English Translation of a Report and Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CORP.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
WITH
INDEPENDENT AUDITOR'S REPORT TRANSLATED FROM CHINESE

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2018 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

King Yuan Electronics Corp.

Chairman: C. K. Lee

March 14, 2019

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English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of King Yuan Electronics Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effectively by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of King Yuan Electronics Co., Ltd. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2018 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Revenue recognition</u>
King Yuan Electronics Co., Ltd. and its subsidiaries recognized NT$20,815,369 thousand as net sales. Their mainly activities are providing testing and assembly services that represented 95%, or NT$19,701,773 thousand in the amount, of the net operating revenues.

Since the primary activities of King Yuan Electronics Co., Ltd. and its subsidiaries are providing testing and assembly services, and the services comprise various wafers/integrated circuits testing and assembly processing, as well as rental of machinery, timing of revenue recognition may vary due to varied nature of revenues that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition; analyzing the reasonableness of gross profit margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples: reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of King Yuan Electronics Co., Ltd. and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King Yuan Electronics Co., Ltd. and its subsidiaries.

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 ability to continue as a going concern of King Yuan Electronics Co., Ltd. and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of King Yuan Electronics Co., Ltd. as of and for the years ended December 31, 2018 and 2017.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 14, 2019

Notice to Readers

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

- Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2018	%	December 31, 2017	%
Current assets					
Cash and cash equivalents	4, 6(1)	$4,786,626	10	$5,395,029	13
Financial assets at fair value through profit or loss-current	4, 6(2)	101,461	-	-	-
Financial assets at fair value through other comprehensive income-current	4, 6(3)	15,989	-	-	-
Available-for-sale financial assets-current	4, 6(4)	-	-	112,730	-
Contract assets-current	4, 6(19), 6(20), 7	289,427	1	-	-
Notes receivable, net	4, 6(5), 6(20)	13,844	-	10,656	-
Accounts receivable, net	4, 6(6), 6(20)	4,418,689	9	3,804,112	9
Accounts receivable from related parties, net	4, 6(6), 6(20), 7	769,731	2	673,148	2
Other receivables		233,559	1	197,342	1
Other receivables from related parties	4, 7	11,337	-	156,419	-
Inventories, net	4, 6(7)	1,137,152	2	473,829	1
Prepayments	6(8)	656,455	2	408,405	1
Other current assets		191,099	-	273,253	1
Other financial assets-current	8	4	-	472	-
Total current assets		12,625,373	27	11,505,395	28
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(3)	1,752,480	4	-	-
Available-for-sale financial assets-non-current	4, 6(4)	-	-	22,082	-
Financial assets measured at cost-non-current	4, 6(9)	-	-	1,785,558	4
Investments accounted for using the equity method	4, 6(10)	62,352	-	578,082	2
Property, plant and equipment	4, 6(11), 7, 8	31,907,296	68	26,657,896	65
Intangible assets	4, 6(12)	171,062	-	44,915	-
Deferred tax assets	4, 6(25)	405,398	1	333,914	1
Other financial assets-non-current	8	109,912	-	99,521	-
Other non-current assets	4, 6(13)	121,886	-	130,881	-
Total non-current assets		34,530,386	73	29,652,849	72
Total assets		$47,155,759	100	$41,158,244	100

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2018	%	December 31, 2017	%
Current liabilities					
Short-term loans	4, 6(14), 8, 9	$111,879	-	$-	-
Contract liabilities-current	4, 6(19)	85,963	-	-	-
Notes payable		50,156	-	11,815	-
Accounts payable		1,183,765	2	614,951	1
Accounts payable to related parties	7	12,391	-	7,236	-
Other payables		2,276,173	5	1,927,442	5
Other payables to related parties	7	80,831	-	28,343	-
Payables on equipment		800,724	2	450,769	1
Current tax liabilities	4, 6(24)	291,830	1	340,217	1
Bonds payable, current portion	4, 6(15)	-	-	64,829	-
Current portion of long-term liabilities	4, 6(16), 8	184,284	-	3,289,181	8
Other current liabilities		323,908	1	273,222	1
Total current liabilities		5,401,904	11	7,008,005	17
Non-current liabilities					
Long-term loans	4, 6(16), 8	16,750,860	36	8,650,497	21
Net defined benefit liabilities	4, 6(17)	481,570	1	446,624	1
Guarantee deposits		1,573	-	1,124	-
Total non-current liabilities		17,234,003	37	9,098,245	22
Total liabilities		22,635,907	48	16,106,250	39
Equity attributable to owners of the parent company					
Share capital	4, 6(15), 6(18)				
Common stock		12,227,451	26	12,202,383	30
Capital surplus	4, 6(15), 6(18)	4,844,536	10	5,327,372	13
Retained earnings	4, 6(18)				
Legal reserve		2,179,765	4	1,956,400	5
Special reserve		431,239	1	386,010	1
Undistributed earnings		5,597,293	12	5,403,995	13
Total retained earnings		8,208,297	17	7,746,405	19
Other equity	4	(803,173)	(1)	(229,824)	(1)
Equity attributable to owners of the parent company		24,477,111	52	25,046,336	61
Non-controlling interests	4, 6(18)	42,741	-	5,658	-
Total equity		24,519,852	52	25,051,994	61
Total liabilities and equities		$47,155,759	100	$41,158,244	100

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2018	%	2017	%
Net sales	4, 6(19), 7	$20,815,369	100	$19,686,911	100
Operating costs	4, 6(7), 6(12), 6(17), 6(21), 6(22), 7	(15,451,671)	(74)	(13,904,506)	(71)
Gross profit		5,363,698	26	5,782,405	29
Operating expenses	4, 6(12), 6(17), 6(20), 6(22)				
Selling expenses		(331,677)	(2)	(303,217)	(1)
Administrative expenses		(1,400,283)	(7)	(1,194,459)	(6)
Research and development expenses		(909,086)	(4)	(818,105)	(4)
Expected credit losses		(2,971)	-	-	-
Total operating expenses		(2,644,017)	(13)	(2,315,781)	(11)
Operating income		2,719,681	13	3,466,624	18
Non-operating income and expenses					
Other income	4, 6(23), 7	91,280	-	110,781	1
Other gains and losses	4, 6(9), 6(23), 7	324,961	2	58,731	-
Finance costs	4, 6(11), 6(23)	(204,987)	(1)	(197,634)	(1)
Share of profit of associates accounted for using the equity method	4, 6(10)	(541,377)	(3)	(503,337)	(3)
Total non-operating income and expenses		(330,123)	(2)	(531,459)	(3)
Net income before income tax		2,389,558	11	2,935,165	15
Income tax expense	4, 6(25)	(595,668)	(2)	(701,085)	(4)
Net income		1,793,890	9	2,234,080	11
Other comprehensive income	4, 6(24)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(41,788)	-	(89,523)	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		(164,411)	(1)	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		17,118	-	-	-
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(81,443)	-	(100,371)	-
Unrealized gains from available-for-sale financial assets		-	-	6,722	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		24,851	-	48,180	-
Other comprehensive income, net of tax		(245,673)	(1)	(134,992)	-
Total comprehensive income		$1,548,217	8	$2,099,088	11
Net income attributable to :					
Owners of the parent company		$1,795,344	9	$2,233,646	11
Non-controlling interests		(1,454)	-	434	-
		$1,793,890	9	$2,234,080	11
Total comprehensive income attributable to :					
Owners of the parent company		$1,549,371	8	$2,098,892	11
Non-controlling interests		(1,154)	-	196	-
		$1,548,217	8	$2,099,088	11
Earning per share(NT$)	4, 6(26)				
Basic Earnings Per Share		$1.47		$1.88	
Diluted Earnings Per Share		$1.46		$1.87	

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company										
			Retained earnings			Other equity					
Description	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	Unrealized gains (losses) from available-for sale financial assets	Equity attributable to owners of the parent	Non-controlling interests	Total Equity
Balance as of January 1, 2017	$11,674,833	$4,965,413	$1,658,280	$201,416	$5,382,228	$(183,283)	$-	$(1,310)	$23,697,577	$5,462	$23,703,039
Appropriation and distribution of 2016 earnings:											
Legal reserve	-	-	298,120	-	(298,120)	-	-	-	-	-	-
Special reserve	-	-	-	184,594	(184,594)	-	-	-	-	-	-
Cash dividends	-	(468,469)	-	-	(1,639,642)	-	-	-	(2,108,111)	-	(2,108,111)
Profit for the year ended December 31, 2017	-	-	-	-	2,233,646	-	-	-	2,233,646	434	2,234,080
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(89,523)	(51,953)	-	6,722	(134,754)	(238)	(134,992)
Total comprehensive income	-	-	-	-	2,144,123	(51,953)	-	6,722	2,098,892	196	2,099,088
Conversion of convertible bonds	527,550	830,428	-	-	-	-	-	-	1,357,978	-	1,357,978
Balance as of December 31, 2017	$12,202,383	$5,327,372	$1,956,400	$386,010	$5,403,995	$(235,236)	$-	$5,412	$25,046,336	$5,658	$25,051,994
Balance as of January 1, 2018	$12,202,383	$5,327,372	$1,956,400	$386,010	$5,403,995	$(235,236)	$-	$5,412	$25,046,336	$5,658	$25,051,994
Effects of retrospective application and retrospective restatement	-	-	-	-	448,328	-	(393,955)	(5,412)	48,961	-	48,961
Balance at beginning of period after adjustments	12,202,383	5,327,372	1,956,400	386,010	5,852,323	(235,236)	(393,955)	-	25,095,297	5,658	25,100,955
Appropriation and distribution of 2017 earnings:											
Legal reserve	-	-	223,365	-	(223,365)	-	-	-	-	-	-
Special reserve	-	-	-	45,229	(45,229)	-	-	-	-	-	-
Cash dividends	-	(488,511)	-	-	(1,709,789)	-	-	-	(2,198,300)	-	(2,198,300)
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	(33,755)	-	-	-	-	-	-	(33,755)	-	(33,755)
Profit for the year ended December 31, 2018	-	-	-	-	1,795,344	-	-	-	1,795,344	(1,454)	1,793,890
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(41,788)	(56,892)	(147,293)	-	(245,973)	300	(245,673)
Total comprehensive income	-	-	-	-	1,753,556	(56,892)	(147,293)	-	1,549,371	(1,154)	1,548,217
Conversion of convertible bonds	25,068	39,430	-	-	-	-	-	-	64,498	-	64,498
Non-controlling interests	-	-	-	-	-	-	-	-	-	38,237	38,237
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	(30,203)	-	30,203	-	-	-	-
Balance as of December 31, 2018	$12,227,451	$4,844,536	$2,179,765	$431,239	$5,597,293	$(292,128)	$(511,045)	$-	$24,477,111	$42,741	$24,519,852

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	2018	2017
Cash flows from operating activities :		
Profit before tax from continuing operations	$2,389,558	$2,935,165
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	6,686,191	6,317,667
Amortization	40,203	26,498
Expected credit loss (reversal of provision)	2,971	(14,038)
Gains on financial assets and liabilities at fair value through profit or loss	(418)	-
Interest expenses	204,987	197,634
Interest income	(22,217)	(30,590)
Dividend income	(880)	(4,295)
Investment loss accounted for using the equity method	541,377	503,337
Gain on disposal of property, plant and equipment	(165,812)	(44,777)
Gain on disposal of investments	-	(246)
Gain on disposal of investments accounted for using the equity method	(74,427)	-
Impairment loss of financial assets	-	14,627
Unrealized foreign exchange loss	72,386	(149,392)
Changes in operating assets and liabilities：		
Contract Assets	(289,427)	-
Notes receivable	(3,188)	3,594
Accounts receivable	82,660	(85,819)
Accounts receivable from related parties	(96,583)	296,052
Other receivables	9,337	(81,591)
Other receivables from related parties	145,199	(27,067)
Inventories	(209,119)	200,665
Prepayments	(282,075)	(18,940)
Other current assets	82,154	51,498
Contract liabilities	85,963	-
Notes payable	38,341	645
Accounts payable	(11,431)	(36,091)
Accounts payable to related parties	5,155	(669)
Other payables	(204,160)	(234,061)
Other payables to related parties	48,768	(9,895)
Other current liabilities	9,025	22,700
Accrued pension liabilities	(6,842)	(4,376)
Cash generated from operating activities	9,077,696	9,828,235
Interest received	23,704	29,844
Income tax paid	(673,570)	(782,583)
Net cash provided by operating activities	8,427,830	9,075,496

Description	2018	2017
Cash flows from investing activities :		
Proceeds from disposal of financial assets at fair value through other comprehensive income	$1,113	$-
Proceeds from capital return of financial assets at fair value through other comprehensive income	8,625	-
Proceeds from disposal of available-for-sale financial assets	-	7,542
Acquisition of financial assets measured at cost	-	(275,000)
Proceeds from capital return of financial assets measured at cost	-	12,351
Acquisition of investments accounted for using the equity method	(245,408)	-
Acquisition of property, plant and equipment	(8,680,807)	(5,249,763)
Proceeds from disposal of property, plant and equipment	271,099	337,445
Decrease (Increase) in refundable deposits	29,842	(7,682)
Acquisition of intangible assets	(23,774)	(39,827)
Net cash inflows from acquisition of subsidiaries	(167,009)	-
Increase in other financial assets	(9,923)	(5,993)
Decrease in other prepayments	2,142	2,117
Dividend received	10,940	15,755
Net cash used in investing activities	(8,803,160)	(5,203,055)
Cash flows from financing activities :		
Increase in short-term loans	111,142	-
Decrease in short-term loans	(413,652)	(13,658)
Borrowing in long-term loans	21,516,981	5,762,575
Repayments of long-term loans	(19,017,327)	(7,541,377)
Increase in guarantee deposits	449	-
Decrease in guarantee deposits	-	(74)
Cash dividends	(2,198,300)	(2,108,111)
Interest paid	(201,192)	(181,016)
Net cash used in financing activities	(201,899)	(4,081,661)
Effect of changes in exchange rate on cash and cash equivalents	(31,174)	(13,154)
Net decrease in cash and cash equivalents	(608,403)	(222,374)
Cash and cash equivalents at the beginning of the year	5,395,029	5,617,403
Cash and cash equivalents at the end of the year	$4,786,626	$5,395,029

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

1. Organization and Operation

King Yuan Electronics Co., Ltd. ("KYEC") was incorporated under the Company Law of the Republic of China (“R.O.C) on May 28, 1987, and commenced operations on July 23, 1987. The Company primarily engages in the business of design, manufacturing, selling, testing and assembly service of integrated circuits, and also engages in manufacturing and selling of IC Monitoring Burn-In machinery and related components. On May 9, 2001, the shares of KYEC were listed on the Taiwan Stock Exchange. KYEC’s registered office and the main business location is at No. 81, Sec. 2, Gongdaowu Road, Hsinchu City 300, Republic of China (R.O.C.).

