Stock code: 2449

京元電子股份有限公司
The Testing Industry Benchmark

2018 Annual Report

Date published: April 8, 2019
The Annual Report is accessible on the following websites:
Taiwan Stock Exchange Market Observation Post System: http:// mops.twse.com.tw/
Official website of King Yuan Electronics Co., Ltd. at http://www.kyec.com.tw/

I. Company Spokesman and Deputy Spokesman
Name: S.K. Chen, Aaron Chang
Position: Senior Vice President & Division Head
Telephone: (03)575-1888
E-mail: invest@kyec.com.tw

II. Addresses and Telephone Numbers for Headquarters, Branch offices and Factories
Headquarters: No.81, Sec. 2, Gongdaowu Rd., Hsin-Chu, Taiwan, R.O.C.
Telephone: (03)575-1888
Branch offices: No.118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C.
Telephone: (037)595-666
Branch offices: No.8, Tongke N. Rd., Tongluo Township, Miao-Li, Taiwan, R.O.C.
Telephone: (037)980-188
Factories: No.81, Sec.2, Gongdaowu Rd., Hsin-Chu, Taiwan, R.O.C
Telephone: (03)575-1888
No.118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C.
Telephone: (037)595-666
No.8, Tongke N. Rd., Tongluo Township, Miao-Li, Taiwan, R.O.C.
Telephone: (037)980-188

III. Share Administration Agency:
Name: Share Registration Agency Service Department, Horizon Securities Co., Ltd.
Address: 3F, No. 236, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.
Website: www.honsec.com.tw
Telephone: (02)7719-8899

IV. CPAs for the Most Recent Independent External Auditor's Report
Name of accountant: Shao-Pin Kuo, Wen-Fun Fuh
Name of CPA firm: Ernst & Young
Address: 9F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.
Website: www.ey.com
Telephone: (02) 2757-8888

V. Name of Any Exchanges Where the Company's Securities are Traded Offshore, and the Method by Which to Access Information on Said Offshore Securities
Exchange where the Company’s overseas convertible bonds are traded: Singapore Exchange
Inquiry for overseas convertible bonds: http://www.sgx.com
Overseas convertible bonds ID: XS1453956663

VI. Company Website: www.kyec.com.tw

Table of Contents

Four. Overview of Operations

Five. Overview of Finance

Six. Review and Analysis of Financial Position and Financial Performance, and Risk Assessment

Seven. Special Items

Letter to Shareholders

Ladies and gentlemen:

King Yuan Electronics Co., Ltd. (KYEC) has continued to provide semiconductor packaging and testing services to the contract market for many years. Thanks to its superb service quality and cost advantage, KYEC has achieved its goal of providing all-round service to existing customers, developing new customers, and entering the IDM supply chain. In recent years, the Company has depended on its in-house testing platform R&D capability, while relying on strategic turnkey service to develop its sales, and has enjoyed great success. At the same time, during this key period in which 5G communications technology is driving the market, in order to seek out up- and downstream opportunities for strategic alliances, expanding its scale of operations, integrating the resources of its subsidiaries in China, and strengthening the development of the regional market are the Company's most important current tasks.

In 2018, KYEC had consolidated operating revenue of NT$20.815 billion, which represented an increase of 5.7% compared with 2017; subtracting NT$460 million in revenue from Dawning Leading Technology Inc. ("Dawning Leading") which was acquired on November 1, the Company enjoyed annual growth of 3.4%, but the gross profit ratio fell to 25.8% due to economic conditions and Dawning Leading's low gross profit packaging business, and this figure represented a decrease of 3.6% compared with 2017. Earnings per share was NT$1.47, which represented a drop of 21.8% compared with the year before.

As of December 31, 2018, KYEC's consolidated cash and cash equivalents totaled NT$4.787 billion, its consolidated debt-to-equity ratio (Debt ratio) was 48.0%, its net debt-to-equity ratio after subtracting consolidated cash and cash equivalents was 49.6%, and its 2018 return on equity (ROE) was 7.3%.

With regard to sales, thanks to the increased market share of products made by North American and Southeast Asian customers, and growth in the Suzhou subsidiary's sales, the Company was able to ease the impact of individual product market fluctuations on revenue, and many customers established or transferred their main IC testing supply chains to KYEC, which bodes well for future sales growth. In 2018, KYEC's wafer testing sales had an annual growth rate of 4.6%, product testing sales increased by 0.7% compared with 2017, while other sales grew by 33.6%. In 2018, sales revenue from its 10 largest customers accounted for 48.8% of the Company's total revenue, and this figure represented a slight reduction from the 49.6% in 2017. In order to strengthen its working capital and response to future funding needs, the Company obtained an NT$14.2 billion syndicated loan from banks in October of last year.

For over a decade, KYEC's R&D team has single-minded striven to integrate testing equipment interfaces, write test programs, perform machine maintenance, improve machine parts and accessories, automate production lines, independently developed testing equipment, put development and module design on a mass production basis, and perform other research and development work. In 2018, self-developed testing equipment accounted for approximately 15% of the Company's total sales. In addition, the Company has also enjoyed impressive achievements in the areas of special product testing equipment and production line overhauls, including the following: High-power burn-in oven, micro-electromechanical product testing platform and auxiliary equipment, vertical probe card, MEMS multi-axis product testing, high-frequency load board, and CIS sensing, etc. are some of the ways that the Company is creating a unique competitive advantage in the field of semiconductor testing.

For many years, KYEC has consistently made the satisfaction of customers' needs, enhancement of shareholders' equity, attention to employees' benefits, and fulfillment of its corporate social responsibilities its core business goals. The following is a summary of the Company's business strategy in 2019:

1. Business development: Increasing the benefit of packaging and testing revenue relative to global market share and capital investment, actively expand the contribution of self-developed equipment to sales, and increase the Company's scale and profitability through robust overseas investment.
2. Customer service: Boosting quality and service assessment, reducing quality abnormalities, and strengthening employees' quality consciousness.
3. Production: Improving overall equipment production efficiency and employee productivity, continuing to increase factory automation.
4. Cost control: Placing emphasis on rationalized use of materials and inventory management, continuing efforts to reduce purchasing costs.
5. R&D and innovation: Continuing equipment, parts, and components R&D, development of core technologies, establishment of a superior IPR system.
6. Human resources: Placing emphasis on manpower selection, training, and utilization, accumulation of a reserve of superior technical and management staff, and enhancement of employees' basic functions.

Looking ahead to 2019, although we anticipate that growth in consumer electronics products will slow, growth is nevertheless expected in emerging applications areas, such as: 5G communications networks, Internet of Things electronics, automotive electronics, artificial intelligence, medical electronics, gaming, and the AR/VR market, etc. However, the larger environment is full of uncertainty and variables, the US-China trade war has shaken the confidence of the regional market, end consumer purchasing has been conservative, and market visibility has been low. However, many of KYEC's customers are enjoying continuing growth, and as a major supply chain member, KYEC will also benefit from this growth. At the same time, some customers are developing their own product and applications markets, and their ratio of outsourced work is expected to increase significantly. We expect the Company's basic growth trend to remain unchanged in 2019. Sales growth will chiefly be driven by 5G communications networks, automotive electronics, and artificial intelligence products, and the Company maintains relatively optimistic expectations toward revenue and profit growth.

Director & Chairman:
Chin-Kung Lee
President: An-Hsuan Liu

One. Company Profile

I. Date of establishment: May 28, 1987

II. Corporate history:

1987	May	Incorporated at No. 15, Lane 576, Sec. 1, Guangfu Rd., Hsinchu City officially, with the authorized capital in the amount of NT$7 million and paid-in capital in the amount of NT$7 million.
1990	February	Capital increase by NT$2.5 million in cash and the Company's capital increased to NT$9.5 million.
1994	July	Capital increase by NT$11 million in cash and the Company's capital increased to NT$20.5 million.
1995	October	Capital increase by NT$9.5 million in cash and the Company's capital increased to NT$30 million.
1996	July	Added logical reasoning test operations.
	September	Capital increase by NT$20 million in cash and the Company's capital increased to NT$50 million.
1997	May	Capital increase by NT$40 million in cash and the Company's capital increased to NT$90 million.
	July	Added memory test operations.
	September	Capital increase by NT$80 million in cash and the Company's capital increased to NT$170 million.
	December	Received ISO9002 certification.
1998	January	Completed the construction of Zhao-Nan Factory and started mass production.
	February	Capital increase by NT$180 million in cash and the Company's capital increased to NT$350 million.
	August	Capital increase by NT$199.75 million in cash and by recapitalization of retained earnings, and the Company's capital increased to NT$549.75 million.
	September	Capital increase by NT$100.25 million by recapitalization of capital surplus, and the Company's capital increased to NT$650 million.
	December	Capital increase by NT$50 million in cash and the Company's capital increased to NT$700 million.
1999	March	Commenced the construction of KYEC Headquarters on Gongdaowu Rd., Hsinchu City.
	May	Approved to engage in the public offering of stock by Securities and Futures Bureau, Ministry of Finance, and also reported to TWSE for the pre-listing tutoring.
	July	Capital increase by NT$293.75 million in cash and by recapitalization of retained earnings and capital surplus, and the Company's capital increased to NT$993.75 million.
	August	Established Optoelectronic Products Division, and adjusted the organization.
	October	Acquired a lot of land on Chunghua Rd., Chu-Nan Township, Miaoli County for the factory construction project.
	December	Capital increase by NT$250 million in cash and the Company's capital increased to NT$1.24375 billion.
2000	March	Commenced the construction of Chunghua 1st Factory.
	July	Capital increase by NT$1.38850446 billion in cash and by recapitalization of retained earnings and capital surplus, and the Company's paid-in capital stock to NT$2.63225446 billion.

