulated depreciation and impairment	
Balance at January 1, 2017	$ 39,187
Depreciation expenses	2,957
Disposals	(705)
Transferred to property, plant and equipment	(97)
Effects of foreign currency exchange differences	(316)
Balance at December 31, 2017	$ 41,026
Carrying amounts at December 31, 2017	$ 163,407
Cost	
Balance at January 1, 2018	$ 204,433
Effects of foreign currency exchange differences	(577)
Balance at December 31, 2018	$ 203,856
Accumulated depreciation and impairment	
Balance at January 1, 2018	$ 41,026
Depreciation expenses	2,966
Effects of foreign currency exchange differences	(332)
Balance at December 31, 2018	$ 43,660
Carrying amounts at December 31, 2018	$ 160,196

The investment properties are depreciated using the straight-line method over 20 and 50 years.

The determination of fair value was performed by independent qualified professional valuers, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The significant unobservable inputs used include discount rates and XX rates and the fair value as appraised.

Fair value	$ 180,493
Capitalization rates	2.60%

All of the Group's investment properties were held under freehold interests.

16. INTANGIBLE ASSETS

	Computer Software	Patents	Total
Cost			
Balance at January 1, 2017	$ 233,451	$ 82,066	$ 315,517
Additions	9,554	8,106	17,660
Retirements	-	(12,900)	(12,900)
Effects of foreign currency exchange differences	(52)	12	(40)
Balance at December 31, 2017	$ 242,953	$ 77,284	$ 320,237
Accumulated amortization			
Balance at January 1, 2017	$ 219,393	$ 47,789	$ 267,182
Amortization expenses	5,930	15,744	21,674
Retirements	-	(12,900)	(12,900)
Effects of foreign currency exchange differences	(18)	1	(17)
Balance at December 31, 2017	$ 225,305	$ 50,634	$ 275,939
Carrying amounts at December 31, 2017	$ 17,648	$ 26,650	$ 44,298
Cost			
Balance at January 1, 2018	$ 242,953	$ 77,284	$ 320,237
Additions	4,932	31,782	36,714
Disposal of subsidiary	(120)	(1,445)	(1,565)
Effects of foreign currency exchange differences	(96)	1	(95)
Balance at December 31, 2018	$ 247,669	$ 107,622	$ 355,291
Accumulated amortization			
Balance at January 1, 2018	$ 225,305	$ 50,634	$ 275,939
Amortization expenses	6,569	13,155	19,724
Disposal of subsidiary	(49)	(215)	(264)
Effects of foreign currency exchange differences	(36)	-	(36)
Balance at December 31, 2018	$ 231,789	$ 63,574	$ 295,363
Carrying amounts at December 31, 2018	$ 15,880	$ 44,048	$ 59,928

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

Computer software	1-10 years
Patents	1-10 years

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
General and administrative expenses	$ 42	$ 42
Research and development expenses	19,682	21,632
	$ 19,724	$ 21,674

17. PREPAYMENT FOR BUILDINGS AND LAND

Sonix Technology (Shenzhen) Co., Ltd. purchased Zhongliang Ziyun Building located at Xinan Street. The total purchase price was NT$385,777 thousand and the acquisition cost was NT$11,803 thousand. The transfer of ownership was completed in January 2019 and the balance was paid off.

The acquisition of property, plant and equipment transaction object, purpose and usage status were set out in Table 2.

18. OTHER PAYABLES

	December 31	
	2018	2017
Other payables		
Payables for salaries or bonuses	$ 152,108	$ 136,064
Payables for professional service fees	26,346	52,962
Others	29,966	32,466
	$ 208,420	$ 221,492

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in Japan and China are members of a state-managed retirement benefit plan operated by the governments of Japan and China. 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 Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute 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 Group 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 Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 65,385	$ 62,945
Fair value of plan assets	(38,286)	(35,454)
Net defined benefit liability	$ 27,099	$ 27,491

