

**ASolid Technology Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2018 and 2017 and
Independent Auditors' Review Report**

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2018 (Reviewed)		December 31, 2017 (Audited)		September 30, 2017 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 27)	\$ 233,760	19	\$ 300,368	28	\$ 274,724	22
Financial assets at amortized cost-current(Notes7, 27 and 29)	5,070	1	-	-	-	-
Debt investments with no active market – current (Notes 8, 27 and 29)	-	-	2,059	-	2,056	-
Note receivable – Net(Notes 9 and 27)	-	-	95	-	2	-
Trade receivable, from unrelated parties (Notes 9 and 27)	274,210	23	195,033	18	86,072	7
Other receivables (Notes 9 and 27)	22,203	2	21,002	2	18,629	2
Inventories (Note 10)	477,450	39	326,987	31	615,025	49
Prepayments(Note 14)	38,050	3	31,308	3	44,042	4
Other current assets (Notes 14,27 and 29)	4,936	-	4,889	1	10,999	1
Total current assets	<u>1,055,679</u>	<u>87</u>	<u>881,741</u>	<u>83</u>	<u>1,051,549</u>	<u>85</u>
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 12 and 29))	91,617	7	94,660	9	95,396	8
Goodwill	22,951	2	22,951	2	29,290	2
Other intangible assets (Note 13)	34,572	3	55,719	5	58,138	5
Deferred tax assets (Note 22)	10,894	1	7,116	1	7,997	-
Other non-current assets(Notes 14 and 27)	1,387	-	1,302	-	1,294	-
Total non-current assets	<u>161,421</u>	<u>13</u>	<u>181,748</u>	<u>17</u>	<u>192,115</u>	<u>15</u>
TOTAL ASSETS	<u>\$ 1,217,100</u>	<u>100</u>	<u>\$1,063,489</u>	<u>100</u>	<u>\$ 1,243,664</u>	<u>100</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Short-term borrowings (Notes 15 and 27)	\$ 144,325	12	\$ 74,640	7	\$ 50,260	4
Contract liability-current (Notes 17)	23,403	2	-	-	-	-
Notes payable to unrelated parties (Notes 16 and 27)	662	-	-	-	1,796	-
Trade payables to unrelated parties (Notes 16 and 27)	107,907	9	70,724	7	252,072	20
Other payables (Notes 17 and 27)	51,071	4	53,703	5	66,135	6
Current tax liabilities (Note 22)	2,004	-	2,078	-	3,107	-
Advance Receipts and other current liabilities (Note 17)	2,945	-	31,540	3	22,435	2
Total current liabilities	<u>332,317</u>	<u>27</u>	<u>232,685</u>	<u>22</u>	<u>395,805</u>	<u>32</u>

NON-CURRENT LIABILITIES

Deferred tax liabilities (Note 22)	4,019	1	2,001	-	1,460	-
Guarantee deposits received	114	-	114	-	114	-
Total non-current liabilities	<u>4,133</u>	<u>1</u>	<u>2,115</u>	<u>-</u>	<u>1,574</u>	<u>-</u>

Total liabilities

	<u>336,450</u>	<u>28</u>	<u>234,800</u>	<u>22</u>	<u>397,379</u>	<u>32</u>
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EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)

Ordinary shares	<u>342,231</u>	<u>28</u>	<u>342,231</u>	<u>32</u>	<u>342,231</u>	<u>27</u>
Capital surplus						
Additional paid-in capital	389,626	32	389,626	37	389,626	32
Employee share options	10,625	1	4,954	-	3,063	-
Total capital surplus	<u>400,251</u>	<u>33</u>	<u>394,580</u>	<u>37</u>	<u>392,689</u>	<u>32</u>
Retained earnings						
Legal reserve	41,593	3	41,593	4	41,593	4
Unappropriated retained earnings	84,649	7	34,256	3	52,280	4
Total retained earnings	<u>126,242</u>	<u>10</u>	<u>75,849</u>	<u>7</u>	<u>93,873</u>	<u>8</u>
Other equity	5	-	5	-	2	-
Total equity attributable to owner of the company	<u>868,729</u>	<u>71</u>	<u>812,665</u>	<u>76</u>	<u>828,795</u>	<u>67</u>

NON-CONTROLLING INTERESTS

	<u>11,921</u>	<u>1</u>	<u>16,024</u>	<u>2</u>	<u>17,490</u>	<u>1</u>
Total equity	<u>880,650</u>	<u>72</u>	<u>828,689</u>	<u>78</u>	<u>846,285</u>	<u>68</u>

TOTAL LIABILITIES AND EQUITY

	<u>\$ 1,217,100</u>	<u>100</u>	<u>\$ 1,063,489</u>	<u>100</u>	<u>\$ 1,243,664</u>	<u>100</u>
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The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated November 12, 2018)