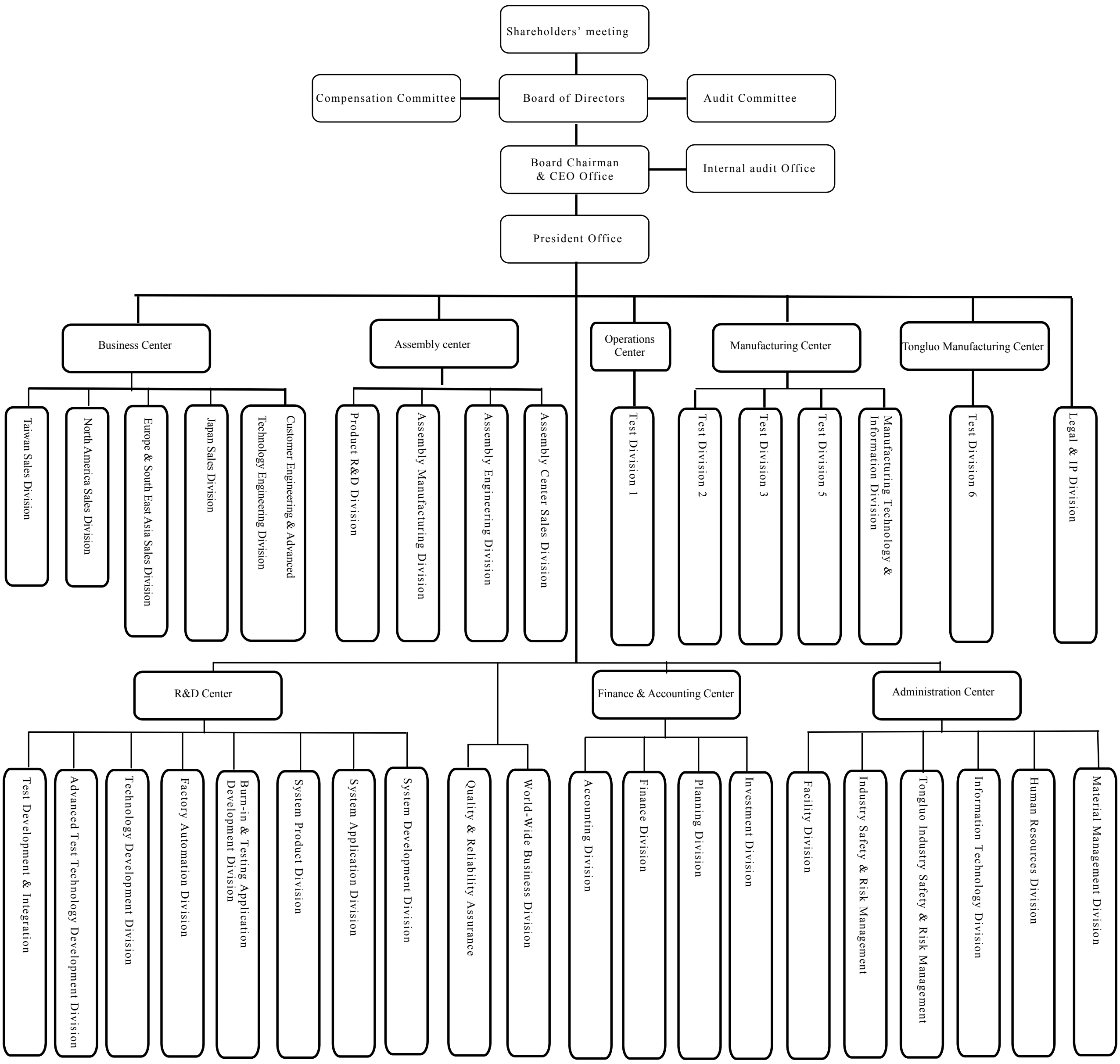
		Completed the construction of KYEC Headquarters and officially opened the Headquarters.
	December	The application for listing of stock was approved by TWSE.
2001	January	The listing of stock was approved by Securities and Futures Bureau, Ministry of Finance.
	March	Completed the construction of Chunghua 1st Factory and activated the Factory officially.
	May	Traded stock on TWSE officially.
	July	Capital increase by NT$1.73446768 billion by recapitalization of retained earnings and capital surplus, and the Company's paid-in capital increased to NT$4.36672214 billion.
	August	Passed the ISO9000, TL9000 and QS9000 certification.
	October	Established the branch company in Chu-Nan Township.
2002	April	Issued the overseas convertible bonds in the amount of US$120 million.
	December	The Extraordinary General Meeting passed the motion for private placement and re-election of one director, and SPIL occupied one seat of director accordingly.
2003	February	Passed ISO14001 for environmental management certification and OHSAS18001 for occupational safety and health management certification.
		Completed the motion for private placement, and the Company's capital increased to NT$5.56871604 billion.
2004	January	Issued the overseas convertible bonds in the amount of US$100 million.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$7.54955164 billion.
2005	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$9.07897897 billion.
	December	Commenced the construction of Chunghua 2nd Factory.
2006	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$10.89670967 billion.
		Completed the construction of Chunghua 2nd Factory.
2007	April	Commenced the construction of Chunghua 3rd Factory.
		Acquired a lot of land occupied an area of 5,588 square meters on Chunghua Rd., Chu-Nan Township, Miaoli County for the factory construction project.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$12.14696675 billion.
	December	Passed ISO14064 for international GHG management accreditation.
		Completed the construction of Chunghua 3rd Factory.
2008	February	Commenced the construction of Chunghua 4th Factory.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$12.80854009 billion.
	September	Completed the construction of Chunghua 4th Factory.
	November	Passed OHSAS18001:2007 for revision certification.
		Passed TOSHMS certification.
2009	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$12.59735576 billion.
	December	Passed ISO14001, OHSAS18001 and TOSHMS for annual follow-up audit.
2010	October	Issued the overseas convertible bonds in the amount of US$40

		million.
	December	Passed ISO14001/OHSAS18001/TOSHMS for annual follow-up audit.
2011	October	Honored as the excellent factory for cleaner production in TSMC Center-Satellite system.
2012	December	Passed TOHMAS for conversion into CNS15506:2011.
		Chunghua Factories passed the AEO safety accreditation.
2013	February	Commenced the construction of Tongluo Factory for Stage 1.
	December	Completed the construction of Tongluo Factory for Stage 1.
2014	December	Commenced the construction of Tongluo Factory for Stage 2.
2015	December	Chu-Nan Factory was honored as the excellent entity for "Low Carbon Action Award" conferred by Environmental Protection Administration, Executive Yuan.
2016	January	Completed the construction of Tongluo Factory for Stage 2.
	April	Tongluo Factory for Stage 1 received the "Green Building-Bronze Medal" awarded by Ministry of Interior.
	July	Issued the overseas convertible bonds in the amount of US$50 million.
		Purchased green power and awarded the "2016 Green Power Logo" by Ministry of Economic Affairs.
	October	Tongluo Factory received the "Green Power Factory Label" awarded by Industrial Development Bureau, Ministry of Economic Affairs.
	November	Received the excellence award for the "2015 Green Procurement Implemented by Private Enterprises and Groups" conferred by Environmental Protection Bureau of Miaoli County Government.
		Chu-Nan Factory passed ISO50001 for energy management accreditation.
2017	September	Purchased green power and awarded the "Green Power Logo" by Bureau of Energy, Ministry of Economic Affairs.
	November	Honored as the excellent entity for "2016 Green Procurement" awarded by Environmental Protection Administration, Executive Yuan.
	December	Received the excellence award in "Landscaping and Environmental Maintenance Competition" organized by Hsinchu Science Park.
		Received the excellence award for the "2016 Green Procurement Implemented by Private Enterprises and Groups" conferred by Environmental Protection Bureau of Miaoli County Government.
		Tongluo Factory passed ISO50001 for energy management accreditation.
2018	November	Received the excellence award in "Landscaping and Environmental Maintenance Competition" organized by Hsinchu Science Park.
	December	Received the excellence award for the "2017 Green Procurement Implemented by Private Enterprises and Groups" conferred by Environmental Protection Bureau of Miaoli County Government.

Two. Corporate Governance Report

I. Organization

(I) Organization structure



(II) Departmental business operation

Board Chairman & CEO Office	Coordinate and take charge of the Company's business decisions, and responsible for establishment, maintenance and execution of internal audit systems.
President Office	Establish the Company's business objectives and strategies, take charge of the Company's business plans and annual business policy, establish the Company's quality policy, and communicate coordinate with and supervise the Company's departments/divisions.
Business Center (Including Taiwan Sales Division, North America Sales Division, Europe & South East Asia Sales Division, Japan Sales Division and Customer Engineering & Advanced Technology Engineering Division)	Responsible for verifying the market condition, plan the merchandising in domestic/overseas markets, conclude sales contracts, provide forecasts to ensure delivery conditions which ensure the satisfaction of production schedule with customers' demand, and proceed with annual marketing plans and customized engineering solutions and new product introduction services, etc.
Operations Center	Establish and execute the business plans to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Test Division 1	Responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test technology development and introduction; control product quality; provide customers with excellent testing environment and fair testing quality.
Manufacturing Center	Establish and execute the business plans to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Test Division 2	Responsible for such processing operations as wafer fabrication, grinding, cutting, selection and testing; control the production, delivery date and quality required under purchase orders; improve production technology, and establishment of standard operating procedures;

	assess, introduce and maintain production equipment, jigs, knives and measuring tools; responsible for supervising and assessing various departments' performance.
Test Division 3	Responsible for supervising and assessing logical reasoning test and mixed signal test of finished IC goods; responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test technology development and introduction; control product quality.
Test Division 5	Responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test technology development and introduction; control product quality.
Manufacturing Technology & Information Division	Plan, design and develop the automation equipment and manufacturing management information systems required by various business divisions' production process, and provide any support required by the production process to upgrade the output.
Tongluo Manufacturing Center	Establish and execute the business plans of Tongluo Factory to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Test Division 6	Provide customers with chips and IC test services; control the production to meet the shipping requirements; test technology development and introduction; control product quality.
R&D Center	Plan and execute R&D strategies, integrate and control R&D resources, integrate cross-group R&D projects, and lead the key R&D programs.
Test Development & Integration Division	Development and integration of new testing technology for image sensors and test applications for proprietary test machines; provides customers with comprehensive test solution, mass production service, and assists in the resolution of engineering problems on the production line.
Advanced Test Technology Development Division	Take charge of PCB design, manufacturing and stimulation technology, development and research of new test technology, develop system diagnostic technology, produce the automatic test programs and develop conversion systems, and design and manufacture new test machine interface.
Factory Automation Division	Creation and implementation of test environment; research and development of technologies needed to

	produce key components and perform specialized tests.
Burn-in & Testing Application Development Division	Provides customers with comprehensive test solutions and designs specialized test environment using proprietary test machines; offers differentiated test service and develops proprietary burn-in systems; designs customized systems, programs and high-quality burn-in processes.
System Product Division	Self-make test machine, produce and maintain Burin-in Oven, and improve the stability of production lines.
System Development Division	Research and development of self-made test machine system/equipment, and functional expansion/upgrade of self-made test machine.
Technology Development Division	Responsible for the planning, design, production and development of automated equipment needed to support production activities of various business divisions; provides support and output enhancement for the production process.
System Application Division	Explores application of customers' products on KYEC's proprietary test machine, develops test programs, and assists customers in using KYEC's proprietary test machine from IC test programing, implementation to mass production.
Administration Center	Integrate the Group’s administrative resources and support the Group's operation to seek maximum interest for the Company at the lowest cost.
Facility Division	Responsible for planning, constructing and maintaining the facilities at factory premises.
Industry Safety & Risk Management Division	Responsible for assessing risk over factory premises and planning/executing SHE operations.
Tongluo Industry Safety & Risk Management Division	Responsible for assessing risk over factory premises and planning/executing SHE operations at Tongluo Factory premises.
Information Technology Division	Responsible for planning, implementing, reviewing and improving the Company's information system, and regulating and supervising the short-term, mid-term and long-term information systems.
Human Resources Division	Responsible for establishing, reviewing and revising the Company’s HR development and general affairs plans.
Material Management Division	Responsible for procuring of raw materials & supplies and equipment, warehousing & logistics and import & export management, and bonding for the Company.
Quality & Reliability Assurance Division	Coordinate the product quality upgrading, establish quality strategies, improve quality systems, manage instrument and supplier quality, and perform document control.
Planning Division	Responsible for relationship management and communication with institutional investors, media

	relations, public affairs and coordination of cross-department projects
Accounting Division	Coordinate the Company's taxation, general accounting, fixed assets management and cost accounting affairs.
Finance Division	Coordinate the Company's shareholder services and capital management.
Investment Division	Spearheads in the negotiation, assessment, planning, recommendation and execution of long-term investment projects. Responsible for exploring possible collaborative opportunities with investors or strategic investment partners; assists subsidiaries, investees or affiliated enterprises in the planning or assessment of possible investments, listing and public offering opportunities.
Legal & IP Division	Oversees legal affairs, including management of contractual arrangements, patents and other intellectual property rights, litigations etc.
World-Wide Business Division	Assess and review the feasibility of overseas investment plans and plan and execute the same, coordinate the operational resources to support overseas business and the overseas units to which colleagues are dispatched, act as the coordination and contact person with overseas companies, execute business policies and objectives.
Assembly center	Establish and execute the business plans to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Product R&D Division	Responsible for the development and implementation of new packaging machinery, development of new products/technologies, layout design, and assessment/introduction of new suppliers.
Assembly Manufacturing Division	Plans, executes and monitors progress of the production schedule; develops standardized operating guidelines and operational environment needed to deliver excellent and timely packaging service; responsible for improving production efficiency and supervising accomplishment of performance targets.
Assembly Engineering Division	Responsible for the planning, assessment and implementation of new packaging process and equipment purchase; responsible for making improvements to packaging yield, output, production process and use of materials to deliver customers' requirements toward the quality of packaging service.

