VIA Technologies, Inc. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders VIA Technologies, Inc.

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and their consolidated financial performance and their consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2017 are as follows:

Revenue Recognition

Revenue from the sale of goods is recognized when the significant risks and ownership are transferred to the buyers. Technical service revenue is recognized when the service is provided and the amount of revenue can be reasonably measured. About 70% of the aforementioned revenue is from the top 10 customers, which means that the customers of the Company is concentrated and the revenue has a significant effect on the consolidated financial statements. Therefore, the revenue recognition was deemed to be a key audit matter.

For the accounting policy of the revenue recognition please refer to Note 4.

We have obtained necessary understanding of the accounting policy of revenue recognition and executed the test of the design and implementation of internal controls with respect to the top 10 customers' revenue recognition. The compliance of accounting treatments and when the policy of revenue recognition by the Company have been verified by reviewing the relevant contractual provisions or sales order terms. For ensuring the Company's compliance with IAS 18, samples from the recognized revenue have been drawn to verify if the conditions of revenue recognition were met. We also assess the rationality of revenue recognition by reviewing significant returns and allowances after the balance sheet date, perform analytical procedure on the revenue from the top 10 customers, and verify if the revenue is recognized in compliance with the revenue recognition policy and if the revenue recognition period is appropriate.

Fair Value Valuation of Investment Properties

As of December 31, 2017, the balance of investment properties is \$1,886,782 thousand. Due to significant effects of investment properties on the consolidated financial statements, the complexity of fair value valuation process and the uncertainty of estimation, especially the assumptions of using the income approach, the fair value valuation of investment properties was deemed to be a key audit matter.

We have evaluated the rationality of the experts' independence and the approaches applied by the experts, sampled the local rents using by the experts or the comparable rents in the similar market, and verified the capitalization rate or the adjustment of discount rate. Moreover, we also put emphasis on the adequacy of investment properties disclosures.

For the accounting policy of the investment properties please refer to Note 4; for the critical accounting judgments and the key sources of estimation uncertainty please refer to Note 5; and for the relevant disclosures please refer to Note 16.

Other Matters

We have also audited the parent company only financial statements of VIA Technologies, Inc. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of Taiwan, the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including management and supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- 1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the 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, 2017 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 Shu-Lin, Liu and Wen-Yea, Shyu.

Deloitte & Touche Taipei, Taiwan Republic of China

March 23, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in Taiwan, 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 Taiwan, 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 Taiwan, 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. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under accounting principles and practices generally applied in Taiwan, the Republic of China were not translated into English.

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

	2017	2016			
ASSETS	Amount	%	Amount	%	
CURRENT ASSETS					
Cash and cash equivalents (Notes 4 and 6)	\$ 1,827,187	23	\$ 2,258,833	23	
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	307,594	4	155,329	2	
Available-for-sale financial assets - current (Notes 4 and 8)	1,866	-	1,873	-	
Debt investments with no active market - current (Notes 4 and 9)	97,086	1	290,114	3	
Accounts receivable, net (Notes 4, 5 and 10)	233,106	3	298,180	3	
Accounts receivable - related parties (Notes 4, 5, 10 and 36) Other receivables (Notes 4, 10 and 36)	7,147 89,196	1	16,412 134,611	1	
Inventories (Notes 4, 5 and 11)	587,288	7	420,781	4	
Other current assets (Notes 19 and 36)	133,614	2	260,800	3	
Total current assets	3,284,084	41	3,836,933	<u>39</u>	
NON-CURRENT ASSETS					
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 37)	-	-	173,800	2	
Financial assets measured at cost - non-current (Notes 4, 5 and 12)	97,477	1	111,220	1	
Investments accounted for using equity method (Notes 4 and 14) Property, plant and equipment (Notes 4, 15 and 37)	306,366 2,182,438	4 27	1,219,654 2,257,860	12 23	
Investment properties, net (Notes 4, 16 and 37)	1,886,782	24	1,908,029	20	
Intangible assets (Notes 4 and 17)	101,102	1	124,698	1	
Deferred tax assets (Notes 4 and 28)	8,687	-	5,349	-	
Refundable deposits (Note 19)	33,304	1	33,770	-	
Defined benefit assets (Notes 4 and 24)	-	-	45,932	1	
Long-term prepayments for lease (Notes 18 and 37) Other non-current assets (Note 19)	86,383 577	1 -	90,369 577	1 -	
Total non-current assets	4,703,116		5,971,258	61	
TOTAL	\$ 7,987,200	100	\$ 9,808,191	100	
TOTAL	<u>Ψ 7,767,200</u>	100	<u>\$ 9,000,191</u>	<u> 100</u>	
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	\$ 1,119	-	\$ -	-	
Notes payable (Note 21)	3,418	-	2,118	-	
Accounts payable (Note 21)	298,399	4	430,461	5	
Accounts payable - related parties (Notes 21 and 36)	35,394	10	2,377	12	
Other payables (Notes 22 and 36) Current tax liabilities (Notes 4 and 28)	947,545 3,078	12	1,165,672 32,719	12 1	
Provisions - current (Notes 4 and 23)	4,947	_	21,684	1	
Current portion of long-term borrowings (Note 20)	-	_	1,006,000	10	
Temporary receipts	4,954	-	21,361	-	
Other current liabilities (Notes 22 and 36)	222,630	3	310,767	3	
Total current liabilities	1,521,484	<u>19</u>	2,993,159	31	
NON-CURRENT LIABILITIES					
Long-term borrowings (Note 20)	1,002,000	12	1,215,000	12	
Long-term bills payable (Note 20)	769,943	10	378,572	4	
Deferred tax liabilities (Notes 4 and 28)	193,138	2	190,013	2	
Long-term borrowings - related parties (Note 36)	293,233	4	299,280	3	
Defined benefit liabilities (Notes 4 and 24)	228,052 172,476	3 2	184,087 684,577	2 7	
Credit balance of investments accounted for using equity method (Notes 14 and 22) Other non-current liabilities (Note 22)	6,038		4,421		
Total non-current liabilities	2,664,880	33	2,955,950	30	
Total liabilities	4,186,364	52	5,949,109	61	
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 25)					
Share capital	4,933,034	62	4,933,034	50	
Capital surplus	3,459				
Accumulated deficits	(1,207,275)	<u>(15</u>)	(1,216,894)	<u>(12</u>)	
Other equity	,	<i>y</i> = :			
Exchange differences on translating foreign operations	(239,453)	(3)	(49,913)	(1)	
Unrealized gain or loss on available-for-sale financial assets Total other equity	(3,899) (243,352)	(3)	(3,892) (53,805)	<u></u> (1)	
Total equity attributable to owners of the Company	3,485,866	44	3,662,335	37	
NON-CONTROLLING INTERESTS (Note 25)	<u>314,970</u>	4	196,747	2	
Total equity	3,800,836	48	3,859,082	39	
TOTAL	\$ 7,987,200	100	\$ 9,808,191	100	
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The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 26 and 36)	\$ 4,511,868	100	\$ 4,925,843	100
OPERATING COSTS (Notes 11, 24, 27 and 36)	3,209,881	71	3,481,890	71
GROSS PROFIT	1,301,987		1,443,953	
OPERATING EXPENSES (Notes 24, 27 and 36) Selling and marketing expenses General and administrative expenses Research and development expenses	794,852 538,781 1,311,562	18 12 	858,077 477,511 1,401,817	17 10
Total operating expenses	2,645,195	_ 59	<u>2,737,405</u>	<u>55</u>
LOSS FROM OPERATIONS	(1,343,208)	<u>(30</u>)	(1,293,452)	<u>(26</u>)
NON-OPERATING INCOME AND EXPENSES (Notes 14, 27 and 36)				
Other income	853,377	19	389,448	8
Other gains and losses	252,705	6	217,959	4
Finance costs	(42,131)	(1)	(45,486)	(1)
Share of profit of associates	304,105	7	908,675	<u>19</u>
Total non-operating income and expenses	1,368,056	31	1,470,596	_30
PROFIT BEFORE INCOME TAX	24,848	1	177,144	4
INCOME TAX BENEFIT (Notes 4 and 28)	11,662		3,676	
NET PROFIT FOR THE YEAR	36,510	1	180,820	4
OTHER COMPREHENSIVE INCOME AND LOSS (Notes 24 and 25) Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(40,378)	(1)	(50,535) (Con	(1) ntinued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		
·	Amount	%	Amount	%	
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations Share of the other comprehensive income of	\$ (220,989)	(5)	\$ (208,157)	(4)	
associates Unrealized losses on available-for-sale financial	30,786	1	292	-	
assets	(7)		(11,372)	(1)	
Other comprehensive loss for the year, net of income tax	(230,588)	<u>(5</u>)	(269,772)	<u>(6</u>)	
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (194,078)</u>	<u>(4</u>)	<u>\$ (88,952)</u>	<u>(2</u>)	
NET PROFIT ATTRIBUTABLE TO: Owners of the Company Non-controlling interests	\$ 50,033 (13,523) \$ 36,510	1 1	\$ 200,561 (19,741) \$ 180,820	4 4	
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:	 				
Owners of the Company Non-controlling interests	\$ (179,892) (14,186)	(4) 	\$ (65,268) (23,684)	(1) (1)	
	<u>\$ (194,078)</u>	(4)	<u>\$ (88,952)</u>	<u>(2</u>)	
EARNINGS PER SHARE (Note 29) From continuing operations Basic	<u>\$ 0.10</u>		<u>\$ 0.41</u>		

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

(Concluded)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company							
	Share Capital	Capital Surplus	Accumulated Deficits	Other Exchange Differences on Translating Foreign Operations	Equity Unrealized Gain or Loss on Available-for- sale Financial Assets	Total Equity Attributable to Owners of the Company	Non-controlling Interests	Total Equity
DAY ANGE MANUAL ANGE	-			-				
BALANCE, JANUARY 1, 2016	\$ 4,933,034	\$ 2,302	\$ (1,361,826)	\$ 157,952	\$ 3,747	\$ 3,735,209	\$ 220,431	\$ 3,955,640
Net profit for the year ended December 31, 2016	-	-	200,561	-	-	200,561	(19,741)	180,820
Other comprehensive income and loss for the year ended December 31, 2016	_	_	(50,325)	(207,865)	(7,639)	(265,829)	(3,943)	(269,772)
Total comprehensive income and loss for the year ended December 31, 2016	_	_	<u>150,236</u>	(207,865)	(7,639)	(65,268)	(23,684)	(88,952)
Change in capital surplus from investments in associates		(2,302)	(5,304)	-	_	(7,606)		(7,606)
BALANCE, DECEMBER 31, 2016	4,933,034	-	(1,216,894)	(49,913)	(3,892)	3,662,335	196,747	3,859,082
Net profit for the year ended December 31, 2017	-	-	50,033	-	-	50,033	(13,523)	36,510
Other comprehensive income and loss for the year ended December 31, 2017	_	_	(40,378)	(189,540)	(7)	(229,925)	(663)	(230,588)
Total comprehensive income and loss for the year ended December 31, 2017	-	_	9,655	(189,540)	(7)	(179,892)	(14,186)	(194,078)
Change in percentage of ownership interests in the subsidiary (Note 31)	-	591	-	-	-	591	132,409	133,000
Recognition of employee share options issued by the subsidiary (Note 30)	-	2,545	-	-	-	2,545	-	2,545
Change in capital surplus from investments in associates	_	323	(36)			287	_	287
BALANCE, DECEMBER 31, 2017	\$ 4,933,034	\$ 3,459	<u>\$ (1,207,275</u>)	\$ (239,453)	\$ (3,899)	<u>\$ 3,485,866</u>	\$ 314,970	\$ 3,800,836