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 Liability (Asset)**
Balance at January 1, 2017	$ 66,412	$ (33,694)	$ 32,718
Service cost			
Current service cost	200	-	200
Net interest expense (income)	747	(387)	360
Recognized in profit or loss	947	(387)	560
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	55	55
Actuarial (gain) loss - changes in demographic assumptions	4,128	-	4,128
Actuarial (gain) loss - changes in financial assumptions	(4,132)	-	(4,132)
Actuarial (gain) loss - experience adjustments	(4,410)	-	(4,410)
Recognized in other comprehensive income	(4,414)	55	(4,359)
Contributions from the Group	-	(1,428)	(1,428)
Balance at December 31, 2017	$ 62,945	$ (35,454)	$ 27,491
Balance at January 1, 2018	$ 62,945	$ (35,454)	$ 27,491
Service cost			
Current service cost	149	-	149
Net interest expense (income)	866	(497)	369
Recognized in profit or loss	1,015	(497)	518

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (917)	$ (917)
Actuarial (gain) loss - changes in demographic assumptions	2,234	-	2,234
Actuarial (gain) loss - changes in financial assumptions	1,954	-	1,954
Actuarial (gain) loss - experience adjustments	(2,763)	-	(2,763)
Recognized in other comprehensive income	1,425	(917)	508
Contributions from the Group	-	(1,418)	(1,418)
Balance at December 31, 2018	$ 65,385	$ (38,286)	$ 27,099

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Sales and marketing expenses	$ 23	$ 22
General and administrative expenses	96	101
Research and development expenses	399	437
	$ 518	$ 560

Through the defined benefit plans under the Labor Standards Law, the Group 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 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 plans' 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(s)	1.125%	1.375%
Expected rate(s) of salary increase	4.250%	4.250%

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

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	$ (2,005)	$ (2,053)
0.25% decrease	$ 2,091	$ 2,145
Expected rate(s) of salary increase		
0.25% increase	$ 1,998	$ 2,055
0.25% decrease	$ (1,927)	$ (1,979)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes 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 plans for the next year	$ 1,418	$ 1,428
Average duration of the defined benefit obligation	17.6 years	16.5 years

20. EQUITY

a. Share capital

	December 31	
	2018	2017
Number of shares authorized (in thousands)	250,000	250,000
Shares authorized	$ 2,500,000	$ 2,500,000
Number of shares issued and fully paid (in thousands)	167,877	167,877
Shares issued	$ 1,678,770	$ 1,678,770

b. Capital surplus

The capital surplus balance amount remained unchanged in the year of 2018 and 2017.

Any 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 once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 21,d.

The Company distributes share dividends and cash dividends after taking into account its future business needs and long term financial plan and provided that the ratio for share dividend shall not exceed 50% of the total distribution. The distribution of profits may also be made by way of share or cash dividends. The appropriation for cash dividend should not be less than 10% of the annual dividends distributed.

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

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

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June 15, 2018 and June 22, 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	$ 23,720	$ 27,962		
Special reserve	3,813	17,853		
Cash dividends	211,525	248,458	$ 1.26	$ 1.48

The Company's shareholders also resolved to issue cash dividends from legal reserve of $40,290 thousand in the shareholders' meeting on June 15, 2018.

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 20, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 33,867	
Special reserve	99,216	
Cash dividends	248,458	$ 1.48

The Company's board of directors also proposed to issue cash dividends from legal reserve of $100,726 thousand in the board meeting on March 20, 2019.

The appropriation of earnings for 2018 are subject to resolution of the shareholders' meeting to be held on June 14, 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	$ (19,302)	$ (12,767)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(23,733)	(6,535)
Balance at December 31	$ (40,035)	$ (19,302)

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

Balance at January 1, 2017	$ (5,086)
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	2,722
Balance at December 31, 2017	$ (2,364)
Balance at January 1, 2018 per IAS 39	$ (2,364)
Adjustment on initial application of IFRS 9	2,364
Balance at January 1, 2018 per IFRS 9	$ -

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	(44,786)
Balance at January 1 per IFRS 9	(44,786)
Recognized for the year	
Unrealized gain/(loss) - equity instruments	(36,743)
Share from associates accounted for using the equity method	3,682
Balance at December 31	$ (77,847)

21. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 59,964	$ 70,556
Investment properties	2,966	2,957
Intangible assets	19,724	21,674
	$ 82,654	$ 95,187
An analysis of depreciation by function		
Operating costs	$ 32,052	$ 32,824
Operating expenses	27,912	37,732
Non-operating income and expenses*	2,966	2,957
	$ 62,930	$ 73,513
An analysis of amortization by function		
Operating costs	$ 19,724	$ 21,674

* The depreciation expense above includes rent revenue and other expenditures in non-operating income and expenses.

b. Depreciation expenses directly related to investment properties

	For the Year Ended December 31	
	2018	2017
Direct depreciation expenses from investment properties generating rental income	$ 1,609	$ 1,652
Direct depreciation expenses from investment properties not generating rental income	1,357	1,305
	$ 2,966	$ 2,957

c. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plans	$ 30,727	$ 32,759
Defined benefit plans (see Note 19)	518	560
	31,245	33,319
Other employee benefits	643,232	637,738
Total employee benefits expense	$ 674,477	$ 671,057
An analysis of employee benefits expense by function		
Operating expenses	$ 674,477	$ 671,057

d. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 20, 2019 and March 21, 2018, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	14.48%	13.82%
Remuneration of directors and supervisors	1.36%	1.28%

Amount

	For the Year Ended December 31			
	2018		**2017**	
	Cash	**Shares**	**Cash**	**Shares**
Employees' compensation	$ 69,250	$ -	$ 48,500	$ -
Remuneration of directors and supervisors	6,500	-	4,500	-

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

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	**2017**
Foreign exchange gains	$ 47,139	$ 8,304
Foreign exchange losses	(23,608)	(32,334)
	$ 23,531	$ (24,030)

22. INCOME TAXES

a. Major components of income tax expense (benefit) are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current period	$ 66,887	$ 53,854
Adjustments for prior periods	25	8,518
Deferred tax		
In respect of the current period	2,052	(190)
Adjustments to deferred tax attributable to changes in tax rates and laws	(5,422)	-
Income tax expense recognized in profit or loss	$ 63,542	$ 62,182

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

	For the Year Ended December 31	
	2018	2017
Income tax expense calculated at the statutory rate	$ 95,915	$ 47,177
Nondeductible expenses in determining taxable income	(21,931)	6,773
Tax-exempt income	-	(1,147)
Unrecognized deductible temporary differences	(12,902)	1,424
Deduction of research and development expenses from China	-	(4,837)
Unrecognized loss carryforwards	7,270	3,623
Adjustments for prior years' tax	25	8,518
Effects of different tax rates of group entities operating in other jurisdictions	587	336
Land value increment tax	-	315
Effect of tax rate changes	(5,422)	-
Income tax expense recognized in profit or loss	$ 63,542	$ 62,182

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In 2017, Sonix Technology (Shenzhen) Co., Ltd. have obtained the "China High and New Tech Enterprises Certification", which applies the enterprise's income tax rate of 15%. The certification had expired in October 2018, and the tax rate increased from 15% to 25%. The new tax rate is applicable in 2018, and the effect of tax rate changes was recognized in income tax expense.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ 349	$ -
In respect of the current year		
Remeasurement on defined benefit plans	(102)	(741)
Total income tax recognized in other comprehensive income	$ 247	$ (741)

c. Current tax liabilities

The current tax liabilities for December 31, 2018 and 2017 are income taxes payable.

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Loss on inventories	$ 15,295	$ 449	$ -	$ (14)	$ 15,730
Provisions	1,099	130	-	-	1,229
Capitalized expenses	2,389	(829)	-	-	1,560
Unappropriated earnings of subsidiaries	7,237	4,132	-	-	11,369
Pension limits	2,170	203	-	-	2,373
Unrealized impaired losses	903	(721)	-	-	182
Others	1,974	-	247		2,221
	$ 31,067	$ 3,364	$ 247	$ (14)	$ 34,664

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Unrealized interest income	$ 6	$ (6)	$ -	$ -	$ -