Assembly Center Sales Division	Responsible for gathering market information, introducing new customers/products, monitoring SBT/LF inventory, developing customized solutions, and production scheduling in line with customers' demands for long-term relationship.

II. Information on Directors, Presidents, Vice Presidents, and managers of each department and division

(I) Information on Directors

Attachment 1

April 8, 2019

Position (Note 1)	Nationality or Place of Registration	Name	Gender	Date of Election (Appointment)	Term (years)	Date when first elected	Shares held at election		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors or department heads		
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%) (Note 2)	Shares	Shareholding ratio (%) (Note 2)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director & Chairman	ROC	Chin-Kung Lee	Male	2017.06.08	3	1996.09.25	33,142,941	2.83	34,000,941	2.78	4,263,053	0.35	-	-	Bachelor President of King Yuan Electronics Co., Ltd.	CEO Director & Chairman of KYEC Investment International Co., Ltd. Director & Chairman of KYEC Technology Management Co., Ltd. Director & Chairman of KYEC Microelectronics Co., Ltd. Sino-Tech Investment Co.,Ltd. Director & Chairman Director & Chairman of Strong Outlook Investments Limited Director & Chairman of King Long Technology (Suzhou) Ltd. Director & Chairman of Suzhou Zhen Kun Technology Ltd. Independent Director of Quang Viet Enterprise Co., Ltd. Chairman of King Ding Precision Incorporated Company	N/A	N/A	N/A
Director & Vice-Chairman	ROC	Chi-Chun Hsieh	Male	2017.06.08	3	1999.04.20	5,302,037	0.45	5,552,037	0.45	567,120	0.05	-	-	Bachelor/Physician	Physician	N/A	N/A	N/A
Director	ROC	An-Hsuan Liu	Male	2017.06.08	3	2014.06.12	1,050,000	0.09	1,100,000	0.09	-	-	-	-	PhD President of Intematix Technology Center Corporation	President Director & Chairman of KYEC USA Corp. Chairman of KYEC SINGAPORE PTE. LTD. Director / President of King Long Technology (Suzhou) Ltd. Director / President of Suzhou Zhen Kun Technology Ltd.	N/A	N/A	N/A
Director	ROC	Kao-Yu Liu	Male	2017.06.08	3	2011.06.15	4,808,267	0.41	4,808,267	0.39	2,394,054	0.20	-	-	PhD	Director & Chairman of LC Architecture	Director	Kuan-Hua Chen	Brother in law

																Realization Company, Inc Director & Chairman of Ji Ze Construction Development Corp.			
Director	ROC	Kuan-Hua Chen	Male	2017.06.08	3	2008.06.13	3,168,574	0.27	3,168,574	0.26	1,173,496	0.10	-	-	Master in Financial Engineering, Carnegie Mellon University	Supervisor of Weikeng Industrial Co., Ltd.	Director	Kao-Yu Liu	Spouse’s brother
Director	ROC	Yann Yuan Investment Co., Ltd	-	2017.06.08	3	2017.06.08	37,500,000	3.20	52,600,000	4.30	-	-	-	-	-	-	N/A	N/A	N/A
		Representative: Chao-Jung Tsai	Male	2017.06.08	3	2017.06.08	-	-	-	-	-	-	-	-	Master CPA CTBC BANK Co., Ltd. Vice President President of Grand Cathay Securities Corp. President of SPIL Investment Co., Ltd.	President of Yann Yuan Investment Co., Ltd	N/A	N/A	N/A
Independent Director	ROC	Hsien-Tsun Yang	Male	2017.06.08	3	2009.06.10	-	-	-	-	2,313	0.00	-	-	Bachelor Chief Editor of China Times Express Executive Vice Chief Editor of China Times	Audit Committee and Compensation Committee member	N/A	N/A	N/A
Independent Director	ROC	Hui-Chun Hsu	Male	2017.06.08	3	2014.06.12	-	-	-	-	-	-	-	-	Master Physician KYEC Compensation Committee member	Audit Committee and Compensation Committee member Physician	N/A	N/A	N/A
Independent Director	ROC	Dar-Yeh Hwang	Male	2017.06.08	3	2017.06.08	-	-	-	-	-	-	-	-	PhD Professor of Department of Finance, National Taiwan University Director of Center for the Study of Banking and Finance, National Taiwan University Chair of both of Department and Institute of Finance, National Taiwan University	Audit Committee and Compensation Committee member Chairman of McBorter AFMA/Chairman and Dean of Academy of Promoting Economic Legislation/Distinguished Professor of Renmin University of China, Suzhou Campus/Independent Director of DBS(Taiwan)/ Independent Director of Chailease Holding	N/A	N/A	N/A

Note 1: In the case of an institutional shareholder, the name of the shareholder's representative shall be identified and the following form shall be completed.
Note 2: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this Annual General Meeting.

Major shareholders of institutional shareholders

2019.04.08

Name of the institutional shareholder	Major shareholders of institutional shareholders (Note)
Yann Yuan Investment Co., Ltd	SPIL Investment Co., Ltd. (32.2%), United Microelectronics Corporation (30.9%). Unimicron Technology Corp. (13.4%), King Yuan Electronics Co., Ltd. (16.8%), Sigurd Microelectronics Corporation (6.7%)

Note: The major shareholders refer to the shareholders who hold more than 10% of the Company's shares or the Company's 10 largest shareholders.

Major shareholders of institutional shareholders	Major shareholders of institutional shareholders (Note)
SPIL Investment Co., Ltd.	Siliconware Precision Industries Co.,Ltd. (100%)
United Microelectronics Corporation	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs (5.70%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund (3.58%), Hsun Chieh Investment Co., Ltd. (3.50%), Silicon Integrated Systems Corp. (2.50%), Silchester International Investors International Value Equity Trust (1.70%), Prudential Assurance Company Ltd. (1.44%), Yann Yuan Investment Co., Ltd. (1.36%), Cathay Life Insurance Co., Ltd. (1.27%), Taiwan Life Insurance Co., Ltd. (1.23%), JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund (1.19%)
Unimicron Technology Corp.	United Microelectronics Corporation (13.03%), Yann Yuan Investment Co., Ltd. (4.96%), Cathay Life Insurance (4.11%), Fubon Life Insurance Co., Ltd. (1.44%), New Labor Pension Fund (1.42%), Vanguard German Emerging Markets Stock Index Fund Account (1.28%), Dimension Emerging Markets Evaluation Fund Investment Account (1.25%), Vanguard Total International Stock Index Fund (1.22%), Blouin Development National Fund Investment Account (0.99%), Kingpak Technology Inc. (0.95%)
King Yuan Electronics Co., Ltd.	Fubon Life Insurance Co., Ltd. (5.73%), New Labor Pension Fund (4.92%), Yann Yuan Investment Co., Ltd. (4.30%), China Life Insurance Co., Ltd. (3.23%), Chin-Kung Lee (2.78%), Labor Insurance Fund (2.00%), Yuanta/P-shares Taiwan Dividend Plus ETF (1.97%), United Microelectronics Corporation (1.89%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Templeton Global Smaller Companies Fund, Inc. (1.64%), Norges Bank (1.47%)
Sigurd Microelectronics Corporation	Yann Yuan Investment Co., Ltd. (5.59%), Robeco Capital Growth Funds (3.88%), Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds (1.93%), Norges Bank (1.87%), LSV Emerging Markets Equity Fund, LP (1.81%), Shin-Yang Huang (1.76%), Morgan Stanley & Co. International Plc (1.48%), Ming-Chun Chiu (1.47%), Dimensional Emerging Markets Value Fund (1.35%), iShares Core MSCI Emerging Markets ETF (1.26%)

Note: The latest information disclosed by various companies on company websites or MOPS.

Attached table 2

Qualification / Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 1)										Number of positions as an Independent Director in other public listed companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Chin-Kung Lee	-	-	✓	-	-	-	-	✓	✓	✓	✓	✓	✓	1
Chi-Chun Hsieh	-	✓	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	-
An-Hsuan Liu	-	-	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	-
Kao-Yu Liu	-	-	✓	✓	✓	-	-	✓	✓	✓	-	✓	✓	-
Kuan-Hua Chen	-	-	✓	✓	✓	-	-	✓	✓	✓	-	✓	✓	-
Yann Yuan Investment Co., Ltd	-	-	NA	NA	✓	NA	NA	-	✓	NA	NA	✓	-	-
Representative: Chao-Jung Tsai	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-	-
Hsien-Tsun Yang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Hui-Chun Hsu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Dar-Yeh Hwang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1: A "✓" is marked in the space beneath a condition number when a Director and Supervisor have met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

（1） Not an employee of the company or an affiliate.

（2） Not a Director or Supervisor of the Company or its subsidiaries or affiliates (except an Independent Director appointed by the Company or its parent company or subsidiaries pursuant to the Act or local laws.)

（3） The Director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.

（4） Not a spouse, relative within the second degree of kinship, or direct blood relative within the fifth degree of kinship of a person listed in the three foregoing paragraphs.

（5） Is not the Director, Supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company's total outstanding shares, nor is the Director, Supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.

（6） Is neither a Director, Supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the Company.

（7） Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, Director, Supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate. However, this shall not apply to the Compensation Committee members who exercise their powers in accordance with the Regulations on the Establishment of Compensation Committees in Article 7 by Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

（8） Is not the spouse or relative within the second degree of kinship of another Director.

（9） Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

(10) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.

(II) Information on Presidents, Vice Presidents, Assistant Vice Presidents, and managers of each department and division

2019.04.08

Title	Nationality	Name	Gender	Date on-board	Shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
					Shares	Shareholding ratio (%) (Note)	Shares	Shareholding ratio (%) (Note)	Shares	Shareholding ratio (%)			Title	Name	Relationship
CEO	ROC	Chin-Kung Lee	Male	2011.11.28	34,000,941	2.78	4,263,053	0.35	-	-	Bachelor President of King Yuan Electronics Co., Ltd.	Director & Chairman of KYEC Investment International Co., Ltd. Director & Chairman of KYEC Technology Management Co., Ltd. Director & Chairman of KYEC Microelectronics Co., Ltd. Sino-Tech Investment Co.,Ltd. Director & Chairman Director & Chairman of Strong Outlook Investments Limited Chairman of King Long Technology (Suzhou) Ltd. Chairman of Suzhou Zhen Kun Technology Ltd. Independent Director of Quang Viet Enterprise Co., Ltd. Director & Chairman of King Ding Precision Incorporated Company	N/A	N/A	N/A
President	ROC	An-Hsuan Liu	Male	2012.03.01	1,100,000	0.09	-	-	-	-	PhD President of Intematix Technology Center Corporation	Director & Chairman of KYEC USA Corp. KYEC SINGAPORE PTE. LTD. Director & Chairman Director / President of King Long Technology (Suzhou) Ltd. Director / President of Suzhou Zhen Kun Technology Ltd.	N/A	N/A	N/A