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	\$	24,848	\$	177,144
Adjustments for:	·	,	·	,
Depreciation		163,611		165,805
Amortization		75,528		81,119
Impairment loss on financial assets measured at cost		3,561		276
Amortization of prepayments for lease		2,136		2,304
Finance costs		42,131		45,486
Interest income		(15,699)		(10,607)
Dividend income		(1,960)		(1,954)
Compensation costs of employee share options		2,545		_
Loss on disposal of property, plant and equipment		7,257		1,785
Gain on disposal of intangible assets		(186,639)		(192,820)
Gain on sale of investments		_		(12,017)
Gain on disposal of financial assets measured at cost		(95,088)		_
Share of profit of associates		(304,105)		(908,675)
Gain on changes in fair value of investment properties		(12,580)		(26,044)
Changes in operating assets and liabilities				
Financial assets at fair value through profit or loss		21,535		193,865
Notes receivable		-		1,354
Accounts receivable		65,074		(12,558)
Accounts receivable - related parties		9,265		1,051
Other receivables		(20,277)		(14,546)
Inventories		(166,507)		(26,106)
Defined benefit assets		45,932		(18)
Other current assets		81,642		(49,318)
Financial liabilities at fair value through profit or loss		1,119		-
Notes payable		1,300		1,915
Accounts payable		(132,062)		14,555
Accounts payable - related parties		33,017		2,156
Other payables		(208,096)		(148,910)
Temporary receipts		(16,407)		(1,505)
Provisions		(16,737)		(3,249)
Defined benefit liabilities		3,587		695
Other current liabilities	_	(88,137)		(48,047)
Cash used in operations		(680,206)		(766,864)
Interest received		15,714		10,771
Dividend received		1,960		1,954
Interest paid		(45,065)		(42,699)
Income tax refunded (paid)		30,741		(27,931)
Net cash used in operating activities		(676,856)		(824,769)
	-	(0.0,000)		(Continued)
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CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale financial assets	\$ -	\$ 21,730
Purchase of debt investments with no active market	(266,648)	(235,082)
Proceeds from sale of debt investments with no active market	459,676	146,316
Proceeds from sale of financial assets measured at cost	160,765	-
Proceeds from capital reduction of financial assets measured at cost	7,194	-
Acquisition of the investment accounted for using equity method	(1,131,133)	-
Proceeds from capital reduction of investments accounted for using equity method	688,422	1,045,481
Payments for property, plant and equipment	(141,740)	(187,134)
Proceeds from disposal of property, plant and equipment	10,298	5,514
Increase in refundable deposits	(1,535)	(21,433)
Decrease in refundable deposits	733	135,992
Payments for intangible assets	(46,090)	(33,596)
Proceeds from disposal of intangible assets	5,937	137,512
Payments for investment properties	5,731	(2,486)
Dividend received from the associate	1,365,716	809,494
Dividend received from the dissociate	1,303,710	
Net cash provided by investing activities	1,111,595	1,822,308
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term bills payable	331,000	159,000
Proceeds from long-term borrowings	892,000	875,000
Repayments of long-term borrowings	(2,051,000)	(505,491)
Decrease in other payables - related parties	-	(1,538,890)
Increase in guarantee deposits	2,877	2,505
Decrease in guarantee deposits	(1,255)	(3,184)
Partial disposal of interests in the subsidiary without a loss of control	(, ,	(-, -,
(Note 31)	133,000	_
Net cash used in financing activities	(693,378)	(1,011,060)
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EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE		
OF CASH HELD IN FOREIGN CURRENCIES	(173,007)	(12,735)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(431,646)	(26,256)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,258,833	2,285,089
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,827,187</u>	\$ 2,258,833
The accompanying notes are an integral part of the consolidated financial s	statements.	(Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

VIA Technologies, Inc. ("VIA") was incorporated in September 1992 under the Company Law of the Republic of China to engage in the programming, designing, manufacturing and selling of semiconductors and PC chipsets. In March 1999, the Company's common stock was officially listed on the Taiwan Stock Exchange.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 23, 2018

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

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

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

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

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 36 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

	Effective Date
New IFRSs	Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of	January 1, 2018
Share-based Payment Transactions"	
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with	January 1, 2018
IFRS 4 Insurance Contracts"	
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of	January 1, 2018
IFRS 9 and Transition Disclosures"	
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from	January 1, 2018
Contracts with Customers"	
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for	January 1, 2017
Unrealized Losses"	
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance	January 1, 2018
Consideration"	

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.
- Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

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

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

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

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

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

- a) Listed shares and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss. Some of them will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;
- b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

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

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

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

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

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

	Amoi Decei	Carrying Amount as of December 31, 2017		Adjustments Arising from Initial Application		djusted arrying ount as of ary 1, 2018
Impact on assets, liabilities and equity						
Financial assets at fair value through profit or loss - current Financial assets at fair value through other	\$	307,594	\$	27,955	\$	335,549
comprehensive income - current		-		92,992		92,992
Available-for-sale financial assets - current		1,866		(1,866)		-
Debt investments with no active market - current		97,086		(97,086)		-
Financial assets measured at amortized cost - current		-		97,086		97,086
Financial assets measured at cost - non-current		97,477		(97,477)		-
Total effect on assets			\$	21,604		
Accumulated deficits Unrealized gain or loss on	(1,	207,275)	\$	24,353	(1,182,922)
available-for-sale financial assets		(3,899)		3,899		-
Unrealized gain or loss on financial assets at fair value through other						
comprehensive income		-		(6,648)		(6,648)
Total effect on equity			\$	21,604		

2) 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 will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Company recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Group satisfies a performance obligation.

Except for the above material impact on accounting policies, the application of IFRS 15 is not expected to have a material impact on the Company's financial position and financial performance.

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

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

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

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.
- Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.
- Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.
- Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company's accounting policies, except for the following:

IFRS 16 "Leases"

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair value.

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:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

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

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of VIA and the entities controlled by VIA. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by 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 VIA and to the non-controlling interests even if these results in the non-controlling interests have a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests 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 owners of the parent.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

See Note 13 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of VIA are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Inventories

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

Investments in Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Under the equity method, investments in an associate is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. In addition, the Company accounted for its interests in associates at a percentage of its ownership in the associate.

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

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments accounted for by the equity method, with a corresponding amount credited or charged to capital surplus. If additional subscription of the new shares of associate results in a decrease in the ownership interest, 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 if the investee had 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 by the equity method is insufficient, the shortage is debited to retained earnings.

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

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

The Company discontinues the use of the equity method from the date on which it ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its 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. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

Property, Plant and Equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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

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

Investment Property

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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.

Intangible Assets

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 life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment losses.

Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis.

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

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

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

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

Financial assets

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

a. Measurement category

Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets ("AFS") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at FVTPL are stated 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 any dividend or interest earned on the financial asset.

Investments in equity instruments under financial assets at FVTPL that do not have a listed 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 instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. The financial assets are remeasured at fair value if they can be reliably measured at fair value in a subsequent period. The difference between the carrying amount and the fair value is recognized in profit or loss.

2) AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets at FVTPL.

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

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

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

3) Loans and receivables

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

Cash equivalent includes time deposits and repurchase agreements collateralized by bonds with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b. Impairment of financial assets

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

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

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

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

For AFS 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 that financial asset because of financial difficulties.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is 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 Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

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.

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

Financial liabilities

a. Subsequent measurement

Except the financial liabilities at FVTPL and financial guarantee contracts, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

b. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Provisions

Provisions, including those arising from contractual obligation specified in service concession arrangement to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

a. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

- 2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) The amount of revenue can be measured reliably;
- 4) It is probable that the economic benefits associated with the transaction will flow to the Company;
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Specifically, sales of goods are recognized when goods are delivered and title has been passed.

b. Rendering of services

Service income including that from operating service provided under service concession arrangements is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- 1) Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- 2) Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold; and
- 3) Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

c. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and 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 Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

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

a. The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

b. The Company as lessee

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

Employee Benefits

Short-term employee benefits

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

Retirement benefits

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

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

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

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.

Termination benefits

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

Share-based Payment Arrangements

The fair value at the grant date of the equity-settled share-based payments the Company granted to employee is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share option. It is recognized as an expense in full at the grant date if vested immediately.

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

Taxation

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

a. 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 stockholders approve to retain the earnings.

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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 carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the 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 liability is settled or the asset 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax 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 tax 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 Company's accounting policies, which are described in Note 4, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of 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.

As of December 31, 2017 and 2016, the carrying amount of accounts receivable (including related parties) and overdue receivables were \$240,253 thousand and \$314,592 thousand, respectively. (After deduction the carrying amount of allowance for doubtful accounts were \$13,223 thousand and \$13,655 thousand, respectively.)

b. Fair value measurements and valuation processes

If some of the Company's assets and liabilities measured at fair value have no quoted prices in active markets, the Company determines whether to engage third party qualified valuers and the appropriate valuation techniques for the fair value measurements.

Where Level 1 inputs are not available, the Company or engaged valuers would determine appropriate inputs by referring to the existing lease contracts and rentals of similar properties in the vicinity of the Company's investment properties. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly. The Company updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of investment properties is disclosed in Note 16.

c. Fair value of financial instruments

The Company's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. The estimation of fair value of listed equity instruments traded in emerging market and unlisted equity instruments was based on the analysis in relation to the financial position and the operating results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities, including assumptions not based on unobservable market prices or rates. As of December 31, 2017 and 2016, the carrying amount of these equity instruments were \$97,477 thousand and \$111,220 thousand, respectively.

d. Impairment of tangible and intangible assets other than goodwill

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of semiconductor industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

The consolidated company recognized the impairment loss \$3,561 thousand and \$276 thousand of financial assets measured at cost in 2017 and 2016, respectively.

e. Write-down of inventory

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

Inventories are measured at the lower of cost or net realizable value. Judgment and estimation are applied in the determination of net realizable value at the end of reporting period. Inventories are usually written down to net realizable value item by item if those inventories are damaged, have become wholly or partially obsolete, or if their selling prices have declined.

As of December 31, 2017 and 2016, the carrying amounts of inventories were \$587,288 thousand and \$420,781 thousand, respectively. (After deduction the allowance of inventory devaluation were \$628,967 thousand and \$741,650 thousand, respectively.)

f. Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, management has reviewed the Company's investment property portfolios and concluded that the Company's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Company's deferred taxation on investment properties, the carrying amounts of the investment properties are presumed to be recovered entirely through sale.

6. CASH AND CASH EQUIVALENTS

	December 31			
	2017			2016
Cash on hand	\$ 1,	715	\$	2,356
Checking accounts and demand deposits	453,	298		674,889
Cash equivalents:				
Time deposits	1,319,	174	1	1,381,554
Repurchase agreements collateralized by bonds	53,	000		200,034
	<u>\$ 1,827,</u>	<u> 187</u>	<u>\$ 2</u>	2,258,833

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

	December 31			
	2017	2016		
Time deposits	0.59%-2.20%	0.59%-1.50%		
Repurchase agreements collateralized by bonds	0.34%	0.35%-0.38%		

As of December 31, 2017 and 2016, time deposits with original maturity more than three months amounted to \$97,086 thousand and \$290,114 thousand, classified as debt investments with no active market (please refer to Note 9).

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31		
	2017	2016	
Financial assets held for trading			
Derivatives (not designated as hedging instruments) - forward exchange contracts	<u>\$ -</u>	<u>\$ 1,951</u>	
Non-derivatives financial assets - domestic listed stocks	\$ 307,594	<u>\$ 327,178</u>	
Current Non-current	\$ 307,594	\$ 155,329 	
	\$ 307,594	<u>\$ 329,129</u>	
Financial liabilities held for trading			
Derivatives (not designated as hedging instruments) - forward exchange contracts	<u>\$ 1,119</u>	<u>\$</u>	
Current Non-current	\$ 1,119 	\$ - -	
	<u>\$ 1,119</u>	<u>\$</u>	

At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

Forward Exchange Contracts

	December 31, 2017			
	Buy/Sell	Notional Amount (In Thousands)	Maturity Date	Exchange Rate Intervals
Foreign exchange contracts (US\$/NT\$)	Buy	US\$ 6,700	2018.01.08-2018.02.23	\$29.86-\$30.05

		December 31, 2016			
	Buy/Sell	Notional Amount (In Thousands)	Maturity Date	Exchange Rate Intervals	
Foreign exchange contracts (US\$/NT\$)	Buy	US\$ 3,300	2017.01.10-2017.03.06	\$31.45-\$31.76	

The Company held derivative financial instruments in 2017 and 2016 for trading purpose and earned profit from foreign exchange rate fluctuation.

Net (loss) gain from financial instruments held for trading and derivative financial instruments for the years ended December 31, 2017 and 2016 amounted to \$(16,416) thousand and \$54,079 thousand, respectively, please refer to Note 27.

Please refer to Note 37 for more information relating to assets pledged as collateral.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31		
	2017	2016	
Domestic investments			
Listed shares and emerging market shares	<u>\$ 1,866</u>	<u>\$ 1,873</u>	
Current Non-current	\$ 1,866 	\$ 1,873 	
	<u>\$ 1,866</u>	<u>\$ 1,873</u>	

Net gain on sale of available-for-sale financial assets for the year ended December 31, 2016 amounted to \$12,017 thousand, and was recognized as gain on disposal of investments, please refer to Note 27.

Unrealized loss on valuation of financial instruments as of December 31, 2017 and 2016 amounted to \$7 thousand and \$11,372 thousand, respectively, and was recognized as unrealized loss on financial instruments in equity.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Time deposits (with original maturity over than three months)	<u>\$ 97,086</u>	\$ 290,114
Current Non-current	\$ 97,086 	\$ 290,114
	\$ 97,086	\$ 290,114

For the years ended December 31, 2017 and 2016, the market rate intervals of time deposits with original maturity over than three months were 1.02%-1.40% and 0.50%-1.34%, respectively.

10. ACCOUNTS RECEIVABLE (INCLUDED RELATED PARTIES) AND OTHER RECEIVABLES

	December 31		
	2017	2016	
Accounts receivable			
Accounts receivable Accounts receivable - related parties Less: Allowances for doubtful debts	\$ 244,239 7,147 (11,133)	\$ 309,676 16,481 (11,565)	
Othor magainables	<u>\$ 240,253</u>	<u>\$ 314,592</u>	
Other receivables			
Other receivables Less: Allowances for doubtful debts	\$ 89,196 	\$ 134,611	
	<u>\$ 89,196</u>	<u>\$ 134,611</u>	

Receivables

The credit period on sales of goods is 60 to 90 days. In determining the recoverability of receivables, the Company considered any change in the credit quality of the receivable since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience had been that receivables that are past due beyond 365 days were not recoverable. Allowance for impairment loss were recognized against receivables between 91 days and 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Before accepting any new customer, the Company evaluates the potential customer's credit quality and defines credit limits and ratings of the customers. The Company evaluates the financial performance periodically for the adjustment of credit limits once a year.

