

Yageo Corporation

**Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yageo Corporation

Opinion

We have audited the accompanying financial statements of Yageo Corporation (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the 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 financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the 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 financial statements for the year ended December 31, 2019 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 financial statements. Refer to Note 10 to the 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 Company'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 financial statements. Refer to Note 11 to the 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 completeness and the accuracy of the aging of inventory, assessed the reasonableness of inventory valuation loss per the Company's policy, and calculated the amount of allowance for inventory valuation loss per the Company's policy.
2. We selected samples of inventory items at yearend and we compared the respective actual purchase and selling prices with the book values to ensure that the book values do not exceed the net realizable values.

Other Matter

As described in Note 12 to the accompanying financial statements, we did not audit the financial statements of some investees accounted for using the equity method. The financial statements of the aforementioned investees accounted for using the equity method were audited by other auditors; our opinion, insofar as it relates to the related amounts included herein, is based solely on the reports of other auditors. The total investments in these investees accounted for using the equity method were 1.77% (NT\$1,833,696 thousand) and 0.96% (NT\$1,112,043 thousand) of the Company's total assets as of December 31, 2019 and 2018, respectively, and the amounts of the Company's share of profit of such associates were 4.94% (NT\$400,423 thousand) and 1.53% (NT\$563,325 thousand) of the Company's profit before income tax for the years ended December 31, 2019 and 2018, respectively.

As described in Note 29 to the accompanying financial statements, on November 12, 2019, the Company's board approved the Company's acquisition of 100% of the equity interest of KEMET Corporation at US\$27.20 per share in cash transaction for total amount of US\$1.64 billion.

As described in Note 1 to the accompanying financial statements, 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. The comparative figures have been restated as if the initial accounting was completed at the acquisition date. Refer to Note 15 in the consolidated financial statements for information relating to the restated comparative figures.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements.

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the 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 financial statements for the year ended December 31, 2019 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 Cheng-Tsai Tsai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2020

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.

YAGEO CORPORATION

BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,885,328	2	\$ 8,535,682	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	78	-	16,901	-
Trade receivables (Notes 4, 5 and 10)	915,977	1	2,212,586	2
Trade receivables from related parties (Notes 4 and 27)	3,168,027	3	4,694,386	4
Other receivables	40,779	-	123,192	-
Other receivables from related parties (Notes 27)	17,292	-	133,051	-
Inventories (Notes 4, 5 and 11)	1,982,078	2	3,059,022	3
Prepayments	29,141	-	270,229	-
Other current assets	<u>93</u>	<u>-</u>	<u>612</u>	<u>-</u>
Total current assets	<u>8,038,793</u>	<u>8</u>	<u>19,045,661</u>	<u>16</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	482	-	482	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	-	-	1,112,244	1
Financial assets at amortized cost - non-current (Notes 4 and 9)	242,480	-	2,839,120	3
Investments accounted for using the equity method (Notes 4 and 12)	86,040,691	83	84,840,672	73
Property, plant and equipment (Notes 4, 5, 13 and 28)	7,309,339	7	5,932,977	5
Right-of-use assets	2,360	-	-	-
Other intangible assets	59,573	-	81,796	-
Goodwill (Notes 4, 5 and 14)	109,643	-	109,643	-
Deferred tax assets (Notes 4 and 20)	1,911,681	2	1,961,908	2
Refundable deposits	7,177	-	5,990	-
Other non-current assets	<u>79,409</u>	<u>-</u>	<u>79,409</u>	<u>-</u>
Total non-current assets	<u>95,762,835</u>	<u>92</u>	<u>96,964,241</u>	<u>84</u>
TOTAL	<u>\$ 103,801,628</u>	<u>100</u>	<u>\$ 116,009,902</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 17,351,500	17	\$ 20,417,300	18
Short-term bills payable (Note 15)	-	-	499,487	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	421,701	-	27,674	-
Contract liabilities - current (Note 27)	1,615,115	1	8,359,581	7
Notes payable	4,803	-	162,247	-
Trade payables	909,829	1	2,473,120	2
Trade payables to related parties (Note 27)	4,990,651	5	5,182,279	5
Other payables to related parties (Note 27)	12,042,400	12	-	-
Other payables (Note 16)	4,276,991	4	4,993,586	4
Current tax liabilities (Notes 4 and 20)	596,599	-	3,923,898	3
Lease liabilities - current	2,381	-	-	-
Other current liabilities	<u>804,737</u>	<u>1</u>	<u>807,044</u>	<u>1</u>
Total current liabilities	<u>43,016,707</u>	<u>41</u>	<u>46,846,216</u>	<u>40</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 28)	14,013,562	14	9,000,000	8
Deferred tax liabilities (Notes 4 and 20)	99,292	-	205,022	-
Net defined benefit liabilities (Notes 4 and 17)	156,940	-	113,484	-
Guarantee deposits received	126	-	126	-
Other non-current liabilities (Notes 4 and 12)	<u>268,270</u>	<u>-</u>	<u>510,359</u>	<u>1</u>
Total non-current liabilities	<u>14,538,190</u>	<u>14</u>	<u>9,828,991</u>	<u>9</u>
Total liabilities	<u>57,554,897</u>	<u>55</u>	<u>56,675,207</u>	<u>49</u>
EQUITY				
Share capital				
Common shares	4,290,478	4	4,270,394	3
Capital collected in advance	<u>12,093</u>	<u>-</u>	<u>453</u>	<u>-</u>
Total share capital	<u>4,302,571</u>	<u>4</u>	<u>4,270,847</u>	<u>3</u>
Capital surplus				
Issuance of common shares	2,534,899	2	2,718,524	2
From share of changes in capital surplus of associates	2,842,519	3	2,804,929	3
From employee share options	<u>16,097</u>	<u>-</u>	<u>20,146</u>	<u>-</u>
Total capital surplus	<u>5,393,515</u>	<u>5</u>	<u>5,543,599</u>	<u>5</u>
Retained earnings				
Legal reserve	6,619,525	6	3,235,596	3
Special reserve	1,647,658	2	437,595	-
Unappropriated earnings	<u>33,213,246</u>	<u>32</u>	<u>49,478,674</u>	<u>43</u>
Total retained earnings	<u>41,480,429</u>	<u>40</u>	<u>53,151,865</u>	<u>46</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	(2,560,689)	(2)	(1,820,627)	(2)
Unrealized valuation gain on financial assets at FVTOCI	<u>52,457</u>	<u>-</u>	<u>610,563</u>	<u>1</u>
Total other equity	<u>(2,508,232)</u>	<u>(2)</u>	<u>(1,210,064)</u>	<u>(1)</u>
Treasury shares	<u>(2,421,552)</u>	<u>(2)</u>	<u>(2,421,552)</u>	<u>(2)</u>
Total equity	<u>46,246,731</u>	<u>45</u>	<u>59,334,695</u>	<u>51</u>
TOTAL	<u>\$ 103,801,628</u>	<u>100</u>	<u>\$ 116,009,902</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated February 26, 2020)

YAGEO CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 27)				
Net sales	\$ 23,179,251	100	\$ 37,221,892	100
OPERATING COSTS (Notes 4, 11, 19 and 27)				
Cost of goods sold	<u>19,420,881</u>	<u>84</u>	<u>13,505,778</u>	<u>36</u>
GROSS PROFIT	3,758,370	16	23,716,114	64
REALIZED GAIN (LOSS) ON TRANSACTIONS WITH SUBSIDIARIES (Note 4)	<u>1,952,897</u>	<u>8</u>	<u>(2,227,783)</u>	<u>(6)</u>
REALIZED GROSS PROFIT	<u>5,711,267</u>	<u>24</u>	<u>21,488,331</u>	<u>58</u>
OPERATING EXPENSES (Notes 4, 19 and 27)				
Selling and marketing expenses	1,551,593	7	1,180,751	3
General and administrative expenses	1,057,654	4	2,687,290	7
Research and development expenses	242,315	1	275,757	1
Expected credit (loss) gain (Notes 4 and 10)	<u>852</u>	<u>-</u>	<u>(505)</u>	<u>-</u>
Total operating expenses	<u>2,852,414</u>	<u>12</u>	<u>4,143,293</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>2,858,853</u>	<u>12</u>	<u>17,345,038</u>	<u>47</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 4 and 19)	(402,811)	(2)	(398,205)	(1)
Share of profit of subsidiaries and associates (Note 4)	5,209,574	23	18,278,731	49
Interest income (Note 4)	398,358	2	495,310	1
Rental income (Notes 4 and 27)	2,516	-	2,694	-
Gain on financial instruments at fair value through profit or loss (Note 4)	571,309	3	380,397	1
Loss on financial instruments at fair value through profit or loss (Note 4)	(1,314,050)	(6)	(210,786)	-
Other gains and losses (Notes 4, 19 and 27)	<u>773,791</u>	<u>3</u>	<u>887,239</u>	<u>2</u>
Total non-operating income	<u>5,238,687</u>	<u>23</u>	<u>19,435,380</u>	<u>52</u>
PROFIT BEFORE INCOME TAX	8,097,540	35	36,780,418	99
INCOME TAX EXPENSE (Notes 4 and 20)	<u>1,152,747</u>	<u>5</u>	<u>2,941,125</u>	<u>8</u>
NET PROFIT FOR THE YEAR	<u>6,944,793</u>	<u>30</u>	<u>33,839,293</u>	<u>91</u>

(Continued)

YAGEO CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	\$ (47,340)	-	\$ 30,078	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 18)	12,721	-	531,170	1
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method (Note 4)	(359,042)	(2)	(104)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 20)	<u>9,468</u>	<u>-</u>	<u>(3,094)</u>	<u>-</u>
	<u>(384,193)</u>	<u>(2)</u>	<u>558,050</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method (Notes 4 and 18)	(925,078)	(4)	(1,398,526)	(4)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 20)	<u>185,016</u>	<u>1</u>	<u>114,209</u>	<u>1</u>
	<u>(740,062)</u>	<u>(3)</u>	<u>(1,284,317)</u>	<u>(3)</u>
Other comprehensive loss for the year, net of income tax	<u>(1,124,255)</u>	<u>(5)</u>	<u>(726,267)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,820,538</u>	<u>25</u>	<u>\$ 33,113,026</u>	<u>89</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 21)				
Basic	<u>\$ 16.35</u>		<u>\$ 80.30</u>	
Diluted	<u>\$ 16.02</u>		<u>\$ 78.09</u>	

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

(With Deloitte & Touche audit report dated February 26, 2020)

(Concluded)

YAGEO CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								Other Equity					
	Share Capital (Note 18)			Capital Surplus (Notes 4, 18 and 22)	Retained Earnings				Exchange Differences on Translating the Financial Statements of the Foreign Operations (Notes 4 and 18)	Unrealized Valuation Gain (Loss) on Available-for-sale Financial Assets (Notes 4 and 18)	Unrealized Valuation	Treasury Stock (Note 18)	Total Equity	
	Common Shares	Capital Collected in Advance	Total		Legal Reserve (Note 18)	Special Reserve (Note 18)	Unappropriated Earnings (Notes 4, 17 and 18)	Total			Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
											Total			
BALANCE, JANUARY 1, 2018	\$ 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	\$ -	\$ 247,296	\$ -	\$ 31,225,047
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	5,440	5,440	-	(1,911,923)	1,906,483	(5,440)	-	-
BALANCE AT JANUARY 1, 2018 AS 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	241,856	-	31,225,047
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)
Share dividends distributed by the Company	701,413	-	701,413	-	-	-	(701,413)	(701,413)	-	-	-	-	-	-
Changes in capital surplus from investments in subsidiaries and associates accounted for using equity method	-	-	-	2,389,116	-	-	-	-	-	-	-	-	-	2,389,116
Issuance of cash dividends from capital surplus	-	-	-	(226,586)	-	-	-	-	-	-	-	-	-	(226,586)
Actual acquisitions of interests in subsidiaries	-	-	-	-	-	-	(25,874)	(25,874)	-	-	-	-	-	(25,874)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	(25,765)	(25,765)	-	-	-	-	-	(25,765)
Recognition of employee share options by the Company	64,971	(1,175)	63,796	279,631	-	-	-	-	-	-	-	-	-	343,427
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	33,839,293	33,839,293	-	-	-	-	-	33,839,293
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	26,880	26,880	(156,000)	-	(597,147)	(753,147)	-	(726,267)
Buyback of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(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)	(698,773)	-	-
BALANCE AT 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	(1,210,064)	(2,421,552)	59,334,695
Appropriation of the 2018 earnings														
Legal reserve	-	-	-	-	3,383,929	-	(3,383,929)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	1,210,064	(1,210,064)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(18,790,142)	(18,790,142)	-	-	-	-	-	(18,790,142)
Changes in capital surplus from investments in subsidiaries and associates accounted for using equity method	-	-	-	107,616	-	-	-	-	-	-	-	-	-	107,616
Issuance of cash dividends from capital surplus	-	-	-	(296,909)	-	-	-	-	-	-	-	-	-	(296,909)
Actual acquisitions of interests in subsidiaries	-	-	-	(70,026)	-	-	-	-	-	-	-	-	-	(70,026)
Recognition of employee share options by the Company	20,084	11,640	31,724	109,235	-	-	-	-	-	-	-	-	-	140,959
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	6,944,793	6,944,793	-	-	-	-	-	6,944,793
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(192,103)	(192,103)	(740,062)	-	(192,090)	(932,152)	-	(1,124,255)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	366,016	366,016	-	-	(366,016)	(366,016)	-	-
BALANCE AT DECEMBER 31, 2019	<u>\$ 4,290,478</u>	<u>\$ 12,093</u>	<u>\$ 4,302,571</u>	<u>\$ 5,393,515</u>	<u>\$ 6,619,525</u>	<u>\$ 1,647,659</u>	<u>\$ 33,213,245</u>	<u>\$ 41,480,429</u>	<u>\$ (2,560,689)</u>	<u>\$ -</u>	<u>\$ 52,457</u>	<u>\$ (2,508,232)</u>	<u>\$ (2,421,552)</u>	<u>\$ 46,246,731</u>

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

(With Deloitte & Touche audit report dated February 26, 2020)

YAGEO CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 8,097,540	\$ 36,780,418
Adjustments for:		
Expected credit loss recognized (reversed) on trade receivables	852	(505)
Depreciation expenses	981,724	3,762,953
Amortization expenses	55,744	45,805
Amortization of prepayments	5,816	5,779
Net loss (gain) on fair value change of financial assets and liabilities at fair value through profit or loss	742,741	(169,611)
Finance costs	402,811	398,205
Interest income	(398,358)	(495,310)
Dividend income	(45,538)	(23,269)
Share of profit of subsidiaries and associates	(5,209,574)	(18,278,731)
Net (gain) loss on disposal of property, plant and equipment	(413)	1,023
Write-downs of inventories	322,706	37,874
Realized (gain) loss on the transactions with subsidiaries	(1,952,897)	2,227,783
Net gain on foreign currency exchange	(452,207)	(40,696)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(374,299)	108,058
Notes receivable	-	445
Trade receivables	1,286,437	(1,152,369)
Trade receivables of related parties	1,500,491	1,641,691
Other receivables	56,506	(6,872)
Other receivables of related parties	113,078	111,826
Inventories	754,238	(1,743,897)
Prepayments	235,647	(187,509)
Other current assets	519	(98)
Contract liabilities	(6,744,466)	8,359,581
Notes payable	(157,444)	158,798
Trade payables	(1,554,740)	4,512
Trade payables of related parties	(91,778)	244,185
Other payables	(290,109)	2,267,545
Other current liabilities	(2,307)	784,777
Net defined benefit liabilities	(3,884)	(63,579)
Cash (used in) generated from operations	(2,721,164)	34,778,812
Interest received	424,265	496,918
Dividend received	45,538	23,269
Interest paid	(402,447)	(397,648)
Income tax paid	(4,341,065)	(691,300)
Net cash (used in) generated from operating activities	(6,994,873)	34,210,051
		(Continued)