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$ 317,320	100	\$ 190,973	100	\$ 830,105	100	\$ 506,091	100
OPERATING COSTS	(178,739)	(57)	(111,556)	(58)	(483,380)	(58)	(291,059)	(57)
GROSS PROFIT	138,581	43	79,417	42	346,725	42	215,032	43
OPERATING EXPENSES								
Selling and marketing	(18,237)	(6)	(13,294)	(7)	(51,217)	(6)	(38,104)	(8)
General and administrative	(19,421)	(6)	(21,274)	(11)	(56,815)	(7)	(56,192)	(11)
Research and development	(67,584)	(21)	(67,606)	(36)	(199,779)	(24)	(187,162)	(37)
Expected credit loss	-	-	-	-	(662)	-	-	-
Total operating expenses	(105,242)	(33)	(102,174)	(54)	(308,473)	(37)	(281,458)	(56)
PROFIT (LOSS) FROM PERATIONS	33,339	10	(22,757)	(12)	38,252	5	(66,426)	(13)
NON-OPERATING INCOME AND EXPENSES								
Other income	1,263	-	(216)	-	1,756	-	1,473	-
Other gains and losses	(110)	-	4,618	2	8,572	1	6,257	1
Financial costs	(1,732)	-	(1,007)	-	(4,053)	-	(2,877)	-
Total non-operating income and expenses	(579)	-	3,395	2	6,275	1	4,853	1
PROFIT BEFORE INCOME TAX	32,760	10	(19,362)	(10)	44,527	6	(61,573)	(12)
INCOME TAX EXPENSE	1,500	1	-	-	1,763	-	-	-
NET INCOME FOR THE PERIOD	34,260	11	(19,362)	(10)	46,290	6	(61,573)	(12)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$34,260	11	\$(19,362)	(10)	\$46,290	6	\$(61,573)	(12)
NET INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$35,602	11	\$(17,376)	(9)	\$50,393	6	\$(56,299)	(11)
Non-controlling interests	(1,342)	-	(1,986)	(1)	(4,103)	-	(5,274)	(1)
	\$34,260	11	\$(19,362)	(10)	\$46,290	6	\$(61,573)	(12)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$35,602	11	\$(17,376)	(9)	\$50,393	6	\$(56,299)	(11)
Non-controlling interests	(1,342)	-	(1,986)	(1)	(4,103)	-	(5,274)	(1)
	\$34,260	11	\$(19,362)	(10)	\$46,290	6	\$(61,573)	(12)
EARNINGS PER SHARE								
Basic	\$1.02		\$(0.51)		\$1.47		\$(1.66)	
Diluted	\$1.02		\$(0.51)		\$1.47		\$(1.66)	

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche review report dated November 12, 2018)

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Company								
	Share Capital		Capital surplus		Retained Earnings		Other Equity		
	Shares	Capital Share	Additional	Employee Share	Legal Reserve	Unappropriated	Exchange	Non-controlling	Total
	(In thousands)		Paid-in Capital	Options		Earnings	Differences on	Interests	Equity
							Translating		
							Foreign Operations		
BALANCE, JANUARY 1, 2017	30,446	\$ 304,455	\$ 374,076	\$ 7,122	\$ 27,660	\$ 198,626	\$ 2	\$ 23,111	\$ 935,052
Appropriations of 2016 earnings									
Legal reserve	-	-	-	-	13,933	(13,933)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(45,668)	-	-	(45,668)
Share dividends distributed by the Company	3,044	30,446	-	-	-	(30,446)	-	-	-
Net profit for the nine months ended September 30, 2017	-	-	-	-	-	(56,299)	-	(5,274)	(61,573)
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	(56,299)	-	(5,274)	(61,573)
Other changes in capital surplus									
Recognition of employee share options by the Company	-	-	-	2,695	-	-	-	-	2,695
Issue of ordinary shares under employee share options	733	7,330	15,550	(6,754)	-	-	-	-	16,126
Non-controlling Interests Increase(Deduct)	-	-	-	-	-	-	-	(347)	(347)
BALANCE, SEPTEMBER 30, 2017	34,223	\$ 342,231	\$ 389,626	\$ 3,063	\$ 41,593	\$ 52,280	\$ 2	\$ 17,490	\$ 846,285
BALANCE, JANUARY 1, 2018	34,223	\$ 342,231	\$ 389,626	\$ 4,954	\$ 41,593	\$ 34,256	\$ 5	\$ 16,024	\$ 828,689
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	50,393	-	(4,103)	46,290
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	50,393	-	(4,103)	46,290
Other changes in capital surplus									
Recognition of employee share options by the Company	-	-	-	5,671	-	-	-	-	5,671
BALANCE, SEPTEMBER 30, 2018	34,223	\$ 342,231	\$ 389,626	\$ 10,625	\$ 41,593	\$ 84,649	\$ 5	\$ 11,921	\$ 880,650

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

(With Deloitte & Touche review report dated November 12, 2018)

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	\$ 44,527	\$ (61,573)
Depreciation expenses	6,503	6,799
Amortization expenses	25,569	27,669
Expected credit losses	662	-
Finance costs	4,053	2,877
Interest income	(160)	(392)
Compensation cost of employee share options	5,671	2,695
Gain for market price decline and obsolete and slow-moving inventories	18,200	(26,936)
Unrealized foreign exchange loss (gain)	(6,294)	(677)
Others	9	-
Changes in operating assets and liabilities:		
Notes receivables	95	(2)
Trade receivables	(79,153)	(18,149)
Other receivables	(621)	(10,885)
Inventories	(168,663)	(247,449)
Prepayments	(6,751)	(16,382)
Other current assets	(47)	16,253
Contract liability	(7,875)	-
Notes payable	662	1,796
Trade payables	36,606	199,370
Other payables	(2,632)	(15,212)
Other current liabilities	2,683	4,199
Cash generated from operations	(126,956)	(135,999)
Interest paid	(4,053)	(2,877)
Income tax paid	(71)	(23,525)
Net cash generated from (used in) operating activities	<u>(131,080)</u>	<u>(162,401)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at amortized cost	(3,000)	-
Payments for property, plant and equipment	(3,462)	(2,939)
Increase in refundable deposits	(85)	206
Payments for intangible assets	(4,431)	(19,877)
Interest received	149	384
Net cash generated from (used in) investing activities	<u>(10,829)</u>	<u>(22,226)</u>

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ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	\$ 591,750	\$ 30,260
Decrease in short-term loans	(522,283)	(59,910)
Cash dividends paid to owners of the Company	-	(45,668)
Non-controlling Interests change	-	(347)
Exercise of employee share options	-	16,126
Net cash generated from (used in) financing activities	<u>69,467</u>	<u>(59,539)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>5,834</u>	<u>(189)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(66,608)	(244,355)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>300,368</u>	<u>519,079</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 233,760</u>	<u>\$ 274,724</u>

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

(Concluded)

(With Deloitte & Touche review report dated November 12, 2018)

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION

ASolid Technology Co., Ltd. (the “Company”) was incorporated in February 2008. The company engages mainly in integrated circuit design.