As of December 31, 2017 and 2016, the amount of top four receivables were \$121,774 thousand and \$132,679 thousand, respectively (please refer to Note 35).

For the receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss amounted to \$3,033 thousand and \$0 thousand, respectively, as of December 31, 2017 and 2016 (please refer to the aging analysis shown below). Because there was no significant change in credit quality and the amounts were still considered recoverable, the Company did not hold any collateral or other credit enhancements for these balances. The Company has no legal rights to have receivables be offset against accounts payables of counterparties.

The aging of receivables (including related parties) was as follows:

	December 31		
	2017	2016	
Not overdue 1-60 days 61-90 days 91-120 days	\$ 229,358 20,638 1 	\$ 305,082 20,325 7 	
	<u>\$ 251,386</u>	\$ 326,157	

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

The aging of receivables (including related parties) that were past due but not impaired was as follows:

	December 31		
	2017	2016	
1-60 days 61-90 days 91-120 days	\$ 2,829 1 203	\$ - - -	
	<u>\$ 3,033</u>	<u>\$ -</u>	

The above aging schedule was based on the past due days.

	For the Year Ended December 31			
	20)17	20	16
	Accounts Receivable (Including Related Parties)	Overdue Receivables	Accounts Receivable (Including Related Parties)	Overdue Receivables
Balance at January 1 Less: Impairment losses reversed Less: Amounts written off during the year as uncollectible Effect of exchange rate changes	\$ 11,565 - (432)	\$ 2,090 - - -	\$ 12,880 (1,041) (156) (118)	\$ 5,154 - (3,064)
Balance at December 31	<u>\$ 11,133</u>	\$ 2,090	<u>\$ 11,565</u>	\$ 2,090

Overdue receivables are classified as other assets, please refer to Note 19.

Other Receivables

	December 31			
	2017	2016		
Receivables on sale of securities	\$ -	\$ 65,677		
Other receivables from related parties - other	76,578	52,538		
Interests receivable	43	58		
Others	<u>12,575</u>	16,338		
	<u>\$ 89,196</u>	<u>\$ 134,611</u>		

- a. Receivables on sale of securities resulted from the transfer of Bounteous' shares. The Company collected \$160,765 thousand in February 2017, and the difference between the recoverable amounts, \$65,677 thousand, was \$95,088 thousand, which was recognized as gain on disposal of financial assets measured at cost. Please refer to Note 27.
- b. Other receivables from related parties are described in Note 36.

11. INVENTORIES

	December 31		
	2017	2016	
Merchandise	\$ 22,085	\$ 14,306	
Finished goods	237,586	166,641	
Work-in-process	173,828	131,979	
Raw materials	153,789	107,855	
	<u>\$ 587,288</u>	<u>\$ 420,781</u>	

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 included \$31,653 thousand and \$(35,948) thousand, respectively, due to the (reversal of) devaluation and obsolescence of inventories; \$396 thousand and \$453 thousand, respectively, due to loss on physical inventory.

12. FINANCIAL ASSETS MEASURED AT COST

	December 31		
	2017	2016	
Domestic investments Unlisted stock Overseas investments	\$ 5,699	\$ 5,699	
Unlisted stock	<u>91,778</u>	105,521	
	<u>\$ 97,477</u>	<u>\$ 111,220</u>	
Current Non-current	\$ - <u>97,477</u>	\$ - 	
	<u>\$ 97,477</u>	<u>\$ 111,220</u>	

The investee, Paradigm III Venture Capital Company reduced the capital and refunded at totaling \$7,194 thousand in September and October 2017, respectively.

Management believed that the above unlisted stock investments by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of reporting period. For the years ended December 31, 2017 and 2016, due to the deficit of the investees, the Company recognized impairment loss of \$3,561 thousand and \$276 thousand, respectively.

13. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

The consolidated entities as of December 31, 2017 and 2016 were as follows:

			% of Ov	vnership	
			Decem	ber 31	
Investor	Investee	Main Businesses	2017	2016	Remark
VIA Technologies, Inc.	VIABASE	International investment	100.00	100.00	-
	VIATECH	International investment	100.00	100.00	-
	VIA GmbH	Selling of PC chipset	-	100.00	1)
	TUNGBASE	International investment	100.00	100.00	_
	Wei-Hon Co, Ltd.	Manufacturing and selling of communication and electronic parts	100.00	100.00	-
	Vate Technology Co., Ltd.	Integrated circuits chip testing and packaging services	66.28	66.28	-
	VIA Embedded, Inc.	Manufacturing and selling of electronic parts	100.00	100.00	-
	VIA Labs, Inc.	Manufacturing and selling of electronic parts, information software processing services	77.83	100.00	2)
VIATECH	VIA-HK	International investment	100.00	100.00	-
VIABASE	IP-FIRST LLC	Designing and manufacturing of CPU and licensing of microprocessor-related intellectual property	100.00	100.00	-
	VIA USA, Inc.	International investment	100.00	100.00	-
	VIA Japan K.K.	Manufacturing, researching, developing and selling of integrated circuits and other semiconductor devices.	100.00	100.00	-
	T.C. Connection Corporation	International investment	100.00	100.00	-
	TECHBASE	International investment	100.00	100.00	-
	VIA CPU Platform Co., Ltd.	International investment	100.00	100.00	_
VIA USA, Inc.	VIA Technologies, Inc.	Selling and designing of PC chipset	100.00	100.00	_
,	VIA Cyrix, Inc.	Designing, manufacturing and selling of CPU	100.00	100.00	_
	VIA CPU Platform Inc.	Selling and designing of PC chipset	100.00	100.00	_
VIA-HK	VIA Technologies (Shenzhen) Co, Ltd.	Selling of CPU and PC chipset	100.00	100.00	-
	VIA Technologies (China) Co., Ltd.	Selling of CPU and PC chipset	100.00	100.00	-
TECHBASE	S3 Graphics (HK) Limited	International investment	100.00	100.00	-
	S3 Graphics, Inc.	Selling and designing of PC chipset	100.00	100.00	-
S3 Graphics (HK) Limited	VIA Technologies (Shanghai) Co., Ltd.	Selling of graphics chipset	100.00	100.00	-
VIA Technologies (Shanghai) Co., Ltd.	VIA CPU Platform (Shanghai) Co., Ltd.	Manufacturing, researching, developing and selling of integrated circuits chip	100.00	100.00	-
VIA CPU Platform Co., Ltd.	VIA CPU Platform (Taiwan) Co., Ltd.	Manufacturing of electronic parts and information software processing services	100.00	100.00	-
	CENTAUR Technology, Inc.	Designing, manufacturing and selling of CPU	100.00	100.00	-

Remark:

- 1) VIA GmbH was dissolved in December 2017.
- 2) VIA Labs, Inc. issued ordinary shares for cash and its employee share options were exercised in December 2017, reducing the percentage of ownership held by the Company. Please refer to Notes 30 and 31, respectively.

Except for VIA GmbH, Wei-Hon Co, Ltd. and VIA Embedded, Inc., the above subsidiaries have been audited and significant transactions between the companies have been eliminated in the consolidated financial statements. Management believes there is no material impact on the consolidated financial statements, from the above subsidiaries that have not been audited.

b. Subsidiaries excluded from consolidated financial statements: None.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	2016
Investment in associates	<u>\$ 306,366</u>	<u>\$ 1,219,654</u>

Investments in Associates

	December 31		
		2017	2016
Material associates			
VIA Telecom Co., Ltd.	\$	251,786	\$ 1,077,606
Associates that are not individually material			
VIA Alliance Semiconductor (Shanghai)		(172,476)	(684,577)
EverPro Technologies Company Ltd.		42,187	130,262
Intumit Inc.		12,354	11,725
iDOT Computer Inc.		_	-
Catchplay Media Holdings Ltd.		_	-
Sure Victory Investment Ltd.		39	61
·		133,890	535,077
Add: Credit balance of investments accounted for using equity			·
method reclassified as other liabilities (Note 22)		172,476	684,577
	\$	306,366	\$ 1,219,654

a. Material associates

The percentage of ownership and voting rights in material associated held by the Company at the end of reporting period were as follows:

	December 31		
	2017	2016	
VIA Telecom Co., Ltd.	48.94%	48.98%	

Investment in Associates are measured with equity methods.

Summarized financial information of the Company's material associates is set out below.

VIA Telecom Co., Ltd.

	December 31		
	2017	2016	
Current assets Non-current assets Current liabilities	\$ 1,051,824 2,738 (540,083)	\$ 2,872,414 535,553 (1,207,874)	
Equity	\$ 514,479	\$ 2,200,093	
Proportion of the Company's ownership	48.94%	48.98%	
Equity attributable to the Company	<u>\$ 251,786</u>	<u>\$ 1,077,606</u>	
Carrying amount	<u>\$ 251,786</u>	\$ 1,077,606	

	For the Year Ended December 31		
	2017	2016	
Operating revenue	<u>\$ 2,332,858</u>	<u>\$ 4,488,468</u>	
Net profit for the year Other comprehensive income	\$ 2,481,275 30,247	\$ 3,188,592 24,686	
Total comprehensive income for the year	<u>\$ 2,511,522</u>	\$ 3,213,278	

VIA Telecom Co., Ltd. reduced its capital and distributed earnings in May, June and December 2017 and June 2016. The Company received partial investment cost for \$688,422 thousand and \$1,045,481 thousand and cash dividends \$1,365,716 thousand and \$809,494 thousand in accordance with the holding percentage of ownership, respectively.

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31		
	2017	2016	
The Company's share of:			
Net loss for the year	\$ (909,123)	\$ (651,792)	
Other comprehensive income (loss)	<u>15,983</u>	(11,799)	
Total comprehensive loss for the year	<u>\$ (893,140)</u>	<u>\$ (663,591</u>)	

The carrying amount of investments in associates for VIA Alliance Semiconductor (Shanghai) included the unrealized gain on the transactions with the associate. As of December 31, 2017 and 2016, the amount of which were \$172,476 thousand and \$196,291 thousand, respectively, and such a unrealized gain will be recognized when VIA Alliance Semiconductor (Shanghai) amortizes the technological asset based on its useful life.

The Company invested VIA Alliance Semiconductor (Shanghai) for \$1,131,133 thousand in June 2017.

Due to discontinuous financial support to VIA Alliance Semiconductor (Shanghai), iDOT Computer Inc. and Catchplay Media Holdings Ltd., the Company discontinued recognition of its share of losses of those associates. The Company's share of loss of an associate is limited to its interest in these associates. The amounts of unrecognized share of loss of those associates, both for the reporting periods and cumulatively, were as follows:

	For the Year Ended December 31		
	2017	2016	
Unrecognized share of (losses) gains of associates for the year	<u>\$ (255,617)</u>	<u>\$ 17,012</u>	
Accumulated unrecognized share of losses of associates	<u>\$ (331,190)</u>	\$ (75,573)	

Except for Sure Victory Investment Ltd., 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, 2017 and 2016 were based on the associates' audited financial statements for the same reporting years as those of VIA. The management believes that the unaudit of the financial statements of Sure Victory Investment Ltd. would not result in a significant impact on the Company's consolidated financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31		
	2017	2016	
Carrying amounts			
Land	\$ 865,123	\$ 865,123	
Buildings and improvements	960,993	1,000,929	
Machinery and equipment	153,927	142,019	
Computer equipment	50,505	53,735	
Instrument equipment	44,514	70,969	
Transportation equipment	5,352	1,593	
Furniture and fixtures	48,326	48,012	
Leasehold improvements	49,708	67,403	
Property in construction	3,990	8,077	
	\$ 2,182,438	\$ 2,257,860	

Movement of property, plant and equipment for the years ended December 31, 2017 and 2016 were as follows:

