

Yageo Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yageo Corporation

Opinion

We have audited the accompanying consolidated financial statements of Yageo Corporation (the Company) and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016 (after restated), 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 Group as of December 31, 2017 and 2016 (after restated), and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters on the consolidated financial statements for the year ended December 31, 2017 are as follows:

Allowance for Impairment Loss for Trade Receivables

The recoverable amount for trade receivables is determined by management's evaluation of the credit risk of overdue receivables, which is affected by management's assumption about a client's credit quality. In our audit, we focused on clients with significant trade receivables and overdue balances, and we evaluated the reasonableness of management's estimation of the allowance for impairment loss for trade receivables.

For a summary of the significant accounting policies on impairment loss for trade receivables, refer to Note 4 to the accompanying consolidated financial statements. Refer to Note 11 to the consolidated financial statements for the carrying amount of trade receivables. Our audit procedures for the aforementioned key audit matter are described as follows:

1. Tested the comprehensiveness and the accuracy of the aging report of the trade receivables which served as a basis for the calculation of the impairment loss allowance and verified that the percentage of such allowance was consistent with the Company's policy on the allowance for impairment loss.
2. Confirmed the recoverability of outstanding trade receivables by testing the post period collectability of receivables.
3. For the past due, outstanding amount, assessed the reasonableness of the allowance through understanding the history of collectability, namely whether collateral is offered and the state of the overall economy.

Allowance for Inventory Valuation Loss

The value of inventory is affected by the volatility of market demand and the ever-changing technology which can cause inventory to become outdated and obsolete. The allocation of inventory costs and the estimations of the net realizable value of inventory require management's judgment. In our audit, we focused on whether the value of inventory was evaluated per IAS 2, which is based on the lower of cost or net realizable value method. We also assessed the reasonableness of management's estimation of the allowance for inventory valuation loss.

For a summary of the significant accounting policies on inventory valuation, refer to Note 4 to the accompanying consolidated financial statements. Refer to Note 12 to the consolidated financial statements for the carrying amount of inventory. Our audit procedures for the aforementioned key audit matter are described as follows:

1. Test the aging of inventory and calculate the amount of allowance for inventory valuation loss per the Company's policy.
2. Sample from the year-end inventory and compare the respective actual selling prices with the book values to ensure that the book values do not exceed the net realizable values.

Disposal of Ferroxcube International Holding B.V.

The Company sold 100% of its interest of Ferroxcube International Holding B.V. in a cash settlement in 2017. The nature of the transaction was a restructuring under common control. It is listed as a key audit matter because the amount of the interest in the subsidiary that was disposed of was significant. If the transaction were to be improperly recorded and misrepresent the substance of the transaction, it would affect the expression of shareholders' equity. Our audit procedures for the aforementioned key audit matter are described as follows:

1. Verify that the transaction complied with the internal control systems established by the Company and that the relevant provisions and procedures for the acquisition and disposal of assets were made.
2. Verify that the basis and timing of recognition of the transaction is appropriate by examining the relevant documents, such as the share purchase agreement and collection records.

Other Matter

We did not audit the financial statements of Yageo Europe Holding B.V., a subsidiary included in the consolidated financial statements of the Group, as of and for the years ended December 31, 2017 and 2016. The total assets of this subsidiary were 12.16% (NT\$8,476,474 thousand) and 6.50% (NT\$3,357,130 thousand) of the Group's total consolidated assets as of December 31, 2017 and 2016, respectively, and the total revenue of this subsidiary was 5.79% (NT\$1,868,715 thousand) and 5.90% (NT\$1,638,283 thousand) of the Group's total consolidated revenue for the years ended December 31, 2017 and 2016, respectively. As disclosed in Note 14 to the accompanying consolidated financial statements, we also did not audit the financial statements of some investees accounted for using the equity method. The total investments in these investees accounted for using the equity method were 0.25% (NT\$177,328 thousand) and 2.22% (NT\$1,144,877 thousand) of the Group's total consolidated assets as of December 31, 2017 and 2016, respectively; the Group's total share of the profit (loss) of such associates was (0.03%) (NT\$(2,539) thousand) and 3.42% (NT\$153,900 thousand) of the Group's consolidated profit before income tax for the years ended December 31, 2017 and 2016, respectively. The financial statements of the aforementioned subsidiary and investees accounted for using the equity method were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the related amounts included herein, is based solely on the reports of other auditors.

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

As described in Note 1 to the accompanying consolidated financial statements, on August 1, 2017, the Company sold 100% of its interest of Ferroxcube International Holding B.V. in a cash settlement amounting to €133,188 thousand. Because the nature of the transaction was a restructuring under common control, the transaction was deemed as having been effective since the beginning of the reporting period. As a result, the Company restated its consolidated financial statements for the year ended December 31, 2016 when preparing the consolidated financial statements for the year ended December 31, 2017.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China,

and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 Yung-Hsiang Chao and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2018

Notice to Readers

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

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

YAGEO CORPORATION AND SUBSIDIARIES

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

ASSETS	2017		2016 (Audited after Restated)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 5,760,889	8	\$ 7,619,545	15
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	211,359	-	18,885	-
Debt investments with no active market - current (Notes 4 and 10)	11,575,280	16	8,275,719	16
Notes receivable (Notes 4 and 11)	1,196,757	2	643,439	1
Trade receivable (Notes 4, 11 and 29)	10,546,437	15	8,515,778	17
Other receivables (Note 29)	428,652	1	1,095,583	2
Inventories (Notes 4 and 12)	4,872,001	7	4,775,385	9
Prepayment (Note 17)	435,710	1	284,065	1
Other current assets	54,859	-	160,801	-
Total current assets	<u>35,081,944</u>	<u>50</u>	<u>31,389,200</u>	<u>61</u>
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	4,347,325	6	2,372,616	5
Held-to-maturity financial assets - noncurrent (Notes 4 and 9)	7,133,802	10	-	-
Investments accounted for using the equity method (Notes 4 and 14)	3,480,124	5	2,527,162	5
Property, plant and equipment (Notes 4, 15 and 30)	16,274,877	24	12,157,617	23
Computer software (Note 4)	86,082	-	91,365	-
Goodwill (Notes 4 and 16)	2,074,005	3	1,989,296	4
Deferred tax assets (Notes 4 and 23)	922,820	2	833,729	2
Refundable deposits	82,635	-	88,882	-
Long-term prepayments for lease, net of current portion (Note 17)	73,061	-	76,514	-
Other noncurrent assets	140,550	-	140,428	-
Total noncurrent assets	<u>34,615,281</u>	<u>50</u>	<u>20,277,609</u>	<u>39</u>
TOTAL	<u>\$ 69,697,225</u>	<u>100</u>	<u>\$ 51,666,809</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 17,624,878	25	\$ 12,716,954	25
Short-term bills payable (Note 18)	1,099,772	2	1,099,819	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	82,995	-	1,649	-
Notes payable	3,449	-	8,069	-
Trade payable (Note 29)	7,511,421	11	6,303,414	12
Other payables (Notes 19 and 29)	4,874,382	7	3,772,503	7
Current tax liabilities (Notes 4 and 23)	1,209,130	2	743,310	2
Other current liabilities	41,375	-	99,757	-
Total current liabilities	<u>32,447,402</u>	<u>47</u>	<u>24,745,475</u>	<u>48</u>
NONCURRENT LIABILITIES				
Long-term borrowings (Notes 18 and 30)	5,500,000	8	3,600,000	7
Deferred tax liabilities (Notes 4 and 23)	376	-	5,194	-
Accrued pension liabilities (Notes 4 and 20)	346,478	-	292,935	1
Guarantee deposits received	69,562	-	30,153	-
Total noncurrent liabilities	<u>5,916,416</u>	<u>8</u>	<u>3,928,282</u>	<u>8</u>
Total liabilities	<u>38,363,818</u>	<u>55</u>	<u>28,673,757</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common shares	3,504,010	5	5,163,056	10
Capital collected in advance	1,628	-	51,728	-
Total share capital	<u>3,505,638</u>	<u>5</u>	<u>5,214,784</u>	<u>10</u>
Capital surplus				
Issuance of common shares	2,652,778	4	403,236	1
From share of changes in capital surplus of associates	415,813	1	75,177	-
From employee share options	32,847	-	26,198	-
Total capital surplus	<u>3,101,438</u>	<u>5</u>	<u>504,611</u>	<u>1</u>
Retained earnings				
Legal reserve	2,550,866	4	2,155,454	4
Special reserve	1,723,692	2	437,595	1
Unappropriated earnings	20,096,117	29	17,661,355	34
Total retained earnings	<u>24,370,675</u>	<u>35</u>	<u>20,254,404</u>	<u>39</u>
Other equity				
Exchange differences on translation of foreign operations	(1,664,627)	(3)	(1,097,198)	(2)
Unrealized loss on available-for-sale financial assets	1,911,923	3	(188,899)	-
Total other equity	<u>247,296</u>	<u>-</u>	<u>(1,286,097)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>31,225,047</u>	<u>45</u>	<u>24,687,702</u>	<u>48</u>
BUSINESS COMBINATIONS UNDER COMMON CONTROL WITH SUCCESSOR	-	-	(1,808,243)	(4)
NONCONTROLLING INTERESTS	108,360	-	113,593	-
Total equity	<u>31,333,407</u>	<u>45</u>	<u>22,993,052</u>	<u>44</u>
TOTAL	<u>\$ 69,697,225</u>	<u>100</u>	<u>\$ 51,666,809</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated February 22, 2018)

YAGEO CORPORATION AND SUBSIDIARIES

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

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

	2017		2016 (Audited after Restated)	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 29)				
Net sales	\$ 32,258,599	100	\$ 27,784,157	100
OPERATING COSTS (Notes 4, 12, 22 and 29)				
Cost of goods sold	<u>21,760,490</u>	<u>68</u>	<u>21,226,457</u>	<u>76</u>
GROSS PROFIT	<u>10,498,109</u>	<u>32</u>	<u>6,557,700</u>	<u>24</u>
OPERATING EXPENSES (Notes 4 and 22)				
Selling and marketing	1,462,724	5	1,376,061	5
General and administrative	1,138,150	3	1,247,359	5
Research and development	<u>303,916</u>	<u>1</u>	<u>320,137</u>	<u>1</u>
Total operating expenses	<u>2,904,790</u>	<u>9</u>	<u>2,943,557</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>7,593,319</u>	<u>23</u>	<u>3,614,143</u>	<u>13</u>
NONOPERATING INCOME				
Finance costs (Notes 4 and 22)	(299,494)	(1)	(193,970)	(1)
Share of profit of associates (Note 4)	299,831	1	234,329	1
Interest income (Note 4)	507,890	2	323,906	1
Rental income (Notes 4 and 29)	22,156	-	16,900	-
Gain on financial instruments at fair value through profit or loss (Note 4)	152,805	-	281,518	1
Loss on financial instruments at fair value through profit or loss (Note 4)	(412,233)	(1)	(507,977)	(2)
Other gains and losses (Note 22)	<u>(42,052)</u>	<u>-</u>	<u>730,546</u>	<u>3</u>
Total nonoperating income	<u>228,903</u>	<u>1</u>	<u>885,252</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	7,822,222	24	4,499,395	16
INCOME TAX EXPENSE (Notes 4 and 23)	<u>1,141,208</u>	<u>3</u>	<u>895,111</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>6,681,014</u>	<u>21</u>	<u>3,604,284</u>	<u>13</u>

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2017		2016 (Audited after Restated)	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 4)	\$ (54,555)	-	\$ (28,736)	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method (Note 4)	(1,532)	-	758	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	9,396	-	1,902	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 21)	(682,466)	(2)	(2,101,156)	(8)
Unrealized gain on available-for-sale financial assets (Notes 4 and 21)	2,101,738	6	267,903	1
Share of the other comprehensive income of associates accounted for using the equity method (Notes 4 and 21)	(72,379)	-	(158,247)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 23)	<u>116,220</u>	<u>-</u>	<u>438,600</u>	<u>2</u>
Other comprehensive income for the year, net of income tax	<u>1,416,422</u>	<u>4</u>	<u>(1,578,976)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 8,097,436</u>	<u>25</u>	<u>\$ 2,025,308</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 6,847,300	21	\$ 3,954,115	14
Business combinations under common control with successor	(191,474)	-	(401,416)	(1)
Noncontrolling interests	<u>25,188</u>	<u>-</u>	<u>51,585</u>	<u>-</u>
	<u>\$ 6,681,014</u>	<u>21</u>	<u>\$ 3,604,284</u>	<u>13</u>

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YAGEO CORPORATION AND SUBSIDIARIES

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

	2017		2016 (Audited after Restated)	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 8,569,219	27	\$ 2,034,823	7
Business combinations under common control with successor	(489,154)	(2)	(59,173)	-
Noncontrolling interests	<u>17,371</u>	<u>-</u>	<u>49,658</u>	<u>-</u>
	<u>\$ 8,097,436</u>	<u>25</u>	<u>\$ 2,025,308</u>	<u>7</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 24)				
Basic	<u>\$ 15.64</u>		<u>\$ 6.14</u>	
Diluted	<u>\$ 15.23</u>		<u>\$ 6.10</u>	

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

(With Deloitte & Touche audit report dated February 22, 2018)

(Concluded)

YAGEO CORPORATION AND SUBSIDIARIES

**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								Other Equity			Business Combinations under Common Control with Successor (Notes 4 and 21)	Non-controlling Interests (Notes 4 and 21)	Total Equity	
	Share Capital (Note 21)			Capital Surplus (Notes 4, 21 and 25)	Retained Earnings			Exchange Differences on Translating Foreign Operations (Notes 4 and 21)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 4 and 21)	Treasury Stock (Note 21)	Total				
	Common Shares (Note 21)	Capital Collected in Advance	Total		Legal Reserve (Note 21)	Special Reserve (Note 21)	Unappropriated Earnings (Note 21)								Total
BALANCE, JANUARY 1, 2016	\$ 6,515,947	\$ -	\$ 6,515,947	\$ 554,298	\$ 1,792,427	\$ 437,595	\$ 15,495,654	\$ 17,725,676	\$ 1,044,203	\$ (437,084)	\$ (215,300)	\$ 25,187,740	\$ -	\$ 110,786	\$ 25,298,526
Retrospective restatement of business combinations under common control with successor	-	-	-	-	-	-	-	-	-	-	-	-	(1,749,070)	-	(1,749,070)
BALANCE AT JANUARY 1, 2016 AFTER RESTATED	6,515,947	-	6,515,947	554,298	1,792,427	437,595	15,495,654	17,725,676	1,044,203	(437,084)	(215,300)	25,187,740	(1,749,070)	110,786	23,549,456
Capital reduction	(1,285,637)	-	(1,285,637)	-	-	-	-	-	-	-	-	(1,285,637)	-	-	(1,285,637)
Cash distributed to non-controlling interests due to capital reduction by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(46,851)	(46,851)
Appropriation of the 2015 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	363,027	-	(363,027)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(994,973)	(994,973)	-	-	-	(994,973)	-	-	(994,973)
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	11,574	-	-	(13,823)	(13,823)	-	-	-	(2,249)	-	-	(2,249)
Issue of share dividends from capital surplus	-	-	-	(290,664)	-	-	-	-	-	-	-	(290,664)	-	-	(290,664)
Recognition of compensation cost of employee share options	-	-	-	8,721	-	-	-	-	-	-	-	8,721	-	-	8,721
Recognition of employee share options by the Company	20,506	51,728	72,234	226,963	-	-	-	-	-	-	-	299,197	-	-	299,197
Net profit for the year ended December 31, 2016	-	-	-	-	-	-	3,954,115	3,954,115	-	-	-	3,954,115	(401,416)	51,585	3,604,284
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(26,076)	(26,076)	(2,141,401)	248,185	-	(1,919,292)	342,243	(1,927)	(1,578,976)
Buyback of treasury shares	-	-	-	-	-	-	-	-	-	-	(269,256)	(269,256)	-	-	(269,256)
Cancellation of treasury shares	(87,760)	-	(87,760)	(6,281)	-	-	(390,515)	(390,515)	-	-	484,556	-	-	-	-
BALANCE, DECEMBER 31, 2016	5,163,056	51,728	5,214,784	504,611	2,155,454	437,595	17,661,355	20,254,404	(1,097,198)	(188,899)	-	24,687,702	(1,808,243)	113,593	22,993,052
Retrospective restatement of business combinations under common control with successor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2017 AFTER RESTATED	5,163,056	51,728	5,214,784	504,611	2,155,454	437,595	17,661,355	20,254,404	(1,097,198)	(188,899)	-	24,687,702	(1,808,243)	113,593	22,993,052
Capital reduction	(1,509,669)	-	(1,509,669)	-	-	-	-	-	-	-	-	(1,509,669)	-	-	(1,509,669)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	200,853	(22,604)	178,249
Appropriation of the 2016 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	395,412	-	(395,412)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	1,286,097	(1,286,097)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(1,283,218)	(1,283,218)	-	-	-	(1,283,218)	-	-	(1,283,218)
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	340,636	-	-	(10,930)	(10,930)	-	-	-	329,706	-	-	329,706
Issue of share dividends from capital surplus	-	-	-	(225,094)	-	-	-	-	-	-	-	(225,094)	-	-	(225,094)
Restructuring	-	-	-	2,416,738	-	-	-	-	(235,217)	-	-	2,181,521	2,096,544	-	4,278,065
Recognition of compensation cost of employee share options	-	-	-	11,490	-	-	-	-	-	-	-	11,490	-	-	11,490
Recognition of employee share options by the Company	68,033	(50,100)	17,933	62,994	-	-	-	-	-	-	-	80,927	-	-	80,927
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	6,847,300	6,847,300	-	-	-	6,847,300	(191,474)	25,188	6,681,014
Other comprehensive income(loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(46,691)	(46,691)	(332,212)	2,100,822	-	1,721,919	(297,680)	(7,817)	1,416,422
Buyback of treasury shares	-	-	-	-	-	-	-	-	-	-	(1,617,537)	(1,617,537)	-	-	(1,617,537)
Cancellation of treasury shares	(217,410)	-	(217,410)	(9,937)	-	-	(1,390,190)	(1,390,190)	-	-	1,617,537	-	-	-	-
BALANCE, DECEMBER 31, 2017	\$ 3,504,010	\$ 1,628	\$ 3,505,638	\$ 3,101,438	\$ 2,550,866	\$ 1,723,692	\$ 20,096,117	\$ 24,370,675	\$ (1,664,627)	\$ 1,911,923	\$ -	\$ 31,225,047	\$ -	\$ 108,360	\$ 31,333,407