The Company’s shares have been traded over the counter on the Taipei Exchange since November, 2015.

The functional currency of the Company is New Taiwan dollars. The consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on November 12, 2018.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

See Note 11 and Table 1 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other important accounting policies

The accounting policies described in the consolidated financial statements were consistent with those applied in the consolidated financial statements for the year ended December 31, 2017, except for the following:

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty described in the consolidated financial statements were consistent with those applied in the consolidated financial statements for the year ended December 31, 2017.

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	\$ 2,546	\$ 2,624	\$ 2,291
Checking accounts and demand deposits	231,214	297,744	272,433
Time deposits	-	-	-
	<u>\$ 233,760</u>	<u>\$ 300,368</u>	<u>\$ 274,724</u>

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

	September 30, 2018	December 31, 2017	September 30, 2017
Bank deposits	0.07%~0.43%	0.08%~0.35%	0.08%~0.60%

7. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2018
<u>Current</u>	
Time deposits with original maturity more than 3 months	<u>\$ 5,070</u>

8. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2017	September 30, 2017
<u>Current</u>		
Time deposits with original maturity more than 3 months	<u>\$ 2,059</u>	<u>\$ 2,056</u>

- The market interest rates of the time deposits with original maturity more than 3 months were 0.60% per annum respectively as of December 31, 2017, and September 30, 2017
- Refer to Note 29 for information relating to debt instruments with no active market.

9. NOTES AND ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Notes receivables</u>	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ 2</u>
<u>Accounts receivables</u>			
Amortised cost			
Carrying amount	\$ 278,113	\$ 198,274	\$ 89,313
Less: Allowance for impairment loss	(3,903)	(3,241)	(3,241)
	<u>\$ 274,210</u>	<u>\$ 195,033</u>	<u>\$ 86,072</u>
<u>Other receivables</u>			
Tax Refund receivable	\$ 12,877	\$ 5,783	\$ 18,296
Overpaid sales tax	-	14,931	-
Others	326	288	333
	<u>\$ 22,203</u>	<u>\$ 21,002</u>	<u>\$ 18,629</u>

Notes and Accounts Receivables

The average credit period on sales of goods was 60 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss against all receivables over specific days because historical experience had been that receivables that are past due beyond specific days were not recoverable. Allowance for impairment loss were recognized against trade receivables between 60 days and specific days based on 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	September 30, 2017
Less than 60 days	\$ 174,585	\$ 61,292
61-120 days	18,913	24,198
Over 120 days	4,776	3,823
	<u>\$ 198,274</u>	<u>\$ 89,313</u>

The above aging schedule was based on the invoice date.

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

	December 31, 2017	September 30, 2017
Less than 60 days	\$ 908	\$ -
61-120 days	640	-
	<u>\$ 1,548</u>	<u>\$ -</u>

The above aging schedule was based on the invoice date.

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	\$ 5,183	\$ -	\$ 5,183
Less: Actual write-off for current period	(1,942)	-	(1,942)
Balance at September 30, 2017	<u>\$ 3,241</u>	<u>\$ -</u>	<u>\$ 3,241</u>

10. INVENTORIES

	September 30, 2018	December 31, 2017	September 30, 2017
Finished goods	\$ 221,906	\$ 133,492	\$ 330,110
Work in progress	16,814	15,162	11,154
Raw materials	211,810	116,319	208,617
Merchandise	23,878	60,794	58,838
Semi-finished products	3,042	1,220	6,306
	<u>\$ 477,450</u>	<u>\$ 326,987</u>	<u>\$ 615,025</u>

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership		
			September 30, 2018	December 31, 2017	September 30, 2017
ASolid Technology Co., Ltd.	Advanced Memory Technology Co., Ltd	Integrated circuit design	37.12%	37.12%	37.12%
ASolid Technology Co., Ltd.	Innostor Technology Corporation	Integrated circuit design	69.74%	69.74%	69.74%
Innostor Technology Corporation	Innostor Technology (Samoa) Limited	Investment holding company	100%	100%	100%
Innostor Technology (Samoa) Limited	Innostor Technology (Shenzhen) Ltd.	Consumer electronics, services business	100%	100%	100%

- The Group holds a 37.12% interest in Advanced Memory Technology Co., Ltd. Because over 50% directors of Advanced Memory Technology Co., Ltd., who have the power to dominate the relevant activities, are assigned by the Company, the Company listed Advanced Memory Technology Co., Ltd. as a subsidiary.
- Broadway Semiconductor Inc since February 23, 2017 changed its name to the Advanced Memory Technology Co., Ltd