YAGEO CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ 934,577	\$ 280,073
Proceeds from sale of financial assets at amortized cost	2,582,518	277,875
Acquisition of associates	(24,010)	(25,653,852)
Proceeds from capital reduction of associates	4,150,720	122,887
Payments for property, plant and equipment	(2,854,496)	(3,480,310)
Proceeds from disposal of property, plant and equipment	40,428	29,697
Increase decrease in refundable deposits	(1,187)	(859)
Payments for intangible assets	(1,526)	(10,010)
Dividends received from subsidiaries and associates	<u>537,620</u>	<u>301,773</u>
Net cash generated from (used in) investing activities	<u>5,364,644</u>	<u>(28,132,726)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(3,065,800)	6,437,860
Repayments of short-term bills payable	(500,000)	(600,000)
Proceeds from long-term borrowings	12,513,562	3,500,000
Repayments of long-term borrowings	(7,500,000)	-
Other payables to related parties	12,480,605	-
Repayment of lease liabilities	(2,400)	-
Dividends paid to owners of the Company	(19,087,051)	(5,262,730)
Proceeds from employee share options	140,959	343,427
Payments for buyback of treasury shares	<u>-</u>	<u>(2,421,552)</u>
Net cash (used in) generated from financing activities	<u>(5,020,125)</u>	<u>1,997,005</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,650,354)	8,074,330
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>8,535,682</u>	<u>461,352</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,885,328</u>	<u>\$ 8,535,682</u>

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

(With Deloitte & Touche audit report dated February 26, 2020)

(Concluded)

YAGEO CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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 financial statements of the Company are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on February 26, 2020.

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), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, 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 did not have material impact on the Company's accounting policies:

1) IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Company elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes 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 are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- a) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company adjusts the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized on December 31, 2018, instead of assessing the impairment under IAS 36.
- c) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- d) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- e) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

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

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.744%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 16,381
Less: Recognition exemption for short-term leases	<u>(10,381)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 6,000</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 5,107</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 5,107</u>

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	\$ -	\$ 5,107	\$ 5,107
Lease liabilities - current	\$ -	\$ 5,107	\$ 5,107

2) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" 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. Upon initial application of the above amendment, the related borrowing costs are included in the calculation starting from 2019.

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Company 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 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

1) 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 or not an acquired set of activities and assets is a business.

2) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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 Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Company 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 Company sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate, i.e., the Company's share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e., the Company's share of the gain or loss is eliminated.

2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only financial statements have been prepared on the historical cost basis. Except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

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.

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 Company 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. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company'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 (i.e., not retranslated).

For the purpose of presenting financial statements, the functional currencies of the Company's foreign operations (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.

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.

e. 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. 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.

f. Investments in subsidiaries

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

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (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 Company's net investment in the subsidiary), the Company continues recognizing its share of further loss.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

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

The Company 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 Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the Company'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 Company'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 Company's proportionate interest in the associate. The Company 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 Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had 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 Company'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 Company's net investment in the associate), the Company discontinues recognizing its share of further losses, if any. Additional losses and liabilities are recognized only to the extent that the Company 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 is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate is recognized in the Company's financial statements only to the extent of interests in the associate is not related to the Company.

h. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured 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.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

i. Goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Company'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 whenever 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 Company disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

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

l. Financial instruments

Financial assets and financial liabilities are recognized when the Company 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

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 26: Financial instruments.

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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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 Company 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 Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

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

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company 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 Company 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.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 60 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset 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 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 the Company 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 the Company 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:

Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, and 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 26.

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

Derivatives are initially recognized at fair value at the date 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.

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.

m. Revenue recognition

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

Revenue from the sale of goods comes from sales of passive components. Sales of passive components are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

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

n. Leasing

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

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.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. Lease liabilities are presented on a separate line in the balance sheets.

2018

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 Company as lessor

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

2) The Company as lessee

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

o. Borrowing costs

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Employee share options

Employee share options granted to employees and others providing similar services

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 Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of treasury shares transferred to employees is the date on which the employees are informed.

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only 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 Company 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 Company's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company'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 Note 9 and 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

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

c. Impairment of property, plant and equipment

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

d. Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 205	\$ 205
Demand deposits	1,730,233	8,218,509
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>154,890</u>	<u>316,968</u>
	<u>\$ 1,885,328</u>	<u>\$ 8,535,682</u>

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

	December 31	
	2019	2018
Bank deposits	0.01%-2.12%	0.01%-2.95%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 78	\$ 16,901
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares		
Linko International Golf & Country Club	\$ 482	\$ 482
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	\$ 421,701	\$ 27,674

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
Buy	USD/NTD	2020.01.03-2020.01.31	USD1,226,205/NTD37,255,360
Buy	EUR/NTD	2020.01.03	EUR234/NTD7,887
Sell	EUR/USD	2020.01.02	EUR10,000/USD11,196
<u>December 31, 2018</u>			
Buy	USD/NTD	2019.01.04-2019.01.28	USD581,500/NTD17,903,315

The Company 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

Investments in equity instruments at FVTOCI

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares		
TA-I Technology Co., Ltd.	\$ -	\$ 878,826
Foreign investments		
Overseas listed shares		
SHS KOA Corp.	-	233,418
	<u>\$ -</u>	<u>\$ 1,112,244</u>

These investments in equity instruments are held for medium to long-term strategic purposes and expected to profit through long term investments. 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 Company's strategy of holding these investments for long-term purposes. In 2019, the Company sold all its ordinary shares in SHS KOA Corp. and all its ordinary shares in TA-I Technology Co., Ltd. in order to manage credit concentration risk. The shares sold had a fair value of JPY1,030,735 thousand and \$645,234 thousand, respectively, and related unrealized valuation gain of \$365,781 thousand in other equity was transferred to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Non-current</u>		
Foreign investments		
Corporate bonds	<u>\$ 242,480</u>	<u>\$ 2,839,120</u>

From August to October 2017, the Company bought corporate bonds at face value of \$98,500 in thousand U.S. dollars with the coupon rates of 2.95% to 5.50% and an effective interest rates 2.53% to 3.65%.

In October 2018 and from September to December 2019, part of the bonds were sold to manage credit concentration risk; the bonds were sold at fair value of \$277,875 thousand and \$2,582,518 thousand, respectively.

10. TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 928,254	\$ 2,241,772
Less: Allowance for impairment loss	<u>(12,277)</u>	<u>(29,186)</u>
	<u>\$ 915,977</u>	<u>\$ 2,212,586</u>

Trade Receivables

The average credit period of sales of goods was 30-90 days. No interest was charged on trade receivables. The Company adopted a policy of dealing with major customers that the Company 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 Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Company 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 Company reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. 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 Company'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 Company's different customer base.

The Company 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 Company 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 trade receivables was as follows:

	December 31	
	2019	2018
Current term	\$ 910,395	\$ 1,938,573
Past due		
1-60 days	6,355	270,746
61-90 days	-	643
91-181 days	-	13,829
More than 181 days	<u>11,504</u>	<u>17,981</u>
	<u>\$ 928,254</u>	<u>\$ 2,241,772</u>

In 2019, the expected credit loss rate of trade receivable for not past due, 1-90 days past due and 91 days or older past due was 0.01%, 1.21% and 43.77%-100%, respectively.

In 2018, the expected credit loss rate of trade receivable for not past due, 1-90 days past due and 91 days or older past due was 0.01%, 3.72% and 43.77%-100%, respectively.

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	
	2019	2018
Balance at January 1	\$ 29,186	\$ 29,691
Add: Net remeasurement of loss allowance	328,376	285,999
Less: Net remeasurement of loss allowance	(327,524)	(286,504)
Less: Amounts written off	<u>(17,761)</u>	<u>-</u>
Balance at December 31	<u>\$ 12,277</u>	<u>\$ 29,186</u>

11. INVENTORIES

	December 31	
	2019	2018
Finished goods and merchandise	\$ 933,447	\$ 1,608,086
Work in progress	316,789	338,084
Raw materials	652,113	940,228
Supplies	<u>79,729</u>	<u>172,624</u>
	<u>\$ 1,982,078</u>	<u>\$ 3,059,022</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$19,420,881 thousand and \$13,505,778 thousand, respectively. The cost of goods sold included inventory write-downs of \$322,706 thousand and \$37,874 thousand for the years ended December 31, 2019 and 2018, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	\$ 81,060,995	\$ 79,733,179
Investment in subsidiaries classified as other non-current liabilities	\$ (268,270)	\$ (510,359)
Investments in associates	\$ 4,979,696	\$ 5,107,493

a. Investments in subsidiaries

	December 31	
	2019	2018
Yageo Holding (Bermuda) Ltd.	\$ 48,731,724	\$ 50,355,543
Pulse Electronics Corporation	24,833,228	22,506,651
Brightking Holdings Ltd.	3,069,877	3,310,532
Yageo Europe Holding B.V.	1,741,726	1,023,882
Ko-Shin Investment Limited	1,535,656	1,751,697
Ferroxcube (Samoa) Holding Ltd.	768,212	784,278
Yageo Corporation (South Asia) Pte. Ltd.	379,466	(231,872)
Yageo South Asia (M) Sdn. Bhd.	1,106	596
Yageo America Corporation	(268,270)	(278,487)
	80,792,725	79,222,820
Add: Investment in subsidiaries classified as other non-current liabilities	268,270	510,359
	<u>\$ 81,060,995</u>	<u>\$ 79,733,179</u>

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2019	2018
Yageo Holding (Bermuda) Ltd.	100.0%	100.0%
Yageo Europe Holding B.V.	100.0%	100.0%
Ko-Shin Investment Limited	100.0%	100.0%
Ferroxcube (Samoa) Holding Ltd.	100.0%	100.0%
Yageo Corporation (South Asia) Pte. Ltd.	100.0%	100.0%
Yageo South Asia (M) Sdn. Bhd.	100.0%	100.0%
Yageo America Corporation	100.0%	100.0%
Brightking Holdings Ltd.	100.0%	100.0%
Yageo Holding (Cayman) Limited	-	100.0%
Pulse Electronics Corporation	100.0%	100.0%

Yageo Holding (Cayman) Limited was dissolved after being merged with Brightking Holdings Limited in November 2019.

For details about the acquisition of Brightking Holdings Limited and Pulse Electronics Corporation, refer to Note 26 to the Company's consolidated financial statements for the year ended December 31, 2019.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 was based on the subsidiaries' financial statements which have been audited for the same years. The financial statements of Yageo Europe Holding B.V. as of and for the years ended December 31, 2019 and 2018 had been audited by other auditors.

b. Investments in associates

	December 31	
	2019	2018
Material associates		
Chilisin Electronics Corp.	<u>\$ 4,199,175</u>	<u>\$ 4,301,322</u>
Associates that are not individually material		
Kaimei Electronics Corp.(Note)	505,606	506,514
Global Testing Corporation Limited (GTCL)	182,945	211,496
Strong Components Co., Ltd.	<u>91,970</u>	<u>88,161</u>
	<u>780,521</u>	<u>806,171</u>
	<u>\$ 4,979,696</u>	<u>\$ 5,107,493</u>

Note: Teapo Electronics Corporation held shareholders' meeting on June 5, 2019, and passed the decision to acquire 100% of the equity interests of Kaimei Electronic Corp. through issuance of common stock; the record date of the acquisition was September 30, 2019; after the acquisition, Teapo Electronics Corporation is the surviving company and renamed Kaimei Electronic Corp.

Material associates

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associates	2019	2018
Chilisin Electronics Corp.	10.39%	10.40%

Refer to Table 8 "Information on Investees" 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	2019	2018
Chilisin Electronics Corp.	\$ 3,235,332	\$ 1,984,169
Kaimei Electronic Corp.	524,635	441,179
GTCL	<u>91,194</u>	<u>111,040</u>
	<u>\$ 3,851,161</u>	<u>\$ 2,536,388</u>

All the associates were accounted for using the equity method.

Summarized financial information in respect of each of the Company's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Chilisin Electronics Corp.

	December 31	
	2019	2018
Current assets	\$ 16,901,120	\$ 18,502,431
Non-current assets	23,336,272	22,544,803
Current liabilities	(11,636,991)	(10,599,060)
Non-current liabilities	<u>(4,981,992)</u>	<u>(5,873,843)</u>
Equity	23,618,409	24,574,331
Non-controlling interests	<u>(74,741)</u>	<u>(73,793)</u>
	<u>\$ 23,543,668</u>	<u>\$ 24,500,538</u>
Proportion of the Company's ownership	10.39%	10.40%
Equity attributable to the Company	\$ 2,446,187	\$ 2,548,056
Other adjustments	<u>1,752,988</u>	<u>1,753,266</u>
Carrying amount	<u>\$ 4,199,175</u>	<u>\$ 4,301,322</u>
	For the Year Ended December 31	
	2019	2018
Operating revenue	<u>\$ 15,870,564</u>	<u>\$ 17,553,007</u>
Net profit for the year	\$ 1,150,010	\$ 2,866,095
Other comprehensive loss	<u>(574,456)</u>	<u>(187,404)</u>
Total comprehensive income for the year	<u>\$ 575,554</u>	<u>\$ 2,678,691</u>
Dividends received from Chilisin Electronics Corp.	<u>\$ 201,843</u>	<u>\$ 69,130</u>

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Company's share of:		
Net profit for the year	\$ 12,142	\$ 177,141
Other comprehensive income	<u>722</u>	<u>11,957</u>
Total comprehensive income for the year	<u>\$ 12,864</u>	<u>\$ 189,098</u>

Investments in Chilisin Electronics Corp. and Kaimei Electronic Corp. were accounted for by the equity method since the Company had significant influence over it.

Except for Kaimei Electronic Corp., investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statement of Kaimei Electronic Corp. which have not been audited. The financial statements of some investment in associates - Strong Components Co., Ltd. as of and for the years ended December 31, 2019 and 2018 had been audited by other auditors.

13. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
Assets used by the Company	\$ 7,250,154
Assets leased under operating leases	<u>59,185</u>
	<u>\$ 7,309,339</u>

a. Assets used by the Company - 2019

	Freehold Land	Buildings	Machinery Equipment	Other Equipment	Construction in Progress and Unaccepted Equipment	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 628,348	\$ 4,594,866	\$ 15,503,463	\$ 1,108,240	\$ 765,638	\$ 22,600,555
Additions	951,724	20,883	45	2,188	1,453,380	2,428,220
Disposals	-	(3,880)	(454,958)	(10,500)	-	(469,338)
Transfers to assets leased under operating leases	(29,814)	(30,333)	-	-	-	(60,147)
Reclassifications	<u>-</u>	<u>499,277</u>	<u>990,825</u>	<u>83,954</u>	<u>(1,606,426)</u>	<u>(32,370)</u>
Balance at December 31, 2019	<u>\$ 1,550,258</u>	<u>\$ 5,080,813</u>	<u>\$ 16,039,375</u>	<u>\$ 1,183,882</u>	<u>\$ 612,592</u>	<u>\$ 24,466,920</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ 3,808	\$ 2,877,074	\$ 12,938,329	\$ 858,864	\$ -	\$ 16,678,075
Disposals	-	(3,880)	(415,268)	(10,066)	-	(429,214)
Depreciation expenses	-	218,482	680,240	80,404	-	979,126
Transfers to assets leased under operating leases	-	(11,221)	-	-	-	(11,221)
Reclassifications	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 3,808</u>	<u>\$ 3,080,455</u>	<u>\$ 13,203,301</u>	<u>\$ 929,202</u>	<u>\$ -</u>	<u>\$ 17,216,766</u>
Carrying amounts at December 31, 2019	<u>\$ 1,546,450</u>	<u>\$ 2,000,358</u>	<u>\$ 2,836,074</u>	<u>\$ 254,680</u>	<u>\$ 612,592</u>	<u>\$ 7,250,154</u>

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

Buildings	
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 used by the Company and pledged as collateral for bank borrowings are set out in Note 27.

b. Assets leased under operating leases - 2019

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 6,480	\$ 6,613	\$ 13,093
Transfers from assets used by the Company	<u>29,814</u>	<u>30,333</u>	<u>60,147</u>
Balance at December 31, 2019	<u>\$ 36,294</u>	<u>\$ 36,946</u>	<u>\$ 73,240</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ -	\$ 2,596	\$ 2,596
Depreciation expenses	-	238	238
Transfers from assets used by the Company	<u>-</u>	<u>11,221</u>	<u>11,221</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 14,055</u>	<u>\$ 14,055</u>
Carrying amounts at December 31, 2019	<u>\$ 36,294</u>	<u>\$ 22,891</u>	<u>\$ 59,185</u>

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31, 2019
Not later than 1 year	\$ 618
Later than 1 year and not later than 5 years	<u>511</u>
	<u>\$ 1,129</u>

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

Buildings	
Main buildings	50-56 years

c. 2018

	Freehold Land	Buildings	Machinery Equipment	Other Equipment	Construction in Progress and Unaccepted Equipment	Total
<u>Cost</u>						
Balance at January 1, 2018	\$ 634,828	\$ 4,348,287	\$ 12,834,138	\$ 973,015	\$ 1,230,621	\$ 20,020,889
Additions	-	155	269	3,208	3,260,627	3,264,259
Disposals	-	(177,659)	(444,606)	(16,676)	-	(638,941)
Reclassifications	<u>-</u>	<u>430,696</u>	<u>3,113,662</u>	<u>148,693</u>	<u>(3,725,610)</u>	<u>(32,559)</u>
Balance at December 31, 2018	<u>\$ 634,828</u>	<u>\$ 4,601,479</u>	<u>\$ 15,503,463</u>	<u>\$ 1,108,240</u>	<u>\$ 765,638</u>	<u>\$ 22,613,648</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2018	\$ 3,808	\$ 2,893,577	\$ 9,815,953	\$ 812,413	\$ -	\$ 13,525,751
Disposals	-	(176,266)	(415,406)	(16,361)	-	(608,033)
Depreciation expense	<u>-</u>	<u>162,359</u>	<u>3,537,782</u>	<u>62,812</u>	<u>-</u>	<u>3,762,953</u>
Balance at December 31, 2018	<u>\$ 3,808</u>	<u>\$ 2,879,670</u>	<u>\$ 12,938,329</u>	<u>\$ 858,864</u>	<u>\$ -</u>	<u>\$ 16,680,671</u>
Carrying amounts at December 31, 2018	<u>\$ 631,020</u>	<u>\$ 1,721,809</u>	<u>\$ 2,565,134</u>	<u>\$ 249,376</u>	<u>\$ 765,638</u>	<u>\$ 5,932,977</u>

Operating leases relate to lease of the property owned by the Company with lease terms between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods

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

	December 31, 2018
Not later than 1 year	\$ 2,289
Later than 1 year and not later than 5 years	<u>1,895</u>
	<u>\$ 4,184</u>

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

Buildings	
Main buildings	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 is set out in Note 27.

14. GOODWILL

	For the Year Ended December 31	
	2019	2018
<u>Cost</u>		
Balance at January 1 and December 31	<u>\$ 109,643</u>	<u>\$ 109,643</u>

The recoverable amount of the cash-generating unit was determined based on a value in use calculation. The Company'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, 2019 and 2018: 11.64% and 14.82%, 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 Company's own business. The Company'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, 2019 and 2018, there was no indication of impairment loss based on the principal assumptions.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 17,351,500	\$ 20,417,300

The effective interest rates for bank loans had ranges of 0.8500%-0.9000% and 0.7000%-3.2056% per annum as of December 31, 2019 and 2018, respectively.

b. Short-term bills payable

	For the Year Ended December 31	
	2019	2018
Commercial paper	\$ -	\$ 500,000
Less: Unamortized discount on bills payable	-	513
	<u>\$ -</u>	<u>\$ 499,487</u>

Outstanding short-term bills payable were as follows:

December 31, 2018

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

c. Long-term borrowings

	December 31	
	2019	2018
<u>Secured borrowings</u>		
Bank loans	\$ 12,513,562	\$ 7,500,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>1,500,000</u>	<u>1,500,000</u>
	<u>\$ 14,013,562</u>	<u>\$ 9,000,000</u>

The effective interest rate of long-term bank loans was 0.8690%-1.9027% and 0.9800%-1.7970% per annum as of December 31, 2019 and 2018, respectively.

The Company signed a \$1,500,000 thousand medium-term loan agreement with MUFG Bank, Ltd. on March 23, 2018. The terms of the loan 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 other financial institutions on April 10, 2017. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
\$ 10,800,000	Five years after the date of first borrowing	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

The Company signed a \$3,000,000 thousand mid-to-long-term loan agreement with TFC Bank Co., Ltd. on August 6, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
\$ 3,000,000	Five years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period

The Company signed a \$5,000,000 thousand mid-to-long-term loan agreement with CTBC Bank Co., Ltd. on August 6, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
\$ 5,000,000	Machinery equipment: Ten years after the date of first borrowing Revolving fund: Seven years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period

The Company signed a \$4,000,000 thousand mid-to-long-term loan agreement with Mega International Commercial Bank on August 21, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
\$ 4,000,000	Machinery equipment: Seven years after the date of first borrowing Factory building: Ten years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period

The Company signed a \$2,560,000 thousand mid-to-long-term loan agreement with Chang Hwa Commercial Bank, Ltd. on September 11, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
\$ 560,000	Seven years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period
2,000,000	Seven years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1.5%	Three-year grace period. Monthly installments after expiration of grace period

Under the loan agreements, except MUFG Bank, Ltd., 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.

16. OTHER LIABILITIES

	December 31	
	2019	2018
<u>Current</u>		
Other payables		
Payables for compensation of employees and remuneration of directors	\$ 1,095,930	\$ 2,527,914
Payables for salaries or bonuses	306,896	426,252
Payables for purchases of equipment	297,781	724,057
Payables for annual leave	43,801	43,251
Payables for dividends	7,686	7,686
Others	<u>2,524,897</u>	<u>1,264,426</u>
	<u>\$ 4,276,991</u>	<u>\$ 4,993,586</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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 contributes 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 Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 366,990	\$ 346,860
Fair value of plan assets	<u>(210,050)</u>	<u>(233,376)</u>
Net defined benefit liability	<u>\$ 156,940</u>	<u>\$ 113,484</u>

Movements in the net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2018	<u>\$ 379,066</u>	<u>\$ (171,924)</u>	<u>\$ 207,142</u>
Service cost			
Current service cost	3,440	-	3,440
Net interest expense (income)	<u>4,738</u>	<u>(2,545)</u>	<u>2,193</u>
Recognized in profit or loss	<u>8,178</u>	<u>(2,545)</u>	<u>5,633</u>
Remeasurement			
Actuarial (gain) loss			
Changes in demographic assumptions	741	-	741
Changes in financial assumptions	3,707	-	3,707
Experience adjustments	<u>(29,780)</u>	<u>(4,746)</u>	<u>(34,526)</u>
Recognized in other comprehensive income	<u>(25,332)</u>	<u>(4,746)</u>	<u>(30,078)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	\$ -	\$ (69,213)	\$ (69,213)
Benefits paid	<u>(15,052)</u>	<u>15,052</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 346,860</u>	<u>\$ (233,376)</u>	<u>\$ 113,484</u>
Balance at January 1, 2019	<u>\$ 346,860</u>	<u>\$ (233,376)</u>	<u>\$ 113,484</u>
Service cost			
Current service cost	2,843	-	2,843
Net interest expense (income)	<u>3,902</u>	<u>(2,675)</u>	<u>1,227</u>
Recognized in profit or loss	<u>6,745</u>	<u>(2,675)</u>	<u>4,070</u>
Remeasurement			
Actuarial (gain) loss			
Changes in demographic assumptions	2,002	-	2,002
Changes in financial assumptions	10,012	-	10,012
Experience adjustments	<u>42,460</u>	<u>(7,134)</u>	<u>35,326</u>
Recognized in other comprehensive income	<u>54,474</u>	<u>(7,134)</u>	<u>47,340</u>
Contributions from the employer	-	(7,915)	(7,915)
Benefits paid	<u>(41,089)</u>	<u>41,050</u>	<u>(39)</u>
Balance at December 31, 2019	<u>\$ 366,990</u>	<u>\$ (210,050)</u>	<u>\$ 156,940</u> (Concluded)

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

	For the Year Ended December 31	
	2019	2018
Operating costs	\$ 3,138	\$ 4,429
Selling and marketing expenses	240	280
General and administrative expenses	496	627
Research and development expenses	<u>196</u>	<u>297</u>
	<u>\$ 4,070</u>	<u>\$ 5,633</u>

Through the defined benefit plans under the Labor Standards Law, the Company 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 government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries 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	
	2019	2018
Discount rates	0.800%	1.125%
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	
	2019	2018
Discount rates		
0.25% increase	<u>\$ (7,836)</u>	<u>\$ (7,541)</u>
0.25% decrease	<u>\$ 8,107</u>	<u>\$ 7,804</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 7,809</u>	<u>\$ 7,542</u>
0.25% decrease	<u>\$ (7,587)</u>	<u>\$ (7,325)</u>

The sensitivity analysis previously 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 will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
Expected contributions to the plans for the next year	<u>\$ 7,915</u>	<u>\$ 8,750</u>
Average duration of the defined benefit obligation	11 years	12 years

18. EQUITY

a. Share capital

1) Common shares

	December 31	
	2019	2018
Shares authorized (in thousands of shares)	<u>4,000,000</u>	<u>4,000,000</u>
Shares authorized	<u>\$ 40,000,000</u>	<u>\$ 40,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>429,047</u>	<u>427,039</u>
Shares issued and fully paid	<u>\$ 4,290,478</u>	<u>\$ 4,270,394</u>

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

The movements of the common shares were due to 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, 2019 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	<u>(175,753)</u>	<u>(878,761)</u>
Outstanding GDRs issued	<u>12</u>	<u>62</u>

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

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

On January 6, 2020, the Company's board of directors resolved to issue ordinary shares for the purpose of issuing GDR. The limit of shares issued is expected to be 80,000 thousand shares, which was approved by the special meeting of shareholders on February 26, 2020.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)		
Issuance of ordinary shares	\$ 1,721,206	\$ 2,018,115
<u>May only be used to offset a deficit</u>		
Transferring from employee share options to issuance of common shares due to exercise	813,693	700,409
<u>May not be used for any purpose</u>		
Share of changes in capital surplus of associates or subsidiaries (2)	2,842,519	2,804,929
Employee share options	<u>16,097</u>	<u>20,146</u>
	<u>\$ 5,393,515</u>	<u>\$ 5,543,599</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and 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 (the "Articles"), when the Company has earnings for the year, the Company shall appropriate for remuneration of directors at 3% or less and for employees' bonus of at least 2% of the earnings. Then, the Company shall make payments for taxes and offset past years' deficit, if any. The remaining profit shall be distributed in the following order:

- 1) Legal reserve is appropriated at 10% of the remaining profit until 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. However, if the earnings distribution proposal is for the distribution of dividend and bonus in cash entirely or partially, it shall be resolved by the board of directors with the attendance of more-than-two-thirds of the directors and consent of the majority of attending directors; also it shall be reported in 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 set forth in the Articles, refer to e. employee benefits expense in Note 19.

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.

The Company's earnings distribution or loss recovery can be completed at the end of each interim fiscal year. The Company before distributing the earnings of the first half of the fiscal year as stated in the preceding paragraph should estimate and retain the amount of tax payable, loss coverage, employee compensation, and the provision of earnings reserved in advance. However, when the legal reserve equals to the amount of paid-in capital, it is not subject to this restriction.

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

The appropriations of earnings, bonuses to employees and remuneration to directors for 2018 and 2017 approved in the shareholders' meetings on June 5, 2019 and June 5, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	\$ 3,383,929	\$ 684,730	\$ -	\$ -
Special reserve	1,210,064	(1,286,097)	-	-
Cash dividends	18,790,142	5,036,144	44.30	14.36
Share dividends	-	701,413	-	2.00

On November 7, 2019, the Company's board of directors resolved not to appropriate earnings for the six months ended June 30, 2019.

On June 5, 2019, the Company's shareholders resolved to pay cash dividends at NT\$0.70 per share from capital surplus of \$296,909 thousand, and plus the above cash dividends at NT\$44.3 per share, the total cash dividends paid aggregated to NT\$45 per share for 2018.

