Yageo Corporation and Subsidiaries

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

Deloitte.

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2018 are as follows:

Allowance for Expected Credit Loss of Trade Receivables

The recoverable amount of trade receivables is determined by management's evaluation of the credit risk of overdue receivables, which is affected by management's assumptions 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 expected credit loss of trade receivables.

For a summary of the significant accounting policies on expected credit loss of trade receivables, refer to Note 4 to the accompanying consolidated financial statements. Refer to Note 13 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. We tested the completeness and the accuracy of the aging report of the trade receivables which served as a basis for the calculation of the expected credit loss allowance and verified that the percentage of such allowance was consistent with the Group's policy on the allowance for expected credit loss.

2. We confirmed the recoverability of trade receivables outstanding at yearend by checking the collections after the balance sheet date.

3. For the past due, outstanding amount, we assessed the reasonableness of the allowance through understanding the history of the client and whether collateral was obtained; we also assessed 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 testing whether the value of inventory is stated at the lower of cost or net realizable value. 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 14 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. We tested the aging of inventory and we calculated the amount of allowance for inventory valuation loss per the Group's policy.

2. We selected samples of inventory items at yearend and we compared the respective actual selling prices with the book values to ensure that the book values do not exceed the net realizable values.

Business Combinations

In 2018, the Company acquired 100% of the equity interests of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement amounting to NT$3,328,253 thousand and US$721,461 thousand, respectively. The acquisitions were identified as key audit matter because the transactions involved complicated calculations such as in the determination of the consideration transferred and the assessment of the fair value of the acquired assets and assumed liabilities.

We verified that the business combinations had been properly evaluated and approved by inspecting the minutes of meetings of the board of directors and by reviewing the compliance with the internal control systems established by the Group and that the relevant provisions and procedures for the acquisition and disposal of assets were followed.

In addition, we also performed the following audit procedures:

1. We tested the controls for the acquisition and disposal of assets and assessed if the design and implementation of the internal control are effective.

2. We verified the date of the transaction, reviewed the relevant cash payment documents and the fair value of the assets, performed the recalculation of the profit and loss, and confirmed that the accounting treatment was appropriate.

Other Matter

We did not audit the financial statements of partial subsidiaries included in the consolidated financial statements of the Group, as of and for the years ended December 31, 2018 and 2017. The total assets of these subsidiaries were 10.63% (NT$13,051,571 thousand) and 12.16% (NT$8,476,474 thousand) of the Group's total consolidated assets as of December 31, 2018 and 2017, respectively, and the total revenue of these subsidiaries was 7.24% (NT$5,584,073 thousand) and 5.79% (NT$1,868,715 thousand) of the Group's total consolidated revenue for the years ended December 31, 2018 and 2017, respectively. As disclosed in Note 16 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 0.13% (NT$154,651 thousand) and 0.25% (NT$177,328 thousand) of the Group's total consolidated assets as of December 31, 2018 and 2017, respectively; the Group's total share of the profit (loss) of such associates was (0.06%) (NT$(23,364) thousand) and (0.03%) (NT$(2,539) thousand) of the Group's consolidated profit before income tax for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 on which we have issued an unqualified opinion with other matter paragraph.

As described in Note 1 to the accompanying consolidated financial statements, on August 1, 2017, the Company sold 100% of its interest in Ferroxcube International Holding B.V. in a cash settlement amounting to €133,188 thousand. In addition, in 2018, the Company acquired 100% of the equity interest of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement amounting to NT$3,328,253 thousand and US$721,461 thousand, respectively.

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

The engagement partners on the audit resulting in this independent auditors' report are Yung-Hsiang Chao and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2019

Notice to Readers

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

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

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	$ 20,388,744	17	$ 5,760,889	8
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	80,458	-	211,359	-
Financial assets at amortized cost - current (Notes 3, 4 and 9)	8,568,937	7	-	-
Debt investments with no active market - current (Notes 3, 4 and 12)	-	-	11,575,280	16
Notes receivable (Notes 3, 4, 5 and 13)	553,176	-	1,196,757	2
Trade receivable (Notes 3, 4, 5, 13 and 34)	19,251,951	16	10,546,437	15
Other receivables (Notes 3, 4 and 34)	442,998	-	428,652	1
Inventories (Notes 4, 5 and 14)	10,473,077	9	4,872,001	7
Prepayment (Note 20)	996,362	1	435,710	1
Other current assets	355,718	-	54,859	-
Total current assets	61,111,421	50	35,081,944	50
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 3, 4 and 7)	89,196	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4 and 8)	2,226,976	2	-	-
Available-for-sale financial assets - noncurrent (Notes 3, 4 and 10)	-	-	4,347,325	6
Held-to-maturity financial assets - noncurrent (Notes 3, 4 and 11)	-	-	7,133,802	10
Financial assets at amortized cost - non-current (Notes 3, 4 and 9)	6,946,640	6	-	-
Investments accounted for using the equity method (Notes 4 and 16)	6,205,942	5	3,480,124	5
Property, plant and equipment (Notes 4, 5, 17 and 35)	19,112,389	15	16,274,877	24
Goodwill (Notes 4, 5 and 18)	20,466,026	17	2,074,005	3
Other intangible assets (Notes 4 and 19)	4,032,094	3	86,082	-
Deferred tax assets (Notes 4 and 26)	2,207,304	2	922,820	2
Refundable deposits (Note 3)	104,372	-	82,635	-
Long-term prepayments for lease, net of current portion (Note 20)	110,730	-	73,061	-
Other noncurrent assets	143,532	-	140,550	-
Total noncurrent assets	61,645,201	50	34,615,281	50
TOTAL	$ 122,756,622	100	$ 69,697,225	100

LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 21)	$ 23,667,981	19	$ 17,624,878	25
Short-term bills payable (Note 21)	499,487	-	1,099,772	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	27,674	-	82,995	-
Notes payable	163,595	-	3,449	-
Trade payable (Note 34)	10,347,305	9	7,511,421	11
Other payables (Notes 22 and 34)	11,065,243	9	4,874,382	7
Current tax liabilities (Notes 4 and 26)	6,782,248	6	1,209,130	2
Other current liabilities	281,179	-	41,375	-
Total current liabilities	52,834,712	43	32,447,402	47
NONCURRENT LIABILITIES				
Long-term borrowings (Notes 21 and 35)	9,000,000	7	5,500,000	8
Deferred tax liabilities (Notes 4 and 26)	383,698	-	376	-
Accrued pension liabilities (Notes 4 and 23)	471,418	1	346,478	-
Guarantee deposits received	150,895	-	69,562	-
Other noncurrent liabilities	477,547	1	-	-
Total noncurrent liabilities	10,483,558	9	5,916,416	8
Total liabilities	63,318,270	52	38,363,818	55
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common shares	4,270,394	3	3,504,010	5
Capital collected in advance	453	-	1,628	-
Total share capital	4,270,847	3	3,505,638	5
Capital surplus				
Issuance of common shares	2,718,524	2	2,652,778	4
From share of changes in capital surplus of associates	2,804,929	3	415,813	1
From employee share options	20,146	-	32,847	-
Total capital surplus	5,543,599	5	3,101,438	5
Retained earnings				
Legal reserve	3,235,596	3	2,550,866	4
Special reserve	437,595	-	1,723,692	2
Unappropriated earnings	49,478,674	40	20,096,117	29
Total retained earnings	53,151,865	43	24,370,675	35
Other equity				
Exchange differences on translation of foreign operations	(1,820,627)	(1)	(1,664,627)	(3)
Unrealized gain on financial assets at FVTOCI	610,563	-	-	-
Unrealized loss on available-for-sale financial assets	-	-	1,911,923	3
Total other equity	(1,210,064)	(1)	247,296	-
Treasury shares	(2,421,552)	(2)	-	-
Total equity attributable to owners of the Company	59,334,695	48	31,225,047	45
NONCONTROLLING INTERESTS	103,657	-	108,360	-
Total equity	59,438,352	48	31,333,407	45
TOTAL	$ 122,756,622	100	$ 69,697,225	100

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

(With Deloitte & Touche audit report dated March 14, 2019)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 34)				
Net sales	$ 77,155,611	100	$ 32,258,599	100
OPERATING COSTS (Notes 4, 14, 25 and 34)				
Cost of goods sold	28,310,343	37	21,760,490	68
GROSS PROFIT	48,845,268	63	10,498,109	32
OPERATING EXPENSES (Notes 4 and 25)				
Selling and marketing	6,496,642	8	1,462,724	5
General and administrative	3,523,253	5	1,138,150	3
Research and development	413,353	-	303,916	1
Expected credit loss (Notes 4 and 13)	1,504,052	2	-	-
Total operating expenses	11,937,300	15	2,904,790	9
PROFIT FROM OPERATIONS	36,907,968	48	7,593,319	23
NONOPERATING INCOME				
Finance costs (Notes 4 and 25)	(547,020)	(1)	(299,494)	(1)
Share of profit of associates (Note 4)	635,527	1	299,831	1
Interest income (Note 4)	1,091,535	1	507,890	2
Rental income (Notes 4 and 34)	41,662	-	22,156	-
Gain on financial instruments at fair value through profit or loss (Note 4)	1,288,486	2	152,805	-
Loss on financial instruments at fair value through profit or loss (Note 4)	(974,160)	(1)	(412,233)	(1)
Other gains and losses (Note 25)	1,451,363	2	(42,052)	-
Total nonoperating income	2,987,393	4	228,903	1
PROFIT BEFORE INCOME TAX	39,895,361	52	7,822,222	24
INCOME TAX EXPENSE (Notes 4 and 26)	6,055,209	8	1,141,208	3
NET PROFIT FOR THE YEAR	33,840,152	44	6,681,014	21

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YAGEO CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 4)	$ 29,415	-	$ (54,555)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 24)	(598,587)	(1)	-	-
Share of the other comprehensive income of associates accounted for using the equity method (Note 4)	282	-	(1,532)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	(2,817)	-	9,396	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 24)	(266,131)	-	(682,466)	(2)
Unrealized gain on available-for-sale financial assets (Notes 4 and 24)	-	-	2,101,738	6
Share of the other comprehensive income of associates accounted for using the equity method (Notes 4 and 24)	(8,200)	-	(72,379)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	114,209	-	116,220	-
Other comprehensive income for the year, net of income tax	(731,829)	(1)	1,416,422	4
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 33,108,323	43	$ 8,097,436	25
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 33,839,293	44	$ 6,847,300	21
Business combinations under common control with successor	-	-	(191,474)	-
Noncontrolling interests	859	-	25,188	-
	$ 33,840,152	44	$ 6,681,014	21

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YAGEO CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 33,113,026	43	$ 8,569,219	27
Business combinations under common control with successor	-	-	(489,154)	(2)
Noncontrolling interests	(4,703)	-	17,371	-
	$ 33,108,323	43	$ 8,097,436	25
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 27)				
Basic	$ 80.30		$ 13.05	
Diluted	$ 78.09		$ 12.77	

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

(With Deloitte & Touche audit report dated March 14, 2019) (Concluded)

YAGEO CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company															
	Share Capital (Note 24)				Retained Earnings				Other Equity							
	Common Shares	Capital Collected in Advance	Total	Capital Surplus (Notes 4, 24 and 28)	Legal Reserve (Note 24)	Special Reserve (Note 24)	Unappropriated Earnings (Note 24)	Total	Exchange Differences on Translating Foreign Operations (Notes 4 and 24)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 4 and 24)	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 24)	Treasury Stock (Note 24)	Total	Business Combinations under Common Control with Successor (Notes 4 and 24)	Non-controlling Interests (Notes 4, 24 and 30)	Total Equity
BALANCE, JANUARY 1, 2017	$ 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	$ -	$ 113,593	$ 24,801,295
Retrospective restatement of business combinations under common control with successor	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,808,243)	-	(1,808,243)
BALANCE, 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																
Cash dividends distributed by the Company	-	-	-	-	-	-	(1,283,218)	(1,283,218)	-	-	-	-	(1,283,218)	-	-	(1,283,218)
Special reserve	-	-	-	-	-	1,286,097	(1,286,097)	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	395,412	-	(395,412)	-	-	-	-	-	-	-	-	-
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
Retrospective restatement	-	-	-	-	-	-	5,440	5,440	-	(1,911,923)	1,906,483	-	-	-	-	-
BALANCE, JANUARY 1, 2018 AFTER RESTATED	3,504,010	1,628	3,505,638	3,101,438	2,550,866	1,723,692	20,101,557	24,376,115	(1,664,627)	-	1,906,483	-	31,225,047	-	108,360	31,333,407
Appropriation of the 2017 earnings																
Legal reserve	-	-	-	-	684,730	-	(684,730)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(1,286,097)	1,286,097	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(5,036,144)	(5,036,144)	-	-	-	-	(5,036,144)	-	-	(5,036,144)
Share dividends distributed by the Company	701,413	-	701,413	-	-	-	(701,413)	(701,413)	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	2,389,116	-	-	-	-	-	-	-	-	2,389,116	-	-	2,389,116
Issue of share dividends from capital surplus	-	-	-	(226,586)	-	-	-	-	-	-	-	-	(226,586)	-	-	(226,586)
Actual acquisitions of interests in subsidiaries	-	-	-	-	-	-	(25,874)	(25,874)	-	-	-	-	(25,874)	-	(543,571)	(569,445)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	(25,765)	(25,765)	-	-	-	-	(25,765)	-	-	(25,765)
Recognition of employee share options by the Company	64,971	(1,175)	63,796	279,631	-	-	-	-	-	-	-	-	343,427	-	-	343,427
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	33,839,293	33,839,293	-	-	-	-	33,839,293	-	859	33,840,152
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	26,880	26,880	(156,000)	-	(597,147)	-	(726,267)	-	(5,562)	(731,829)
Buyback of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(2,421,552)	(2,421,552)	-	-	(2,421,552)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	698,773	698,773	-	-	(698,773)	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	543,571	543,571
BALANCE, DECEMBER 31, 2018	$ 4,270,394	$ 453	$ 4,270,847	$ 5,543,599	$ 3,235,596	$ 437,595	$ 49,478,674	$ 53,151,865	$ (1,820,627)	$ -	$ 610,563	$ (2,421,552)	$ 59,334,695	$ -	$ 103,657	$ 59,438,352

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

(With Deloitte & Touche audit report dated March 14, 2019)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 39,895,361	$ 7,822,222
Adjustments for:		
Expected credit loss recognized on trade receivables	1,504,052	-
Impairment loss recognized on trade receivables	-	23,916
Depreciation expenses	7,500,217	1,782,331
Amortization expenses	76,677	55,701
Amortization of prepayments for lease	2,444	2,386
Amortization of prepayments	6,745	4,811
Net (gain) loss on fair value change of financial assets and liabilities held for trading	(314,326)	259,428
Finance costs	547,020	299,494
Interest income	(1,091,535)	(507,890)
Dividend income	(148,998)	(79,907)
Compensation cost of employee share options	-	11,490
Share of profit of associates	(635,527)	(299,831)
Net loss on disposal of property, plant and equipment, net	22,279	7,017
Net gain on disposal of available-for-sale financial assets	-	(202,028)
Write-downs of inventories	77,515	47,477
(Gain) loss on unrealized foreign currency exchange	93,207	(29,629)
Changes in operating assets and liabilities:		
Financial assets held for trading	-	(224,298)
Financial assets mandatorily classified at fair value through profit or loss	59,368	-
Notes receivable	735,928	(553,318)
Accounts receivable	(6,544,318)	(2,115,484)
Other receivables	11,979	978,918
Inventories	(3,353,349)	(101,305)
Prepayments	(344,788)	(54,846)
Other current assets	32,391	99,924
Notes payable	150,387	(4,620)
Accounts payable	310,976	1,298,545
Other payables	4,587,537	48,189
Other current liabilities	154,559	(58,382)
Accrued pension liabilities	(100,570)	-
Cash generated from operations	43,235,231	8,510,311
Interest received	1,077,893	473,807
Dividend received	148,998	79,907
Interest paid	(518,382)	(291,537)
Income tax paid	(2,160,957)	(745,177)
Net cash generated from operating activities	41,782,783	8,027,311