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

(With Deloitte & Touche audit report dated February 22, 2018)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2017	2016 (Audited after Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,822,222	\$ 4,499,395
Adjustments for:		
Depreciation expenses	1,782,331	1,834,748
Amortization expenses	55,701	45,627
Amortization of prepayments for lease	2,386	2,581
Amortization of prepayments	4,811	10,298
Impairment loss recognized (reversal of impairment loss) on trade receivables	23,916	(9,048)
Net loss on fair value change of financial assets and liabilities held for trading	259,428	226,459
Finance costs	299,494	193,970
Interest income	(507,890)	(323,906)
Dividend income	(79,907)	(71,854)
Compensation cost of employee share options	11,490	8,721
Share of profit of subsidiaries and associates	(299,831)	(234,329)
(Gain) loss on disposal of property, plant and equipment, net	7,017	(571)
Net gain on disposal of available-for-sale financial assets	(202,028)	(63,192)
Write-downs of inventories	47,477	-
Reversal of write-downs of inventories	-	(46,117)
Net gain on unrealized foreign currency exchange	(29,629)	(24,788)
Changes in operating assets and liabilities:		
Financial assets held for trading	(224,298)	(219,323)
Notes receivable	(553,318)	(247,008)
Accounts receivable	(2,115,484)	258,527
Other receivables	978,918	(558,735)
Inventories	(101,305)	233,500
Prepayments	(54,846)	(98,460)
Other current assets	99,924	(104,816)
Notes payable	(4,620)	(1,031)
Accounts payable	1,298,545	1,361,926
Other payables	48,189	801,736
Other current liabilities	<u>(58,382)</u>	<u>(15,574)</u>
Cash generated from operations	8,510,311	7,458,736
Interest received	473,807	308,353
Dividend received	79,907	71,854
Interest paid	(291,537)	(177,575)
Income tax paid	<u>(745,177)</u>	<u>(776,575)</u>
Net cash generated from operating activities	<u>8,027,311</u>	<u>6,884,793</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of held for trading financial assets	(2,019,471)	-
Proceeds from sale of held for trading financial assets	1,873,213	-
Purchase of available-for-sale financial assets	(51,941)	-

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2017	2016 (Audited after Restated)
Proceeds from sale of available-for-sale financial assets	\$ 322,719	\$ 151,177
Proceeds from capital reduction of available-for-sale financial assets	14,579	128,702
Purchase of debt investments with no active market	(3,299,561)	(5,027,461)
Purchase of held-to-maturity financial assets	(7,243,278)	-
Acquisition of associates	(607,223)	-
Net cash inflow on disposal of associates	4,235,378	-
Proceeds from capital reduction of associates	22,261	-
Payments for property, plant and equipment	(4,949,752)	(1,324,133)
Proceeds from disposal of property, plant and equipment	16,851	7,690
Increase in refundable deposits	-	(1,698)
Decrease in refundable deposits	6,247	-
Payments for intangible assets	(12,250)	(55)
Increase in other noncurrent assets	(1,280)	(219)
Dividends received from associates	<u>245,675</u>	<u>124,998</u>
Net cash used in investing activities	<u>(11,447,833)</u>	<u>(5,940,999)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of short-term borrowings	4,907,924	2,658,454
Proceeds of short-term bills payable	-	600,000
Proceeds of long-term borrowings	4,100,000	3,600,000
Repayments of long-term borrowings	(2,200,000)	(2,500,000)
Proceeds of guarantee deposits received	39,409	-
Refund of guarantee deposits received	-	(9,102)
Dividends paid to the owners of the Company	(1,500,626)	(1,285,637)
Capital reduction	(1,509,669)	(1,285,637)
Proceeds from employee share options	80,927	299,197
Payments for buyback of treasury shares	(1,617,537)	(269,256)
Dividends paid to noncontrolling interests	<u>(49,457)</u>	<u>(46,851)</u>
Net cash generated from financing activities	<u>2,250,971</u>	<u>1,761,168</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(689,105)</u>	<u>(1,107,834)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,858,656)	1,597,128
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,619,545</u>	<u>6,022,417</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,760,889</u>	<u>\$ 7,619,545</u>

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

(With Deloitte & Touche audit report dated February 22, 2018)

(Concluded)

YAGEO CORPORATION AND SUBSIDIARIES

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

Yageo Corporation (the Company) was incorporated in 1987 in the Republic of China (ROC). The Company's shares are traded on the Taiwan Stock Exchange. The Company manufactures and sells passive components.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the "Group", are presented in the Company's functional currency, the New Taiwan dollar.

On August 1, 2017, the Company sold 100% of its interest of Ferroxcube International Holding B.V. ("Ferroxcube") in a cash settlement amounting to €133,188 thousand. Because the nature of the transaction was a restructuring under common control, the transaction was deemed as having been effective since the beginning of the reporting period. As a result, the Company restated its consolidated financial statements for the year ended December 31, 2016 when preparing the consolidated financial statements for the year ended December 31, 2017.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on February 22, 2018.

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

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

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

- 1) Amendments to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

The amendments clarify that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is the fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendments should be applied retrospectively starting from January 1, 2017.

2) Annual Improvements to IFRSs 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

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

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgments made in applying the aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017 (refer to Note 36).

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate should be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 “Related Party Disclosures” was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the services paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

An entity should use the appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of property, plant and equipment and intangible assets are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” clarifies that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances when:

- a) The intangible asset is expressed as a measure of revenue (for example, when there is a contract that specifies the entity’s use of the intangible asset will expire upon the achievement of a revenue threshold); or
- b) It can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

5) 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 and goodwill.

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

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

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions is enhanced. Refer to Note 29.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

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

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

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 Group’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 Group 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 Group 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. Listed shares and unlisted shares classified as available-for-sale 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; and
- b) Debt investments classified as held-to-maturity financial assets or 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 Group 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 Group 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 Group 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 Group 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 Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

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

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through profit or loss	\$ 211,359	\$ 143,695	\$ 355,054
Financial assets at fair value through other comprehensive income	-	4,203,630	4,203,630
Available-for-sale financial assets	4,347,325	(4,347,325)	-
Held-to-maturity financial assets	7,133,802	(7,133,802)	-
Financial assets measured at amortized cost	-	18,709,082	18,709,082
Debt investments with no active market - current	<u>11,575,280</u>	<u>(11,575,280)</u>	<u>-</u>
Total effect on assets	<u>\$ 23,267,766</u>	<u>\$ -</u>	<u>\$ 23,267,766</u>
Financial liabilities at fair value through profit or loss	<u>\$ 82,995</u>	<u>\$ -</u>	<u>\$ 82,995</u>
Total effect on liabilities	<u>\$ 82,995</u>	<u>\$ -</u>	<u>\$ 82,995</u>
Retained earnings	\$ 20,096,117	\$ 5,440	\$ 20,101,557
Unrealized gain (loss) on available-for-sale financial assets	<u>1,911,923</u>	<u>(5,440)</u>	<u>1,906,483</u>
Total effect on equity	<u>\$ 22,008,040</u>	<u>\$ -</u>	<u>\$ 22,008,040</u>

4) 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 Group 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.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The Group assesses the recognition of revenue, and the measurement and presentation of contracts with customers will not change due to the application of IFRS 15 for contracts that are not complete as of December 31, 2017.

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

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

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

4) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

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

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of other standards and interpretations will not have significant impact on the Group’s financial position and financial performance.

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

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

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

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

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

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

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

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

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

2) 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 Group 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 Group 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 Group 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/financing activities].

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

When IFRS 16 becomes effective, the Group 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.

3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

4) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

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

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

5) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

6) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

7) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;

- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

- Principles for preparing consolidated financial statements

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

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

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

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

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

See Note 13, Table 7 and 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

Monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

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

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

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 the 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.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

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

g. Investments in associates

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

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

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

i. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss.

Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 28.

ii. Held-to-maturity investments

Corporate bonds is above specific credit ratings and which the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii. Available-for-sale financial assets

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

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

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

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

iv. Loans and receivables

Loans and receivables (including trade receivables and cash and cash equivalents) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, such 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 Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 28.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

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 hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the contracts are not measured at fair value through profit or loss.

m. 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.

1) Sale of goods

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

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

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

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

2) Dividend and interest income

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

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

n. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

o. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group'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 options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options 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.

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

a. Estimated impairment of trade receivables

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

b. Write-down of inventories

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

c. Impairment of property, plant and equipment

The impairment of equipment in relation to the production of passive components was based on the recoverable amounts of those assets, which are the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to the recognition of additional impairment losses or reversal of impairment losses.

d. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2017	2016
Cash on hand	\$ 1,573	\$ 947
Demand deposits	5,471,062	4,706,831
Cash equivalents (with original maturities of less than 3 months)		
Time deposits	<u>288,254</u>	<u>2,911,767</u>
	<u>\$ 5,760,889</u>	<u>\$ 7,619,545</u>

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

	<u>December 31</u>	
	2017	2016
Demand deposits	0.01%-5.2%	0.01%-4.1%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2017	2016
<u>Financial assets - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 1,359	\$ 18,885
Non-derivative financial assets		
Domestic quoted shares	<u>210,000</u>	<u>-</u>
	<u>\$ 211,359</u>	<u>\$ 18,885</u>
<u>Financial liabilities - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 82,995</u>	<u>\$ 1,649</u>

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

	Currency	Maturity	Notional Amount (In Thousands)
<u>December 31, 2017</u>			
Buy	USD/NTD	2018.01.02-2018.01.31	USD303,500/NTD9,105,480
Buy	EUR/USD	2018.01.05	EUR6,000/USD7,133
Buy	USD/RMB	2018.09.10-2018.09.17	USD30,000/RMB200,514
Buy	USD/RMB	2018.01.03	USD3,050/RMB19,944
Sell	USD/RMB	2018.01.22	USD6,000/RMB39,813
Sell	EUR/USD	2018.01.07-2018.02.22	EUR9,770/USD11,931
<u>December 31, 2016</u>			
Buy	USD/NTD	2017.01.17-2017.02.03	USD92,750/NTD2,976,549
Buy	EUR/USD	2017.01.17	EUR6,000/USD6,260
Sell	USD/RMB	2017.02.06	USD3,000/RMB21,150
Sell	EUR/USD	2017.01.17-2017.01.24	EUR5,520/USD5,952

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2017	2016
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares		
TA-I Technology Co., Ltd.	\$ 1,049,349	\$ 530,271
Honey Hope Honesty Enterprise Co., Ltd.	42,800	-
Unlisted shares		
Xmholder Technology Co., Ltd.	44,122	44,718
Hsin Bung International Co., Ltd.	33,622	33,622
Jihsun Securities Investment Trust Co., Ltd.	12,000	12,000
Parawin Venture Capital Corp.	10,669	25,247
Linko International Golf & Country Club	482	482
	<u>1,193,044</u>	<u>646,340</u>
Foreign investments		
Overseas listed shares		
SHS KOA Corp.	<u>3,154,281</u>	<u>1,726,276</u>
	<u>\$ 4,347,325</u>	<u>\$ 2,372,616</u>

9. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Non-current</u>		
Foreign investments		
Corporate bonds	\$ <u>7,133,802</u>	\$ <u> -</u>

The Group's investments in bonds were as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Total par value (in thousand U.S. dollars)	\$ <u>230,100</u>	\$ <u> -</u>
Coupon rates	2.95%-5.50%	-
Effective interest rates	2.29%-4.58%	-
Average time to maturity (in years)	2024	-

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ <u>11,575,280</u>	\$ <u>8,275,719</u>

The market interest rates of the time deposits with original maturities more than 3 months were 1.95%-5.05% and 0.45%-4.15% per annum respectively as of December 31, 2017 and 2016.

11. NOTES RECEIVABLE AND TRADE RECEIVABLE

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>1,196,757</u>	\$ <u>643,439</u>
<u>Trade receivables</u>		
Trade receivables	\$ 10,237,622	\$ 8,481,575
Less: Allowance for impairment loss	<u>(50,142)</u>	<u>(52,059)</u>
	<u>\$ 10,187,480</u>	<u>\$ 8,429,516</u>

Trade Receivable

The average credit period of sales of goods was 30-90 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the Trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience was that receivables that are past due beyond 365 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 61 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 positions.

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

The aging of receivables was as follows:

	December 31	
	2017	2016
Current term	\$ 9,486,448	\$ 7,323,081
Past due		
1-60 days	694,297	1,072,207
61-90 days	5,997	48,406
91-181 days	8,329	8,672
More than 181 days	<u>42,551</u>	<u>29,209</u>
	<u>\$ 10,237,622</u>	<u>\$ 8,481,575</u>

The above aging schedule was based on the past due days from end of credit term.

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

	December 31	
	2017	2016
Less than 60 days	<u>\$ 694,297</u>	<u>\$ 1,072,207</u>

The above aging schedule was based on the past due days from end of credit term.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ -	\$ 67,758	\$ 67,758
Less: Impairment losses reversed	-	(9,048)	(9,048)
Less: Amounts written off during the year as uncollectable	-	(987)	(987)
Foreign exchange translation gains and losses	<u>-</u>	<u>(5,664)</u>	<u>(5,664)</u>
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 52,059</u>	<u>\$ 52,059</u>

(Continued)

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ -	\$ 52,059	\$ 52,059
Add: Impairment loss recognized (reversal of impairment loss) on receivables	24,287	(371)	23,916
Less: Amounts written off during the year as uncollectable	-	(23,432)	(23,432)
Foreign exchange translation gains and losses	<u>-</u>	<u>(2,401)</u>	<u>(2,401)</u>
Balance at December 31, 2017	<u>\$ 24,287</u>	<u>\$ 25,855</u>	<u>\$ 50,142</u> (Concluded)

12. INVENTORIES

	<u>December 31</u>	
	2017	2016
Finished goods and merchandise	\$ 2,251,635	\$ 2,678,893
Work in progress	700,312	629,672
Raw materials	1,743,034	1,271,467
Supplies	137,114	141,937
Inventory in transit	<u>39,906</u>	<u>53,416</u>
	<u>\$ 4,872,001</u>	<u>\$ 4,775,385</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was \$21,760,490 thousand and \$21,226,457 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 included inventory write-downs of \$47,477 thousand and reversals of inventory write-downs of \$46,117 thousand, respectively.

13. SUBSIDIARIES

Entities included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			(%)		
			<u>December 31</u>		
			2017	2016	
Yageo Corporation	Yageo Holding (Bermuda) Ltd.	Investment	100.0	100.0	
	Ko-Shin Investment Ltd.	Investment	100.0	100.0	
	Ferroxcube (Samoa) Holding Ltd.	Investment	100.0	100.0	
	Yageo Corporation (South Asia) Pte. Ltd.	Electronic component selling	100.0	100.0	
	Yageo Europe Holding B.V.	Holding company	100.0	100.0	
Yageo Holding (Bermuda) Ltd.	Yageo America Corporation	Electronic component selling	100.0	100.0	
	Yageo South Asia (M) Sdn. Bhd.	Electronic component selling	100.0	100.0	
	Yageo (Hong Kong) Limited	Investment	100.0	100.0	
	Yageo USA (H.K.) Limited	Passive component selling	100.0	100.0	
	Ko-E Holding (Cayman)	Holding company	83.8	83.8	
Vitrohm Holding GmbH	Vitrohm Holding GmbH	Investment	100.0	100.0	
	Rextron International	Investment	-	100.0	a.

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2017	2016	
Yageo (Hong Kong) Limited	Yageo Korea	Resistor selling	100.0	100.0	
	Yageo Japan	Resistor selling	100.0	100.0	
	Hsu Tai International (H.K.) Ltd.	Investment	100.0	100.0	
	Yageo Electronics (China) Co., Ltd.	Passive component manufacturing and selling	100.0	100.0	
	Yageo Electronics (Dongguan) Co., Ltd.	Passive component manufacturing and selling	100.0	100.0	
	Yageo (Suzhou) Trade Co., Ltd. Yageo Components (Suzhou) Co., Ltd.	Passive component selling Passive component manufacturing and selling	100.0 100.0	100.0 100.0	
Ko-E Holding (Cayman)	Compostar Technology (Dongguan) Co., Ltd.	Passive component manufacturing and selling	100.0	100.0	
	Ko-E (H.K.) Limited	Electronic component selling	100.0	100.0	
Ko-E (H.K.) Limited	Ko-E Corp. Ko-E Technology (Shenzhen) Co., Ltd.	Electronic component selling Electronic component selling	100.0 100.0	100.0 100.0	

(Concluded)

Remarks:

- Subsidiary Rextron International had been liquidated and disclosed in the second quarter of this year.
- On August 1, 2017, the Company sold 100% of its interest of Ferroxcube International Holding B.V. (“Ferroxcube”) in a cash settlement amounting to €133,188 thousand. Because the nature of the transaction was a restructuring under common control, the transaction was deemed as having been effective since the beginning of the reporting period.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2017	2016
Material associates		
Chilisin Electronics Corp.	\$ 2,585,773	\$ 960,603
Teapo Electronics Corporation	363,523	345,393
Global Testing Corporation Limited (GTCL)	353,500	446,003
Ralec Electronic Corp.	-	590,889
	<u>3,302,796</u>	<u>2,342,888</u>
Associates that are not individually material		
Strong Components Co., Ltd.	86,172	84,136
Belkin International Enterprises Ltd. (Samoa)	59,170	65,751
Guo Chuang Electronics (Dongguan) Co., Ltd.	31,986	34,387
	<u>177,328</u>	<u>184,274</u>
	<u>\$ 3,480,124</u>	<u>\$ 2,527,162</u>

Material Associates

Name of Subsidiary	Proportion of Ownership and Voting Rights	
	December 31	
	2017	2016
Chilisin Electronics Corp.	18.65%	21.01%
Teapo Electronic Corp.	14.86%	14.86%
GTCL	28.48%	28.48%
Ralec Electronic Corp.	-	14.69%

Refer to Table 7 “Information on Investees” and Table 8 “Information on Investments in Mainland China” for the nature of activities, principal places of business and countries of incorporation of the associates.