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on February 26, 2020. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2019
Legal reserve	<u>\$ 731,081</u>
Special reserve	<u>\$ 1,298,169</u>
Cash dividends	<u>\$ 6,409,381</u>
Cash dividends per share (NT\$)	<u>\$ 15</u>

d. Special reserves

	For the Year Ended December 31	
	2019	2018
Beginning at January 1	\$ 437,595	\$ 1,723,692
Debit to other equity items	1,210,064	-
Reversal of the debits to other equity items	<u>-</u>	<u>(1,286,097)</u>
Balance at December 31	<u>\$ 1,647,659</u>	<u>\$ 437,595</u>

e. Other equity items

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ (1,820,627)	\$ (1,664,627)
Effect of change in tax rate	-	60,167
Recognized for the year		
Share from subsidiaries and associates accounted for using the equity method	<u>(740,062)</u>	<u>(216,167)</u>
Balance at December 31	<u>\$ (2,560,689)</u>	<u>\$ (1,820,627)</u>

	Amount Before Tax	Related Income Tax	Amount After Tax
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	<u>(270,209)</u>	<u>54,042</u>	<u>(216,167)</u>
Balance at December 31, 2018	<u>\$ (2,275,784)</u>	<u>\$ 455,157</u>	<u>\$ (1,820,627)</u>
Balance at January 1, 2019	\$ (2,275,784)	\$ 455,157	\$ (1,820,627)
Other comprehensive income recognized for the year	<u>(925,078)</u>	<u>185,016</u>	<u>(740,062)</u>
Balance at December 31, 2019	<u>\$ (3,200,862)</u>	<u>\$ 640,173</u>	<u>\$ (2,560,689)</u>

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 610,563	\$ 1,906,483
Recognized for the year		
Unrealized gain - equity instruments	12,721	531,170
Share from subsidiaries and associates accounted for using the equity method	(204,811)	(1,128,317)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(366,016)</u>	<u>(698,773)</u>
Balance at December 31	<u>\$ 52,457</u>	<u>\$ 610,563</u>

f. Treasury shares

Purpose of Buyback	Share Transferred to Employees (In Thousands of Shares)
Number of shares on January 1, 2018	-
Increase during the year	<u>2,965</u>
Number of shares on December 31, 2018	<u>2,965</u>

To enhance employee's 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.

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.

19. NET PROFIT FOR THE YEAR

a. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	\$ 413	\$ (1,023)
Net foreign exchange gains (losses)	660,950	855,767
Dividend income	45,538	23,269
Other gains	66,890	118,354
Other losses	<u>-</u>	<u>(109,128)</u>
	<u>\$ 773,791</u>	<u>\$ 887,239</u>

b. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	\$ 383,859	\$ 387,398
Interest on loans from related parties	15,151	-
Interest on short-term bills	1,844	6,128
Other finance costs	<u>1,957</u>	<u>4,679</u>
	<u>\$ 402,811</u>	<u>\$ 398,205</u>

c. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	\$ 877,944	\$ 3,672,191
Operating expenses	<u>103,780</u>	<u>90,762</u>
	<u>\$ 981,724</u>	<u>\$ 3,762,953</u>
An analysis of amortization by function		
Operating costs	\$ 279	\$ 797
Operating expenses	55,465	45,008
Other expenses	<u>5,816</u>	<u>5,779</u>
	<u>\$ 61,560</u>	<u>\$ 51,584</u>

d. Employee benefit expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	\$ 69,239	\$ 81,615
Defined benefit plans (Note 17)	4,070	5,633
Other employee benefits	<u>2,801,214</u>	<u>4,290,574</u>
Total employee benefit expense	<u>\$ 2,874,523</u>	<u>\$ 4,377,822</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 1,947,394	\$ 1,892,762
Operating expenses	<u>927,129</u>	<u>2,485,060</u>
	<u>\$ 2,874,523</u>	<u>\$ 4,377,822</u>

e. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors 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 for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on February 26, 2020 and March 14, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	3%	3%
Remuneration of directors	3%	3%

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 258,432	\$ -	\$ 1,173,843	\$ -
Remuneration of directors	258,432	-	1,173,843	-

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 employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2020 and 2019 is available at 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	
	2019	2018
Foreign exchange gains	\$ 1,161,556	\$ 1,401,979
Foreign exchange losses	<u>(500,606)</u>	<u>(546,212)</u>
	<u>\$ 660,950</u>	<u>\$ 855,767</u>

20. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2019	2018
<u>Current tax</u>		
In respect of current year	\$ 465,353	\$ 3,762,565
Income tax on unappropriated earnings	559,313	166,442
Adjustments for prior years	<u>(10,900)</u>	<u>(209,729)</u>
	<u>1,013,766</u>	<u>3,719,278</u>
<u>Deferred tax</u>		
In respect of current year	131,535	(744,066)
Effect of tax rate changes	-	(90,021)
Adjustments for prior years	<u>7,446</u>	<u>55,934</u>
	<u>138,981</u>	<u>(778,153)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,152,747</u>	<u>\$ 2,941,125</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before tax	\$ 8,097,540	\$ 36,780,418
Income tax expense calculated at the statutory rate	\$ 1,619,508	\$ 7,356,084
Unrecognized deductible temporary differences	(1,041,916)	(3,655,746)
Effect of tax rate changes	-	(90,021)
Others	19,296	(681,839)
Income tax on unappropriated earnings	559,313	166,442
Adjustments for prior years' tax	<u>(3,454)</u>	<u>(153,795)</u>
Income tax expense recognized in profit or loss	\$ 1,152,747	\$ 2,941,125

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Effect of change in tax rate	\$ -	\$ (63,088)
In respect of the current year		
Share of other comprehensive income of subsidiaries and associates for using the equity method	(185,016)	(54,042)
Remeasurement of defined benefit plan	<u>(9,468)</u>	<u>6,015</u>
	\$ (194,484)	\$ (111,115)

c. Current tax liabilities

	December 31	
	2019	2018
Current tax liabilities		
Income tax payable	\$ 596,599	\$ 3,923,898

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, 2019

	Opening Balance	Effect of Change in Tax Rate	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Impairment loss on goodwill	\$ 83,409	\$ -	\$ (55,606)	\$ -	\$ 27,803
Impairment loss on property, plant and equipment	220,048	-	(5,835)	-	214,213
Inventory write-downs	71,306	-	64,541	-	135,847
Accrued expenses	96,635	-	124,212	-	220,847
Defined benefit obligation	17,299	-	(802)	9,468	25,965
Exchange difference on foreign operation	455,156	-	-	185,016	640,172
Others	<u>1,018,055</u>	<u>-</u>	<u>(371,221)</u>	<u>-</u>	<u>646,834</u>
	<u>\$ 1,961,908</u>	<u>\$ -</u>	<u>\$ (244,711)</u>	<u>\$ 194,484</u>	<u>\$ 1,911,681</u>

Deferred tax liabilities

Temporary differences					
Others	<u>\$ 205,022</u>	<u>\$ -</u>	<u>\$ (105,730)</u>	<u>\$ -</u>	<u>\$ 99,292</u>

For the year ended December 31, 2018

	Opening Balance	Effect of Change in Tax Rate	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>					
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	30,676	5,413	(12,775)	(6,015)	17,299
Exchange difference on foreign operation	340,947	60,167	-	54,042	455,156
Others	<u>70,435</u>	<u>12,431</u>	<u>935,189</u>	<u>-</u>	<u>1,018,055</u>
	<u>\$ 867,618</u>	<u>\$ 153,109</u>	<u>\$ 893,154</u>	<u>\$ 48,027</u>	<u>\$ 1,961,908</u>

Deferred tax liabilities

Temporary differences					
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,022</u>	<u>\$ -</u>	<u>\$ 205,022</u>

e. Income tax assessments

The Company's income tax returns through 2017 had been assessed by the tax authorities.

21. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	<u>\$ 16.35</u>	<u>\$ 80.30</u>
Diluted earnings per share	<u>\$ 16.02</u>	<u>\$ 78.09</u>

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

Net Profit for the Year

	For the Year Ended December 31	
	2019	2018
Profit for the year attributable to owners of the Company	<u>\$ 6,944,793</u>	<u>\$ 33,839,293</u>

The weighted average number of common shares outstanding (in thousand shares) is as follows:

	For the Year Ended December 31	
	2019	2018
Weighted average number of common shares used in the computation of basic earnings per share	424,664	421,408
Effect of potentially dilutive common shares:		
Employee share option	4,652	7,825
Bonus issue to employees	<u>4,271</u>	<u>4,105</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>433,587</u>	<u>433,338</u>

If the Company can choose to settle compensation or bonuses paid to employees in cash or shares, when calculating diluted earnings per share, the Company would assume the entire amount of the compensation or bonuses to be settled in shares and the resulting potential shares would be included in the weighted average number of shares outstanding 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.

22. SHARE-BASED PAYMENT ARRANGEMENTS

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. In 2019 and 2018, the Company adjusted the exercise price from \$48.60 to \$40.20 and from \$58.20 to \$48.60, respectively, according to the formulas as specified by the employee share option plan. Information on employee share options was as follows:

	For the Year Ended December 31			
	2019		2018	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	8,541	\$48.60	15,308	\$58.20
Options forfeited	-	-	(387)	48.60-58.20
Options exercised	<u>(3,172)</u>	40.20-48.60	<u>(6,380)</u>	48.60-58.20
Balance at December 31	<u>5,369</u>	40.20	<u>8,541</u>	48.60
Options exercisable, end of year	<u>4,027</u>		<u>5,125</u>	

The weighted average share prices on the exercise date of the share options for the years ended December 31, 2019 and 2018 were \$278.86 and \$953.62, respectively.

Information about outstanding options was as follows:

	December 31	
	2019	2018
Range of exercise price (NT\$)	\$40.20	\$48.60
Weighted-average remaining contractual life (in years)	4.33	5.33

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.

23. ACQUISITION OF SUBSIDIARIES - WITH OBTAINED CONTROL

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
				<u>\$ 24,796,809</u>

In order to continue the expansion of the Company's activities in passive component, the Company acquired Brightking Holdings Limited and Pulse Electronics Corporation in 2018. For details about the acquisition of Brightking Holdings Limited and Pulse Electronics Corporation, refer to Note 26 to the Company's consolidated financial statements for the year ended December 31, 2019.

24. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

The Company acquired 18.92% of its interest in Brightking Holdings Limited, during the second quarter to the fourth quarter of 2018, increasing interest from 81.08% to 100%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For details about the partial acquirement Brightking Holdings Limited, refer to Note 27 to the Company's consolidated financial statements for the year ended December 31, 2019.

25. CAPITAL MANAGEMENT

The Company 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 Company'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 Company 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 Company 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 Company may reduce the Company's capital or adjust the amount of dividends paid to shareholders and the number of shares repurchased.

26. FINANCIAL INSTRUMENTS

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

The Company's management consider that the carrying amounts of financial assets and financial liabilities recognized in the 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, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 78	\$ -	\$ 78
Domestic unlisted shares	-	-	482	482
	<u>\$ -</u>	<u>\$ 78</u>	<u>\$ 482</u>	<u>\$ 560</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 421,701</u>	<u>\$ -</u>	<u>\$ 421,701</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 16,901	\$ -	\$ 16,901
Domestic unlisted shares	-	-	482	482
	<u>\$ -</u>	<u>\$ 16,901</u>	<u>\$ 482</u>	<u>\$ 17,383</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 878,826	\$ -	\$ -	\$ 878,826
Overseas listed shares	233,418	-	-	233,418
	<u>\$ 1,112,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,112,244</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 27,674</u>	<u>\$ -</u>	<u>\$ 27,674</u>

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

2) 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 year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

3) 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 as following: long-term revenue growth rates, long-term pre-tax operating margin, weighted average cost of capital ("WACC") and discount for the lack of marketability. 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	
	2019	2018
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 560	\$ 17,383
Financial assets at amortized cost (1)	6,277,060	18,544,007
Financial assets at FVTOCI		
Equity instruments	-	1,112,244
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	421,701	27,674
Amortized cost (2)	53,589,862	42,728,145

1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade and other receivables (including related parties) and refundable deposits.

2) The balances included financial liabilities at amortized cost, which comprise short-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 Company's major financial instruments include equity and debt investments, trade receivables, trade payables, and borrowings. The Company'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 Company through internal risk reports that 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 Company 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 Company'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 Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 30.

Sensitivity analysis

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

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

The following table details the Company'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 exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the year 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		For the Year Ended		For the Year Ended	
	December 31		December 31		December 31	
	2019	2018	2019	2018	2019	2018
Profit or loss	\$ 27,215	\$ (153,635)	\$ (6,632)	\$ (61,738)	\$ 587	\$ 4,372

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 Company's sensitivity to foreign currency exchange decreased during the current year mainly due to the reduction of the USD-denominated net assets.

b) Interest rate risk

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

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 397,370	\$ 3,156,088
Financial liabilities	31,365,062	29,916,787
Cash flow interest rate risk		
Financial assets	1,730,233	8,218,509

The Company'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 Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year 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 Company's variable-rate financial assets for the years ended December 31, 2019 and 2018 would result in cash inflows by \$17,302 thousand and \$82,185 thousand, respectively.

The Company's sensitivity to interest rates decreased during the current year mainly due to the decrease in variable-rate financial assets from the prior year.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% lower, the pre-tax profit for the years ended December 31, 2019 and 2018 would both have decreased by \$5 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have decreased by \$0 thousand and \$11,122 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Company's sensitivity to investments in equity securities 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 Company. As at the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could be equal to the total of the following:

- 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 Company.

The Company 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 Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, management of the Company 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 Company 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 Company'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 Company did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Company had available unutilized short-term bank loan facilities of \$14,495,815 thousand and \$8,911,414 thousand, respectively.

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

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

	Carrying Amount	Contractual Cash Flows	Within 1 Year	More than 1 Year
<u>December 31, 2019</u>				
Short-term borrowings	\$ 17,351,500	\$ 17,373,172	\$ 17,373,172	\$ -
Long-term borrowings	<u>14,013,562</u>	<u>14,110,966</u>	<u>-</u>	<u>14,110,966</u>
	<u>\$ 31,365,062</u>	<u>\$ 31,484,138</u>	<u>\$ 17,373,172</u>	<u>\$ 14,110,966</u>
<u>December 31, 2018</u>				
Short-term borrowings	\$ 20,417,300	\$ 20,448,076	\$ 20,448,076	\$ -
Short-term bills payable	499,487	500,000	500,000	-
Long-term borrowings	<u>9,000,000</u>	<u>9,043,648</u>	<u>-</u>	<u>9,043,648</u>
	<u>\$ 29,916,787</u>	<u>\$ 29,991,724</u>	<u>\$ 20,948,076</u>	<u>\$ 9,043,648</u>

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

The following table detailed the Company'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 year.