	Land	Buildings and Improvements	Machinery and Equipment	Computer Equipment	Instrument Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Property in Construction	Total
Cost										
Balance, January 1, 2016 Additions Disposal Reclassification Translation adjustment	\$ 865,123 - - -	\$ 1,614,932 6,770 (3,604) (51,935)	\$ 740,928 54,468 (80,131) 3,243 (5,263)	\$ 394,738 16,934 (44,911) - (20,337)	\$ 691,343 26,451 (14,123) (21,290)	\$ 24,154 (1,693) (1,488)	\$ 589,372 16,743 (24,389) (18,685)	\$ 155,715 68,521 (805) (9,305)	\$ 1,750 9,570 - (3,243)	\$ 5,078,055 199,457 (169,656) - (128,303)
Balance, December 31, 2016	\$ 865,123	\$ 1,566,163	\$ 713,245	\$ 346,424	\$ 682,381	\$ 20,973	\$ 563,041	\$ 214,126	\$ 8,077	\$ 4,979,553
Balance, January 1, 2017 Additions Disposal Reclassification Translation adjustment	\$ 865,123 - - - -	\$ 1,566,163 3,560 - (11,982)	\$ 713,245 53,913 (23,939) 17,860 (10,485)	\$ 346,424 16,459 (11,533) (8,013)	\$ 682,381 7,450 (66,365) (34,446)	\$ 20,973 4,654 (4,385) (445)	\$ 563,041 18,466 (9,076) (30,783)	\$ 214,126 4,818 (170) (10,064)	\$ 8,077 13,773 (17,860)	\$ 4,979,553 123,093 (115,468) (106,218)
Balance, December 31, 2017	\$ 865,123	\$_1,557,741	\$ 750,594	\$ 343,337	\$ 589,020	\$ 20,797	\$ 541,648	\$ 208,710	\$ 3,990	\$ 4,880,960
Accumulated depreciation										
Balance, January 1, 2016 Depreciation expenses Disposal Translation adjustment	\$ - - -	\$ 542,520 35,643 (3,604) (9,325)	\$ 604,608 51,570 (80,127) (4,825)	\$ 330,767 20,093 (41,078) (17,093)	\$ 616,680 26,891 (12,674) (19,485)	\$ 22,246 (1,524) (1,342)	\$ 536,108 18,044 (22,545) (16,578)	\$ 142,439 13,564 (805) (8,475)	\$ - - -	\$ 2,795,368 165,805 (162,357) (77,123)
Balance, December 31, 2016	<u>s -</u>	\$ 565,234	\$ 571,226	\$ 292,689	\$ 611,412	\$ 19,380	\$ 515,029	\$ 146,723	<u>s -</u>	\$ 2,721,693
Balance, January 1, 2017 Depreciation expenses Disposal Translation adjustment	\$ - - -	\$ 565,234 33,509 - (1,995)	\$ 571,226 50,885 (15,107) (10,337)	\$ 292,689 18,139 (10,792) (7,204)	\$ 611,412 26,197 (59,728) (33,375)	\$ 19,380 455 (3,946) (444)	\$ 515,029 16,019 (8,170) (29,556)	\$ 146,723 18,407 (170) (5,958)	\$ - - -	\$ 2,721,693 163,611 (97,913) (88,869)
Balance, December 31, 2017	<u>s -</u>	\$ 596,748	\$ 596,667	\$ 292,832	\$ 544,506	\$ 15,445	\$ 493,322	\$ 159,002	<u>s -</u>	\$ 2,698,522

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

Buildings and improvements	5-55 years
Machinery and equipment	3-5 years
Computer equipment	3-5 years
Instrument equipment	3-5 years
Transportation equipment	3-5 years
Furniture and fixtures	3-5 years
Leasehold improvements	2-3 years

The major component parts of the buildings held by the Company included plant structures and powering supplies, etc., which were depreciated over their estimated useful lives of 50 to 55 years and 5 years, respectively.

The Company considered the possible impairment occurring parts of the testing machines at launch of new models and deliberated the appraisal to recognize accumulated impairment losses, were as follows:

	For the Year Ended December 31, 2017				
	Cost	Accumulated Depreciation	Balance	Accumulated Impairment Losses	Net Book Value
Machinery and equipment	\$ 36,892	<u>\$ 26,606</u>	<u>\$ 10,286</u>	<u>\$ 10,286</u>	<u>\$ -</u>
		For the Year	Ended Decem	ber 31, 2016	
	Cost	Accumulated Depreciation	Balance	Accumulated Impairment Losses	Net Book Value
Machinery and equipment	\$ 36,892	<u>\$ 26,606</u>	\$ 10,286	<u>\$ 10,286</u>	<u>\$ -</u>

There were no interests capitalized for the years ended December 31, 2017 and 2016.

Please refer to Note 37 for the carrying amount of property, plant and equipment pledged as collateral.

The land and building rented to third parties were classified as investment properties, please refer to Note 16.

16. INVESTMENT PROPERTIES

	Completed Investment Property		
Balance at January 1, 2016 Additions	\$ 2,025,675 2,486		
Gain on change in fair value of investment properties	26,044		
Effect of foreign currency exchange differences	(146,176)		
Balance at December 31, 2016	<u>\$ 1,908,029</u>		
Balance at January 1, 2017	\$ 1,908,029		
Gain on change in fair value of investment properties	12,580		
Effect of foreign currency exchange differences	(33,827)		
Balance at December 31, 2017	<u>\$ 1,886,782</u>		

The investment properties were leased out for 1 to 3 years. All lease contracts contain market review clauses applicable to contract renewals. The lessee does not have a bargain purchase option to acquire the investment property at the expiry of the lease period.

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

	December 31		
	2017	2016	
Not later than 1 year Later than 1 year and not later than 5 years	\$ 48,882 54,581	\$ 103,105 449	
	<u>\$ 103,463</u>	\$ 103,554	

All fair values of investment properties were assessed by independent qualified professional valuer.

The fair values of a single investment property with a carrying amount at least 10% of the total assets as of December 31, 2017 and 2016 were based on the valuations carried out at March 15, 2018 and February 6, 2017, respectively, by independent qualified professional valuers, Chun-Yu, Kuo and Jui-Ming, Lin, from HomeBan Appraisers Joint Firm, a member of certified ROC real estate appraisals, on which the fair values were reasonable according to the review conclusion.

The fair value of investment properties was estimated using unobservable inputs (Level 3). The movements in the fair value were as follows:

	7	Faiwan	Beijin	ıg		Total
Balance at January 1, 2016 Recognized in profit or loss (gain arising from the change in fair value of investment property)	\$	219,858	\$ 1,805	,817	\$	2,025,675
Unrealized Recognized in other comprehensive income (exchange differences on translating foreign		8,683	17	,361		26,044
operations) Additions		2,48 <u>6</u>	(146	,176) 		(146,176) 2,486
Balance at December 31, 2016	<u>\$</u>	231,027	<u>\$ 1,677</u>	,002	<u>\$</u>	1,908,029
Balance at January 1, 2017 Recognized in profit or loss (gain arising from the change in fair value of investment property)	\$	231,027	\$ 1,677	,002	\$	1,908,029
Unrealized Recognized in other comprehensive income (exchange differences on translating foreign		7,325	5	,255		12,580
operations)		<u>-</u>	(33	<u>,827</u>)		(33,827)
Balance at December 31, 2017	\$	238,352	\$ 1,648	<u>,430</u>	\$	<u>1,886,782</u>

The fair value of investment properties was measured using the income approach. The significant assumptions used were stated below. The increase in estimated future net cash inflows, or the decrease in discount rates would result in increase in the fair value.

	December 31		
	2017	2016	
Expected future cash inflows Expected future cash outflows	\$ 3,195,239 (167,034)	\$ 3,186,626 (88,314)	
Expected future cash inflows, net	<u>\$ 3,028,205</u>	\$ 3,098,312	
Discount rate	3.39%-5.69%	2.01%-6.30%	

The market rentals for comparable properties in the area where the investment property is located were between \$1 thousand and \$3 thousand per ping (i.e. per 3.3 square meters).

Most investment properties had been leased out under operating leases. The rental income generated for the years ended December 31, 2017 and 2016 was \$133,932 thousand and \$118,941 thousand, respectively. The disposal value of investment properties was \$2,154,960 thousand and \$1,952,358 thousand under the income approach on December 31, 2017 and 2016, respectively.

The expected future cash inflows generated by investment property included rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the Company's current rental, taking into account the annual rental growth rate; the income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the Company's current rental, taking into account the annual rental growth rate; the time deposit interest rate for a 1-year; the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows incurred by investment property included expenditure such as land value taxes, house taxes, maintenance costs, administrative expenses and insurance premium. These expenditure were extrapolated on the basis of the current level of expenditures, taking into account the future adjustment to the government-announced land value, the tax rate promulgated under the House Tax Act.

The discount rate was determined by reference to the interest rate for 2-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75%, and any asset-specific risk premiums between 1.75% and 2.10%.

The investment properties held by the Company were all own interest. The investment properties pledged as collateral for bank borrowings were set out in Note 37.

17. INTANGIBLE ASSETS

	December 31		
	2017	2016	
Carrying amounts			
Patents	\$ 10,303	\$ 19,290	
Computer software	90,799	105,408	
	<u>\$ 101,102</u>	\$ 124,698	

Movements of intangible assets for the years ended December 31, 2017 and 2016 were as follows:

	2017			
		Computer		
	Patents	Software	Total	
Cost				
Balance, beginning of the year	\$ 91,279	\$ 856,043	\$ 947,322	
Acquisition	-	58,011	58,011	
Disposal	(35,116)	(248,987)	(284,103)	
Translation adjustment		(1,114)	<u>(1,114</u>)	
Balance, end of the year	56,163	663,953	<u>720,116</u>	
Accumulated amortization and impairment				
Balance, beginning of the year	(71,989)	(750,635)	(822,624)	
Amortization	(8,987)	(66,541)	(75,528)	
Disposal	35,116	243,050	278,166	
Translation adjustment	_	<u>972</u>	<u>972</u>	
Balance, end of the year	<u>(45,860</u>)	(573,154)	<u>(619,014</u>)	
Net book value, end of the year	<u>\$ 10,303</u>	\$ 90,799	<u>\$ 101,102</u>	
		2016		
	_	Computer		
	Patents	Software	Total	
Cost				
Balance, beginning of the year	\$ 76,317	\$ 906,904	\$ 983,221	
Acquisition	14,962	19,464	34,426	
Disposal	-	(66,870)	(66,870)	
Translation adjustment	_	(3,455)	(3,455)	
Balance, end of the year	91,279	<u>856,043</u>	947,322	
Accumulated amortization and impairment				
Balance, beginning of the year	(65,901)	(745,307)	(811,208)	
Amortization	(6,088)	(75,031)	(81,119)	
Disposal	-	66,867	66,867	
Translation adjustment		2,836	2,836	
Balance, end of the year	(71,989)	<u>(750,635</u>)	(822,624)	

The above items of intangible assets were depreciated on a straight-line basis over the estimated useful life of the asset:

Patents	3-5 years
Computer software	3-5 years

18. PREPAID LEASE

	December 31		
	2017	2016	
Current Non-current	\$ - <u>86,383</u>	\$ - <u>90,369</u>	
	<u>\$ 86,383</u>	\$ 90,369	

As of December 31, 2017 and 2016, prepaid lease payments were land use rights, which are located in Mainland China. Please refer to Note 37 for the carrying amount of prepaid lease pledged as collateral.

19. OTHER ASSETS

	December 31	
	2017	2016
Prepaid expense	\$ 70,200	\$ 61,282
Prepayments of purchases of merchandise (Note 36)	21,745	91,298
Excess value-added tax paid	30,483	47,594
Income tax refund receivable	701	46,245
Value-added tax receivable	8,621	11,434
Temporary payment	1,864	2,947
Refundable deposits	33,304	33,770
Overdue receivables	2,090	2,090
Less: Allowance for doubtful accounts	(2,090)	(2,090)
Others	577	<u>577</u>
	<u>\$ 167,495</u>	<u>\$ 295,147</u>
Current	\$ 133,614	\$ 260,800
Non-current	33,881	34,347
	<u>\$ 167,495</u>	<u>\$ 295,147</u>

20. BORROWINGS

a. Long-term borrowings

	December 31		
	2017	2016	
Secured borrowings			
Bank loans	\$ 432,000	\$ 1,661,000	
Unsecured borrowings			
Bank loans	570,000	500,000	
Less: Current portion		(946,000)	
Long-term borrowings	<u>\$ 1,002,000</u>	\$ 1,215,000	

The long-term borrowings of the Company included:

			Decem	ber 31
			2017	2016
Taiwan Cooperative Bank - unsecured loan	Credit line: \$300,000 thousand Period: January 3, 2017 - January 3, 2022 Payment: From July 2019, the loan will be repaid in six semi-annual installments of \$50,000 thousand for each installment.	\$	300,000	\$ -
Mega International Commercial Bank - unsecured loan	Credit line: \$500,000 thousand Period: August 3, 2016 - August 3, 2019 Payment: From one year after signing date, the loan will be repaid in one annual installment of \$50,000 thousand; and \$400,000 thousand for the last installment.		270,000	500,000
Mega International Commercial Bank - secured loan	Credit line: \$500,000 thousand Period: January 20, 2014 - January 19, 2017 Payment: From one year after signing date, the loan will be repaid in one annual installment of 10% credit line; and the rest of 80% credit line for the last installment.		-	300,000
Mega International Commercial Bank - secured loan	Credit line: \$500,000 thousand Period: April 7, 2017 - April 6, 2020 Payment: From one year after signing date, the loan will be repaid in one annual installment of 10% credit line; and the rest of 80% credit line for the last installment.		240,000	-
Mega International Commercial Bank - secured loan	Credit line: \$600,000 thousand Period: December 5, 2014 - December 5, 2017 Payment: From one year after signing date, the loan will be repaid in one annual installment of 10% credit line; and the rest of 80% credit line for the last installment.		-	480,000
O-Bank Co., Ltd. and China Bills Financial Corporation - \$1.5 billion syndicated loan	Credit line: \$1,000,000 thousand Period: June 20, 2013 - June 20, 2016 Payment: Each loan will be repaid on maturity date. The unliquidated loan may be recycled. The maturity date is three years after the date of the first use.		-	881,000
O-Bank Co., Ltd. and China Bills Financial Corporation - \$1.5 billion syndicated loan	Loan amount: \$300,000 thousand Period: December 28, 2017 - December 28, 2020 Payment: Each loan will be repaid on maturity date. The unliquidated loan may be recycled. The maturity date is three years after the date of the first use.		192,000	-
Less: Current portion	•	_		(946,000)
Total long-term borrowings		\$	1,002,000	<u>\$ 1,215,000</u>

As of December 31, 2017 and 2016, the weighted average effective interest rate of the bank borrowings were 1.50%-1.80% and 1.57%-1.80%, respectively.