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Research and Development Equipment	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2017	\$ 44,592	\$ 42,008	\$ 12,650	\$ 26,102	\$ 12,522	\$ 137,874
Additions	-	-	501	-	2,438	2,939
Disposal	-	-	-	(10,938)	(238)	(11,176)
Effect of rate changes	-	-	-	-	(7)	(7)
Balance at September 30, 2017	<u>\$ 44,592</u>	<u>\$ 42,008</u>	<u>\$ 13,151</u>	<u>\$ 15,164</u>	<u>\$ 14,715</u>	<u>\$ 129,630</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2017	\$ -	\$ 950	\$ 6,397	\$ 23,108	\$ 8,163	\$ 38,618
Depreciation	-	1,425	2,242	1,101	2,031	6,799
Disposal	-	-	-	(10,938)	(238)	(11,176)
Effect of rate changes	-	-	-	-	(7)	(7)
Balance at September 30, 2017	<u>\$ -</u>	<u>\$ 2,375</u>	<u>\$ 8,639</u>	<u>\$ 13,271</u>	<u>\$ 9,949</u>	<u>\$ 34,234</u>
Carrying amounts at January 1, 2017	<u>\$ 44,592</u>	<u>\$ 41,058</u>	<u>\$ 6,253</u>	<u>\$ 2,994</u>	<u>\$ 4,359</u>	<u>\$ 99,256</u>
Carrying amounts at September 30, 2017	<u>\$ 44,592</u>	<u>\$ 39,633</u>	<u>\$ 4,512</u>	<u>\$ 1,893</u>	<u>\$ 4,766</u>	<u>\$ 95,396</u>
<u>Cost</u>						
Balance at January 1, 2018	\$ 44,592	\$ 42,008	\$ 13,419	\$ 14,106	\$ 15,774	\$ 129,899
Additions	-	-	1,170	-	2,292	3,462
Disposal	-	-	-	(355)	(15)	(370)
Effect of rate changes	-	-	-	-	(21)	(21)
Balance at September 30, 2018	<u>\$ 44,592</u>	<u>\$ 42,008</u>	<u>\$ 14,589</u>	<u>\$ 13,751</u>	<u>\$ 18,030</u>	<u>\$ 132,970</u>

Accumulated depreciation

Balance at January 1, 2018	\$ -	\$ 2,850	\$ 9,325	\$ 12,576	\$ 10,488	\$ 35,239
Depreciation	-	1,424	2,004	598	2,477	6,503
Disposal	-	-	-	(355)	(15)	(370)
Effect of rate changes	-	-	-	-	(19)	(19)
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ 4,274</u>	<u>\$ 11,329</u>	<u>\$ 12,819</u>	<u>\$ 12,931</u>	<u>\$ 41,353</u>
Carrying amounts at January 1, 2018	<u>\$ 44,592</u>	<u>\$ 39,158</u>	<u>\$ 4,094</u>	<u>\$ 1,530</u>	<u>\$ 5,286</u>	<u>\$ 94,660</u>
Carrying amounts at September 30, 2018	<u>\$ 44,592</u>	<u>\$ 37,734</u>	<u>\$ 3,260</u>	<u>\$ 932</u>	<u>\$ 5,099</u>	<u>\$ 91,617</u>

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

Buildings	10 to 35 years
Research and Development Equipment	3 years
Machinery and Equipment	2 to 5 years
Other Equipment	2 to 5 years

13. OTHER INTANGIBLE ASSETS

	Photomask	Computer Software	Patent	Technology Licensing	Total
<u>Cost</u>					
Balance at January 1, 2017	\$ 58,290	\$ 19,617	\$ 20,097	\$ 52,490	\$ 150,494
Additions	<u>8,451</u>	<u>381</u>	<u>-</u>	<u>11,045</u>	<u>19,877</u>
Balance at September 30, 2017	<u>\$ 66,741</u>	<u>\$ 19,998</u>	<u>\$ 20,097</u>	<u>\$ 63,535</u>	<u>\$ 170,371</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2017	\$ 46,012	\$ 17,948	\$ 1,005	\$ 19,599	\$ 84,564
Amortization expense	<u>10,545</u>	<u>845</u>	<u>3,015</u>	<u>13,264</u>	<u>27,669</u>
Balance at September 30, 2017	<u>\$ 56,557</u>	<u>\$ 18,793</u>	<u>\$ 4,020</u>	<u>\$ 32,863</u>	<u>\$ 112,233</u>
Carrying amounts at January 1, 2017	<u>\$ 12,278</u>	<u>\$ 1,669</u>	<u>\$ 19,092</u>	<u>\$ 32,891</u>	<u>\$ 65,930</u>
Carrying amounts at September 30, 2017	<u>\$ 10,184</u>	<u>\$ 1,205</u>	<u>\$ 16,077</u>	<u>\$ 30,672</u>	<u>\$ 58,138</u>
<u>Cost</u>					
Balance at January 1, 2018	\$ 74,874	\$ 19,998	\$ 20,097	\$ 63,535	\$ 178,504
Additions	<u>1,550</u>	<u>2,881</u>	<u>-</u>	<u>-</u>	<u>4,431</u>
Disposal	<u>-</u>	<u>(511)</u>	<u>-</u>	<u>-</u>	<u>(511)</u>
Balance at September 30, 2018	<u>\$ 76,424</u>	<u>\$ 22,368</u>	<u>\$ 20,097</u>	<u>\$ 63,535</u>	<u>\$ 182,424</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2018	\$ 61,297	\$ 19,009	\$ 5,024	\$ 37,455	\$ 122,785
Amortization expense	<u>7,923</u>	<u>856</u>	<u>3,015</u>	<u>13,775</u>	<u>25,569</u>
Disposal	<u>-</u>	<u>(502)</u>	<u>-</u>	<u>-</u>	<u>(502)</u>
Balance at September 30, 2018	<u>\$ 69,220</u>	<u>\$ 19,363</u>	<u>\$ 8,039</u>	<u>\$ 51,230</u>	<u>\$ 147,852</u>
Carrying amounts at January 1, 2018	<u>\$ 13,577</u>	<u>\$ 989</u>	<u>\$ 15,073</u>	<u>\$ 26,080</u>	<u>\$ 55,719</u>
Carrying amounts at September 30, 2018	<u>\$ 7,204</u>	<u>\$ 3,005</u>	<u>\$ 12,058</u>	<u>\$ 12,305</u>	<u>\$ 34,572</u>

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

Photomask	2 years
Computer software	2 - 5 years
Patent	4 years
Technology Licensing	2 - 3 years