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of held for trading financial assets	$ -	$ (2,019,471)
Proceeds from sale of financial assets at fair value through other comprehensive income	1,429,614	-
Purchase of financial assets at amortized cost	(210,977)	-
Proceeds from sale of financial assets at amortized cost	3,556,572	-
Purchase of financial assets at fair value through profit or loss	(149,648)	-
Proceeds from sale of financial assets at fair value through profit or loss	482,128	1,873,213
Purchase of available-for-sale financial assets	-	(51,941)
Proceeds from sale of available-for-sale financial assets	-	322,719
Proceeds from capital reduction of available-for-sale financial assets	-	14,579
Purchase of debt investments with no active market	-	(3,299,561)
Purchase of held-to-maturity financial assets	-	(7,243,278)
Proceeds from capital reduction of financial assets at fair value through profit or loss	10,497	-
Acquisition of associates	-	(607,223)
Acquisition of subsidiaries	(23,920,521)	-
Net cash inflow on disposal of subsidiaries	-	4,235,378
Proceeds from capital reduction of associates	45,261	22,261
Payments for property, plant and equipment	(9,074,910)	(4,949,752)
Proceeds from disposal of property, plant and equipment	92,506	16,851
Increase in refundable deposits	(21,737)	-
Decrease in refundable deposits	-	6,247
Payments for intangible assets	(10,012)	(12,250)
Increase in other noncurrent assets	-	(1,280)
Dividends received from associates	246,719	245,675
Net cash used in investing activities	(27,524,508)	(11,447,833)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of short-term borrowings	5,612,797	4,907,924
Repayments of short-term bills payable	(600,285)	-
Repayments of bond payables	(287,599)	-
Proceeds of long-term borrowings	3,500,000	4,100,000
Repayments of long-term borrowings	-	(2,200,000)
Proceeds of guarantee deposits received	81,352	39,409
Dividends paid to the owners of the Company	(5,262,730)	(1,500,626)
Capital reduction	-	(1,509,669)
Proceeds from employee share options	343,427	80,927
Payments for buyback of treasury shares	(2,421,552)	(1,617,537)
Dividends paid to noncontrolling interests	(569,445)	(49,457)
Net cash generated from financing activities	395,965	2,250,971

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018	2017
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ (26,385)	$ (689,105)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,627,855	(1,858,656)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,760,889	7,619,545
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 20,388,744	$ 5,760,889

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

(With Deloitte & Touche audit report dated March 14, 2019) (Concluded)

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 equity interest in Ferroxcube International Holding B.V. ("Ferroxcube") in a cash settlement amounting to €133,188 thousand. In addition, in 2018, the Company acquired 100% of the equity interests of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement amounting to NT$3,328,253 thousand and US$721,461 thousand, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 14, 2019.

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

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

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

   1) Annual Improvements to IFRSs 2014-2016 Cycle

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

      The amendment to IFRS 12 clarifies that when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5. The Group applied the aforementioned amendment retrospectively.

2) IFRS 9 “Financial Instruments” and related amendments

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

Classification, measurement and impairment of financial assets

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

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

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 5,760,889	$ 5,760,889	
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	1,359	1,359	
Equity securities	Held-for-trading	Mandatorily at FVTPL	210,000	210,000	
	Available-for-sale	Mandatorily at FVTPL	143,695	143,695	(a)
	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	4,203,630	4,203,630	(a)
Debt securities	Held-to-maturity	Amortized cost	7,133,802	7,133,802	(b)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	11,575,280	11,575,280	(c)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	12,171,846	12,171,846	(d)
Refundable deposits	Loans and receivables	Amortized cost	82,635	82,635	

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 211,359					
Add: Reclassification from available-for-sale (IAS 39) Required reclassification	-	$ 143,695				(a)
	211,359	143,695	$ 355,054			
FVTOCI						
Equity instruments	-					
Add: Reclassification from available-for-sale (IAS 39)	-	4,203,630		$ 5,440	$ (5,440)	(a)
	-	4,203,630	4,203,630	5,440	(5,440)	
Amortized cost						
Add: Reclassification from held-to-maturity (IAS 39)		7,133,802				(b)
Add: Reclassification from loans and receivables (IAS 39)	-	29,590,650				(c), (d)
	-	36,724,452	36,724,452	-	-	
	$ 211,359	$ 41,071,777	$ 41,284,136	$ 5,440	$ (5,440)	

a) The Group elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and FVTOCI under IFRS 9. As a result, the subsidiary reclassified the related other equity - unrealized gain on available-for-sale financial assets to retained earnings in the amount of $5,440 thousand.

b) Debt investments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

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

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

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

The Group assessed that the application of IFRS 15 to contracts that were not complete as of January 1, 2018 would not affect the recognition, measurement and presentation of revenue.

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

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

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

Prior to the amendment, in assessing a deferred tax asset, the Group assumed that it will recover the asset at its carrying amount when estimating probable future taxable profit. The Group applied the above amendments retrospectively in 2018.

5) 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 applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2019

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

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

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

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and a number of related interpretations.

Definition of a lease

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

The Group as lessee

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

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

The Group expects to apply the following practical expedients:

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

b) The Group will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.

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

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

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

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

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

Anticipated impact on assets and liabilities

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Right-of-use assets	$ -	$ 28,588	$ 28,588
Total effect on assets	$ -	$ 28,588	$ 28,588
Lease liabilities - current	$ -	$ 28,588	$ 28,588
Total effect on liabilities	$ -	$ 28,588	$ 28,588

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

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

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

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

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

4) 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 the 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 explain 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.

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

5) 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, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING 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; and

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

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

d. Basis of consolidation

- 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 15, Table 7 and 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

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

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

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to 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.

g. 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.

h. 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' consolidated financial statements only to the extent that interests in the associate is not related to the Group.

i. 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.

j. Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the 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.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization 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) Intangible assets acquired in a business combination

   Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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.

m. Financial instruments

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

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

1) Financial assets

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

   a) Measurement categories

      <u>2018</u>

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 33.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

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

i. Financial assets at FVTPL

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

   Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 33.

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 FVTPL.

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

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

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

iv. Loans and receivables

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

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

b) Impairment of financial assets and contract assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

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

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

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

2017

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

Financial assets at amortized cost, such as trade receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience with collecting payments, an increase in the number of delayed payments in the portfolio 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 at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

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

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

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.

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

2) Equity instruments

Debt and equity instruments issued by a group 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 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 measured at amortized cost using the effective interest method:

<u>Financial liabilities at FVTPL</u>

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liability. Fair value is determined in the manner described in Note 33.

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 a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which 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.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

n. Revenue recognition

<u>2018</u>

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

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

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Revenue from the sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the 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 with reference to the principal outstanding and at the applicable effective interest rate.

o. 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.

p. 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.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as 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.

r. 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.

s. 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 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 financial assets - 2018

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Notes 9 and 13. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

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

c. Write-down of 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.

d. 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.

e. 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

	December 31	
	2018	**2017**
Cash on hand	$ 2,743	$ 1,573
Demand deposits	15,223,019	5,471,062
Cash equivalents (with original maturities of less than 3 months)		
Short-term bills	127,835	-
Time deposits	5,035,147	288,254
	$ 20,388,744	$ 5,760,889

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

	December 31	
	2018	**2017**
Short-term bills	0.5%	-
Demand deposits	0.01%-4.7%	0.01%-5.2%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	**2017**
Financial assets at FVTPL - current		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ 1,359
Non-derivative financial assets		
Domestic quoted shares		
Walsin Technology Co., Ltd	-	210,000
	-	211,359
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	20,398	-
Non-derivative financial assets		
Domestic quoted shares		
Walsin Technology Co., Ltd	60,060	-
	80,458	-
	$ 80,458	$ 211,359

(Continued)

	December 31	
	2018	2017
Financial assets at FVTPL - non-current		
Non-derivative financial assets		
Overseas unlisted shares		
Xmholder Technology Co., Ltd.	$ 43,092	$ -
Domestic unlisted shares		
Hsin Bung International Co., Ltd.	33,622	-
Jihsun Securities Investment Trust Co., Ltd.	12,000	-
Linko International Golf & Country Club	482	-
	$ 89,196	$ -
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ 82,995
Financial assets mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	27,674	-
	$ 27,674	$ 82,995

(Concluded)

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)
December 31, 2018			
Buy	USD/NTD	2019.01.04-2019.01.28	USD 581,500/NTD 17,903,315
Buy	EUR/USD	2019.01.07	EUR 6,000/USD 6,831
Sell	EUR/CZK	2019.01.31-2019.04.30	EUR 1,750/CZK 46,486
December 31, 2017			
Buy	USD/NTD	2018.01.02-2018.01.31	USD 303,500/NTD 9,105,480
Buy	EUR/USD	2018.01.05	EUR 6,000/USD 7,133
Buy	USD/RMB	2018.09.10-2018.09.17	USD 30,000/RMB 200,514
Buy	USD/RMB	2018.01.03	USD 3,050/RMB 19,944
Sell	USD/RMB	2018.01.22	USD 6,000/RMB 39,813
Sell	EUR/USD	2018.01.07-2018.02.22	EUR 9,770/USD 11,931

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

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

	December 31, 2018
Non-current	
Investments in equity instruments at FVTOCI	$ 2,226,976

Investments in equity instruments at FVTOCI

	December 31, 2018
Non-current	
Domestic investments	
Listed shares and emerging market shares	
TA-I Technology Co., Ltd.	$ 1,327,605
Foreign investments	
Overseas listed shares	
SHS KOA Corp.	899,371
	$ 2,226,976

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2018
Current	
Domestic investments	
Time deposits with original maturity of more than 3 months (a)	$ 8,568,937
Non-current	
Foreign investments	
Corporate bonds (b)	$ 6,946,640

a. The interest rates for time deposits with original maturity of more than 3 months were from 3.10% to 5.40% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 12 for information relating to their reclassification and comparative information for 2017.

b. From August to October 2017 and August to November 2018, the Group bought corporate bonds at face value of $230,100 and $6,695 in thousand U.S. dollars with the coupon rates of 2.95% to 5.50% and 4.10%-4.88%, and the effective interest rates of 2.53% to 4.35% and 3.84%-3.95%, respectively. The bonds were classified as held-to-maturity financial assets under IAS 39. Refer to Note 3 and Note 11 for information relating to their reclassification and comparative information for 2017.

In October 2018, part of the bonds were sold to manage credit concentration risk; the bonds were sold at fair value of $550,229.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017
Non-current	
Domestic investments	
Listed shares and emerging market shares	
TA-I Technology Co., Ltd.	$ 1,049,349
Honey Hope Honesty Enterprise Co., Ltd.	42,800
Unlisted shares	
Xmholder Technology Co., Ltd.	44,122
Hsin Bung International Co., Ltd.	33,622
Jihsun Securities Investment Trust Co., Ltd.	12,000
Parawin Venture Capital Corp.	10,669
Linko International Golf & Country Club	482
	1,193,044
Foreign investments	
Overseas listed shares	
SHS KOA Corp.	3,154,281
	$ 4,347,325

11. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2017
Non-current	
Foreign investments	
Corporate bonds	$ 7,133,802

The Group’s investments in bonds were as follows:

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

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2017
Current	
Time deposits with original maturities of more than 3 months	$ 11,575,280

The market interest rates of the time deposits with original maturities more than 3 months were 1.95%-5.05% per annum at December 31, 2017.

13. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2018	2017
Notes receivable		
At amortized cost		
Gross carrying amount	$ 553,176	$ 1,196,757
Notes receivable - operating	$ 553,176	$ 1,196,757
Trade receivables		
At amortized cost		
Gross carrying amount	$ 20,767,427	$ 10,237,622
Less: Allowance for impairment loss	(1,614,602)	(50,142)
	$ 19,152,825	$ 10,187,480
Trade receivables - related party (Note 34)	$ 99,126	$ 358,957

Trade Receivables

For the year ended December 31, 2018

The average credit period of sales of goods was 30-90 days. No interest was charged on trade receivables. The Group adopted a policy of dealing with major customers that the Group could use other publicly available financial information or its own trading records to rate and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. 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, the 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 allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The aging of receivables was as follows:

	December 31, 2018
Current term	$ 15,054,779
Past due	
1-60 days	4,479,367
61-90 days	476,379
91-181 days	750,791
More than 181 days	105,237
	$ 20,866,553

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

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

	For the Year Ended December 31, 2018
Balance at January 1, 2018 (IAS 39 and IFRS 9)	$ 50,142
Acquisitions through business combinations	30,988
Add: Net remeasurement of loss allowance	1,504,052
Less: Amounts written off	(468)
Foreign exchange gains and losses	29,888
Balance at December 31, 2018	$ 1,614,602

For the year ended December 31, 2017

The Group applied the same credit policy in 2018 and 2017. 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
Current term	$ 9,845,405
Past due	
1-60 days	694,297
61-90 days	5,997
91-181 days	8,329
More than 181 days	42,551
	$ 10,596,579

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
Less than 60 days	$ 694,297

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, 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	-	(2,401)	(2,401)
Balance at December 31, 2017	$ 24,287	$ 25,855	$ 50,142

14. INVENTORIES

	December 31	
	2018	2017
Finished goods and merchandise	$ 4,016,387	$ 2,251,635
Work in progress	1,954,122	700,312
Raw materials	4,205,334	1,743,034
Supplies	285,790	137,114
Inventory in transit	11,444	39,906
	$ 10,473,077	$ 4,872,001

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $28,310,343 thousand and $21,760,490 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 included inventory write-downs of $77,515 thousand and $47,477 thousand, respectively.

15. SUBSIDIARIES

Entities included in the consolidated financial statements:

			Proportion of Ownership (%) December 31		
Investor	Investee	Nature of Activities	2018	2017	Remark
Yageo Corporation	Yageo Holding (Bermuda) Ltd.	Investment	100.00	100.00	
	Ko-Shin Investment Ltd.	Investment	100.00	100.00	
	Ferroxcube (Samoa) Holding Ltd.	Investment	100.00	100.00	
	Brightking Holdings Limited	Holding company	100.00	-	c.
	Yageo Corporation (South Asia) Pte. Ltd.	Electronic component selling	100.00	100.00	
	Yageo Europe Holding B.V.	Holding company	100.00	100.00	
	Yageo America Corporation	Electronic component selling	100.00	100.00	
	Yageo South Asia (M) Sdn. Bhd.	Electronic component selling	100.00	100.00	
	Yageo Holding (Cayman) Limited	Holding company	100.00	-	b.
	Pulse Electronics Corporation	Holding company	100.00	-	d.
Yageo Holding (Bermuda) Ltd.	Yageo (Hong Kong) Limited	Investment	100.00	100.00	
	Yageo USA (H.K.) Limited	Passive component selling	100.00	100.00	
	Ko-E Holding (Cayman)	Holding company	83.83	83.83	
	Vitrohm Holding GmbH	Investment	100.00	100.00	
	Yageo Korea	Resistor selling	100.00	100.00	
	Yageo Japan	Resistor selling	100.00	100.00	
	Hsu Tai International (H.K.) Ltd.	Investment	100.00	100.00	
Brightking Holdings Limited	Brightking Enterprise (H.K.) Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	-	c.
Pulse Electronics Corporation	Egston Holding GmbH	Investment	100.00	-	d.
Yageo (Hong Kong) Limited	Yageo Electronics (China) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	
	Yageo Electronics (Dongguan) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	
	Yageo (Suzhou) Trade Co., Ltd.	Passive component selling	100.00	100.00	
	Yageo Components (Suzhou) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	
	Compostar Technology (Dongguan) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	
Ko-E Holding (Cayman)	Ko-E (H.K.) Limited	Electronic component selling	100.00	100.00	
	Ko-E Corp.	Electronic component selling	100.00	100.00	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2018	Proportion of Ownership (%) December 31 2017	Remark
Brightking Enterprise (H.K.) Co., Ltd.	Bestbright Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	-	c.
	Brightking Electronics Inc.	Selling overvoltage and overcurrent protection electronic components	100.00	-	c.
	Brightking Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	-	c.
	Bestbright Electronics Co., Ltd. (Taiwan)	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	-	c.
	Huizhou Lien Shun Electronics Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	23.87	-	c.
Ko-E (H.K.) Limited	Ko-E Technology (Shenzhen) Co., Ltd.	Electronic component selling	100.00	100.00	
Bestbright Electronics Co., Ltd.	Brightking (Shenzhen) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	100.00	-	c.
	Ceramate Technical (Suzhou) Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	100.00	-	c.
	Zhejiang Bestbright Electronics Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	100.00	-	c.
Brightking (Shenzhen) Co., Ltd.	Brightking (Shanghai) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	100.00	-	c.
	Brightking (Beijing) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	100.00	-	c.
	Huizhou Lien Shun Electronics Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	71.63	-	c.