Executive Vice President	ROC	Gauss Chang	Male	2006.04.25	3,051,294	0.25	146,981	0.01	-	-	Master Senior Vice President of King Yuan Electronics Co., Ltd.	Director of KYEC USA Corp. KYEC SINGAPORE PTE. LTD. Director Supervisor of King Long Technology (Suzhou) Ltd. Director of Suzhou Zhen Kun Technology Ltd.	N/A	N/A	N/A
Senior Vice President	ROC	K.K Lee	Male	2008.11.03	4,469,000	0.37	108,000	0.01	-	-	Bachelor Vice President of King Yuan Electronics Co., Ltd.	Supervisor of Suzhou Zhen Kun Technology Ltd. Director of Fix-Well Technology Co. Ltd. Director of King Ding Precision Incorporated Company	N/A	N/A	N/A
Senior Vice President	ROC	Steven Chang	Male	2011.11.28	2,102,182	0.17	-	-	-	-	Master Vice President of King Yuan Electronics Co., Ltd.	Supervisor of Fix-Well Technology Co. Ltd. Director of King Ding Precision Incorporated Company	N/A	N/A	N/A
Senior Vice President (Note 1)	ROC	S.K. Chen	Male	2018.05.04	90,000	0.01	-	-	-	-	PhD Vice President/CFO/ Spokesperson of ChipMOS Technologies Inc. CFO of ChipMOS Technologies Inc.	Supervisor of King Ding Precision Incorporated Company Director of Yann Yuan Investment	N/A	N/A	N/A
Vice President	ROC	Andy Liang	Male	2015.11.01	501,936	0.04	-	-	-	-	Master Senior Director of King Yuan Electronics Co., Ltd.	-	N/A	N/A	N/A
Assistant Vice President (Note 2)	ROC	Sam Lee	Male	2016.03.02	-	-	-	-	-	-	-	-	N/A	N/A	N/A
Assistant Vice President	ROC	Logan Chao	Male	2016.03.02	139,740	0.01	72,214	0.01	-	-	Master Division Head of King Yuan Electronics Co., Ltd.	Supervisor of KYEC Japan K.K. Director of KYEC SINGAPORE PTE. LTD.	N/A	N/A	N/A

Assistant Vice President	ROC	Wendy Chen	Female	2016.12.05	-	-	-	-	-	-	Master Senior Division Head of King Yuan Electronics Co., Ltd.	-	N/A	N/A	N/A
Assistant Vice President	ROC	Hans Han	Male	2017.09.29	-	-	-	-	-	-	Master Senior Division Head of King Yuan Electronics Co., Ltd.	-	N/A	N/A	N/A
Assistant Vice President (Note 3)	ROC	Jeff Hsu	Male	2018.11.06	941-	0.00	-	-	-	-	Bachelor Senior Division Head of King Yuan Electronics Co., Ltd.	-	N/A	N/A	N/A
Assistant Vice President (Note 3)	ROC	Chung-Wen Wang	Male	2018.11.06	-	-	-	-	-	-	Master Senior Division Head of King Yuan Electronics Co., Ltd.	Director of KYEC USA Corp.	N/A	N/A	N/A

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this Annual General Meeting.
Note 1: On board since May 4, 2018.
Note 2: Resigned on August 7, 2018.
Note 3: On board since November 6, 2018.

III. Remuneration to Directors, Presidents and Vice Presidents of the Company in the most recent year

(I) Remuneration to Directors in 2018 (including Independent Directors)

Unit: NT$ thousand

Title	Name	Remuneration to Directors								The sum of A, B, C and D to Earnings after Tax (%)		Remuneration from concurrently servings as employees								The sum of A, B, C, D, E, F, and G to Earnings after Tax (%)		Remuneration from invested non-subsidiary enterprise(s)
		Remuneration (A)		Pension upon retirement (B)		Remuneration to directors (C)		Service Expenses (D)				Salaries, bonuses, special allowances etc (E)		Pension upon retirement (F)		Remuneration to employees (G) (Note)						
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
																Cash	Stock	Cash	Stock			
Director & Chairman	Chin-Kung Lee	-	-	-	-	20,611	20,611	-	-	1.1480	1.1480	13,973	15,637	108	108	9,500	0	9,500	0	2.4615	2.5541	N/A
Director & Vice-Chairman	Chi-Chun Hsieh																					
Director	An-Hsuan Liu																					
Director	Kao-Yu Liu																					
Director	Kuan-Hua Chen																					
Director	Representative of Yann Yuan Investment Co., Ltd.: Chao-Jung Tsai																					
Independent Director	Hsien-Tsun Yang																					
Independent Director	Hui-Chun Hsu																					
Independent Director	Dar-Yeh Hwang																					

*Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies included in the financial statement, e.g., as an advisor other than employee in the most recent year: N/A.

Note: Proposed allocated amount.

Breakdown of remuneration to Directors (NT$)	Directors			
	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)	
	The Company	Companies included into the financial statement (H)	The Company	Companies included into the financial statement (I)
Below $2,000,000	-	-	-	-
$2,000,000 (inclusive) ~ $5,000,000 (exclusive)	Chin-Kung Lee、Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Yann Yuan Investment, Hsien-Tsun Yang, Hui-Chun Hsu, Dar-Yeh Hwang	Chin-Kung Lee、Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Yann Yuan Investment, Hsien-Tsun Yang, Hui-Chun Hsu, Dar-Yeh Hwang	Chi-Chun Hsieh, Kao-Yu Liu, Kuan-Hua Chen, Yann Yuan Investment, Hsien-Tsun Yang, Hui-Chun Hsu, Dar-Yeh Hwang	Chi-Chun Hsieh, Kao-Yu Liu, Kuan-Hua Chen, Yann Yuan Investment, Hsien-Tsun Yang, Hui-Chun Hsu, Dar-Yeh Hwang
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)	-	-	-	-
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)	-	-	Chin-Kung Lee, An-Hsuan Liu	An-Hsuan Liu
$15,000,000 (inclusive) ~ $30,000,000 (exclusive)	-	-	-	Chin-Kung Lee
$30,000,000 (inclusive) ~ $50,000,000 (exclusive)	-	-	-	-
$50,000,000 (inclusive) ~ $100,000,000 (exclusive)	-	-	-	-
Over $100,000,000	-	-	-	-
Total	9	9	9	9

(II) Remuneration to President, and Vice Presidents

Unit: NT$ thousand

Title	Name	Salary (A)		Pension upon retirement (B)		Bonus and special allowances (C)		Employee remuneration (D) (Note)				The sum of A, B, C and D to Earnings after Tax (%)		Remuneration from invested non-subsidiary enterprise(s)
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
								Cash	Stock	Cash	Stock			
CEO	Chin-Kung Lee	27,242	28,905	621	621	5,774	5,774	21,931	0	21,931	0	3.0951	3.1877	N/A
President	An-Hsuan Liu													
Executive Vice President	Gauss Chang													
Senior Vice President	K.K Lee													
Senior Vice President	Steven Chang													
Senior Vice President (Note 1)	S.K. Chen													
Vice President	Andy Liang													

Note: Proposed allocated amount.
Note 1: On board since May 4, 2018.

Breakdown of remuneration to President and Vice Presidents	President and vice presidents	
	The Company	Companies included into the financial statement
Below $2,000,000	-	-
$2,000,000 (inclusive) ~ $5,000,000 (exclusive)	-	-
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)	Gauss Chang, K.K Lee, Steven Chang, Andy Liang, S.K. Chen	Gauss Chang, K.K Lee, Steven Chang, Andy Liang, S.K. Chen
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)	Chin-Kung Lee, An-Hsuan Liu	Chin-Kung Lee, An-Hsuan Liu
$15,000,000 (inclusive) ~ $30,000,000 (exclusive)	-	-
$30,000,000 (inclusive) ~ $50,000,000 (exclusive)	-	-
$50,000,000 (inclusive) ~ $100,000,000 (exclusive)	-	-
Over $100,000,000	-	-
Total	7	7

(III) Names of managers entitled to employee remuneration and amount entitled

Unit: NT$ thousand

	Title	Name	Stock	Cash (Note)	Total	The sum as percentage of earnings after tax (%)
Managers	CEO	Chin-Kung Lee	0	27,240	27,240	1.5173
	President	An-Hsuan Liu				
	Executive Vice President	Gauss Chang				
	Senior Vice President	K.K Lee				
	Senior Vice President	Steven Chang				
	Senior Vice President (Note 1)	S.K. Chen				
	Vice President	Andy Liang				
	Assistant Vice President (Note 2)	Sam Lee				
	Assistant Vice President	Logan Chao				
	Assistant Vice President	Wendy Chen				
	Assistant Vice President	Hans Han				
	Assistant Vice President (Note 3)	Jeff Hsu				
	Assistant Vice President (Note 3)	Chung-Wen Wang				

Note: Proposed allocated amount.
Note 1: On board since May 4, 2018.
Note 2: Resigned on August 7, 2018.
Note 3: On board since November 6, 2018.

(IV) Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's Directors, President, and Vice Presidents, and their respective proportions to separate and consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks.

1. Analysis on the respective proportions of the amount of remuneration paid in the last 2 years by the Company to the Company's Directors, President, and Vice President to the net income:

Unit: NT$ thousand

Year	2018				2017			
	Individual financial statement		Consolidated financial statements		Individual financial statement		Consolidated financial statements	
Title	Total remuneration paid	The sum as percentage of earnings after tax (%)	Total remuneration paid	The sum as percentage of earnings after tax (%)	Total remuneration paid	The sum as percentage of earnings after tax (%)	Total remuneration paid	The sum as percentage of earnings after tax (%)
Director	44,192	2.4615	45,856	2.5541	54,751	2.4512	56,239	2.5178
President, Vice President,	55,568	3.0951	57,231	3.1877	74,476	3.3343	75,964	3.4009

Note: The remuneration to employees means the amount proposed to be allocated.

2. Remuneration policies, standards and packages, procedures for determining remuneration and its linkage to operating performance and future risk exposure:

According to the Company’s Articles of Incorporation, the remunerations to all Directors shall commensurate with their level of participation and value of contribution to the operation of the Company with reference to industry standard, and shall be determined by the Board of Directors under authorization. From the profit earned by the Company as shown through the final account, if any, the sum to pay tax and make good previous loss, if any, shall be first set aside, and then 10% for legal reserve and then the sum for special reserve for provision or reversal to meet the Company's operating need and as required by laws. The final balance, if any, added with unappropriated retained earnings accumulated in previous year(s), shall be duly distributed at the percentages as proposed by the Board of Directors and resolved in the shareholders' meeting.

Meanwhile, the remuneration to the Company's managerial personnel shall be handled in accordance with Article 29 of the Company Act and the Company's Articles of Association for Compensation Committee, as required by the Company's Articles of Incorporation.

IV. Status of corporate governance

(I) Operation of the Board of Directors

Information about operation of the Board of Directors

The Board held 6 meetings (A) in 2018. The Directors' attendance record is specified as below:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Director & Chairman	Chin-Kung Lee	6	0	100.00	
Director & Vice-Chairman	Chi-Chun Hsieh	6	0	100.00	
Director	An-Hsuan Liu	6	0	100.00	
Director	Kao-Yu Liu	6	0	100.00	
Director	Kuan-Hua Chen	5	1	83.33	
Director	Yann Yuan Investment Co., Ltd Representative: Chao-Jung Tsai	6	0	100.00	
Independent Director	Hsien-Tsun Yang	6	0	100.00	
Independent Director	Hui-Chun Hsu	6	0	100.00	
Independent Director	Dar-Yeh Hwang	6	0	100.00	

Other items to be stated:

I. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, Independent Directors' opinions and how the Company has responded to such opinions: No Independent Director expressed an objection or reservation.

(I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act;

(II) Any other resolution(s) passed but with Independent Directors voicing opposing or qualified opinions on the record or in writing.

II. In instances where a Director recused himself/herself due to a conflict of interest, the minutes shall clearly state the Director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts:

(I) The Board of Directors meeting on March 16, 2018 discussed the motion proposed by the Company's Compensation Committee for adjustment of the salary and commission of the Company's managerial personnel in 2018. Director & Chairman Chin-Kung Lee and Director An-Hsuan Liu recused themselves from the discussion and voting for the motion, as they held the position as managerial personnel concurrently. The motion was passed by the other present Directors unanimously.

(II) With regards to the removal of competing business involvement for the Company's managers during the Board of Directors meeting dated March 16, 2018, Chairman Chin-Kung Lee had recused from the discussion and voting due to his concurrent role as the Company's manager. The motion was passed unanimously by the remaining Directors.