December 31, 2019

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 37,261,088	\$ -	\$ -
Outflows	<u>(37,600,585)</u>	<u>-</u>	<u>-</u>
	<u>\$ (339,497)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 17,871,240	\$ -	\$ -
Outflows	<u>(17,903,315)</u>	<u>-</u>	<u>-</u>
	<u>\$ (32,075)</u>	<u>\$ -</u>	<u>\$ -</u>

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category:

<u>Related Party Name</u>	<u>Related Party Category</u>
Yageo Electronics (China) Co., Ltd.	Subsidiaries
Yageo Components (Suzhou) Co., Ltd.	Subsidiaries
Yageo Electronics (Dongguan) Co., Ltd.	Subsidiaries
Yageo USA (H.K.) Limited	Subsidiaries
Vitrohm Portuguesa	Subsidiaries
Yageo Europe Holding B.V.	Subsidiaries
Ko-E (H.K.) Limited	Subsidiaries
Yageo Corporation (South Asia) Pte. Ltd.	Subsidiaries
Yageo Trade (Suzhou) Co., Ltd.	Subsidiaries
Yageo Japan	Subsidiaries
Ko-E Technology (Shenzhen) Co., Ltd.	Subsidiaries
Ko-Shin Investment Ltd.	Subsidiaries
Yageo America Corporation	Subsidiaries
Yageo Korea	Subsidiaries
Chilisin Electronics Corp.	Associate
Kaimei Electronics Corp.(Originally Teapo Electronic Corp.)	Associate
Ralec Electronic Corp.	Subsidiary of associate
ASJ Pte. Limited (ASJ Pte.)	Subsidiary of associate
CRL Components (S) Pte. Ltd.	Subsidiary of associate
Guo Chuang Electronics (Dongguan)	Associate
Hsin Bung International Co., Ltd.	Substantial related party
Yixin International Co., Ltd.	Substantial related party
Yageo Professional Competition Development Association	Substantial related party

b. Sales of goods

Line Items	Related Party Category/Name	For the Year Ended December 31	
		2019	2018
Sales	Subsidiary		
	Yageo USA (H.K.) Limited	\$ 11,809,700	\$ 6,344,285
	Yageo Electronics (Dongguan) Co., Ltd.	1,866,594	3,177,485
	Yageo Europe Holding B.V.	1,657,717	3,961,698
	Yageo Corporation (South Asia) Pte. Ltd.	877,413	4,079,500
	Yageo Electronics (China) Co., Ltd.	448,041	2,167,438
	Others	336,745	2,883,833
	Associate	4,592	7,991
	Substantial related party	<u>39,646</u>	<u>258,524</u>
		<u>\$ 17,040,448</u>	<u>\$ 22,880,754</u>

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2019	2018
Subsidiary	\$ 479,371	\$ 962,634
Associate	61,859	92,420
Substantial related party	<u>104,232</u>	<u>351,879</u>
	<u>\$ 645,462</u>	<u>\$ 1,406,933</u>

d. Contract liabilities

Related Party Category/Name	December 31	
	2019	2018
Subsidiary		
Yageo USA (H.K.) Limited	\$ 1,457,618	\$ 8,359,206
Others	<u>157,497</u>	<u>375</u>
	<u>\$ 1,615,115</u>	<u>\$ 8,359,581</u>

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

Line Items	Related Party Category/Name	December 31	
		2019	2018
Trade receivables	Subsidiary		
	Yageo USA (H.K.) Limited	\$ 2,808,492	\$ 778,701
	Yageo Europe Holding B.V.	168,063	1,789,751
	Yageo Corporation (South Asia) Pte. Ltd.	48,943	1,586,134
	Others	120,604	526,830
	Associate	630	1,498
	Substantial related party	<u>21,295</u>	<u>11,472</u>
		<u>\$ 3,168,027</u>	<u>\$ 4,694,386</u>

(Continued)

Line Items	Related Party Category/Name	December 31	
		2019	2018
Other receivables	Subsidiary		
	Yageo Components (Suzhou) Co., Ltd.	\$ 8,888	\$ 6,183
	Yageo Electronics (China) Co., Ltd.	6,529	47,681
	Yageo America Corporation	-	78,553
	Others	1,875	627
	Associate	-	7
		<u>\$ 17,292</u>	<u>\$ 133,051</u>
			(Concluded)

The outstanding trade receivable from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for trade receivable from related parties.

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

Line Items	Related Party Category/Name	December 31	
		2019	2018
Trade payables	Subsidiary		
	Yageo Electronics (China) Co., Ltd.	\$ 3,206,140	\$ 2,876,324
	Yageo Electronics (Dongguan) Co., Ltd.	1,557,488	2,073,844
	Others	136,931	131,945
	Associate	21,612	32,444
	Substantial related party	<u>68,480</u>	<u>67,722</u>
		<u>\$ 4,990,651</u>	<u>\$ 5,182,279</u>

The outstanding trade payable from related parties are unsecured.

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

g. Lease arrangement - Company is lessor

The Company as lessor leases office and plant to its associate - Kaimei Electronic Corp. (originally Teapo Electronics Corp.) under operating leases with lease term of one year. The lease arrangement would be automatically extended for one year if the arrangement is not terminated in writing by at least one party not later than three months prior to expiration date. As of December 31, 2019 and 2018, the balances of the gross lease payments receivable were \$11,378 thousand and \$25,625 thousand, respectively.

Lease income was as follows:

Related Party Category	For the Year Ended December 31	
	2019	2018
Subsidiary	\$ 1,490	\$ 1,632
Associate	<u>197</u>	<u>197</u>
	<u>\$ 1,687</u>	<u>\$ 1,829</u>

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

h. Other transactions with related parties

Line Items	Related Party Category/Name	For the Year Ended December 31	
		2019	2018
Commission expenses	Subsidiary		
	Yageo America Corporation	\$ 91,360	\$ 101,830
	Yageo Korea	<u>42,913</u>	<u>95,135</u>
		<u>\$ 134,273</u>	<u>\$ 196,965</u>
Other expenses	Substantial related party		
	Yageo Professional competition Development Association	<u>\$ 3,000</u>	<u>\$ -</u>
Others - expense reduction	Subsidiary	<u>\$ (150)</u>	<u>\$ (204)</u>

i. Loans from related parties

Related Party Category/Name	December 31	
	2019	2018
Subsidiary		
Yageo USA (H.K.) Limited	<u>\$ 12,042,400</u>	<u>\$ -</u>

Interest expense

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
Subsidiaries		
Yageo USA (H.K.) Limited	<u>\$ 15,151</u>	<u>\$ -</u>

The Company obtained loans from related parties at rates comparable to market interest rates. The loans from the subsidiaries are unsecured.

j. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 371,056	\$ 1,250,132
Post-employment benefits	<u>636</u>	<u>432</u>
	<u>\$ 371,692</u>	<u>\$ 1,250,564</u>

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2019	2018
Property, plant and equipment, net	<u>\$ 4,043,146</u>	<u>\$ 2,792,249</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and unrecognized commitments of the Company as of December 31, 2019 and 2018, were as follows:

a. Significant unrecognized commitments

1) Unrecognized commitments were as follows:

	December 31	
	2019	2018
Acquisition of property, plant and equipment	<u>\$ 918,623</u>	<u>\$ 1,967,406</u>

- 2) On November 12, 2019, the Company's board approved the Company's acquisition of 100% of the equity interest of KEMET Corporation at US\$27.20 per share in cash transaction for total amount of US\$1.64 billion. On February 20, 2020, the shareholders of KEMET Corporation at their special meeting voted to approve the proposed acquisition by the Company.

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 revenue 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. On February 21, 2020, the Company and SFIPC have reached a settlement that did not have significant impact on the financial condition and business operations of the Company.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company 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, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 165,940	30.1060 (USD:NTD)	\$ 4,995,790
EUR	20,489	33.7338 (EUR:NTD)	691,172
JPY	777,910	0.2771 (JPY:NTD)	215,559
HKD	8,476	3.8666 (HKD:NTD)	<u>32,773</u>
			<u>\$ 5,935,294</u>

Financial liabilities

Monetary items			
USD	256,336	30.1060 (USD:NTD)	\$ 7,717,252
EUR	830	33.7338 (EUR:NTD)	27,999
JPY	989,749	0.2771 (JPY:NTD)	274,259
SGD	16,465	22.3787 (SGD:NTD)	<u>368,465</u>
			<u>\$ 8,387,975</u>

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,134,825	30.7330 (USD:NTD)	\$ 34,876,577
EUR	176,342	35.1924 (EUR:NTD)	6,205,898
JPY	838,999	0.2782 (JPY:NTD)	233,410
HKD	10,466	3.9245 (HKD:NTD)	41,074
SGD	15,642	22.4804 (SGD:NTD)	<u>351,638</u>
			<u>\$ 41,708,597</u>

Non-monetary items

Investments in equity instruments at

FVTOCI

JPY	839,029	0.2782 (JPY:NTD)	<u>\$ 233,418</u>
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(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 634,923	30.7330 (USD:NTD)	\$ 19,513,089
EUR	913	35.1924 (EUR:NTD)	32,131
JPY	2,410,354	0.2782 (JPY:NTD)	<u>670,560</u>
			<u>\$ 20,215,780</u> (Concluded)

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains were \$660,950 thousand and \$855,767 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 entities in the Company.

31. 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 investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of 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. (Table 5)
- 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 6)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 7)
- 9) Information on investees. (Table 8)
- 10) Trading in derivative instruments. (Notes 7 and 26)

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 year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
- 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 year. (Table 6)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year. (Table 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes. (Table 2)
 - e) The highest balance, the ending balance, the interest rate range, and total current year 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. (Note 27)

32. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes Exchange Differences	Others	Closing Balance
Short-term borrowings	\$ 20,417,300	\$ (3,065,800)	\$ -	\$ -	\$ 17,351,500
Short-term bills payable	499,487	(500,000)	-	513	-
Long-term borrowings	9,000,000	5,013,562	-	-	14,013,562
Other payable - related parties	-	12,480,605	(438,205)	-	12,042,400
Lease liabilities (Note 3)	5,107	(2,400)	-	(326)	2,381
	<u>\$ 29,921,894</u>	<u>\$ 13,925,967</u>	<u>\$ (438,205)</u>	<u>\$ 187</u>	<u>\$ 43,409,843</u>

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes Exchange Differences	Others	Closing Balance
Short-term borrowings	\$ 13,979,440	\$ 6,437,860	\$ -	\$ -	\$ 20,417,300
Short-term bills payable	1,099,772	(600,000)	-	(285)	499,487
Long-term borrowings	5,500,000	3,500,000	-	-	9,000,000
	<u>\$ 20,579,212</u>	<u>\$ 9,337,860</u>	<u>\$ -</u>	<u>\$ (285)</u>	<u>\$ 29,916,787</u>

TABLE 1

YAGEO CORPORATION AND INVESTEES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	\$ -	\$ -	-	b	\$ -	For revolving fund	\$ -	None	\$ -	\$ 18,498,692	\$ 18,498,692
1	Yageo Holding (Bermuda) Ltd.	Yageo Japan	Receivables from related parties	Yes	JPY 5,406	-	-	-	b	-	For revolving fund	-	None	-	US\$ 1,607,316	US\$ 1,607,316
		Yageo America Corporation	Receivables from related parties	Yes	US\$ 9,742	US\$ 9,742	US\$ 9,742	-	b	-	For revolving fund	-	None	-	US\$ 1,607,316	US\$ 1,607,316
		Yageo Europe Holding B.V.	Receivables from related parties	Yes	US\$ 791	-	-	-	b	-	For revolving fund	-	None	-	US\$ 1,607,316	US\$ 1,607,316
		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\$ 1,607,316	US\$ 1,607,316
		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\$ 1,607,316	US\$ 1,607,316
		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\$ 1,607,316	US\$ 1,607,316
		Pulse Electronics Corporation	Receivables from related parties	Yes	US\$ 15,000	US\$ 15,000	-	3.5	b	-	For revolving fund	-	None	-	US\$ 1,607,316	US\$ 1,607,316
2	Vitrohm Holding GmbH	Yageo Holding (Bermuda) Ltd.	Receivables from related parties	Yes	EUR 6,245	EUR 6,245	EUR 6,245	1.25	b	-	For revolving fund	-	None	-	EUR 12,837	EUR 12,837
3	Yageo Electronics (China) Co., Ltd.	Yageo (Suzhou) Trade Co., Ltd.	Receivables from related parties	Yes	RMB 200,000	RMB 200,000	-	3.5	b	-	For revolving fund	-	None	-	RMB 3,725,931	RMB 3,725,931
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\$ 575,331	US\$ 575,331
		Yageo Corporation	Receivables from related parties	Yes	US\$ 400,000	US\$ 400,000	US\$ 400,000	0.5	b	-	For revolving fund	-	None	-	US\$ 575,331	US\$ 575,331
5	Yageo (Suzhou) Trade Co., Ltd.	Yageo Electronics (China) Co., Ltd.	Receivables from related parties	Yes	RMB 200,000	RMB 200,000	RMB 170,460	3.5	b	-	For revolving fund	-	None	-	RMB 844,215	RMB 844,215
		Egston Electronics Zhuhai Ltd	Receivables from related parties	Yes	RMB 24,000	RMB 24,000	-	4.6	b	-	For revolving fund	-	None	-	RMB 844,215	RMB 844,215
6	Yageo Europe Holding B.V.	Yageo USA (H.K.) Limited	Receivables from related parties	Yes	US\$ 52,000	US\$ 52,000	US\$ 52,000	0.5	b	-	For revolving fund	-	None	-	EUR 70,970	EUR 70,970
7	Brightking Holdings Ltd.	Brightking Enterprise (H.K.) Co., Ltd.	Other receivables - related parties	Yes	126,448	120,424	-	3.848	b	-	For revolving fund	-	None	-	1,809,438	3,618,876
8	Brightking Enterprise (H.K.) Co., Ltd.	Brightking Electronics Inc.	Other receivables - related parties	Yes	9,272	6,924	6,924	4.5	b	-	For revolving fund	-	None	-	1,934,706	3,869,412
		Brightking Electronics Co., Ltd.	Other receivables - related parties	Yes	92,715	-	-	-	b	-	For revolving fund	-	None	-	1,934,706	3,869,412
9	Kuo-Shin Investment Limited	Brightking Electronics Co., Ltd.	Receivables from related parties	Yes	200,000	200,000	65,000	1.0	b	-	For revolving fund	-	None	-	625,045	625,045

(Continued)

- Note 1: For the Company and its domestic investees (Kuo-Shin Investment Limited) 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 (Suzhou) Trade 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) 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 (Suzhou) Trade 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, 2019, stated one New Taiwan dollar to HKD, USD, JPY, EUR and RMB are 1:3.8666, 1:30.106, 1:0.2771, 1:33.7338 and 1:4.3217, respectively; stated one U.S. dollar to HKD, JPY, EUR, and RMB are 1:0.1284, 1:0.0092, 1:1.1205 and 1:0.1436, respectively.
- Note 5: All intercompany financing loans have been eliminated from consolidation.

(Concluded)

TABLE 2

YAGEO CORPORATION AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	Outstanding Endorsement/ Guarantee at the End of the Year	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	\$ 46,246,731	\$ 5,335,264 (US\$ 144,000 NT\$ 1,000,000)	\$ 4,371,872 (US\$ 112,000 NT\$ 1,000,000)	\$ -	\$ -	9.45	\$ 69,370,097	Yes	No	No
		The shared borrowing facilities of Yageo Electronics (China) Co., Ltd., and Yageo Electronics (Dongguan) Co., Ltd.	Subsidiary	46,246,731	120,424 (US\$ 4,000)	120,424 (US\$ 4,000)	-	-	0.26	69,370,097	Yes	No	Yes
		The shared borrowing facilities of Yageo USA (H.K.) Limited and Yageo Holding (Bermuda) Ltd.	Subsidiary	46,246,731	60,212 (US\$ 2,000)	60,212 (US\$ 2,000)	-	-	0.13	69,370,097	Yes	No	No
		Kuo-Shin Investment Limited	Subsidiary	46,246,731	500,000	500,000	-	-	1.08	69,370,097	Yes	No	No
		Brightking Electronics Co., Ltd.	Subsidiary	46,246,731	33,011	33,011	10,400	-	0.07	69,370,097	Yes	No	No
1	Brightking Holdings Ltd.	Brightking Electronics Co., Ltd.	Subsidiary	904,719	30,000	-	-	-	-	1,809,438	Yes	No	No

Note 1: For the Company, endorsements or guarantees to each counterparty is limited to 100% of its net worth presented in the latest financial statements. 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. 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 was based on the currency rate on December 31, 2019, stated one New Taiwan dollar to USD is 1:30.106.