(Concluded)

Remarks:

a. 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.

b. Established in May 2018.

c. The Company acquired 100% of interests of Brightking Holdings Limited in a cash settlement amounting to NT$3,328,253 thousand in 2018.

d. The Company acquired 100% of interests of Pulse Electronics Corporation in a cash settlement amounting to US$721,461 thousand in 2018.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2018	**2017**
Material associates		
Chilisin Electronics Corp.	$ 5,158,426	$ 2,585,773
Teapo Electronics Corporation	615,983	363,523
Global Testing Corporation Limited (GTCL)	276,882	353,500
	6,051,291	3,302,796
Associates that are not individually material		
Strong Components Co., Ltd.	88,161	86,172
Belkin International Enterprises Ltd. (Samoa)	35,061	59,170
Guo Chuang Electronics (Dongguan) Co., Ltd.	31,429	31,986
	154,651	177,328
	$ 6,205,942	$ 3,480,124

Material Associates

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	**2018**	**2017**
Chilisin Electronics Corp.	12.47%	18.65%
Teapo Electronic Corp.	14.86%	14.86%
GTCL	28.61%	28.48%

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.

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

	December 31	
Name of Associate	**2018**	**2017**
Chilisin Electronics Corp.	$ 2,379,300	$ 4,197,277
Teapo Electronic Corp.	545,328	595,645
GTCL	135,845	224,322
	$ 3,060,473	$ 5,017,244

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%.

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, 2018 and 2017 had been audited by other auditors.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Other Equipment	Construction in Progress and Unaccepted equipment	Total
Cost						
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	$ 714,067	$ 12,060,388	$ 27,313,086	$ 1,971,720	$ 2,597,969	$ 44,657,230
Accumulated depreciation and impairment						
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	1,741	(1,046)	(61,335)	(49,841)	-	(110,481)
Balance at December 31, 2017	$ 203,808	$ 5,880,180	$ 20,676,375	$ 1,621,990	$ -	$ 28,382,353
Carrying amounts at December 31, 2017	$ 510,259	$ 6,180,208	$ 6,636,711	$ 349,730	$ 2,597,969	$ 16,274,877
Cost						
Balance at January 1, 2018	$ 714,067	$ 12,060,388	$ 27,313,086	$ 1,971,720	$ 2,597,969	$ 44,657,230
Additions	-	664	69,556	29,602	8,798,103	8,897,925
Disposals	-	(182,179)	(944,410)	(58,365)	-	(1,184,954)
Effect of foreign currency exchange differences	(1,081)	(188,276)	(374,376)	(50,773)	(40,215)	(654,721)
Reclassifications	-	1,437,710	7,165,433	257,274	(8,904,220)	(43,803)
Acquisitions through business combinations (Note 29)	17,962	409,195	3,696,182	849,664	212,378	5,185,381
Balance at December 31, 2018	$ 730,948	$ 13,537,502	$ 36,925,471	$ 2,999,122	$ 2,664,015	$ 56,857,058
Accumulated depreciation and impairment						
Balance at January 1, 2018	$ 203,808	$ 5,880,180	$ 20,676,375	$ 1,621,990	$ -	$ 28,382,353
Disposals	-	(180,063)	(843,965)	(46,141)	-	(1,070,169)
Depreciation expense	-	533,774	6,846,137	120,306	-	7,500,217
Effect of foreign currency exchange differences	-	(70,756)	(273,092)	(43,522)	-	(387,370)
Acquisitions through business combinations (Note 29)	-	222,322	2,528,571	568,745	-	3,319,638
Balance at December 31, 2018	$ 203,808	$ 6,385,457	$ 28,934,026	$ 2,221,378	$ -	$ 37,744,669
Carrying amounts at December 31, 2018	$ 527,140	$ 7,152,045	$ 7,991,445	$ 777,744	$ 2,664,015	$ 19,112,389

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	1-20 years
Machinery equipment	1-20 years
Other equipment	1-20 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 35.

18. GOODWILL

	For the Year Ended December 31	
	2018	2017
Cost		
Balance at January 1	$ 2,074,005	$ 1,989,296
Acquisitions through business combinations (Note 29)	17,826,168	-
Effect of foreign currency exchange differences	565,853	84,709
Balance at December 31	$ 20,466,026	$ 2,074,005

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, 2018 and 2017: 14.82% and 8.15%, 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, 2018 and 2017, there was no indication of impairment loss based on the principal assumptions.

19. OTHER INTANGIBLE ASSETS

	Computer Software	Expertise	Client Relations	Trade Mark	Total
Cost					
Balance at January 1, 2017	$ 192,221	$ -	$ -	$ -	$ 192,221
Additions	12,250	-	-	-	12,250
Disposals	(13,871)	-	-	-	(13,871)
Reclassifications	38,171	-	-	-	38,171
Effect of foreign currency exchange differences	(435)	-	-	-	(435)
Balance at December 31, 2017	$ 228,336	$ -	$ -	$ -	$ 228,336
Accumulated amortization and impairment					
Balance at January 1, 2017	$ 100,856	$ -	$ -	$ -	$ 100,856
Amortization expenses	55,701	-	-	-	55,701
Disposals	(13,871)	-	-	-	(13,871)
Effect of foreign currency exchange differences	(432)	-	-	-	(432)
Balance at December 31, 2017	$ 142,254	$ -	$ -	$ -	$ 142,254
Carrying amounts at December 31, 2017	$ 86,082	$ -	$ -	$ -	$ 86,082

(Continued)

	Computer Software	Expertise	Client Relations	Trade Mark	Total
Cost					
Balance at January 1, 2018	$ 228,336	$ -	$ -	$ -	$ 228,336
Additions	10,012	-	-	-	10,012
Reclassifications	32,146	-	-	-	32,146
Acquisitions through business combinations (Note 29)	25,397	267,000	337,000	3,357,150	3,986,547
Effect of foreign currency exchange differences	(23)	-	-	-	(23)
Balance at December 31, 2018	$ 295,868	$ 267,000	$ 337,000	$3,357,150	$4,257,018
Accumulated amortization and impairment					
Balance at January 1, 2018	$ 142,254	$ -	$ -	$ -	$ 142,254
Amortization expenses	47,331	11,609	17,737	-	76,677
Acquisitions through business combinations (Note 29)	5,419	-	-	-	5,419
Effect of foreign currency exchange differences	574	-	-	-	574
Balance at December 31, 2018	$ 195,578	$ 11,609	$ 17,737	$ -	$ 224,924
Carrying amounts at December 31, 2018	$ 100,290	$ 255,391	$ 319,263	$3,357,150	$4,032,094

(Concluded)

The trademark acquired through business combinations for the year was NT$3,357,150 thousand. Various studies including industrial characteristics, product life cycle studies and enterprise characteristics have been performed by management of the Group, which supported their opinion that there is no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows. Therefore, the trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

20. PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Current asset (included in prepayment)	$ 2,376	$ 2,433
Non-current asset	110,730	73,061
	$113,106	$ 75,494

As of December 31, 2018 and 2017, lease prepayments included rights to use the land in Mainland China with carrying amounts of $113,106 thousand and $75,494 thousand, respectively.

21. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Line of credit borrowings	$ 23,667,981	$ 17,624,878

The effective interest rates for bank loans had ranges of 0.70%-4.20% and 0.84%-4.20% per annum as of December 31, 2018 and 2017, respectively.

b. Short-term bills payable

	For the Year Ended December 31	
	2018	2017
Commercial paper	$ 500,000	$ 1,100,000
Less: Unamortized discount on bills payable	513	228
	$ 499,487	$ 1,099,772

Outstanding short-term bills payable as follows:

December 31, 2018

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value	Interest Rate	Collateral	Carrying Value of Collateral
Commercial paper						
Mega Bills	$ 500,000	$ 513	$ 499,487	0.968%	-	$ -

December 31, 2017

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

c. Long-term borrowings

	December 31	
	2018	2017
Secured borrowings		
Bank loans	$ 7,500,000	$ 5,500,000
Unsecured borrowings		
Line of credit borrowings	$ 1,500,000	$ -
	$ 9,000,000	$ 5,500,000

The effective interest rate of long-term bank loans was 0.9800%-1.7970% and 1.7970% per annum as of December 31, 2018 and 2017, respectively.

The Company signed a $1,500,000 thousand medium agreement with MUFG Bank, Ltd. on March 23, 2018. The terms of the loans are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 1,500,000	Three years after the date of first borrowing	Fixed rate 0.98% for the first year, and 0.99% for the second and third year	Three years after the date of first borrowing

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:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 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.

22. OTHER LIABILITIES

	December 31	
	2018	2017
Current		
Other payables		
Payables for compensation of employees and remuneration of directors and supervisors	$ 2,527,914	$ 562,005
Payables for salaries or bonuses	1,372,575	1,313,637
Payables for purchases of equipment	1,140,176	1,317,161
Payables for annual leave	43,251	39,775
Payables for dividends	7,686	-
Others	5,973,639	1,641,802
	11,065,241	4,874,380
Other payables - related party (Note 34)	2	2
	$ 11,065,243	$ 4,874,382

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, Brightking Electronics Co., Ltd., Bestbright Electronics Co., Ltd. (Taiwan) 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., Ko-E Technology (Shenzhen), Bestbright Electronics Co., Ltd., Brightking Electronics Inc., Huizhou Lien Shun Electronics Co., Ltd., Brightking (Shenzhen) Co., Ltd., Ceramate Technical (Suzhou) Co., Ltd., Zhejiang Bestbright Electronics Co., Ltd., Brightking (Shanghai) Co., Ltd., Brightking (Beijing) Co., Ltd., Pulse Electronics (Dongguan) CO., Ltd., Mian Yang Pulse Electronics Co., Ltd., Suining Pulse Electronics Co., Ltd., Pulse (Suzhou) Wireless Products Co., Ltd., Pulse Electronics (ShenZhen) CO., Ltd., Shengsheng Technology (Suzhou) Co., Ltd. and Egston Electronics Zhuhai Ltd. 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), Yageo Hong Kong, Yageo Holding (Cayman) Limited and Brightking Holdings Limited 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, Yageo Korea, Pulse Electronics Corporation and Egston Holding GmbH (AT) have defined benefit plans. As of December 31, 2018 and 2017, the pension liabilities amounted to $357,934 thousand and $139,336 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	
	2018	2017
Present value of defined benefit obligation	$ 346,860	$ 379,066
Fair value of plan assets	(233,376)	(171,924)
Net defined benefit liability	$ 113,484	$ 207,142

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, 2017	$ 332,759	$ (176,395)	$ 156,364
Service cost			
Current service cost	3,215	-	3,215
Net interest expense (income)	4,575	(2,483)	2,092
Recognized in profit or loss	7,790	(2,483)	5,307
Remeasurement			
Actuarial loss - changes in demographic assumptions	829	-	829
Actuarial loss - changes in financial assumptions	4,146	-	4,146
Actuarial gain - experience adjustments	48,309	784	49,093
Recognized in other comprehensive income	53,284	784	54,068
Contributions from the employer	-	(8,597)	(8,597)
Benefits paid	(14,767)	14,767	-
Balance at December 31, 2017	379,066	(171,924)	207,142
Service cost			
Current service cost	3,440	-	3,440
Net interest expense (income)	4,738	(2,545)	2,193
Recognized in profit or loss	8,178	(2,545)	5,633
Remeasurement			
Actuarial loss - changes in demographic assumptions	741	-	741
Actuarial loss - changes in financial assumptions	3,707	-	3,707
Actuarial gain - experience adjustments	(29,780)	(4,746)	(34,526)
Recognized in other comprehensive income	(25,332)	(4,746)	(30,078)
Contributions from the employer	-	(69,213)	(69,213)
Benefits paid	(15,052)	15,052	-
Balance at December 31, 2018	$ 346,860	$ (233,376)	$ 113,484

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

	For the Year Ended December 31	
	2018	**2017**
Operating costs	$ 4,429	$ 4,056
Selling and marketing expenses	280	275
General and administrative expenses	627	711
Research and development expenses	297	265
	$ 5,633	$ 5,307

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	
	2018	**2017**
Discount rates	1.125%	1.250%
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	
	2018	**2017**
Discount rates		
0.25% increase	$ (7,541)	$ (8,430)
0.25% decrease	$ 7,804	$ 8,728
Expected rates of salary increase		
0.25% increase	$ 7,542	$ 8,441
0.25% decrease	$ (7,325)	$ (8,194)

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	
	2018	2017
Expected contributions to the plans for the next year	$ 8,750	$ 8,597
Average duration of the defined benefit obligation	12 years	12 years

24. EQUITY

a. Share capital

1) Common shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	4,000,000	4,000,000
Shares authorized	$ 40,000,000	$ 40,000,000
Number of shares issued and fully paid (in thousands)	427,039	350,401
Shares issued	$ 4,270,394	$ 3,504,010

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 issue share dividends and the exercise of employee share options.

2) Global depositary receipts

The Company’s global depositary receipts (GDRs) as of December 31, 2018 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	68,873	344,363
Reissued within authorized units	66,911	334,557
GDRs transferred to common shares	(175,753)	(878,761)
Outstanding GDRs issued	12	62

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

	December 31	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)		
Issuance of ordinary shares	$ 2,018,115	$ 2,244,701
May be used to offset a deficit only		
Transferring from employee share options to issuance of common shares due to exercise	700,409	408,077
May not be used for any purpose		
Share of changes in capital surplus of associates or subsidiaries (2)	2,804,929	415,813
Employee share options	20,146	32,847
	$ 5,543,599	$ 3,101,438

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

Under the Company's Articles of Incorporation, when the Company has earnings for the year, remuneration of directors at 3% or less and employees' bonus of at least 2% of the remaining earnings should be appropriated. If the Company has accumulated deficit, the Company should retain earnings to offset deficit in advance. When the Company has earnings for the year, the Company should first make tax payments, offset any past years' deficit, then distribute the remaining profit in the following order:

1) Legal reserve is appropriated at 10% of the remaining profit. There's no restrict if the legal reserve equals the Company's paid-in capital.

2) Special reserve is appropriated or reversed in accordance with the laws and regulations.

3) Appropriations for dividends and bonuses, of at least 10% of the remaining profit after appropriations for legal reserve and special reserve, may be proposed by the Company's board of directors and 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 25.

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 2017 and 2016 approved in the shareholders' meetings on June 5, 2018 and June 7, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 684,730	$ 395,412	$ -	$ -
Special reserve	(1,286,097)	1,286,097	-	-
Cash dividends	5,036,144	1,283,219	14.36	2.55
Share dividends	701,413	-	2.00	-

The Company's shareholders on June 5, 2018, resolved to issue cash dividends at NT$0.64 per share from capital surplus of $226,586 thousand. The 2017 dividends paid aggregated to NT$17 per share, consisting cash dividends of NT$0.64 and NT$14.36 and share dividends of NT$2.