(III) The Board of Directors meeting on May 4, 2018 discussed the motion proposed by the Company's Compensation Committee for the remuneration in cash to be allocated to the employees in 2017. Director & Chairman Chin-Kung Lee and Director An-Hsuan Liu recused themselves from the discussion and voting for the motion, as they held the position as managerial personnel concurrently. The motion was passed by the other present Directors unanimously.

III. Measures undertaken during the current year and past year in order to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation: The Company established the Audit Committee on June 24, 2014 to help the Board of Directors perform the Supervisory function. The Committee consists of three Independent Directors. The chairperson of the Committee shall also report its activities and resolutions to the Board of Directors periodically.

(II) Involvement of Audit Committee members or Supervisors in Board of Directors meetings

1. Operation of the Audit Committee

The Audit Committee held 8 meetings (A) during 2018; the attendance of Independent Directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Percentage of actual attendance (%)(B/A)	Remarks
Independent Director	Hsien-Tsun Yang	8	0	100.00	Convener and Chairperson
Independent Director	Hui-Chun Hsu	8	0	100.00	-
Independent Director	Dar-Yeh Hwang	8	0	100.00	-

Other items to be stated:

I. Where the operation of the audit committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, audit committee's resolution and the Company's resolution of audit committee's opinions: N/A.

(I) Conditions described in Article 14-5 of the Securities and Exchange Act.

Board of Directors meeting date/session	Motion	Audit Committee resolution	Company's response to Audit Committee's opinions
7th meeting of the 13th Board dated March 16, 2018	1. 2017 consolidated financial statements (including standalone financial statements) 2. 2017 Declaration of Internal Control System 3. Participation in the cash issue of Dawning Leading Technology Inc. 4. Independence and suitability assessment for the financial statement auditor	Passed unanimously by all members of the Audit Committee	Passed unanimously by all attending Directors
8th meeting of the 13th Board dated May 4, 2018	1. To appoint Mr. S.K. Chen as Senior Vice President and CFO, and concurrently assume roles as the Company's Head of Finance and Spokesperson	Passed unanimously by all members of the Audit Committee	Passed unanimously by all attending Directors
9th meeting of the 13th Board dated July 2, 2018	1. Approved the motion to make endorsement/guarantee for the subsidiary, King Long Technology (Suzhou) Ltd. 2. Approved the motion to make endorsement/guarantee for the subsidiary, Zhen Kun Technology Ltd.	Passed unanimously by all members of the Audit Committee	Passed unanimously by all attending Directors
10th meeting of the 13th Board dated August 7, 2018	1. 2018 first-half consolidated financial statements 2. Merger with Dawning Leading Technology Inc.	Passed unanimously by all members of the Audit Committee	Passed unanimously by all attending Directors
11th meeting of the 13th Board dated November 6, 2018	1. 2019 audit plan 2. Approval of 2018 audit remuneration	Passed unanimously by all members of the Audit Committee	Passed unanimously by all attending Directors

(II) Aside from said circumstances, resolution(s) not passed by the Audit Committee but receiving the consent of two thirds of the Board of Directors.

II. In instances where an Independent Director recused himself/herself due to a conflict of interest, the minutes shall clearly state the Director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts: N/A.

III. Communication between Independent Directors and internal auditing officers as well as CPAs (such as items discussed, means of communication and results on the Company's finance and business, etc.):

(I) The Company's internal auditing officers communicate with Independent Directors on the audit report results periodically, and report the internal audit at the Audit Committee meeting per quarter. The internal auditing officers will report any special condition to the Audit Committee immediately. No special condition took place in 2018. The communication between the Company's Audit Committee and internal auditing officers is fair.

(II) The CPAs reports their audit on the Company's financial position to the Audit Committee from time to time, and would report any special condition to the Audit Committee immediately. No such special condition took place in 2018. The communication between the Company's Audit Committee and CPAs is fair.

2. Supervisors' participation in the function of Board of Directors: N/A.

(III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies:

Scope of Assessment	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles" for TWSE/TPEx Listed Companies?"	ˇ		The Company has established its "Corporate Governance Best-Practice Principles" to fulfill its responsibility as a business owner and to protect its shareholders' legal interest and right and attend to any other stakeholders' interest.	Consistent with Corporate Governance Best-Practice Principles.
II. Equity structure and shareholders' equity (I) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	ˇ		The Company's spokesman would process said problems. Meanwhile, the Company entrusts the professional stock service agent to process the stock service affairs.	Consistent with Corporate Governance Best-Practice Principles.
(II) Is the company constantly informed of the identities of its major shareholders and the ultimate controller?	ˇ		The Company controls the same based on the roster of shareholders provided by the stock service agent.	As above.
(III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	ˇ		The Company and its affiliates have established their internal control systems and have the parent company supervise the systems. Meanwhile, each affiliate has also set up its own firewall.	As above.
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	ˇ		In order to guide Directors and managerial personnel to act in line with the ethical standards and enable the Company's stakeholders to better understand the Company's ethical standards, the Company established the "Codes of Ethical Conduct", as updated and promoted from time to time.	As above.
III. The organization of Board of Directors and its duties (I) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	ˇ		The composition of the Company's Board of Directors members focuses on diversified elements, and the members hold the profession, skills and literacy required to perform their functions.	Consistent with Corporate Governance Best-Practice Principles.
(II) Whether the company, in addition to establishing the Compensation Committee and audit committee, pursuant to laws, is willing to establish any other functional committees voluntarily?		ˇ	The Company will do so, if necessary.	-
(III) Has the Company established a set of policies and assessment tools to evaluate the board's performance? Is performance evaluated regularly at least on an annual basis?		ˇ	The Company will do so, if necessary.	-
(IV) Are external auditors' independence assessed on a regular basis?	ˇ		EY Taiwan, responsible for certifying the Company's financial statements is a domestic large-scale CPA firm, which is used to auditing the Company's financial position in accordance with laws and regulations independently. The motion for appointment of the external auditors has been resolved and passed by the Company's Audit Committee. The Committee also evaluated the external auditors' independence.	Consistent with Corporate Governance Best-Practice Principles.

IV. Where the Company is a TWSE/TPEX listed company, has it designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to, providing Directors/Supervisors with the information needed to perform their duties, and organization of board meetings and shareholders' meetings, completion of company registration and change registration, and preparation of board meeting and shareholders' meeting minutes, etc)?	ˇ		The Company designates the personnel dedicated to take charge of the corporate governance affairs, including but not limited to, providing Directors/Supervisors with the information needed to perform their duties, organization of board meetings and shareholders' meetings, completion of company registration and change registration, and preparation of board meeting and shareholders' meeting minutes.	Consistent with Corporate Governance Best-Practice Principles.
V. Does the Company have established a communication channel for the stakeholders (including but not limited to stockholders, employees, customers and suppliers), set the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	ˇ		For the "CSR Report" prepared by the Company and stakeholders-related issues, please visit the Company's website at: http://www.kyec.com.tw/, "CSR", and click the Directory under "Report" to access related contents.	Consistent with Corporate Governance Best-Practice Principles.
VI. Does the Company have commissioned a professional stock service agent to handle shareholders affairs?	ˇ		The professional stock service agent, "Horizen Securities", is appointed by the Company to process the stock service affairs on behalf of the Company.	Consistent with Corporate Governance Best-Practice Principles.
VII. Information disclosure (I) Has the company established a website that discloses financial, business, and corporate governance-related information?	ˇ		The related information is disclosed on the Company's website at http://www.kyec.com.tw/.	Consistent with Corporate Governance Best-Practice Principles.
(II) Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	ˇ		The Company discloses related information on MOPS in accordance with the Regulations Governing Disposition of Public Information, and provides related information on the Company's website. The Company has set up the website in English version. Also, it appoints the spokesman, and dedicated personnel responsible for collecting and disclosing the Company's information.	As above.
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of Directors, implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's Directors and Supervisors)? Since the Company was incorporated, the Company has upheld the management philosophy dedicated to creating mutual benefits and pursuing maximum interest for its shareholders, employees and customers, et al. For the employees' interest, the Company is dedicated to building a health and safe working environment and an unhindered communication channel for its employees. The Company established the Employees' Welfare Committee on September 2, 1993 to engage in planning various employees' welfare policies. Meanwhile, it also provides the pension reserves and concludes labor-management agreements in accordance with the Labor Standard Act. The Company treats its employees in good faith and respectfully, and stabilize the employees' life and improve the continuing education and training channels by broadening its welfare system, and establishes the fair relationship of mutual trust and cooperation with employees. For continuing education of the Directors, the Company also follows the "Model Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" promulgated by TWSE. The Company has purchased the liability insurance for its Directors. For the "CSR Report" prepared by the Company and stakeholders-related issues, please visit the Company's website at: http://www.kyec.com.tw/.				
IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies: The Company already reviewed the corporate governance assessment report of 5th term. In the future, it will aim to strengthen the disclosure of information on the Company's website as the first priority, and will continue to strengthen the reporting on related information in English version and upgrade the transparency of information for domestic/foreign investors' reference. Meanwhile, the Company will also continue to upgrade the assessment indicators about the non-discrimination toward shareholders, strengthen the structure and operation of the Board of Directors and amendments thereto.				
Note: Regardless of "Yes" or "No", the status shall be stated in the "Summary" section.				

(IV) Disclose the composition, responsibilities, and functioning of Compensation Committee, if available.

Members of the Committee are appointed under the resolution of the Board of Directors. The Committee comprises 4 Directors, one of whom is appointed as the convener. Responsibilities of the Committee are to set and regularly review performance evaluation and compensation policies, systems, standards, and structures applicable to Directors and managers, and regularly assess and determine Directors' and managers' compensation.

Information about Compensation Committee members

Position (Note 1)	Qualification / Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 2)								Number of positions as a Compensation Committee member in other public listed companies	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Work experience in business, law, finance, accounting, or other areas required for the operation of the Company	1	2	3	4	5	6	7	8		
Independent Director	Hsien-Tsun Yang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Hui-Chun Hsu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Dar-Yeh Hwang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Others	Chung-Chi Huang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: Please specify Director, Independent Director or others.

Note 2: Please tick the "✓" if members meet any of the following conditions during the two years before being elected or during the term of office.

(1) Not an employee of the company or an affiliate.

(2) Not a Director or Supervisor of the Company or an affiliate. Except an Independent Director of the Company's parent company or subsidiaries, or appointed according to the local laws and regulations.

(3) The Director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.

(4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the three foregoing paragraphs.

(5) Is not the Director, Supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company's total outstanding shares, nor is the Director, Supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.

(6) Is neither a Director, Supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the Company.

(7) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, Director, Supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.

(8) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

Information concerning the Compensation Committee

1. The Company's Compensation Committee of 3rd term consists of four (4) members.

2. Duration of service: June 19, 2017 to June 07, 2020.

The Compensation Committee held 3 meetings (A) in 2018; details of members' eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Convener	Hsien-Tsun Yang	3	100.00	Convener and Chairperson
Member	Hui-Chun Hsu	3	100.00	-
Member	Dar-Yeh Hwang	3	100.00	-
Member	Chung-Chi Huang	3	100.00	-
Other items to be stated: I. Where the Board may not accept or revise the recommendations of the Compensation Committee, specify the date and the instance of the Board session, and the content of the motions, the resolution of the Board, and the response to the opinions of the Compensation Committee: N/A. II. For resolution(s) made by the Compensation Committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: N/A.				