TABLE 3

YAGEO CORPORATION AND INVESTEEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(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, 2019				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)	
Yageo Corporation	<u>Stock</u> Linko International Golf & Country Club	-	Financial assets at FVTPL - noncurrent	-	\$ 482	0.1	\$ 482	1
	<u>Bonds</u> Lenovo Group Ltd.	-	Financial assets at amortized cost - noncurrent	-	121,263	-	121,263	2
	Proven Glory Capital Ltd.	-	Financial assets at amortized cost - noncurrent	-	121,217	-	121,217	2
Ko-Shin Investment Limited.	<u>Stock</u> Walsin Technology Co., Ltd.	-	Financial assets at FVTPL - current	1,557	372,123	0.3	372,123	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	-	1	-	1	1
Yageo Holding (Bermuda) Ltd.	<u>Bonds</u> Nuoxi Capital Ltd.	-	Financial assets at amortized cost - noncurrent	-	41,494	-	41,494	2
	Icbcil Finance Co Ltd.	-	Financial assets at amortized cost - noncurrent	-	34,457	-	34,457	2
	Yuzhou Properties Co Ltd.	-	Financial assets at amortized cost - noncurrent	-	30,556	-	30,556	2
	Huarong Finance Ii	-	Financial assets at amortized cost - noncurrent	-	28,568	-	28,568	2
	Kunzhi Ltd.	-	Financial assets at amortized cost - noncurrent	-	26,727	-	26,727	2
	Tuspark Forward	-	Financial assets at amortized cost - noncurrent	-	25,307	-	25,307	2
	Yunnan Energy Inst Ovr	-	Financial assets at amortized cost - noncurrent	-	25,110	-	25,110	2
	China Sce Grp Hldgs Ltd.	-	Financial assets at amortized cost - noncurrent	-	24,571	-	24,571	2
	Sib Sukuk Co Iii Ltd.	-	Financial assets at amortized cost - noncurrent	-	24,006	-	24,006	2
	Boc Aviation Ltd.	-	Financial assets at amortized cost - noncurrent	-	21,004	-	21,004	2
	Hongkong Intl Qingdao	-	Financial assets at amortized cost - noncurrent	-	20,958	-	20,958	2
	Rki Overseas Fin 2016 B	-	Financial assets at amortized cost - noncurrent	-	17,933	-	17,933	2
	Chouzhou Intl Inv Ltd.	-	Financial assets at amortized cost - noncurrent	-	15,925	-	15,925	2
	Indonesia Asahan Alumini	-	Financial assets at amortized cost - noncurrent	-	15,441	-	15,441	2
	Sino Ocean Land Iv	-	Financial assets at amortized cost - noncurrent	-	15,188	-	15,188	2
	Nimble City Ltd.	-	Financial assets at amortized cost - noncurrent	-	15,074	-	15,074	2
	Chinalco Capital Holding	-	Financial assets at amortized cost - noncurrent	-	15,007	-	15,007	2
	Greenland Glb Invst	-	Financial assets at amortized cost - noncurrent	-	15,000	-	15,000	2
	Tongfang Aqua 2017 Ltd.	-	Financial assets at amortized cost - noncurrent	-	14,891	-	14,891	2
	Ch Ovs Grand Oce Finance	-	Financial assets at amortized cost - noncurrent	-	13,966	-	13,966	2
	Mirae Asset Daewoo Co	-	Financial assets at amortized cost - noncurrent	-	13,741	-	13,741	2

(Continued)

Holding Company Name	Type and Issuer/Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)	
	Bluestar Fin Holdings	-	Financial assets at amortized cost - noncurrent	-	\$ 13,641	-	\$ 13,641	2
	Lv'an Chuangxing	-	Financial assets at amortized cost - noncurrent	-	13,564	-	13,564	2
	Ind & Comm Bk Chn/London	-	Financial assets at amortized cost - noncurrent	-	13,555	-	13,555	2
	Adcb Finance Cayman Ltd.	-	Financial assets at amortized cost - noncurrent	-	13,543	-	13,543	2
	Southwest Securities Int	-	Financial assets at amortized cost - noncurrent	-	12,468	-	12,468	2
	Rkpf Overseas 2019 B	-	Financial assets at amortized cost - noncurrent	-	12,460	-	12,460	2
	Banque Ouest Africaine D	-	Financial assets at amortized cost - noncurrent	-	12,352	-	12,352	2
	Pertamina Persero Pt	-	Financial assets at amortized cost - noncurrent	-	12,347	-	12,347	2
	Central China Real Estat	-	Financial assets at amortized cost - noncurrent	-	12,334	-	12,334	2
	Nwd Mtn Ltd.	-	Financial assets at amortized cost - noncurrent	-	12,295	-	12,295	2
	Icbc Asia Ltd.	-	Financial assets at amortized cost - noncurrent	-	12,262	-	12,262	2
	Cifi Holdings Group	-	Financial assets at amortized cost - noncurrent	-	12,250	-	12,250	2
	Dell Int Llc/Emc Corp	-	Financial assets at amortized cost - noncurrent	-	12,238	-	12,238	2
	Westwood Grp Hold Ltd.	-	Financial assets at amortized cost - noncurrent	-	12,235	-	12,235	2
	Chalco Hk Investment	-	Financial assets at amortized cost - noncurrent	-	12,218	-	12,218	2
	Anhui Prov Investment	-	Financial assets at amortized cost - noncurrent	-	12,207	-	12,207	2
	Korea Expressway Corp	-	Financial assets at amortized cost - noncurrent	-	12,203	-	12,203	2
	Logan Property Holdings	-	Financial assets at amortized cost - noncurrent	-	12,172	-	12,172	2
	Qnb Finance Ltd.	-	Financial assets at amortized cost - noncurrent	-	12,146	-	12,146	2
	Abu Dhabi National Energ	-	Financial assets at amortized cost - noncurrent	-	12,134	-	12,134	2
	Unity 1 Sukuk Limited	-	Financial assets at amortized cost - noncurrent	-	12,131	-	12,131	2
	Xingsheng Bvi Co Ltd.	-	Financial assets at amortized cost - noncurrent	-	12,129	-	12,129	2
	New Metro Global Ltd.	-	Financial assets at amortized cost - noncurrent	-	12,127	-	12,127	2
	Lotte Property & Develop	-	Financial assets at amortized cost - noncurrent	-	12,114	-	12,114	2
	Aozora Bank	-	Financial assets at amortized cost - noncurrent	-	12,114	-	12,114	2
	African Export-Import Ba	-	Financial assets at amortized cost - noncurrent	-	12,111	-	12,111	2
	United Overseas Bank Ltd.	-	Financial assets at amortized cost - noncurrent	-	12,109	-	12,109	2
	Trade Horizon Global	-	Financial assets at amortized cost - noncurrent	-	12,100	-	12,100	2
	Wells Fargo Bank Na	-	Financial assets at amortized cost - noncurrent	-	12,095	-	12,095	2
	Ford Motor Credit Co Llc	-	Financial assets at amortized cost - noncurrent	-	12,088	-	12,088	2
	Samvardhana Motherson Au	-	Financial assets at amortized cost - noncurrent	-	12,083	-	12,083	2
	Unigroup International	-	Financial assets at amortized cost - noncurrent	-	12,078	-	12,078	2
	Eib Sukuk Ltd.	-	Financial assets at amortized cost - noncurrent	-	12,074	-	12,074	2
	Abq Finance	-	Financial assets at amortized cost - noncurrent	-	12,067	-	12,067	2
	Horse Gallop Finance	-	Financial assets at amortized cost - noncurrent	-	12,066	-	12,066	2
	Hyundai Capital America	-	Financial assets at amortized cost - noncurrent	-	12,059	-	12,059	2
	Bosc International Bvi	-	Financial assets at amortized cost - noncurrent	-	12,049	-	12,049	2
	Mcc Holding Hk Corp Ltd.	-	Financial assets at amortized cost - noncurrent	-	12,041	-	12,041	2
	Shandong Energy Aust	-	Financial assets at amortized cost - noncurrent	-	12,040	-	12,040	2
	General Motors Finl Co	-	Financial assets at amortized cost - noncurrent	-	12,034	-	12,034	2
	Skyland Mining Bvi Ltd.	-	Financial assets at amortized cost - noncurrent	-	12,025	-	12,025	2
	Full Dragon Hk Int Dev	-	Financial assets at amortized cost - noncurrent	-	12,022	-	12,022	2
	Yankuang Group Cayman	-	Financial assets at amortized cost - noncurrent	-	12,012	-	12,012	2
	Hyundai Capital Services	-	Financial assets at amortized cost - noncurrent	-	12,009	-	12,009	2
	Shanghai Hong Kong Int In	-	Financial assets at amortized cost - noncurrent	-	12,006	-	12,006	2

(Continued)

Holding Company Name	Type and Issuer/Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)	
	Chevron Corp	-	Financial assets at amortized cost - noncurrent	-	\$ 11,983	-	\$ 11,983	2
	Zhongyuan Sincere Invst	-	Financial assets at amortized cost - noncurrent	-	11,976	-	11,976	2
	Tvb Finance Ltd.	-	Financial assets at amortized cost - noncurrent	-	11,971	-	11,971	2
	Zhaohai Investment Bvi	-	Financial assets at amortized cost - noncurrent	-	11,960	-	11,960	2
	Yinchuan Tonglian Capita	-	Financial assets at amortized cost - noncurrent	-	11,959	-	11,959	2
	Azure Nova International	-	Financial assets at amortized cost - noncurrent	-	11,937	-	11,937	2
	Westpac Banking Corp	-	Financial assets at amortized cost - noncurrent	-	11,933	-	11,933	2
	Inner Mongolia Highway C	-	Financial assets at amortized cost - noncurrent	-	11,910	-	11,910	2
	Binhai Investment Co Ltd.	-	Financial assets at amortized cost - noncurrent	-	11,892	-	11,892	2
	Bright Galaxy Intl Ltd.	-	Financial assets at amortized cost - noncurrent	-	11,860	-	11,860	2
	Nonghyup Bank	-	Financial assets at amortized cost - noncurrent	-	11,824	-	11,824	2
	Gx Financial Inv Group	-	Financial assets at amortized cost - noncurrent	-	11,810	-	11,810	2
	Tsinghua Unic Ltd.	-	Financial assets at amortized cost - noncurrent	-	11,706	-	11,706	2
	Jinan West City Inv	-	Financial assets at amortized cost - noncurrent	-	11,616	-	11,616	2
	Union Life Insurance	-	Financial assets at amortized cost - noncurrent	-	11,184	-	11,184	2
	Shui On Development Hldg	-	Financial assets at amortized cost - noncurrent	-	10,871	-	10,871	2
	National Australia Bank	-	Financial assets at amortized cost - noncurrent	-	10,597	-	10,597	2
	Haitong Intl Fin 2015	-	Financial assets at amortized cost - noncurrent	-	10,589	-	10,589	2
	Standard Chartered Plc	-	Financial assets at amortized cost - noncurrent	-	10,577	-	10,577	2
	Cdbl Funding 1	-	Financial assets at amortized cost - noncurrent	-	10,548	-	10,548	2
	Keen Idea Global Ltd.	-	Financial assets at amortized cost - noncurrent	-	10,489	-	10,489	2
	Sunshine Life Insurance	-	Financial assets at amortized cost - noncurrent	-	10,451	-	10,451	2
	China Grt Wall Intl Iii	-	Financial assets at amortized cost - noncurrent	-	10,421	-	10,421	2
	Rail Transit Intl Invst	-	Financial assets at amortized cost - noncurrent	-	10,405	-	10,405	2
	Charming Light Invst Ltd.	-	Financial assets at amortized cost - noncurrent	-	10,396	-	10,396	2
	Cicc Hk Finance 2016 Mtn	-	Financial assets at amortized cost - noncurrent	-	10,245	-	10,245	2
	Cq Logistics Deve Cons	-	Financial assets at amortized cost - noncurrent	-	10,244	-	10,244	2
	Zhongtai Intl Fin Bvi	-	Financial assets at amortized cost - noncurrent	-	9,935	-	9,935	2
	Franshion Development	-	Financial assets at amortized cost - noncurrent	-	9,401	-	9,401	2
	Citibank Na	-	Financial assets at amortized cost - noncurrent	-	9,141	-	9,141	2
	Easy Tactic Ltd.	-	Financial assets at amortized cost - noncurrent	-	9,102	-	9,102	2
	Cnac Hk Finbridge Co Ltd.	-	Financial assets at amortized cost - noncurrent	-	9,092	-	9,092	2
	Hsbc Holdings Plc	-	Financial assets at amortized cost - noncurrent	-	9,084	-	9,084	2
	Ing Bank Nv	-	Financial assets at amortized cost - noncurrent	-	9,065	-	9,065	2
	Greentown China Hldgs	-	Financial assets at amortized cost - noncurrent	-	9,064	-	9,064	2
	American Express Co	-	Financial assets at amortized cost - noncurrent	-	9,050	-	9,050	2
	Hbis Group Hk Co Ltd.	-	Financial assets at amortized cost - noncurrent	-	9,039	-	9,039	2
	Sinopec Grp Oversea 2015	-	Financial assets at amortized cost - noncurrent	-	9,021	-	9,021	2
	Cbq Finance Ltd.	-	Financial assets at amortized cost - noncurrent	-	9,004	-	9,004	2
	Ccbl Cayman 1 Corp	-	Financial assets at amortized cost - noncurrent	-	8,961	-	8,961	2
	Frasers Property Treasur	-	Financial assets at amortized cost - noncurrent	-	8,938	-	8,938	2
	Saudi International Bond	-	Financial assets at amortized cost - noncurrent	-	8,903	-	8,903	2
	Rhb Bank	-	Financial assets at amortized cost - noncurrent	-	8,902	-	8,902	2
	Huayuan Property Co Ltd.	-	Financial assets at amortized cost - noncurrent	-	8,430	-	8,430	2
	Chongqing Nanan Con Dev	-	Financial assets at amortized cost - noncurrent	-	7,714	-	7,714	2

(Continued)