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on March 14, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 3,383,929	$ -
Special reserve	1,210,063	-
Cash dividends	18,790,142	44.30

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 5, 2019.

d. Special reserves

	For the Year Ended December 31	
	2018	2017
Beginning at January 1	$ 1,723,692	$ 437,595
Debit to other equity items	-	1,286,097
Reversal of the debits to other equity items	(1,286,097)	-
Balance at December 31	$ 437,595	$ 1,723,692

e. Other equity items

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

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (1,664,627)	$ (1,097,198)
Effect of change in tax rate	60,167	-
Exchange differences on translating the financial statements of foreign operations	(208,455)	(312,885)
Share of exchange difference of associates accounted for using the equity method	(7,712)	(59,314)
Business combinations under common control with successor	-	(195,230)
Balance at December 31	$ (1,820,627)	$ (1,664,627)

	Amount Before Tax	Related Income Tax	Amount After Tax
Balance at January 1, 2017	$ (1,321,926)	$ 224,728	$ (1,097,198)
Other comprehensive income recognized for the year	(683,649)	116,220	(567,429)
Balance at December 31, 2017	$ (2,005,575)	$ 340,948	$ (1,664,627)
Balance at January 1, 2018	$ (2,005,575)	$ 340,948	$ (1,664,627)
Effect of change in tax rate	-	60,167	60,167
Other comprehensive income recognized for the year	(270,209)	54,042	(216,167)
Balance at December 31, 2018	$ (2,275,784)	$ 455,157	$ (1,820,627)

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

	For the Year Ended December 31, 2017
Balance at January 1, 2017	$ (188,899)
Unrealized gain on revaluation of available-for-sale financial assets	2,101,738
Share from associates accounted for using the equity method	(916)
Balance at December 31, 2017	1,911,923
Adjustment on initial application of IFRS 9	(5,440)
Balance at January 1, 2018 per IFRS 9	$ 1,906,483

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

	For the Year Ended December 31, 2018
Balance at January 1 per IFRS 9	$ 1,911,923
Adjustment on initial application of IFRS 9	(5,440)
Balance at January 1, 2018 per IFRS 9	1,906,483
Recognized for the year	
Unrealized gain - equity instruments	(598,587)
Share from associates accounted for using the equity method	1,440
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	(698,773)
Balance at December 31	$ 610,563

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
Balance at January 1	$ (62,463)
Exchange differences on translating the financial statements of foreign operations	(297,680)
Business combinations under common control with successor	235,217
Balance at December 31	$ -

g. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 108,360	$ 113,593
Attributable to non-controlling interests:		
Share of profit for the year	859	25,188
Exchange difference on translating the financial statements of foreign entities	(5,562)	(7,817)
Non-controlling interests arising from acquisition of Brightking Holdings Limited	543,571	-
Acquisition of non-controlling interests in Brightking Holdings Limited	(543,571)	-
Cash dividends distributed by subsidiaries	-	(22,604)
Balance at December 31	$ 103,657	$ 108,360

h. Treasury shares

Purpose of Buyback	Shares Canceled (In Thousands of Shares)
Number of shares on January 1, 2017	-
Increase during the year	21,741
Decrease during the year	(21,741)
Number of shares on December 31, 2017	-

Purpose of Buyback	Transfer to Employee (In Thousands of Shares)
Number of shares on January 1, 2018	-
Increase during the year	2,965
Number of shares on December 31, 2018	2,965

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.

To maintain the Company's credibility, shareholders' rights and interests and enhance employee coherence, the Company's board resolved on July 17, 2018, to buy back up to 4,500 thousand common shares with the buyback price ranging from NT$632.80 to NT$1,616.80 between July 19 and September 17, 2018 on the Taiwan Stock Exchange. As of September 17, 2018, the last day of the buyback period, the Company had bought back 2,965 thousand shares at a total amount of $2,421,552 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.

25. NET PROFIT FOR THE YEAR

a. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment	$ (22,279)	$ (7,017)
Net foreign exchange gains (losses)	1,363,987	(524,163)
Dividend income	148,998	79,907
Gain on disposal of available-for-sale financial assets	-	202,028
Other gains	98,592	238,401
Other losses	(137,935)	(31,208)
	$ 1,451,363	$ (42,052)

b. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 535,609	$ 289,154
Interest on short-term bills	6,732	5,274
Other finance costs	4,679	5,066
	$ 547,020	$ 299,494

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 7,500,217	$ 1,782,331
Prepayments	9,189	7,197
Intangible assets (included in operating expenses)	76,677	55,701
	$ 7,586,083	$ 1,845,229
An analysis of depreciation by function		
Operating costs	$ 7,337,191	$ 1,648,192
Operating expenses	163,026	134,139
	$ 7,500,217	$ 1,782,331

(Continued)

	For the Year Ended December 31	
	2018	2017
An analysis of amortization by function		
Operating costs	$ 1,536	$ 776
Selling and marketing expenses	2,480	1,676
General and administrative expenses	74,222	53,849
Research and development expenses	1,849	2,104
Other expenses	5,779	4,493
	$ 85,866	$ 62,898

(Concluded)

d. Employee benefit expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (Note 23)		
Defined contribution plans	$ 267,302	$ 217,658
Defined benefit plans	10,662	9,781
	277,964	227,439
Other employee benefits	8,363,283	5,083,209
Total employee benefit expense	$ 8,641,247	$ 5,310,648
An analysis of employee benefit expense by function		
Operating costs	$ 4,773,687	$ 3,740,562
Operating expenses	3,867,560	1,570,086
	$ 8,641,247	$ 5,310,648

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. The employees’ compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which have been approved by the Company’s board of directors on March 14, 2019 and February 22, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees’ compensation	3%	3%
Remuneration of directors and supervisors	3%	3%

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 1,173,843	$ -	$ 240,164	$ -
Remuneration of directors and supervisors	1,173,843	-	240,164	-

If there is a change in the amounts after the annual 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 financial statements for the year ended December 31, 2017 and 2018.

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 2019 and 2018 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	
	2018	2017
Foreign exchange gains	$ 3,765,966	$ 1,589,113
Foreign exchange losses	(2,401,979)	(2,113,276)
	$ 1,363,987	$ (524,163)

26. INCOME TAXES

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of current year	$ 6,857,850	$ 930,853
Income tax on unappropriated earnings	166,442	94,949
Adjustments for prior years	(209,729)	77,067
	6,814,563	1,102,869
Deferred tax		
In respect of current year	(725,267)	38,339
Effect of tax rate changes	(90,021)	-
Adjustments for prior years	55,934	-
	(759,354)	38,339
Income tax expense recognized in profit or loss	$ 6,055,209	$ 1,141,208

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 39,895,361	$ 7,822,222
Income tax expense calculated at the statutory rate	$ 7,979,072	$ 1,329,778
Unrecognized deductible temporary differences	(4,337,584)	(580,470)
Income tax on unappropriated earnings	166,442	94,949
Effect of tax rate changes	(90,021)	-
Effect of different tax rates of group entities operating in other jurisdictions	2,491,095	219,884
Adjustments for prior years' tax	(153,795)	77,067
Income tax expense recognized in profit or loss	$ 6,055,209	$ 1,141,208

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

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 additional tax at 5% of unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ (63,088)	$ -
In respect of the current year		
Translation of foreign operations	(54,042)	(116,220)
Actuarial (gain) loss on defined benefit plan	5,738	(9,396)
	$ (111,392)	$ (125,616)

c. Current tax liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	$ 6,782,248	$ 1,209,130

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, 2018

	Opening Balance	Effect of change in tax rate	Recognized in Profit or Loss	Recognized in Other Compreh-ensive Income	Exchange Differences	Acquisitions through Business combinations	Closing Balance
Deferred tax assets							
Temporary differences							
Impairment loss on goodwill	$ 118,163	$ 20,852	$ (55,606)	$ -	$ -	$ -	$ 83,409
Impairment loss on property, plant and equipment	192,335	33,941	(6,228)	-	-	-	220,048
Inventory write-downs	54,172	9,560	7,574	-	-	-	71,306
Accrued expenses	60,890	10,745	25,000	-	-	-	96,635
Defined benefit obligation	55,691	5,413	(38,067)	(5,738)	-	-	17,299
Exchange difference on foreign operation	340,947	60,167	-	54,042	-	-	455,156
Others	82,207	12,431	957,882	-	-	200,488	1,253,008
	904,405	153,109	890,555	48,304	-	200,488	2,196,861
Loss carryforwards	18,415	-	(7,972)	-	-	-	10,443
	$ 922,820	$ 153,109	$ 882,583	$ 48,304	$ -	$ 200,488	$2,207,304
Deferred tax liabilities							
Temporary differences							
Others	$ 376	$ -	$ 213,250	$ -	$ -	$ 170,072	$ 383,698

For the year ended December 31, 2017

	Opening Balance	Effect of change in tax rate	Recognized in Profit or Loss	Recognized in Other Compreh-ensive Income	Exchange Differences	Acquisitions through business combinations	Closing Balance
Deferred tax assets							
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
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	45,505	-	26,484	-	10,218	-	82,207
	815,653	-	(44,874)	125,616	8,010	-	904,405
Loss carryforwards	18,076	-	1,734	-	(1,395)	-	18,415
	$ 833,729	$ -	$ (43,140)	$ 125,616	$ 6,615	$ -	$ 922,820
Deferred tax liabilities							
Temporary differences							
Others	$ 5,194	$ -	$ (4,801)	$ -	$ (17)	$ -	$ 376

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	
	2018	**2017**
Loss carryforwards		
Expire in 2019	$ 204,147	$ 208,138
Expire in 2020	11,839	11,839
Expire in 2027	-	530
	$ 215,986	$ 220,507

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

Loss carryforwards as of December 31, 2018 comprised of:

	Unused Amount	**Expiry Year**
Kuo-Shin Investment Ltd.	$ 204,147	2019
	11,839	2020
Vitrohm Holding GmbH	35,461	2020
	$ 251,447	

g. Income tax assessments

The Company’s income tax returns through 2015 had been assessed by the tax authorities.

27. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 80.30	$ 13.05
Diluted earnings per share	$ 78.09	$ 12.77

The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	**After Retrospective Adjustment**
Basic earnings per share	$ 15.64	$ 13.05
Diluted earnings per share	$ 15.23	$ 12.77

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	
	2018	**2017**
Profit for the period attributable to owners of the Company	$ 33,839,293	$ 6,847,300
Business combinations under common control with successor	-	(191,474)
	$ 33,839,293	$ 6,655,826

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

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of common shares in computation of basic earnings per share	421,408	509,835
Effect of potentially dilutive common shares:		
Employee share option	7,825	9,604
Bonus issue to employees	4,105	1,932
Weighted average number of common shares used in the computation of diluted earnings per share	433,338	521,371

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.

28. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan in 2007

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, 2018, 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	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	241	$55.70
Options adjusted	(72)	24.00
Options expired	(169)	79.70
Balance at December 31	-	-
Options exercisable, end of year	-	

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. Employee share option plan in 2014

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			
	2018		2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	15,308	$ 58.20	23,846	$ 42.90
Options forfeited	(387)	48.60-58.20	-	-
Options adjusted	-	-	(6,745)	15.30
Options granted	(6,380)	48.60-58.20	(1,793)	41.70-58.20
Balance at December 31	8,541	48.60	15,308	58.20
Options exercisable, end of year	5,125		64	

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

	December 31	
	2018	2017
Range of exercise price (NT$)	$48.60	$58.20
Weighted-average remaining contractual life (in years)	5.33	6.33

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

	May 2014
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 zero and $11,490 thousand for the years ended December 31, 2018 and 2017, respectively.

29. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Brightking Holdings Limited	Holding company components	June 2018	81.08	$ 2,471,209
Pulse Electronics Corporation	Holding company components	December 2018	100.00	22,325,600
				$ 24,796,809

In order to continue the expansion of the Group's activities in passive component, the Company acquired Brightking Holdings Limited and Pulse Electronics Corporation in 2018.

b. Consideration transferred

	Brightking Holdings Limited	Pulse Electronics Corporation
Cash	$ 2,471,209	$ 22,325,600

c. Assets acquired and liabilities assumed at the date of acquisition

	Brightking Holdings Limited	Pulse Electronics Corporation
Current assets		
Cash and cash equivalents	$ 446,980	$ 429,308
Other current assets	1,584,307	4,570,373
Non-current assets		
Property, plant and equipment	382,183	1,483,560
Intangible assets	623,978	3,357,150
Other non-current assets	124,795	1,623,500
Current liabilities	(585,522)	(4,982,608)
Non-current liabilities	(444,725)	(1,099,067)
	$ 2,131,996	$ 5,382,216

The initial accounting for the acquisition of Pulse Electronics Corporation was only provisionally determined at the end of the reporting period. The tax bases of Pulse Electronics Corporation’s assets were required to be reset based on the market values of the assets. At the date of issuance of these consolidated financial statements, the necessary market valuations and other calculations have not been finalized, and they have, therefore, only been provisionally determined based on management’s best estimate of the likely tax values.

d. Goodwill recognized on acquisitions

	Brightking Holdings Limited	Pulse Electronics Corporation
Consideration transferred	$ 2,471,209	$ 22,325,600
Plus: Non-controlling interests	543,571	-
Less: Fair value of identifiable net assets acquired	(2,131,996)	(5,382,216)
Goodwill recognized on acquisitions	$ 882,784	$ 16,943,384

The non-controlling interest (a 18.92% ownership interest in Brightking Holdings Limited) recognized at the acquisition date.

The goodwill recognized in the acquisition of Brightking Holdings Limited and Pulse Electronics Corporation mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of Brightking Holdings Limited and Pulse Electronics Corporation. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on acquisition of subsidiaries

	Brightking Holdings Limited	Pulse Electronics Corporation
Consideration paid in cash	$ 2,471,209	$ 22,325,600
Less: Cash and cash equivalent balances acquired	(446,980)	(429,308)
	$ 2,024,229	$ 21,896,292

f. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	Brightking Holdings Limited	Pulse Electronics Corporation
Revenue	$ 1,441,980	$ 1,131,622
Profit	$ 112,442	$ 181,051

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been $91,042,488 thousand, and the profit from continuing operations would have been $34,083,971 thousand for the year ended December 31, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On second quarter to the fourth quarter, 2018, the Group subscribed for additional new shares of Brightking Holdings Limited, increasing its continuing interest from 81.08% to 100%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	Brightking Holdings Limited
Cash consideration received (paid)	$ 569,445
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	(543,571)
Differences recognized from equity transactions	$ 25,874
Line items adjusted for equity transactions	
Retained earnings	$ 25,874

31. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

The Group leases the property and plant with operating leases expired until 2021. The lessees have a bargain purchase option to acquire the property at the expiry of the lease periods.

	December 31	
	2018	2017
Not later than 1 year	$ 117,878	$ -
Over 1 year and not later than 5 years	209,529	-
	$ 327,407	$ -

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	
	2018	2017
Not later than 1 year	$ 16,894	$ 13,561
Over 1 year and not later than 5 years	535	1,211
	$ 17,429	$ 14,772

32. 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.