On January 23, 2017, the board of directors of Chilisin Electronics Corp. resolved the acquisition of 100% of the interest of Ralec Electronics Corp. and Ferroxcube International Holding B.V. in a share exchange and cash settlement, respectively. The date of acquisition was effective on June 30, 2017 and August 1, 2018, respectively.

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

Name of Associate	December 31	
	2017	2016
Chilisin Electronics Corp.	\$ 4,197,277	\$ 1,905,128
Teapo Electronic Corp.	595,645	221,667
GTCL	224,322	247,185
Ralec Electronic Corp.	-	461,281
	<u>\$ 5,017,244</u>	<u>\$ 2,835,261</u>

Investments in Chilisin Electronics Corp. and Teapo Electronics were accounted for by the equity method since the Group had significant influence over it or the Group’s proportion of ownership was over 20%.

Chilisin Electronics Corp. and Teapo Electronics Corp. are companies listed in Taiwan, and GTCL, in Singapore. Their financial information is publicly available, therefore no further information is required to disclose in this financial report.

The financial statements of some investment in associates - Strong Components Co., Ltd., Belkin International Enterprises Ltd. (Samoa), and Guo Chuang Electronics (Dongguan) Co., Ltd. as of and for the years ended December 31, 2017 and 2016 and Chilisin Electronics Corp. as of and for the year ended December 31, 2016 had been audited by other auditors.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>						
Balance at January 1, 2016	\$ 715,007	\$ 12,199,743	\$ 25,628,157	\$ 1,897,399	\$ 378,508	\$ 40,818,814
Additions	-	668	12,982	7,685	1,393,239	1,414,574
Disposals	-	(30,863)	(319,429)	(27,895)	-	(378,187)
Effect of foreign currency exchange differences	(4,875)	(681,790)	(1,146,534)	(90,708)	(20,107)	(1,944,014)
Reclassifications	-	226,865	859,570	110,228	(1,270,012)	(73,349)
Balance at December 31, 2016	<u>\$ 710,132</u>	<u>\$ 11,714,623</u>	<u>\$ 25,034,746</u>	<u>\$ 1,896,709</u>	<u>\$ 481,628</u>	<u>\$ 39,837,838</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2016	\$ 202,067	\$ 5,201,699	\$ 20,393,596	\$ 1,629,115	\$ -	\$ 27,426,477
Disposals	-	(30,180)	(313,760)	(27,128)	-	(371,068)
Depreciation expense	-	495,625	1,250,210	88,913	-	1,834,748
Effect of foreign currency exchange differences	-	(210,807)	(965,482)	(19,204)	-	(1,195,493)
Reclassifications	-	(5,813)	(7,733)	(897)	-	(14,443)
Balance at December 31, 2016	<u>\$ 202,067</u>	<u>\$ 5,450,524</u>	<u>\$ 20,356,831</u>	<u>\$ 1,670,799</u>	<u>\$ -</u>	<u>\$ 27,680,221</u>
Carrying amounts at December 31, 2016	<u>\$ 508,065</u>	<u>\$ 6,264,099</u>	<u>\$ 4,677,915</u>	<u>\$ 225,910</u>	<u>\$ 481,628</u>	<u>\$ 12,157,617</u>
<u>Cost</u>						
Balance at January 1, 2017	\$ 710,132	\$ 11,714,623	\$ 25,034,746	\$ 1,896,709	\$ 481,628	\$ 39,837,838
Additions	-	898	4,293	7,468	5,975,093	5,987,752
Disposals	-	(44,193)	(865,045)	(84,244)	(104)	(993,586)
Effect of foreign currency exchange differences	3,935	(39,287)	(130,299)	7,154	15,875	(142,622)
Reclassifications	-	428,347	3,269,391	144,633	(3,874,523)	(32,152)
Balance at December 31, 2017	<u>\$ 714,067</u>	<u>\$ 12,060,388</u>	<u>\$ 27,313,086</u>	<u>\$ 1,971,720</u>	<u>\$ 2,597,969</u>	<u>\$ 44,657,230</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2017	\$ 202,067	\$ 5,450,524	\$ 20,356,831	\$ 1,670,799	\$ -	\$ 27,680,221
Disposals	-	(43,055)	(844,082)	(82,581)	-	(969,718)
Depreciation expense	-	473,757	1,224,961	83,613	-	1,782,331
Effect of foreign currency exchange differences	-	(6,556)	(16,368)	(87,557)	-	(110,481)
Balance at December 31, 2017	<u>\$ 202,067</u>	<u>\$ 5,874,670</u>	<u>\$ 20,721,342</u>	<u>\$ 1,584,274</u>	<u>\$ -</u>	<u>\$ 28,382,353</u>
Carrying amounts at December 31, 2017	<u>\$ 512,000</u>	<u>\$ 6,185,718</u>	<u>\$ 6,591,744</u>	<u>\$ 387,446</u>	<u>\$ 2,597,969</u>	<u>\$ 16,274,877</u>

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

Building	
Main buildings	50-56 years
Engineering system	40-56 years
Others	1-21 years
Machinery equipment	1-21 years
Other equipment	1-21 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 30.

16. GOODWILL

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Cost</u>		
Balance at January 1	\$ 1,989,296	\$ 2,102,979
Effect of foreign currency exchange differences	<u>84,709</u>	<u>(113,683)</u>
Balance at December 31	<u>\$ 2,074,005</u>	<u>\$ 1,989,296</u>

The recoverable amount of the cash-generating unit was determined based on a value in use calculation. The Group's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast with the following discount rates as of December 31, 2017 and 2016: 8.15% and 6.71%, respectively. The operating revenue forecast was based on the expected future growth rate of the passive product industry along with the projected advancement of the Group's own business. The Group's management believed that any reasonable changes in the principal assumptions would not result in the carrying values exceeding the recoverable amounts. As of December 31, 2017 and 2016, there was no indication of impairment loss based on the principal assumptions.

17. REPAYMENTS FOR LEASES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Current asset (included in prepayment)	\$ 2,433	\$ 2,466
Non-current asset	<u>73,061</u>	<u>76,514</u>
	<u>\$ 75,494</u>	<u>\$ 78,980</u>

As of December 31, 2017 and 2016, lease prepayments included rights to use the land in Mainland China with carrying amounts of \$75,494 thousand and \$78,980 thousand, respectively.

18. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 17,624,878</u>	<u>\$ 12,716,954</u>

The effective interest rates for bank loans had ranges of 0.84%-4.20% and 0.88%-4.00% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Commercial paper	\$ 1,100,000	\$ 1,100,000
Less: Unamortized discount on bills payable	<u>228</u>	<u>181</u>
	<u>\$ 1,099,772</u>	<u>\$ 1,099,819</u>

Outstanding short-term bills payable as follows:

December 31, 2017

<u>Promissory Institutions</u>	<u>Nominal Amount</u>	<u>Discount Amount</u>	<u>Carrying Value</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Carrying Value of Collateral</u>
<u>Commercial paper</u>						
International Bills	\$ 500,000	\$ 164	\$ 499,836	0.918%	-	\$ -
China Bills	<u>600,000</u>	<u>64</u>	<u>599,936</u>	0.918%	-	<u>-</u>
	<u>\$ 1,100,000</u>	<u>\$ 228</u>	<u>\$ 1,099,772</u>			<u>\$ -</u>

December 31, 2016

<u>Promissory Institutions</u>	<u>Nominal Amount</u>	<u>Discount Amount</u>	<u>Carrying Value</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Carrying Value of Collateral</u>
<u>Commercial paper</u>						
International Bills	\$ 500,000	\$ 88	\$ 499,912	0.938%	-	\$ -
China Bills	<u>600,000</u>	<u>93</u>	<u>599,907</u>	0.938%	-	<u>-</u>
	<u>\$ 1,100,000</u>	<u>\$ 181</u>	<u>\$ 1,099,819</u>			<u>\$ -</u>

c. Long-term borrowings

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Secured borrowings</u>		
Bank loans	<u>\$ 5,500,000</u>	<u>\$ 3,600,000</u>

The effective interest rate of long-term bank loans was 1.7970% and 1.7442% per annum as of December 31, 2017 and 2016, respectively.

The Company signed a \$10,800,000 thousand syndicated loan agreement with Mega International Commercial Bank and twenty one other financial institutions on April 10, 2017. The terms of the loans are summarized as follows:

<u>Credit Lines</u>	<u>Credit Period</u>	<u>Interest Rate</u>	<u>Repayment Agreement</u>
\$ 10,800,000	Five years after the date of contract	Fixed rate (0.6%) based on a specific average rate of notes transacted in Taiwan	Four quarterly installments from the 42 nd month after the contract signing date

Under the loan agreement, the Company should collateralize the freehold land, the office buildings and machinery equipment of the factory located in the administrative office in Xindian in New Taipei City and in the Nan-Zi Branch and in the Da-fa industrial estate and a capacitor-line factory in a village in Dashe in Kaohsiung City. The Company will have to maintain its interim and annual current ratios, debt ratios and interest coverage ratios at percentages specified in the agreement.

19. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Other payables		
Payables for purchases of equipment	\$ 1,317,161	\$ 279,161
Payables for salaries or bonuses	1,313,637	1,411,400
Payables for compensation of employees and remuneration of directors and supervisors	562,005	325,510
Payables for accrual rebates and compensations	111,249	297,328
Payables for annual leave	39,775	37,788
Others	<u>1,530,553</u>	<u>1,421,316</u>
	<u>\$ 4,874,380</u>	<u>\$ 3,772,503</u>

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The subsidiaries-Yageo Dongguan, Yageo China, Yageo Components (Suzhou) Co., Ltd., Yageo Trade (Suzhou) Co., Ltd., Yageo USA (H.K.) Limited, Yageo Europe, Vitrohm Portuguesa, Yageo Japan, Yageo America Corporation, Yageo Corporation (South Asia) Pte. Ltd, Yageo South Asia (M) Sdn. Bhd., Ko-E H.K., and Ko-E Technology (Shenzhen) have defined contribution plans and make contributions based on a fixed rate of salaries and wages according to the local laws. The subsidiaries-Yageo Holding (Bermuda), Kuo Shin Investment, Ferroxcube Holding (Samoa), Hsu Tai (H.K.), Ko-E Holding (Cayman), and Yageo Hong Kong do not have pension plans since there is no employee.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and its subsidiaries contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by a pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

All the employees of Vitrohm Holding GmbH and Yageo Korea have defined benefit plans. As of December 31, 2017 and 2016, the pension liabilities amounted to \$139,336 thousand and \$136,571 thousand, respectively, included in accrued pension liabilities.

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

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 379,066	\$ 332,759
Fair value of plan assets	<u>(171,924)</u>	<u>(176,395)</u>
Net defined benefit liability	<u>\$ 207,142</u>	<u>\$ 156,364</u>

Movements in the net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2015	\$ 314,704	\$ (178,788)	\$ 135,916
Service cost			
Current service cost	3,056	-	3,056
Net interest expense (income)	<u>5,339</u>	<u>(3,038)</u>	<u>2,301</u>
Recognized in profit or loss	<u>8,395</u>	<u>(3,038)</u>	<u>5,357</u>
Remeasurement			
Actuarial loss - changes in demographic assumptions	850	-	850
Actuarial loss - changes in financial assumptions	4,252	-	4,252
Actuarial gain - experience adjustments	<u>16,732</u>	<u>1,790</u>	<u>18,522</u>
Recognized in other comprehensive income	<u>21,834</u>	<u>1,790</u>	<u>23,624</u>
Contributions from the employer	-	(8,533)	(8,533)
Benefits paid	<u>(12,174)</u>	<u>12,174</u>	<u>-</u>
Balance at December 31, 2016	<u>332,759</u>	<u>(176,395)</u>	<u>156,364</u>
Service cost			
Current service cost	3,215	-	3,215
Net interest expense (income)	<u>4,575</u>	<u>(2,483)</u>	<u>2,092</u>
Recognized in profit or loss	<u>7,790</u>	<u>(2,483)</u>	<u>5,307</u>
Remeasurement			
Actuarial loss - changes in demographic assumptions	829	-	829
Actuarial loss - changes in financial assumptions	4,146	-	4,146
Actuarial gain - experience adjustments	<u>48,309</u>	<u>784</u>	<u>49,093</u>
Recognized in other comprehensive income	<u>53,284</u>	<u>784</u>	<u>54,068</u>
Contributions from the employer	-	(8,597)	(8,597)
Benefits paid	<u>(14,767)</u>	<u>14,767</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 379,066</u>	<u>\$ (171,924)</u>	<u>\$ 207,142</u>

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

	For the Year Ended December 31	
	2017	2016
Operating costs	\$ 4,056	\$ 4,161
Selling and marketing expenses	275	316
General and administrative expenses	711	580
Research and development expenses	<u>265</u>	<u>300</u>
	<u>\$ 5,307</u>	<u>\$ 5,357</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2017	2016
Discount rates	1.250%	1.375%
Expected rates of salary increase	1.500%	1.500%

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	<u>\$ (8,430)</u>	<u>\$ (7,705)</u>
0.25% decrease	<u>\$ 8,728</u>	<u>\$ 7,985</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 8,441</u>	<u>\$ 7,736</u>
0.25% decrease	<u>\$ (8,194)</u>	<u>\$ (7,502)</u>

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

	December 31	
	2017	2016
Expected contributions to the plans for the next year	<u>\$ 8,587</u>	<u>\$ 8,533</u>
Average duration of the defined benefit obligation	12 years	13 years

21. EQUITY

a. Share capital

1) Common shares

	December 31	
	2017	2016
Numbers of shares authorized (in thousands)	<u>4,000,000</u>	<u>4,000,000</u>
Shares authorized	<u>\$ 40,000,000</u>	<u>\$ 40,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>350,401</u>	<u>516,306</u>
Shares issued	<u>\$ 3,504,010</u>	<u>\$ 5,163,056</u>

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

The movements of the common shares were due to the exercise of employee share options, capital reduction and cancellation of treasury shares.

2) Global depositary receipts

The Company's global depositary receipts (GDRs) as of December 31, 2017 were as follows:

	GDRs (In Thousand Units)	Equivalent Common Stock (In Thousand Shares)
Initial offering	5,000	25,000
Converted from overseas convertible bonds	34,981	174,903
Net increase due to capital increase or capital reduction	68,870	344,352
Reissued within authorized units	66,909	334,547
GDRs transferred to common shares	<u>(175,722)</u>	<u>(878,613)</u>
Outstanding GDRs issued	<u>38</u>	<u>189</u>

The owners of GDRs have the same rights as holders of common shares, except that the GDR owners should exercise, through a depositary trust company, the following beneficial interests subject to the terms of the depositary agreements and the relevant Taiwan laws and regulations:

- a) Exercise voting rights;
- b) Convert the GDRs into common shares; and
- c) Receive dividends and exercise preemptive rights or other rights and interests.

3) Capital reduction

For purpose of enhancing the return on equity, profitability per share and proper use of the capital, the capital reduction through a cash return to shareholders, which was proposed by the Company's board on April 21, 2017, was approved at the shareholders' meeting on June 7, 2017. Total capital reduction amounted to \$1,509,669 thousand, which represented the cancellation of 150,967 thousand shares (30% of common shares). This capital reduction became effective upon the approval by the Securities and Futures Bureau under the FSC on June 30, 2017 as well as the Company's board approved the day as the effective date of cash return date. The Company had registered this capital reduction with MOEA.

b. Capital surplus

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 2,244,701	\$ 226,963
<u>May be used to offset a deficit only</u>		
Transferring from employee share options to issuance of common shares due to exercise	408,077	176,273
<u>May not be used for any purpose</u>		
Share of changes in capital surplus of associates or subsidiaries (2)	415,813	75,177
Employee share options	<u>32,847</u>	<u>26,198</u>
	<u>\$ 3,101,438</u>	<u>\$ 504,611</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or may be transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiaries resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 3, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the Company's Articles of Incorporation, when the Company has earnings for the year, the Company should first make taxation payments, offset any past years' deficits and then make appropriations for its legal reserve at 10% of annual net income (unless the legal reserve equals the Company's paid-in capital). In addition, a special reserve should be appropriated or reversed as needed in accordance with the laws and regulations, then remuneration of directors and supervisors at 3% or less and employees' bonus at least 2% of the remainder earnings should be appropriated. At least 10% of the remaining earnings may be appropriated as dividends, as proposed by the Company's board and as approved at the shareholders' meeting.

The Company's dividend policy takes into account the Company's current and future competitiveness in the domestic and foreign markets, the investment environment and cash requirements. The policy authorizes the Company's board to propose an earnings distribution in the form of shares or in cash appropriately in accordance with the laws and regulations, with the board's proposal subject to approval at the shareholders' meeting. For the policies on distribution of the compensation of employees and remuneration of directors and supervisors before and after amendment, refer to e. employee benefits expense in Note 22.

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.