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Temporary differences					
Loss on inventories	$ 14,859	$ 456	$ -	$ (20)	$ 15,295
Provisions	1,440	(341)	-	-	1,099
Capitalized expenses	2,843	(454)	-	-	2,389
Unappropriated earnings of subsidiaries	6,518	719	-	-	7,237
Pension limits	2,317	(147)	-	-	2,170
Unrealized impaired losses	-	903	-	-	903
Others	5,490	(2,718)	(741)	(57)	1,974
	$ 33,467	$ (1,582)	$ (741)	$ (77)	$ 31,067

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Unrealized exchange gains and losses	$ 1,754	$ (1,754)	$ -	$ -	$ -
Unrealized interest income	25	(18)	-	(1)	6
	$ 1,779	$ (1,772)	$ -	$ (1)	$ 6

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31 2018	December 31 2017
Loss carryforwards		
Expiry in 2018	$ -	$ 13,207
Expiry in 2019	60,787	52,951
Expiry in 2020	31,510	31,397
Expiry in 2021	50,745	27,463
Expiry in 2022	27,153	1,445
Expiry in 2023	30,260	3,844
Expiry in 2024	1,337	997
Expiry in 2025	3,153	1,631
Expiry in 2026	1,222	-
Expiry in 2027	181	-
Expiry in 2028	1,693	-
	$ 208,041	$ 132,935
Deductible temporary differences		
Others	$ 262,681	$ 327,190

f. Information about unused loss carryforwards

As of December 31, 2018, loss carryforwards comprised:

Unused Amount	Expiry Year
$ 12,690	2019
7,877	2020
12,000	2021
6,766	2022
7,344	2023
232	2024
551	2025
220	2026
32	2027
305	2028
$ 48,017	

g. Income tax assessments

The Company and its subsidiaries had their income taxes examined by the tax authorities at the following years:

	Year of Examination
The Company	2016
Jian Mou Investment Corporation	2016
Sonix Technology (Chengdu) Co., Ltd.	2017
Sonix Technology (Shenzhen) Co., Ltd.	2017

23. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Year Ended December 31	
	2018	2017
Profit for the year attributable to owners of the Company	$ 338,672	$ 237,206

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

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares in computation of basic earnings per share	167,877	167,877
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonus issue to employees	3,004	1,830
Weighted average number of ordinary shares used in the computation of diluted earnings per share	170,881	169,707

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. DISPOSAL OF SUBSIDIARIES

On August 30, 2018, the Group entered into a sale agreement to dispose of Shenzhen Yudi Digital Media Co., Ltd. The disposal was completed on August 30, 2018, on which dates control of Shenzhen Yudi Digital Media Co., Ltd. passed to the acquirer.

a. Consideration received from disposals

	Shenzhen Yudi Digital Media Co., Ltd.
Consideration received in cash and cash equivalents	$ 13,680

b. Analysis of assets and liabilities on the date control was lost

	Shenzhen Yudi Digital Media Co., Ltd.
Current assets	
Cash and cash equivalents	$ 1,133
Trade receivables	165
Inventories	324
Other current assets	5,641
Non-current assets	
Property, plant and equipment	761
Intangible assets	1,301
Refundable deposits	741
Current liabilities	
Payables	(2,301)
Other current liabilities	(39,284)
Net liabilities disposed of	$ (31,519)

c. Gain on disposals of subsidiaries

	Shenzhen Yudi Digital Media Co., Ltd.
Consideration received	$ 13,680
Net assets disposed of	(31,519)
Gain on disposals	$ 45,199

d. Net cash inflow on disposals of subsidiaries

	Shenzhen Yudi Digital Media Co., Ltd.
Consideration received in cash and cash equivalents	$ 13,680
Less: Cash and cash equivalent balances disposed of	1,133
	$ 12,547

25. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of buildings with lease terms from 2016 to 2019. All operating lease contracts contain clauses for market rental reviews. The Group does not have a bargain purchase option to acquire the leased buildings at the expiration of the lease periods.

The future minimum lease payments are as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 4,257	$ 7,698
Later than 1 year and not later than 3 years	-	904
	$ 4,257	$ 8,602

b. The Group as lessor

Operating leases relate to leasing of investment properties with lease terms ranging from 3 months to 3 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

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

	December 31 2018	December 31 2017
Not later than 1 year	$ 8,890	$ 2,780
Later than 1 year and not later than 3 years	8,327	2,574
	$ 17,217	$ 5,354

26. CAPITAL MANAGEMENT

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

The Group monitors the funds by regularly examining the ratio of assets to debt. The capital in the Group is the total equity listed in the balance sheet also known as the amount of total assets deducted from the total debt.