33. 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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 20,398	$ -	$ 20,398
Domestic quoted shares	60,060	-	-	60,060
Domestic unlisted shares	-	-	46,104	46,104
Overseas unlisted shares	-	-	43,092	43,092
	$ 60,060	$ 20,398	$ 89,196	$ 169,654
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic quoted shares	$ 1,327,605	$ -	$ -	$ 1,327,605
Overseas quoted shares	899,371	-	-	899,371
	$ 2,226,976	$ -	$ -	$ 2,226,976
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 27,674	$ -	$ 27,674

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	210,000	-	-	210,000
	$ 210,000	$ 1,359	$ -	$ 211,359
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	-	-	44,122	44,122
	$ 4,246,430	$ -	$ 100,895	$ 4,347,325
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 82,995	$ -	$ 82,995

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, 2018

	Financial Assets at FVTPL
	Equity Instruments
Financial assets	
Balance at January 1, 2018	$ -
Reclassification	100,895
Recognized in profit	5,393
Sales	(5,564)
Repayment of capital reduction	(10,497)
Effect of foreign currency exchange differences	(1,031)
Balance at December 31, 2018	$ 89,196

	Available-for-sale Financial Assets
	Equity Instruments
Financial assets	
Balance at January 1, 2017	$ 116,069
Repayment of capital reduction	(14,579)
Effect of foreign currency exchange differences	(595)
Balance at December 31, 2017	$ 100,895

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

Financial Instruments	Valuation Techniques and Inputs
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	
	2018	**2017**
Financial assets		
FVTPL		
Held for trading	$ -	$ 211,359
Mandatorily classified as at FVTPL	169,654	-
Held-to-maturity investments	-	7,133,802
Loans and receivables (1)	-	29,590,650
Available-for-sale financial assets (2)	-	4,347,325
Financial assets at amortized cost (3)	56,256,818	-
Financial assets at FVTOCI	2,226,976	-
Equity instruments		
Financial liabilities		
FVTPL		
Held for trading	-	82,995
Mandatorily classified as at FVTPL	27,674	-
Amortized cost (4)	54,894,506	36,683,464

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 loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade and other receivables (including related parties) and refundable deposits.

4) 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 impartment 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 37.

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.

	USD Impact		**EUR Impact**		**JPY Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**		**For the Year Ended December 31**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Profit or loss	$ (396,589)	$ (211,535)	$ (43,516)	$ (65,303)	$ 6,458	$ 4,682

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	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 20,678,559	$ 18,997,336
Financial liabilities	33,167,468	24,224,650
Cash flow interest rate risk		
Financial assets	15,223,019	5,471,062

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, 2018 and 2017 would result in cash inflows by $152,230 thousand and $54,711 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 profit for the year ended December 31, 2018 would have decreased by $601 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have decreased by $22,270 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 1% lower, the pre-tax other comprehensive income for the years ended December 31, 2017 would decrease by $2,100 thousand and $42,464 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, 2018 and 2017, the Group had available unutilized short-term bank loan facilities of $8,911,414 thousand and $4,697,768 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
December 31, 2018				
Short-term borrowings	$ 23,667,981	$ 23,768,211	$ 23,768,211	$ -
Short-term bills payable	499,487	500,000	500,000	-
Long-term borrowings	9,000,000	9,043,648	-	9,043,648
	$ 33,167,468	$ 33,311,859	$ 24,268,211	$ 9,043,648
December 31, 2017				
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	5,500,000	5,507,853	-	5,507,853
	$ 24,224,650	$ 24,276,230	$ 18,768,377	$ 5,507,853

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, 2018

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
Gross settled			
Foreign exchange forward contracts			
Inflows	$ 18,108,376	$ 37,587	$ -
Outflows	(18,138,450)	(36,389)	-
	$ (30,074)	$ 1,198	$ -

December 31, 2017

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
Gross settled			
Foreign exchange forward contracts			
Inflows	$ 9,902,711	$ -	$ 895,440
Outflows	(9,937,688)	-	(919,056)
	$ (34,977)	$ -	$ (23,616)

34. 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:

Related Party	Relationships with the Group
Chilisin Electronics Corp.	Associates
Teapo Electronics Corp.	Associates
Teapo Electronics (H.K.) Ltd.	Subsidiary of associates
Teapo Electronics (Dongguan) Co., Ltd.	Subsidiary of associates
Dongguan Zhiguo Electronics Co., Ltd.	Subsidiary of associates
Ralec Electronic Corporation	Subsidiary of associates
ASJ Pte. Limited (ASJ Pte.)	Subsidiary of associates
ASJ Components (M) Sdn. Bhd.	Subsidiary of associates
CRL Components (S) Pte. Ltd.	Subsidiary of associates
Guo Chuang Electronics (Dongguan)	Associates
Ferroxcube International Holding B.V.	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 2018	2017
Sales	Substantial related parties	$ 766,539	$ 431,376
	Associates	200,195	164,944
		$ 966,734	$ 596,320

c. Purchases of goods

Related Party Categories	For the Year Ended December 31 2018	2017
Substantial related parties	$ 534,782	$ 378,654
Associates	188,189	623,959
	$ 722,971	$ 1,002,613

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

Line Items	Related Party Categories	December 31 2018	2017
Trade receivable	Substantial related parties	$ 62,399	$ 329,902
	Associates	36,727	29,055
		$ 99,126	$ 358,957
Other receivables	Associates/Chilisin Electronics Corp.	$ 92,206	$ 89,544
	Associates/Others	7,661	7,641
		$ 99,867	$ 97,185

The outstanding trade receivable from related parties are unsecured. For the years ended December 31, 2018 and 2017, 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 2018	2017
Trade payable	Substantial related party	$ 98,661	$ 38,567
	Associates	36,508	107,538
		$ 135,169	$ 146,105
Other payables	Associates	$ 2	$ 2

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. Disposals of property, plant and equipment

	Proceeds		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
Related Party Category/Name	2018	2017	2018	2017
Associates	$ -	$ 435	$ -	$ 219

g. Disposals of other assets

Related Party Category/Name	Proceeds For the Year Ended December 31		Gain on Disposal For the Year Ended December 31	
	2018	2017	2018	2017
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.

h. Other transactions with related parties

Line Items	Related Party Categories	For the Year Ended December 31	
		2018	2017
Rental income	Associates/Teapo Electronics (Dongguan) Co., Ltd.	$ 24,525	$ 11,321
	Associates/Others	1,100	3,861
		$ 25,625	$ 15,182
Other expense	Associates	$ 239	$ -

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

i. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 1,257,296	$ 316,973
Post-employment benefits	432	432
	$ 1,257,728	$ 317,405

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

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans:

	December 31	
	2018	2017
Property, plant and equipment, net	$ 2,792,249	$ 2,788,239

36. 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, 2018 and 2017, were as follows:

a. Significant commitments

Unrecognized commitments were as follows:

	December 31	
	2018	2017
Acquisition of property, plant and equipment	$ 2,110,530	$ 1,660,649

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. 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.

37. 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, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 1,043,120	30.7330 (USD:NTD)	$ 32,058,207
USD	405,755	6.8637 (USD:RMB)	12,470,029

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
USD	$ 307,233	7.8311 (USD:HKD)	$ 9,442,238
USD	105,924	0.8733 (USD:EUR)	3,255,418
USD	977	69.9160 (USD:INR)	30,028
EUR	564	1.1451 (EUR:USD)	19,848
EUR	125,389	35.1924 (EUR:NTD)	4,412,740
EUR	3,688	25.7350 (EUR:CZK)	129,790
JPY	838,986	0.2782 (JPY:NTD)	233,406
JPY	1,244,366	0.0091 (JPY:USD)	348,012
RMB	56,797	0.1457 (RMB:USD)	254,325
HKD	8,125	0.8765 (HKD:RMB)	31,887
			$ 62,685,928
Non-monetary items			
Investments accounted for using equity method			
USD	10,150	30.7330 (USD:NTD)	$ 311,943
RMB	7,019	1.1409 (RMB:HKD)	31,429
			$ 343,372
Investments in equity instruments at FVTOCI			
JPY	839,029	0.2782 (JPY:NTD)	$ 233,418
JPY	2,381,207	0.0091 (JPY:USD)	665,953
			$ 899,371
Financial liabilities			
Monetary items			
USD	434,443	30.7330 (USD:NTD)	$ 13,351,737
USD	128,457	6.8637 (USD:RMB)	3,947,857
USD	9,677	0.8733 (USD:EUR)	297,408
EUR	811	35.1924 (EUR:NTD)	28,541
EUR	3,239	25.7350 (EUR:CZK)	113,989
EUR	1,504	80.0608 (EUR:INR)	52,933
EUR	434	118.1630 (EUR:RSD)	15,272
JPY	2,410,354	0.2782 (JPY:NTD)	670,560
JPY	2,002,097	0.0621 (JPY:RMB)	556,701
HKD	16,521	0.8765 (HKD:RMB)	64,839
HKD	5,500	0.1277 (HKD:USD)	21,585
RMB	113,621	0.1457 (RMB:USD)	508,772
SGD	16,377	22.4804 (SGD:NTD)	368,162
			$ 19,998,356

(Concluded)

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
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)	111,113
			$ 54,568,737
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)	31,986
			$ 444,656
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)	538,186
			$ 3,154,281
Financial liabilities			
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)	1,010,723
			$ 27,978,355

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains or losses were $1,363,987 thousand and $(524,163) 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.

38. 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 33)

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)

39. 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 2018 and 2017 are shown in the consolidated statements of comprehensive income for 2018 and 2017.

b. Revenue from major products

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

	For the Year Ended December 31	
	2018	**2017**
Capacitors	$ 46,609,294	$ 16,624,037
Resistors	26,032,119	13,128,572
Others	4,514,198	2,505,990
	$ 77,155,611	$ 32,258,599

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:

	Revenue from External Customers		Noncurrent Assets	
	Year Ended December 31		December 31	
	2018	**2017**	**2018**	**2017**
Domestic	$ 17,349,383	$ 6,278,301	$ 6,223,536	$ 6,788,370
Europe	5,668,332	2,104,123	2,021,857	2,065,895
Asia	53,258,270	23,797,557	13,312,483	9,857,471
USA	761,074	-	22,392,064	-
Others	118,552	78,618	19,203	19,474
	$ 77,155,611	$ 32,258,599	$ 43,969,143	$ 18,731,210

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 2018 and 2017.

TABLE 1

YAGEO CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 1,200,000	$ -	0.84	b	$ -	For revolving fund	$ -	None	$ -	$ 23,733,878	$ 23,733,878
1	Yageo Holding (Bermuda) Ltd.	Hsu Tai International (H.K.)	Receivables from related parties	Yes	US$ 7,514	US$ -	US$ -	1.0	b	-	For revolving fund	-	None	-	US$ 1,658,659	US$ 1,658,659
		Hsu Tai International (H.K.)	Receivables from related parties	Yes	HK$ 14,926	HK$ -	HK$ -	1.0	b	-	For revolving fund	-	None	-	US$ 1,658,659	US$ 1,658,659
		Yageo Japan	Receivables from related parties	Yes	JPY 5,405	JPY 5,405	JPY 5,405	-	b	-	For revolving fund	-	None	-	US$ 1,658,659	US$ 1,658,659
		Yageo America	Receivables from related parties	Yes	US$ 9,742	US$ 9,742	US$ 9,742	-	b	-	For revolving fund	-	None	-	US$ 1,658,659	US$ 1,658,659
		Yageo Europe Holding B.V.	Receivables from related parties	Yes	US$ 2,699	US$ 791	US$ 791	1.0	b	-	For revolving fund	-	None	-	US$ 1,658,659	US$ 1,658,659
		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$ 1,658,659	US$ 1,658,659
		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$ 1,658,659	US$ 1,658,659
		Brightking Holdings Ltd.	Receivables from related parties	Yes	US$ 5,000	US$ 5,000	US$ 2,200	2.5	b	-	For revolving fund	-	None	-	US$ 1,658,659	US$ 1,658,659
2	Vitrohm Holding GmbH	Yageo Holding (Bermuda) Ltd.	Receivables from related parties	Yes	EUR 6,167	EUR 6,167	EUR 6,167	1.25	b	-	For revolving fund	-	None	-	EUR 11,719	EUR 11,719
3	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 3,971,702	RMB 3,971,702
		Yageo Holding (Bermuda) Ltd.	Receivables from related parties	Yes	US$ 50,000	US$ -	US$ -	1.6	b	-	For revolving fund	-	None	-	RMB 3,971,702	RMB 3,971,702
4	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$ 592,774	US$ 592,774
5	Yageo Trade (Suzhou) Co., Ltd.	Yageo Electronics (China) Co., Ltd.	Receivables from related parties	Yes	RMB 100,000	RMB 100,000	RMB 90,000	3.5	b	-	For revolving fund	-	None	-	RMB 770,852	RMB 770,852
6	Yageo Europe Holding B.V.	Yageo USA (H.K.) Limited	Receivables from related parties	Yes	US$ 56,000	US$ 52,000	US$ 52,000	0.5	b	-	For revolving fund	-	None	-	EUR 59,646	EUR 59,646
7	Brightking Holdings Ltd.	Brightking Enterprise (H.K.) Co., Ltd.	Other Receivables-related parties	Yes	121,840	-	-	2.434	b	-	For revolving fund	-	None	-	1,813,971	3,627,943
		Brightking Enterprise (H.K.) Co., Ltd.	Other Receivables-related parties	Yes	123,872	122,932	-	3.848	b	-	For revolving fund	-	None	-	1,813,971	3,627,943
8	Brightking Enterprise (H.K.) Co., Ltd.	Brightking Electronics Inc.	Other Receivables-related parties	Yes	9,290	9,220	-	4.5	b	-	For revolving fund	-	None	-	2,032,316	4,064,632
		Brightking Electronics Co., Ltd.	Other Receivables-related parties	Yes	92,904	92,199	-	4.5	b	-	For revolving fund	-	None	-	2,032,316	4,064,632
9	Brightking Electronics Co., Ltd.	Brightking Holdings Ltd.	Other Receivables-related parties	Yes	33,000	-	-	1.5	b	-	For revolving fund	-	None	-	7,836	7,836
		Brightking Holdings Ltd.	Other Receivables-related parties	Yes	10,000	-	-	1.5	b	-	For revolving fund	-	None	-	7,836	7,836
10	Kuo-Shin Investment Limited	Brightking Electronics Co., Ltd.	Receivables from related parties	Yes	100,000	100,000	38,000	1.0	b	-	For revolving fund	-	None	-	711,440	711,440

(Continued)

Note 1: For the Company and its domestic investees (Kuo-Shin Investment Limited and Brightking Electronics Co., Ltd.) business relationship, financing limit to each borrowing company is the amount of business operation (based on the previous year's actual sales and purchase amount when the loan contract was awarded). The financing limit to the counterparty which has short-term loan need is 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., Yageo Electronics (China) Co., Ltd., Yageo USA (H.K.) Limited, Yageo Trade (Suzhou) Co., Ltd., Vitrohm Holding GmbH and Yageo Europe Holding B.V. is 100% of each net worth presented in the latest financial statements audited or reviewed by auditors. For Brightking Holdings Ltd. and its overseas investees, the maximum financing amount that can be made is limited to 100% of each net worth presented in the latest financial statements audited or reviewed by auditors.

Note 2: For the Company and its domestic investees (Kuo-Shin Investment Limited and Brightking Electronics Co., Ltd.) 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., Yageo Electronics (China) Co., Ltd., Yageo USA (H.K.) Limited, Yageo Trade (Suzhou) Co., Ltd., Vitrohm Holding GmbH and Yageo Europe Holding B.V. is 100% of each net worth presented in the latest financial statements audited or reviewed by auditors. For Brightking Holdings Ltd. and its overseas investees, the maximum financing amount that can be made is 200% 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. According to letter No. 0980000271 issued by the FSC on January 15, 2009, which revised article 3 of the operating procedures of the regulation on financing provided and endorsement/guarantee provided, the overseas investees in which the Company has 100% ownership and voting rights directly and indirectly, the financing amount to each counterparty is not subject to the short-term financing limit. However, the limits and the terms for the financing should still be specified by the financing procedures.

Note 4: The currency rate on December 31, 2018, stated one New Taiwan dollar to HKD, USD, JPY, EUR and RMB are 1: 3.9245, 1: 30.733, 1:0.2782, 1: 35.1924 and 1: 4.4776, respectively; stated one U.S. dollar to HKD, JPY, EUR, and RMB are 1: 0.1277, 1: 0.0091, 1: 1.1451 and 1: 0.1457, respectively.