For the purpose of raising operating working capital, the Company had applied to O-Bank Co., Ltd. (the former Industrial Bank of Taiwan) and China Bills Finance for \$1,500,000 thousand as a syndicated loan in June 2013. The facility of the bank borrowings and commercial paper was \$1,000,000 thousand and \$500,000 thousand, respectively. The loan utilized during the day starting from the first three years, the Company shall maintain the following financial ratios and restrictions during the contract period, and the financial ratios should be reviewed based on the audited consolidated annual financial statements:

- Current ratio: Current assets divided by current liabilities, not less than 100%.
- Liability ratio: Total liabilities divided by net tangible assets, not higher than 200% in 2013, not higher than 160% in 2014 and 2015, not higher than 120% in 2016.
- Net tangible assets: Not less than \$3,100,000 thousand in 2013, not less than \$3,500,000 thousand in 2014 and 2015, not less than \$5,000,000 thousand in 2016.

The above financial ratios are reviewed at least once a year. If the Company violates the foregoing financial ratios, the administration bank will host a conference to decide whether that is a breach of the contract. If the banks decided that there was a breach of the contract, all of the debts become due and the Company should liquidate all the debts upon receiving the notification from the administration bank. The Company got the waiver letter from the syndicated credit team to lift the restriction about 2016

financial ratios aforementioned on December 21, 2016. In addition, the Company got the waiver letter from syndicated credit team to extend credit period for 2 years on June 30, 2015 and had redeemed the loan on December 28, 2017.

For the purpose of liquidating the syndicated loan in 2013 and raising operating working capital, the Company had applied to O-Bank Co., Ltd. and China Bills Finance for \$1,500,000 thousand as a syndicated loan in December 2017. The facility of the bank borrowings and commercial paper was \$300,000 thousand and \$1,200,000 thousand, respectively. The loan utilized during the day starting from the first three years, the Company shall maintain the following financial ratios and restrictions during the contract period, and the financial ratios should be reviewed based on the audited consolidated annual financial statements:

- Current ratio: Current assets divided by current liabilities, not less than 100%.
- Liability ratio: Total liabilities divided by net tangible assets, not higher than 200%.
- Net tangible assets: Not less than \$3,000,000 thousand.

The above financial ratios are reviewed at least once a year. If the Company violates the foregoing financial ratios, the administration bank will host a conference to decide whether that is a breach of the contract. If the banks decided that there was a breach of the contract, all of the debts become due and the Company should liquidate all the debts upon receiving the notification from the administration bank.

Please refer to Note 37 for the carrying amount of assets pledged by the Company to secure borrowings banking facilities.

b. Long-term bills payable

	December 31		
	2017	2016	
Commercial paper Less: Unamortized discount on bills payable Less: Amount reclassified to current	\$ 770,000 (57)	\$ 439,000 (428) (60,000)	
	<u>\$ 769,943</u>	<u>\$ 378,572</u>	

Outstanding long-term bills payable were as follows:

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value	Interest Rate
<u>December 31, 2017</u>				
China Bills Finance	<u>\$ 770,000</u>	<u>\$ 57</u>	\$ 769,943	1.374%-1.424%
<u>December 31, 2016</u>				
China Bills Finance	\$ 439,000	<u>\$ 428</u>	<u>\$ 438,572</u>	1.424%

1) The payables of the commercial paper was recurring issued within three years, handing fees and interests were repaid only in the loan period. For more details of the contracts, please refer to foregoing syndicated loan contract.

2) Please refer to Note 37 for the carrying amount of long-term bills payable pledged by the Company to secure borrowings banking facilities.

21. NOTES AND ACCOUNTS PAYABLE (INCLUDED RELATED PARTIES)

	December 31		
	2017	2016	
Notes payable	\$ 3,418	\$ 2,118	
Accounts payable	298,399	430,461	
Accounts payable - related parties	35,394	2,377	
	<u>\$ 337,211</u>	<u>\$ 434,956</u>	

The average term of payment is 60 to 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

22. OTHER LIABILITIES

	December 31		1	
		2017		2016
Other payables				
Salaries and bonuses Marketing subsidies Royalties and technical service fees Advertisement Professional fees Product development Research and development Pension Rent Equipment Purchase intangible assets Reparation (Note 38) Others	\$ 	570,464 2,753 855 38,462 11,658 13,614 21,497 8,252 37,417 133,602 108,971 947,545	\$ 	593,574 28,320 61,177 14,596 48,742 20,965 17,565 13,428 26,076 26,899 25,496 145,087 143,747
Other liabilities				
Advance receipts (Note 36) Receipts under custody Guarantee deposit Deferred credit Credit balance of investments accounted for using equity method	\$	148,702 73,928 4,142 1,896	\$	230,216 80,551 2,525 1,896
(Note 14)	_	172,476		684,577
Current Other payables Other liabilities	\$ \$ \$	947,545 222,630	\$ \$ \$	999,765 1,165,672 310,767 (Continued)

	Decen	December 31	
	2017	2016	
Non-current			
Other payables	<u>\$</u>	<u>\$</u>	
Other liabilities	<u>\$ 178,514</u>	<u>\$ 688,998</u>	
		(Concluded)	

23. PROVISIONS

	December 31	
	2017	2016
Provisions for discounts and allowances	<u>\$ 4,947</u>	<u>\$ 21,684</u>
Current Non-current	\$ 4,947 	\$ 21,684
	<u>\$ 4,947</u>	<u>\$ 21,684</u>

Movement of provisions for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Balance, beginning of the year	\$ 21,684	\$ 24,933
Provisions recognized	1,519	9,933
Amount reversed	(15,313)	-
Amount utilized	(2,943)	(13,182)
Balance, end of the year	<u>\$ 4,947</u>	<u>\$ 21,684</u>

24. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Company has defined contribution retirement benefit plans for all qualified employees of the Company and subsidiaries in Taiwan. Besides, the employees of non-Taiwan subsidiaries are members of a state-managed retirement benefit plan operated by local government. The subsidiary is required to contribute amounts calculated at a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions to the fund managed by the government.

The total expenses recognized in the consolidated statement of comprehensive income were \$80,371 thousand and \$83,558 thousand, representing the contributions payable to these plans by the Company at the rates specified in the plans for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the amounts of contributions payable were \$13,614 thousand and \$13,428 thousand, respectively.

Defined Benefit Plans

Based on the defined benefit plan under the Labor Standards Law ("LSL"), pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. VIA and Vate Technology Co., Ltd. contributed amounts equal to 2% of total monthly salaries and wages to the pension fund administered by the pension fund monitoring committee. The pension fund is deposited in Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the obligation on VIA and Vate Technology Co., Ltd. under the defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation Fair value of plan assets Deficit Asset ceiling	\$ (508,738) <u>280,686</u> (228,052)	\$ (468,882) <u>330,727</u> (138,155)
Net defined benefit liability	<u>\$ (228,052)</u>	<u>\$ (138,155</u>)
Defined benefit assets Defined benefit liabilities	\$ <u>-</u> \$ 228,052	\$ 45,932 \$ 184,087

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2016	<u>\$ (415,095)</u>	\$ 328,152	\$ (86,943)
Service cost			
Current service cost	(4,860)	-	(4,860)
Net interest (expense) income	(6,733)	5,315	(1,418)
Recognized in profit or loss	(11,593)	5,315	(6,278)
Remeasurement			
Return on plan assets (excluding amounts			
included in net interest)	-	(2,984)	(2,984)
Actuarial loss - changes in demographic			
assumptions	(14,349)	-	(14,349)
Actuarial loss - changes in financial			
assumptions	(15,557)	-	(15,557)
Actuarial loss - experience adjustments	(17,645)	<u>-</u>	(17,645)
Recognized in other comprehensive income	(47,551)	(2,984)	(50,535)
Contributions from the employer	-	5,601	5,601
Benefits paid	5,357	(5,357)	
Balance at December 31, 2016	<u>\$ (468,882)</u>	\$ 330,727	\$ (138,155) (Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	<u>\$ (468,882</u>)	\$ 330,727	<u>\$ (138,155)</u>
Service cost			
Current service cost	(4,502)	-	(4,502)
Past service cost	(2,079)	-	(2,079)
Net interest (expense) income	(6,421)	4,333	(2,088)
Recognized in profit or loss	(13,002)	4,333	(8,669)
Remeasurement			
Return on plan assets (excluding amounts			
included in net interest)	-	(1,117)	(1,117)
Actuarial loss - changes in demographic			
assumptions	(30,358)	-	(30,358)
Actuarial loss - experience adjustments	(8,903)	_	(8,903)
Recognized in other comprehensive income	(39,261)	(1,117)	(40,378)
Contributions from the employer	-	5,487	5,487
Benefits paid	4,560	(4,560)	-
Liabilities extinguished on settlement	-	(7,559)	(7,559)
Impact on settlement	7,847	-	7,847
Return on plan assets	_	(46,625)	(46,625)
Balance at December 31, 2017	<u>\$ (508,738</u>)	\$ 280,686	\$ (228,052) (Concluded)

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

	For the Year E	For the Year Ended December 31	
	2017	2016	
Summary of functions			
Operating costs Selling and marketing expenses General and administrative expenses Research and development expenses	\$ 38 688 2,221 	\$ (285) 588 1,574 4,401	
	<u>\$ 8,669</u>	<u>\$ 6,278</u>	

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

- a. 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.
- b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

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

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

	December 31	
	2017	2016
Discount rates	1.250%-1.375%	1.250%-1.375%
Expected rates of salary increase	2.750%-3.000%	2.750%-3.000%

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	
	2017	2016
Discount rates		
0.25% increase	\$ (16,657)	\$ (15,908)
0.25% decrease	\$ 17,401	\$ 16,634
Expected rates of salary increase		
0.25% increase	<u>\$ 16,851</u>	<u>\$ 16,111</u>
0.25% decrease	<u>\$ (16,221)</u>	<u>\$ (15,495</u>)

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

	December 31	
	2017	2016
The expected contributions to the plan for the next year	<u>\$ 6,024</u>	\$ 5,553
The average duration of the defined benefit obligation	13.4 years	13.8 years

25. EQUITY

	December 31	
	2017	2016
Common stock	\$ 4,933,034	\$ 4,933,034
Capital surplus	3,459	-
Accumulated deficit	(1,207,275)	(1,216,894)
Other equity	(243,352)	(53,805)
Non-controlling interests	314,970	196,747
	<u>\$ 3,800,836</u>	\$ 3,859,082

Share Capital

Common stock

	December 31	
	2017	2016
Authorized shares (in thousands of shares) Authorized capital Issued and fully paid shares (in thousands of shares)	2,000,000 \$ 20,000,000 493,303	2,000,000 \$ 20,000,000 493,303
Issued capital Additional paid-in capital	\$ 4,933,034	\$ 4,933,034
	\$ 4,933,034	<u>\$ 4,933,034</u>

The Company's common stock at December 31, 2017 and 2016 were both 150,000 thousand shares in private placement, with a par value of \$10 each. The shares were issued in May 2010 and the transfer of those securities have to conform to Article 43-8 of the Securities and Exchange Act. After three years from the date of private placement, the public trading of aforementioned securities without an effective registration with the Financial Supervisory Commission is prohibited.

Capital Surplus

	December 31	
	2017	2016
Change in percentage of ownership interests in the subsidiary		
(Note 31)	\$ 591	\$ -
Change in capital surplus from investments in associates	323	-
Recognition of employee share options issued by the subsidiary		
(Note 30)	2,545	
	\$ 3,459	<u>\$</u>

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (including additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions), difference between the amount of actual disposal or acquisition of interests in subsidiary and carrying value, and donations may be used to offset a deficit, which is limited to a certain percentage of the Company's paid-in capital.

According to the amendment of the Company Law, effective on January 4, 2012, the abovementioned capital surplus may be distributed in cash. Whereas, capital surplus accounted for using equity method may not be used for any other purpose other than offset a deficit. Such capital surplus arises from employee share options or employee share options from issuance of common shares, which had been exercised, may be used to offset a deficit.

When the Company did not subscribe for the new shares issued by the affiliate in 2017 and 2016, adjustments of \$323 thousand and \$(2,302) thousand were made to the investment carrying value and capital surplus, respectively.