Items referred to under Order No. 1010012865, Order No. 1010047490 and Order No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

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

The appropriations of earnings, bonuses to employees and remuneration to directors and supervisors for 2016 and 2015 approved in the shareholders' meetings on June 7, 2017 and June 3, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
Legal reserve	\$ 395,412	\$ 363,027	\$ -	\$ -
Special reserve	1,286,097	-	-	-
Cash dividends	1,283,219	994,973	2.55	1.55

The Company's shareholders on June 7, 2017, resolved to issue cash dividends at NT\$0.45 per share from capital surplus of \$226,450 thousand, and a cash return at NT\$3 per share from capital reduction. The 2016 dividends paid in the aggregate amounted to NT\$6 per share, consisting cash dividends of NT\$0.45 and NT\$2.55 and a cash return of NT\$3.

The appropriations of earnings for 2017 had been proposed by the Company's board of directors on February 22, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 684,730	\$ -
Special reserve	(1,286,097)	-
Cash dividends	5,036,144	14.36
Share dividends	701,413	2.00

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 5, 2018.

d. Special reserves

	For the Year Ended December 31	
	2017	2016
Beginning at January 1	\$ 437,595	\$ 437,595
Debit to other equity items	<u>1,286,097</u>	<u>-</u>
Balance at December 31	<u>\$ 1,723,692</u>	<u>\$ 437,595</u>

e. Other equity items

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ (1,097,198)	\$ 1,044,203
Exchange differences on translating the financial statements of foreign operations	(376,969)	(2,441,472)
Related income tax	116,220	438,600
Share of exchange difference of associates accounted for using the equity method	(71,463)	(138,529)
Business combinations under common control with successor	<u>(235,217)</u>	<u>-</u>
Balance at December 31	<u>\$ (1,664,627)</u>	<u>\$ (1,097,198)</u>

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

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ (188,899)	\$ (437,084)
Unrealized gain arising on revaluation of available-for-sale financial assets	2,101,738	267,903
Share of unrealized loss on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>(916)</u>	<u>(19,718)</u>
Balance at December 31	<u>\$ 1,911,923</u>	<u>\$ (188,899)</u>

f. Business combinations under common control with successor

Exchange differences on translating the financial statements of the foreign operations:

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ (62,463)	\$ (279,780)
Exchange differences on translating the financial statements of foreign operations	(297,680)	342,243
Business combinations under common control with successor	<u>235,217</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 62,463</u>

g. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 113,593	\$ 110,786
Attributable to non-controlling interests:		
Share of profit for the year	25,188	51,585
Exchange difference on translating the financial statements of foreign entities	(7,817)	(1,927)
Cash dividends distributed by subsidiaries	(22,604)	-
Cash distributed to noncontrolling interests due to capital reduction by subsidiaries	<u>-</u>	<u>(46,851)</u>
Balance at December 31	<u>\$ 108,360</u>	<u>\$ 113,593</u>

h. Treasury shares

Purpose of Buyback	Shares Canceled (In Thousands of Shares)
Number of shares on January 1, 2016	4,045
Increase during the year	4,731
Decrease during the year	<u>(8,776)</u>
Number of shares on December 31, 2016	-
Increase during the year	21,741
Decrease during the year	<u>(21,741)</u>
Number of shares on December 31, 2017	<u>-</u>

To maintain the Company's credibility and shareholders' rights and interests, the Company's board resolved on February 18, 2016, to buy back up to 35,000 thousand common shares with the buyback price ranging from NT\$38.80 to NT\$79.80 between February 19 and April 18, 2016 on the Taiwan Stock Exchange. As of April 18, 2016, the last day of the buyback period, the Company had bought back 4,731 thousand shares at a total amount of \$269,256 thousand. The Company had canceled the buyback shares and registered the change with the MOEA.

To maintain the Company's credibility and shareholders' rights and interests, the Company's board resolved on December 23, 2016, to buy back up to 30,000 thousand common shares with the buyback price ranging from NT\$40.00 to NT\$87.80 between December 26, 2016 and February 24, 2017 on the Taiwan Stock Exchange. As of February 24, 2017, the last day of the buyback period, the Company had bought back 18,349 thousand shares at a total amount of \$1,294,350 thousand. The Company had canceled the buyback shares and registered the change with the MOEA.

To maintain the Company's credibility and shareholders' rights and interests, the Company's board resolved on March 3, 2017, to buy back up to 30,000 thousand common shares with the buyback price ranging from NT\$52.20 to NT\$109.30 between March 6 and May 5, 2017 on the Taiwan Stock Exchange. As of May 5, 2017, the last day of the buyback period, the Company had bought back 3,392 thousand shares at a total amount of \$323,187 thousand. The Company had canceled the buyback shares and registered the change with the MOEA.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

22. NET PROFIT FOR THE YEAR

a. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Gain (loss) on disposal of property, plant and equipment	\$ (7,017)	\$ 571
Net foreign exchange gains (losses)	(524,163)	570,916
Gain on disposal of available-for-sale financial assets	202,028	63,192
Dividend income	79,907	71,854
Other gains	238,401	62,612
Other losses	<u>(31,208)</u>	<u>(38,599)</u>
	<u>\$ (42,052)</u>	<u>\$ 730,546</u>

b. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	\$ 289,154	\$ 187,907
Interest on short-term bills	5,274	2,501
Other finance costs	<u>5,066</u>	<u>3,562</u>
	<u>\$ 299,494</u>	<u>\$ 193,970</u>

c. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	\$ 1,782,331	\$ 1,834,748
Prepayments	7,197	12,879
Intangible assets (included in operating expenses)	<u>55,701</u>	<u>45,627</u>
	<u>\$ 1,845,229</u>	<u>\$ 1,893,254</u>

(Continued)

	For the Year Ended December 31	
	2017	2016
An analysis of depreciation by function		
Operating costs	\$ 1,648,192	\$ 1,680,835
Operating expenses	<u>134,139</u>	<u>153,913</u>
	<u>\$ 1,782,331</u>	<u>\$ 1,834,748</u>
An analysis of amortization by function		
Operating costs	\$ 776	\$ 4,915
Selling and marketing expenses	1,676	14
General and administrative expenses	53,849	46,804
Research and development expenses	2,104	965
Other expenses	<u>4,493</u>	<u>5,808</u>
	<u>\$ 62,898</u>	<u>\$ 58,806</u>

(Concluded)

d. Employee benefit expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits (Note 20)		
Defined contribution plans	\$ 217,658	\$ 201,497
Defined benefit plans	<u>9,781</u>	<u>13,320</u>
	227,439	214,817
Other employee benefits	<u>5,083,209</u>	<u>4,743,968</u>
Total employee benefit expense	<u>\$ 5,310,648</u>	<u>\$ 4,958,785</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 3,740,562	\$ 3,305,448
Operating expenses	<u>1,570,086</u>	<u>1,653,337</u>
	<u>\$ 5,310,648</u>	<u>\$ 4,985,785</u>

e. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2017 and 2016, which have been approved by the Company's board of directors on February 22, 2018 and March 3, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	3%	3%
Remuneration of directors and supervisors	3%	3%

Amount

	For the Year Ended December 31			
	2017		2016	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 240,164	\$ -	\$ 144,404	\$ -
Remuneration of directors and supervisors	240,164	-	144,404	-

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

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

Information on the compensation of employees and remuneration to directors and supervisors and bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2018 and 2017 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2017	2016
Foreign exchange gains	\$ 1,589,113	\$ 16,537,736
Foreign exchange losses	<u>(2,113,276)</u>	<u>(15,966,820)</u>
	<u>\$ (524,163)</u>	<u>\$ 570,916</u>

23. INCOME TAXES

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

	For the Year Ended December 31	
	2017	2016
<u>Current tax</u>		
In respect of current year	\$ 930,853	\$ 481,516
Income tax on unappropriated earnings	94,949	226,945
Adjustments for prior years	<u>77,067</u>	<u>112,341</u>
	<u>1,102,869</u>	<u>820,802</u>
<u>Deferred tax</u>		
In respect of current year	38,339	77,868
Adjustments for prior years	<u>-</u>	<u>(3,559)</u>
	<u>38,339</u>	<u>74,309</u>
Income tax expense recognized in profit or loss	<u>\$ 1,141,208</u>	<u>\$ 895,111</u>

A reconciliation of accounting profit and income tax expenses were as follows:

	For the Year Ended December 31	
	2017	2016
Profit before tax	<u>\$ 7,822,222</u>	<u>\$ 4,499,395</u>
Income tax expense calculated at the statutory rate	\$ 1,549,662	\$ 1,139,324
Unrecognized deductible temporary differences	(580,470)	(579,940)
Income tax on unappropriated earnings	94,949	226,945
Effect of tax rate changes	-	-
Adjustments for prior years' tax	<u>77,067</u>	<u>108,782</u>
Income tax expense recognized in profit or loss	<u>\$ 1,141,208</u>	<u>\$ 895,111</u>

The applicable corporate income tax rate used by the group entities in the ROC is 17%, while the applicable tax rate used by subsidiaries in China is 15% and 25%, respectively. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President of the ROC that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets recognized as at December 31, 2017 are expected to be adjusted and increase by \$154,247 thousand in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ (116,220)	\$ (438,600)
Actuarial (gain) loss on defined benefit plan	<u>(9,396)</u>	<u>(1,902)</u>
	<u>\$ (125,616)</u>	<u>\$ (440,502)</u>

c. Current tax liabilities

	December 31	
	2017	2016
Current tax liabilities		
Income tax payable	<u>\$ 1,209,130</u>	<u>\$ 743,310</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Impairment loss on goodwill	\$ 165,429	\$ (47,266)	\$ -	\$ -	\$ 118,163
Impairment loss on property, plant and equipment	197,630	(5,295)	-	-	192,335
Difference in estimated useful lives of depreciation of property, plant and equipment	12,072	(8,620)	-	(740)	2,712
Inventory write-downs	50,436	3,736	-	-	54,172
Accrued expenses	83,413	(22,523)	-	-	60,890
Defined benefit obligation	48,513	(10)	9,396	(2,208)	55,691
Exchange difference on foreign operation	224,727	-	116,220	-	340,947
Others	<u>33,433</u>	<u>35,104</u>	<u>-</u>	<u>10,958</u>	<u>79,495</u>
	815,653	(44,874)	125,616	8,010	904,405
Loss carryforwards	<u>18,076</u>	<u>1,734</u>	<u>-</u>	<u>(1,395)</u>	<u>18,415</u>
	<u>\$ 833,729</u>	<u>\$ (43,140)</u>	<u>\$ 125,616</u>	<u>\$ 6,615</u>	<u>\$ 922,820</u>

Deferred tax liabilities

Temporary differences					
Others	<u>\$ 5,194</u>	<u>\$ (4,801)</u>	<u>\$ -</u>	<u>\$ (17)</u>	<u>\$ 376</u>

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Impairment loss on goodwill	\$ 212,694	\$ (47,265)	\$ -	\$ -	\$ 165,429
Impairment loss on property, plant and equipment	199,697	(2,067)	-	-	197,630
Difference in estimated useful lives of depreciation of property, plant and equipment	25,719	(11,935)	-	(1,712)	12,072
Inventory write-downs	52,883	(2,447)	-	-	50,436
Accrued expenses	81,017	2,396	-	-	83,413
Defined benefit obligation	42,231	1,681	1,902	2,699	48,513
Exchange difference on foreign operation	-	-	224,727	-	224,727
Others	<u>44,482</u>	<u>(10,935)</u>	<u>-</u>	<u>(114)</u>	<u>33,433</u>
	658,723	(70,572)	226,629	873	815,653
Loss carryforwards	<u>22,279</u>	<u>(3,678)</u>	<u>-</u>	<u>(525)</u>	<u>18,076</u>
	<u>\$ 681,002</u>	<u>\$ (74,250)</u>	<u>\$ 226,629</u>	<u>\$ 348</u>	<u>\$ 833,729</u>

Deferred tax liabilities

Temporary differences					
Exchange difference on foreign operations	\$ 213,873	\$ -	\$ (213,873)	\$ -	\$ -
Others	<u>5,146</u>	<u>59</u>	<u>-</u>	<u>(11)</u>	<u>5,194</u>
	<u>\$ 219,019</u>	<u>\$ 59</u>	<u>\$ (213,873)</u>	<u>\$ (11)</u>	<u>\$ 5,194</u>

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

	December 31	
	2017	2016
Loss carryforwards		
Expire in 2019	\$ 208,138	\$ 208,138
Expire in 2020	11,839	11,839
Expire in 2027	<u>530</u>	<u>-</u>
	<u>\$ 220,507</u>	<u>\$ 219,977</u>

- f. Information about unused investment credits, unused loss carry-forward and tax-exemption

Loss carryforwards as of December 31, 2017 comprised of:

	Unused Amount	Expiry Year
Kuo-Shin Investment Ltd.	\$ 208,138	2019
	11,839	2020
	530	2027
Vitrohm Holding GmbH	<u>62,477</u>	2020
	<u>\$ 282,984</u>	

- g. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 20,096,117</u>	<u>\$ 17,661,355</u>
Imputation credits accounts	<u>\$ 2,127,254</u>	<u>\$ 1,845,416</u>
	<u>For the Year Ended December 31</u>	
	2017 (Expected)	2016 (Actual)
Creditable ratio for distribution of earnings	(Note)	10.45%

Note: Since the amended Income Tax Act promulgated in February 2018 abolished the imputation tax system, the Company expects that the creditable ratio for the distribution of earnings in 2018 is not applicable.

- h. Income tax assessments

The Company's income tax returns through 2014 had been assessed by the tax authorities. The Company filed administrative appeals on the results of the tax return examinations in 2009 and 2012. The Ministry of Finance (MOF) revoked the result of the examination on the 2009 and 2012 tax return and remanded the case to the tax authorities for the reexamination of this return as of December 31, 2017. Under the conservative principle, the Company adjusted relevant accounts in accordance with the verbal discussions with the tax authorities as well as the results of the authorities' tax return examination.

24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic earnings per share	<u>\$ 15.64</u>	<u>\$ 6.14</u>
Diluted earnings per share	<u>\$ 15.23</u>	<u>\$ 6.10</u>

The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2016 were as follows:

	Unit: NT\$ Per Share	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 6.83</u>	<u>\$ 6.14</u>
Diluted earnings per share	<u>\$ 6.79</u>	<u>\$ 6.10</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2017	2016
Profit for the period attributable to owners of the Company	\$ 6,847,300	\$ 3,954,115
Business combinations under common control with successor	<u>(191,474)</u>	<u>(401,416)</u>
	<u>\$ 6,655,826</u>	<u>\$ 3,552,699</u>

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

	For the Year Ended December 31	
	2017	2016
Weighted average number of common shares in computation of basic earnings per share	425,531	578,732
Effect of potentially dilutive common shares:		
Employee share option	9,604	540
Bonus issue to employees	<u>1,932</u>	<u>3,491</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>437,067</u>	<u>582,763</u>

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

- a. On November 30, 2007, the Company's board approved the issue of 100,000 thousand units of share options, which had been approved by the Securities and Futures Bureau under the FSC. The Company issued the entire 100,000 thousand units on December 20, 2007. Each option represents one share of the Company's common share, and the exercise price per share is \$10.25. The vesting period of these options is 10 years. Qualified employees may exercise up to 10%, 20%, 40% and 70% of the vested options after two years, three years, four years and five years, respectively, from the grant date. All options vested may be exercised after six years from the grant date. If the number of the Company's common shares changes, the exercise price will be revised, as required under the Plan terms.

As of December 31, 2017, 42,091 thousand units of employee share options were exercised and converted to 42,091 thousand common shares of the Company.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2017		2016	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	241	\$55.70	301	\$44.60
Options adjusted	(72)	24.00	(60)	11.10
Options expired	<u>(169)</u>	79.70	<u>-</u>	-
Balance at December 31	<u>-</u>	-	<u>241</u>	55.70
Options exercisable, end of year	<u>-</u>		<u>241</u>	

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

	For the Year Ended December 31	
	2017	2016
Range of exercise price (NT\$)	\$79.70	\$55.70
Weighted-average remaining contractual life (in years)	-	1.00

Options granted in 2007 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	November 2007
Risk-free interest rate	2.48%
Expected life (years)	7.30
Expected price volatility	48.60%
Expected dividend yield	4.87%

- b. Qualified employees of the Company and its subsidiaries were granted 40,000 thousand units of share options in May 2014. Each option represents one share of the Company's common share. The vesting period of these options is 10 years. Qualified employees may exercise at certain percentages of the options after two years, from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly. Information on employee share options was as follows:

	For the Year Ended December 31			
	2017		2016	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	23,846	\$ 42.90	39,200	\$ 37.00
Options forfeited	-	-	(600)	37.00
Options adjusted	(6,745)	15.30	(7,530)	5.90
Options granted	<u>(1,793)</u>	41.70-58.20	<u>(7,224)</u>	35.60-42.90
Balance at December 31	<u>15,308</u>	58.20	<u>23,846</u>	42.90
Options exercisable, end of year	<u>64</u>		<u>2,097</u>	

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

	December 31	
	2017	2016
Range of exercise price (NT\$)	\$58.20	\$42.90
Weighted-average remaining contractual life (in years)	6.33	7.33

Options granted in May 2014 were priced using the binomial option pricing model and the inputs to the model were as follows:

	May 2015
Grant-date share price	\$17.70
Exercise price	\$17.70
Expected volatility	37.50%
Expected life (in years)	10
Expected dividend yield	-
Risk-free interest rate	1.52%

Expected volatility was based on the historical share price volatility over the past 10 years. To allow for the effects of early exercise, the Company assumed that employees would exercise their options after the vesting date when the share price was 1.3 times the exercise price.

Compensation cost recognized was \$11,490 thousand and \$8,721 thousand for the years ended December 31, 2017 and 2016, respectively.

26. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

The Group's assets for operation are all belonged to the Group. Therefore, the Group has no significant noncancellable operating leases.

b. The Group as lessor

Operating leases relate to the property owned by the Group with lease terms between 1 to 5 years. The lessees do not have a bargain purchase option to acquire the property at the expiry of the lease periods.

The future minimum lease payments of noncancellable operating lease were as follows:

	December 31	
	2017	2016
Not later than 1 year	\$ 13,561	\$ 12,243
Over 1 year and not later than 5 years	<u>1,211</u>	<u>1,866</u>
	<u>\$ 14,772</u>	<u>\$ 14,109</u>

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy in accordance with the Company operations and cash flow to assess the situation and to be properly adjusted to adapt to changes in the market in a timely manner.

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

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

28. FINANCIAL INSTRUMENTS

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

The Group's management consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

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

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 1,359	\$ -	\$ 1,359
Non-derivative financial assets held for trading	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>210,000</u>
	<u>\$ 210,000</u>	<u>\$ 1,359</u>	<u>\$ -</u>	<u>\$ 211,359</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 1,092,149	\$ -	\$ -	\$ 1,092,149
Securities listed in other countries				
Equity securities	3,154,281	-	-	3,154,281
Unlisted securities - ROC				
Equity securities	-	-	56,773	56,773
Unlisted securities - other countries				
Equity securities	<u>-</u>	<u>-</u>	<u>44,122</u>	<u>44,122</u>
	<u>\$ 4,246,430</u>	<u>\$ -</u>	<u>\$ 100,895</u>	<u>\$ 4,347,325</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 82,995</u>	<u>\$ -</u>	<u>\$ 82,995</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 18,885</u>	<u>\$ -</u>	<u>\$ 18,885</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	\$ 530,271	\$ -	\$ -	\$ 530,271
Securities listed in other countries				
Equity securities	1,726,276	-	-	1,726,276
Unlisted securities - ROC				
Equity securities	-	-	71,351	71,351
Unlisted securities - other countries				
Equity securities	<u>-</u>	<u>-</u>	<u>44,718</u>	<u>44,718</u>
	<u>\$ 2,256,547</u>	<u>\$ -</u>	<u>\$ 116,069</u>	<u>\$ 2,372,616</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 1,649</u>	<u>\$ -</u>	<u>\$ 1,649</u>

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

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

For the year ended December 31, 2017

	Available- for-sale Financial Assets Equity Instruments
<u>Financial assets</u>	
Balance at January 1, 2017	\$ 116,069
Repayment of capital reduction	(14,579)
Effect of foreign currency exchange differences	<u>(595)</u>
Balance at December 31, 2017	<u>\$ 100,895</u>
Balance at January 1, 2016	\$ 214,779
Total gains or losses	
Recognized in profit or loss (included in other gains and losses)	
Realized	63,192
Disposals	(151,177)
Repayment of capital reduction	(6,479)
Effect of foreign currency exchange differences	<u>(4,246)</u>
Balance at December 31, 2016	<u>\$ 116,069</u>

3) Valuation techniques and inputs used for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated on the basis of observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed in the table below. An increase in long-term revenue growth rates or long-term pre-tax operating margin or a decrease in WACC or discount for the lack of marketability used in isolation would result in increases in fair value.

c. Categories of financial instruments

	December 31	
	2017	2016
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 211,359	\$ 18,885
Held-to-maturity investments	7,133,802	-
Loans and receivables (1)	29,590,650	26,238,946
Available-for-sale financial assets (2)	4,347,325	2,372,616
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	82,995	1,649
Measured at amortized cost (3)	36,683,464	27,530,912

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade and other receivables (including related parties) and refundable deposits.
- 2) The balances included the carrying amount of held-for-trading financial assets measured at cost.
- 3) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, long-term loans, short-term bills payable, notes payable, trade and other payables (including related parties), long-term loans and guarantee deposits received.

d. Financial risk management objectives and policies

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

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's impairment financial activities are reviewed by the board of directors in accordance with related standard and internal controls. In executing financial plan, the Group have to obey the related financial operating procedures regarding financial risk management and segregation of duties.

1) Market risk

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

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Group assessed the foreign currency risk of its significant assets and liabilities as well as taking unexpired exchange forward contracts into consideration.

The Group was mainly exposed to the USD, EUR and JPY.

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

	<u>USD Impact</u>		<u>EUR Impact</u>		<u>JPY Impact</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit or loss	\$ (211,535)	\$ (170,911)	\$ (65,303)	\$ (2,224)	\$ 4,682	\$ 2,804

The analysis of profit or loss of the table was mainly attributable to the exposure to outstanding USD, EUR and JPY which were not hedged, at the end of the reporting period.

The Group's sensitivity to foreign currency exchange increased during the current year mainly because it had more USD-denominated net assets.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate.

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

	December 31	
	2017	2016
Fair value interest rate risk		
Financial assets	\$ 18,997,336	\$ 11,187,486
Financial liabilities	24,224,650	17,416,773
Cash flow interest rate risk		
Financial assets	5,471,062	4,706,831

The Group's fixed-term time deposits, bank borrowings and short-term bills are exposed to fair value interest rate risk; however, this expected risk is insignificant.

Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Group's variable-rate financial assets for the years ended December 31, 2017 and 2016 would result in cash inflows by \$54,711 thousand and \$47,068 thousand, respectively.

The Group's sensitivity to interest rates increased during the current year mainly due to the increase in variable-rate financial assets from the prior year.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities.

Sensitivity analysis

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

If equity prices had been 1% lower, the pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would decrease by \$42,464 thousand and \$22,565 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

The Group's sensitivity to available-for-sale investments has not changed significantly from the prior year.

2) Credit risk

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

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

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

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

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2016, the Group had available unutilized short-term bank loan facilities of \$4,697,768 thousand and \$4,114,935 thousand, respectively.

a) Liquidity and interest risk rate tables for nonderivative financial liabilities

The table below summarizes the maturity profile of the Group's financial liabilities based on undiscounted contractual payments but did not include the financial liabilities with carrying amounts that approximated contractual cash flows:

	Carrying Value	Contractual Cash Flows	Within 1 Year	More than 1 Year
<u>December 31, 2017</u>				
Short-term borrowings	\$ 17,624,878	\$ 17,668,377	\$ 17,668,377	\$ -
Short-term bills payable	1,099,772	1,100,000	1,100,000	-
Long-term borrowings	<u>5,500,000</u>	<u>5,507,853</u>	<u>-</u>	<u>5,507,853</u>
	<u>\$ 24,224,650</u>	<u>\$ 24,276,230</u>	<u>\$ 18,768,377</u>	<u>\$ 5,507,853</u>
<u>December 31, 2016</u>				
Short-term borrowings	\$ 12,716,954	\$ 12,748,871	\$ 12,748,871	\$ -
Short-term bills payable	1,099,819	1,100,000	1,100,000	-
Long-term borrowings	<u>3,600,000</u>	<u>3,603,727</u>	<u>-</u>	<u>3,603,727</u>
	<u>\$ 17,416,773</u>	<u>\$ 17,452,598</u>	<u>\$ 13,848,871</u>	<u>\$ 3,603,727</u>

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net 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 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 9,902,711	\$ -	\$ 895,440
Outflows	<u>9,937,688</u>	<u>-</u>	<u>919,056</u>
	<u>\$ (34,977)</u>	<u>\$ -</u>	<u>\$ (23,616)</u>

December 31, 2016

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 3,476,196	\$ -	\$ -
Outflows	<u>3,266,964</u>	<u>-</u>	<u>-</u>
	<u>\$ 209,232</u>	<u>\$ -</u>	<u>\$ -</u>

29. TRANSACTIONS WITH RELATED PARTIES

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

- a. The Company's related parties and their relationships were as follows:

<u>Related Party</u>	<u>Relationships with the Group</u>
Chilisin Electronics Corp.	Associates
Chilisin International Ltd.	Subsidiary of associates
Chilisin Electronics (Su Zhou) Ltd.	Subsidiary of associates
Teapo Electronics Corp.	Associates
Teapo Electronics (H.K.) Ltd.	Subsidiary of associates
Teapo Electronics (Dongguan) Co., Ltd.	Subsidiary of associates
Ralec Electronic Corporation	Subsidiary of associates
ASJ Pte. Limited (ASJ Pte.)	Subsidiary of associates
ASJ Components (M) Sdn. Bhd. (ASJ (M))	Subsidiary of associates
CRL Components (S) Pte. Ltd. (CRL(S))	Subsidiary of associates
Guo Chuang Electronics (Dongguan)	Associates
Ferroxcube International Holding B.V.	Subsidiary of associates
Ferroxcube Hong Kong Limited	Subsidiary of associates
Hsin Bung International Co., Ltd.	Substantial related parties
Yixin International Co., Ltd.	Substantial related parties

- b. Sales of goods

Line Items	Related Party Categories	For the Year Ended December 31	
		2017	2016
Sales	Substantial related parties	\$ 431,376	\$ 268,576
	Associates	<u>164,944</u>	<u>15,398</u>
		<u>\$ 596,320</u>	<u>\$ 283,974</u>

c. Purchases of goods

Related Party Categories	For the Year Ended December 31	
	2017	2016
Associates	\$ 623,959	\$ 1,713,996
Substantial related parties	<u>378,654</u>	<u>387,183</u>
	<u>\$ 1,002,613</u>	<u>\$ 2,101,179</u>

d. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories	December 31	
		2017	2016
Trade receivable	Associates	\$ 29,055	\$ 2,390
	Substantial related parties	<u>329,902</u>	<u>83,872</u>
		<u>\$ 358,957</u>	<u>\$ 86,262</u>
Other receivables	Associates/Chilisin Electronics Corp.	\$ 89,544	\$ -
	Associates/Ferrocube Hong Kong Limited	-	682,392
	Associates/Others	<u>7,641</u>	<u>147,803</u>
		<u>\$ 97,185</u>	<u>\$ 830,195</u>

The outstanding trade receivable from related parties are unsecured. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for trade receivable from related parties.

e. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories	December 31	
		2017	2016
Trade payable	Associates	\$ 107,538	\$ 775,148
	Substantial related party	<u>38,567</u>	<u>46,441</u>
		<u>\$ 146,105</u>	<u>\$ 831,009</u>
Other payables	Associates	<u>\$ 2</u>	<u>\$ -</u>

The outstanding trade payable from related parties are unsecured.

The payment terms for the trade receivable from (trade payable to) related parties were based on the terms of the related contracts. Other related-party transactions were conducted under normal terms.

f. Loans to related parties

Related Party Category/Name	December 31	
	2017	2016
Associates/Ferrocube International Holding B.V.	<u>\$ -</u>	<u>\$ 78,035</u>

g. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Associates	\$ 435	\$ -	\$ 219	\$ -

h. Disposals of other assets

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Associates/Chilisin Electronics Corp.	\$ 4,329,425	\$ -	\$ -	\$ -

On August 1, 2017, the Company sold 100% of its interest of Ferroxcube International Holding B.V. in a cash settlement amounting to €133,188 thousand.

i. Other transactions with related parties

Line Items	Related Party Categories	For the Year Ended December 31	
		2017	2016
Rental income	Associates/Teapo Electronics (Dongguan) Co., Ltd.	\$ 11,321	\$ 10,765
	Associates/Others	\$ 3,861	\$ 5,212

All the terms and conditions of above rental contracts conformed to normal business practice.

j. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	\$ 316,973	\$ 209,349
Post-employment benefits	432	306
	\$ 317,405	\$ 209,655

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans:

	December 31	
	2017	2016
Property, plant and equipment, net	\$ 2,788,239	\$ 2,954,931

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 and 2016, were as follows:

a. Significant commitments

Unrecognized commitments were as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Acquisition of property, plant and equipment	\$ <u>1,660,649</u>	\$ <u>804,067</u>

b. Contingencies

Contingent liabilities

- 1) Please refer to Table 2 about the endorsements/guarantees and between the Company and subsidiaries.
- 2) The Securities and Future Investors Protection Center (SFIPC) alleged that Far Eastern Air Transport Ltd. (FEATL) had been involved in exaggerating the turnover and trade receivable. The SFIPC charged that FEATL window-dressed its financial reports and thus harmed its investors' welfare. Under these investors' authorization, the SFIPC sued 33 defendants, including the FEATL and its management, directors and supervisors, certified public accountant, its accounting firm, etc., (excluding the Company) and filed a civil action lawsuit to demand compensation for damages with the district court of Taipei on June 23, 2009.

In January 2010, the SFIPC included in its lawsuit the Company and two other companies because they were FEATL's directors and supervisors from 2005 to 2007. Since the joint defendants increased to 36, SFIPC appealed for a compensation amounted of \$296,989 thousand. But because this case was still under court review as of December 31, 2014, the Company could not determine the outcome of this case. Nevertheless, since the Company has business liability insurance, the Company believes that if the court's ruling is not favorable to the Company, the compensatory damages would not significantly affect its finance and business status.

32. OTHERS

On January 23, 2017, the Company's board of directors resolved to sell 100% of its interest of Ferroxcube International Holding B.V. by a cash settlement on August 1, 2017. Since the controller of the Company and Ferroxcube International Holding B.V. is the same, the nature of the transaction is a restructuring under common control, and so the transaction was deemed as having been effective since the beginning of the reporting period. As a result, the Company restated its consolidated financial statements for the year ended December 31, 2016 when preparing the consolidated financial statements for the year ended December 31, 2017.

The impact of the consolidated balance sheets as of December 31, 2016 after restatement and the consolidated statements of comprehensive income for the years then ended are as follows:

Consolidated Balance Sheets

Account	December 31, 2016		
	Before Restatement	Impact of Restatement	After Restatement
<u>Assets</u>			
Current assets	\$ 32,364,786	\$ (975,586)	\$ 31,389,200
Non-current assets	<u>21,397,143</u>	<u>(1,119,534)</u>	<u>20,277,609</u>
Total assets	<u>\$ 53,761,929</u>	<u>\$ (2,095,120)</u>	<u>\$ 51,666,809</u>
<u>Liabilities and equity</u>			
Current liabilities	\$ 24,998,045	\$ (252,570)	\$ 24,745,475
Non-current liabilities	<u>3,962,589</u>	<u>(34,307)</u>	<u>3,928,282</u>
Total liabilities	<u>\$ 28,960,634</u>	<u>\$ (286,877)</u>	<u>\$ 28,673,757</u>
Share capital	\$ 5,214,784	\$ -	\$ 5,214,784
Capital surplus	504,611	-	504,611
Retained earnings	20,254,404	-	20,254,404
Other equity	<u>(1,286,097)</u>	<u>-</u>	<u>(1,286,097)</u>
Equity attributable to owners of the Company	24,687,702	-	24,687,702
Business combinations under common control with successor	-	(1,808,243)	(1,808,243)
Non-controlling interests	<u>113,593</u>	<u>-</u>	<u>113,593</u>
	<u>24,801,295</u>	<u>(1,808,243)</u>	<u>22,993,052</u>
Total liabilities and equity	<u>\$ 53,761,929</u>	<u>\$ (2,095,120)</u>	<u>\$ 51,666,809</u>

Consolidated Statements of Comprehensive Income

Account	For the Year Ended December 31, 2016		
	Before Restatement	Impact of Restatement	After Restatement
Operating revenue	\$ 29,616,351	\$ (1,832,194)	\$ 27,784,157
Operating costs	22,357,997	(1,131,540)	21,226,457
Operating expenses	3,223,980	(280,423)	2,943,557
Non-operating income	940,910	(55,658)	885,252
Income tax expense	969,584	(74,473)	895,111
Net profit for the year	4,005,700	(401,416)	3,604,284
Total comprehensive income for the year	2,084,481	(59,173)	2,025,308

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 605,129	29.8480 (USD:NTD)	\$ 18,061,890
USD	528,402	6.5120 (USD:RMB)	15,771,612
USD	318,432	7.8147 (USD:HKD)	9,504,637
USD	106,716	0.8361 (USD:EUR)	3,185,448
USD	1,496	1,065.2900 (USD:KRW)	44,623
EUR	181,044	1.1961 (EUR:USD)	6,463,487
EUR	15,398	35.7012 (EUR:NTD)	549,727
EUR	710	7.7890 (EUR:RMB)	25,348
JPY	1,811,186	0.0074 (JPY:EUR)	478,495
JPY	182,363	0.2651 (JPY:NTD)	48,344
JPY	178,037	0.0578 (JPY:RMB)	47,167
RMB	24,182	0.1536 (RMB:USD)	110,866
HKD	43,456	3.8195 (HKD:NTD)	165,980
HKD	29,083	0.1280 (HKD:USD)	<u>111,113</u>
			<u>\$ 54,568,737</u>
Non-monetary items			
Investments accounted for using equity method			
USD	13,826	29.8480 (USD:NTD)	\$ 412,670
RMB	6,979	1.2000 (RMB:HKD)	<u>31,986</u>
			<u>\$ 444,656</u>
Available-for-sale financial assets			
JPY	2,909,068	0.2651 (JPY:NTD)	\$ 771,194
JPY	5,148,220	0.0089 (JPY:USD)	1,364,793
JPY	1,811,045	0.0074 (JPY:EUR)	480,108
JPY	2,030,132	0.0694 (JPY:HKD)	<u>538,186</u>
			<u>\$ 3,154,281</u>

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 318,660	29.8480 (USD:NTD)	\$ 9,511,364
USD	357,087	6.5120 (USD:RMB)	10,658,244
USD	160,564	7.8147 (USD:HKD)	4,792,554
USD	15,162	0.8361 (USD:EUR)	452,582
EUR	936	35.7012 (EUR:NTD)	33,416
EUR	13,300	1.1961 (EUR:USD)	474,826
JPY	1,825,667	0.2651 (JPY:NTD)	483,984
JPY	2,107,151	0.0578 (JPY:RMB)	558,240
HKD	634	0.8333 (HKD:RMB)	2,422
RMB	220,458	0.1536 (RMB:USD)	<u>1,010,723</u>
			<u>\$ 27,978,355</u>
			(Concluded)