27. FINANCIAL INSTRUMENTS

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

Except the unlisted securities held by the Company, which are not measured reliably due to the absence of market quotations in active markets as of December 31, 2018 and 2017, unlisted securities are measured by deducting the impaired losses from the cost. The carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

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

- Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 177,359	$ -	$ -	$ 177,359
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares	$ 261,492	$ -	$ -	$ 261,492
Unlisted shares	-	34	-	34
Unlisted company	-	-	13,425	13,425
	$ 261,492	$ 34	$ 13,425	$ 274,951

December 31, 2017

	Level 1
Available-for-sale financial assets	
Beneficiary certificates	$ 90,292

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

c. Categories of financial instruments

	December 31 2018	December 31 2017
Financial assets		
Financial assets at FVTPL		
Mutual funds	$ 177,359	$ -
Loans and receivables (1)	-	2,145,197
Available-for-sale financial assets (2)	-	90,326
Financial assets at amortized cost (3)	1,369,694	-
Financial assets at FVTOCI	274,951	-
Financial liabilities		
Financial liabilities measured at amortized cost (4)	237,546	348,983

1) The balance includes loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, and trade and other receivables.

2) The balance includes the carrying amount of available-for-sale financial assets measured at cost and non-current financial assets measured at cost.

3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables.

4) The balance includes financial liabilities measured at amortized cost, which comprise short-term bills payable and trade and other payables (excluding employment benefits).

d. Financial risk management objectives and policies

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

1) Market risk

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

There were no changes to the Group's exposure to market risk or the manner in which the risk was managed and measured.

a) Foreign currency risk

The Company and Sonix Technology (Shenzhen) Co., Ltd. had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 66% of the Group's sales were denominated in currencies other than the functional currency of the Group entity making the sale, whilst almost 60% of costs were denominated in the Group entity's functional currency.

It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of hedged items to maximize the hedging effectiveness. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Group was mainly exposed to the US dollar.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar and RMB (the functional currencies) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated when the New Taiwan dollar strengthens 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Profit or loss	$ 4,281 (i)	$ 3,807 (i)	$ 276 (ii)	$ 261 (ii)

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

ii. This was mainly attributable to the exposure outstanding on EUR receivables, which were not hedged at the end of the reporting period, and the changes in financial assets are measured at FVTPL.

b) Interest rate risk

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 328,446	$ 998,227
Cash flow interest rate risk		
Financial assets	572,828	733,164

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2018 would decrease/increase by $5,728 thousand, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank savings and financial assets at amortized cost.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2017 would decrease/increase by $7,332 thousand, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank savings and debt investments with no active market.

c) Other price risk

The Group was exposed to price risk through its investments in beneficiary certificates and equity securities. The investments are not held for trading purposes. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit or loss for years ended December 31, 2018 would have increased/decreased by $1,774 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by $2,750 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 1% higher/lower, other comprehensive profit or loss for years ended December 31, 2017 would have increased/decreased by $903 thousand, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group only deals with creditworthy counterparties of financial institutions and entities that are rated the equivalent of investment grade and above. Therefore, there is no expected great credit risk.

In order to minimize credit risk, management of the Group 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 Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The Group's concentration of credit risk of 51% and 48% of total trade receivables as of December 31, 2018 and 2017, respectively, was related to the Group's largest customer and the five largest customers within the business segment. The rest of the credit risk concentration of trade receivables are not comparatively significant.

3) Liquidity risk

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

The working capital of the Group is sufficient for its liabilities, and hence there's no liquidity risk for not fulfilling contractual obligations due to a failure to raise funds.

24. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and relationships

Related Parties	Relationship with the Company
Senno Technology Inc.	Have the same chairman (physical relationship)
Rayson Technology Co., Ltd.	Have the same chairman (physical relationship)
Digit Mobile Inc.	Have the same chairman (physical relationship)
Chip Integration Technology Co., Ltd.	Have the same chairman (physical relationship)
New Pocket Device Corp.	Have the same chairman and general manager (physical relationship)

b. Operating transactions

Line Item	Related Party Category	For the Year Ended December 31	
		2018	2017
Sales	Physical relationship		
	Others	$ 9,923	$ 9,454

Line Item	Related Party Category	For the Year Ended December 31 2018	2017
Operating expenses			
Materials	Physical relationship Others	$ 1	$ 3
Miscellaneous expenses	Physical relationship Others	27	33
		$ 28	$ 36
Non-operating revenue	Physical relationship Others	$ 146	$ 5

The sales prices and payment terms for related parties are similar with those of sales to third parties.

c. Receivables from related parties

Line Item	Related Party Category	For the Year Ended December 31 2018	2017
Accounts receivable	Physical relationship Others	$ 617	$ 424

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

d. Other transactions with related parties

Line Item	Related Party Category	For the Year Ended December 31, 2017
Other receivables (including in other current assets)	Physical relationship Others	$ 2
Other payables	Physical relationship Others	$ 3

e. Compensation of key management personnel

	For the Year Ended December 31 2018	2017
Short-term employee benefits	$ 20,137	$ 19,909
Post-employment benefits	258	258
	$ 20,395	$ 20,167

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

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for short-term bank borrowings, purchases and tariffs of imported goods:

	December 31	
	2018	2017
Property, plant and equipment	$ 220,689	$ 224,230
Pledge deposits (including financial assets at amortized cost - current)	51,116	-
Pledge deposits (including debt investments with non-active market)	-	51,104
	$ 271,805	$ 275,334

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 21,210	30.665 (USD:NTD)	$ 650,405
USD	1,751	6.8632 (USD:RMB)	53,694
EUR	791	35 (EUR:NTD)	27,685
			$ 731,784
Financial liabilities			
Monetary items			
USD	4,618	30.765 (USD:NTD)	$ 142,073
USD	4,404	6.8632 (USD:RMB)	135,489
			$ 277,562

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 22,102	29.71 (USD:NTD)	$ 656,650
USD	2,180	6.5342 (USD:RMB)	64,768
EUR	733	35.37 (EUR:NTD)	25,926
			$ 747,344
Financial liabilities			
Monetary items			
USD	8,236	29.81 (USD:NTD)	$ 245,515
USD	3,254	6.5342 (USD:RMB)	97,002
			$ 342,517

The Group is mainly exposed to the US dollar. The following information was aggregated by the functional currencies of the Group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	$ 28,598	1 (NTD:NTD)	$ (27,041)
RMB	4.560 (RMB:NTD)	(5,067)	4.505 (RMB:NTD)	3,011
		$ 23,531		$ (24,030)

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (None)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 1)

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

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (Table 2)

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

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

9) Trading in derivative instruments. (None)

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 investments 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: (Tables 3, 4, 5 and 7)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

28. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the segment information of each project. The Company manufactured and sold semi-conductor products in the years ended December 31, 2018 and 2017, respectively. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were within the semi-conductor segment.

a. Segment revenues and results

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

	Segment Revenue for the Year Ended December 31		Segment Profit for the Year Ended December 31	
	2018	2017	2018	2017
Semi-conductor sector	$ 3,157,555	$ 3,341,280	$ 282,671	$ 293,063
Share of profits of associates accounted for using the equity method			15	(686)
Interest revenue			9,012	12,612
Rent revenue			5,035	6,154
Gains and losses on disposal of investments			45,199	(98)
Loss on financial assets at FVTPL			(2,933)	-
Profits and losses on net exchange			23,531	(24,030)
Other income			43,328	15,011
Other expenditures			(3,644)	(2,638)
Profit before tax			$ 402,214	$ 299,388

Segment revenue reported above represent revenue generated from external customers.