Accumulated Deficit and Dividend Policy

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	\$ (1,216,894)	\$ (1,361,826)
Change in capital surplus from investments in associates	(36)	(5,304)
Net profit attributable to owners of the Company	50,033	200,561
Remeasurement on defined benefit pension plan	(40,378)	(50,325)
Balance, end of year	<u>\$ (1,207,275)</u>	<u>\$ (1,216,894</u>)

- a. Under VIA's Articles of Incorporation, VIA should make appropriations from its net income in the following order:
 - 1) To pay taxes.
 - 2) To cover accumulated losses, if any.
 - 3) To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of VIA's paid-in capital.
 - 4) To appropriate or reverse special reserve in accordance with the law and regulations.
 - 5) After withholding the amounts under the above item (1) to (4), then any remaining profit together with any undistributed retained earnings shall proposed by the Company's board of directors as the basis for the distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.
- b. In sight of the whole environment around the Company and the characteristics of industry development, and the intention of pursuing the long-term interests of stockholders, maintaining the operating efficiency, and meeting its capital expenditure budget and the financial goals, the Company would prefer to distribute unappropriated earnings by cash dividends rather than by stock dividends. In addition, the sum of stock dividends will not exceed 50% of total dividends.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 24, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation, particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation. For information about the amended Company's Articles of the employees' compensation and remuneration to directors and supervisors, please refer to employee benefits expense in Note 27 point 6.

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.

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.

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. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The appropriation of accumulated deficits in 2017 was proposed and approved by the board of directors on March 23, 2018. Due to the accumulated deficit, the Company has no retained earnings to be distributed.

VIA's stockholders resolved the appropriation of the 2016 loss in their meeting on June 15, 2017. Information on earnings appropriation can be accessed online through the Market Observation Post System on the website of the Taiwan Stock Exchange.

Other Equity

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ (49,913)	\$ 157,952
Exchange differences arising on translating the foreign operations Exchange differences arising on investment accounted for using	(220,989)	(208,157)
equity methods	31,449	<u>292</u>
Balance at December 31	<u>\$ (239,453)</u>	<u>\$ (49,913)</u>

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

Unrealized gains or losses on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1 Unrealized loss arising on revaluation of available-for-sale financial	\$ (3,892)	\$ 3,747
assets	<u>(7</u>)	(7,639)
Balance at December 31	<u>\$ (3,899)</u>	<u>\$ (3,892)</u>

Unrealized gains or losses on available-for-sale financial assets represents the cumulative gains and losses arising on the revaluation of AFS financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Non-controlling Interest

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 196,747	\$ 220,431
Attributable to non-controlling interests:		
Net loss	(13,523)	(19,741)
Exchange difference on translating the financial statements of		
foreign entities	(663)	-
Change in percentage of ownership interests in the subsidiary		
(Note 31)	132,409	-
Unrealized loss on available-for-sale financial assets	-	(3,733)
Remeasurement on defined benefit plan	_	(210)
Balance at December 31	\$ 314,970	\$ 196,747

26. REVENUE

	For the Year Ended December 31	
	2017	2016
Revenue from the sale of goods Revenue from the rendering of services	\$ 2,557,765 	\$ 2,593,872 2,331,971
	<u>\$ 4,511,868</u>	\$ 4,925,843

27. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2017	2016
D 11		
Rental income		
Operating lease rental income		
Investment properties	\$ 133,932	\$ 118,941
Others	5,592	3,822
Interest income		
Bank deposits	15,699	10,607
Dividend income	1,960	1,954
Reparation gain	453,975	-
Others	242,219	254,124
	\$ 853,377	\$ 389,448

The Company filed a lawsuit against ASMedia Technology Inc., Asustek Computer Inc., ASUS Computer International, Inc. and these employees involved with the U.S. District Court for the Northern District of California and Taiwan Taipei District Court in August 2014 and December 2013, respectively. The Company reached a settlement with the aforementioned parties for US\$15,000 thousand (equivalent to NT\$453,975 thousand) in July 2017, and which was recognized as reparation gain.

b. Other gains and losses

		For the Ween E-	led December 21
		For the Year End 2017	2016
		2017	2010
	Loss on disposal of property, plant and equipment	\$ (7,257)	\$ (1,785)
	Gain on disposal of intangible assets	186,639	192,820
	Gain on disposal of available-for-sale financial assets	-	12,017
	Gain on disposal of financial assets at FVTPL	30	25
	Gain on disposal of financial assets measured at cost (Note 10)	95,088	-
	Net foreign exchange losses	(7,386)	(13,503)
	Valuation (loss) gain on financial assets at FVTPL Gain arising from the changes in fair value of investment	(18,900)	34,693
	properties (Note 16)	12,580	26,044 1,041
	Reversal of impairment loss on receivables	(2.561)	·
	Impairment loss on financial assets measured at cost (Note 12) Others	(3,561) (4,528)	(276) (33,117)
	Others	(4,328)	(33,117)
		<u>\$ 252,705</u>	<u>\$ 217,959</u>
c.	Finance costs		
		For the Year End	led December 31
		2017	2016
	Interest on bank loans	<u>\$ 42,131</u>	<u>\$ 45,486</u>
d.	Impairment losses on financial assets		
	1		
		For the Year End	led December 31
		For the Year End 2017	ded December 31 2016
	Impairment losses on financial assets measured at cost		
e.	Impairment losses on financial assets measured at cost Depreciation and amortization	2017	2016
e.		2017 \$ 3,561	2016 \$ 276
e.		2017 \$ 3,561 For the Year End	2016 \$ 276 ded December 31
e.		2017 \$ 3,561	2016 \$ 276
e.	Depreciation and amortization	2017 \$ 3,561 For the Year End 2017	2016 \$ 276 ded December 31 2016
e.	Depreciation and amortization Property, plant and equipment	2017 \$ 3,561 For the Year End 2017	2016 \$ 276 ded December 31 2016 \$ 165,805
e.	Depreciation and amortization	2017 \$ 3,561 For the Year End 2017 \$ 163,611	2016 \$ 276 ded December 31 2016
e.	Depreciation and amortization Property, plant and equipment	2017 \$ 3,561 For the Year End 2017 \$ 163,611	2016 \$ 276 ded December 31 2016 \$ 165,805
e.	Depreciation and amortization Property, plant and equipment Intangible assets	2017 \$ 3,561 For the Year End 2017 \$ 163,611 75,528	2016 \$ 276 ded December 31 2016 \$ 165,805 81,119
e.	Depreciation and amortization Property, plant and equipment Intangible assets An analysis of deprecation by function	2017 \$ 3,561 For the Year End 2017 \$ 163,611	2016 \$ 276 ded December 31 2016 \$ 165,805 81,119 \$ 246,924
e.	Depreciation and amortization Property, plant and equipment Intangible assets An analysis of deprecation by function Operating costs	2017 \$ 3,561 For the Year End 2017 \$ 163,611	2016 \$ 276 ded December 31 2016 \$ 165,805 81,119 \$ 246,924 \$ 92,072
e.	Depreciation and amortization Property, plant and equipment Intangible assets An analysis of deprecation by function	2017 \$ 3,561 For the Year End 2017 \$ 163,611	2016 \$ 276 \$ 276 ded December 31 2016 \$ 165,805 81,119 \$ 246,924 \$ 92,072 73,733
e.	Depreciation and amortization Property, plant and equipment Intangible assets An analysis of deprecation by function Operating costs	2017 \$ 3,561 For the Year End 2017 \$ 163,611	2016 \$ 276 ded December 31 2016 \$ 165,805 81,119 \$ 246,924 \$ 92,072
e.	Depreciation and amortization Property, plant and equipment Intangible assets An analysis of deprecation by function Operating costs Operating expenses	2017 \$ 3,561 For the Year End 2017 \$ 163,611	2016 \$ 276 \$ 276 ded December 31 2016 \$ 165,805 81,119 \$ 246,924 \$ 92,072 73,733
e.	Depreciation and amortization Property, plant and equipment Intangible assets An analysis of deprecation by function Operating costs Operating expenses An analysis of amortization by function	\$\frac{3,561}{\$\)\$ \tag{5.561}\$ For the Year End 2017 \$\frac{163,611}{75,528}\$ \$\frac{239,139}{\$39,139}\$ \$\frac{90,372}{73,239}\$ \$\frac{163,611}{\$163,611}\$	2016 \$ 276 ded December 31 2016 \$ 165,805 81,119 \$ 246,924 \$ 92,072 73,733 \$ 165,805
e.	Depreciation and amortization Property, plant and equipment Intangible assets An analysis of deprecation by function Operating costs Operating expenses	2017 \$ 3,561 For the Year End 2017 \$ 163,611	2016 \$ 276 \$ 276 ded December 31 2016 \$ 165,805 81,119 \$ 246,924 \$ 92,072 73,733
e.	Depreciation and amortization Property, plant and equipment Intangible assets An analysis of deprecation by function Operating costs Operating expenses An analysis of amortization by function Operating costs	2017 \$ 3,561 For the Year End 2017 \$ 163,611	2016 \$ 276 Red December 31 2016 \$ 165,805

f. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Short-term benefits	\$ 2,933,918	\$ 3,060,296
Post-employment benefits (Note 24)		
Defined contribution plans	80,371	83,558
Defined benefit plans	8,669	6,278
	89,040	89,836
Total employee benefit expense	<u>\$ 3,022,958</u>	\$ 3,150,132
An analysis of employee benefits expense by function		
Operating costs	\$ 1,406,272	\$ 1,579,916
Selling and marketing expenses	476,746	513,760
General and administrative expenses	185,931	188,150
Research and development expenses	954,009	868,306
	\$ 3,022,958	\$ 3,150,132

VIA stipulates to distribute compensation to employees and remuneration to directors and supervisors at the rates no less than 5% and no higher than 1%, respectively, of net income offsetting the deficit and before tax. Because the Company has accumulated deficits in 2017 and 2016, no compensation to employees and remuneration to directors and supervisors were recognized for these two years.

Material differences between such estimation and the amounts proposed by the board of directors are adjusted in the year the bonus and remuneration were recognized. 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.

There was no difference between the amounts of the employees' compensation and the remuneration to directors and supervisors approved by the board of directors and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015, respectively.

Information on the compensation to employees and remuneration to directors and supervisors resolved by the board of directors in their meeting in 2018 and 2017, respectively, is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Impairment losses on non-financial assets

	For the Year Ended December 31	
	2017	2016
Inventories (included in operating costs)	<u>\$ 31,653</u>	<u>\$ (35,948</u>)

28. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax benefit were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	\$ (12,666)	\$ (18,402)
In respect of the prior years	27,504	20,196
• •	14,838	1,794
Deferred tax		
In respect of the current year	(3,176)	1,882
Income tax benefit recognized in profit or loss	<u>\$ 11,662</u>	\$ 3,676

The income tax for the years ended December 31, 2017 and 2016 can be reconciled to the accounting profit as follows:

	For the Year Ended December 31	
	2017	2016
Profit before tax from continuing operations	<u>\$ 24,848</u>	\$ 177,144
Income tax expense calculated at the statutory rate	\$ (4,224)	\$ (30,114)
Effect of income that is exempt from taxation	4,224	30,114
Effect of different tax rate of subsidiaries operating in other		
jurisdictions	(10,566)	(11,136)
Income tax withheld at source in other jurisdictions (Note)	(2,100)	(7,266)
Adjustments for prior years' tax	<u>27,504</u>	20,196
Current tax	14,838	1,794
Deferred tax		
Loss carryforwards and temporary differences	(3,176)	1,882
Income tax benefit recognized in profit or loss	<u>\$ 11,662</u>	\$ 3,676

Note: Income tax withheld at source in other jurisdictions:

	For the Year Ended December 31	
	2017	2016
Oversea income - gain on disposal of intangible assets Rate of income tax withheld	\$ 21,000 10%	\$ 72,660 10%
Income tax expense	\$ 2,100	<u>\$ 7,266</u>

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In additions, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by \$1,533 thousand and \$3,044 thousand, respectively, in 2018.

b. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets Income tax refund receivable	<u>\$ 701</u>	<u>\$ 46,245</u>
Current tax liabilities Income tax payable	<u>\$ 3,078</u>	<u>\$ 32,719</u>

c. Deferred tax assets and liabilities

The Company offset certain deferred tax assets and deferred tax liabilities which met the offset criteria. The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Translation Adjustment	Closing Balance
Deferred tax assets				
Temporary differences Unrealized provision for inventory devaluation Others	\$ 4,821 528 \$ 5,349	\$ 3,627 (289) \$ 3,338	\$ - - - \$ -	\$ 8,448 239 \$ 8,687
Deferred tax liabilities				
Temporary differences Investment properties	<u>\$ (190,013</u>)	<u>\$ (6,514)</u>	\$ 3,389	<u>\$ (193,138</u>)
For the year ended December 31, 2	2016			
	Opening Balance	Recognized in Profit or Loss	Translation Adjustment	Closing Balance
Deferred tax assets				
Temporary differences Unrealized provision for inventory devaluation Others	\$ - - - \$ -	\$ 4,821 532 \$ 5,353	\$ - (4) <u>\$ (4)</u>	\$ 4,821 528 \$ 5,349
Deferred tax liabilities				

d. Unused loss carry-forward

The amounts of loss carryforward as of December 31, 2017 were as follows:

Expiration Year	Unused Amount
2018	\$ 1,161,672
2019	2,716,412
2020	765,445
2021	452,956
2022	619,473
2023	2,256,637
2024	880,439
2025	810,751
2026	2,484,438
2027	469,221
	<u>\$ 12,617,444</u>

e. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings Unappropriated earnings generated on and after January 1, 1998 Imputation credits accounts	\$ (1,207,275) \$ 1,397,463	\$ (1,216,894) \$ 1,397,463
	For the Year End	ded December 31
	2017	2016
Creditable ratio for distribution of earnings	Note	-

The creditable ratio for distribution of earning of 2016 was 0%.