(V) Fulfillment of corporate social responsibility

Scope of Assessment	Status (Note 1)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
I. Sound corporate governance (I) Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?	ˇ		The "Corporate Social Responsibility Best-Practice Principles" were enacted on April 28, 2015.	Consistent with Corporate Governance Best-Practice Principles.
(II) Does the company organize social responsibility training on a regular basis?	ˇ		The Company organizes the RBA social responsibility general education training program periodically per year.	As above.
(III) Whether the Company establishes a unit dedicated to (concurrently engaged in) promoting corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?	ˇ		Already designated the dedicated (part-time) body for promotion of the corporate social responsibility - Administrative Center.	As above.
(IV) Whether the Company has defined some reasonable compensation policy, integrated corporate social responsibility with employees' performance evaluation, and established some clear and effective reward/disciplinary system?	ˇ		1. Conducted the employees' performance evaluation each year as the basis for remuneration to employees and promotion and career development planning for the employees. 2. Combine the reward & punishment to employees, performance and raise, based on the level of remuneration applicable in the same trade.	As above.
II. Fostering a Sustainable Environment (I) Whether the Company endeavours to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	ˇ		The Company is dedicated to solving problems at the source and progressively improving the utilization rate of various resources to reduce raw material input and waste output and minimize its impact on the environment.	Consistent with Corporate Governance Best-Practice Principles.
(II) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	ˇ		In order to promote the SHE, the Company complies with the domestic SHE laws and regulations, and also implements the SHE management system in line with the international standards. The Company also passed the ISO14001 for environmental management (converted into ISO14001:2015 in 2017) and OHSAS18001 for occupational safety and health management at the same time in 2002 and, therefore, became the first company which passed the back-end certification by both systems in Taiwan at the same time. Passed ISO14064 for international GHG management system certification in 2007. Passed TOSHMS certification in 2008. Chu-Nan Factory passed ISO50001 energy management system certification in 2016, and Tongluo Factory was included into the scope of certification in 2017.	As above.
(III) Whether the Company is aware of how climate change impacts business operations, or has conducted investigation into greenhouse gases, or defines some energy saving and carbon/greenhouse gas reduction strategies?	ˇ		The Company passed the ISO14064 international GHG management system certification in 2007. Meanwhile, the Company appoints SGS to continue the GHG inventory-taking and certification, and the energy-saving and carbon-reduction activities each year.	As above.

III. Preserving Public Welfare (I) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	ˇ		The Company complies with the related labor laws and regulations and respects the basic labors' human rights principles recognized internationally. The appointment/dismissal of employees and remuneration to the employees are handled in accordance with the Company's related systems and management regulations to protect the employees' basic interests and rights.	Consistent with Corporate Governance Best-Practice Principles.
(II) Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?	ˇ		The Company has set up the employee's message board and opinion mailbox dedicated to accepting the complaints from employees, which will be processed by dedicated personnel in accordance with the relevant procedures.	As above.
(III) Whether the Company provides the existence of a safe and healthy work environment; regular safety and health training to employees?	ˇ		The Company organizes the employees' health check-up and various health promotion activities each year, and also provides the employees whose health condition is found to be abnormal with the care and health education information case by case.	As above.
(IV) Whether the Company establishes the mechanism for periodic communication with employees, and notification to employees of the circumstances which might materially affect the operation in a reasonable manner?	ˇ	ˇ	The Company will organize various conferences for employees periodically. The conferences are chaired by the senior management as the platform via which the labors and management may communicate with each other face to face.	As above.
(V) Has the company implemented an effective training program that helps employees develop skills over their career?	ˇ		The Company has established the regulations governing educational training systems applicable to the various levels. The Company will also fulfill and organize annual training plans each year.	As above.
(VI) Whether the Company has established the related consumer protection policies and complaints procedures toward the R&D, procurement, production, operation and service procedures?		ˇ	Not applicable and, therefore, no related consumer protection policy or complaints procedure needs to be established.	-
(VII) Has the company complied with laws and international standards with regards to the marketing and labeling of products and services?		ˇ	The Company is primarily engaged in the test of semi-conductor, but not a brand manufacturer. Therefore, no marketing or labeling of products or services is needed.	-
(VIII) Does the Company evaluate suppliers' environmental and social conducts before commencing business relationships?	ˇ		For the "CSR Report" prepared by the Company and supplier-related issues, please visit the Company's website at http://www.kyec.com.tw/, "CSR", and click the Directory under "Report" to access related contents.	Consistent with Corporate Governance Best-Practice Principles.
(IX) Whether the contract between the Company and its main supplier includes the provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract?	ˇ		For the "CSR Report" prepared by the Company and supplier-related issues, please visit the Company's website at http://www.kyec.com.tw/, "CSR", and click the Directory under "Report" to access related contents.	Consistent with Corporate Governance Best-Practice Principles.
IV. Enhancing Information Disclosure Whether the Company discloses relevant and reliable information relating to corporate social responsibility on its website or Market Observation Post System?	ˇ		1. The Company has set up the section exclusive for "KYEC Policy" on its website to disclose the Company's CSR policy. In the future, the Company will continue to disclose the CSR information in the exclusive section. Meanwhile, the Company also set up the section exclusive for "RBA" in its intranet to promote the issues about education to its employees. 2. For the "CSR Report" prepared by the Company and stakeholder-related issues, please visit the Company's website at http://www.kyec.com.tw/, "CSR", and click the Directory under "Report" to access related contents.	Consistent with Corporate Governance Best-Practice Principles.

V. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company complies with the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”.
VI. Other important information to facilitate better understanding of the Company‘s corporate social responsibility practices: (I) The Company values the energy management, environmental protection and occupational safety & health areas very much. Hsinchu Factory and Chu-Nan Factory have won the “Five-Star Award” for labor safety and health from Council of Labor Affairs, Executive Yuan successively in 2010 and 2013. In order to fulfill the Company's corporate social responsibility, the Company participates in the adoption of peripheral roads by Chu-Nan Factory each year. The Company is used to promoting the effective resource utilization voluntarily. In 2015, the Company was honored as the excellent entity for the “Low Carbon Action Award” by Environmental Protection Administration, Executive Yuan. In 2018, the Company's factory premises received the “Badge of Accredited Healthy Workplace” from Health Promotion Administration. In 2018, Chu-Nan Factory was honored as the excellent entity for “2017 Green Procurement” awarded by the Environmental Protection Bureau of the Miaoli County Government. Tongluo Factory for Stage 1 received the “Green Building-Bronze Medal” awarded by Ministry of Interior in 2016, and received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park in 2017 and 2018. (II) The Company is engaged in the technical service industry for the IC industry and, therefore, there is no such problem about discharge of pollutants in the process of production. Meanwhile, the management value the various pollution prevention works very much. The various inspections all comply with the governmental laws and regulations. Already passed the ISO14001 for environmental management (converted into ISO14001:2015 in 2017) and OHSAS18001 for occupational safety and health management at the same time in 2008 and, therefore, became the first company which passed the back-end certification by both systems in Taiwan at the same time. Passed TOSHMS certification in 2008. Chu-Nan Factory passed ISO50001 energy management system certification in 2016, and Tongluo Factory was included into the scope of certification in 2017. (III) The Company responds to the multiple employment plans prepared by the government. It received the “Employment Creation Contribution Award” for the agricultural and industrial group awarded by Ministry of Economic Affairs and Council of Labor Affairs, Executive Yuan on November 30, 2010. Meanwhile, the Company establishes the Employees’ Welfare Committee, implements the pension system, organizes various employees’ training programs and group insurance, arranges periodic health check-ups and values the harmonious labor-management relationship. The Company also works with local schools actively. For the time being, it is working with the schools including National Kaohsiung University of Science and Technology, National Yunlin University of Science and Technology, National Changhua University of Education, National United University, National Quemoy University, Chaoyang University of Technology, National Formosa University and Yu Da University of Science and Technology, et al. The Company not only fulfills its social responsibility but also trains professional human resources. It has been 12 years since the Company adopted the industry-academia cooperation, and a total of 1,592 persons were involved in the industry-academia cooperation already. (IV) For social participation, the Company established the kind heart club. The Company takes care of the disadvantaged groups, care the independent-living elderly, participates in community activities and actively sponsors various activities organized by city/county governments as its mission and philosophy. It will also set up the public welfare booth in large-scale activities of the Company each year and work with various public welfare groups in some bazaar. It makes no effort to boost the fund-raising activities organized by the public welfare groups. At the same time, it hopes to fulfill its corporate social responsibility therefor. (V) For the “CSR Report” prepared by the Company, please visit the Company’s website at http://www.kyec.com.tw/, “CSR”, and click the directory under “Report” to access related contents.
VII. If the Company‘s Corporate Social Responsibility Reports have met the assurance standards of relevant certification institutions, they shall be stated below: N/A.
Note 1: Regardless of “Yes” or “No”, the status shall be stated in the “Summary” section. Note 2: If the company has prepared a CSR report, the summary description may be completed by providing page references to the CSR report instead.

(VI) Integrity policies and practices:

The Company strictly fulfills the corporate governance requirements, upgrades the competency of the Board of Directors, exerts the functions of Compensation Committee and establishes various internal regulations to ensure the Company’s ethical corporate management and compliance with laws. Meanwhile, the Company also discloses the Company's information on MOPS and the Company’s website to fulfill its commitment for corporate social responsibility and sustainable operation and its responsibility to the society:

Scope of Assessment	Status (Note)			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
I. Enactment of ethical management policy and program				
(I) Whether the Company expressly states the ethical policy and its fulfillment by the Board of Directors and the management in its Articles of Incorporation and public documents?	ˇ		In order to help the Company establishes the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own "Ethical Corporate Management Best-Practice Principles".	Consistent with Corporate Governance Best-Practice Principles.
(II) Whether the Company defines the policy against unethical conduct, and expressly states the SOP, guidelines and reward and disciplinary & complaining systems for misconduct, and also implements the policy precisely?	ˇ		In order to help the Company establishes the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own "Ethical Corporate Management Best-Practice Principles".	As above.
(III) Whether the Company takes any preventative measures against the operating activities involving highly unethical conduct under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"or within other operating areas?	ˇ		In order to help the Company establishes the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own "Ethical Corporate Management Best-Practice Principles".	As above.
II. Implementation of ethical management				
(I) Whether the Company assesses a trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?	ˇ		The Company shall take into consideration the legitimacy of its agents, suppliers, customers or other business trading counterparts and whether they are involved in any unethical activities before engaging in transactions, in order to avoid engaging in transactions with unethical ones. The agreements/contracts concluded by the Company with its agents, suppliers, customers or other business trading counterparts shall include the ethical corporate management policy and the clauses providing that the agreements/contracts shall be rescinded or terminated where the trading counterparts are involved in any unethical activities.	Consistent with Corporate Governance Best-Practice Principles.
(II) Whether the Company has established a dedicated unit (concurrently engaged in) to promote corporate ethical management, and reports the execution thereof to the Board of Directors?	ˇ		The Company has appointed a dedicated unit subordinated to the Board of Directors responsible for establishing and supervising the execution of ethical corporate management policies and preventive measures, taking charge of various matters and reporting to the Board of Directors periodically.	As above.