2. Date and Procedures of Authorization of Financial Statements for Issue

The accompanying consolidated financial statements of KYEC and its subsidiaries (“the Company”) were approved and authorized for issue by the Board of Directors on March 14, 2019.

3. Newly Issued or Revised Standards and Interpretations

(1) Change in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

A. IFRS 15“Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. In accordance with the transition provision in IFRS 15, the Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Company’s principal activities consist of processing and testing services for integrated circuits. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows:

a. Please refer to Note 4 for the accounting policies before or after January 1, 2018.

b. The Company's primary activity is to conduct testing and assembly services based on customer's specification demand. Before January 1, 2018, revenue from rendering of services was recognized when goods have been delivered and accepted. Starting from January 1, 2018, in accordance with IFRS 15, the Company recognized revenue when (or as) the Company satisfies a performance obligation overtime. Because of short processing time, IFRS 15 has no significant impact on the Company's revenue recognition from rendering of services. However, for some contracts, if the Company has the right to transfer the goods to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets, which is different from the accounting treatment of recognizing trade receivables before the date of initial application. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. Compared with the requirements of IAS 18, the trade receivables decreased by NT$ 289,427 thousand for the accounts receivable as at December 31, 2018, and the contract assets increased by NT$ 289,427 thousand.

c. For some service contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. Before January 1, 2018, the Company recognized the consideration received in advance from customers under other current liabilities, provided that the part of the consideration received was more than the services that the Company has already provided. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Company as at the date of initial application was NT$46,161 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT$85,963 thousand and the contract liabilities increased by NT$85,963 thousand as at December 31, 2018.

d. Please refer to Note 4.(18), Note 5 and Note 6.(19) for additional disclosures required by IFRS 15.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. IFRS 9"Financial Instruments"

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition provisions of IFRS 9, the Company elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company:

a. The Company adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4.(8) for more details on accounting policies.

b. In accordance with the transition provisions of IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications of those financial assets and its carrying amounts as at January 1, 2018 are as follows:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Available-for-sale financial assets (including financial assets measured at cost)	$1,920,370	Fair value through profit or loss	$101,043
		Fair value through other comprehensive income	1,878,628
At amortized cost		At amortized cost (including cash and cash equivalents, notes receivables, trade receivables (including related parties), other receivables (including related parties), and other financial assets)	10,356,690
Loans and receivables (including cash and cash equivalents, notes receivables, trade receivables (including related parties), other receivables (including related parties), and other financial assets)	10,356,690		
Total	$12,277,060	Total	$12,336,361

c. The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at January 1, 2018 are as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

IAS 39		IFRS 9				
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Retained earnings adjusted amount	Other components of equity Adjusted amount
Available-for-sale financial assets (including investments measured at cost with initial investment cost of $2,220,402 reported as a separate line item) (Note 1)	$101,043	Fair value through profit or loss	$101,043	$-	$1,043	$(1,043)
	1,819,327	Fair value through other comprehensive income (equity instruments)	1,878,628	59,301	447,285	(387,984)
Subtotal	1,920,370		1,979,671	59,301	448,328	(389,027)
Loans and receivables (Note 2)						
Cash and cash equivalents	5,394,382	Cash and cash equivalents	5,394,382	-	-	-
Notes receivables	10,656	Notes receivables	10,656	-	-	-
Trade receivables (including related parties)	4,477,260	Trade receivables (including related parties)	4,477,260	-	-	-
Other receivables (including related parties)	353,761	Other receivables (including related parties)	353,761	-	-	-
Other financial assets	99,993	Other financial assets	99,993	-	-	-
Other non-current assets	20,638	Other non-current assets	20,638	-	-	-
Subtotal	10,356,690		10,356,690	-	-	-
Total	$12,277,060	Total	$12,336,361	$59,301	$448,328	$(389,027)

Notes:

(1) In accordance with of IAS 39, available-for-sale financial assets include investments in funds, stocks of listed companies and stocks of unlisted companies. Adjustment details are described as follows:

a. Funds

As the cash flow characteristics for funds are not solely payments of principal and interest on the principal amount outstanding, so funds are classified as financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9. As at January 1, 2018, the Company reclassified available-for-sale financial assets of NT$101,043 thousand to financial assets measured at fair value through profit or loss. Besides, changes in fair value of NT$1,043 thousand previously recognized in other equity was reclassified to retained earnings.

b. Stocks (including listed and unlisted companies)

The assessment is based on the facts and circumstances that existed as at January 1, 2018, as these equity investments are not held-for-trading, the Company elected to designate them as financial assets measured at fair value through other comprehensive income. As at January 1, 2018, the Company reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income in the amount of NT$1,819,327 thousand. Other related adjustments are described as follows:

(a) The equity instrument investments previously measured at cost in accordance with IAS 39 had an original carrying amount of NT$1,785,558 thousand, of which NT$434,844 thousand were impaired. However, in accordance with IFRS 9, equity instrument investments must be measured at fair value but are not required to be assessed for impairment. The fair value of the equity instrument investments were NT$1,844,859 thousand as at January 1, 2018. Accordingly, the Company adjusted the carrying amount of financial assets measured at fair value through other comprehensive income by NT$1,844,859 thousand, retained earnings and other equity by NT$434,844 thousand and NT$(375,543) thousand, respectively.

(b)The listed company stocks of NT$33,769 thousand were measured at fair value at the date of initial application that resulted no difference. As at January 1, 2018, in addition to the reclassification to financial assets measured at fair value through other comprehensive income, Besides, impairment assessment is not required for those equity instruments. Therefore, the Company reclassified the accumulated impairment loss of NT$12,441 thousand from retained earnings to other component of equity.

(2) In accordance with IAS 39, the cash flow characteristics for held-to-maturity investments and loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arose from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018.

d. Other impact

The Company adopted the requirements of IFRS 9 since January 1, 2018, The adjustments for investment using equity method and other equity were NT$(10,340) thousand.

e. Please refer to Note 4.(8), Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

C. Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:

The Company is required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note 12 for more details.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 16 "Leases"	January 1, 2019
B	IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019
C	IAS 28 "Investment in Associates and Joint Ventures" — Amendments to IAS 28	January 1, 2019
D	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
E	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
F	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

A. IFRS 16 "Leases"

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

B. IFRIC 23 "Uncertainty Over Income Tax Treatments"

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

C. IAS 28 "Investment in Associates and Joint Ventures" — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that from part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

D. Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

E. Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”
The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”
The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”
The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”
The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

F. Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and have been recognized by FSC will become effective for annual periods beginning on or after January 1, 2019. Apart from item A and B explained below, the remaining standards and interpretations have no material impact on the Company.

A. IFRS 16 〝Leases〞

IFRS 16 〝Leases〞 replaces IAS 17 〝Leases〞, IFRIC 4 〝Determining whether an Arrangement contains a Lease〞, SIC-15 〝Operating Leases - Incentives〞 and SIC-27 〝Evaluating the Substance of Transactions Involving the Legal Form of a Lease〞. The impact arising from the adoption of IFRS 16 on the Company are summarized as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

a. For the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application in accordance with the transition provision in IFRS 16. Instead, the Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

Leases classified as operating leases:
For leases that were classified as operating leases applying IAS 17, the Company expects to measure and recognize those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019 and; the Company chooses, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

The Company expects the right-of-use asset will increase by NT$522,423 thousand and the lease liability will increase by NT$522,423 thousand as at January 1, 2019.

b. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

B. IFRIC 23 "Uncertainty Over Income Tax Treatments"

The Interpretation is effective for annual periods beginning on or after January 1, 2019.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet recognized by FSC at the date of issuance of the Company's financial statements are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2021
C	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
D	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

A. IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)

The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 “Business Combinations” between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

B. IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

C. Definition of a Business (Amendment to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 "Business Combinations". The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

D. Definition of a Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The abovementioned standards and interpretations issued by IASB have not yet been recognized by FSC at the date of issuance of the Company's financial statements, the local effective dates are to be determined by FSC. All other standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and TIFRS as endorsed by FSC.

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The accompanying consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

Basis of Consolidation

Principle of consolidation

Control is achieved when KYEC is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, KYEC controls an investee if and only if KYEC has:

a. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b. exposure, or rights, to variable returns from its involvement with the investee; and
c. the ability to use its power over the investee to affect its returns.

When KYEC has less than a majority of the voting or similar rights of an investee, KYEC considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. the contractual arrangement with the other vote holders of the investee;
b. rights arising from other contractual arrangements;
c. KYEC's voting rights and potential voting rights.

KYEC re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date the Company ceases to control the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting period with the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

a. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
b. derecognizes the carrying amount of any non-controlling interest;
c. recognizes the fair value of the consideration received;
d. recognizes the fair value of any investment retained;
e. recognizes any surplus or deficit in profit or loss; and
f. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The consolidated entities are listed as follows:

			Percentage of Ownership	
Investor	Subsidiary	Business nature	2018.12.31	2017.12.31
KYEC	KYEC USA Corp.	Sales agent and business communication in USA	100.00	100.00
KYEC	KYEC Investment International Co., Ltd.	General investing	100.00	100.00
KYEC	KYEC Technology Management Co., Ltd.	General investing	100.00	100.00
KYEC	KYEC Japan K.K.	Manufacturing and sales of Electronic parts and components, sales agent and business communication in Japan	89.83	89.83
KYEC	KYEC SINGAPORE PTE. Ltd.	Sales agent and business communication in Southeast Asia and Europe	100.00	100.00
KYEC	King Ding Precision Incorporated Company	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	48.94 (Note)	-
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	General investing	94.02	94.02
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	General investing	5.98	5.98
KYEC Microelectronics Co., Ltd.	King Long Technology (Suzhou) Ltd.	Sales and manufacturing of components of automotive data processing machinery, solid memory parts, monitoring burn-in machinery, and testing and assembly service of integrated circuits	100.00	100.00
KYEC Investment International Co., Ltd.	Sino-Tech Investment Co., Ltd.	General investing	100.00	100.00
KYEC Investment International Co., Ltd.	Strong Outlook Investment Ltd.	General investing	100.00	100.00

			Percentage of Ownership	
Investor	Subsidiary	Business nature	2018.12.31	2017.12.31
Sino-Tech Investment Co., Ltd.	Suzhou Zhengkuan Technology Ltd.	Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery	61.88	61.88
Strong Outlook Investment Ltd.	Suzhou Zhengkuan Technology Ltd.	Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery	38.12	38.12

Note:
KYEC acquired 48.94% ownership and more than half seats of the Board of Directors of King Ding Precision Incorporated Company in November 2018. Therefore, a control over King Ding Precision Incorporated Company was obtained.

Foreign currency transactions

The Company’s consolidated financial statements are presented in NT$, which is also the parent company’s functional currency. Each entity in the Company determines its functional currency upon its primary economic environment and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company’s entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 “Financial Instruments” (Before January 1, 2018: IAS 39 “Financial Instruments: Recognition and Measurement”) are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and

B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

Current and non-current distinction

An asset is classified as current when:

A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
B. the Company holds the asset primarily for the purpose of trading;
C. the Company expects to realize the asset within twelve months after the reporting period; or
D. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. the Company expects to settle the liability in its normal operating cycle;
B. the Company holds the liability primarily for the purpose of trading;
C. the liability is due to be settled within twelve months after the reporting period; or
D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within twelve months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments" (before January 1, 2018: IAS 39 "Financial Instruments: Recognition and Measurement") are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The accounting policy from January 1, 2018 as follows:

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

a. the Company's business model for managing the financial assets and
b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
b. 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b. 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

a. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

    (a). purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
    (b). financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

The accounting policy before January 1, 2018 as follows:

The Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Company are classified as available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Available-for-sale financial assets

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

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

B. Impairment of financial assets

The accounting policy from January 1, 2018 as follows:

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. the time value of money; and
c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

a. at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
b. at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
c. for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before January 1, 2018 as follows:

The Company assesses at each reporting date whether there is any objective evidence that an individual or a group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced to book value directly besides receivables, and the amount of the loss is recognized in profit or loss.
A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

a. significant financial difficulty of the issuer or obligor; or
b. a breach of contract, such as a default or delinquency in interest or principal payments; or
c. it becomes probable that the borrower will enter bankruptcy or other financial reorganization; or
d. the disappearance of an active market for that financial asset because of financial difficulties.

For loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

C. Derecognition of financial assets

A financial asset is derecognized when:

a. the rights to receive cash flows from the asset have expired.
b. the Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
c. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 “Financial Instruments” (before January 1, 2018: IAS 39 “Financial Instruments: Recognition and Measurement”).

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 “Financial Instruments” (before January 1, 2018: IAS 39 “Financial Instruments: Recognition and Measurement”) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

A financial liability is classified as held for trading if:

a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
b. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

Before January 1, 2018, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are separated from the host contract and accounted for as a derivative. The aforementioned policies are applicable to host contracts as financial liabilities or non-financial assets since January 1, 2018.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a. in the principal market for the asset or liability, or
b. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on weighted average method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

Investments accounted for using the equity method

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new shares, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 "Investments in Associates and Joint Ventures" (before January 1, 2018: IAS 39 "Financial Instruments: Recognition and Measurement"). If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 "Impairment of Assets". In determining the value in use of the investment, the Company estimates:

A. its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 "Impairment of Assets".

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	20～31 years
Plant equipment	5～16 years
Machinery and equipment	2～ 6 years
Transportation equipment	3～ 6 years
Office equipment	3～ 5 years
Leased assets	3～11 years
Leasehold improvements	10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

A. *The Company as a lessee*

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

B. *The Company as a lessor*

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

A. *Research and development costs*

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b. its intention to complete and its ability to use or sell the asset;
c. how the asset will generate future economic benefits;
d. the availability of resources to complete the asset; and
e. the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

B. *Computer software*

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, The Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, The Company estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

Treasury shares

Acquisitions of the shares of KYEC (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration, if reissues, is recognized in capital surplus under equity.

When the retirement of treasure shares, capital surplus – share premiums and share capital are debited proportionately, gains on retirement of treasure shares should be recognized under existing capital surplus arising form similar types of treasure shares; losses on retirement of treasure shares should be offset against existing capital surplus form similar types of treasure shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

Revenue recognition

The accounting policy from January 1, 2018 as follow:

The Company’s revenue arising from contracts with customers mainly rendering of processing services. The accounting policies are explained as follow:

Rendering of services

The Company’s primary activity is to conduct testing and assembly services based on customer’s specification demand. According to the customer contract, the ownership of the work in process belongs to the customer. The customer controls the work in process when the Company provides services to create or enhance it. Accordingly, the Company’s performance obligation is satisfied over time and the Company, based on the consideration stated in the customer contract (less estimated volumn discount), recognizes service revenues over time. The Company estimates the volumn discounts using the expected value method based on historical experiences. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, when the Company transfers those processed assets to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transferring those processed assets to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company transfers those processed assets to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

For some service contracts, part of the consideration is received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. The Company recognizes the consideration received in advance from customers under contract liabilities, provided that the part of the consideration received is more than the services that the Company has already provided.

The accounting policy before January 1, 2018 is as follows:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

A. Testing and assembly service

The Company provides IC testing and assembly service. Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

(a) the significant risks and rewards of ownership of the goods have passed to the buyer;
(b) neither continuing managerial involvement nor effective control over the goods sold have been retained;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
(e) the costs incurred in respect of the transaction can be measured reliably.

The revenue recognition amount is the agreed price of the agreement between the parties and is recognized at the completion of each process. The discount is based on historical experience and is used as a deduction for income when the income is recognized.

B. Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

C. Dividends

Dividend revenue is recognized when the Company’s right to receive the payment is established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Post-employment benefits

All regular employees of KYEC are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with KYEC. Therefore, fund assets are not included in the Company’s consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

A. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for unappropriated earnings is recognized as income tax expense in the subsequent year when distribution proposal is approved by the shareholder’s meeting.

B. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

a. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Company acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 "Financial Instruments" (before January 1, 2018: IAS 39 "Financial Instruments: Recognition and Measurement") either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A. Investment properties

Certain properties of the Company comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Company accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 10% of the total property.

B. Operating lease commitment－Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

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

A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

B. The estimated useful life of depreciated assets

The estimated useful lives of depreciated assets are to consider the Company’s expected utility and the experience on using similar property, plant and equipment in prior periods. Whether to dispose of the depreciated assets depends on the Company's management policies that may consider a specific period or a certain ratio of future economic benefits to the asset have been consumed. Please refer to Note 6 for more details of depreciation, addition and deposal of property, plant and equipment.

C. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

D. Revenue recognition - sales returns and discounts

Starting from January 1, 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6 for more details.

Before January 1, 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

E. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$748	$647
Checking and savings accounts	4,546,559	3,494,486
Time deposits	239,319	1,899,896
Total	$4,786,626	$5,395,029

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(2) Financial assets at fair value through profit or loss

	December 31, 2018	December 31, 2017(Note)
Financial assets mandatorily measured at fair value through profit or loss- current		
Funds	$101,461	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income

	December 31, 2018	December 31, 2017(Note)
Equity instrument investments measured at fair value through other comprehensive income- current		
Listed company's stocks	$15,989	
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	26,602	
Unlisted company's stocks	1,725,878	
Subtotal	1,752,480	
Total	$1,768,469	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company received capital returns of NT$8,625 thousand from its equity instrument investments measured at fair value through other comprehensive income for the year ended December 31, 2018.

Financial assets at fair value through other comprehensive income were not pledged.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(4) Available-for-sale financial assets

	December 31, 2018(Note)	December 31, 2017
Current		
Funds		$101,043
Stocks		11,687
Subtotal		112,730
Non-current		
Stocks		22,082
Subtotal		22,082
Total		$134,812

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before January 1, 2018 and classified certain financial assets as available-for-sale financial assets. Available-for-sale financial assets were not pledged.

For the year ended December 31, 2017, the Company disposed of certain available-for-sale financial assets in a total considerations of NT$7,542 thousand. The Company recognized a disposal gain in the amount of NT$246 thousand.

(5) Notes receivable

	December 31, 2018	December 31, 2017
Notes receivables from operating activities	$13,844	$10,656
Less: loss allowance	-	-
Total	$13,844	$10,656

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6.(20) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(6) Trade receivables and trade receivables from related parties

	December 31, 2018	December 31, 2017
Trade receivables	$4,446,483	$3,855,352
Less: loss allowance	(27,794)	(28,207)
Less: allowance for sales returns and discounts(note)	-	(23,033)
Subtotal	4,418,689	3,804,112
Trade receivables from related parties	769,731	673,148
Less: loss allowance	-	-
Subtotal	769,731	673,148
Total	$5,188,420	$4,477,260

Note: Before January 1, 2018, an allowance of sales returns and discounts was recognized based on past experience and other known factors. The allowance is classified as a deduction of trade receivables at the time when amounts can be reasonably estimated. On and after January 1, 2018, the Company classified such allowance in the amount of NT$33,330 thousand as refund liability which was included in other current liabilities.

No trade receivables were pledged.

The receivables are generally on 30 to 120 days terms. The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6.(20) for more details on impairment of trade receivables. The Company adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of trade receivables and trade receivables from related parties are as follows (please refer to Note 12 for more details on credit risk):

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	$24,947	$17,318	$42,265
Reversal for the current period	-	(8,430)	(8,430)
Reversal due to recovery	(5,608)	-	(5,608)
Exchange differences	-	(20)	(20)
As of December 31, 2017	$19,339	$8,868	$28,207

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Impairment loss that was individually determined for the year ended December 31, 2017, arose mainly due to the counterparty default. The amount of impairment loss recognized was the difference between the carrying amount of the trade receivable and the present value of its expected recoverable amount. The Company does not hold any collateral for such trade receivables.

Aging analysis of trade receivables and trade receivable from related parties were as follows:

		Past due but not impaired				
As of	Neither past due nor impaired	1 to 90 days	91 to 180 days	181 to 365 days	More than 366 days	Total
December 31, 2017	$3,895,219	$513,969	$53,099	$10,402	$4,571	$4,477,260

(7) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$855,661	$345,030
Work in progress	210,074	89,783
Finished goods	71,417	39,016
Total	$1,137,152	$473,829

The cost of inventories recognized in operating costs for the years ended December 31, 2018 and 2017 amounted to NT$15,451,671 thousand and NT$13,904,506 thousand, respectively, including the write-down of inventories of NT$114 thousand and NT$1,128 thousand, and scrap loss of NT$3,219 thousand and NT$3,319 thousand, respectively.

No inventories were pledged.

(8) Prepayments

	December 31, 2018	December 31, 2017
Prepaid equipment	$413,788	$320,826
Prepaid expenses	69,723	61,075
Input tax	135,907	19,480
Others	37,037	7,024
Total	$656,455	$408,405

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(9) Financial assets measured at cost-non-current

	December 31, 2018(Note)	December 31, 2017
Available-for-sale financial assets		
Non-listed stocks		$1,785,558

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Company adopted IAS 39 before January 1, 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

The Company invested in Yann Yuan Investment Co., Ltd in the amount of NT$275,000 thousand in June 2017 due to the operation need.

The Company received capital returns of NT$12,351 thousand from its financial assets measured at cost for the year ended December 31, 2017.

The Company determined some of its financial assets measured at cost were impaired and recognized an impairment loss of NT$14,627 thousand for the year ended December 31, 2017.

No financial assets measured at cost were pledged.

(10) Investments accounted for using the equity method

	December 31, 2018		December 31, 2017	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Dawning Leading Technology Inc.	$-	-	$522,140	26.89%
Fixwell Technology Corp.	44,418	23.33%	41,540	23.33%
Wei Jiu Industrial Co., Ltd.	17,934	34.00%	14,841	34.00%
Subtotal	62,352		578,521	
Less：deferred credits	-		(439)	
Total	$62,352		$578,082	

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

In April 2018, Dawning Leading Technology Inc. (Dawning) reduced its capital to offset deficits and issued new shares right after. The Company subscribed to the new shares by investing NT$245,408 thousand and its ownership over Dawning increased to 33.50%. As the subscription is not proportionate to the Company's original ownership, the Company recorded the difference of NT$33,755 thousand in capital surplus.

For the purpose of integrating resources, enhancing performance, raising competitiveness in response to industry development, the Board of Directors resolved to merge with Dawning on August 7, 2018. After the merger, Dawning was dissolved. The Company paid NT$3.0 per share to acquire the remaining 66.50% ownership interest. The total consideration paid was NT$456,982 thousand. The original 33.50% ownership interest was remeasured at fair value and the Company recognized an investment diposal gain of NT$74,427 thousand.

The merger date was November 1, 2018 and the related registration has been completed. Please refer to Note 6.(27) for more details.

A. Investment in associates

Information on the material associate of the Company:
Company name: Dawning Leading Technology Inc.

The summarized financial information of the associate is as follows:

	December 31, 2017
Current assets	$2,364,584
Non-current assets	4,622,338
Current liabilities	(2,735,692)
Non-current liabilities	(2,326,530)
Equity	1,924,700
Proportion of the Company's ownership	26.89%
Subtotal	517,590
The difference between investment cost and net equity	4,550
Carrying amount of the investment	$522,140

	Year ended December 31, 2017
Operating revenue	$2,611,907
Profit or loss from continuing operations	(1,924,304)
Other comprehensive income	-
Total comprehensive income	$(1,924,304)

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The Company recognized the loss of the investment using equity method in the amount of NT$557,408 thousand.