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

(Concluded)

YAGEO CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 59,334,695	$ 5,425,552 (US$ 144,000 NT$1,000,000)	$ 5,425,552 (US$ 144,000 NT$1,000,000)	$ -	$ -	9.14	$ 89,002,044	Yes	No	No
		The shared borrowing facilities of Yageo Electronics (China) Co., Ltd., and Yageo Electronics (Dongguan) Co., Ltd.	Subsidiary	59,334,695	122,932 (US$ 4,000)	122,932 (US$ 4,000)	-	-	0.21	89,002,044	Yes	No	Yes
		The shared borrowing facilities of Yageo USA (H.K.) Limited and Yageo Holding (Bermuda) Ltd.	Subsidiary	59,334,695	61,466 (US$ 2,000)	61,466 (US$ 2,000)	-	-	0.10	89,002,044	Yes	No	No
		Kuo-Shin Investment Limited	Subsidiary	59,334,695	1,600,000	1,300,000	-	-	2.19	89,002,044	Yes	No	No
1	Yageo Holding (Bermuda) Ltd. (Note 3)	Yageo USA (H.K.) Limited	Subsidiary	50,975,567	61,466 (US$ 2,000)	-	-	-	-	76,463,351	Yes	No	No
2	Brightking Holdings Ltd.	Brightking Electronics Co., Ltd.	Subsidiary	906,986	30,000	30,000	-	-	1.65	1,813,972	Yes	No	No
3	Brightking (Shenzhen) Co., Ltd.	Bestbright Electronics Co., Ltd.	Parent Company	349,938	140,507	-	-	-	-	699,876	No	Yes	Yes
		Huizhou Lien Shun Electronics Co., Ltd.	Subsidiary	349,938	46,836	-	-	-	-	699,876	Yes	No	Yes
4	Bestbright Electronics Co., Ltd.	Huizhou Lien Shun Electronics Co., Ltd.	Subsidiary	1,076,317	46,836	-	-	-	-	2,152,634	Yes	No	Yes

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. to each counterparty is limited to 100% of its net worth presented in the latest financial statements. For Brightking Holdings Ltd. and its overseas investees, endorsements or guarantees to each counterparty are limited to 50% 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. Maximum endorsements/guarantees allowed for Brightking Holdings Ltd. and its overseas investees are 100% 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$1,658,659 thousand and US$2,487,989 thousand, respectively.

Note 4: The endorsements/guarantees was based on the currency rate on December 31, 2018, stated one New Taiwan dollar to USD is 1:30.733.

YAGEO CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)	
Yageo Corporation	Stock							
	Linko International Golf & Country Club	-	Financial assets at FVTPL - noncurrent	-	$ 482	0.1	$ 482	1
	TA-I Technology Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	17,266	878,826	9.0	878,826	1
	SHS KOA Corp.	-	Financial assets at FVTOCI - noncurrent	648	233,418	1.8	233,418	1
	Bonds							
	Bank of America Corp.	-	Financial assets at amortized cost - noncurrent	-	290,365		290,365	2
	Citigroup Inc.	-	Financial assets at amortized cost - noncurrent	-	290,042	-	290,042	2
	Morgan Stanley	-	Financial assets at amortized cost - noncurrent	-	288,391	-	288,391	2
	Goldman Sachs Group Inc.	-	Financial assets at amortized cost - noncurrent	-	287,495	-	287,495	2
	AT&T Inc.	-	Financial assets at amortized cost - noncurrent	-	284,397	-	284,397	2
	Bank of Communications	-	Financial assets at amortized cost - noncurrent	-	280,056	-	280,056	2
	China Construction Bank	-	Financial assets at amortized cost - noncurrent	-	280,041	-	280,041	2
	Verizon Communications	-	Financial assets at amortized cost - noncurrent	-	279,800	-	279,800	2
	Lenovo Group Ltd.	-	Financial assets at amortized cost - noncurrent	-	279,357	-	279,357	2
	Proven Glory Capital Ltd.	-	Financial assets at amortized cost - noncurrent	-	279,176	-	279,176	2
Ko-Shin Investment Ltd.	Stock							
	Walsin Technology Co., Ltd.	-	Financial assets at FVTPL - current	390	60,060	0.1	60,060	1
	Hsin Bung International Co., Ltd.	-	Financial assets at FVTPL - noncurrent	2,761	33,622	16.6	33,622	1
	Jihsun Securities Investment Trust Co., Ltd.	-	Financial assets at FVTPL - noncurrent	1,560	12,000	4.0	12,000	1
	Ta-I Technology Co., Ltd.	-	Financial assets at FVTOCI - noncurrent	8,817	448,779	4.6	448,779	1
Yageo Holding (Bermuda) Ltd.	Stock							
	SHS KOA Corp.	-	Financial assets at FVTOCI - noncurrent	1,850	US$ 21,669	5.0	US$ 21,669	1
	Bonds							
	Goldman Sachs Group Inc.	-	Financial assets at amortized cost - noncurrent	-	287,918	-	287,918	2
	AT&T Inc.	-	Financial assets at amortized cost - noncurrent	-	284,471	-	284,471	2
	Lenovo Group Ltd	-	Financial assets at amortized cost - noncurrent	-	279,337	-	279,337	2
	Proven Glory Capital Ltd	-	Financial assets at amortized cost - noncurrent	-	217,150	-	217,150	2
	Citigroup Inc.	-	Financial assets at amortized cost - noncurrent	-	170,868	-	170,868	2
	Morgan Stanley	-	Financial assets at amortized cost - noncurrent	-	160,284	-	160,284	2
	Bank of America Corp.	-	Financial assets at amortized cost - noncurrent	-	64,523	-	64,523	2
	Bank of Communications	-	Financial assets at amortized cost - noncurrent	-	62,222	-	62,222	2

(Continued)

Holding Company Name	Type and Issuer/Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (In Thousands)	**Carrying Amount**	**Percentage of Ownership (%)**	**Fair Value (Note)**	
Ko-E Corp. (Shenzhen)	Share certificates							
	Xmholder Technology Co., Ltd.	-	Financial assets at FVTPL - noncurrent	-	RMB 9,624	17.0	RMB 9,624	1
Yageo Europe Holding B.V.	Bonds	-						
	Bank of America Corp.	-	Financial assets at amortized cost - noncurrent	-	290,787	-	290,787	2
	Goldman Sachs Group Inc.	-	Financial assets at amortized cost - noncurrent	-	287,743	-	287,743	2
	AT&T Inc.	-	Financial assets at amortized cost - noncurrent	-	284,420	-	284,420	2
	Bank of Communications	-	Financial assets at amortized cost - noncurrent	-	280,110	-	280,110	2
	Lenovo Group Ltd	-	Financial assets at amortized cost - noncurrent	-	278,849	-	278,849	2
	Proven Glory Capital Ltd	-	Financial assets at amortized cost - noncurrent	-	278,204	-	278,204	2
	Citigroup Inc.	-	Financial assets at amortized cost - noncurrent	-	273,375	-	273,375	2
	Morgan Stanley		Financial assets at amortized cost - noncurrent		259,070	-	259,070	2
	China Construction Bank	-	Financial assets at amortized cost - noncurrent	-	217,728	-	217,728	2
	AVNET Inc.	-	Financial assets at amortized cost - noncurrent	-	130,461	-	130,461	2

Note 1: The listed common shares are valued by their closing prices as of December 31, 2018. The debt investments with no active market is valued by the evaluated information provided by the Company.

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, 2018
(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	Brightking Holdings Ltd	Investments accounted for using the equity method	-	-	-	$ -	45,608,336	$ 3,328,253	-	$ -	$ -	$ -	45,608,336	$ 3,328,253
	Pulse Electronics Corporation	Investments accounted for using the equity method	-	-	-	-	25,574,331	22,325,600	-	-	-	-	25,574,331	22,325,600
Hsu Tai International (H.K.)	SHS KOA Corp	Financial assets at FVTOCI - noncurrent	-	-	871,900	HK$ 140,867	-	-	871,900	HK$ 140,867	HK$ 140,867	-	-	-
Yageo Europe Holding B.V.	SHS KOA Corp	Financial assets at FVTOCI - noncurrent	-	-	778,000	EUR 13,448	-	-	778,000	EUR 13,448	EUR 13,448	-	-	-

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 acquired 100% of Brightking Holdings Limited in a cash settlement amounting to NT$3,328,253 thousand in 2018.

Note 3: The Company acquired 100% of Brightking Holdings Limited in a cash settlement amounting to NT$22,325,600 thousand in 2018.

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, 2018
(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	$ (3,177,485)	(9)	Offset account T/T 90 days	$ -	-	$ -	-	-
			Purchase	193,863	1	Offset account T/T 90 days	-	-	(2,073,844)	(27)	
	Yageo Electronics (China) Co., Ltd.	Subsidiary	Sale	(2,167,438)	(6)	T/T 90 days	-	-	36,910	1	-
			Purchase	632,949	5	T/T 90 days	-	-	(2,876,324)	(37)	-
	Yageo Corporation (South Asia) Pte. Ltd.	Subsidiary	Sale	(4,079,500)	(11)	T/T 90 days	-	-	1,586,134	23	-
	Yageo Europe Holding B.V	Subsidiary	Sale	(3,961,698)	(11)	T/T 45 days	-	-	1,789,751	26	-
	Ko-E (H.K.) Limited	Subsidiary	Sale	(2,758,072)	(7)	T/T 60 days	-	-	399,348	6	-
	Yageo USA (H.K.) Limited	Subsidiary	Sale	(6,344,285)	(17)	Offset account T/T 90 day	-	-	778,701	11	-
	Yageo Components (Suzhou) Co., Ltd.	Subsidiary	Purchase	135,781	1	T/T 90 days	-	-	(31,927)	-	-
	Yixin International Co., Ltd.	Substantial Related Party	Sale	(251,233)	(2)	T/T 60 days	-	-	11,231	-	-
			Purchase	351,879	1	T/T 60 days	-	-	(67,722)	(1)	
Yageo USA (H.K.) Limited	Yageo Trade (Suzhou) Co., Ltd.	Associate	Sale	HK$ (1,434,000)	(18)	T/T 90 days	-	-	HK$ 233,526	9	-
	Ko-E (H.K.) Limited	Associate	Sale	HK$ (1,988,394)	(24)	T/T 90 days	-	-	HK$ 275,239	10	-
Yageo Electronics (China) Co., Ltd.	Ko-E (H.K.) Limited	Associate	Sale	RMB (561,141)	(13)	T/T 65 days	-	-	RMB 126,223	10	-
	Yageo Europe B.V.	Associate	Sale	RMB (198,781)	(5)	T/T 90 days	-	-	RMB 41,872	3	-
Yageo Trade (Suzhou) Co., Ltd.	Ko-E Technology (Shenzhen) Co., Ltd.	Associate	Sale	RMB (1,429,984)	(73)	T/T 65 days	-	-	RMB 367,904	59	-
Ko-E Corp.	Yixin International Co., Ltd.	Substantial Related Party	Purchase	128,231	99	T/T 60 days	-	-	(30,494)	(100)	-
	Hsin Bung International Co., Ltd.	Substantial Related Party	Sale	(139,038)	(100)	T/T 60 days	-	-	32,494	98	-
Ko-E (H.K.) Limited	Hsin Bung International Co., Ltd.	Substantial Related Party	Sale	(359,070)	(13)	T/T 60 days	-	-	18,471	7	-
Yageo Corporation (South Asia) Ptd Ltd	CRL Components (S) Pte.Ltd	Associate	Sale	US$ (4,718)	(3)	T/T 60 days	-	-	US$ 863	3	-
Bestbright Electronics Co., Ltd.	Brightking (Shanghai) Co., Ltd.	Subsidiary	Sale	(819,016)	(48)	T/T 30 days	-	-	290,016	48	
	Brightking (Shenzhen) Co., Ltd.	Subsidiary	Sale	(561,688)	(33)	T/T 30 days	-	-	111,062	18	
	Brightking (Beijing) Co., Ltd.	Subsidiary	Sale	(184,491)	(11)	T/T 30 days	-	-	54,585	9	
Mian Yang Pulse Electronics Co., Ltd.	Pulse Electronics (Singapore) Pte. Ltd	Parent company	Sale	US$ (3,925)	(10)	T/T 90 days	-	-	US$ 870	1	-
Pulse Components. Ltd	Pulse Electronics (Singapore) Pte. Ltd	Parent company	Sale	US$ (3,327)	(9)	T/T 90 days	-	-	US$ 745	1	-
EGSTON System Electronic spol.s.r.o. (CZ)	EGSTON System Electronics Eggenburg GmbH (AT)	Associate	Sale	US$ (4,093)	(11)	T/T 30 days	-	-	-	-	-

Note: All intercompany transactions have been eliminated from consolidation.

TABLE 6

YAGEO CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise, 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	$ 779,170 (Note 5)	11.27	$ -	-	$ -	$ -
	Ko-E (H.K.) Limited	Subsidiary	399,474 (Note 5)	5.52	-	-	31,151	-
	Yageo Europe Holding B.V.	Subsidiary	1,789,765 (Note 5)	5.79	-	-	-	-
	Yageo Corporation (South Asia) Pte. Ltd.	Subsidiary	1,586,134 (Note 5)	7.08	-	-	-	-
Yageo Holding (Bermuda) Ltd.	Yageo America	Associate	US$ 9,742 (Note 3)	-	-	-	-	-
	Yageo Europe Holding B.V.	Associate	US$ 201,370 (Note 1)	-	-	-	-	-
Yageo USA (H.K.) Limited	Yageo Trade (Suzhou) Co., Ltd.	Associate	HK$ 233,526	2.66	-	-	HK$ 167,998	-
	Ko-E (H.K.) Limited	Associate	HK$ 275,466 (Note 5)	4.93	-	-	HK$ 160,792	-
	Yageo Holding (Bermuda) Ltd.	Parent company	HK$ 394,354 (Note 2)	-	-	-	-	-
Yageo Electronics (China) Co., Ltd.	Ko-E (H.K.) Limited	Associate	RMB 126,223	4.89	-	-	RMB 98,717	-
	Yageo Europe Holding B.V.	Associate	RMB 41,872	6.41	-	-	RMB 41,872	-
	Yageo Corporation	Ultimate parent company	RMB 642,381	2.55	-	-	RMB 240,316	-
Yageo Trade (Suzhou) Co., Ltd.	Ko-E Technology (Shenzhen) Co., Ltd.	Associate	RMB 367,904	3.49	-	-	RMB 169,604	-
Yageo Electronics (Dongguan) Co., Ltd.	Yageo Corporation	Ultimate parent company	RMB 463,160	4.13	-	-	RMB 270,104	-
Vitrohm Holding GmbH	Yageo Holding (Bermuda) Ltd.	Parent company	EUR 6,245 (Note 2)	-	-	-	-	-
Bestbright Electronics Co., Ltd.	Brightking (Shanghai) Co., Ltd.	Parent company	290,016	3.96	-	-	105,892	-
	Brightking (Shenzhen) Co., Ltd.	Parent company	111,062	5.37	-	-	79,038	-
Pulse Components. Ltd	Pulse Electronics Inc.	Associate	US$ 3,546	-	-	-	-	-