Segment profit represented the profit before tax earned by each segment without a share of profits of associates under the equity method, interest income, rent revenue, gains or losses on disposal of financial instruments, exchange gains or losses, other income, other expenditures and income tax expense. This was the measure reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group's measure of assets and liabilities was not provided to the chief operating decision-maker. Therefore, no assets and liabilities were presented under operating segments.

c. Other segment information

	Depreciation and Amortization	
	2018	2017
Semi-conductor segment	$ 79,688	$ 92,230

d. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2018	2017
Revenue from semi-conductors	$ 3,157,555	$ 3,341,280

e. Geographical information

The Group operates in two principal geographical areas - Taiwan and China.

The Group's revenue from continuing operations 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	
	2018	2017
Taiwan	$ 2,132,610	$ 2,510,914
China	1,024,535	829,261
Others	410	1,105
	$ 3,157,555	$ 3,341,280

f. Information about major customers

Included in revenue arising from the semi-conductor sector of $3,157,555 thousand and $3,341,280 thousand in 2018 and 2017 respectively, is revenue of approximately $377,640 thousand and $495,153 thousand, which arose from sales to the Group's largest customer.

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

	For the Year Ended December 31	
	2018	2017
Customer A	$ 377,640	$ 495,153
Customer B	301,924	384,713
	$ 679,564	$ 879,866

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Sonix Technology Co., Ltd.	Shares							
	Ours Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	54	$ 7	-	$ 7	1
	Muchip Corporation	-	Financial assets at fair value through other comprehensive income - non-current	14,180	-	-	-	1
	Raylios Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	339,623	-	9.23	-	1
	Champion Microelectronic Corp.	-	Financial assets at fair value through other comprehensive income - non-current	5,697,000	261,492	8.21	261,492	1
	Beneficiary certificates							
	Templeton Global Total Ret A Acc USD	-	Financial assets at fair value through profit or loss - current	29,951.693	27,664	-	27,664	1
	RBS Bond Perpetual	-	Financial assets at fair value through profit or loss - current	6,000	21,006	-	21,006	1
	Nomura Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,228,418.23	20,014	-	20,014	1
	Union Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,518,176.37	20,015	-	20,015	1
	Fuh Hwa Money Market	-	Financial assets at fair value through profit or loss - current	2,082,075.40	30,020	-	30,020	1
	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,199,515.40	20,015	-	20,015	1
Jian Mou Investment Corporation	Beneficiary certificates							
	Jih Sun Asian High Yield Bond (TWD B)	-	Financial assets at fair value through profit or loss - current	1,307,168.12	15,638	-	15,638	1
	Jih Sun Target Income Fund of Funds TWD	-	Financial assets at fair value through profit or loss - current	1,500,000	13,350	-	13,350	1
	Nomura Global Short Duration Bond Fund TWD	-	Financial assets at fair value through profit or loss - current	946,781.42	9,637	-	9,637	1
	Shares							
	Ours Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	115	27	-	27	1
Sonix Technology (Shenzhen) Co., Ltd.	Company							
	Shenzhen YSX Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	555,550	13,425	5	13,425	1

Note 1: There are measured at the fair value of net assets on December 31, 2018.

TABLE 2

SONIX TECHNOLOGY CO., LTD. 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)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Sonix Technology (Shenzhen) Co., Ltd.	Buildings and Land	2018.01.19	$ 385,777 (RMB 86,201 thousand)	$ 385,777 (RMB 86,201 thousand)	Zhongliang Real Estate Group Shenzhen Real Estate Development Co., Ltd.	-	-	-	-	$ -	Conducted by bargaining, the price is referenced to the valuation of the professional valuation company.	Office	-

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	Subsidiary of second-tier subsidiary	Sale	$ (627,684)	(23)	110 days	$ -	-	$ 124,734	31	1
Sonix Technology (Shenzhen) Co., Ltd.	Sonix Technology Co., Ltd.	Parent company	Purchase	627,684	95	110 days	-	-	(124,734)	(98)	1

Note 1: Amount was eliminated based on the audited financial statements.

TABLE 4

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	Third-tier subsidiary	$ 124,734	5.57 times	$ -	-	$ 124,734	$ -

Note 1: The period is as of March 20, 2019.

Note 2: Amounts of trade receivables all were eliminated based on audited financial statements.