The Company's investments in Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd. are not individually material. The aggregated carrying amounts of the Company's interests in Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd. were NT$62,352 thousand and NT$56,381 thousand, respectively, as at December 31, 2018 and 2017. The summarized financial information of the Company's ownership in those associates is as follows:

	Year ended December 31	
	2018	2017
Net income	$16,031	$12,978
Other comprehensive income, net of tax	-	-
Total comprehensive income	$16,031	$12,978

The investments mentioned above were not pledged.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(11) Property, plant and equipment

	Land	Buildings and facilities	Plant equipment	Machinery equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold equipment	Construction in progress and equipment awaiting examination	Total
Cost:										
As of January 1, 2018	$1,143,394	$4,884,238	$7,258,471	$71,590,546	$653,833	$46,562	$4,613,080	$4,425	$345,729	$90,540,278
Additions	-	23,661	854,162	7,305,529	48,710	4,119	588,811	-	183,005	9,007,997
Addition- acquired through business combination	-	-	194,802	2,682,988	12,944	-	113,873	-	42,433	3,047,040
Disposals	-	-	(26,253)	(2,707,967)	(2,674)	(1,736)	(93,414)	-	-	(2,832,044)
Transfers	-	-	-	40,426	-	-	(87,014)	-	105,933	59,345
Exchange differences	-	(17,767)	(5,948)	(92,190)	(1,403)	(89)	(20,552)	-	(17)	(137,966)
As of December 31, 2018	$1,143,394	$4,890,132	$8,275,234	$78,819,332	$711,410	$48,856	$5,114,784	$4,425	$677,083	$99,684,650
Cost:										
As of January 1, 2017	$1,143,394	$4,887,710	$6,867,418	$69,492,164	$628,783	$45,201	$4,425,734	$4,425	$436,220	$87,931,049
Additions	-	18,329	441,652	3,941,397	34,996	4,914	315,959	-	178,359	4,935,606
Disposals	-	-	(44,480)	(1,709,308)	(7,925)	(3,426)	(102,431)	-	-	(1,867,570)
Transfers	-	-	-	-	-	-	-	-	(267,536)	(267,536)
Exchange differences	-	(21,801)	(6,119)	(133,707)	(2,021)	(127)	(26,182)	-	(1,314)	(191,271)
As of December 31, 2017	$1,143,394	$4,884,238	$7,258,471	$71,590,546	$653,833	$46,562	$4,613,080	$4,425	$345,729	$90,540,278

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	Land	Buildings and facilities	Plant equipment	Machinery equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold equipment	Construction in progress and equipment awaiting examination	Total
Accumulated Depreciations and Impairment:										
As of January 1, 2018	$-	$1,581,088	$5,039,910	$53,246,263	$555,859	$28,406	$3,429,675	$1,181	$-	$63,882,382
Depreciation	-	172,773	474,740	5,703,830	37,433	5,647	291,326	442	-	6,686,191
Disposals	-	-	(26,253)	(2,579,216)	(2,602)	(1,736)	(91,794)	-	-	(2,701,601)
Exchange differences	-	(6,805)	(4,255)	(64,263)	(1,198)	(62)	(13,035)	-	-	(89,618)
As of December 31, 2018	$-	$1,747,056	$5,484,142	$56,306,614	$589,492	$32,255	$3,616,172	$1,623	$-	$67,777,354
As of January 1, 2017	$-	$1,415,776	$4,623,614	$49,350,395	$529,825	$26,440	$3,300,009	$738	$-	$59,246,797
Depreciation	-	170,960	464,260	5,396,452	35,525	5,373	244,654	443	-	6,317,667
Disposals	-	-	(44,480)	(1,417,880)	(7,923)	(3,324)	(101,970)	-	-	(1,575,577)
Exchange differences	-	(5,648)	(3,484)	(82,704)	(1,568)	(83)	(13,018)	-	-	(106,505)
As of December 31, 2017	$-	$1,581,088	$5,039,910	$53,246,263	$555,859	$28,406	$3,429,675	$1,181	$-	$63,882,382
Net carrying amount as at:										
December 31, 2018	$1,143,394	$3,143,076	$2,791,092	$22,512,718	$121,918	$16,601	$1,498,612	$2,802	$677,083	$31,907,296
December 31, 2017	$1,143,394	$3,303,150	$2,218,561	$18,344,283	$97,974	$18,156	$1,183,405	$3,244	$345,729	$26,657,896

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

a. Capitalized borrowing costs of property, plant and equipment are as follows:

	For the years ended December 31,	
	2018	2017
Construction in progress	$53,795	$18,975
Capitalization rate of borrowing costs	1.5518~1.8843%	1.542~1.636%

b. The investing activities partially influenced the cash flow are as follows:

	For the years ended December 31,	
	2018	2017
Acquisition of property, plant and equipment	$9,007,997	$4,935,606
Net (increase) decrease in payables to equipment suppliers	(323,470)	310,682
Net (increase) decrease in other payables - related parties	(3,720)	3,475
Total	$8,680,807	$5,249,763

	For the years ended December 31,	
	2018	2017
Disposal of property, plant and equipment	$295,816	$335,743
Net (increase) decrease in other receivables	(24,600)	-
Net (increase) decrease in other receivables - related parties	(117)	1,702
Total	$271,099	$337,445

c. Please refer to Note 8 for property, plant and equipment under pledges as collateral.

(12) Intangible Asset

	Software	Goodwill	Total
Cost:			
As of January 1, 2018	$239,151	$-	$239,151
Additions from acquisitions	23,774	-	23,774
Acquired through business combination	17,897	35,914	53,811
Disposals	(36,424)	-	(36,424)
Transfers	89,021	-	89,021
Exchange differences	(821)	-	(821)
As of December 31, 2018	$332,598	$35,914	$368,512

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	Software	Goodwill	Total
As of January 1, 2017	$215,106	$-	$215,106
Additions from acquisitions	39,827	-	39,827
Disposals	(14,762)	-	(14,762)
Exchange differences	(1,020)	-	(1,020)
As of December 31, 2017	$239,151	$-	$239,151
Amortization and impairment:			
As of January 1, 2018	$194,236	$-	$194,236
Amortization	40,203	-	40,203
Disposals	(36,424)	-	(36,424)
Exchange differences	(565)	-	(565)
As of December 31, 2018	$197,450	$-	$197,450
As of January 1, 2017	$183,487	$-	$183,487
Amortization	26,498	-	26,498
Disposals	(14,762)	-	(14,762)
Exchange differences	(987)	-	(987)
As of December 31, 2017	$194,236	$-	$194,236
Net carrying amount as of:			
December 31, 2018	$135,148	$35,914	$171,062
December 31, 2017	$44,915	$-	$44,915

Amortization expenses of intangible assets recognized are as follows:

	For the years ended December 31,	
	2018	2017
Operating costs	$20,747	$10,360
Sales and administration costs	13,200	10,746
Research and development costs	6,256	5,392
Total	$40,203	$26,498

The goodwill acquired through business combination is NT$35,914 thousand. Please refer to Note 6.(27) for more details.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(13) Other non-current assets

	December 31, 2018	December 31, 2017
Long-term prepaid rent	$106,246	$110,243
Refundable deposits	15,532	20,638
Others	108	-
Total	$121,886	$130,881

Long-term prepaid rent was prepaid for land use rights.

(14) Short-term loan

	Interest Rates (%)	December 31, 2018	December 31, 2017
Unsecured bank loans	4.57%	$111,879	$-

The Company's unused short-term lines of credits amounted to NT$3,357,084 thousand and NT$3,834,028 thousand as at December 31, 2018 and 2017, respectively.

(15) Bonds payable

	December 31, 2018	December 31, 2017
Liability component:		
Overseas unsecured convertible bonds-principal amount	$-	$66,373
Discounts on bonds payable	(-)	(1,544)
Subtotal	-	64,829
Less: current portion	(-)	(64,829)
Net	$-	$-
Equity component:		
Capital surplus-stock	$-	$2,128

On July 29, 2016, the Company issued zero coupon unsecured convertible bonds (the KYEC Bonds) and listed on the Singapore Exchange Securities Trading Limited on August 2, 2016. The terms and conditions of the bonds are as follows:

A. Issue amount：

The KYEC Bonds are unsecured convertible bonds in registered form, and the amount is US$50 million. The KYEC Bonds shall be issued at 100% of par value in denomination of US $10,000 or in any integral multiples thereof.

The KYEC Bonds shall be converted to US dollars equivalent to the New Taiwan dollars amount using the Fixed Exchange Rate, for the repayment, repurchase and redemption of the bonds. The Fixed Exchange Rate means the USD/NTD exchange rate indicated by the Taipei Forex Inc. price reference information at 11:00 am on the pricing date (the “Fixed Exchange Rate”). The Fixed Exchange Rate is NT$ 32.148 = US$1.00.

B. Redemption：

The coupon interest rate is 0% per annum, and the Company shall redeem the KYEC Bonds on the maturity date at their principal amount in cash.

The maturity redemption amount shall be converted to New Taiwan dollars using the principal amount and the Fixed Exchange Rate, and said New Taiwan dollars amount shall be converted into US dollars based on the prevailing exchange rate at the time for payment.

C. Period: Three years (July 29, 2016~ July 29, 2019)

D. Redemption of the Bondholder：

Each bondholder may, upon the second anniversary of the Issue Date, request the Company to redeem in whole or in part, the KYEC Bonds held by such bondholder, at the amount equal to the principal amount of the KYEC Bonds plus a yield of 0.5% per annum, for the total of 101% (the “Redemption Price”).

The Redemption Price shall be converted to New Taiwan dollars using the principal amount and the Fixed Exchange Rate, and said New Taiwan dollars amount shall be converted into US dollars based on the prevailing exchange rate at the time for payment.

E. Redemption of the Company：

Commencing from the day after second anniversary of the Issue Date, the Company may redeem the KYEC Bonds early in the following circumstances:

a. The Company may redeem the KYEC Bonds early in whole but not in part, at the early redemption price, provided that the closing price of the Company's common shares on the TWSE (converted into US dollars using the Fixed Exchange Rate), is more than 120% of the conversion price (converted into US dollars using the Fixed Exchange Rate) for 20 trading days out of 30 consecutive trading days.

b. Where more than 90 percent of the KYEC Bonds have been redeemed, repurchased and cancelled, or converted, the Company may redeem in whole but not in part, the remaining outstanding the KYEC Bonds early, at the redemption amount.

The aforementioned early redemption amounts hall be converted to New Taiwan dollars using the principal amount and the Fixed Exchange Rate, and said New Taiwan dollars amount shall be converted into US dollars based on the prevailing exchange rate at the time for payment.

F. Conversion：

a. Securities Conversion: the Company's common shares.
b. During the transition period: The bondholders may request the Company to convert the KYEC Bonds into common shares anytime starting from the day immediately following the 30th day after the Issue Date (the "Conversion Period").
c. Conversion price and its adjustment: The conversion price of the KYEC Bonds is determined at NT$29 per share on the pricing date. The conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. The conversion price was NT$26.29 on March 31, 2018.
d. Conversion of common stocks: The number of common shares to be delivered upon conversion of any the KYEC Bonds shall be determined by multiplying the principal amount of the KYEC Bonds with USD/NTD Fixed Exchange Rate determined on the pricing date, and divided by the conversion price in effect on the conversion date. The Company shall not compensate in any way for any remaining amount that is insufficient for conversion into one share.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For the year 2018, the KYEC Bonds conversion amount was US$2,050 thousand, which was converted into 2,507 thousand shares of the Company's common shares, and the Company issued 1,039 thousand shares and 1,468 thousand shares for capital increase on March 16, 2018 and May 4, 2018, respectively. For the year 2017, the KYEC Bonds conversion amount was US$43,450 thousand, which was converted into 52,755 thousand shares of the Company's common shares, and the Company issued those shares for capital increase on March 3, 2017, June 19, 2017, September 29, 2017, and December 29, 2017, respectively.

As of December 31, 2018 and 2017, the capital surplus-convertible bonds option amount was NT$0 and NT$2,128 thousand, respectively. The KYEC Bonds have been fully converted as of March 31, 2018.

(16) Long-term borrowings

As of December 31, 2018

Lenders	Nature	Balance	Maturity Date	Terms of repayment
Standard Chartered Bank	Unsecured bank loans	$ 600,000	2020.06.30	Revolving Credit
Citi Bank	Unsecured bank loans	460,725	2020.11.30	Revolving Credit
SinoPac Bank	Unsecured bank loans	614,300	2020.05.31	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	276,435	2020.02.26	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	1,660,020	2020.10.17	Revolving Credit
Taishin Bank	Unsecured bank loans	289,000	2021.02.09	Revolving Credit
Cathay United Bank	Unsecured bank loans	276,435	2020.12.24	Revolving Credit
First Commercial Bank loans	Unsecured bank loans	337,865	2020.06.28	Revolving Credit
Bank of china	Unsecured bank loans	300,000	2020.10.14	Revolving Credit
Mizuho Bank	Unsecured bank loans	1,230,000	2021.01.01	Revolving Credit

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Balance	Maturity Date	Terms of repayment
Hua Nan Commercial Bank	Unsecured bank loans	92,145	2020.11.16	Revolving Credit
E. Sun Bank	Unsecured bank loans	92,145	2020.09.13	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	61,430	2021.01.03	Revolving Credit
Mega Bank	Unsecured bank loans	491,440	2020.09.18	Revolving Credit
Land Bank	Unsecured bank loans	92,145	2020.02.12	Revolving Credit
O Bank	Unsecured bank loans	300,000	2020.11.21	Repay at maturity
Mega Bank	Unsecured bank loans	639,000	2021.02.12	Repay at maturity
Land Bank	Unsecured bank loans	252,000	2021.02.12	Repay at maturity
Chang Hwa Commercial Bank	Unsecured bank loans	263,250	2021.02.09	Repay at maturity
E. Sun Bank	Unsecured bank loans	259,000	2021.02.09	Repay at maturity
Fubon Bank	Unsecured bank loans	351,000	2021.02.09	Repay at maturity
Bank of Taiwan	Unsecured bank loans	958,994	2021.02.12	Repay at maturity
Fubon Bank and 9 others	Secured bank loans	530,000	2020.09.10	The Company reached a three-year loan extension agreement as of December 31, 2014. The loan will be repayable in 6 semi-annual installments from March 10, 2018.
Land Bank and 13 others	Secured bank loans	3,750,000	2021.03.10	25% of principal will be repaid on the day of three and half years after March 10, 2016. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others	Commercial Paper	2,500,000	2023.12.06	Revolving credit. Renewable every three months. Credit has not been fully utilized.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Balance	Maturity Date	Terms of repayment
Taishin Bank (Zhengkuan)	Unsecured bank loans	61,428	2019.08.09	Repayable in 5 semi-annual instalments from September 19, 2017, except for the last payment which is due in 5 months.
O Bank (Zhengkuan)	Unsecured bank loans	92,142	2020.03.27	After paying US$1million on April 7, 2018, repayable in 4 semi-annual installments, except for the last payment which is due in 5 months.
HSBC Bank (Zhengkuan)	Unsecured bank loans	153,570	2021.04.09	Repayable in 5 semi-annual instalments from April 27, 2019, except for the last payment which is due in 5 months .
Subtotal		16,984,469		
Less: current portion		(184,284)		
Less: Arrangement fee		(43,675)		
Less: Unamortized discount		(5,650)		
Total		$16,750,860		
Interest Rates		0.81%~3.79%		