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 INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018		Carrying Amount	Net Income (Loss) of the Investee	Share of Profits (Loss)	Remarks
				December 31, 2018	December 31, 2017	Shares	%				
Yageo Corporation	Yageo Holding (Bermuda) Ltd.	Bermuda	Investment	US$ 347,747	US$ 347,747	90,000	100.00	$ 50,355,543	$ 16,288,524	$ 16,288,524	Subsidiary
	Ferroxcube Holding (Samoa) Ltd.	West Samoa	Investment	US$ 25,433	US$ 25,433	1,000	100.00	784,278	(37)	(37)	Subsidiary
	Kuo-Shin Investment Limited	Taipei	Investment	1,612,059	1,612,059	89,300	100.00	1,751,697	287,674	287,674	Subsidiary
	Brightking Holdings Ltd	New Taipei City	Holding company	3,328,253	-	45,608	100.00	3,310,532	112,442	77,197	Subsidiary
	Yageo Corporation (South Asia) Pte. Ltd.	Singapore	Electronic component marketing	SGD 780	SGD 780	-	100.00	(231,872)	331,977	331,977	Subsidiary
	Yageo Europe Holding B.V.	Netherlands	Holding company	US$ 147,757	US$ 147,757	-	100.00	1,023,882	553,207	561,336	Subsidiary
	Yageo America	America	Electronic component marketing	US$ 2,347	US$ 2,347	1	100.00	(278,487)	4,729	4,729	Subsidiary
	Yageo South Asia (M) Sdn. Bhd.	Malaysia	Electronic component marketing	-	-	-	100.00	596	588	588	Subsidiary
	Yageo Holding (Cayman) Limited	Cayman	Holding company	-	-	-	100.00	-	-	-	Subsidiary
	Pulse Electronics Corporation	America	Holding company	US$ 721,461	-	25,574	100.00	22,506,651	214,534	181,051	Subsidiary
	Chilisin Electronics Corp.	Hsinchu	Inductor manufacture and marketing	1,468,855	1,571,448	25,276	10.40	4,301,324	3,001,586	368,551	Associate
	GTCL	Singapore	Holding company	60,603	80,897	8,232	23.39	211,496	(150,483)	(35,120)	Associate
	Teapo Electronics Corporation	New Taipei City	Capacitor manufacture and marketing	1,075,558	1,075,558	11,002	12.02	506,512	1,749,115	210,272	Associate
	Strong Components Co., Ltd.	Kaohsiung	Electronic component manufacture and marketing.	79,384	79,384	6,530	31.42	88,161	6,331	1,989	Associate
Kuo-Shin Investment Ltd.	Chilisin Electronics Corp.	Hsinchu	Inductor manufacture and marketing	263,814	284,245	5,034	2.07	857,102	3,001,586	73,394	Associate
	GTCL	Singapore	Holding company	50,078	54,611	1,839	5.22	55,487	(150,483)	(7,845)	Associate
	Teapo Electronics Corporation	New Taipei City	Capacitor manufacture and marketing	101,367	101,367	2,597	2.84	109,471	1,749,115	49,639	Associate
Yageo Holding (Bermuda) Ltd.	Yageo (Hong Kong) Limited	Hong Kong	Investment	HK$2,093,178	HK$2,093,178	1,030,499	100.00	US$ 784,906	US$ 168,276	US$ 168,276	Subsidiary
	Yageo USA (H.K.) Limited	Hong Kong	Passive Component marketing	HK$ 8,000	HK$ 8,000	-	100.00	US$ 592,774	US$ 377,592	US$ 377,592	Subsidiary
	Ko-E Holding (Cayman)	Cayman Islands	Holding company	US$ 4,500	US$ 4,500	4,500	83.83	US$ 16,038	US$ (1,327)	US$ (1,112)	Subsidiary
	Vitrohm Holding GmbH	Germany	Investment	EUR 15,849	EUR 15,849	-	100.00	US$ 13,419	US$ 1,065	US$ 1,065	Subsidiary
	Belkin International	Samoa	Investment	US$ 1,104	US$ 1,104	1,104	46.00	US$ 1,141	US$ (1,841)	US$ (847)	Associate
	Yageo Korea	Korea	Resistor marketing	US$ 236	US$ 236	-	100.00	US$ 3,232	US$ 1,469	US$ 1,469	Subsidiary
	Yageo Japan	Japan	Resistor marketing	US$ 339	US$ 339	-	100.00	US$ 150	US$ 41	US$ 41	Subsidiary
	Hsu Tai International (H.K.)	Hong Kong	Investment	US$ 2,400	US$ 2,400	1	100.00	US$ 1,046	US$ 79	US$ 79	Subsidiary
Brightking Holdings Ltd	Brightking Enterprise (H.K.) Co., Ltd.	Hong Kong	Selling overvoltage and overcurrent protection electronic components	600,165	600,165	153,968	100.00	2,032,316	233,053	111,713	Subsidiary
Pulse Electronics Corporation	Egston Holding GmbH	Austria	Holding company	US$ 22,030	-	-	100.00	US$ 24,562	US$ 917	US$ 2,342	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2018		Carrying Amount	Net Income (Loss) of the Investee	Share of Profits (Loss)	Remarks
				December 31, 2018	December 31, 2017	Shares	%				
Ko-E Holding (Cayman)	Ko-E Corp.	New Taipei City	Electronic components marketing	US$ 1,393	US$ 1,393	4,500	100.00	US$ 1,774	US$ 2,619	US$ 87	Subsidiary
	Ko-E (H.K.) Limited	Hong Kong	Electronic components marketing	US$ 4,662	US$ 4,662	-	100.00	US$ 16,975	US$ (11,023)	US$ (1,407)	Subsidiary
Brightking Enterprise (H.K.) Co., Ltd.	Brightking Electronics Inc.	America	Selling overvoltage and overcurrent protection electronic components	41,425	41,425	12,750	100.00	(1,040)	(7,879)	(6,010)	Subsidiary
	Brightking Electronics Co., Ltd.	New Taipei City	Manufacturing and selling overvoltage and overcurrent protection electronic components	129,393	129,393	12,939	100.00	19,590	(48,033)	(13,531)	Subsidiary
	Bestbright Electronics Co., Ltd. (Taiwan)	New Taipei City	Manufacturing and selling overvoltage and overcurrent protection electronic components	101	101	10	100.00	1	-	-	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.

(Concluded)

YAGEO CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (Note 3)	Remittance of Funds		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 3)	Net Income (Loss) of the Investee (Note 4)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Value as of December 31, 2018 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2018 (Note 3)
					Outflow (Note 3)	Inflow (Note 3)						
Yageo Electronics (Dongguan) Co., Ltd.	Manufacture and marketing of passive components	US$ 53,250 ($ 1,636,532)	Indirect: Through a company registered in a third region	US$ 46,510 ($ 1,429,392)	$ -	$ -	US$$ 46,510 ($ 1,429,392)	HK$$ 129,721 ($ 499,257)	100.00	HK$$ 119,822 ($ 461,159)	HK$$ 1,195,031 ($ 4,689,899)	$ -
Yageo Electronics (China) Co., Ltd.	Manufacture and marketing of passive components	US$ 301,977 ($ 9,280,659)	Indirect: Through a company registered in a third region	US$ 204,977 ($ 6,299,558)	-	-	US$ 204,977 ($ 6,299,558)	HK$ 1,078,338 ($ 4,150,199)	100.00	HK$ 1,078,338 ($ 4,150,199)	HK$ 3,959,981 ($ 15,540,945)	US$ 7,751 ($ 238,211)
Yageo Components (Suzhou) Co., Ltd.	Manufacture and marketing of passive components	US$ 5,000 ($ 153,665)	Indirect: Through a company registered in a third region	US$ 5,000 ($ 153,665)	-	-	US$ 5,000 ($ 153,665)	HK$ 8,603 ($ 33,110)	100.00	HK$ 8,456 ($ 32,545)	HK$ 95,800 ($ 375,967)	-
Yageo Trade (Suzhou) Co., Ltd.	Marketing of passive components	US$ 5,000 ($ 153,665)	Indirect: Through a company registered in a third region	US$ 5,000 ($ 153,665)	-	-	US$ 5,000 ($ 153,665)	HK$ 610,804 ($ 2,350,801)	100.00	HK$ 610,804 ($ 2,350,801)	HK$ 869,886 ($ 3,413,868)	-
Compostar Technology (Dongguan) Co., Ltd.	Manufacture and marketing of passive.components	US$ 1,500 ($ 46,100)	Indirect: Through a company registered in a third region	US$ 1,164 ($ 35,773)	-	-	US$ 1,164 ($ 35,773)	-	100.00	-	HK$ 18,720 ($ 73,467)	-
Compostar Technology (Suzhou) Co., Ltd.	Manufacture and marketing of passive components	US$ 5,150 ($ 158,275)	Indirect: Through a company registered in a third region	US$ 5,150 ($ 158,275)	-	-	US$ 5,150 ($ 158,275)	-	-	-	-	-
Guo Chuang Electronics (Dongguan) Co., Ltd.	Manufacture and marketing of passive components	US$ 1,709 ($ 52,523)	Indirect: Through a company registered in a third region	US$ 789 ($ 24,248)	-	-	US$ 789 ($ 24,248)	HK$ 143 ($ 550)	35.00	HK$ 50 ($ 192)	HK$ 8,008 ($ 31,429)	-
Ko-E Technology (Shenzhen) Co., Ltd.	Manufacture and marketing of electronic components	US$ 3,500 ($ 107,566)	Indirect: Through a company registered in a third region	US$ 3,150 ($ 96,809)	-	-	US$ 3,150 ($ 96,809)	HK$ 66,229 ($ 254,896)	83.83	HK$ 55,520 ($ 213,680)	HK$ 154,372 ($ 605,833)	-
Guo Ray Electronics Co., Ltd.	Marketing of electronic components	US$ 1,000 ($ 30,733)	Indirect: Through a company registered in a third region	US$ 460 ($ 14,137)	-	-	US$ 460 ($ 14,137)	US$ (1,841) ($ (55,530))	46.00	US$ (847) ($ (25,548))	US$ (350) ($ (10,757))	-
Chen-Xin Electronic (Chiao-Tao) Co., Ltd.	Manufacture and marketing of passive components	HK$ 1,000 ($ 3,925)	Indirect: Through a company registered in a third region	US$ 59 ($ 1,813)	-	-	US$ 59 ($ 1,813)	-	-	-	-	-
Chen Xin (Dongguan)	Production of passive components	US$ 1,000 ($ 30,733)	Indirect: Through a company registered in a third region	US$ 460 ($ 14,137)	-	-	US$ 460 ($ 14,137)	-	-	-	-	-
Bestbright Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	342,073	Indirect: Through a company registered in a third region	-	US$ 110,301 ($ 3,389,881) (Note 6)	-	US$ 110,301 ($ 3,389,881)	319,867	100.00	143,929	2,149,670	-
Brightking (Shenzhen) Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	94,380	Indirect: Through a company registered in a third region	-	-	-	-	114,806	100.00	1,257	652,687	-
Brightking (Shanghai) Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	29,249	Indirect: Through a company registered in a third region	-	-	-	-	87,596	100.00	10,158	246,458	-
Brightking (Beijing) Co., Ltd	Manufacturing and selling overvoltage and overcurrent protection electronic components	18,876	Indirect: Through a company registered in a third region	-	-	-	-	14,924	100.00	(115)	63,486	-
Huizhou Lien Shun Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	130,395	Indirect: Through a company registered in a third region	-	US$ 1,603 ($ 49,265) (Note 6)	-	US$ 1,603 ($ 49,265)	(56,316)	100.00	(36,778)	50,264	-

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (Note 3)	Remittance of Funds Outflow (Note 3)	Remittance of Funds Inflow (Note 3)	Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 3)	Net Income (Loss) of the Investee (Note 4)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Value as of December 31, 2018 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2018 (Note 3)
Ceramate Technical (Suzhou) Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	$ 81,661	Indirect: Through a company registered in a third region	$ -	$ -	$ -	$ -	$ (16,194)	100.00	$ (11,437)	$ 18,208	-
Zhejiang Bestbright Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	186,642	Indirect: Through a company registered in a third region	-	-	-	-	(1,469)	100.00	(692)	215,598	-
Pulse Electronics (Dongguan) CO., LTD	Manufacturing automotive electronic components	774,291	Indirect: Through a company registered in a third region	-	US$ 397,542 ($ 12,217,658) (Note 6)	-	US$ 397,542 ($ 12,217,658)	(86,761)	100.00	39,230	1,233,779	-
Mian Yang Pulse Electronics Co., Ltd.	Manufacturing automotive electronic components	64,539	Indirect: Through a company registered in a third region	-	US$ 38,414 ($ 1,180,577) (Note 6)	-	US$ 38,414 ($ 1,180,577)	69,376	100.00	9,666	149,108	-
Suining Pulse Electronics Co., Ltd	Manufacturing automotive electronic components	15,367	Indirect: Through a company registered in a third region	-	US$ 38,864 ($ 1,194,407) (Note 6)	-	US$ 38,864 ($ 1,194,407)	(11,070)	100.00	(13,368)	102,454	-
Pulse (Suzhou) Wireless Products Co., Ltd	Manufacturing automotive electronic components	777,545	Indirect: Through a company registered in a third region	-	US$ 22,613 ($ 694,965) (Note 6)	-	US$ 22,613 ($ 694,965)	17,192	100.00	10,418	42,330	-
Pulse Electronics (ShenZhen) Co., Ltd	Manufacturing automotive electronic components	19,976	Indirect: Through a company registered in a third region	-	US$ 3,667 ($ 112,698) (Note 6)	-	US$ 3,667 ($ 112,698)	4,804	100.00	179	15,500	-
Shengsheng Technology (Suzhou) Co., Ltd.	Manufacturing automotive electronic components	276,597	Indirect: Through a company registered in a third region	-	US$ 10,021 ($ 307,975) (Note 6)	-	US$ 10,021 ($ 307,975)	(324)	100.00	(513)	35,968	-
Egston Electronics Zhuhai Ltd	Manufacturing automotive electronic components	71,915	Indirect: Through a company registered in a third region	-	US$ 20,496 ($ 629,904) (Note 6)	-	US$ 20,496 ($ 629,904)	33,432	100.00	50	107,699	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (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
$28,158,835 (US$916,241)	$32,755,385 (US$1,065,805) (Note 1)	(Note 2)

Note 1: Investment Commission of 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$97,000 thousand, respectively.

Note 2: Referred to under Order No. 10720416280 issued by the MOEA on June 8, 2018, the Company obtained the operational headquarters certification documents issued by the Industrial Bureau of the MOEA valid from June 4, 2018 to June 3, 2021. Therefore, the investment in mainland china is not restricted.

Note 3: The currency rate on December 31, 2018, stated one New Taiwan dollar to HKD and USD are 1:3.9245 and 1:30.733, respectively.

Note 4: The currency rate in 2017, stated one New Taiwan dollar to HKD and USD are 1:3.8487 and 1:30.163, respectively.

Note 5: Subsidiary Compostar Technology (Suzhou) Co., Ltd., Chen-Xin Electronic (Chiao-Tao) Co., Ltd. and Chen Xin (Dongguan) had been liquidated and withdrawn of investment approved by Investment Commission of MOEA.

Note 6: The amount of the investment approved by Investment Commission of MOEA. The actual amount of investment is currently under approval and preparation.

Note 7: All the above investment account and share of profit or loss relevant to subsidiaries have been eliminated from consolidation.