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 411,738	32.2790 (USD:NTD)	\$ 13,290,491
USD	454,943	6.9491 (USD:RMB)	14,685,225
USD	176,933	7.7545 (USD:HKD)	5,711,199
USD	7,664	0.9514 (USD:EUR)	247,391
USD	1,124	1201.4900 (USD:KRW)	38,489
EUR	12,304	33.9285 (EUR:NTD)	417,456
EUR	6,136	1.0511 (EUR:USD)	208,185
EUR	397	7.3042 (EUR:RMB)	13,470
JPY	658,496	0.2758 (JPY:NTD)	181,613
JPY	72,461	0.0085 (JPY:USD)	19,881
JPY	250,994	0.0594 (JPY:RMB)	69,254
RMB	28,974	0.1439 (RMB:USD)	134,582
RMB	25,647	1.1159 (RMB:HKD)	119,131
HKD	19,371	4.1626 (HKD:NTD)	80,634
HKD	14,062	0.1290 (HKD:USD)	58,554
HKD	80,790	0.8961 (HKD:RMB)	336,286
SGD	664	0.6912 (SGD:USD)	<u>14,815</u>
			<u>\$ 35,626,656</u>
			(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Non-monetary items			
Investments accounted for using equity method			
USD	\$ 15,854	32.2790 (USD:NTD)	\$ 511,754
RMB	7,403	1.1159 (RMB:HKD)	<u>34,387</u>
			<u>\$ 546,141</u>
Available-for-sale financial assets			
JPY	1,393,303	0.2758 (JPY:NTD)	\$ 384,273
JPY	2,465,769	0.0085 (JPY:USD)	680,091
JPY	1,426,840	0.0081 (JPY:EUR)	393,523
JPY	973,129	0.0663 (JPY:HKD)	<u>268,389</u>
			<u>\$ 1,726,276</u>
<u>Financial liabilities</u>			
Monetary items			
USD	220,206	32.2790 (USD:NTD)	\$ 7,108,029
USD	219,500	6.9491 (USD:RMB)	7,085,299
USD	72,138	7.7545 (USD:HKD)	2,328,534
USD	11,146	0.9514 (USD:EUR)	359,788
EUR	625	33.9285 (EUR:NTD)	21,205
EUR	11,656	1.0511 (EUR:USD)	395,470
JPY	1,090,867	0.2758 (JPY:NTD)	300,861
JPY	907,252	0.0594 (JPY:RMB)	250,328
HKD	6,633	0.8961 (HKD:RMB)	<u>27,610</u>
			<u>\$ 17,877,124</u>
			(Concluded)

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains or losses were \$(524,163) thousand and \$570,916 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
 - 9) Information on investees. (Table 7)
 - 10) Trading in derivative instruments. (Notes 7 and 28)
 - 11) Intercompany relationships and significant transactions. (Table 9)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 5)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 5)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (Eliminated from the consolidated financial statements)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)

35. SEGMENT INFORMATION

a. Basic information

Information reported to the chief operating decision maker for resource allocation and the assessment of segment performance is solely based on the financial information of each plant owned by the Group. Each plant has similar economic features as well as manufacturing procedures. In addition, products are sold by the Group in a centralized way. Thus, the Group is reported as a single segment. The Group's revenues and operating results in 2017 and 2016 are shown in the consolidated statements of comprehensive income for 2017 and 2016.

b. Revenue from major products

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

	<u>For the Year Ended December 31</u>	
	2017	2016
Capacitors	\$ 16,624,037	\$ 12,559,916
Resistors	13,128,572	11,870,587
Others	<u>2,505,990</u>	<u>3,353,654</u>
	<u>\$ 32,258,599</u>	<u>\$ 27,784,157</u>

c. Geographical information

The Group's revenue from external customers by location of operations and information about its noncurrent assets by location of assets are detailed below:

	<u>Revenue from</u>		<u>Noncurrent Assets</u>	
	<u>External Customers</u>		<u>December 31</u>	
	<u>Year Ended December 31</u>		<u>2017</u>	<u>2016</u>
	2017	2016		
Domestic	\$ 6,278,301	\$ 5,129,222	\$ 6,788,370	\$ 4,881,509
Europe	2,104,123	1,883,519	2,065,895	1,957,527
Asia	23,797,557	20,691,641	9,857,471	7,685,179
Others	<u>78,618</u>	<u>79,775</u>	<u>19,474</u>	<u>19,887</u>
	<u>\$ 32,258,599</u>	<u>\$ 27,784,157</u>	<u>\$ 18,731,210</u>	<u>\$ 14,544,102</u>

Noncurrent assets exclude financial instruments and deferred tax assets.

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

YAGEO CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In New Taiwan Dollars, Unless Stated Otherwise; All Amounts in Thousands)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Year	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 3)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)
													Item	Value		
0	Yageo Corporation	Kuo-Shin Investment Limited	Receivables from related parties	Yes	\$ 1,200,000	\$ 1,192,500	\$ 197,000	0.84	b	\$ -	For revolving fund	\$ -	None	\$ -	\$ 12,490,019	\$ 12,490,019
1	Yageo Holding (Bermuda) Ltd.	Hsu Tai International (H.K.)	Receivables from related parties	Yes	US\$ 7,687	US\$ 7,514	US\$ 7,514	1.0	b	-	For revolving fund	-	None	-	US\$ 1,188,614	US\$ 1,188,614
		Hsu Tai International (H.K.)	Receivables from related parties	Yes	HK\$ 14,926	HK\$ 14,926	HK\$ 14,926	1.0	b	-	For revolving fund	-	None	-	US\$ 1,188,614	US\$ 1,188,614
		Yageo Japan	Receivables from related parties	Yes	JPY 7,405	JPY 5,406	JPY 5,406	-	b	-	For revolving fund	-	None	-	US\$ 1,188,614	US\$ 1,188,614
		Yageo America	Receivables from related parties	Yes	US\$ 9,742	US\$ 9,742	US\$ 9,742	-	b	-	For revolving fund	-	None	-	US\$ 1,188,614	US\$ 1,188,614
		Yageo Europe Holding B.V.	Receivables from related parties	Yes	US\$ 3,002	US\$ 2,699	US\$ 2,699	1.0	b	-	For revolving fund	-	None	-	US\$ 1,188,614	US\$ 1,188,614
		Yageo Europe Holding B.V.	Receivables from related parties	Yes	EUR 2,000	EUR 2,000	EUR 2,000	1.0	b	-	For revolving fund	-	None	-	US\$ 1,188,614	US\$ 1,188,614
		Yageo Europe Holding B.V.	Loans to subsidiaries considered as a component of investment	Yes	EUR 172,956	EUR 172,956	EUR 172,956	-	b	-	For revolving fund	-	None	-	US\$ 1,188,614	US\$ 1,188,614
2	Ferroxcube Holding (Samoa) Ltd.	Yageo Holding (Bermuda) Ltd.	Receivables from related parties	Yes	US\$ 7,300	US\$ -	US\$ -	-	b	-	For revolving fund	-	None	-	RMB 166,188	RMB 166,188
3	Vitrohm Holding GmbH	Yageo Holding (Bermuda) Ltd.	Receivables from related parties	Yes	EUR 6,136	EUR 6,136	EUR 6,136	0.5	b	-	For revolving fund	-	None	-	EUR 10,845	EUR 10,845
4	Yageo Electronics (China) Co., Ltd.	Yageo Trade (Suzhou) Co., Ltd.	Receivables from related parties	Yes	RMB 200,000	RMB 200,000	RMB -	3.5	b	-	For revolving fund	-	None	-	RMB 3,061,558	RMB 3,061,558
		Yageo Holding (Bermuda) Ltd.	Receivables from related parties	Yes	US\$ 50,000	US\$ 50,000	US\$ -	1.6	b	-	For revolving fund	-	None	-	RMB 3,061,558	RMB 3,061,558
5	Yageo USA (H.K.) Limited	Yageo Holding (Bermuda) Ltd.	Receivables from related parties	Yes	US\$ 50,000	US\$ 50,000	US\$ 50,000	0.5	b	-	For revolving fund	-	None	-	US\$ 215,391	US\$ 215,391
6	Yageo Trade (Suzhou) Co., Ltd.	Yageo Electronics (China) Co., Ltd.	Receivables from related parties	Yes	RMB 100,000	RMB 97,500	RMB 75,500	3.5	b	-	For revolving fund	-	None	-	RMB 254,915	RMB 254,915
7	Yageo Europe Holding B.V.	Yageo USA (H.K.) Limited	Receivables from related parties	Yes	US\$ 56,000	US\$ 56,000	US\$ 56,000	0.5	b	-	For revolving fund	-	None	-	EUR 48,164	EUR 48,164

Note 1: For the Company to the business relationship, financing limited for each borrowing company is limited to the amounting of business operation (base on the previous year's actual sales and purchase amount when the loan contract awarded). The financing limited to the counterparty which has the short-term loan necessary is limited to 40% of its net worth presented in the latest financial statements audited or reviewed by auditors. According to the financing procedure for Company's overseas investees, maximum financing amount that can be made by Yageo Holding (Bermuda) Ltd., Ferroxcube Holding (Samoa) Ltd., Yageo Electronics (China) Co., Ltd., Yageo USA (H.K.) Limited, Yageo Trade (Suzhou) Co., Ltd., Vitrohm Holding GmbH and Yageo Europe Holding B.V. are limited to 100% of each net worth presented in the latest financial statements audited or reviewed by auditors.

Note 2: For the Company, the financing amount to each counterparty is limited to 40% of its net worth presented in the latest financial statements audited or reviewed by auditors. According to the financing procedures for Company's overseas investees, maximum financing amount that can be made by Yageo Holding (Bermuda) Ltd., Ferroxcube Holding (Samoa) Ltd., Yageo Electronics (China) Co., Ltd., Yageo USA (H.K.) Limited, Yageo Trade (Suzhou) Co., Ltd., Vitrohm Holding GmbH and Yageo Europe Holding B.V. are limited to 100% of each net worth presented in the latest financial statements audited or reviewed by auditors.

Note 3: Reasons for financing are as follows:

- a. Business relationship.
- b. For financing.

Note 4: The currency rate on December 31, 2017, stated one New Taiwan dollar to HKD, USD, JPY, EUR and RMB are 1:3.8195, 1:29.848, 1:0.2651, 1:35.7012 and 1:4.5835, respectively; stated one U.S. dollar to HKD, JPY, EUR, and RMB are 1:0.1280, 1:0.0089, 1:1.1961 and 1:0.1536, respectively.

Note 5: All intercompany financing loans have been eliminated from consolidation.

YAGEO CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In New Taiwan Dollars, Unless Stated Otherwise; All Amounts in Thousands)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Year (Note 4)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Yageo Corporation	Yageo Holding (Bermuda) Ltd.	Subsidiary	\$ 31,225,047	\$ 4,805,528 (US\$ 161,000)	\$ 4,745,832 (US\$ 159,000)	\$ -	\$ -	15.39	\$ 46,837,571	Yes	No	No
		The shared borrowing facilities of Yageo Electronics (China) Co., Ltd., and Yageo Electronics (Dongguan) Co., Ltd.	Subsidiary	31,225,047	298,480 (US\$ 10,000)	119,392 (US\$ 4,000)	-	-	0.96	46,837,571	Yes	No	Yes
		The shared borrowing facilities of Yageo USA (H.K.) Limited and Yageo Holding (Bermuda) Ltd.	Subsidiary	31,225,047	59,696 (US\$ 2,000)	59,696 (US\$ 2,000)	-	-	0.19	46,837,571	Yes	No	No
		Kuo-Shin Investment Limited	Subsidiary	31,225,047	1,400,000	1,400,000	-	-	4.48	46,837,571	Yes	No	No
1	Yageo Holding (Bermuda) Ltd. (Note 3)	Yageo USA (H.K.) Limited	Subsidiary	35,477,751	59,696 (US\$ 2,000)	59,696 (US\$ 2,000)	-	-	0.17	53,216,626	Yes	No	No

Note 1: For the Company, endorsements or guarantees to each counterparty is limited to 100% of its net worth presented in the latest financial statements. According to the endorsements/guarantees procedure for the Company's overseas investees, endorsements/guarantees made by Yageo Holding (Bermuda) Ltd. for each party is limited to 100% of its net worth presented in the latest financial statements.

Note 2: Maximum endorsements/guarantees allowed for the Company is 150% of its net worth presented in the latest financial statements. According to the endorsements/guarantees procedure for the Company's overseas investees, maximum endorsements/guarantees that can be made by Yageo Holding (Bermuda) Ltd. is limited to 150% of its net worth presented in the latest financial statements.

Note 3: The endorsements/guarantees limit to each counterparty and endorsements/guarantees limit of Yageo Holding (Bermuda) Ltd. are US\$1,188,614 thousand and US\$1,782,921 thousand, respectively.

Note 4: The endorsements/guarantees was based on the currency rate on December 31, 2017, stated one New Taiwan dollar to USD is 1:29.848.

YAGEO CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Issuer/Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)	
Yageo Corporation	<u>Stock</u>							
	SHS KOA Corp.	-	Available-for-sale financial assets - noncurrent	1,250	\$ 771,194	3.4	\$ 771,194	1
	TA-I Technology Co., Ltd.	-	Available-for-sale financial assets - noncurrent	17,266	647,465	9.1	647,465	1
	Linko International Golf & Country Club	-	Available-for-sale financial assets - noncurrent	-	482	0.1	482	1
	<u>Bonds</u>							
	Citigroup Inc.	-	Held-to-maturity financial assets - noncurrent	-	285,351	-	285,351	2
	Bank of America Corp.	-	Held-to-maturity financial assets - noncurrent	-	283,621	-	283,621	2
	Morgan Stanley	-	Held-to-maturity financial assets - noncurrent	-	282,510	-	282,510	2
	Goldman Sachs Group Inc.	-	Held-to-maturity financial assets - noncurrent	-	280,581	-	280,581	2
	AT&T Inc.	-	Held-to-maturity financial assets - noncurrent	-	277,547	-	277,547	2
	Bank of Communications	-	Held-to-maturity financial assets - noncurrent	-	276,396	-	276,396	2
	China Construction Bank	-	Held-to-maturity financial assets - noncurrent	-	274,373	-	274,373	2
	ICBC ASIA Ltd.	-	Held-to-maturity financial assets - noncurrent	-	272,996	-	272,996	2
	Verizon Communications	-	Held-to-maturity financial assets - noncurrent	-	272,671	-	272,671	2
	Lenovo Group Ltd.	-	Held-to-maturity financial assets - noncurrent	-	272,098	-	272,098	2
Proven Glory Capital Ltd.	-	Held-to-maturity financial assets - noncurrent	-	271,895	-	271,895	2	
Ko-Shin Investment Ltd.	<u>Stock</u>							
	Walsin Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - current	2,000	210,000	0.4	210,000	1
	Ta-I Technology Co., Ltd.	-	Available-for-sale financial assets - noncurrent	10,717	401,884	5.6	401,884	1
	Honey Hope Honesty Enterprise Co., Ltd.	-	Available-for-sale financial assets - noncurrent	1,712	42,800	2.1	42,800	1
	Hsin Bung International Co., Ltd.	-	Available-for-sale financial assets - noncurrent	2,761	33,622	16.6	33,622	1
	Jihsun Securities Investment Trust Co., Ltd.	-	Available-for-sale financial assets - noncurrent	1,560	12,000	4.0	12,000	1
Parawin Venture Capital Corp.	Member of the board of directors	Available-for-sale financial assets - noncurrent	4,374	10,669	10.0	10,669	1	
Yageo Holding (Bermuda) Ltd.	<u>Stock</u>							
	SHS KOA Corp.	-	Available-for-sale financial assets - noncurrent	2,212	US\$ 45,725	6.0	US\$ 45,725	1
	<u>Bonds</u>							
	Goldman Sachs Group Inc.	-	Held-to-maturity financial assets - noncurrent	-	281,046	-	281,046	2
AT&T Inc.	-	Held-to-maturity financial assets - noncurrent	-	277,680	-	277,680	2	
Lenovo Group Ltd	-	Held-to-maturity financial assets - noncurrent	-	272,075	-	272,075	2	

(Continued)

Holding Company Name	Type and Issuer/Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)	
	Proven Glory Capital Ltd	-	Held-to-maturity financial assets - noncurrent	-	\$ 211,492	-	\$ 211,492	2
	Citigroup Inc.	-	Held-to-maturity financial assets - noncurrent	-	168,137	-	168,137	2
	Morgan Stanley	-	Held-to-maturity financial assets - noncurrent	-	157,029	-	157,029	2
	Bank of America Corp.	-	Held-to-maturity financial assets - noncurrent	-	63,025	-	63,025	2
	Bank of Communications	-	Held-to-maturity financial assets - noncurrent	-	61,398	-	61,398	2
Hsu Tai International (H.K.)	<u>Stock</u> SHS KOA Corp.	-	Available-for-sale financial assets - noncurrent	872	HK\$ 140,867	2.4	HK\$ 140,867	1
Ko-E Corp. (Shenzhen)	<u>Share certificates</u> Xmholder Technology Co., Ltd.	-	Available-for-sale financial assets - noncurrent	-	RMB 9,624	17.0	RMB 9,624	1
Yageo Europe Holding B.V.	<u>Stock</u> SHS KOA Corp.	-	Available-for-sale financial assets - noncurrent	778	EUR 13,448	2.1	EUR 13,448	1
	<u>Bonds</u>	-						
	Bank of America Corp.	-	Held-to-maturity financial assets - noncurrent	-	284,095	-	284,095	2
	Goldman Sachs Group Inc.	-	Held-to-maturity financial assets - noncurrent	-	280,876	-	280,876	2
	AT&T Inc.	-	Held-to-maturity financial assets - noncurrent	-	277,695	-	277,695	2
	Bank of Communications	-	Held-to-maturity financial assets - noncurrent	-	276,526	-	276,526	2
	ICBC ASIA Ltd.	-	Held-to-maturity financial assets - noncurrent	-	272,983	-	272,983	2
	Lenovo Group Ltd	-	Held-to-maturity financial assets - noncurrent	-	271,469	-	271,469	2
	Proven Glory Capital Ltd	-	Held-to-maturity financial assets - noncurrent	-	270,682	-	270,682	2
	Citigroup Inc.	-	Held-to-maturity financial assets - noncurrent	-	269,017	-	269,017	2
	China Construction Bank	-	Held-to-maturity financial assets - noncurrent	-	213,276	-	213,276	2
Morgan Stanley	-	Held-to-maturity financial assets - noncurrent	-	162,495	-	162,495	2	
AVNET Inc.	-	Held-to-maturity financial assets - noncurrent	-	12,767	-	12,767	2	

Note 1: The listed common shares are valued by their closing prices as of December 31, 2017. The debt investments with no active market is valued by the evaluated information of issuing housing. The unlisted common shares are presented by their cost of acquisition less accumulated impairment.