Holding Company Name	Type and Issuer/Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares or Units (All Common Shares Unless Stated Otherwise) (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note)	
	Kingdom Of Bahrain	-	Financial assets at amortized cost - noncurrent	-	\$ 7,608	-	\$ 7,608	2
	Jinshine International	-	Financial assets at amortized cost - noncurrent	-	7,181	-	7,181	2
	Idbi Bank Ltd/Gift-Ifc	-	Financial assets at amortized cost - noncurrent	-	6,064	-	6,064	2
	Bp Capital Markets Plc	-	Financial assets at amortized cost - noncurrent	-	6,042	-	6,042	2
	Upl Corp Ltd.	-	Financial assets at amortized cost - noncurrent	-	6,037	-	6,037	2
	Tml Holdings Pte Ltd.	-	Financial assets at amortized cost - noncurrent	-	6,037	-	6,037	2
	Daimler Finance Na Llc	-	Financial assets at amortized cost - noncurrent	-	6,029	-	6,029	2
	Central Plaza Dev Ltd.	-	Financial assets at amortized cost - noncurrent	-	6,021	-	6,021	2
	Axis Bank/Dubai	-	Financial assets at amortized cost - noncurrent	-	6,019	-	6,019	2
	Doosan Infracore Co Ltd.	-	Financial assets at amortized cost - noncurrent	-	6,016	-	6,016	2
	Bj State-Owned Ast Hk Co	-	Financial assets at amortized cost - noncurrent	-	6,010	-	6,010	2
	Anz New Zealand Intl/Ldn	-	Financial assets at amortized cost - noncurrent	-	5,996	-	5,996	2
	Korea Resources Corp	-	Financial assets at amortized cost - noncurrent	-	5,959	-	5,959	2
	Asb Finance Ltd.	-	Financial assets at amortized cost - noncurrent	-	5,944	-	5,944	2
Ko-E Technology (Shenzhen) Co., Ltd.	<u>Share certificates</u> Xmholder Technology Co., Ltd.	-	Financial assets at FVTPL - noncurrent	-	RMB 9,624	17.0	RMB 9,624	1
Yageo Europe Holding B.V.	<u>Bonds</u>							
	Bank of America Corp.	-	Financial assets at amortized cost - noncurrent	-	283,106	-	283,106	2
	Goldman Sachs Group Inc.	-	Financial assets at amortized cost - noncurrent	-	280,408	-	280,408	2
	AT&T Inc.	-	Financial assets at amortized cost - noncurrent	-	277,108	-	277,108	2
	Lenovo Group Ltd.	-	Financial assets at amortized cost - noncurrent	-	272,497	-	272,497	2
	Proven Glory Capital Ltd.	-	Financial assets at amortized cost - noncurrent	-	272,036	-	272,036	2
	Citigroup Inc.	-	Financial assets at amortized cost - noncurrent	-	264,140	-	264,140	2
	Morgan Stanley	-	Financial assets at amortized cost - noncurrent	-	252,269	-	252,269	2
	China Construction Bank	-	Financial assets at amortized cost - noncurrent	-	211,411	-	211,411	2
	AVNET Inc.	-	Financial assets at amortized cost - noncurrent	-	126,711	-	126,711	2

Note 1: The listed common shares are valued by their closing prices as of December 31, 2019. 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)

TABLE 4

YAGEO CORPORATION AND INVESTEEES

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, 2019
(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 Holding (Bermuda) Ltd.	SHS KOA Corp	Financial assets at FVTOCI - noncurrent	-	-	1,850	US\$ 21,669	-	\$ -	1,850	US\$ 26,093	US\$ 17,189	US\$ 8,904	-	\$ -
Yageo Corporation	Ta-I Technology Co., Ltd.	Financial assets at FVTOCI - noncurrent	-	-	17,266	878,826	-	-	17,266	645,234	609,470	35,764	-	-
Ko-Shin Investment Limited	Ta-I Technology Co., Ltd.	Financial assets at FVTOCI - noncurrent	-	-	8,817	448,779	-	-	8,817	304,045	387,668	(83,623)	-	1

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

TABLE 5

YAGEO CORPORATION AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Yageo Corporation	No. 6599, 6600, 6601, Chaozhou 3th Subsection, Chihkan Section, Daliao District, Kaohsiung	June 20, 2019	\$ 790,000	Paid	Sunshi Mineral Wool technology Co., Ltd.	Non-related parties	-	-	-	\$ -	The estimated value of 823,721 is evaluated by China United Real Estate Appraiser.	Manufacturing purpose	-

TABLE 6

YAGEO CORPORATION AND INVESTEES

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, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise, All Amounts in Thousands)

Buyer	Related Party	Relationship	Transaction Details (Note)				Abnormal Transaction		Notes/Accounts Receivable (Payable)		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	\$ (1,866,594)	(8)	Offset account T/T 90 days	\$ -	-	\$ -	-	-
			Purchase	124,438	1	Offset account T/T 90 days	-	-	(1,557,488)	(26)	-
	Yageo Electronics (China) Co., Ltd.	Subsidiary	Sale	(448,041)	(2)	T/T 90 days	-	-	-	-	-
			Purchase	252,463	1	T/T 90 days	-	-	(3,206,140)	(54)	-
	Yageo Corporation (South Asia) Pte. Ltd.	Subsidiary	Sale	(877,413)	(4)	T/T 90 days	-	-	48,943	1	-
	Yageo Europe Holding B.V	Subsidiary	Sale	(1,657,717)	(7)	T/T 45 days	-	-	168,063	4	-
	Yageo (Suzhou) Trade Co., Ltd.	Subsidiary	Sale	(281,152)	(1)	T/T 90 days	-	-	62,569	2	-
	Yageo USA (H.K.) Limited	Subsidiary	Sale	(11,809,700)	(51)	Offset account T/T 90 day	-	-	2,808,492	69	-
Yageo USA (H.K.) Limited	Yageo Electronics (Dongguan) Co., Ltd.	Associate	Sale	HK\$ (475,891)	(15)	T/T 90 days	-	-	HK\$ 710,100	35	-
	Yageo (Suzhou) Trade Co., Ltd.	Associate	Sale	HK\$ (1,506,546)	(49)	T/T 90 days	-	-	HK\$ 637,252	31	-
Yageo Electronics (Dongguan) Co., Ltd.	Yageo USA (H.K.) Limited	Associate	Sale	RMB (115,735)	(32)	T/T 90 days	-	-	RMB 77,325	13	-
Yageo Electronics (China) Co., Ltd.	Yageo Europe Holding B.V	Associate	Sale	RMB (115,386)	(6)	T/T 90 days	-	-	RMB 3,334	-	-
Yageo (Suzhou) Trade Co., Ltd.	Ko-E Technology (Shenzhen) Co., Ltd.	Associate	Sale	RMB (378,052)	(24)	T/T 65 days	-	-	RMB 439,024	41	-
Ko-E (H.K) Ltd.	Yageo USA (H.K.) Limited	Associate	Sale	HK\$ (29,483)	((102))	T/T 90 days	-	-	HK\$ 39,176	4	-
Bestbright Electronics Co., Ltd.	Brightking (Shanghai) Co., Ltd.	Subsidiary	Sale	(1,042,257)	(52)	T/T 30-60 days	-	-	316,972	70	-
	Brightking (Shenzhen) Co., Ltd.	Subsidiary	Sale	(267,886)	(13)	T/T 30-60 days	-	-	-	-	-
Mianyang Pulse Electronics Co. Ltd.	Pulse Electronics Inc.	Associate	Sale	US\$ (10,431)	(3)	T/T 90 days	-	-	US\$ 1,941	3	-
	Pulse Electronics (Singapore) Pte. Ltd	Parent company	Sale	US\$ (45,608)	(11)	T/T 90 days	-	-	US\$ 8,149	11	-
Pulse Components. Ltd	Pulse Electronics Inc.	Associate	Sale	US\$ (7,047)	(2)	T/T 90 days	-	-	US\$ 1,144	1	-
	Pulse Electronics (Singapore) Pte. Ltd	Parent company	Sale	US\$ (29,461)	(7)	T/T 90 days	-	-	US\$ 19,440	25	-
Dongguan Pulse Electronics Co. Ltd.	Pulse Electronics (Singapore) Pte. Ltd	Parent company	Sale	US\$ (26,775)	(7)	T/T 90 days	-	-	US\$ 5,392	7	-
Suining Pulse Electronics Co. Ltd.	Pulse Electronics (Singapore) Pte. Ltd	Parent company	Sale	US\$ (30,529)	(8)	T/T 90 days	-	-	US\$ 7,279	9	-
Pulse (Suzhou) Wireless Products Co. Ltd.	Pulse Electronics Inc.	Associate	Sale	US\$ (4,498)	(1)	T/T 90 days	-	-	-	-	-
	Pulse Electronics (Singapore) Pte. Ltd	Parent company	Sale	US\$ (20,219)	(5)	T/T 90 days	-	-	-	-	-
Egston System Electronic spol.s.r.o.	Egston System Electronics Eggenburg GmbH	Associate	Sale	US\$ (46,383)	(11)	T/T 30 days	-	-	US\$ 4,082	5	-
	Egston Automotive Eggenburg GmbH	Associate	Sale	US\$ (13,204)	(3)	T/T 30 days	-	-	US\$ 2,034	3	-
Egston Electronics (Zhuhai) Ltd	Egston Far East GmbH	Associate	Sale	US\$ (9,390)	(2)	T/T 60 days	-	-	US\$ 1,244	2	-

Note: All intercompany transactions have been eliminated from consolidation.

TABLE 7

YAGEO CORPORATION AND INVESTEEES

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

DECEMBER 31, 2019

(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, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Remarks
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount			
Yageo Corporation	Yageo Holding (Bermuda) Ltd.	Bermuda	Investment	US\$ 211,747 (Note 3)	US\$ 347,747	90,000	100.00	\$ 48,731,724	\$ 3,016,934	\$ 3,016,934	Subsidiary
	Ferroxcube Holding (Samoa) Ltd.	West Samoa	Investment	US\$ 25,433	US\$ 25,433	1,000	100.00	768,212	(67)	(67)	Subsidiary
	Kuo-Shin Investment Limited	Taipei	Investment	1,612,059	1,612,059	89,300	100.00	1,535,656	214,142	214,142	Subsidiary
	Brightking Holdings Ltd	Cayman Islands	Holding company	3,328,253	3,328,253	45,608	100.00	3,069,877	38,947	(16,921)	Subsidiary
	Yageo Corporation (South Asia)	Singapore	Electronic component manufacturing and selling	SGD 780	SGD 780	-	100.00	379,466	48,955	48,955	Subsidiary
	Yageo Europe Holding B.V.	Netherlands	Holding company	US\$ 147,757	US\$ 147,757	-	100.00	1,741,726	388,715	396,614	Subsidiary
	Yageo America	America	Electronic component manufacturing and selling	US\$ 2,347	US\$ 2,347	1	100.00	(268,270)	4,659	4,659	Subsidiary
	Yageo South Asia (M) Sdn. Bhd.	Malaysia	Electronic component manufacturing and selling	-	-	-	100.00	1,106	521	521	Subsidiary
	Pulse Electronics Corporation	America	Holding company	US\$ 721,461	US\$ 721,461	25,574	100.00	24,833,228	1,531,786	1,413,424	Subsidiary
	Chilisin Electronics Corp.	Hsinchu	Inductor manufacturing and selling	1,468,855	1,468,855	25,276	10.39	4,199,175	1,147,305	119,171	Associate
	GTCL	Singapore	Holding company	60,603	60,603	8,232	23.39	182,945	(102,350)	(23,935)	Associate
Kuo-Shin Investment Limited	Kaimei Electronics Corporation (Note 4)	New Taipei City	Capacitor manufacturing and selling	1,099,568	1,075,558	11,607	5.98	505,606	335,530	32,268	Associate
	Strong Components Co., Ltd.	Kaohsiung	Electronic component manufacturing and selling	79,384	79,384	6,530	31.42	91,970	12,124	3,809	Associate
	Chilisin Electronics Corp.	Hsinchu	Inductor manufacturing and selling	263,814	263,814	5,034	2.07	836,760	1,147,305	23,732	Associate
	GTCL	Singapore	Holding company	50,078	50,078	1,839	5.22	45,105	(102,350)	(5,347)	Associate
	Kaimei Electronics Corporation (Note 4)	New Taipei City	Capacitor manufacturing and selling	101,367	101,367	2,597	1.34	107,258	335,530	7,486	Associate
	Yageo (Hong Kong) Limited Ltd.	Hong Kong	Investment	HK\$ 1,316,340 (Note 6)	HK\$ 2,093,178	1,030,499	100.00	US\$ 746,937	US\$ 74,755	US\$ 74,755	Subsidiary
	Yageo USA (H.K.) Limited	Hong Kong	Passive Component selling	HK\$ 8,000	HK\$ 8,000	-	100.00	US\$ 575,331	US\$ (20,563)	US\$ (20,563)	Subsidiary
	Ko-E Holding (Cayman) (Note 5)	Cayman Islands	Holding company	US\$ 4,500	US\$ 4,500	4,500	100.00	US\$ 6,307	US\$ 46,617	US\$ 43,147	Subsidiary
	Vitrohm Holding GmbH	Germany	Investment	EUR 15,849	EUR 15,849	-	100.00	US\$ 14,384	US\$ 1,503	US\$ 1,503	Subsidiary
	Belkin International	Samoa	Investment	US\$ 1,104	US\$ 1,104	1,104	46.00	US\$ 1,122	US\$ (52)	US\$ (24)	Associate
	Yageo Korea	Korea	Resistor selling	US\$ 236	US\$ 236	-	100.00	US\$ 3,700	US\$ 468	US\$ 468	Subsidiary
Brightking Holdings Ltd	Yageo Japan	Japan	Resistor selling	US\$ 339	US\$ 339	-	100.00	US\$ 191	US\$ 39	US\$ 39	Subsidiary
	Hsu Tai International (H.K.) Ltd.	Hong Kong	Investment	US\$ 2,400	US\$ 2,400	1	100.00	US\$ 1,063	US\$ 12	US\$ 12	Subsidiary
	Brightking Enterprise (H.K.) Co., Ltd.	Hong Kong	Selling overvoltage and overcurrent protection electronic components	600,165	600,165	153,968	100.00	1,776,419	(87,943)	(87,943)	Subsidiary
	Egston Holding GmbH	Austria	Holding company	US\$ 22,030	US\$ 22,030	-	100.00	US\$ 19,725	US\$ 5,437	US\$ 5,437	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Remarks
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount			
Egston System Electronic spol.s.r.o.	Egston System Electronics Eggenburg GmbH		Associate	US\$ 4,082	2.00	-	-	US\$ 2,538	-	-	

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

Note 2: Considered financing and other receivables

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)