14. OTHER ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Current</u>			
Prepayments	\$ 38,050	\$ 31,308	\$ 44,042
Payment on behalf of others	\$ 749	\$ 729	\$ -
Temporary payment	26	55	5,262
Other current assets	<u>10</u>	<u>11</u>	<u>2,548</u>
	785	795	7,810
 <u>Other Financial Assets - Current</u>			
Restricted demand deposits	<u>4,151</u>	<u>4,094</u>	<u>3,189</u>
	<u>\$ 4,936</u>	<u>\$ 4,889</u>	<u>\$ 10,999</u>
 <u>Non-Current</u>			
Guarantee Deposits Paid	<u>\$ 1,387</u>	<u>\$ 1,302</u>	<u>\$ 1,294</u>

15. BORROWINGSShort-term Borrowings

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Secured borrowings</u>			
Bank loans	\$ -	\$ -	\$ 40,260
 <u>Unsecured borrowings</u>			
Bank loans	<u>144,325</u>	<u>74,640</u>	<u>10,000</u>
	<u>\$ 144,325</u>	<u>\$ 74,640</u>	<u>\$ 50,260</u>

Interest rate of bank loans is 1.55% to 3.37% and 1.76% to 2.54% and 1.77% to 2.35% on September 30, 2018, and December 31, 2017 and September 30, 2017.

16. NOTES PAYABLE AND TRADE PAYABLES

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Notes payable</u>			
Operating	\$ 662	\$ -	\$ 1,796
<u>Trade payables</u>			
Operating	<u>\$ 107,907</u>	<u>\$ 70,724</u>	<u>\$ 252,072</u>

17. OTHER LIABILITIES

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Current</u>			
Other payables			
Payable for salaries and bonus	\$ 13,325	\$ 25,992	\$ 30,645
Payable for the bonus or compensation to employees and the remuneration to directors and supervisors	5,534	6,379	14,517
Dividend payable		-	-
Others (payable for commissions, Labor and National Health insurance, and others)	<u>32,212</u>	<u>21,332</u>	<u>20,973</u>
	<u>\$ 51,071</u>	<u>\$ 53,703</u>	<u>\$ 66,135</u>
Contract liability	<u>\$ 23,403</u>	<u>\$ -</u>	<u>\$ -</u>
Other current liabilities			
Advance sales receipts	\$ -	\$ 31,278	\$ 22,114
Receipts under custody	397	214	321
Others	<u>2,548</u>	<u>48</u>	<u>-</u>
	<u>\$ 2,945</u>	<u>\$ 31,540</u>	<u>\$ 22,435</u>

18. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Company, Advanced Memory Technology Co., Ltd. and Innostor Technology Corporation 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.

19. EQUITY

a. Common share

	September 30, 2018	December 31, 2017	September 30, 2017
Numbers of shares authorized (in thousands)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Shares authorized	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Number of shares issued and fully paid (in thousands)	<u>34,223</u>	<u>34,223</u>	<u>34,223</u>
Shares issued	<u>\$ 342,231</u>	<u>\$ 342,231</u>	<u>\$ 342,231</u>

The changes in the Company’s common shares are mainly attributable for the exercises of employee share options and dividends to the shares held by shareholders.

The authorized shares had been reserved 5,000 thousand shares for the issuance of convertible bonds and employee share options on September 30, 2018 and December 31, 2017 and September 30, 2017

b. Capital Surplus

	September 30, 2018	December 31, 2017	September 30, 2017
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Arising from issuance of common shares	\$ 374,602	\$ 374,602	\$ 374,602
<u>May be used to offset a deficit only</u>			
Arising from employee stock options transferred to issuance of common shares	15,024	15,024	15,024
<u>May not be used for any purpose</u>			
Arising from employee share options	<u>10,625</u>	<u>4,954</u>	<u>3,063</u>
	<u>\$ 400,251</u>	<u>\$ 394,580</u>	<u>\$ 392,689</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- c. Retained earnings and dividend policy
- In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been approved by the annual shareholders' meeting on June 14, 2016, and the Employees and directors remuneration policy was stipulated in the Company's Articles of Incorporation.

The Company's Articles of Incorporation provide that any profit after annual closing should be used first to cover deficit, and then set aside a legal reserve of 10% of the profits until the legal reserve equals the Company's paid-in capital, and retain special reserve(s) pursuant to applicable laws or regulations or as requested by the authorities in charge. On any remaining balance plus unappropriated earnings of prior years, the board of directors will propose an appropriation of earnings according to actual operating status to be presented in the shareholders' meeting for approval.

For policy about the employees' compensation and remuneration to directors and supervisors, please refer to Employees' compensation and remuneration to directors in Note 20

In accordance with the Company's Articles of Incorporation, the Company's dividend policy is in line with the current and future development plans, taking into account the investment environment, capital requirements and domestic and international competition, taking into account the shareholder's interests, etc. Cash bonus shall be more than 10% of the total bonus to shareholders. However, the Company may consider the factors including the economic conditions, industrial development and required fund, etc., to adjust the principle of distribution of cash and share dividends if necessary. Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2016 have been approved in the shareholders' meeting on June 20, 2017, respectively, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
	For the Year Ended	For the Year Ended
	December 31,2016	December 31,2016
Legal reserve	\$13,933	\$ -
Cash dividends	45,668	1.50
Share dividends	30,446	1.00

d. Non-controlling interests

	For the Nine Months Ended September 30	
	2018	2017
Balance at January 1	\$ 16,024	\$ 23,111
Attributable to non-controlling interests:		
Share of loss for the period	(4,103)	(5,274)
Acquire the Non-controlling Interests from Advanced Memory Technology Co., Ltd	-	(347)
Balance at September 30	<u>\$ 11,921</u>	<u>\$ 17,490</u>

20. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Revenue from the sale of goods	<u>\$ 317,320</u>	<u>\$ 190,973</u>	<u>\$ 830,105</u>	<u>\$ 506,091</u>

21. NET PROFIT

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest income	\$ 10	\$ 98	\$ 160	\$ 392
Others	<u>1,253</u>	<u>(314)</u>	<u>1,596</u>	<u>1,081</u>
	<u>\$ 1,263</u>	<u>\$ (216)</u>	<u>\$ 1,756</u>	<u>\$ 1,473</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Net foreign exchange gain(loss)	\$ (101)	\$ 5,388	\$ 8,779	\$ 7,317
Others	<u>(9)</u>	<u>(770)</u>	<u>(207)</u>	<u>(1,060)</u>
	<u>\$ (110)</u>	<u>\$ 4,618</u>	<u>\$ 8,572</u>	<u>\$ 6,257</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest on bank loans	<u>\$ 1,732</u>	<u>\$ 1,007</u>	<u>\$ 4,053</u>	<u>\$ 2,877</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Property, plant and equipment	\$ 2,129	\$ 2,143	\$ 6,503	\$ 6,799
Intangible assets	<u>8,549</u>	<u>9,549</u>	<u>25,569</u>	<u>27,669</u>
Total	<u>\$ 10,678</u>	<u>\$ 11,692</u>	<u>\$ 32,072</u>	<u>\$ 34,468</u>
An analysis of deprecation by function				
Operating expenses	<u>\$ 2,129</u>	<u>\$ 2,143</u>	<u>\$ 6,503</u>	<u>\$ 6,799</u>
An analysis of amortization by function				
Operating expenses	<u>\$ 8,549</u>	<u>\$ 9,549</u>	<u>\$ 25,569</u>	<u>\$ 27,669</u>

- e. Impairment loss on financial assets (Impairment reversals of financial assets)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Accounts receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 662</u>	<u>\$ -</u>

- f. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Post-employment benefits				
Defined contribution plans	\$ 2,191	\$ 2,122	\$ 6,476	\$ 6,149
Other employee benefits	<u>59,135</u>	<u>57,794</u>	<u>168,547</u>	<u>154,248</u>
Total employee benefits expense	<u>\$ 61,326</u>	<u>\$ 59,916</u>	<u>\$ 175,023</u>	<u>\$ 160,397</u>
An analysis of employee benefits expense by function				
Operating expenses	<u>\$ 61,326</u>	<u>\$ 59,916</u>	<u>\$ 175,023</u>	<u>\$ 160,397</u>

- g. Employees' compensation and remuneration to directors and supervisors

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

The appropriations of employees' compensation and remuneration to directors and supervisors for 2016 having have been resolved by the board of directors on March 20, 2017. Details were stated as below.

	For the Year Ended December 31,2016	
	Cash	Share
Bonus to employees	\$ 14,163	\$ -
Remuneration of directors and supervisors	1,800	-

Information on the employees' compensation/bonus to employees and the remuneration to directors/remuneration to directors and supervisors resolved by the Company's board of directors for the year 2018 and 2017 are available on the Market Observation Post System website of the TSE.

- h. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Foreign exchange gains	\$ 4,989	\$ 6,163	\$ 35,884	\$ 20,723
Foreign exchange losses	<u>(5,090)</u>	<u>(775)</u>	<u>(27,105)</u>	<u>(13,406)</u>
Net gain or loss	<u>\$ (101)</u>	<u>\$ 5,388</u>	<u>\$ 8,779</u>	<u>\$ 7,317</u>

22. INCOME TAXES

a. Major components of tax expenses recognized in profit or loss:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Current tax				
In respect of the current period	\$ 10,522	\$ -	\$ 13,873	\$ -
Adjustments tax for prior years	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,003)</u>
	10,522	-	13,873	(2,003)
Deferred tax				
In respect of the current period	(12,022)	-	(14,733)	2,003
Change in tax rate	<u>-</u>	<u>-</u>	<u>(903)</u>	<u>-</u>
Income tax expenses recognized in profit or loss	<u>\$ (1,500)</u>	<u>\$ -</u>	<u>\$ (1,763)</u>	<u>\$ -</u>

b. Income tax assessments

The tax returns through 2015 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Basic earnings per share	<u>\$ 1.02</u>	<u>\$ (0.51)</u>	<u>\$ 1.47</u>	<u>\$ (1.66)</u>
Diluted earnings per share	<u>\$ 1.02</u>	<u>\$ (0.51)</u>	<u>\$ 1.47</u>	<u>\$ (1.66)</u>

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

Net Profit(Loss) for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Earnings used in the computation of basic earnings per share	<u>\$ 35,062</u>	<u>\$(17,376)</u>	<u>\$ 50,393</u>	<u>\$(56,299)</u>
Earnings used in the computation of diluted earnings per share.	<u>\$ 35,062</u>	<u>\$(17,376)</u>	<u>\$ 50,393</u>	<u>\$(56,299)</u>
Shares			(In Thousands of Shares)	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Weighted average number of ordinary shares in computation of basic earnings per share	34,223	34,223	34,223	34,011
Effect of potentially dilutive ordinary shares:				
Employee share option	-	-	-	-
Employees' compensation	<u>108</u>	<u>-</u>	<u>108</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>34,331</u>	<u>34,223</u>	<u>34,331</u>	<u>34,011</u>

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 bonus will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if 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. SHARE-BASED PAYMENT

a. Employee share option program granted in 103 years

Information on employee share options was as follows:

	For the Nine Months Ended September 30			
	2018		2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price(NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price(NT\$)
Balance at January 1	58	\$ 22	791	\$ 22
Options exercised	(58)		(733)	
Overdue of this period	-		-	
Balance at September 30	-		58	
Options exercisable at September 30	-		58	
Weighted-average fair value of options granted (\$)	\$ 7.78		\$ 7.78	