(Concluded)

TABLE 9

YAGEO CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 84,591	T/T 90 days	-
		Yageo Trade (Suzhou) Co., Ltd.	a.	Receivables from related parties	69,777	T/T 90 days	-
		Yageo Components (Suzhou) Co., Ltd.	a.	Receivables from related parties	27,025	T/T 90 days	-
		Ko-E (H.K.) Limited	a.	Receivables from related parties	399,474	T/T 60 days	1
		Yageo USA (H.K.) Limited	a.	Receivables from related parties	779,170	Offset account T/T 90 days	1
		Yageo Europe Holding B.V.	a.	Receivables from related parties	1,789,765	T/T 45 days	1
		Yageo America	a.	Receivables from related parties	78,553	T/T 90 days	-
		Yageo Corporation (South Asia) Pte. Ltd.	a.	Receivables from related parties	1,586,134	T/T 90 days	1
		Yageo Electronics (China) Co., Ltd.	a.	Sales	2,167,438	T/T 90 days	3
		Yageo Trade (Suzhou) Co., Ltd.	a.	Sales	91,465	T/T 90 days	-
		Yageo Components (Suzhou) Co., Ltd.	a.	Sales	33,954	T/T 90 days	-
		Yageo Electronics (Dongguan) Co., Ltd.	a.	Sales	3,177,485	Offset account T/T 90 days	4
		Ko-E (H.K.) Limited	a.	Sales	2,758,072	T/T 60 days	4
		Yageo USA (H.K.) Limited	a.	Sales	6,344,285	Offset account T/T 90 days	8
		Yageo Europe Holding B.V.	a.	Sales	3,961,698	T/T 45 days	5
		Yageo Corporation (South Asia) Pte. Ltd.	a.	Sales	4,079,500	T/T 90 days	5
		Ko-E (H.K.) Limited	a.	Logistics service income	88,988	T/T 60 days	-
1	Yageo Holding (Bermuda) Ltd.	Yageo (Hong Kong) Limited	a.	Receivables from related parties	12,064	Advances	-
		Yageo Europe Holding B.V.	c.	Receivables from related parties	6,181,422	Financing	5
		Brightking Electronics Co., Ltd.	c.	Receivables from related parties	67,613	Financing	-
		Yageo America Corporation	c.	Receivables from related parties	299,406	Financing	-
2	Yageo Electronics (China) Co., Ltd.	Ko-E (H.K.) Limited	c.	Receivables from related parties	565,178	T/T 65 days	1
		Yageo Corporation	b.	Receivables from related parties	2,876,324	T/T 90 days	2
		Yageo Europe Holding B.V.	c.	Receivables from related parties	187,488	T/T 90 days	-
		Ko-E (H.K.) Limited	c.	Sales	2,558,745	T/T 65 days	3
		Yageo Corporation	b.	Sales	632,949	T/T 90 days	1
		Yageo Europe Holding B.V.	c.	Sales	906,420	T/T 90 days	1
3	Yageo USA (H.K.) Limited	Yageo Trade (Suzhou) Co., Ltd.	c.	Receivables from related parties	916,499	T/T 60 days	1
		Ko-E (H.K.) Limited	c.	Receivables from related parties	1,081,068	T/T 90 days	2
		Yageo Electronics (China) Co., Ltd.	c.	Receivables from related parties	11,132	T/T 90 days	-
		Yageo Holding (Bermuda) Ltd.	b.	Receivables from related parties	1,536,650	Financing	1
		Yageo Holding (Bermuda) Ltd.	b.	Receivables from related parties	11,034	By agreements	-
		Yageo Trade (Suzhou) Co., Ltd.	c.	Sales	5,519,037	T/T 60 days	7
		Ko-E (H.K.) Limited	c.	Sales	7,652,734	T/T 90 days	12
		Ko-E (H.K.) Limited	c.	Logistics service income	492,516	T/T 90 days	-

(Continued)

No.	Company Name	Related Party	Flow of Transactions (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
4	Yageo Electronics (Dongguan) Co., Ltd.	Yageo Corporation	b.	Receivables from related parties	$ 2,073,844	Offset account T/T 90 days	2
		Yageo Corporation	b.	Sales	193,863	Offset account T/T 90 days	-
5	Yageo Trade (Suzhou) Co., Ltd.	Ko-E Technology (Shenzhen) Co., Ltd.	c.	Receivables from related parties	1,647,328	T/T 65 days	1
		Yageo Components (Suzhou) Co., Ltd.	c.	Receivables from related parties	17,024	T/T 90 days	-
		Yageo USA (H.K.) Limited	c.	Receivables from related parties	18,532	T/T 90 days	-
		Yageo Electronics (China) Co., Ltd.	c.	Receivables from related parties	402,984	Financing	-
		Yageo Electronics (China) Co., Ltd.	c.	Sales	19,473	T/T 90 days	8
		Ko-E Technology (Shenzhen) Co., Ltd.	c.	Sales	6,520,584	T/T 65 days	-
		Yageo Components (Suzhou) Co., Ltd.	c.	Sales	48,143	T/T 90 days	-
		Yageo USA (H.K.) Limited	c.	Sales	18,872	T/T 30 days	-
6	Yageo Components (Suzhou) Co., Ltd.	Yageo Corporation	b.	Receivables from related parties	31,927	T/T 90 days	-
		Yageo Corporation	b.	Sales	135,781	T/T 90 days	-
		Yageo Europe Holding B.V.	c.	Sales	31,334	T/T 90 days	-
		Vitrohm Portuguesa Lda. Portugal	c.	Sales	32,816	T/T 90 days	-
7	Yageo Korea	Yageo Corporation	b.	Receivables from related parties	99,990	T/T 30 days	-
		Yageo Corporation	b.	Commission income	95,135	T/T 30 days	-
8	Yageo Japan	Yageo Holding (Bermuda) Ltd.	b.	Commission income	31,229	T/T 30 days	-
9	Vitrohm Holding GmbH	Yageo Holding (Bermuda) Ltd.	b.	Receivables from related parties	217,027	Financing	-
10	Ko-E Holding (Cayman)	Ko-E (H.K.) Limited	a.	Receivables from related parties	17,995	Advances	-
11	Yageo America Corporation	Yageo Corporation	b.	Commission income	101,830	T/T 90 days	-
12	Yageo South Asia (M) Sdn. Bhd.	Yageo Corporation (South Asia) Pte. Ltd.	c.	Commission income	13,047	T/T 30 days	-
13	Ko-Shin Investment Ltd.	Brightking Electronics Co., Ltd.	c.	Receivables from related parties	38,000	Financing	-
14	Bestbright Electronics Co., Ltd.	Brightking Enterprise (H.K.) Co., Ltd.	b.	Sales	32,000	T/T 30-60 days	-
		Brightking Enterprise (H.K.) Co., Ltd.	b.	Receivables from related parties	12,097	T/T 30-60 days	-
		Brightking Electronics Inc.	c.	Sales	14,242	T/T 30-60 days	-
		Brightking Electronics Inc.	c.	Receivables from related parties	11,965	T/T 30-60 days	-
		Brightking Electronics Co., Ltd.	c.	Sales	18,075	T/T 30-60 days	-
		Ceramate Technical (Suzhou) Co., Ltd.	a.	Sales	46,719	T/T 30-60 days	-
		Brightking (Shenzhen) Co., Ltd.	a.	Sales	561,688	T/T 30-60 days	1
		Brightking (Shenzhen) Co., Ltd.	a.	Receivables from related parties	111,062	T/T 30-60 days	-
		Brightking (Shanghai) Co., Ltd.	a.	Sales	819,016	T/T 30-60 days	1
		Brightking (Shanghai) Co., Ltd.	a.	Receivables from related parties	290,016	T/T 30-60 days	-
		Brightking (Beijing) Co., Ltd.	a.	Sales	184,491	T/T 30-60 days	-

(Continued)

No.	Company Name	Related Party	Flow of Transactions (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
15	Huizhou Lien Shun Electronics Co., Ltd.	Bestbright Electronics Co., Ltd.	b.	Sales	$ 50,173	T/T 30-60 days	-
		Brightking (Shenzhen) Co., Ltd.	b.	Sales	76,689	T/T 30-60 days	-
		Brightking (Shenzhen) Co., Ltd.	b.	Receivables from related parties	16,233	T/T 30-60 days	-
		Brightking (Shanghai) Co., Ltd.	c.	Sales	71,267	T/T 30-60 days	-
		Brightking (Shanghai) Co., Ltd.	c.	Receivables from related parties	14,429	T/T 30-60 days	-
16	Ceramate Technical (Suzhou) Co., Ltd.	Bestbright Electronics Co., Ltd.	b.	Sales	49,027	T/T 30-60 days	-
17	Brightking Electronics Co., Ltd.	Bestbright Electronics Co., Ltd.	c.	Sales	28,793	T/T 30-60 days	-
18	Dongguan Pulse Electronics Co. Ltd.	Pulse Electronics (Singapore) Pte. Ltd	b.	Sales	70,889	T/T 90 days	-
		Pulse Electronics (Singapore) Pte. Ltd	b.	Receivables from related parties	70,053	T/T 90 days	-
19	Mianyang Pulse Electronics Co. Ltd.	Pulse Electronics Inc.	c.	Sales	38,123	T/T 90 days	-
		Pulse Electronics (Singapore) Pte. Ltd	b.	Sales	118,378	T/T 90 days	-
		Pulse Electronics Inc.	c.	Receivables from related parties	73,787	T/T 90 days	-
20	Pulse (Suzhou) Wireless Products Co. Ltd.	Pulse Electronics (Singapore) Pte. Ltd	b.	Sales	83,980	T/T 90 days	-
21	Suining Pulse Electronics Co. Ltd.	Pulse Electronics (Singapore) Pte. Ltd	b.	Sales	65,963	T/T 90 days	-
		Pulse Electronics (Singapore) Pte. Ltd	b.	Receivables from related parties	88,815	T/T 90 days	-
22	Pulse Components. Ltd	Pulse Electronics Inc.	c.	Sales	19,256	T/T 90 days	-
		Pulse Electronics (Singapore) Pte. Ltd	b.	Sales	100,351	T/T 90 days	-
		Pulse Electronics Inc.	c.	Receivables from related parties	108,973	T/T 90 days	-
		Pulse Electronics (Singapore) Pte. Ltd	b.	Receivables from related parties	517,113	T/T 90 days	-
23	Egston Electronics Zhuhai Ltd	Egston Far East GmbH (AT)	c.	Receivables from related parties	69,954	T/T 60 days	-
24	EGSTON System Electronic spol.s.r.o. (CZ)	EGSTON System Electronics Eggenburg GmbH (AT)	c.	Sales	123,457	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.

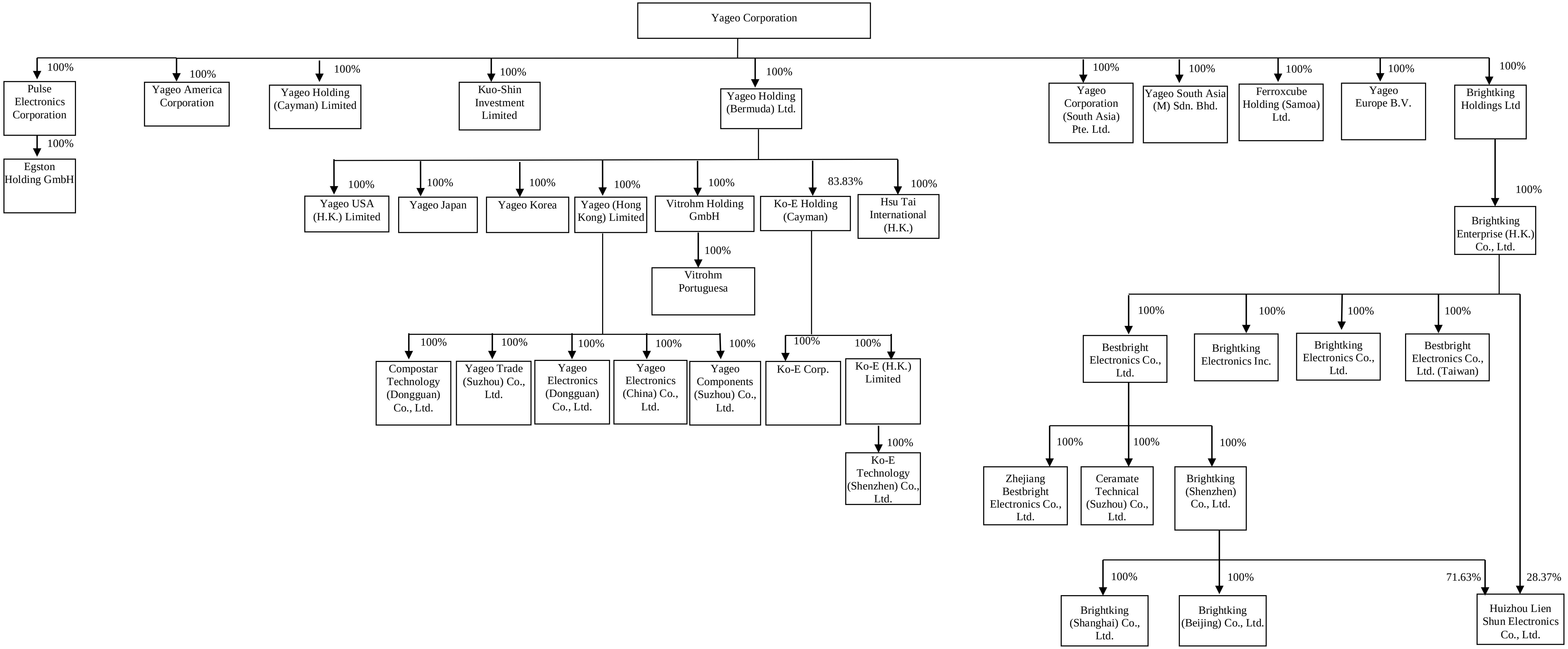
(Concluded)

TABLE 10

YAGEO CORPORATION AND SUBSIDIARIES

THE GROUP'S ORGANIZATION CHART
DECEMBER 31, 2018 AND 2017

2018



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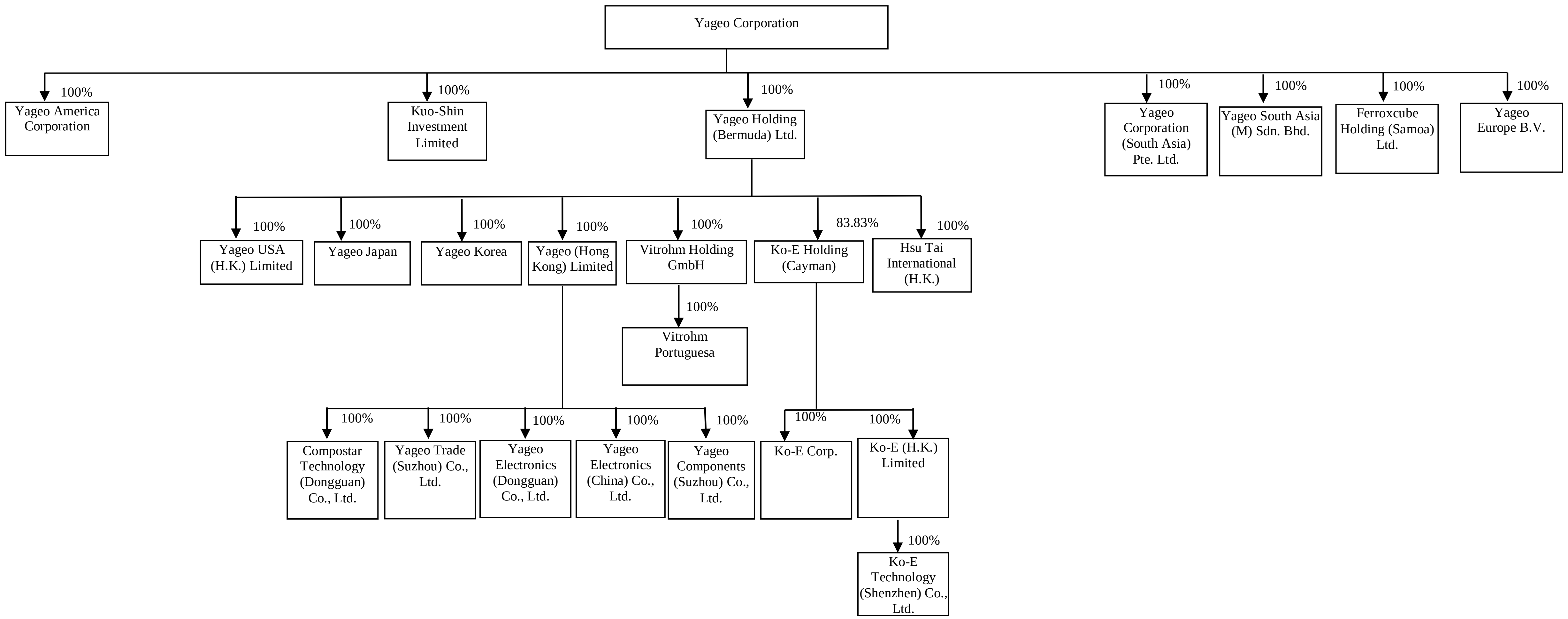
2017



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