Note 2: The carrying amount is calculated at amortized cost.

(Concluded)

YAGEO CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Yageo Corporation	Dual Currency Investment	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	-	US\$ 50,000 (\$ 1,505,500)	-	-	US\$ 50,000 (\$ 1,505,500)	\$ -	-	\$ -
	Dual Currency Investment	Financial assets at fair value through profit or loss - current	-	-	-	-	-	EUR 10,000 (\$ 359,100)	-	-	EUR 10,000 (\$ 357,500)	-	-	-
Yageo Europe Holding B.V.	Ferrocube International Holding B.V.	-	Chilisin Electronics Corp.	Associate	-	-	-	-	-	4,329,425	-	-	-	-

Note 1: The marketable securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the above items.

Note 2: The Company sold 100% of its interest of Ferrocube International Holding B.V. in a cash settlement amounting to €133,188 thousand on August 1, 2017. Because the nature of the transaction was a restructuring under common control, the transaction was deemed as having been effective since the beginning of the reporting period.

YAGEO CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise, All Amounts in Thousands)

Buyer	Related Party	Relationship	Transaction Details (Note)				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Remark
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Yageo Corporation	Yageo Electronics (Dongguan) Co., Ltd.	Subsidiary	Sale	\$ (3,473,648)	(22)	Offset account T/T 90 days	\$ -	-	\$ -	-	-
			Purchase	175,602	2	Offset account T/T 90 days	-	-	(1,911,328)	(26)	-
	Yageo Electronics (China) Co., Ltd.	Subsidiary	Sale	(2,514,862)	(16)	T/T 90 days	-	-	1,164,513	16	-
			Purchase	435,321	4	T/T 90 days	-	-	(2,837,300)	(39)	-
	Yageo Corporation (South Asia) Pte. Ltd.	Subsidiary	Sale	(840,021)	(5)	T/T 90 days	-	-	175,593	2	-
	Yageo Europe Holding B.V	Subsidiary	Sale	(1,020,668)	(7)	T/T 45 days	-	-	213,784	3	-
	Ko-E (H.K.) Limited	Subsidiary	Sale	(1,095,580)	(7)	T/T 60 days	-	-	648,166	9	-
	Yageo USA (H.K.) Limited	Subsidiary	Sale	(1,137,424)	(7)	Offset account T/T 90 day	-	-	3,881,189	53	-
	Yageo Trade (Suzhou) Co., Ltd.	Subsidiary	Sale	(126,585)	(1)	T/T 90 days	-	-	90,406	1	-
	Yageo Components (Suzhou) Co., Ltd.	Subsidiary	Purchase	114,584	1	T/T 90 days	-	-	(34,917)	-	-
	Yixin International Co., Ltd.	Substantial Related Party	Purchase	171,912	2	T/T 90 days	-	-	-	-	-
Yageo USA (H.K.) Limited	Yageo Trade (Suzhou) Co., Ltd.	Associate	Sale	HK\$ (1,559,599)	(32)	T/T 90 days	-	-	HK\$ 843,247	38	-
	Ko-E (H.K.) Limited	Associate	Sale	HK\$ (683,433)	(14)	T/T 90 days	-	-	HK\$ 531,450	24	-
Yageo Electronics (China) Co., Ltd.	Ko-E (H.K.) Limited	Associate	Sale	RMB (162,044)	(6)	T/T 65 days	-	-	RMB 103,050	11	-
	Yageo Europe B.V.	Associate	Sale	RMB (80,853)	(3)	T/T 90 days	-	-	RMB 20,170	2	-
Yageo Trade (Suzhou) Co., Ltd.	Ko-E Technology (Shenzhen) Co., Ltd.	Associate	Sale	RMB(1,058,965)	(72)	T/T 65 days	-	-	RMB 450,454	58	-
Ko-E Corp.	Yixin International Co., Ltd.	Substantial Related Party	Purchase	141,396	99	T/T 60 days	-	-	(24,045)	100	-
	Hsin Bung International Co., Ltd.	Substantial Related Party	Sale	(147,623)	100	T/T 60 days	-	-	24,781	98	-
Ko-E (H.K.) Limited	Hsin Bung International Co., Ltd.	Substantial Related Party	Sale	(249,368)	26	T/T 60 days	-	-	199,765	45	-
Ko-E Technology (Shenzhen) Co., Ltd.	Guo Chuang Electronics (Dongguan) Co., Ltd.	Associate	Purchase	RMB 25,094	2	T/T 75 days	-	-	RMB -	-	-

Note: All intercompany transactions have been eliminated from consolidation.

YAGEO CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise, All Amounts in Thousands)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Yageo Corporation	Yageo USA (H.K.) Limited	Subsidiary	\$ 3,881,715 (Note 5)	5.16	\$ -	-	\$ 1,879,127	\$ -
	Yageo Electronics (China) Co., Ltd.	Subsidiary	1,207,817 (Note 5)	2.28	-	-	449,726	-
	Ko-E (H.K.) Limited	Subsidiary	648,293 (Note 5)	2.48	-	-	200,989	-
	Kuo-Shin Investment Limited	Subsidiary	197,429 (Note 2)	-	-	-	262,000	-
	Yageo Europe Holding B.V.	Subsidiary	213,789 (Note 5)	7.01	-	-	122,573	-
	Yageo Corporation (South Asia) Pte. Ltd.	Subsidiary	175,593	6.81	-	-	91,159	-
Yageo Holding (Bermuda) Ltd.	Hsu Tai International (H.K.)	Subsidiary	US\$ 9,721 (Note 2)	-	-	-	US\$ 5,118	-
	Yageo America	Associate	US\$ 9,742 (Note 3)	-	-	-	-	-
	Yageo Europe Holding B.V.	Associate	US\$ 212,161 (Note 1)	-	-	-	-	-
Ko-E (H.K.) Limited	Hsin Bung International Co., Ltd.	Substantial related party	199,765	2.17	-	-	5,962	-
Yageo USA (H.K.) Limited	Yageo Trade (Suzhou) Co., Ltd.	Associate	HK\$ 843,247	2.69	-	-	HK\$ 119,329	-
	Ko-E (H.K.) Limited	Associate	HK\$ 531,610 (Note 5)	1.98	-	-	HK\$ 142,767	-
Yageo Electronics (China) Co., Ltd.	Ko-E (H.K.) Limited	Associate	RMB 103,050	2.02	-	-	RMB 43,863	-
	Yageo Corporation	Ultimate parent company	RMB 619,025	3.21	-	-	RMB 231,400	-
Yageo Trade (Suzhou) Co., Ltd.	Ko-E Technology (Shenzhen) Co., Ltd.	Associate	RMB 450,454	2.33	-	-	RMB 145,775	-
	Yageo Corporation	Ultimate parent company	RMB 417,002	4.82	-	-	RMB 331,448	-
Vitrohm Holding GmbH	Yageo Holding (Bermuda) Ltd.	Parent company	EUR 6,136 (Note 3)	-	-	-	-	-

Note 1: Loans to subsidiaries were considered a component of investment.

Note 2: Considered financing and other receivables

(Continued)

Note 3: Considered financing

Note 4: Considered other receivables

Note 5: Including other receivables

Note 6: All intercompany transactions have been eliminated from consolidation.

(Concluded)

YAGEO CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise, All Amounts in Thousands)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2017		Carrying Amount	Net Income (Loss) of the Investee	Share of Profits (Loss)	Remarks
				December 31, 2017	December 31, 2016	Shares	%				
Yageo Corporation	Yageo Holding (Bermuda) Ltd.	Bermuda	Investment	US\$ 347,747	US\$ 317,747	90,000	100.00	\$ 35,472,004	\$ 3,535,134	\$ 3,535,134	Subsidiary
	Ferroxcube Holding (Samoa) Ltd.	West Samoa	Investment	US\$ 25,433	US\$ 25,433	1,000	100.00	761,724	86,406	86,406	Subsidiary
	Kuo-Shin Investment Limited	Taipei	Investment	1,612,059	1,612,059	89,300	100.00	1,104,858	149,129	149,129	Subsidiary
	Yageo Corporation (South Asia) Pte. Ltd.	Singapore	Electronic component marketing	SGD 780	SGD 780	-	100.00	248,240	50,190	50,190	Subsidiary
	Yageo Europe Holding B.V.	Netherlands	Holding company	US\$ 147,757	US\$ 147,757	-	100.00	1,423,187	417,873	417,873	Subsidiary
	Yageo America	America	Electronic component marketing	US\$ 2,347	US\$ 2,347	1	100.00	(275,146)	3,771	3,771	Subsidiary
	Yageo South Asia (M) Sdn. Bhd.	Malaysia	Electronic component marketing	-	-	-	100.00	14	38	38	Subsidiary
	Chilisin Electronics Corp.	Hsinchu	Inductor manufacture and marketing	1,571,448	446,902	35,535	15.55	2,156,087	1,132,276	185,348	Associate
	Ralec Electronic Corp.	Kaohsiung	Resistor manufacture and marketing	-	376,858	-	-	-	129,078	17,321	Associate
	GTCL	Singapore	Holding company	80,897	99,093	8,232	23.28	274,216	76,354	17,777	Associate
	Teapo Electronics Corporation	New Taipei City	Capacitor manufacture and marketing	1,075,558	1,075,558	11,002	12.02	302,268	230,586	28,942	Associate
	Strong Components Co., Ltd.	Kaohsiung	Electronic component manufacture and marketing.	79,384	79,384	6,530	31.42	86,172	6,479	2,036	Associate
	Kuo-Shin Investment Ltd.	Chilisin Electronics Corp.	Hsinchu	Inductor manufacture and marketing	284,245	107,119	7,077	3.10	429,686	1,132,276	37,198
Ralec Electronic Corp.		Kaohsiung	Resistor manufacture and marketing	-	69,494	-	-	-	129,078	4,509	Associate
GTCL		Singapore	Holding company	54,611	58,676	1,839	5.20	69,384	76,354	3,971	Associate
Teapo Electronics Corporation		New Taipei City	Capacitor manufacture and marketing	101,367	101,367	2,597	2.84	61,255	230,586	7,302	Associate
Yageo Holding (Bermuda) Ltd.	Yageo (Hong Kong) Limited	Hong Kong	Investment	HK\$ 2,093,178	HK\$ 1,937,050	1,030,499	100.00	US\$ 656,469	US\$ 2,963	US\$ 2,963	Subsidiary
	Yageo USA (H.K.) Limited	Hong Kong	Passive Component marketing	HK\$ 8,000	HK\$ 8,000	-	100.00	US\$ 215,391	US\$ 73,291	US\$ 73,291	Subsidiary
	Ko-E Holding (Cayman)	Cayman Islands	Holding company	US\$ 4,500	US\$ 4,500	4,500	83.83	US\$ 18,610	US\$ 5,117	US\$ 4,290	Subsidiary
	Vitrohm Holding GmbH	Germany	Investment	EUR 15,849	EUR 15,849	-	100.00	US\$ 12,972	US\$ 479	US\$ 479	Subsidiary
	Rextron International	British Virgin Islands	Investment	US\$ -	US\$ 3,643	-	-	US\$ -	US\$ -	US\$ -	Subsidiary
	Belkin International	Samoa	Investment	US\$ 1,104	US\$ 1,104	1,104	46.00	US\$ 1,982	US\$ (192)	US\$ (88)	Associate
	Yageo Korea	Korea	Resistor marketing	US\$ 236	US\$ 236	-	100.00	US\$ 1,763	US\$ 290	US\$ 290	Subsidiary
	Yageo Japan	Japan	Resistor marketing	US\$ 339	US\$ 339	-	100.00	US\$ 107	US\$ 23	US\$ 23	Subsidiary
	Hsu Tai International (H.K.)	Hong Kong	Investment	US\$ 2,400	US\$ 2,400	1	100.00	US\$ 9,321	US\$ 91	US\$ 91	Subsidiary
Ko-E Holding (Cayman)	Ko-E Corp.	New Taipei City	Electronic components marketing	US\$ 1,393	US\$ 1,393	4,500	100.00	US\$ 1,765	US\$ 27	US\$ 27	Subsidiary
	Ko-E (H.K.) Limited	Hong Kong	Electronic components marketing	US\$ 4,662	US\$ 4,662	-	100.00	US\$ 20,045	US\$ 5,100	US\$ 5,100	Subsidiary

Note 1: Information on investment in Mainland China please refer to Table 8.

Note 2: All the above investment account and share of profit or loss relevant to subsidiaries have been eliminated from consolidation.

YAGEO CORPORATION AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017 (Note 3)	Remittance of Funds		Accumulated Outflow of Investment from Taiwan as of December 31, 2017 (Note 3)	Net Income (Loss) of the Investee (Note 4)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 4 and 5)	Carrying Value as of December 31, 2017 (Notes 3 and 5)	Accumulated Inward Remittance of Earnings as of December 31, 2017 (Note 3)
					Outflow (Note 3)	Inflow (Note 3)						
Yageo Electronics (Dongguan) Co., Ltd.	Manufacture and marketing of passive components	US\$ 53,250 (\$ 1,589,406)	Indirect: Through a company registered in a third region	US\$ 36,510 (\$ 1,089,750)	US\$ 10,000 (\$ 298,480)	\$ -	US\$ 46,510 (\$ 1,388,230)	HK\$ 70,987 (\$ 271,135)	100.00	HK\$ 70,987 (\$ 271,135)	HK\$ 1,135,005 (\$ 4,335,152)	\$ -
Yageo Electronics (China) Co., Ltd.	Manufacture and marketing of passive components	US\$ 241,977 (\$ 7,222,529)	Indirect: Through a company registered in a third region	US\$ 184,977 (\$ 5,521,193)	US\$ 20,000 (\$ 596,960)	-	US\$ 204,977 (\$ 6,118,153)	HK\$ 105,115 (\$ 410,674)	100.00	HK\$ 105,115 (\$ 410,674)	HK\$ 3,578,007 (\$ 13,666,198)	US\$ 7,751 (\$ 235,962)
Yageo Components (Suzhou) Co., Ltd.	Manufacture and marketing of passive components	US\$ 5,000 (\$ 149,240)	Indirect: Through a company registered in a third region	US\$ 5,000 (\$ 149,240)	-	-	US\$ 5,000 (\$ 149,240)	HK\$ (882) (\$ (3,446))	100.00	HK\$ (882) (\$ (3,446))	HK\$ 92,199 (\$ 352,154)	-
Yageo Trade (Suzhou) Co., Ltd.	Marketing of passive components	US\$ 5,000 (\$ 149,240)	Indirect: Through a company registered in a third region	US\$ 5,000 (\$ 149,240)	-	-	US\$ 5,000 (\$ 149,240)	HK\$ 126,182 (\$ 492,980)	100.00	HK\$ 126,182 (\$ 492,980)	HK\$ 296,307 (\$ 1,131,745)	-
Compostar Technology (Dongguan) Co., Ltd.	Manufacture and marketing of passive components	US\$ 1,500 (\$ 44,772)	Indirect: Through a company registered in a third region	US\$ 1,164 (\$ 34,743)	-	-	US\$ 1,164 (\$ 34,743)	HK\$ (27) (\$ (105))	100.00	HK\$ (27) (\$ (105))	HK\$ 19,689 (\$ 75,202)	-
Compostar Technology (Suzhou) Co., Ltd.	Manufacture and marketing of passive components	US\$ 5,150 (\$ 153,717)	Indirect: Through a company registered in a third region	US\$ 5,150 (\$ 153,717)	-	-	US\$ 5,150 (\$ 153,717)	-	100.00	-	-	-
Guo Chuang Electronics (Dongguan) Co., Ltd.	Manufacture and marketing of passive components	US\$ 1,709 (\$ 51,010)	Indirect: Through a company registered in a third region	US\$ 789 (\$ 23,550)	-	-	US\$ 789 (\$ 23,550)	HK\$ (1,376) (\$ (5,376))	35.00	HK\$ (482) (\$ (1,883))	HK\$ 8,372 (\$ 31,977)	-
Ko-E Technology (Shenzhen) Co., Ltd.	Manufacture and marketing of electronic components	US\$ 3,500 (\$ 104,468)	Indirect: Through a company registered in a third region	US\$ 3,150 (\$ 94,021)	-	-	US\$ 3,150 (\$ 94,021)	HK\$ 28,043 (\$ 109,561)	83.83	HK\$ 23,500 (\$ 91,812)	HK\$ 95,400 (\$ 364,380)	-
Guo Ray Electronics Co., Ltd.	Manufacture and marketing of passive components	US\$ 1,000 (\$ 29,848)	Indirect: Through a company registered in a third region	US\$ 460 (\$ 13,730)	-	-	US\$ 460 (\$ 13,730)	US\$ (192) (\$ (5,845))	46.00	US\$ (88) (\$ (2,679))	US\$ 492 (\$ 14,685)	-
Chen-Xin Electronic (Chiao-Tao) Co., Ltd.	Production of passive components	HK\$ 1,000 (\$ 3,820)	Indirect: Through a company registered in a third region	US\$ 59 (\$ 1,761)	-	-	US\$ 59 (\$ 1,761)	-	46.00	-	-	-
Chen Xin (Dongguan)	Production of passive components	US\$ 1,000 (\$ 29,848)	Indirect: Through a company registered in a third region	US\$ 460 (\$ 13,730)	-	-	US\$ 460 (\$ 13,730)	-	46.00	-	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on the Amount of Investment Stipulated by Investment Stipulated by Investment Commission, MOEA
\$8,140,117 (US\$272,719)	\$10,776,322 (US\$361,040) (Note 1)	\$18,800,044 (Note 2)

Note 1: The MOEA approved the transfer of earnings to capital of Yageo Electronics (Dongguan) Co., Ltd. and Yageo Electronics (China) Co., Ltd. amounting to US\$6,740 thousand and US\$37,000 thousand, respectively.