(III) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	ˇ		In order to help the Company establishes the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own “Ethical Corporate Management Best-Practice Principles”.	Consistent with Corporate Governance Best-Practice Principles.
(IV) Whether the Company has fulfilled the ethical management by establishing an effective accounting system and internal control system,and had an internal audit unit conduct periodic audits, or appointed an external auditor to conduct audits?	ˇ		In order to help the Company establishes the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own “Ethical Corporate Management Best-Practice Principles”.	As above.
(V) Does the company organize internal or external training on a regular basis to maintain business integrity?	ˇ		The Company will promote the ethical management via the employees’ education training program or at meetings from time to time.	As above.
III. Status of the Company’s complaint system (I) Whether the Company has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?	ˇ		The Company has set up the employee's message board, opinion mailbox and hotline dedicated to accepting the complaints from employees.	Consistent with Corporate Governance Best-Practice Principles.
(II) Has the company implemented any standard procedures or confidentiality measures for handling reported misconducts?	ˇ		The cases are accepted by Human Resource Division and invested privately.	As above.
(III) Has the Company provided proper whistleblower protection?	ˇ		The Company has established certain procedure to protect confidentiality and anonymity of the complainant’s identity and, therefore, there is no need for the complainant to fear revenge.	As above.
IV. Enhancing Information Disclosure Whether the Company has disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?	ˇ		The Company has set up the website to disclose and update related business information periodically. The Company has set up the website in English version. Also, it appoints the spokesman, and dedicated personnel responsible for collecting and disclosing the Company’s information.	Consistent with Corporate Governance Best-Practice Principles.
V. Has the Company established its own ethical business best practice principles based on “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies”? If any, please describe any discrepancy between the principles and their implementation: The Company complies with the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Companies”.				
VI. Other important information help the better understanding of the Company’s ethical corporate management (e.g. review and amendments on the ethical corporate management best-practice principles established by itself): The Company has established its own “Ethical Corporate Management Best-Practice Principles”.				
Note: Regardless of “Yes” or “No”, the status shall be stated in the “Summary” section.				

(VII) If the company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

The Company has established its own “Corporate Governance Best-Practice Principles”, “Ethical Corporate Management Best-Practice Principles”, “Codes of Ethical Conduct” and “Corporate Social Responsibility Best-Practice Principles”. Please see:

Market Observation Post System Website: http://mops.twse.com.tw/ and KYEC Website: http://www.kyec.com.tw/csr/csrreport.aspx

(VIII) Other information enabling better understanding of the Company’s corporate governance: N/A.

(IX) Implementation of the internal control system

1. Declaration of Internal Control System: as below.
2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: N/A.

Declaration of Internal Control System

2019.03.14

The following declaration had been made based on the 2018 self-assessment of the Company's internal control system:

I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc), reliable, timely and transparent financial reporting, and regulatory compliance.

II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.

III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Regulations"). Criteria introduced by "The Regulations" consisted of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk assessment; 3. Control activities; 4. Information and communication; and 5. Monitoring activities. Each element further encompasses several sub-elements. Please refer to "the Regulations" for details.

IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.

V. Basing on the aforementioned audit findings, the company holds that has reasonably preserved the achievement of the aforementioned goals within the aforementioned period ended on 2018.12.31 of internal control (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective.

VI. This Statement of Declaration will be the major content of the annual report and prospectus of the Company and to be publicly disclosed. Any illegalities such as misrepresentations or concealments in the published contents mentioned above will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal responsibilities.

VII. This declaration was passed unanimously without objection by all 9 Directors present at the meeting of the Board of Directors dated March 14, 2019.

King Yuan Electronics Co., Ltd.

Director & Chairman: Chin-Kung Lee (Signature)

President: An-Hsuan Liu (Signature)

(X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its insider, any sanctions imposed by the Company upon its insider for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: N/A.

(XI) Resolutions reached in the shareholders' meeting and by the Board of Directors:

1. Shareholders' Meeting

The Company's 2018 Annual General Meeting was organized at Zhongshan Hall of Toufen City Office, Miaoli County on June 8, 2018. The motions resolved by the shareholders attending the meeting are summarized as following:

Date	Session	Important resolution
2018.06.08	Annual General Meeting	※ The motion for business report and financial statements 2017 was ratified. ※ The motion for allocation of earnings 2017 was ratified. Execution: Approved the motion for setting the base date for allocation of cash dividend on July 24, 2018, and the cash dividend was allocated on August 17, 2018. (The cash dividend was allocated as NT$1.398319 per share.) ※ Approved the motion for allocation of cash dividend from capital surplus. Execution: Approved the motion for setting the base date for allocation of cash dividend on July 24, 2018, and the cash dividend was allocated on August 17, 2018. (The cash dividend was allocated as NT$0.399519 per share.)

2. Board of Directors meeting

The Company has held 9 Board of Directors meetings in 2018 and up to the date of publication of this annual report. The important motions passed upon resolution are summarized as following:

Date	Session	Important resolution
2018.03.16	Board of Directors' meeting	※ Approved the Company's 2017 business report. ※ Approved the motion for the Company's 2018 budget. ※ Approved the motion for allocation of remuneration to employees in 2017 and the motion proposed by Compensation Committee for the remuneration to Directors in 2017. ※ Approved the motion for setting the base date for 1st offering of new shares upon capital increase by 4th overseas unsecured convertible bonds in 2018 as March 16, 2018. ※ Approved the separate financial statement and consolidated financial statements 2017. ※ Approved the motion for allocation of earnings in 2017. ※ Approved the motion for allocation of cash dividend from capital surplus. ※ Approved the motion for assessment on independence and competency of CPAs. ※ Approved the motion for organization of the Company's 2018 Annual General Meeting at Zhongshan Hall of Toufen City Office, Miaoli County on June 8, 2018 (Friday). ※ Approved the motion for termination of the non-competition restriction on managerial officers.
2018.05.04	Board of Directors' meeting	※ Approved the motion for personnel arrangement. ※ Approved the motion for setting the base date for 2nd offering of new shares upon capital increase by 4th overseas unsecured convertible bonds in 2018 as May 4, 2018.

2018.07.02	Board of Directors' meeting	※ Approved the motions for setting the base date for allocation of dividends, and for adjusting the rate of allocation of dividends from earnings and capital surplus in 2017. ※ Approved the motion for making endorsement/guarantee for the subsidiary, King Long Technology (Suzhou) Ltd. ※ Approved the motion for making endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd.
2018.08.07	Board of Directors' meeting	※ Approved the motion for increasing the capital expenditure in 2018. ※ Approved the motion for consolidation of Dawning Leading Technology Inc. ※ Approved the motion for the application for syndicated loan from the financial institution.
2018.11.06	Board of Directors' meeting	※ Approved the audit plan 2019. ※ Approved the motion for the external auditor's professional fees in 2018.
2018.11.28	Board of Directors' meeting	※ Approved the partial amendments to the Company's "Audit Committee Articles of Association".
2019.01.11	Board of Directors' meeting	※ Passed amendments to "Procedures for the Acquisition or Disposal of Assets." ※ Approved the motion of capital expenditure in 2019. ※ Passed acquisition of real estate property. ※ Passed adjustments to the structure of Chinese investments.
2019.03.14	Board of Directors' meeting	※ Approved the motion for making endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd. ※ Approved the motion for the Company's 2019 budget. ※ Approved the motion for assessment on independence and competency of CPAs. ※ Approved the separate financial statement and consolidated financial statements 2018. ※ Approved the Company's 2018 business report. ※ Approved the motion for allocation of earnings in 2018. ※ Passed the change of accounting estimates from the 2019 fiscal year. ※ Approved the motion for allocation of remuneration to employees in 2018 and the motion proposed by Compensation Committee for the remuneration to Directors in 2018. ※ Approved the motion for organization of the Company's 2019 Annual General Meeting at Zhongshan Hall of Toufen City Office, Miaoli County on June 6, 2019 (Thursday).

(XII) Where a Director or Supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: N/A.

(XIII) A summary of resignations and dismissals of the Company's related staff (including Director & Chairman, President, executive financial officer, chief accountant, chief internal auditor, and chief research and development officer):

Title	Name	Date of Appointment	Date of Discharge	Cause for discharge
Financial officer	Sam Lee	2016.3.3	2018.5.4	Appointed S.K. Chen as the Senior Vice President & Chief Financial Officer to hold the position of financial officer.

V. Information of CPA regarding fee

Name of accounting firm	Name of CPA		Audit period	Remarks
Ernst & Young	Shao-Pin Kuo	Wen-Fun Fuh	2018.1.1~2018.12.31	N/A

Unit: NT$ thousand

Fee items / Amount range		Audit Fee	Non-Audit Fees	Total
1	Less than NT$2,000			
2	NT$2,000 (inclusive) –NT$4,000			
3	NT$4,000 (inclusive) –NT$6,000	5,050	350	5,400
4	NT$6,000 (inclusive) –NT$8,000			
5	NT$8,000 (inclusive) –NT$10,000			
6	Over NT$10,000 (inclusive)			

(I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:

Non-audit fees: mainly comprise NT$300 thousand for the negotiation procedure and NT$50 thousand for commercial registration.

(II) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons of the change: N/A.

(III) Any reduction in audit remuneration by more than 15% compared to the previous year; state the amount, the percentage and reason of such variation: N/A.

VI. Change of auditor

(I) About former CPA:

Date of replacement	2017.12.29		
Replacement reason and explanation	The change of external auditor for the financial statements as of Q1 of 2018 was primarily a result of internal rotation within the CPA firm.		
Explain the replacement as the result of a termination by the principal or CPA, or a declination	Counterparty / Status	CPA	Appointer
	Voluntary termination of the appointment	N/A	N/A
	Appointment is no longer accepted (continued)	N/A	N/A
If issued any audit report with other than an unqualified opinion during the preceding two years, the opinion and the reason	N/A		
Any disagreement with the issuer	N/A		
Other disclosures (Matters that shall be disclosed pursuant to Items 1-4~1-7, Subparagraph 6, Article 10 of these Standards)	N/A		

(II) About the successor CPA

Name of accounting firm	Ernst & Young
Name of CPA	Shao-Pin Kuo, Wen-Fun Fuh
Date of reappointment	2017.12.29
Inquiries and replies relating to the accounting practices or accounting principles of certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment.	N/A
Written opinion of the successor certified public accountant in connection with any discrepancy of opinion between him/her and the former CPA	N/A

(III) Responsive letter from the former CPA on matters provided in Item 1 and Item 2-3, Subparagraph 6, Article 10 of these Standards: N/A.

VII. Disclosure of any of the company's Director & Chairman, President, or managers responsible for financial or accounting affairs being employed by the auditor's firm or any of its affiliated company in the last year, including their names, position, and the periods during which they were employed by the auditor's firm or any of its affiliated company: N/A.

VIII. Any transfer of equity interests and pledge of or change in equity interests by a Director, managerial officer, or shareholder with a stake of more than 10 percent in the most recent year and until to the date of publication of the annual report:

Changes in equity of Directors, managers and major shareholders

Unit: share

Title	Name	2018		Ending April 08, 2019	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director & Chairman and CEO	Chin-Kung Lee	531,000	-	-	-
Director & Vice-Chairman	Chi-Chun Hsieh	250,000	-	-	-
Director and President	An-Hsuan Liu	50,000	-	-	-
Director	Kao-Yu Liu	-	-	-	-
Director	Kuan-Hua Chen	-	-	-	-
Director	Yann Yuan Investment Co., Ltd	8,949,000	-	-	-
	Representative: Chao-Jung Tsai	-	-	-	-
Independent Director	Hsien-Tsun Yang	-	-	-	-
Independent Director	Hui-Chun Hsu	-	-	-	-
Independent Director	Dar-Yeh Hwang	-	-	-	-
Executive Vice President	Gauss Chang	110,000	-	-	-
Senior Vice President	K.K Lee	900,000	-	169,000	-
Senior Vice President	Steven Chang	-	-	-	-
Senior Vice President (Note 1)	S.K. Chen	70,000			
Vice President	Andy Liang	345,000	-		-
Assistant Vice President (Note 2)	Sung-Shan Li	-	-	-	-
Assistant Vice President	Logan Chao	(45,000)	-	-	-
Assistant Vice President	Wendy Chen	-	-	-	-
Assistant Vice President	Hans Han	-	-	-	-
Assistant Vice President (Note 3)	Jeff Hsu	-	(617)	-	-
Assistant Vice President (Note 3)	Chung-Wen Wang	-	-	-	-

Note 1: Elected on June 8, 2017.
Note 2: Resigned on August 7, 2018.
Note 3: On board since November 6, 2018.

Equity transfer information: N/A.

Equity pledge information: N/A.