TABLE 8

YAGEO CORPORATION AND INVESTEES

INFORMATION ON INVESTEES

FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Remarks
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount			
Yageo Corporation	Yageo Holding (Bermuda) Ltd.	Bermuda	Investment	US\$ 211,747 (Note 3)	US\$ 347,747	90,000	100.00	\$ 48,731,724	\$ 3,016,934	\$ 3,016,934	Subsidiary
	Ferroxcube Holding (Samoa) Ltd.	West Samoa	Investment	US\$ 25,433	US\$ 25,433	1,000	100.00	768,212	(67)	(67)	Subsidiary
	Kuo-Shin Investment Limited	Taipei	Investment	1,612,059	1,612,059	89,300	100.00	1,535,656	214,142	214,142	Subsidiary
	Brightking Holdings Ltd	Cayman Islands	Holding company	3,328,253	3,328,253	45,608	100.00	3,069,877	38,947	(16,921)	Subsidiary
	Yageo Corporation (South Asia)	Singapore	Electronic component manufacturing and selling	SGD 780	SGD 780	-	100.00	379,466	48,955	48,955	Subsidiary
	Yageo Europe Holding B.V.	Netherlands	Holding company	US\$ 147,757	US\$ 147,757	-	100.00	1,741,726	388,715	396,614	Subsidiary
	Yageo America	America	Electronic component manufacturing and selling	US\$ 2,347	US\$ 2,347	1	100.00	(268,270)	4,659	4,659	Subsidiary
	Yageo South Asia (M) Sdn. Bhd.	Malaysia	Electronic component manufacturing and selling	-	-	-	100.00	1,106	521	521	Subsidiary
	Pulse Electronics Corporation	America	Holding company	US\$ 721,461	US\$ 721,461	25,574	100.00	24,833,228	1,531,786	1,413,424	Subsidiary
	Chilisin Electronics Corp.	Hsinchu	Inductor manufacturing and selling	1,468,855	1,468,855	25,276	10.39	4,199,175	1,147,305	119,171	Associate
	GTCL	Singapore	Holding company	60,603	60,603	8,232	23.39	182,945	(102,350)	(23,935)	Associate
Kuo-Shin Investment Limited	Kaimei Electronic Corp. (Note 4)	New Taipei City	Capacitor manufacturing and selling	1,099,568	1,075,558	11,607	5.98	505,606	335,530	32,268	Associate
	Strong Components Co., Ltd.	Kaohsiung	Electronic component manufacturing and selling	79,384	79,384	6,530	31.42	91,970	12,124	3,809	Associate
	Chilisin Electronics Corp.	Hsinchu	Inductor manufacturing and selling	263,814	263,814	5,034	2.07	836,760	1,147,305	23,732	Associate
Yageo Holding (Bermuda) Ltd.	GTCL	Singapore	Holding company	50,078	50,078	1,839	5.22	45,105	(102,350)	(5,347)	Associate
	Kaimei Electronic Corp. (Note 4)	New Taipei City	Capacitor manufacturing and selling	101,367	101,367	2,597	1.34	107,258	335,530	7,486	Associate
	Yageo (Hong Kong) Limited	Hong Kong	Investment	HK\$ 1,316,340 (Note 6)	HK\$ 2,093,178	1,030,499	100.00	US\$ 746,937	US\$ 74,755	US\$ 74,755	Subsidiary
	Yageo USA (H.K.) Limited	Hong Kong	Passive Component selling	HK\$ 8,000	HK\$ 8,000	-	100.00	US\$ 575,331	US\$ (20,563)	US\$ (20,563)	Subsidiary
	Ko-E Holding (Cayman) (Note 5)	Cayman Islands	Holding company	US\$ 4,500	US\$ 4,500	4,500	100.00	US\$ 6,307	US\$ 46,617	US\$ 43,147	Subsidiary
	Vitrohm Holding GmbH	Germany	Investment	EUR 15,849	EUR 15,849	-	100.00	US\$ 14,384	US\$ 1,503	US\$ 1,503	Subsidiary
	Belkin International	Samoa	Investment	US\$ 1,104	US\$ 1,104	1,104	46.00	US\$ 1,122	US\$ (52)	US\$ (24)	Associate
	Yageo Korea	Korea	Resistor selling	US\$ 236	US\$ 236	-	100.00	US\$ 3,700	US\$ 468	US\$ 468	Subsidiary
	Yageo Japan	Japan	Resistor selling	US\$ 339	US\$ 339	-	100.00	US\$ 191	US\$ 39	US\$ 39	Subsidiary
Brightking Holdings Ltd	Hsu Tai International (H.K.) Ltd.	Hong Kong	Investment	US\$ 2,400	US\$ 2,400	1	100.00	US\$ 1,063	US\$ 12	US\$ 12	Subsidiary
	Brightking Enterprise (H.K.) Co., Ltd.	Hong Kong	Selling overvoltage and overcurrent protection electronic components	600,165	600,165	153,968	100.00	1,776,419	(87,943)	(87,943)	Subsidiary
Pulse Electronics Corporation	Egston Holding GmbH	Austria	Holding company	US\$ 22,030	US\$ 22,030	-	100.00	US\$ 19,725	US\$ 5,437	US\$ 5,437	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Remarks
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount			
Ko-E Holding (Cayman)	Ko-E Corp.	New Taipei City	Electronic components selling	US\$ 1,393	US\$ 1,393	4,500	100.00	US\$ 1,848	US\$ 35	US\$ 35	Subsidiary
	Ko-E (H.K.) Limited	Hong Kong	Electronic components selling	US\$ 4,662	US\$ 4,662	-	100.00	US\$ 43,404	US\$ 46,624	US\$ 46,624	Subsidiary
	Ko-E Electronics Trade Co., Ltd.	New Taipei City	Electronic components selling	US\$ 1,481	-	4,500	100.00	US\$ 1,464	US\$ (29)	US\$ (29)	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	(5,610)	(4,723)	(4,723)	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	(14,167)	(33,754)	(33,754)	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 9.

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

Note 3: Yageo Bermuda Holdings Co., Ltd.'s board of directors passed a resolution in December 2019 to reduce its capital shares in the amount of US\$136,000 thousand.

Note 4: Teapo Electronics Corporation held shareholders' meeting on June 5, 2019, and passed the decision to acquire 100% of the equity interests of Kaimei Electronic Corp. through issuance of common stock; the record date of the acquisition was September 30, 2019; Teapo Electronics Corporation is the surviving company and renamed Kaimei Electronic Corp.

Note 5: Ko-E Holding (Cayman) reduced capital and the Yageo Group acquired the shares of the remaining non-controlling interests in December 2019, and the ownership percentage of the Yageo Group was increased from 83.83% to 100%.

Note 6: Yageo Hong Kong Limited's board of directors passed a resolution in December 2019 to reduce its capital shares by HK\$776,838 thousand.

(Concluded)

TABLE 9

YAGEO CORPORATION AND INVESTEEES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Note 3)	Remittance of Funds		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (Note 3)	Net Income (Loss) of the Investee (Note 4)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of December 31, 2019 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2019 (Note 3)
					Outward (Note 3)	Inward (Note 3)						
Yageo Electronics (Dongguan) Co., Ltd.	Passive components manufacturing and selling	US\$ 53,250 (\$ 1,603,145)	Indirect: Through a company registered in a third region	US\$ 46,510 (\$ 1,400,230)	\$ -	\$ -	US\$ 46,510 (\$ 1,400,230)	HK\$ 110,352 (\$ 435,603)	100.00	HK\$ 74,795 (\$ 295,246)	HK\$ 808,771 (\$ 3,127,194)	US\$ 43,993 (\$ 1,324,453)
Yageo Electronics (China) Co., Ltd.	Passive components manufacturing and selling	US\$ 301,977 (\$ 9,091,320)	Indirect: Through a company registered in a third region	US\$ 204,977 (\$ 6,171,038)	-	-	US\$ 204,977 (\$ 6,171,038)	HK\$ 286,220 (\$ 1,129,825)	100.00	HK\$ 517,045 (\$ 2,040,983)	HK\$ 3,832,265 (\$ 14,817,836)	US\$ 63,038 (\$ 1,897,822)
Yageo Components (Suzhou) Co., Ltd.	Passive components manufacturing and selling	US\$ 5,000 (\$ 150,530)	Indirect: Through a company registered in a third region	US\$ 5,000 (\$ 150,530)	-	-	US\$ 5,000 (\$ 150,530)	HK\$ 6,250 (\$ 24,671)	100.00	HK\$ 5,892 (\$ 23,258)	HK\$ 99,660 (\$ 385,345)	-
Yageo (Suzhou) Trade Co., Ltd.	Passive components selling	US\$ 5,000 (\$ 150,530)	Indirect: Through a company registered in a third region	US\$ 5,000 (\$ 150,530)	-	-	US\$ 5,000 (\$ 150,530)	HK\$ 81,686 (\$ 322,447)	100.00	HK\$ 81,686 (\$ 322,447)	HK\$ 932,709 (\$ 3,606,413)	-
Compostar Technology (Dongguan) Co., Ltd. (Note 7)	Passive components manufacturing and selling	US\$ 1,500 (\$ 45,159)	Indirect: Through a company registered in a third region	US\$ 1,164 (\$ 35,043)	-	-	US\$ 1,164 (\$ 35,043)	-	100.00	-	HK\$ 18,405 (\$ 71,165)	-
Compostar Technology (Suzhou) Co., Ltd.	Passive components manufacturing and selling	US\$ 5,150 (\$ 155,046)	Indirect: Through a company registered in a third region	US\$ 5,150 (\$ 155,046)	-	-	US\$ 5,150 (\$ 155,046)	-	-	-	-	-
Guo Chuang Electronics (Dongguan) Co., Ltd.	Passive components manufacturing and selling	US\$ 1,709 (\$ 51,451)	Indirect: Through a company registered in a third region	US\$ 789 (\$ 23,754)	-	-	US\$ 789 (\$ 23,754)	HK\$ (1,733) (\$ (6,841))	35.00	HK\$ (607) (\$ (2,396))	HK\$ 7,247 (\$ 28,016)	-
Ko-E Technology (Shenzhen) Co., Ltd.	Passive components selling	US\$ 3,500 (\$ 105,371)	Indirect: Through a company registered in a third region	US\$ 3,150 (\$ 94,834)	-	-	US\$ 3,150 (\$ 94,834)	HK\$ 10,408 (\$ 41,085)	100.00	HK\$ 10,408 (\$ 41,085)	HK\$ 123,966 (\$ 479,327)	-
Guo Ray Electronics Co., Ltd. (Note 7)	Marketing of electronic components	US\$ 1,000 (\$ 30,106)	Indirect: Through a company registered in a third region	US\$ 460 (\$ 13,849)	-	-	US\$ 460 (\$ 13,849)	US\$ (52) (\$ (1,608))	46.00	US\$ (24) (\$ (742))	US\$ 492 (\$ 14,812)	-
Chen-Xin Electronic (Chiao-Tao) Co., Ltd.	Manufacture and marketing of passive components	HK\$ 1,000 (\$ 3,867)	Indirect: Through a company registered in a third region	US\$ 59 (\$ 1,776)	-	-	US\$ 59 (\$ 1,776)	-	-	-	-	-
Chen Xin (Dongguan)	Production of passive components	US\$ 1,000 (\$ 30,106)	Indirect: Through a company registered in a third region	US\$ 460 (\$ 13,849)	-	-	US\$ 460 (\$ 13,849)	-	-	-	-	-
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 (\$ 3,320,722)	-	-	US\$ 110,301 (\$ 3,320,722)	235,301	100.00	235,301	2,421,523	-
Brightking (Shenzhen) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	94,380	Indirect: Through a company registered in a third region	-	-	-	-	(15,371)	100.00	(15,371)	757,459	-
Brightking (Shanghai) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	29,249	Indirect: Through a company registered in a third region	-	-	-	-	(108,508)	100.00	(108,508)	133,125	-
Brightking (Beijing) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	18,876	Indirect: Through a company registered in a third region	-	-	-	-	(11,065)	100.00	(11,065)	50,594	-
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 (\$ 48,260)	-	-	US\$ 1,603 (\$ 48,260)	(39,089)	100.00	(39,089)	11,557	-

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Note 3)	Remittance of Funds		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (Note 3)	Net Income (Loss) of the Investee (Note 4)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 4)	Carrying Amount as of December 31, 2019 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2019 (Note 3)
					Outward (Note 3)	Inward (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	\$ -	\$ -	\$ -	\$ -	\$ (10,549)	100.00	\$ (10,549)	\$ 20	\$ -
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	-	-	-	-	(2,414)	100.00	(2,414)	205,767	-
Pulse Electronics (Dongguan) CO., LTD	Manufacturing automotive electronic components	HK\$ 197,297 (\$ 762,869)	Indirect: Through a company registered in a third region	US\$ 383,032 (\$ 11,531,561)	-	-	US\$ 383,032 (\$ 11,531,561)	94,891	100.00	94,891	1,198,948	-
Mian Yang Pulse Electronics Co., Ltd.	Manufacturing automotive electronic components	US\$ 2,100 (\$ 63,223)	Indirect: Through a company registered in a third region	US\$ 37,012 (\$ 1,114,283)	-	-	US\$ 37,012 (\$ 1,114,283)	130,810	100.00	130,810	149,196	-
Suining Pulse Electronics Co., Ltd	Manufacturing automotive electronic components	US\$ 500 (\$ 15,053)	Indirect: Through a company registered in a third region	US\$ 37,445 (\$ 1,127,319)	-	-	US\$ 37,445 (\$ 1,127,319)	79,471	100.00	79,471	74,782	-
Pulse (Suzhou) Wireless Products Co., Ltd	Manufacturing automotive electronic components	US\$ 25,300 (\$ 761,682)	Indirect: Through a company registered in a third region	US\$ 21,788 (\$ 655,950)	-	-	US\$ 21,788 (\$ 655,950)	168,119	100.00	168,119	91,192	-
Pulse Electronics (ShenZhen) Co., Ltd	Manufacturing automotive electronic components	US\$ 650 (\$ 19,569)	Indirect: Through a company registered in a third region	US\$ 3,533 (\$ 106,364)	-	-	US\$ 3,533 (\$ 106,364)	1,272	100.00	1,272	16,442	-
Shengsheng Technology (Suzhou) Co., Ltd.	Manufacturing automotive electronic components	US\$ 9,000 (\$ 270,954)	Indirect: Through a company registered in a third region	US\$ 9,656 (\$ 290,704)	-	-	US\$ 9,656 (\$ 290,704)	(1,549)	100.00	(1,549)	33,267	-
Egston Electronics Zhuhai Ltd	Manufacturing automotive electronic components	US\$ 2,340 (\$ 70,448)	Indirect: Through a company registered in a third region	US\$ 19,748 (\$ 594,533)	-	-	US\$ 19,748 (\$ 594,533)	45,330	100.00	45,330	109,322	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (Note 3)	Investment Amount Authorized by the Investment Commission, MOEA (Note 3)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$27,000,175 (US\$896,837)	\$31,465,527 (US\$1,045,158) (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, 2019, stated one New Taiwan dollar to HKD and USD are 1:3.8666 and 1:30.106, respectively.
- Note 4: The currency rate in 2018, stated one New Taiwan dollar to HKD and USD are 1:3.9474 and 1:30.9272, 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: All the above investment account and share of profit or loss relevant to subsidiaries have been eliminated from consolidation.
- Note 7: Compostar Technology (Dongguan) Co., Ltd. and Guo Ray Electronics Co., Ltd. have been canceled in the third quarter of 2019.

(Concluded)