As of December 31, 2017

Lenders	Nature	Balance	Maturity Date	Terms of repayment
Standard Chartered Bank	Unsecured bank loans	$500,000	2019.07.31	Revolving Credit
Citi Bank	Unsecured bank loans	446,400	2019.11.30	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	1,141,600	2019.10.19	Revolving Credit
First Commercial Bank	Unsecured bank loans	100,000	2019.06.12	Revolving Credit
Agricultural Bank of Taiwan	Unsecured bank loans	297,600	2020.06.01	Revolving Credit

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Balance	Maturity Date	Terms of repayment
CTBC Bank and 17 others	Secured bank loans	949,994	2018.03.10	Repayable in 4 semi-annual instalments from March 10, 2013. The initial repayment would be 66th months since the borrowing day and repayments shall be made semi-annually then. The initial repayment had been extended for three years to March 10, 2015.
Fubon Bank and 9 others	Secured bank loans	3,200,000	2020.09.10	The Company reached a three-year loan extension agreement as of December 31, 2014. The loan will be repayable in 6 semi-annual installments from March 10, 2018.
Fubon Bank and 12 others	Secured bank loans	3,120,000	2020.04.17	The Company reached a loan extension agreement as of July 7, 2017. 20% of principal will be repaid on the day of two and half years and 25% of principal will be repaid on the day of three and half years from April 17, 2015. The remaining will be repaid on maturity day.
Land Bank and 13 others	Secured bank loans	1,754,999	2021.03.10	25% of principal will be repaid on the day of three and half years after March 10, 2016. The remaining principal will be repaid on maturity day.
KGI Bank (King Long)	Unsecured bank loans	89,256	2018.12.08	After paying US$1million on January 18, 2017, repayable in 4 semi-annual installments, except for the last payment which is due in 5 months.
Taishin International Bank (Zhengkuan)	Unsecured bank loans	119,008	2019.08.09	Repayable in 5 semi-annual instalments, except for the last payment which is due in 5 months from September 19, 2017.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Balance	Maturity Date	Terms of repayment
O-Bank (Zhengkuan)	Unsecured bank loans	148,760	2020.03.27	After paying US$1million on April 7, 2018, repayable in 4 semi-annual installments, except for the last payment which is due in 5 months.
KGI Bank (Zhengkuan	Unsecured bank loans	89,256	2018.12.08	After paying US$1million on January 18, 2017, repayable in 4 semi-annual installments, except for the last payment which is due in 5 months.
Subtotal		11,956,873		
Less: current portion		(3,289,181)		
Less: Arrangement fee		(17,195)		
Total		$8,650,497		
Interest rate		0.74%~2.33%		

a. Certain property, plant and equipment were pledged. Please refer to Note 8 for more details.

b. Please refer to Note 9 for the financial covenants during the loan period.

(17) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contribution of 6% of each individual employee’s salaries or wages to employee’s pension accounts.

Subsidiaries located in the People’s Republic of China will contribute social welfare benefits based on a certain percentage of employee’s salaries or wages to the employee’s individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT$239,631 thousand and NT$239,609 thousand, respectively.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Defined benefit plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$17,975 thousand to its defined benefit plan during the 12 months beginning after December 31, 2018.

The maturities of the defined benefits plan as at December 31, 2018 and 2017 are both in 2025.

Pension costs recognized in profit or loss for the years ended December 31, 2018 and 2017:

	For the years ended December 31,	
	2018	2017
Current period service costs	$6,176	$8,437
Interest income or expense	4,958	5,422
Overestimate	(43)	(33)
Total	$11,091	$13,826

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	December 31, 2018	December 31, 2017
Defined benefit obligation at January 1,	$752,629	$704,482
Plan assets at fair value	(271,059)	(257,858)
Other non-current liabilities - accrued pension liabilities recognized on the consolidated balance sheets	$481,570	$446,624

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at January 1, 2017	$617,967	$(256,490)	$361,477
Current period service costs	8,437	-	8,437
Net interest expense (income)	9,270	(3,848)	5,422
Subtotal	635,674	(260,338)	375,336
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	9,209	-	9,209
Actuarial gains and losses arising from changes in financial assumptions	19,169	-	19,169
Experience adjustments	60,016	-	60,016
Return on plan assets	-	1,129	1,129
Subtotal	88,394	1,129	89,523
Payments from the plan	(19,586)	19,586	-
Contributions by employer	-	(18,235)	(18,235)
As at December 31, 2017	$704,482	$(257,858)	$446,624
Current period service costs	6,176	-	6,176
Net interest expense (income)	7,820	(2,862)	4,958
Subtotal	718,478	(260,720)	457,758
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	31,817	-	31,817
Actuarial gains and losses arising from changes in financial assumptions	7,076	-	7,076
Experience adjustments	10,482	-	10,482
Return on plan assets	-	(7,587)	(7,587)
Subtotal	49,375	(7,587)	41,788
Payments from the plan	(15,224)	15,224	-
Contributions by employer	-	(17,976)	(17,976)
As at December 31, 2018	$752,629	$(271,059)	$481,570

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2018	December 31, 2017
Discount rate	0.94%	1.11%
Expected rate of salary increases	1.50%	1.50%

A sensitivity analysis for significant assumption as at December 31, 2018 and 2017 is, as shown below:

	Effect on the defined benefit obligation			
	2018		2017	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	$-	$(20,657)	$-	$(24,975)
Discount rate decrease by 0.5%	42,681	-	28,639	-
Future salary increase by 0.5%	41,901	-	28,370	-
Future salary decrease by 0.5%	-	(20,645)	-	(25,000)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(18) Equity

A. Share capital

As of December 31, 2018 and 2017, KYEC's authorized share capital was both NT$15,000,000 thousand; issued share capital was NT$12,227,451 thousand (1,222,745 thousand shares) and NT$12,202,383 thousand (1,220,238 thousand shares), respectively, with par value of NT$10 per share. Each share has one voting right and a right to receive dividends.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

KYEC issued the KYEC Bonds on July 29, 2016. Please refer to Note 6.(15) for more details of the conversion.

B. Capital surplus

	December 31, 2018	December 31, 2017
Additional paid-in capital	$823,017	$1,311,528
Arising from conversion of bonds	3,588,848	3,547,290
Treasury share transactions	390,101	390,101
Arising from convertible bonds option	-	2,128
Arising from the exercise of employee restricted shares	30,756	30,756
Changes in ownership interests in subsidiaries	32	32
Share of changes in net assets of associates accounted for using the equity method	11,782	45,537
Total	$4,844,536	$5,327,372

According to the Company Act, the capital surplus shall not be used except for offset the deficit of the Company. When a Company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

According to KYEC's Articles of Incorporation, net profits for each fiscal year, if any, shall be distributed in following order:

a. Reserve for tax payments;
b. Offset prior year's losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholder's meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning, etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. As the Company currently is still in the growth stage, funding may be required in the near future for expansion. Therefore, the current policy is to distribute cash dividends at no less than 20% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of December 31, 2018 and 2017, special reserve set aside for the first-time adoption of TIFRS amounted to NT$201,416 thousand.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The appropriations for earnings for 2017 were resolved by the shareholders in its meeting on June 8, 2018; while the proposed appropriations of earnings for 2018 were approved by Board of Directors on March 14, 2019. The appropriations and dividends per share were as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2018	2017	2018	2017
Legal reserve	$179,534	$223,365		
Special reserve	371,932	45,229		
Cash dividends-common stock	1,650,706	1,709,789	$1.35	$1.40
Total	$2,202,172	$1,978,383		

Based on the resolution of the shareholders' general meeting on June 8, 2018, KYEC would reduce the capital surplus from share premium of NT$488,511 thousand to distribute cash dividends.

Please refer to Note 6.(22) for information regarding the employees' compensations (bonuses) and remunerations to directors.

D. Non-controlling interests

	For the years ended December 31,	
	2018	2017
Beginning balance	$5,658	$5,462
Net income attributable to non-controlling interests	(1,454)	434
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	300	(238)
Increase or decrease attributable to non-controlling interests	38,237	-
Ending balance	$42,741	$5,658

(19) Operating revenue

	For the years ended December 31,	
	2018	2017
Assembly and testing processing revenue	$19,701,773	$18,909,433
Revenue from rental of machinery	602,285	403,177
Rental income from property	114,710	87,633
Other operating revenues	396,601	286,668
Total revenue	$20,815,369	$19,686,911

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Note: The Company has adopted IFRS 15 since January 1, 2018. The Company elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018).

The Company has adopted IFRS 15 since January 1, 2018. Relevant information of revenue from contracts with customers for the year ended December 31, 2018 is as follows:

A. Disaggregation of revenue

Nature of revenue	Timing of revenue recognition	Amount
Rendering of services	Over time	$19,701,773
Revenue from rental of machinery	Over time	602,285
Rental income from property	On a straight-line basis or on a systematic basis (Note)	114,710
Other operating revenues	At a point in time	396,601
Total		$20,815,369

Note: In accordance with the provisions in IAS No. 17 “Lease Accounting”.

B. Contract balances

(a). Contract assets – current

Nature of revenue	Beginning balance	Ending balance	Difference
Rendering of services	$256,510	$289,427	$32,917

The difference of the beginning and ending balances is the net effect of the transfer to accounts receivable with an unconditional right to receive the consideration and the recognition of contract assets with no unconditional right to receive the consideration.

(b). Contract liabilities - current

Nature of revenue	Beginning balance	Ending balance	Difference
Revenue from rental of machinery	$46,161	$85,963	$39,802

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The difference of the beginning and ending balances is the net effect of the following rendering of services for contracts signed before January 1, 2018 and the assumption of the new performance obligations for new contracts signed as of December 31, 2018.

(20) Expected credit losses/ (gains)

Operating expenses - expected credit losses/ (gains)

	For the years ended December 31	
	2018	2017(Note)
contract assets	$-	
Note receivable	-	
Trade receivables	2,971	
Total	$2,971	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2018 is as follows:

A. The gross carrying amount of contract assets is NT$289,427, that is measured at expected credit loss ratio of 0%.

B. The Company considers the grouping of trade receivables by counterparties' credit ratings, geographical regions and industry sectors. Loss allowance is measured by using a provision matrix. Details are as follows:

	Not yet due	Overdue				
Group 1	(Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$4,720,506	$399,003	$22,950	$67,445	$3,815	$5,213,719
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(9,685)	-	(230)	(1,349)	(191)	(11,455)
Subtotal	4,710,821	$399,003	22,720	66,096	3,624	5,202,264

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Group 2	Not yet due (Note)	Overdue				Total
		1-90 days	91-180 days	181-365 days	>366 days	
Gross carrying amount	$500	$-	$-	$-	$15,839	$16,339
Loss ratio	100%	-%	-%	-%	100%	
Lifetime expected credit losses	(500)	-	-	-	(15,839)	(16, 339)
Subtotal	-	-	-	-	-	-
Total						$5,202,264

Note: The Company's note receivables are not overdue.

The movement in the provision for impairment of contract assets, notes receivables, and trade receivables for the year ended December 31, 2018 is as follows:

	Contract assets	Note receivables	Trade receivables
Beginning balance (in accordance with IAS 39)	$-	$-	$28,207
Beginning balance (in accordance with IFRS 9)	-	-	28,207
Addition/(reversal) for the current period	-	-	2,971
Write off	-	-	(3,300)
Effect of changes in exchange rate	-	-	(84)
Ending balance	$-	$-	$27,794

(21) Operating lease

a. Operating lease commitments-the Company as lessee

The Company leases several parcels of land from the ROC government which expire in December 2033. The lease agreements granted the Company the option to renew the leases and reserve the right for the lessor to adjust the lease payments upon an increase in the assessed value of the land and to terminate the lease under certain conditions. Future minimum rentals payable under non-cancellable operating leases are as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	December 31, 2018	December 31, 2017
Not later than one year	$21,821	$19,034
Later than one year and not later than five years	87,286	76,135
Later than five years	191,663	185,946
Total	$300,770	$281,115

Operating lease expenses recognized are as follows:

	For the years ended December 31	
	2018	2017
Minimum lease payments	$21,821	$19,117

b. Operating lease commitments - the Company as lessor

The Company has entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$3,342	$15,231
Later than one year and not later than five years	1,749	22,961
Total	$5,091	$38,192

(22) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2018 and 2017:

	For the years ended December 31,					
	2018			2017		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$3,659,158	$1,019,850	$4,679,008	$3,314,246	$927,038	$4,241,284
Labor and health insurance	325,957	69,185	395,142	285,571	57,608	343,179
Pension	193,227	57,495	250,722	193,601	59,834	253,435
Other employee benefits expense	194,070	34,415	228,485	163,126	28,979	192,105
Total	$4,372,412	$1,180,945	$5,553,357	$3,956,544	$1,073,459	$5,030,003
Depreciation	$6,125,494	$560,697	$6,686,191	$5,833,812	$483,855	$6,317,667
Amortization	$20,747	$19,456	$40,203	$10,360	$16,138	$26,498

In accordance with the Articles of Incorporation, 8% to 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, KYEC's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current period, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2018 to be 8% of profit of current period (or NT$206,105 thousand) and 0.8% of profit of current period (or NT$20,611 thousand), respectively, which were recognized as salary expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed is calculated based on the closing price one day prior to the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the difference will be recognized in the profit or loss in the subsequent year. A resolution was passed at a Board of Directors meeting held on March 14, 2019 to distribute NT$206,105 thousand and NT$20,611 thousand in cash as employees' compensation and remuneration to directors, respectively, which were consistent with the estimated amounts recognized for the year ended December 31, 2018.

The amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2017 were estimated to be 8% of profit of current period (or NT$254,951 thousand) and 0.8% of profit of current period (or NT$25,495 thousand), respectively, which were recognized as salary expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed is calculated based on the closing price one day prior to the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the difference will be recognized in the profit or loss in the subsequent year. A resolution was passed at a Board of Directors meeting held on March 16, 2018 to distribute NT$254,951 thousand and NT$25,495 thousand in cash as employees' compensation and remuneration to directors, respectively, which were consistent with the estimated amounts recognized for the year ended December 31, 2017.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(23) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2018	2017
Interest income	$22,217	$30,590
Dividend income	880	4,295
Others	68,183	75,896
Total	$91,280	$110,781

B. Other gains and losses

	For the years ended December 31,	
	2018	2017
Gains on disposal of property, plant and equipment	$165,812	$44,777
Gains on disposal of investments	74,427	246
Foreign exchange gains, net	87,777	14,674
Gains (losses) on financial assets at fair value through profit or loss (Note)	418	-
Impairment losses-financial assets measured at cost	-	(14,627)
Others	(3,473)	13,661
Total	$324,961	$58,731

Note: Balance in current period was arising from financial assets mandatorily measured at fair value through profit or loss and balance in prior period was arising from held for trading investments.

C. Finance costs

	For the years ended December 31,	
	2018	2017
Interest expenses on borrowings from bank	$205,318	$189,810
Amortization on bonds payable	(331)	7,824
Total	$204,987	$197,634

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(24) Components of other comprehensive income

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(41,788)	$-	$(41,788)	$-	$(41,788)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(194,614)	30,203	(164,411)	17,118	(147,293)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(81,443)	-	(81,443)	24,851	(56,592)
Total of other comprehensive income	$(317,845)	$30,203	$(287,642)	$41,969	$(245,673)

For the year ended December 31, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(89,523)	$-	$(89,523)	$-	$(89,523)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(100,371)	-	(100,371)	48,180	(52,191)
Unrealized gains (losses) from available-for-sale financial assets	6,968	(246)	6,722	-	6,722
Total of other comprehensive income	$(182,926)	$(246)	$(183,172)	$48,180	$(134,992)

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(25) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense are as follows:

	For the years ended December 31,	
	2018	2017
Current income tax expense:		
Current income tax charge	$616,594	$ 672,809
Adjustments in respect of current income tax of prior periods	8,589	1,632
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	29,411	26,644
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(58,926)	-
Income tax expense recognized in profit or loss	$595,668	$ 701,085

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2018	2017
Deferred tax expense (income):		
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	$(17,118)	$-
Exchange differences resulting from translating the financial statements of a foreign operation	(24,851)	(48,180)
Income tax relating to components of other comprehensive income	$(41,969)	$(48,180)

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended Dec. 31,	
	2018	2017
Accounting profit before tax from continuing operations	$2,389,558	$2,935,165
Tax at the domestic rates applicable to profits in the country concerned	$477,912	$498,978
Corporate income surtax on undistributed retained earnings	16,574	80,358
Tax effect of expenses not deductible for tax purposes	91,934	73,536
Tax effect of deferred tax assets/liabilities	29,411	26,644
Deference tax rates application between the Company	30,174	19,937
Adjustments in respect of current income tax of prior periods	8,589	1,632
Deferred tax income relating to changes in tax rate or imposition of new taxes	(58,926)	-
Total income tax expense (income) recognized in profit or loss	$595,668	$701,085

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	$(7,812)	$8,307	$-	$-	$-	$495
Impairment loss of financial assets	84,626	14,913	-	-	-	99,539
Depreciation difference for tax purpose	13,141	3,285	-	-	-	16,426
Unrealized sales discount	3,916	2,750	-	-	-	6,666
Investments accounted for using the equity method	156,482	2,108	-	-	-	158,590
Exchange differences resulting from translating the financial statements of a foreign operation	48,180	-	24,851	-	-	73,031
Unrealized investment gains and losses	-	-	17,118	-	-	17,118
Others	9,017	1,468	-	-	-	10,485
Unused tax losses	26,364	(3,316)	-	-	-	23,048
Deferred tax income/ (expense)		$29,515	$41,969	$-	$-	
Net deferred tax assets/(liabilities)	$333,914					$405,398
Reflected in balance sheet as follows:						
Deferred tax assets	$333,914					$405,398
Deferred tax liabilities	$-					$-

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For the year ended December 31, 2017

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	$(6,284)	$(1,528)	$-	$-	$-	$(7,812)
Impairment loss of financial assets	81,237	3,389	-	-	-	84,626
Depreciation difference for tax purpose	9,445	3,696	-	-	-	13,141
Unrealized sales discount	5,069	(1,153)	-	-	-	3,916
Investments accounted for using the equity method	178,864	(22,382)	-	-	-	156,482
Exchange differences resulting from translating the financial statements of a foreign operation	-	-	48,180	-	-	48,180
Others	8,731	286	-	-	-	9,017
Unused tax losses	35,316	(8,952)	-	-	-	26,364
Deferred tax income/ (expense)		$(26,644)	$48,180	$-	$-	
Net deferred tax assets/(liabilities)	$312,378					$333,914
Reflected in balance sheet as follows:						
Deferred tax assets	$312,378					$333,914
Deferred tax liabilities	$-					$-

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The following table contains information of the unused tax losses of the Company:

			Unused tax losses as at		
Entities	Year	Tax losses for the period	December 31, 2018	December 31, 2017	Expiration year
KYEC	2009	$372,867	$115,242	$155,080	2019
Foreign Subsidiaries	2013	171,441	-	171,441	2018
	2014	122,294	122,294	124,428	2019
	2015	138,837	138,837	141,260	2020
	2016	41,791	41,791	42,520	2021
	2017	33,273	33,273	-	2022
			$451,437	$634,729	

Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized amounted to NT$84,049 thousand and NT$119,912 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investments in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company’s overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at December 31, 2018 and 2017, the taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognized, aggregated to NT$1,500 thousand and NT$1,704 thousand, respectively.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The assessment of income tax returns

As of December 31, 2018, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

Entities	The assessment of income tax returns
KYEC	Assessed and approved up to 2016
Subsidiary:	
King Long Technology (Suzhou) Ltd.	Filed up to 2017
Suzhou Zhengkuan Technology Ltd.	Filed up to 2017
KYEC USA Corp.	Filed up to 2017
KYEC Japan K.K.	Filed up to 2017
KYEC SINGAPORE PTE. Ltd.	Filed up to 2017
King Ding Precision Incorporated Company	First year, not required to file

(26) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2018	2017
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	$1,795,344	$2,233,646
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand share)	1,222,296	1,187,654
Basic earnings per share (NT$)	$1.47	$1.88

	For the years ended December 31,	
	2018	2017
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	$1,795,344	$2,233,646
Interest expense from convertible bonds	(266)	6,494
Profit attributable to ordinary equity owners of the parent after dilution	$1,795,078	2,240,140
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,222,296	1,187,654
Effect of dilution:		
Employee compensation－stock (in thousands)	10,576	10,244
Convertible bonds (in thousands)	-	2,507
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,232,872	1,200,405
Diluted earnings per share (NT$)	$1.46	$1.87

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were issued.

(27) Business combinations

The merger with Dawning Leading Technology Inc.(‘Dawning”)

On November 1, 2018, for the purposes of integrating resources, enhancing performance, raising competitiveness in response to industrial development, the Company acquired, in stages, the 100% ownership interest of Dawning. Dawning was originally accounted for as investment using the equity method.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The fair value of the identifiable assets and liabilities of Dawning at of acquisition date were:

	Fair value recognized on the acquisition date
Assets	
Cash and cash equivalents	$247,538
Accounts receivable (including trad receivable from related parties)	657,356
Inventory	426,604
Property, plant and equipment	3,047,040
Long-term investment	53,694
Intangible assets	17,897
Others	155,764
Subtotal	4,605,893
Liabilities	
Bank loans	(2,834,445)
Accounts payable	(540,135)
Others	(580,069)
Subtotal	(3,954,649)
Fair value of identifiable net assets	$651,244

Goodwill of Dawning is as follows:	Amount
Acquisition consideration:	
Fair value of equity interest in Dawning originally held by the Company	$230,176
Paid in cash to acquire remaining interests	456,982
Less: identifiable net assets at fair value	(651,244)
Goodwill	$35,914

Cash flows on acquisition:	Amount
Transaction costs attributable to cash paid	$(456,982)
Net cash acquired from the subsidiary	247,538
Net cash flow out on acquisition	$(209,444)

As some shareholders of Dawning has claimed objections against the merger transaction relating to the acquisition price of NT$3.0 per share, the Company has calculated and lodged the redemption price of NT$52,585 thousand with the Taipei District Court for court ruling on the redemption price. Please also refer to Note 9 for the discussion of the court ruling. The abovementioned cash transaction cost of NT$456,982 thousand included the calculated redemption price of NT$52,585 thousand.

The identifiable assets recognized in the financial statements as of December 31, 2018 were based on a provisional assessment for fair value as of March 14, 2019. There could be adjustments on the assessment upon finalizing the valuation report.

The goodwill of NT$35,914 thousand comprises the value of expected synergies arising from the acquisition and a customer list. The customer list is not considered separable and therefore does not meet the criteria for recognition as an intangible asset under IAS 38 "Intangible Assets".

From the acquisition date to December 31, 2018, Dawning has contributed NT$460,491 thousand of revenue and NT$(32,663) thousand of the net loss before tax to the Company. If the combination had taken place at the beginning of the year, revenue and net income of the Company for the year ended December 31, 2018 would have been NT$22,844,011 thousand and NT$1,189,600 thousand, respectively.

The merger with King Ding Precision Incorporated Company ("King Ding)

The Company acquired 48.94% shares and more than half seats of the Board of Directors of King Ding in a cash consideration of NT$35,530 thousand in November 2018. The Company, therefore, obtained the control over King Ding.

The primary business of King Ding is manufacturing, selling and wholesale of electronics parts and components and repairing of electronic related products. The company location is No. 30, Dapu 10th St., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.).

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The fair values of the identifiable assets and liabilities of King Ding at of acquisition date were:

	Fair value recognized on the acquisition date
Assets	
Cash and cash equivalents	$77,965
Trade receivable	7,441
Inventory	27,600
Others	1,952
Subtotal	$114,958
Liabilities	
Accounts payable	(40,110)
Others	(1,081)
Subtotal	(41,191)
Fair value of identifiable net assets	$73,767

Goodwill of King Ding is as follows:	Amount
Cash consideration	$35,530
Non-controlling interest	38,237
Less: identifiable net assets at fair value	(73,767)
Goodwill	$-

Cash flows on acquisition:	Amount
Transaction costs attributable to cash paid	$(35,530)
Net cash acquired from the subsidiary	77,965
Net cash flow in on acquisition	$42,435

From the acquisition date to December 31, 2018, King Ding has contributed NT$0 thousand of revenue and NT$(3,062) thousand of the net loss before tax to the Company. If the combination had taken place at the beginning of the year, revenue and net income of the Company for the year ended December 31, 2018 would have been NT$20,832,323 thousand and NT$2,392,613 thousand, respectively.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

A. Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives
Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.
Other related parties (Note 1)	Subsidiary of MediaTek Inc.
Dawning (Note 2)	Associate
Fixwell Technology Corp.	Associate
Wei Jiu Industrial Co., Ltd.	Associate

Note 1：The Company's transactions with these companies are not material.

Note 2：The related party transactions disclosed herein include only those transactions occurred before the date of merger (November 1, 2018).

B. Significant transactions with related parties

(a). Sales

	For the years ended December 31,	
	2018	2017
MediaTek Inc.	$1,745,267	$ 1,249,631
Mediatek Singapore Pte. Ltd.	1,096,420	1,312,601
Other related parties	346,913	263,935
Associates	67,209	46,513
Total	$3,255,809	$2,872,680

The sales price to related parties was determined through mutual agreement based on the market demands. The trade credit terms for related parties were 45 to 90 days, while the terms for non-related parties were 30 to 120 days. The outstanding balance due from related parties as of December 31, 2018 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(b). The Company purchased inventories from associates. For the years ended December 31, 2018 and 2017, the purchase amounts were NT$52,506 thousand and NT$56,642 thousand, respectively. The purchase price was based on the market demands. The payment terms with related parties were 30 days, while the terms with non-related parties were 30 to 120 days.

(c). The Company appointed an associate to perform machinery repairs. For the years ended December 31, 2018 and 2017, the operating cost recognized amounted to NT$207,911 thousand and NT$ 155,564 thousand, respectively.