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

f. Income tax assessments

VIA's tax returns through 2014 had been assessed by the tax authorities, and these subsidiaries in Taiwan for the years through 2015 have been assessed and approved by the tax authorities.

29. EARNINGS PER SHARE

Unit:	NT¢	Per	Share
U/11111.a	1 1 1 1	1 61	Share

	For the Year End	For the Year Ended December 31	
	2017	2016	
Basic earnings per share	<u>\$ 0.10</u>	<u>\$ 0.41</u>	

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

Net Profit for the Years

	For the Year Ended December 31	
	2017	2016
Profit for the year attributable to owners of the Company	\$ 50,033	<u>\$ 200,561</u>

Shares

Unit: In Thousands of Shares

	Unit: In Thousands of Shares	
	For the Year End	led December 31
	2017	2016
Weighted average number of common shares used in computation of		
basic earnings per share	<u>493,303</u>	<u>493,303</u>

30. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Subsidiary

Qualified employees of VIA Labs, Inc., the subsidiary of the Company, were granted totaling 13,000 thousand options on November 21, 2017 and December 1, 2017. Each option entitles the holder to subscribe for one ordinary share of the subsidiary. The options granted are valid for 1 month and exercisable from the grant date. The options were granted at an exercise price equal to \$10 on the grant date. For any subsequent changes in the subsidiary's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31, 2017	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1 Options granted Options exercised	13,000 (13,000)	\$ - 10 10
Balance at December 31	_	-
Options exercisable, end of year	<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 0.19</u>	

The weighted-average share prices at the date of exercise of share options for the year ended December 31, 2017 was \$9.77.

Options granted in 2017 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Novemb	er -
December	2017

Grant-date share price (NT\$)	\$9.77
Exercise price (NT\$)	\$10.00
Expected volatility	36.41%
Expected life (in days)	15 days
Risk-free interest rate	0.34%

Expected volatility, taking expected life into account, was based on the average of annual standard deviation of returns over the past 6 months in similar company.

VIA Labs, Inc. resolved to issue 2,000 thousand ordinary shares for cash in December 2017, in accordance with the Company Act, reserving 15% of the new ordinary shares for employees. The exercised employee share options were 300 thousand shares, the fair value of which was \$0.25 per share, and the compensation cost of which was \$75 thousand. Besides, VIA Labs, Inc. simultaneously recognized capital surplus - employee share options which was reclassified to capital surplus - issuance of ordinary shares on the subscription base date.

Share-based payment arrangements resulting from share issuance for cash were priced using Black-Scholes pricing model and the inputs to the model were as follows:

December 2017

Grant-date share price	\$9.77
Exercise price (NT\$)	\$10.00
Expected volatility	36.41%
Expected life (in days)	22 days
Risk-free interest rate	0.34%

Above all, the Company recognized compensation cost for \$2,545 thousand (including employee share options resulting from share issuance for cash \$75 thousand).

31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In December 2017, the Company subscribed for additional new shares of VIA Labs, Inc. at a percentage different from its existing ownership, reducing its continuing interest from 100.00% to 77.83%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over the subsidiary.

	VIA Labs, Inc.
Cash consideration received The proportionate share of the carrying amount of the net assets of the subsidiary	\$ 133,000
transferred to non-controlling interests	(132,409)
Differences recognized from equity transactions	<u>\$ 591</u>
Line items adjusted for equity transactions	
Capital surplus - changes in percentage of ownership interests in the subsidiary	<u>\$ 591</u>

32. NON-CASH TRANSACTIONS

For the years ended December 31, 2017 and 2016, the Company entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

- a. The Company has not paid the acquisition price of property, plant and equipment at the years ended December 31, 2017 and 2016 for \$8,252 thousand and \$26,899 thousand, respectively.
- b. The Company has not paid the acquisition price of intangible assets computer software at the years ended December 31, 2017 and 2016 for \$37,417 thousand and \$25,496 thousand, respectively.

33. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

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

	December 31		
	2017	2016	
Not later than 1 year	\$ 70,767	\$ 75,373	
Later than 1 year and not later than 5 years	186,805	102,728	
Later than 5 years	<u>34,151</u>		
	<u>\$ 291,723</u>	<u>\$ 178,101</u>	

b. The Company as lessor

For investment properties that were leased out under operating lease agreements, please refer to Note 16.

34. CAPITAL MANAGEMENT

The Company manages its capital to ensure its ability to continue as a going concerns while maximizing the return to stakeholders by optimizing the debt and equity balance. The Company's overall strategy remains unchanged from 2016.

The capital structure of the Company consists of net liabilities (borrowings minus cash and cash equivalents) and the equity attributable to owners of the Company (comprising issued capital, capital surplus, retained earnings and other equity).

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

35. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Financial instruments not carried at fair value

The management considers that the carrying amounts of financial assets and financial liabilities measured at cost were approximate their fair value and the fair value of financial assets measured at cost were unmeasured by the reliable criterion.

b. Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL Non-derivative financial assets - held for trading	<u>\$ 307,594</u>	<u>\$</u>	<u>\$</u>	<u>\$ 307,594</u>
Available-for-sale financial assets Domestic listed stocks - equity investments	<u>\$ 1,866</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,866</u>
Financial liabilities at FVTPL Derivative instruments	<u>\$</u> _	<u>\$ 1,119</u>	<u>\$</u>	<u>\$ 1,119</u>
<u>December 31, 2016</u>				
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL Derivative instruments Non-derivative financial assets -	\$ -	\$ 1,951	\$ -	\$ 1,951
held for trading	327,178			327,178
	<u>\$ 327,178</u>	<u>\$ 1,951</u>	<u>\$</u>	\$ 329,129
Available-for-sale financial assets Domestic listed stocks - equity investments	\$ 1,873	\$ -		\$ 1,873

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

c. Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions which traded on active liquid markets are determined with reference to quoted market prices (includes listed corporate callable bonds, draft, corporate bonds and bonds without maturity date). Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Company are consistent with those market participants would use in setting a price for the financial instrument:
- The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The estimates and assumptions used by the Company were consistent with those that market participants would use in setting a price for the financial instrument;

Foreign currency forward contracts were measured using quoted forward exchange rates and yield curves derived from quoted interest rates that match the maturities of the contracts.

Categories of Financial Instruments

	December 31		
	2017	2016	
<u>Financial assets</u>			
FVTPL - held for trading Loans and receivables (Note 1) Available-for-sale financial assets (Note 2)	\$ 307,594 2,287,026 99,343	\$ 329,129 3,031,920 113,093	
Financial liabilities			
FVTPL - held for trading Amortized cost (Note 3)	1,119 3,354,074	4,502,005	

- Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, accounts receivable (including related parties), other receivables and refundable deposits.
- Note 2: The balances included available-for-sale financial assets and financial assets measured at cost.
- Note 3: The balances included financial liabilities measured at amortized cost, which comprise long-term borrowings (including maturity in one year), notes and accounts payables (including related parties), other payables (including related parties), long-term borrowings (including related parties), long-term bills payable (including maturity in one year) and guarantee deposits received.

Financial Risk Management Objectives and Policies

The Company's financial instruments mainly include equity investments and accounts receivable, accounts payable and long-term debt. The Company's Department of Financial and Accounting provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through analyzing the exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments and non-derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

a. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below).

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

1) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Approximately 86% of the Company's sales were denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 74% of costs were denominated in the group entity's functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period were set out as follows:

	December 31		
	2017	2016	
<u>Assets</u>			
USD	\$ 1,719,434	\$ 2,320,470	
RMB	149,464	180,336	
HKD	11,039	23,210	
EUR	1,948	3,109	
<u>Liabilities</u>			
USD	283,010	533,351	
RMB	379,867	416,860	
HKD	2,437	2,036	
EUR	149	312	

The carrying amounts of the Company's derivative instruments with exposure to foreign currency risk at the end of the reporting period were as follows:

	Decem	ber 31
	2017	2016
<u>Assets</u>		
USD	\$ -	\$ 1,951
<u>Liabilities</u>		
USD	1,119	-

Sensitivity analysis

The Company was mainly exposed to the currency United Stated dollars ("USD"), currency Renminbi ("RMB").

The following table shows the Company's sensitivity to a 2% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. A 2% 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 foreign currency forward contracts, and adjusts their translation at the end of the reporting period for a 2% change in foreign currency rates.

	Currency U	U SD impact	Currency RMB impact			
		For the Year Ended December 31		Tear Ended nber 31		
	2017	2016	2016	2016		
Profit or loss Equity	\$ 12,590 20,126	\$ 8,460 29,411	\$ 7 (4,615)	\$ (53) (4,677)		

2) Interest rate risk

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

	December 31		
	2017	2016	
Fair value interest rate risk			
Financial assets	\$ 1,469,260	\$ 1,871,702	
Financial liabilities	293,233	299,280	
Cash flow interest rate risk			
Financial liabilities	1,771,943	2,599,572	

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The financial assets exposed into interest rate risk were mainly certificate deposits. Because the interest rate was determined when depositing, the financial assets abovementioned were not affected by interest rate risk and excluded from the sensitivity analysis. The interest rate of financial liabilities was determined when borrowing, the financial liabilities were not affected by interest rate risk and excluded from the sensitivity analysis. For the financial liabilities exposed into cash flow risk (with floating interest rate), the Company made the assumption that the financial liabilities were outstanding during the reporting period. A 0.1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.1% basis points higher/lower and all other variables were held constant, the Company's post-tax profit for the years ended December 31, 2017 and 2016 would decrease/increase by \$1,772 thousand and \$2,600 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings.

3) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The Company's equity price risk was mainly concentrated on equity instruments traded in the Taiwan Stock Exchange Corporation and GreTai Securities Market.

Sensitivity analysis

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

If equity prices had been 10% higher/lower, post-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by \$30,759 thousand and \$32,718 thousand, respectively, as a result of the changes in fair value of held-for-trading investments, and the post-tax other comprehensive income for the years ended December 31, 2017 and 2016 would both increase/decrease by \$187 thousand, as a result of the changes in fair value of other available-for-sale financial assets.

b. Credit risk

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

- 1) The carrying amount of the respective recognized financial assets as stated in the balance sheets;
- 2) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company 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 Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company's concentration of credit risk of 48% and 41% in total accounts receivable as of December 31, 2017 and 2016, respectively, was related to the four largest customers within the property construction business segment.

c. Liquidity risk

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

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

The following table detailed the Company'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. The tables included both interest and principal cash flows.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2017

	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years	Total
Non-derivative financial liabilities							
Non-interest bearing Fixed interest rate liabilities Variable interest rate liabilities	1.50 1.58	\$ 499,997 - -	\$ 524,257	\$ 260,502 - -	\$ 4,142 - 1,771,943	\$ - 293,233 -	\$ 1,288,898 293,233
		<u>\$ 499,997</u>	<u>\$ 524,257</u>	<u>\$ 260,502</u>	<u>\$ 1,776,085</u>	\$ 293,233	<u>\$ 3,354,074</u>
<u>December 31, 2016</u>							
	Weighted Average Effective Interest Rate (%)	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years	Total
Non-derivative financial liabilities							
Non-interest bearing Fixed interest rate liabilities Variable interest rate liabilities	1.50 1.66	\$ 535,703	\$ 627,318 	\$ 437,607 662,000	\$ 2,525 - - - 1,593,572	\$ - 299,280 	\$ 1,603,153 299,280 2,599,572
		\$ 835,703	\$ 671.318	\$ 1,099,607	\$ 1,596,097	\$ 299,280	\$ 4,502,005

The amounts 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 interest rates determined at the end of the reporting period.

The following table shows the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual gross cash inflows and outflows on derivative instruments that settle on a gross basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts Inflows Outflows	\$ 92,406 (93,017)	\$ 107,076 _(107,584)	\$ - 	\$ - 	\$ - -
	\$ (611)	\$ (508)	\$ <u>-</u>	\$ -	\$ -

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts Inflows Outflows	\$ 32,263 (31,452)	\$ 74,098 (72,958)	\$ - 	\$ - 	\$ -
	<u>\$ 811</u>	<u>\$ 1,140</u>	<u>\$ -</u>	<u>\$</u>	<u>\$</u>

2) Financing facilities

	December 31		
	2017	2016	
Unsecured bank loan facility:			
Amount used	\$ 570,000	\$ 500,000	
Amount unused	280,000	550,000	
	\$ 850,000	\$ 1,050,000	
Secured bank loan facility:			
Amount used	\$ 1,202,000	\$ 2,100,000	
Amount unused	798,000	200,000	
	\$ 2,000,000	\$ 2,300,000	

36. RELATED-PARTY TRANSACTIONS

Transactions, account balances and revenue and expense between VIA and its subsidiaries, which were related parties of VIA, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties were as follows:

a. The Names and Relationships of Related-parties

Related-party	Relationship with the Company
VIA Alliance Semiconductor (BVI) Co., Ltd.	Associate
VIA Telecom Co., Ltd. (Cayman)	Associate
VIA Telecom Co., Ltd. (Taiwan)	Associate
VIA Telecom (Hangzhou) Co., Ltd.	Associate
Via Alliance Technology, Inc.	Associate
Idot Computers Inc.	Associate
Catchplay Media Holdings Ltd.	Associate
VIA Alliance Semiconductor (Shanghai)	Associate
VIA Alliance Semiconductor (Beijing)	Associate
EverPro Technologies Company Ltd.	Associate
	(Continued)

Related-party	Relationship with the Company
HTC Communication Co., Ltd.	Other related parties
Xanbase Investment Co., Ltd.	Other related parties
HTC Corporation	Other related parties
Wuhan Dopod Communication Corp.	Other related parties
Shanghai Investment Advisory (Shanghai) Co., Ltd.	Other related parties
HTC Communication (BJ) Tech Co.	Other related parties
	(Concluded)

b. Operating transactions

	For the Year E	For the Year Ended December 31			
	2017	2016			
Sales					
Associates Other related parties	\$ 91,872 10,146	\$ 229,132 26,476			
	<u>\$ 102,018</u>	<u>\$ 255,608</u>			

Selling prices to related parties are similar with other regular sales except for some kinds of merchandise that have no comparison and some other related parties whose prices are less than normal due to greater sales volume. Terms of receipt for both related and unrelated parties are similar except for some other related parties that adopted the offset of credits and debits of property.