Compensation cost recognized was \$0 thousand, and \$175 thousand, and \$0 thousand, and \$175 thousand for the three months ended September 30, 2018 and 2017, and for the nine months ended September 30, 2018 and 2017 respectively.

b. Employee share option program granted in 106 years

Information on employee share options was as follows:

	For the Nine Months Ended September 30			
	2018		2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price(NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price(NT\$)
Balance at January 1	2,500	\$ 40.15	-	\$ 40.15
Options exercised	-		2,500	
Balance at September 30	2,500		2,500	
Options exercisable at September 30	-		-	
Weighted-average fair value of options granted (\$)	\$ 8.00		\$ 8.00	

Compensation cost recognized was \$1,890 thousand, and \$1,891 thousand, and \$5,671 thousand, and \$2,521 thousand for the three months ended September 30, 2018 and 2017, and for the nine months ended September 30, 2018 and 2017 respectively.

25. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Lessor	Leased Property	Leased Periods	Method of Payment	Rent Expense For the Nine Months Ended September 30		The future Rents Payable
				2018	2017	
Sonix Technology Co., Ltd.	3F&9F., NO8, Ln. 32, Xianzheng 5 th St., Jhubei City, Hsinchu Country	2015.06-2018.06	Every month	\$ -	\$ 1,701	\$ -
Trusval Technology Co., Ltd	3F.-2, No.83, Sec. 2, Gongdao 5th Rd., Hsinchu City	2017.08-2019.08	Every month	1,683	187	201810~12 561 2019 1,496

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

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than 1 year	\$ 2,057	\$ 2,244	\$ 2,250
1 to 5 years	-	1,496	2,062
	\$ 2,057	\$ 3,740	\$ 4,312

26. CAPITAL MANAGEMENT

To determine an appropriate capital structure of the Group, the Group considers the external competition and the change in environment according to overall business environment and the future development trend of the Group. Key management personnel of the Group review the capital structure regularly. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. The Group manages its capital to ensure that the Group has all required funds to cover necessary working capital, research and development expenses, and dividends for the future period, and to assure the Group is able to continue as going concerns and balances the return to shareholders with the interest of stakeholders, and to maintain an optimal capital structure in order to enhance shareholder value in the long term.

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

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

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

27. FINANCIAL INSTRUMENTS

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

At the end of the reporting period, the Group believes the carrying amounts of debt investments with no active market, other receivables and loans, and financial liabilities measured at amortized cost, which recognized in the consolidated financial statements approximate their fair values.

- b. Categories of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Financial assets</u>			
Loans and receivables (1)	\$ -	\$ 519,859	\$ 384,672
Financial assets at amortized cost	536,630	-	-
<u>Financial liabilities</u>			
Amortized cost (2)	304,079	199,181	370,263
1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt instrument investments with no active market, trade receivables and restricted deposits.			
2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables and other payables.			

- c. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables, and borrowings. 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 currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal

auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 99% of the Group's sales and cost were denominated in currencies other than the functional currency. 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 and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Group was mainly exposed to USD.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, 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 associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars 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	
	For the Nine Months Ended	
	September 30	
	2018	2017
Profit or loss	(\$ 1,815) (i)	(\$ 1,155) (i)

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.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

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

	September 30, 2018	December 31, 2017	September 30, 2017
Fair value interest rate risk			
Financial assets	\$ 5,070	\$ 2,059	\$ 22,056
Cash flow interest rate risk			
Financial assets	235,365	301,838	255,527
Financial liabilities	144,325	74,640	50,260

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives 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. A 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.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets.
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

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

The Group has significant risk exposure to the Group's largest customer. As of September 30, 2018, December 31, 2017 and September 30, 2017, the gross trade receivables from the aforementioned customer were 12%, 23% and 13%, respectively.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group had available unutilized short-term bank loan facilities set out in (b) below.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

September 30, 2018

	On Demand or				
	Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing					

Notes payables	\$ 662	\$ -	\$ -	\$ -	\$ -
Trade payables	23,078	84,612	217	-	-
Other payables	9,923	2,391	432	-	-
Variable interest rate liabilities	<u>30,530</u>	<u>85,795</u>	<u>28,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 64,193</u>	<u>\$ 174,654</u>	<u>\$ 46,351</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing					
Trade payables	\$ 41,147	\$ 28,521	\$ 1,056	\$ -	\$ -
Other payables	10,557	4,003	-	-	-
Variable interest rate liabilities	<u>20,000</u>	<u>54,640</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 71,704</u>	<u>\$ 87,164</u>	<u>\$ 1,056</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing					
Notes payables	\$ 1,796	\$ -	\$ -	\$ -	\$ -
Trade payables	219,266	30,852	1,954	-	-
Other payables	8,588	3,550	-	-	-
Variable interest rate liabilities	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 239,650</u>	<u>\$ 44,402</u>	<u>\$ 1,954</u>	<u>\$ -</u>	<u>\$ -</u>

Note: Other payables excluded payables for salaries, pension, the bonus or compensation to employees, and the remuneration to directors and supervisors.

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured bank overdraft facility:			
Amount used	\$ 144,325	\$ 74,640	\$ 40,260
Amount unused	<u>301,905</u>	<u>429,280</u>	<u>455,390</u>
	<u>\$ 446,230</u>	<u>\$ 503,920</u>	<u>\$ 495,650</u>
Secured bank overdraft facility:			
Amount used	\$ -	\$ -	\$ 10,000
Amount unused	<u>40,000</u>	<u>40,000</u>	<u>110,000</u>
	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 120,000</u>

28. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	\$ 2,990	\$ 3,460	\$ 9,348	\$ 9,819
The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.				