(d). The Company paid rental expenses for renting machines from associates. For the years ended December 2018 and 2017, the rental expenses amounted to NT$7,114 thousand and NT$0 thousand, respectively. The rental price was based on the similar machine's rental price in the market. The payment terms with related parties were 30 to 90 days, while terms with non-related parties were 0 to 30 days.

(e). Significant property transactions with related parties:

i. Disposal of property, plant and equipment

	For the year ended December 31,2018		For the year ended December 31,2017	
Related party	Sales price	Disposal gain	Sales price	Disposal gain
Associates	$4,824	$3,581	$ 5,525	$2,562

The Company deferred the disposal gain derived from sales of property, plant and equipment to related parties, and then recognized such gain over depreciable lives of the disposed assets.

ii. Acquisition of property, plant and equipment

	For the year ended December 31,2018	For the year ended December 31,2017
Related party	Purchase price	Purchase price
Associates	$530,915	$ 187,579

The purchase price was determined through mutual agreement based on the market demand.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(f). Contract assets

Contract assets - current

	December 31,2018	December 31,2017 (Note)
Other related parties		
Mediatek Singapore Pte. Ltd.	$4,050	
MediaTek Inc.	3,189	
Others	125	
Total	7,364	
Less: loss allowance	-	
Net	$7,364	

Note: The Company has adopted IFRS 15 from January 1, 2018. The Company elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018).

(g). Trade receivables from related parties

	December 31, 2018	December 31, 2017
MediaTek Inc.	$424,764	$292,806
Mediatek Singapore Pte. Ltd.	274,233	241,231
Other related parties	70,308	112,183
Associates	426	26,928
Less: loss allowance	-	-
Net	$769,731	$673,148

(h). Other receivables from related parties

	December 31, 2018	December 31, 2017
MediaTek Inc.	$4,681	$2,639
Mediatek Singapore Pte. Ltd.	4,569	238
Associates	1,972	-
Other related parties	115	93
Dawning	-	153,449
Total	$11,337	$156,419

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(i). Account payables to related parties

	December 31, 2018	December 31, 2017
Associate	$12,391	$7,236

(j). Other payables to related parties

	December 31, 2018	December 31, 2017
Fixwell Technology Corp.	$46,918	$20,541
Wei Jiu Industrial Co., Ltd.	33,073	6,357
Other related parties	840	1,420
Other associates	-	25
Total	$80,831	$28,343

(k). Other income

	For the years ended December 31,	
	2018	2017
Associate	$2,750	$ 520

(l). Key management personnel compensation

	For the years ended December 31,	
	2018	2017
Short-term employee benefits	$114,945	$98,113
Post-employment benefits	1,864	972
Total	$116,809	$99,085

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

8. Assets Pledged as Security

The following table lists assets of the Company pledged as security:

	Carrying amount		
Items	December 31, 2018	December 31, 2017	Purpose of pledge
Other current financial assets	$4	$472	L/C guarantee deposits
Other non-current financial assets	109,912	99,521	Customs clearance
Land	1,143,394	1,143,394	Long-term borrowings
Building and facility	2,040,259	2,147,460	Long-term borrowings
Machinery equipment	2,095,813	3,024,380	Long-term borrowings
Total	$5,389,382	$6,415,227	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2018, the following contingencies and material commitments were not included in the Company’s financial statements:

A. The Company's issued and outstanding letters of credit is approximately NT$588,063 thousand.

B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT$783,606 thousand with NT$486,452 thousand already paid and NT$297,154 thousand remaining unpaid (promissory notes have been issued).

C. The promissory notes issued for secured bank loans amounted to NT$39,999,815 thousand.

D. The Company provided guarantees to King Long Technology (Suzhou) Ltd.’s lines of credit. The lines of credit were provided by KGI Bank and Mega International Commercial Suzhou Bank in the amount of US$13,000 thousand and CNY35,000 thousand, respectively.

   The Company also provided guarantees to Suzhou Zhengkuan Technology Ltd.’s lines of credit. The lines of credit were provided by KGI Bank, Taishin International Bank, O-Bank, HSBC Taiwan Bank, and Mega International Commercial Suzhou Bank in the amount of US$13,000 thousand, US$5,000 thousand, US$5,000 thousand, US$5,000 thousand and CNY25,000 thousand, respectively.

E. The Company entered into a syndicated loan agreement with 9 banks, led by Taipei Fubon Commercial Bank, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2012 to 2020:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 130%;
(c) Interest coverage ratio at no less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2012 to 2020, Taipei Fubon Commercial Bank may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank’s written approval for such course of action when necessary.

The Company entered into a syndicated loan agreement with 13 banks, led by Land Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2016 to 2021:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 130%;
(c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2016 to 2021, Land Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank’s written approval for such course of action, when necessary.

The Company entered into a syndicated loan agreement with 17 banks, led by Mega International Commercial Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2018 to 2023:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 130%;
(c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2018 to 2023, Mega International Commercial Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank’s written approval for such course of action, when necessary.

As of December 31, 2018, the Company did not violate any financial covenants.

F. As some shareholders of Dawning has claimed objections against the merger transaction with Dawning relating to the acquisition price of NT$3.0 per share, the Company has calculated and lodged the redemption price of NT$52,585 thousand with the Taipei District Court for court ruling on the redemption price on November 20, 2018. The case is still being tried by the Miaoli District Court.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

For the future development needs, the Board of Director approved to acquire three land and properties in Miaoli County for business use on January 11, 2019. The estimated total acquisition price is capped at NT$850 million.

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets	December 31, 2018	December 31, 2017
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$101,461	$ -(Note 1)
Financial assets at fair value through other comprehensive income	1,768,469	-(Note 1)
Available-for-sale financial assets (Note 2)	-(Note 1)	1,920,370
Financial assets measured at amortized cost (Note 3)	10,358,486	-(Note 1)
Loans and receivables (Note 4)	-(Note 1)	10,356,690
Total	$12,228,416	$12,277,060

Financial liabilities	December 31, 2018	December 31, 2017
Financial liabilities at amortized cost:		
Short-term borrowings	$111,879	$-
Payables (including related parties)	1,246,312	634,002
Other payables (including related parties)	3,157,728	2,406,554
Long-term loans (including current portion)	16,935,144	11,939,678
Bonds payable (including current portion	-	64,829
Guarantee deposits	1,573	1,124
Total	$21,452,636	$15,046,187

Note:

1. The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.
2. Balances as at December 31, 2017 including financial assets measured at cost.
3. Includes cash and cash equivalents, notes receivable, trade receivable (including related parties), other receivables (including related parties), other financial assets and refundable deposits.
4. Includes cash and cash equivalents, notes receivable, trade receivable (including related parties), other receivable s(including related parties), other financial assets and refundable deposits.

(2) Financial risk management objectives

The objective of the Company's financial risk management is mainly to manage the market risk, credit risk and liquidity risk derived from its operating activities. The Company identified, measured and managed the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

Some receivables and payables are denominated in the same foreign currency, and it will result in economic hedging effect. Further, net investments in foreign operations are primary for strategic purposes, and they are not hedged by the Company.

The Company's sensitivity analysis to foreign currency risk mainly focuses on foreign currency monetary items at the end of the reporting period. The Company’s foreign currency risk is mainly from the volatility in the exchange rates of US$ and CNY. The sensitivity analysis is as follows:

When NT$ appreciates or depreciates against US$ by 1%, the profit for the years ended December 31, 2018 and 2017 would have increased / decreased by NT$3,109 thousand and decreased / increased by NT$ 12,383 thousand, respectively.

When NT$ appreciates or depreciates against CNY by 1%, the profit for the years ended December 31, 2018 and 2017 would have decreased/increased by NT$6,372 thousand and NT$ 10,934 thousand, respectively.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s exposure to the risk of changes in market interest rates relates primarily to the Company’s loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Company manages its risk by having a balanced portfolio of financial instruments with fixed and floating interest rate. The Company did not apply hedging accounting since such hedging activities did not qualify for criteria of hedge accounting.

The Company’s sensitivity analysis to interest rate risk mainly focuses on items exposed to interest rate risk at the end of the reporting period, including investments with floating interest rates and bank borrowings with floating rates. Assuming investments and bank borrowings had been outstanding for the entire period and all other variables were constant, a hypothetical increase/decrease of 10 basis points of interest rate in a reporting period would have resulted in a decrease/increase in profit by NT$17,096 thousand and NT$ 11,957 thousand for the years ended December 31, 2018 and 2017, respectively.

C. Equity price risk

The Company's equity investments, including listed and unlisted equity securities, are exposed to market price risk arising from uncertainties of future values of equity securities. The Company's investments in listed and unlisted equity securities are classified under available-for-sale. The Company manages the equity price risk through diversification and placing limits on individual and total equity investments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain significant equity investments according to level of authority.

At the reporting date ended December 31, 2017, a change of 20% in the price of the listed equity securities classified under available-for-sale, net profit would have increased/decreased by NT$ 6,754 thousand. An increase of 20% in the value of listed securities would only impact equity but would not have an effect on profit or loss.

At the reporting date ended December 31, 2018, a change of 20% in the price of the listed equity securities classified under equity instrument investments measured at fair value through other comprehensive income would have impact of NT$8,518 thousand on the equity attributable to the Company.

Please refer to Note 12.(8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for trade receivables and notes receivable) and from its financing activities (including bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

As of December 31, 2018 and 2017, receivables from top ten customers represented 35% and 46% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

The Company manages its exposure to credit risk arising from bank deposits, fixed income securities and other financial instruments in accordance with established group policies. Since the counter-parties are selected reputable financial institutions and companies, the Company believes its exposure to credit risk is not significant.

The Company has assessed the expected credit losses using the IFRS 9 from January 1, 2018. The receivables and contract assets are measured by the expected credit losses during the period.

(5) Liquidity risk management

The Company maintained financial flexibility through the holding of cash and cash equivalents, investment in securities with high liquidity, facilities of bank borrowings and issuance of convertible bonds. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity, and the payment amount also includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Longer than 4 years	Total
December 31, 2018						
Payables	$4,404,040	$-	$-	$-	$-	$4,404,040
Borrowings	541,688	6,456,001	8,202,133	31,315	2,531,315	17,762,452
December 31, 2017						
Payables	$3,040,556	$-	$-	$-	$-	$3,040,556
Borrowings	3,433,829	3,490,894	3,611,669	1,780,164	-	12,316,556
Bonds payable	66,562	-	-	-	-	66,562

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2018:

	Short-term borrowings	Long-term loans	Bonds payable	Total liabilities from financing activities
As of January 31, 2018	$-	$11,939,678	$64,829	$12,004,507
Cash flows	(302,510)	2,499,654	-	2,197,144
Non-cash changes				
The exercise of conversion rights	-	-	(64,498)	(64,498)
Loans from acquisition transaction	413,652	2,420,793	-	2,834,445
Syndicated loan issuance costs and amortization on bonds payable	-	3,370	(331)	3,039
Foreign exchange movement	737	71,649	-	72,386
As of December 31, 2018	$111,879	$16,935,144	$-	$17,047,023

Reconciliation of liabilities for year ended December 31, 2017:

Not applicable

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

a. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other payables approximate their fair value due to their short maturities.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument.

B. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3: Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company's assets and liabilities on a recurring basis:

December 31, 2018

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss- Fund	$101,461	$-	$-	$101,461
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$25,149	$17,442	$1,725,878	$1,768,469

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Available-for-sale financial assets				
Funds	$101,043	$-	$-	$101,043
Stocks	11,687	22,082	-	33,769
Total	$112,730	$22,082	$-	$134,812

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

For the year ended December 31, 2018：

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2018	$1,844,859
Acquired through business combination	45,711
Capital reduction	(8,625)
Total gains and losses recognized for the year ended December 31, 2018:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(152,035)
Liquidation loss recognized in retain earning	(4,032)
Ending balances as at December 31, 2018	$1,725,878

For the year ended December 31, 2017：None

C. Fair value measurement hierarchy of the Company’s assets and liabilities not measured at fair value but for which the fair value is disclosed

As at December 31, 2018：None

As at December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Bonds payable	$-	$-	$61,008	$61,008

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

As at December 31, 2018

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets Approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$188,374 thousand.
Stocks	Markets Approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion similar to quantify information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$4,359 thousand

As at December 31, 2017

Financial liabilities:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Bonds payable	Binary Tree Convertible Bond Evaluation Model	Volatility	22.27%-28.03%	The higher the volatility, the higher the fair value estimate	5% decrease in the volatility would result in decrease in the Company's profit or loss by NT$0 thousand

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2018		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$146,451	30.715	$4,498,246
CNY	247,725	4.472	1,107,824
JPY	690,739	0.2782	192,163
Monetary financial liabilities			
US$	156,573	30.715	4,809,125
CNY	105,246	4.472	470,662
JPY	601,990	0.2782	167,474

	December 31, 2017		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$126,938	29.76	$3,777,675
CNY	300,940	4.565	1,373,791
JPY	641,139	0.2642	169,389
Monetary financial liabilities			
US$	85,331	29.76	2,539,451
CNY	61,414	4.565	280,355
JPY	524,161	0.2642	138,483

The Company's entities functional currency is various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains were NT$87,776 thousand and NT$14,674 thousand for the years ended December 31, 2018 and 2017, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau for the year ended December 31, 2018:

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.

C. Securities held as of December 31, 2018: Please refer to Attachment 2.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: Please refer to Attachment 3.

E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.

F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.

G. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 4.

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock: Please refer to Attachment 5.