Note 2: Based on "Audit procedure of mainland china investment" on August 29, 2008, there is 60% cap on the amount of the Group's investment. (\$31,333,407×60% = \$18,800,044)

Note 3: The currency rate on December 31, 2017, stated one New Taiwan dollar to HKD and USD are 1:3.8195 and 1:29.848, respectively.

Note 4: The currency rate in 2017, stated one New Taiwan dollar to HKD and USD are 1:3.9069 and 1:30.443, respectively.

Note 5: All the above investment account and share of profit or loss relevant to subsidiaries have been eliminated from consolidation.

YAGEO CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Related Party	Flow of Transactions (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
0	Yageo Corporation	Yageo Electronics (China) Co., Ltd.	a.	Receivables from related parties	\$ 1,207,817	T/T 90 days	2
		Yageo Trade (Suzhou) Co., Ltd.	a.	Receivables from related parties	90,406	T/T 90 days	-
		Yageo Components (Suzhou) Co., Ltd.	a.	Receivables from related parties	17,357	T/T 90 days	-
		Ko-E (H.K.) Limited	a.	Receivables from related parties	648,293	T/T 60 days	1
		Yageo USA (H.K.) Limited	a.	Receivables from related parties	3,881,715	Offset account T/T 90 days	6
		Kuo-Shin Investment Limited	a.	Loans receivable from related parties	197,000	Financing	-
		Yageo Japan	a.	Receivables from related parties	31	T/T 90 days	-
		Vitrohm Portuguesa	a.	Receivables from related parties	103	T/T 90 days	-
		Yageo Europe Holding B.V.	a.	Receivables from related parties	213,788	T/T 45 days	-
		Yageo Corporation (South Asia) Pte. Ltd.	a.	Receivables from related parties	175,593	T/T 90 days	-
		Yageo Electronics (China) Co., Ltd.	a.	Sales	2,514,862	T/T 90 days	8
		Yageo Trade (Suzhou) Co., Ltd.	a.	Sales	126,585	T/T 90 days	-
		Yageo Components (Suzhou) Co., Ltd.	a.	Sales	40,865	T/T 90 days	-
		Yageo Electronics (Dongguan) Co., Ltd.	a.	Sales	3,473,648	Offset account T/T 90 days	11
		Ko-E (H.K.) Limited	a.	Sales	1,095,580	T/T 60 days	3
		Yageo USA (H.K.) Limited	a.	Sales	1,137,424	Offset account T/T 90 days	4
		Yageo Japan	a.	Sales	229	T/T 90 days	-
		Yageo Europe Holding B.V.	a.	Sales	1,020,668	T/T 45 days	3
		Yageo Corporation (South Asia) Pte. Ltd.	a.	Sales	840,021	T/T 90 days	3
		Ko-E (H.K.) Limited	a.	Rental income	1,512	T/T 60 days	-
Ko-E Corp	a.	Rental income	192	T/T 30 days	-		
Ko-E (H.K.) Limited	a.	Logistics service income	26,137	T/T 60 days	-		
1	Yageo Holding (Bermuda) Ltd.	Yageo (Hong Kong) Limited	a.	Receivables from related parties	8,155	Advances	-
		Hsu Tai International (H.K.)	a.	Loans receivable from related parties	281,310	Financing	-
		Yageo Japan	a.	Loans receivable from related parties	1,433	Financing	-
		Yageo Europe Holding B.V.	c.	Loans receivable from related parties	6,326,697	Financing	9
		Yageo America Corporation	c.	Loans receivable from related parties	290,784	Financing	-
		Hsu Tai International (H.K.)	a.	Interest receivables	8,828	By agreements	-
		Yageo Europe Holding B.V.	c.	Interest receivables	5,883	By agreements	-
		Hsu Tai International (H.K.)	a.	Interest income	2,949	By agreements	20
Yageo Europe Holding B.V.	c.	Interest income	1,627	By agreements	1		

(Continued)

No.	Company Name	Related Party	Flow of Transactions (Note 1)	Transaction Details (Note 2)			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
2	Yageo Electronics (China) Co., Ltd.	Yageo Trade (Suzhou) Co., Ltd.	c.	Receivables from related parties	\$ 47	Advances	-
		Yageo Components (Suzhou) Co., Ltd.	c.	Receivables from related parties	222	T/T 90 days	-
		Ko-E (H.K.) Limited	c.	Receivables from related parties	472,328	T/T 65 days	1
		Yageo Corporation	b.	Receivables from related parties	2,837,300	T/T 90 days	4
		Yageo Europe Holding B.V.	c.	Receivables from related parties	92,449	T/T 90 days	-
		Yageo Trade (Suzhou) Co., Ltd.	c.	Sales	107	T/T 90 days	-
		Ko-E (H.K.) Limited	c.	Sales	729,942	T/T 65 days	2
		Yageo Holding (Bermuda) Ltd.	b.	Sales	99,719	T/T 60 days	-
		Yageo Corporation	b.	Sales	435,321	T/T 90 days	1
		Yageo Europe Holding B.V.	c.	Sales	364,211	T/T 90 days	1
3	Yageo USA (H.K.) Limited	Yageo Trade (Suzhou) Co., Ltd.	c.	Receivables from related parties	3,220,780	T/T 60 days	5
		Ko-E (H.K.) Limited	c.	Receivables from related parties	2,030,485	T/T 90 days	3
		Yageo Electronics (China) Co., Ltd.	c.	Receivables from related parties	10,812	T/T 90 days	-
		Yageo Holding (Bermuda) Ltd.	b.	Loans receivable from related parties	1,492,400	Financing	2
		Yageo Holding (Bermuda) Ltd.	b.	Interest receivables	3,151	By agreements	-
		Yageo Trade (Suzhou) Co., Ltd.	c.	Sales	6,093,197	T/T 60 days	19
		Ko-E (H.K.) Limited	c.	Sales	2,670,104	T/T 90 days	8
		Ko-E (H.K.) Limited	c.	Logistics service income	135,039	T/T 90 days	-
4	Yageo Electronics (Dongguan) Co., Ltd.	Yageo Corporation	b.	Receivables from related parties	1,911,328	Offset account T/T 90 days	3
		Ko-E Technology (Shenzhen) Co., Ltd.	c.	Receivables from related parties	105	Advances	-
		Yageo Corporation	b.	Sales	175,602	Offset account T/T 90 days	1
		Yageo Trade (Suzhou) Co., Ltd.	c.	Rental income	865	By agreements	-
5	Yageo Trade (Suzhou) Co., Ltd.	Yageo Electronics (China) Co., Ltd.	c.	Receivables from related parties	2,144	T/T 90 days	-
		Ko-E Technology (Shenzhen) Co., Ltd.	c.	Receivables from related parties	2,064,655	T/T 65 days	3
		Yageo Components (Suzhou) Co., Ltd.	c.	Receivables from related parties	8,672	T/T 90 days	-
		Yageo USA (H.K.) Limited	c.	Receivables from related parties	2,124	T/T 90 days	-
		Yageo Electronics (China) Co., Ltd.	c.	Loans receivable from related parties	346,054	Financing	-
		Yageo Electronics (China) Co., Ltd.	c.	Sales	10,019	T/T 90 days	-
		Ko-E Technology (Shenzhen) Co., Ltd.	c.	Sales	4,770,212	T/T 65 days	15
		Yageo Components (Suzhou) Co., Ltd.	c.	Sales	37,237	T/T 90 days	-
		Yageo USA (H.K.) Limited	c.	Sales	2,087	T/T 30 days	-
6	Yageo Components (Suzhou) Co., Ltd.	Yageo USA (H.K.) Limited	c.	Receivables from related parties	6,254	T/T 30 days	-
		Yageo Trade (Suzhou) Co., Ltd.	c.	Receivables from related parties	3,004	T/T 90 days	-
		Yageo Corporation	b.	Receivables from related parties	34,917	T/T 90 days	-
		Yageo Europe Holding B.V.	c.	Receivables from related parties	3,949	T/T 90 days	-
		Vitrohm Portuguesa Lda.Portugal	c.	Receivables from related parties	11,304	T/T 90 days	-
		Yageo USA (H.K.) Limited	c.	Sales	1,797	T/T 30 days	-
		Yageo Corporation	b.	Sales	114,584	T/T 90 days	-
		Yageo Trade (Suzhou) Co., Ltd.	c.	Sales	6,119	T/T 90 days	-
		Yageo Europe Holding B.V.	c.	Sales	27,486	T/T 90 days	-
		Vitrohm Portuguesa Lda.Portugal	c.	Sales	24,152	T/T 90 days	-

(Continued)

No.	Company Name	Related Party	Flow of Transactions (Note 1)	Transaction Details (Note 2)			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
7	Yageo Korea	Yageo Corporation Yageo Corporation	b. b.	Receivables from related parties	\$ 41,439	T/T 30 days	-
				Commission income	47,762	T/T 30 days	-
8	Yageo Japan	Yageo Holding (Bermuda) Ltd. Yageo Holding (Bermuda) Ltd.	b. b.	Receivables from related parties	2,340	T/T 30 days	-
				Commission income	25,533	T/T 30 days	-
9	Vitrohm Holding GmbH	Yageo USA (H.K.) Limited Yageo Europe Holding B.V. Yageo Holding (Bermuda) Ltd. Yageo Corporation Yageo USA (H.K.) Limited Yageo Europe Holding B.V. Yageo Holding (Bermuda) Ltd.	c. c. b. b. c. c. b.	Receivables from related parties	877	T/T 30 days	-
				Receivables from related parties	149	T/T 90 days	-
				Loans receivables from related parties	219,055	Financing	-
				Sales	71	T/T 90 days	-
				Sales	845	T/T 90 days	-
				Sales	147	T/T 90 days	-
				Interest income	1,069	By agreements	-
10	Ko-E Holding (Cayman)	Ko-E (H.K.) Limited	a.	Receivables from related parties	17,477	Advances	-
11	Ko-E (H.K.) Limited	Ko-E Technology (Shenzhen) Co., Ltd.	a.	Receivables from related parties	147	Advances	-
12	Yageo America Corporation	Yageo Corporation	b.	Commission income	78,192	T/T 90 days	-
13	Yageo South Asia (M) Sdn. Bhd.	Yageo Corporation (South Asia) Pte. Ltd.	c.	Commission income	8,866	T/T 30 days	-

Note 1: The flow of related-party transactions is as follows:

- a. From the parent company to its subsidiary
- b. From a subsidiary to its parent company
- c. Between subsidiaries

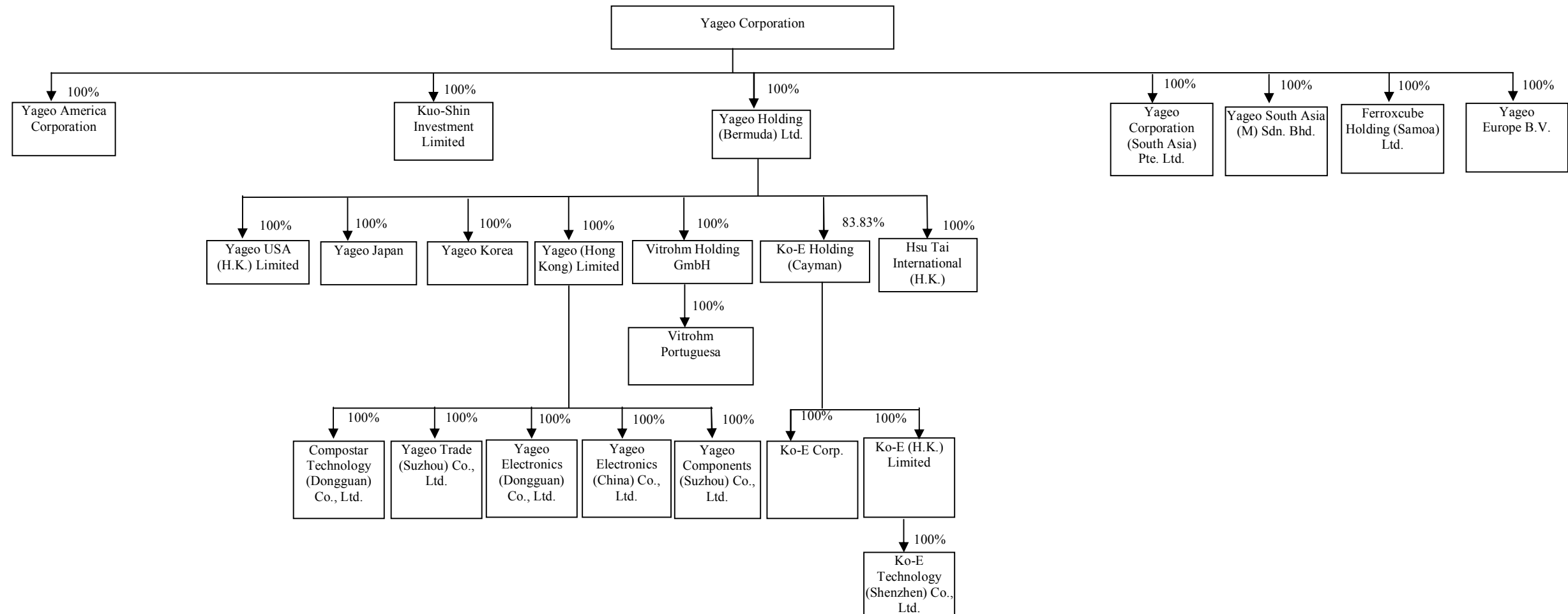
Note 2: The intercompany transactions have been eliminated from consolidation.

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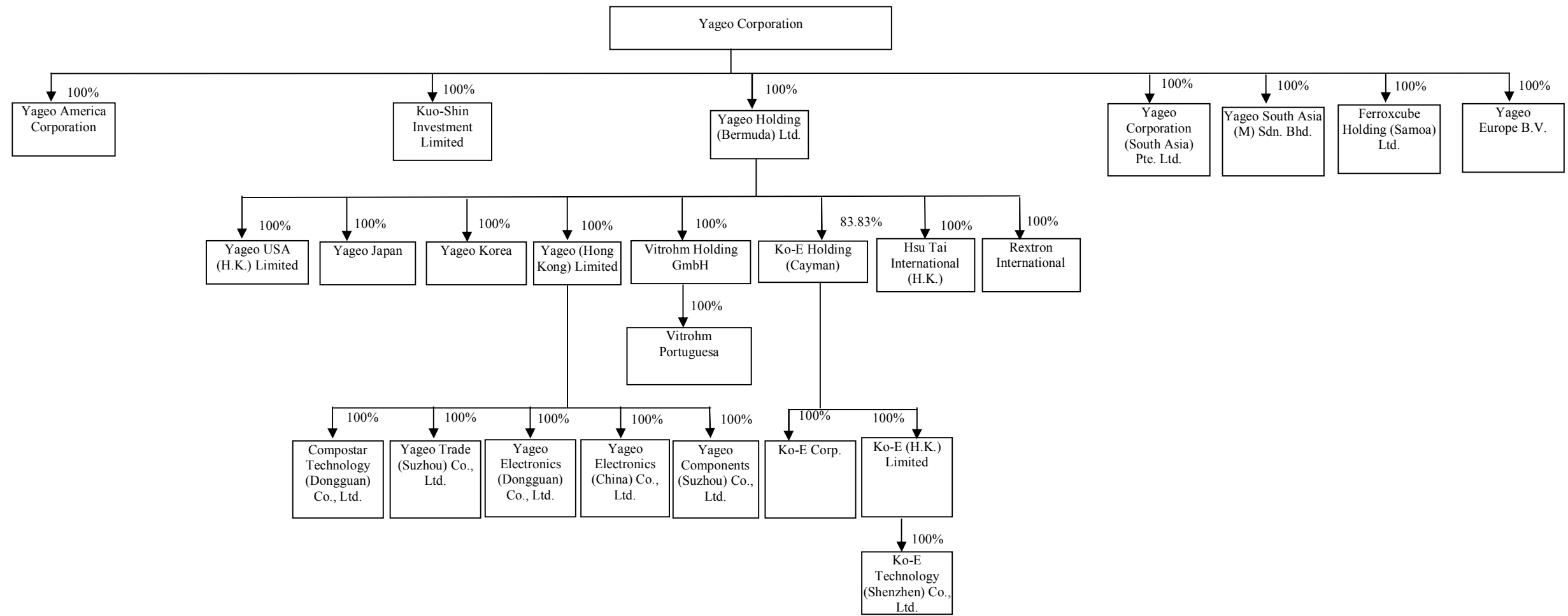
YAGEO CORPORATION AND SUBSIDIARIES

**THE GROUP'S ORGANIZATION CHART
DECEMBER 31, 2017 AND 2016**

2017



(Continued)



(Concluded)