	For the Year Ended December 31		
	2017	2016	
Other operating income			
Associates			
VIA Alliance Semiconductor (Shanghai)	\$ 185,825	\$ 321,848	
VIA Alliance Semiconductor (BVI) Co., Ltd.	1,734,595	1,919,630	
Others	11,325	13,203	
	<u>\$ 1,931,745</u>	\$ 2,254,681	

The Company entered into technical support and supervision agreements with related parties and recognized service income according to agreements.

	For the Year Ended December 31			
	2017	2016		
<u>Purchase</u>				
Associates Other related parties	\$ 18,372 	\$ 8,028 59,878		
	<u>\$ 122,431</u>	<u>\$ 67,906</u>		

Terms of purchasing prices and payment for both related and unrelated parties are similar.

The following balances of accounts receivable from related parties were outstanding at the end of the reporting period:

	December 31			
		2017		2016
Associates Other related parties	\$	6,073 1,074	\$	8,256 8,156
	<u>\$</u>	7,147	\$	16,412

The following balances of accounts payable from related parties were outstanding at the end of the reporting period:

	December 31			
	2017		2016	
Associates Other related parties	\$	4,391 31,003	\$	2,117 260
	<u>\$</u>	35,394	<u>\$</u>	2,377

The outstanding accounts payable to related parties are unsecured and will be settled in cash, and the outstanding of accounts receivables to related parties are unsecured.

c. Compensation of key management personnel

	For the Year Ended December 31				
Short-term benefits Post-employment benefits Other benefits		2017		2016	
	\$	63,934 1,079 70	\$	65,363 1,042 98	
	<u>\$</u>	65,083	\$	66,503	

The remuneration for directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

d. Other transactions with related parties

1) Lease items - rental income

	For the Year Ended December 31			
	2017		2016	
Associates				
VIA Alliance Semiconductor (Shanghai)	\$	87,387	\$	96,762
Others		416		567
Other related parties				
HTC Communication Co., Ltd.		30,502		6,867
Others		14,358		9,450
	<u>\$</u>	132,663	<u>\$</u>	113,646

The Company rented out part of its land and building and improvements to the related parties. Rental prices were determined based on the prevailing rates in the surrounding area.

2) Lease items - rental expense

	For the Year Ended December 31			
	2017		2016	
Other related parties Shanghai Investment Advisory (Shanghai) Co., Ltd. Others	\$	16,669 94	\$	14,686 1,247
	<u>\$</u>	16,763	\$	15,933

The Company rented the offices from the above related parties. Rental prices were determined based on the prevailing rates in the surrounding area.

3) Other income

	For the Year Ended December 31				
	2017		2016		
Associates					
VIA Telecom Co., Ltd.	\$	27,163	\$	52,198	
Others		800		1,117	
Other related parties					
Xanbase Investment Co., Ltd.		35,880		80,505	
Shanghai Investment Advisory (Shanghai) Co., Ltd.		31,046		-	
Others		15,219		6,791	
	\$	110,108	\$	140,611	

The Company has entered into management support, technical consulting, and supervision agreements. The support revenue accounted for based on these agreements were recognized as other income, others were miscellaneous and samples revenue.

4) Other losses

	For the Year Ended December 31			
	2017	2016		
Associates				
EverPro Technologies Company Ltd.	\$ -	<u>\$ 32,275</u>		

The Company paid for the termination of the development agreement to the associate, which was recognized as other losses.

5) Other receivables

Other related parties

5) Other receivables					
				Decemb	er 31
			-	2017	2016
Associates VIA Alliance Semi Others	conductor (Shan	ghai)	\$	28,773 2,665	\$ 29,500 1,736
Other related parties Xanbase Investmen	nt Co., Ltd.			35,089	19,515
Others				10,051	1,787
			<u>\$</u>	76,578	\$ 52,538
6) Loans from					
		F	or the Year Ended	l December 31,	2017
	Account	Maximum Amounts	Ending Balance	Interest Rate Interval %	Expense
Other related party Wuhan Dopod Communication Corp.	Long-term payables	<u>\$ 299,280</u>	<u>\$ 293,233</u>	1.50	<u>\$ 4,351</u>
		F	or the Year Ended	l December 31.	2016
	Account	Maximum Amounts	Ending Balance	Interest Rate Interval %	
Associate VIA Telecom Co., Ltd.	Other payables	<u>\$ 1,838,170</u>	<u>\$</u>	-	<u>\$</u>
Other related party Wuhan Dopod Communication Corp.	Long-term payables	\$ 320,688	\$ 299,280	1.50	\$ 3,911
7) Other payables					
				Decemb	er 31
				2017	2016
Associates Other related parties			\$	475 9,982	\$ 55,886 23,630
			<u>\$</u>	10,457	<u>\$ 79,516</u>
8) Advance receipts					
			December 31		
			-	2017	2016
Associates					
VIA Alliance Semi			\$	3,587 5,222	\$ 61,020
VIA Alliance Semi Others	iconductor (BVI)	Co., Ltd.		5,222 24	23,289 766
Other related in the				1.0	1.0

16

8,849

16

85,091

The amount of advance receipts from the above related parties was for inventories and technical services in advance.

9) Prepayment

	December 31			
	2017	2016		
Other related party HTC Corporation	<u>\$ 17,975</u>	<u>\$ 80,409</u>		

The amount of prepayment to the above related party was for purchases of merchandise.

10) Property transactions

In January 2014, the Company have signed the profit-shared agreement with VIA Alliance Semiconductor (Shanghai) for cooperatively developing products. VIA Alliance Semiconductor (Shanghai) have prepaid US\$35,000 thousand (equivalent to RMB213,500 thousand) as the guarantee. In June 2015, the contract were consensually terminated. The deposit abovementioned were transferred as the proceeds of selling CBP chipset technology and recognized as the gain on disposal of intangible asset RMB213,500 thousand. As the Company has significant influence on VIA Alliance Semiconductor (Shanghai), the unrealized gain were eliminated by RMB42,487 thousand in accordance with the shareholding percentage and such a unrealized gain will be recognized when VIA Alliance Semiconductor (Shanghai) amortizes the technological asset based on its future useful life. The unrealized gain was RMB31,511 thousand at December 31, 2017.

37. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for bank borrowings and deposits for lawsuit as follows:

	December 31				
	2017	2016			
Financial assets at FVTPL - non-current	\$	- \$ 173,800			
Property, plant and equipment, net	1,553,08	1,580,037			
Investment properties	1,886,78	32 1,677,002			
Land use rights	86,38	90,369			
	<u>\$ 3,526,25</u>	<u>\$ 3,521,208</u>			

38. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant Commitments

a. As of December 31, 2017, the amount of customs duties confirmed by banks for importing goods was \$4,550 thousand.

b. Information on the operating lease from Vate Technology Co., Ltd. was as follows:

Lessor	Leased Area	Leased Subject	Leased Period	Terms of Payment	Amount	Lease Commitments
Science Park Bureau	5,040 m ²	Technology section	2016.10.01- 2036.09.30	Monthly	<u>\$ 3,208</u>	In 2018: \$3,208 In 2019: \$3,208 In 2020: \$3,208 In 2021: \$3,208 In 2022-2036: \$47,315

c. The Company and United Communications (Holdings) Corporation ("UCC") went to arbitration with Hong Kong International Arbitration Centre in May 2008, aiming at the controversy of the joint sales agreement. In 2014, the Hong Kong International Arbitration Centre announced that the Company should compensate UCC for US\$2,485 plus accrued interests. The Company disagreed and filed an appeal to Hong Kong Court in September of the same fiscal year. The Court revoked the arbitral adjudication and returned to the original arbitrator. In October 2015, the arbitrator decided to maintain the same judgement. In April 2017, UCC applied for the acknowledge of the judgement in Taiwan Taipei District Court, and the Company also appealed against the judgement. It has not been adjudicated by the court until now. Though the Company has not paid the compensation before the consolidated financial statements were issued, the Company recognized provision for the litigation as other payables based on the principle of conservatism.

39. OTHERS

Significant Contracts

Contractor	Item	Contract Period		Description	Restrictions
Intel	Patent agreement	From April 8, 2003, remains in force	a.	CPU and chipsets patent agreement.	None
			b.	The Company shall pay the fees according to the agreement signed between the two parties.	

40. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The information below summarized the foreign currency other than the functional currency used by the individuals of Company. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2017

	Foreign Currencies	Exchange Rate
<u>Financial assets</u>		
Monetary items USD RMB HKD EUR	\$ 57,777 32,817 2,900 55	29.76 (USD:NTD) 4.55 (RMB:NTD) 3.81 (HKD:NTD) 35.57 (EUR:NTD)
Non-monetary items USD (derivative instruments) Investments accounted for using the equity method USD RMB	6,700 8,462 (28,635)	29.76 (USD:NTD) 29.76 (USD:NTD) 4.55 (RMB:NTD)
Financial liabilities		
Monetary items USD RMB HKD EUR	9,510 83,405 640 4	29.76 (USD:NTD) 4.55 (RMB:NTD) 3.81 (HKD:NTD) 35.57 (EUR:NTD)
December 31, 2016		
Financial assets	Foreign Currencies	Exchange Rate
Monetary items USD RMB HKD EUR Non-monetary items	\$ 71,953 38,805 5,583 92	32.25 (USD:NTD) 4.65 (RMB:NTD) 4.16 (HKD:NTD) 33.90 (EUR:NTD)
Monetary items USD RMB HKD EUR	\$ 71,953 38,805 5,583	32.25 (USD:NTD) 4.65 (RMB:NTD) 4.16 (HKD:NTD)
Monetary items USD RMB HKD EUR Non-monetary items USD (derivative instruments) Investments accounted for using the equity method USD	\$ 71,953 38,805 5,583 92 3,300 33,416	32.25 (USD:NTD) 4.65 (RMB:NTD) 4.16 (HKD:NTD) 33.90 (EUR:NTD) 32.25 (USD:NTD)

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

For the Year Ended December 31

	1 of the Teal Ended December 31						
	2017	7	2016				
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)			
USD	30.43 (USD:NTD)	\$ (19,273)	32.26 (USD:NTD)	\$ (502)			
USD	6.75 (USD:RMB)	10,220	6.64 (USD:RMB)	(15,848)			
EUR	34.35 (EUR:NTD)	(1,422)	35.70 (EUR:NTD)	23			
RMB	0.15 (RMB:USD)	4,688	0.15 (RMB:USD)	2,697			
RMB	4.51 (RMB:NTD)	(117)	4.86 (RMB:NTD)	300			
RMB	1.15 (RMB:HKD)	(1,431)	1.17 (RMB:HKD)	7			
JPY	0.27 (JPY:NTD)	11	0.30 (JPY:NTD)	(100)			
		<u>\$ (7,324)</u>		<u>\$ (13,423</u>)			

41. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Under IFRS 8 "Operating Segments," the Company is organized and managed as a single reportable business segment. The Company's operations are mainly in the research, design, manufacture and sale of chipsets and providing R&D service revenue is more than 90 percent of the total revenue.

Geographical Information

The Company's revenues from Taiwan and from single foreign country for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31			
	2017	2016		
Hong Kong and China	\$ 2,158,549	\$ 2,646,750		
Taiwan	1,487,908	1,096,847		
America	575,286	781,723		
Europe	153,603	207,496		
Japan	122,908	170,077		
Singapore	6,636	218		
Others	6,978	22,732		
	¢ 1511 060	¢ 4.025.942		
	<u>\$ 4,511,868</u>	<u>\$ 4,925,843</u>		

Information about Major Customers

The Company's customers where operating revenues amounted to 10 percent or more of the Company's total operating revenues for the years ended December 31, 2017 and 2016 were as follows:

	For t	For the Year Ended December 31			
	2017	2017		<u> </u>	
	Amount	% of Account Total	Amount	% of Account Total	
Customer A	\$ 1,790,400	40	\$ 2,124,459	43	