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the suppliers as procurement loans and the tariff of imported guarantees:

	September 30, 2018	December 31, 2017	September 30, 2017
Pledged time deposits(Financial assets at amortized cost)	\$ 5,070	\$ -	\$ -
Pledged time deposits(Debt investments with no active market)	-	2,059	2,056
Restricted demand deposits - liquidity	4,151	4,094	3,189
Land	44,592	44,592	44,592
Buildings	28,490	29,123	29,334
	<u>\$ 82,303</u>	<u>\$ 79,868</u>	<u>\$ 79,171</u>

30. SIGNIFICANT ASSETS AND LIABILITIES DEMONSTRATED IN FOREIGN CURRENCIES

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

September 30, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,713	30.53	\$ 357,598
RMB	230	4.436	1,020
KRW	2,043	0.0277	57
			<u>\$ 358,675</u>

Financial liabilities

Monetary items			
USD	5,724	30.53	<u>\$ 174,754</u>

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,708	29.760	\$ 348,430
RMB	348	4.565	1,589
KRW	3,184	0.028	90
			<u>\$ 350,109</u>

Financial liabilities

Monetary items			
USD	3,433	29.760	<u>\$ 102,166</u>

September 30, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,656	30.26	\$ 322,442
RMB	196	4.55	890
KRW	2,961	0.03	79
EUR	3	35.75	107
			<u>\$ 323,518</u>

Financial liabilities

Monetary items			
USD	11,412	30.26	<u>\$ 345,317</u>

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

	For the Three Months Ended September 30, 2018		For the Three Months Ended September 30, 2017	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
<u>Foreign Currencies</u>				
USD	30.53	<u>\$ 3,100</u>	30.26	<u>\$ 788</u>
	For the Nine Months Ended September 30, 2018		For the Nine Months Ended September 30, 2017	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
<u>Foreign Currencies</u>				
USD	30.53	<u>\$ 6,294</u>	30.26	<u>\$ 677</u>

31. 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). (None)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees. (Table 2)
- 11) Intercompany relationships and significant intercompany transactions. (Table 1)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 3)

- 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. (Table 4)

32. SEGMENT INFORMATION

The Group engages mainly in integrated circuit design, and there was single operating segment for the nine months ended September 30, 2018 and 2017. Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

TABLE 1

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				September 30, 2018	December 31, 2017	Shares	%	Carrying Amount			
ASolid Technology Co., Ltd.	Advanced Memory Technology Co., Ltd.	6F., No.1-1, Sec. 1, Chongqing N. Rd., Datong Dist., Taipei City	Integrated circuit design	\$ 21,860	\$ 21,860	2,450	37.12%	\$ 1,459	\$ (1,328)	\$ (493)	-
ASolid Technology Co., Ltd.	Innostor Technology Corporation	9F., No.8, Ln. 32, Xianzheng 5th St., Jhubei City, Hsinchu County	Integrated circuit design	59,281	59,281	5,928	69.74%	25,473	(7,788)	(7,534)	-
Innostor Technology Corporation	Innostor Technology (Samoa) Limited	SAMOA	Investment holding company	2,626 (USD 80)	2,626 (USD 80)	80,000	100%	(236)	-	-	-

Note 1 : Please refer to Table 3 for information on investment in Mainland China.

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

September 30, 2018							
No. (Note 1)	Investee Company	Counterparty	Relationship(Note 2)	Transactions Details (Note 3)			
				Financial Statement Accounts	Amount	% to Total Sales or Assets	Payment Terms
0	ASolid Technology Co., Ltd.	Innostor Technology Corporation	1	Sales revenue	\$ 22,739	3%	-
			1	Other revenue	78	-	-
			1	Rent revenue	527	-	-
			1	Other receivables	30,991	4%	-
1	Innostor Technology Corporation	Innostor Technology (Shenzhen) Ltd.	3	Experimental research service fees	5,753	1%	-

September 30, 2017							
No. (Note 1)	Investee Company	Counterparty	Relationship(Note 2)	Transactions Details (Note 3)			
				Financial Statement Accounts	Amount	% to Total Sales or Assets	Payment Terms
0	ASolid Technology Co., Ltd.	Advanced Memory Technology Co., Ltd.	1	Other revenue	\$ 17	-	-
		Innostor Technology Corporation	1	Sales revenue	7,781	-	-
		Innostor Technology Corporation	1	Rent revenue	118	-	-
1	Innostor Technology Corporation	Innostor Technology (Shenzhen) Ltd.	3	Experimental research service fees	5,686	-	-

Note 1: No. 0 represents the parent company.

Note 2: No. 1 represents the transactions from parent company to subsidiary.

Note 3: Balances and transactions between the company and its subsidiaries, have been eliminated on consolidation.

ASOLID TECHNOLOGY CO., LTD. AND SUBSIDIARIES

TABLE 3

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2018	Net Income (Loss) of the Investee	% Ownership for Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2018	Accumulated Inward Remittance of Investment Income as of September 30, 2018	Note
					Outward	Inward							
Innostor Technology (Shenzhen) Ltd.	Consumer electronics, services business	\$ 2,626 (USD80)	Through the investing company in the third country	\$ 2,626 (USD 80) (Note 2)	\$ -	\$ -	\$ 2,626 (USD80) (Note 2)	\$ -	69.74%	\$ -	(\$ 236)	\$ -	Subsidiary

Accumulated Investment in Mainland China as of September 30, 2018	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment (Note 1)
\$2,626 (USD 80)	\$2,626 (USD 80)	\$521,237

Note 1 : In accordance with the Provisions on the Examination of Investment or Technical Cooperation in the Mainland Area as stipulated by the Investment Commission of the Ministry of Economic Affairs.

Note 2 : The Company indirectly hold Innostor Technology (Shenzhen) Ltd. from the acquired Innostor Technology Corporation on September 26, 2016.