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

No.	Investee Company	Counterparty	Relationship	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	1	Trade receivables	$ 124,734	The sales prices and payment terms to related parties were not significantly different from those of sales to third parties.	4
		Sonix Technology (Shenzhen) Co., Ltd.	1	Sales	627,684	The sales prices and payment terms to related parties were not significantly different from those of sales to third parties.	20

Note 1: The following numerals represent the corresponding directional relationship:

a. Parent company to subsidiary: 1;
b. Subsidiary to parent company: 2; and
c. Between subsidiaries: 3.

Note 2: Amount was eliminated based on audited financial statements.

TABLE 6

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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	Original Investment Amount		Original Investment Amount			Net Income (Loss) of the Investee (Note 1)	Share of Profit (Loss) (Note 1)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Sonix Technology Co., Ltd.	Sonix Technology Ltd.	PO Box 3321, Road Town, Tortola, the British Virgin Islands	Investment activities	$ 1,031,999	$ 613,259	33,010,000	100.00	$ 757,541	$ 66,219	$ 66,219	Subsidiary
	Jian Mou Investment Corporation	Hsin Chu	Investment activities	155,000	155,000	15,500,000	100.00	103,409	(3,020)	(3,020)	Subsidiary
	Sonix Technology K.K.	Tokyo	Design, development, after-sales service, wholesale of semi-conductor products and parts and related software and commission agency services	31,792	31,792	8,000	100.00	14,505	(1,710)	(1,710)	Subsidiary
Jian Mou Investment Corporation	Paradigm Venture Capital Corporation	Taipei	Investment activities	44,760	45,361	541,129	20.98	8,901	71	15	
Sonix Technology Ltd.	Sonix Holding Consolidated Company Co., Ltd.	PO Box 438, Road Town, Tortola, the British Virgin Islands	Investment activities	997,099	578,359	32,010,000	100.00	722,040	65,569	65,569	Second-tier subsidiary

Note 1: Based on audited financial statements of the investee and calculated at the investor’s holding proportion.

Note 2: Except profit and loss of Paradigm Venture Capital Corporation, the listed amounts above were all eliminated upon consolidation.

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Loss (Note 1)	Carrying Amount as of December 31, 2018 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Sonix Technology (Chengdu) Co., Ltd.	Computer system integration and technical consultation services	$ 307,150 (US$ 10,000 thousand)	Reinvest in China via setting up company in third area	$ 307,150 (US$ 10,000 thousand)	$ -	$ -	$ 307,150 (US$ 10,000 thousand)	$ (11,147) (US$ 370 thousand)	100	$ (11,147) (US$ 370 thousand)	$ 74,958 (US$ 2,440 thousand)	$ -	
Sonix Technology (Shenzhen) Co., Ltd.	Computer system integration and technical consultation services	675,730 (US$ 22,000 thousand)	Reinvest in China via setting up company in third area	245,720 (US$ 8,000 thousand)	430,010 (US$ 14,000 thousand)	-	675,730 (US$ 22,000 thousand)	76,716 (US$ 2,545 thousand)	100	76,716 (US$ 2,545 thousand)	647,075 (US$ 21,067 thousand)	-	
Shenzhen Yudi Digital Media Co., Ltd. (Note 5)	Internet of things, multimedia technical development and technical consultation services	79,884 (RMB 17,850 thousand)	Other method of investment	-	-	-	-	(17,870) (RMB 3,919 thousand)	-	(17,870) (RMB 3,919 thousand)	-	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$982,880 (US$32,000 thousand)	$1,028,952 (US$33,500 thousand)	$1,777,438

Note 1: Based on audited financial statements of the investee and calculated at the investor's holding proportion.

Note 2: The investment profit and loss was recognized based on the average exchange rate from January 1, 2018 to December 31, 2018; the other accounts were all based on prevailing exchange rate as of December 31, 2018.

Note 3: An amount of RMB17,850 thousand from Sonix Technology (Shenzhen) Co., Ltd. is not included in the accumulated outward remittance and investment from Taiwan as of December 31, 2018.

Note 4: The listed amounts above were all eliminated upon consolidation.

Note 5: On August 7, 2018, the Company's board of directors resolved the disposal of Shenzhen Yudi Digital Media Co., Ltd. 100% acquisition, and the disposal was completed in August 2018, and the disposal proceeds were all received.