I. Financial instruments and derivative transactions: None.

J. Parent-subsidiary relationship between business dealings and important circumstances: Please refer to Attachment 6.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(2) Information on investees
Information regarding investee companies over which the Company can exercises significant influence or control: Please refer to Attachment 7.

(3) Investment in Mainland China: Please refer to Attachment 5 and 8.

14. Segment Information

A. General information

The main revenue stream of the Company comes from testing and assembly services. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated to and evaluates the overall performance. Therefore, the Company is aggregated into a single segment.

B. Regional information

(a). From external customer revenue:

	For the years ended December 31,	
	2018	2017
Taiwan	$5,879,479	$5,284,931
Asia	10,593,912	9,125,987
North America	3,765,475	4,086,381
Others	576,503	1,189,612
Total	$20,815,369	$19,686,911

(b). Non-current assets information is as follows:

	Dec. 31, 2018	Dec. 31, 2017
Taiwan	$28,483,829	$23,441,218
Asia	3,700,422	3,371,640
Others	353	196
Total	$32,184,604	$26,813,054

(c). Important customer information

For the years ended December 31, 2018 and 2017, there is no individual external customer's revenue exceed 10% of the Company’s consolidated revenue.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 1

ENDORSEMENTS/GUARANTEES PROVIDED

For the year ended December 31, 2018

(Amounted in Thousand New Taiwan Dollars, Unless Specified otherwise)

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
1	KYEC	King Long Technology (Suzhou) Ltd.	(Note1)	$4,895,422	$557,640	$555,815	$-	-	2.27%	$9,790,844	Y	N	Y
2		Suzhou Zhengkuan Technology Ltd.	(Note1)		$977,615	$971,820	$418,950	-	3.97%		Y	N	Y

Note1: A subsidiary in which endorser/guarantor holds directly over 50% of equity interest.

Note2: The amount of guarantees/endorsements for any single entity shall not exceed 20% of net worth of endorser/guarantor.

Note3: The maximum endorsement/guarantee amount allowable shall not exceed 40% of the Company's net worth as of December 31, 2018.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 2

MARKTEABLE SECURITIES HELD

As of December 31, 2018

(Amounted in Thousand New Taiwan Dollars, Unless Specified otherwise)

Held Company Name	Securities Type	Securities Name	Relationship with the Company	Financial Statement Account	Balances as of December 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
KYEC	Stock	ADL Engineering INC.	-	Non-current financial assets at fair value through other comprehensive income	210,614	$-	1.76%	-	
	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	57,810,000	402,815	7.58%	402,815	
	Stock	APM Communication, Inc.	-	Non-current financial assets at fair value through other comprehensive income	10,456	-	0.11%	-	
	Stock	Greenliant Systems, Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,333,333	-	2.78%	-	
	Stock	YANN YUAN Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	25,000,000	1,292,548	16.78%	1,292,548	
	Stock	Mcube Inc.	-	Non-current financial assets at fair value through other comprehensive income	528,745	-	1.11%	-	
	Stock	Unimicron Technology Corporation	-	Current financial assets at fair value through other comprehensive income	717,000	15,989	0.05%	15,989	
	Fund	KGI Victory Money Market Fund	-	Current financial assets at fair value through profit or loss	4,399,937	50,873	-	50,873	
	Fund	TCB Taiwan Money Market Fund	-	Current financial assets at fair value through profit or loss	4,986,238	50,588	-	50,588	
	Stock	IROC Co., Ltd.(Note)	-	Non-current financial assets at fair value through other comprehensive income	436,046	17,442	1.23%	17,442	
	Stock	Subtron Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	927,147	9,160	0.32%	9,160	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	30,515	17.16%	30,515	

Note：Originally Chongpengyiji Corp.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 3

MARKTEABLE SECURITIES ACQUIRED AND DESPOSED OF AT COSTS OR PRICES OF AT LEASE NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

For the year ended December 31, 2018

(Amounted in Thousand New Taiwan Dollars, Unless Specified otherwise)

Held Company Name	Marketable Securities Type and Name	Financial Statement Account	County-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note2)				Ending Balance	
					Shares/Units	Amount (Note1)	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/ loss on Disposal	Shares/Units	Amount
KYEC	Dawning Leading Technology Inc.	Investments accounted for using the equity method	Dawning Leading Technology Inc. and its investors	N/A	98,461,181	$511,800	176,868,057	$702,390	275,329,238	$687,157	$1,214,190	$74,427	-	$-

Note 1：This amount includes the initial impact of the adoption of IFRS 9 by the Company as of January 1, 2018.

Note 2：Includes the impact of share of profit or loss of associates accounted for using the equity method and unrealized valuation financial assets at fair value through other comprehensive income.
Dawning Leading Technology Inc. was merged with KYEC on November 1, 2018. KYEC is a surviving company, and Dawning Leading Technology Inc. is a company that has been liquidated.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

For the year ended December 31, 2018

(Amounted in Thousand New Taiwan Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable (Included Contract Assets)	
			Purchase/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
KYEC	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	$1,716,536	8.25%	Month-end 75 days	Note	Month-end 30 to 120 days	$417,996	7.61 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	$1,081,850	5.20%	Month-end 60 days		Month-end 30 to 120 days	$270,562	4.93 %
	Airoha Technology Corporation	Subsidiary of MediaTek Inc.	Sales	$169,208	0.81%	Month-end 60 days		Month-end 30 to 120 days	$47,947	0.87 %
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Associate	Sales	$128,491	0.62%	Month-end 90 days		Month-end 60 to 90 days	$64,213	1.17 %

Note: Unit price was not significantly different from those with third parties.

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

As of December 31, 2018

(Amounted in Thousand New Taiwan Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rates	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
KYEC	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	$422,677 (Note1)	4.83	$22,911	-	$271,592	$-
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	$275,131 (Note2)	4.23	$1,363	-	$196,215	$-
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Associate	$106,820 (Note3)	2.24	$39,815	-	$-	$-

Note 1：Includes other receivables - related party amounting to 4,681 thousand dollars arising from handling charges, freights and tax fees.

Note 2：Includes other receivables - related party amounting to 4,569 thousand dollars arising from customs clearance charges and freights.

Note 3：Includes other receivables - related party amounting to 42,607 thousand dollars arising from utility fees.

INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIOD

For the year ended December 31, 2018

(Amounted in Thousand New Taiwan Dollars, Unless Specified otherwise)

Number (Note1)	Company name	Counterparty	Relationship (Note2)	Intercompany Transaction			
				Finacial Statement account	Amount (Foreign Currency in Thousands)	Transaction terms	% of Net revenues or total assets
0	KYEC	KYEC USA Corp.	1	Commission expense	$57,101	Month-end 30 days	0.27%
				Accrued expenses	11,979		0.03%
		King Long Technology (Suzhou) Ltd.		Machinery and equipment	174,863	Month-end 60 days	0.37%
				Accounts receivable	546		-
				Other receivables	24,795		0.05%
				Payables on equipment	13,533		0.03%
				Sales revenue	14,594		0.07%
				Other income	1		-
				Deferred credits	82,719		0.18%
		KYEC Japan. K.K.		Accrued expenses	3,896	Month-end 55 days	0.01%
				Commission expense	25,498		0.12%
		KYEC Singapore PTE. LTD.		Accrued expenses	770	Month-end 30 days	-
				Commission expense	35,677		0.17%
		King Ding Precision Incorporated Company		Machinery and equipment	14,100	Month-end 30 days	0.03%
				Other receivables	54,968		0.12%
		Suzhou Zhengkuan Technology Ltd.		Accounts receivable	1,018	Month-end 60 days	-
				Machinery and equipment	26,478		0.06%
				Other receivables	32,477		0.07%
				Sales revenue	9,084		0.04%
				Guarantee	418,950		-
					(US$10,000)		-
					(CNY 25,000)		-
1	King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	3	Sales revenue	128,491	Month-end 90 days	0.62%
				Accounts receivable	64,213		0.14%
				Other receivables	42,607		0.09%
		KYEC	2	Machinery and equipment	44,327	Month-end 90 days	0.09%
				Other receivables	23,761		0.05%
				Sales revenue	4,396		0.02%

Note1: The information of transactions between the Company and the conlidated subsidiaries should be noted in "Number" column.
(1) Number 0 represents the Company.
(2) The consolidated subsidiaries are numbered in order from number 1.

Note2: The transaction relationships with the counterparties are as follows:
(1) The Company to the consolidated subsidiary.
(2) The consolidated subsidiary to the Company.
(3) The consolidated subsidiary to another consolidated subsidiary.

Note3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

For the year ended December 31, 2018

Amount in New Taiwan Dollars and United States Dollars, Unless Specified otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Profits/Losses of Investee	Note
				December 31,2018	December 31,2017	Shares	Percentage of Ownership	CarryingValue			
KYEC	KYEC USA Corp.	Note 1	Sales agent and business communication in USA	$4,973	$4,973	160,000	100.00 %	$11,499	$(2,863)	$(2,863)	
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,665,371	5,665,371	177,155,000	100.00 %	4,479,700	111,061	111,061	
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	262,356	12,042	12,042	
	KYEC Japan. K.K.	Note 4	Manufacturing and sales of Electronic parts and components, sales agent and business communication in Japan	102,735	102,735	1,899	89.83 %	53,592	1,072	962	
	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in Southeast Asia and Europe	1,830	1,830	78,000	100.00 %	1,007	(742)	(742)	
	Dawning Leading Technology Inc.	Note 6	Selling and manufacturing of electronics parts and components	-	1,021,310	-	-	-	(1,757,366)	(557,408)	Note 11
	Fixwell Technology Corp.	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	28,000	28,000	2,800,000	23.33 %	44,418	42,268	9,878	
	Wei Jiu Industrial Co., Ltd.	Note 9	CNC center processing machine, lathe machining processing design and various precision machanical components manufacturing	10,200	10,200	1,020,000	34.00 %	17,934	18,096	6,153	
	King Ding Precision Incorporated Company	Note 10	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	35,530	-	3,230,000	48.94 %	34,032	(1,504)	(1,498)	
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 7	Investing activities	USD 116,155	USD 116,155	118,000,000	94.02 %	USD 134,003	USD 6,761	-	
	Sino-Tech Investment Co., Ltd.	Note 3	Investing activities	USD 40,000	USD 40,000	40,000,000	100.00 %	USD 7,329	(USD 1,592)	-	
	Strong Outlook Investment Ltd.	Note 2	Investing activities	USD 21,000	USD 21,000	35,000,000	100.00 %	USD 4,515	(USD 981)	-	
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 7	Investing activities	USD 7,500	USD 7,500	7,500,000	5.98 %	USD 8,542	USD 6,761	-	

Note 1：101 Meto Drive., #540 San Jose, CA 95110 USA.

Note 2：P.O. Box 957, Offshore Incorporations Centre Road Town, Tortola, British Virgin Islands.

Note 3：Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.

Note 4：5F 2-3-8 Momochihama, Sawara-ku, Fukuoka 814-0001 Japan.

Note 5：750A Chai Chee Road Unit 07-22 Chee, Singapore 238884.

Note 6 : No.118, Zhonghua Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)

Note 7：P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

Note 8：No.380, Huashan Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)

Note 9 : No.8, Aly. 8, Ln. 48, Sec. 2, Nan'ai Rd., Xiangshan Dist., Hsinchu City 300, Taiwan (R.O.C.)

Note 10：No. 30, Dapu 10th St., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)

Note 11：Dawning Leading Technology Inc. was merged with KYEC on November 1, 2018. KYEC is a surviving company, and Dawning Leading Technology Inc. is a company that has been liquidated.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 8

INFORMATION ON INVESTMENT IN MAINLAND CHINA

For the year ended December 31, 2018

Amount in New Taiwan Dollars and United States Dollars, Unless Specified otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated outflow of Investment from Taiwan as of January1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note5)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note1	$558,030 (USD 18,168)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	$3,798,063 (USD 123,655)	$-	$-	$3,798,063 (USD 123,655)	$201,379 USD 6,761	100%	$201,379 USD 6,761	$4,378,270 USD 142,545	$-
Suzhou Zhengkuan Technology Ltd.	Note3	$2,303,625 (USD 75,000)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	$1,873,615 (USD 61,000)	$-	$-	$1,873,615 (USD 61,000)	($78,276) (USD 2,573)	100%	$(78,276) (USD 2,573)	$363,788 USD 11,844	$-

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$5,671,678 (USD 184,655)	$5,671,678 (USD 184,655)	$14,686,267

Note 1: Sales and manufacturing of components of automotive data processing machinery, solid memory parts, monitoring burn-in machinery, and testing and assembly service of integarted circuits.

Note 2: The Company obtained the approval from the Investment Commission, MOEA, to invest indirectly in King Long Technology (Suzhou) via KYEC Microelectronics Co., Ltd. which is registered in Cayman Island. KYEC Microelectronics Co., Ltd. is invested by KYEC Investment International Co., Ltd. which is registered in BVI.

Note 3: Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery.

Note 4: The Company obtained the approval from the Investment Commission, MOEA, to invest indirectly in Zhen Kun Technology Ltd. (Suzhou) via Sino-tech Investment Co., Ltd. which is registered in Samoa. Sino-tech Investment Co., Ltd. is invested by KYEC Investment International Co., Ltd. which is registered in BVI.

Note 5: Recognition of investment gains (losses) was calculated based on the investee's audited financial statements.