IX. Information on the relationship of Top 10 shareholders by proportion of shareholding, related parties, spouse, or kindred within the 2nd tier.

Information on the relationship of Top 10 shareholders by proportion of shareholding, related parties, spouse, or kindred within the 2nd tier.

2019.04.08

Name	Shareholdings by oneself		Shareholdings of spouse and underage children		Shareholding using other's name		Disclosure of the names and relationship between the top ten shareholders with the relationship as defined under Statement of Financial Accounting Standards (SFAS) No. 6:		Remarks
	Shares	Shareholding ratio (%) (Note)	Shares	Shareholding ratio (%) (Note)	Shares	Shareholding ratio (%)	Name	Relationship	
Fubon Life Insurance Co., Ltd.	70,020,000	5.73	-	-	-	-	-	-	-
Representative: Ming-Hsing Tsai	0	0.00	-	-	-	-	-	-	-
New Labor Pension Fund	60,188,000	4.92							
Yann Yuan Investment Co., Ltd	52,600,000	4.30	-	-	-	-	-	-	-
Representative: Wen-Ching Lin	0	0.00	-	-	-	-	-	-	-
China Life Insurance Co., Ltd.	39,530,000	3.23	-	-	-	-	-	-	-
Representative: Alan Wang	0	0.00	-	-	-	-	-	-	-
Chin-Kung Lee	34,000,941	2.78	4,263,053	0.35	-	-	-	-	-
Labor Insurance Fund	24,405,000	2.00							
Yuanta/P-shares Taiwan Dividend Plus ETF	24,087,051	1.97							
United Microelectronics Corporation	23,157,696	1.89	-	-	-	-	-	-	-
Representative: Stan Hung	0	0.00	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for Templeton Global Smaller Companies Fund, Inc.	20,063,000	1.64							
Norges Bank	18,025,038	1.47							

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this Annual General Meeting.

X. The shareholders of the Company, the Company's Directors, managers, and the business entity directly or indirectly controlled by the Company on the same invested company and also, the consolidated comprehensive shareholding ratio

Comprehensive shareholding ratio

Invested enterprise	Investment made by the company		Investment by Directors and managers or by directly or indirectly controlled enterprises		Total investment	
	Shares	Holding percentage (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
KYEC USA Corp. (Note 1)	160,000	100	-	-	160,000	100
KYEC SINGAPORE PTE. LTD. (Note 2)	78,000	100	-	-	78,000	100
KYEC JAPAN K.K. (Note 3)	1,899	89.83	-	-	1,899	89.83
KYEC Investment International Co.,Ltd. (Notes 4, 7, 8)	177,155,000	100	-	-	177,155,000	100
KYEC Technology Management Co.,Ltd. (Notes 4, 7)	7,500,000	100	-	-	7,500,000	100
KYEC Microelectronics Co.,Ltd. (Notes 4, 7)	125,500,000	100	-	-	125,500,000	100
Sino-tech Investment Co., Ltd. (Notes 4, 8)	40,000,000	100	-	-	40,000,000	100
Strong Outlook Investments Limited (Notes 4, 8)	35,000,000	100	-	-	35,000,000	100
King Long Technology (Suzhou) Ltd. (Note 5, 7)	-	100	-	-	-	100
Suzhou Zhen Kun Technology Ltd. (Note 6, 8)	-	100	-	-	-	100
King Ding Precision Incorporated Company (Note 9)	3,230,000	48.94	1,220,000	18.48	4,450,000	67.42
Fixwell Technology Corp. (Note 10)	2,800,000	23.33	320,000	2.67	3,120,000	26.00
Wei Jiu Industrial Co., LTD. (Note 11)	1,020,000	34.00	-	-	1,020,000	34.00

Note 1: Acts as the agent for business in the territories of the U.S.A. and related communications.

Note 2: Acts as the agent for business in the territories of South East Asia and Europe and related communications.

Note 3: Engages in electronic parts manufacturing and trading, and acts as the agent for business in the territories of Japan and related communications.

Note 4: General investment.

Note 5: Engaged in the operation of business about processing, assembly and sale of analog or hybrid automatic data processor parts, solid memory system and heating ovens, and integrated circuit package and test.

Note 6: Integrated circuits package and test, production and sale of processed electronic parts, electronic materials, analog or hybrid automatic data processor, solid memory system and heating ovens, and related after-sale services.

Note 7: (1) Since 2002, the Company has been making investments through KYEC Investment International Co., Ltd. (BVI) and KYEC Microelectronics Co., Ltd. (CAYMAN) into a Chinese business called King Long Technology (Suzhou) Ltd. As of December 31, 2018, the Company had made cumulative investments totaling US$116,155 thousand.

(2) On November 1, 2003 and in November 2009, the Company made investments through contribution of technology into KYEC Technology Management Co., Ltd. (SAMOA), which then made indirect investments through KYEC Microelectronics Co., Ltd. (CAYMAN) into a Chinese business called King Long Technology (Suzhou) Ltd., for amounts of US$5,325 thousand and US$2,175 thousand, respectively. These investments were approved by the Investment Board, Ministry of Economic Affairs, under Letter No. (92)-Jing-Shen-2-092031647 dated October 20, 2003 and (98)-Jing-Shen-2-09800350290 dated October 21, 2009, respectively.

Note 8: (1)The Company has successively invested in Suzhou Zhen Kun Technology Ltd. in the Mainland China, indirectly, via KYEC Investment International Co., Ltd. (BVI) and Sino-Tech Investment Co., Ltd.(SAMOA) since September 2009. Until December 31, 2018, the Company has accumulated the outward remittances of investment capital in the amount of US$40,000 thousand.

(2)The Company has successively invested in Suzhou Zhen Kun Technology Ltd. in the Mainland China, indirectly, via KYEC Investment International Co., Ltd. (BVI) and Strong Outlook Investments Limited(BVI) since September 2010. Until December 31, 2018, the Company has accumulated the outward remittances of investment capital in the amount of US$21,000 thousand.

Note 9: Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products.

Note 10: Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products.

Note 11: CNC & milling machine processing design and manufacturing of various precision mechanical parts.

Three. Financing Status

I. Capital and shares

(I-1) Source of capital

Unit: Share; NTD

Year/Month	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Equity Capital sources	Investment by properties other than cash	Others
1986.05	1,000	7,000	7,000,000	7,000	7,000,000	Capital stock at the time of incorporation	N/A	N/A
1990.02	1,000	9,500	9,500,000	9,500	9,500,000	Capital increase in cash by NT$2,500 thousand	N/A	N/A
1994.07	10	2,050,000	20,500,000	2,050,000	20,500,000	Capital increase in cash by NT$11,000 thousand	N/A	N/A
1995.10	10	3,000,000	30,000,000	3,000,000	30,000,000	Capital increase in cash by NT$9,500 thousand	N/A	N/A
1996.09	10	5,000,000	50,000,000	5,000,000	50,000,000	Capital increase in cash by NT$2,500 thousand	N/A	N/A
1997.05	10	9,000,000	90,000,000	9,000,000	90,000,000	Capital increase in cash by NT$2,500 thousand	N/A	N/A
19997.09	10	35,000,000	350,000,000	17,000,000	170,000,000	Capital increase in cash by NT$80,000 thousand	N/A	N/A
1998.02	20	35,000,000	350,000,000	35,000,000	350,000,000	Capital increase in cash by NT$180,000 thousand	N/A	N/A
1998.08	20	80,000,000	800,000,000	54,975,000	549,750,000	Capital increase by NT$140,000 thousand in cash; Recapitalized by NT$59,750 thousand from earnings	N/A	N/A
1998.09	10	80,000,000	800,000,000	65,000,000	650,000,000	Recapitalized by NT$100,250 thousand from capital surplus	N/A	N/A
1998.12	30	80,000,000	800,000,000	70,000,000	700,000,000	Capital increase in cash by NT$2,500 thousand	N/A	N/A
1999.07	30	150,000,000	1,500,000,000	99,375,000	993,750,000	Capital increase by NT$100,000 thousand in cash; Recapitalized by NT$123,750 thousand from earnings; Recapitalized by NT$70,000 thousand from capital surplus	N/A	N/A
1999.12	46	150,000,000	1,500,000,000	124,375,000	1,243,750,000	Capital increase in cash by NT$250,000,000	N/A	N/A
2000.07	70	560,000,000	5,600,000,000	263,225,446	2,632,254,460	Capital increase by NT$700,000 thousand in cash; Recapitalized by NT$439,754 thousand from earnings; Recapitalized by NT$248,750 thousand from capital surplus	N/A	N/A

2001.07	10	700,000,000	7,000,000,000	436,672,214	4,366,722,140	Recapitalized NT$1,023,759 thousa from earnings; Recapitalized NT$710,708 thousa from capital surplus	N/A	N/A
2002.05	10	870,000,000	8,700,000,000	436,672,214	4,366,722,140	Change of authorized capital stock	N/A	N/A
2002.07	10	870,000,000	8,700,000,000	447,879,749	4,478,797,490	Overseas convertib bond: NT$112,0 thousand	N/A	N/A
2002.10	10	870,000,000	8,700,000,000	452,591,205	4,525,912,050	Overseas convertible bond: NT$47,115 thousand	N/A	N/A
2003.01	10	870,000,000	8,700,000,000	452,876,747	4,528,767,470	Overseas convertible bond: NT$2,855 thousand	N/A	N/A
2003.04	14	870,000,000	8,700,000,000	556,871,604	5,568,716,040	NT$1,039,949 thousand for private placement	N/A	N/A
2003.11	10	870,000,000	8,700,000,000	579,303,374	5,793,033,740	Overseas convertible bond: NT$224,318 thousand	N/A	N/A
2004.01	10	870,000,000	8,700,000,000	687,905,995	6,879,059,950	Overseas convertible bond: NT$1,086,026 thousand	N/A	N/A
2004.04	10	870,000,000	8,700,000,000	699,942,564	6,999,425,640	Overseas convertible bond: NT$120,366 thousand	N/A	N/A
2004.08	10	1,090,000,000	10,900,000,000	754,955,164	7,549,551,640	Change of authorized capital stock: Recapitalized by NT$550,126 thousand from earnings	N/A	N/A
2004.10	10	1,090,000,000	10,900,000,000	767,839,164	7,678,391,640	Exercise of employee stock option in exchange of new shares: NT$128,840 thousand	N/A	N/A
2005.01	10	1,090,000,000	10,900,000,000	768,405,664	7,684,056,640	Exercise of employee stock option in exchange of new shares: NT$5,665 thousand	N/A	N/A
2005.04	10	1,090,000,000	10,900,000,000	769,176,664	7,691,766,640	Exercise of employee stock option in exchange of new shares: NT$7,710 thousand	N/A	N/A
2005.07	10	1,090,000,000	10,900,000,000	781,266,164	7,812,661,640	Exercise of employee stock option in exchange of new shares: NT$120,895 thousand	N/A	N/A
2005.08	10	1,090,000,000	10,900,000,000	907,897,897	9,078,978,970	Recapitalized by NT$1,266,317 thousand from earnings	N/A	N/A
2005.10	10	1,090,000,000	10,900,000,000	912,958,739	9,129,587,390	Exercise of employee stock option in exchange of new shares: NT$48,195 thousand Overseas convertible bond: NT$2,413 thousand	N/A	N/A

2006.01	10	1,090,000,000	10,900,000,000	915,401,740	9,154,017,400	Exercise of employee stock option in exchange of new shares: NT$14,535 thousand Overseas convertible bond: NT$9,895 thousand	N/A	N/A
2006.04	10	1,090,000,000	10,900,000,000	955,024,900	9,550,249,000	Exercise of employee stock option in exchange of new shares: NT$10,205 thousand Overseas convertible bond: NT$386,027 thousand	N/A	N/A
2006.07	10	1,300,000,000	13,000,000,000	986,793,076	9,867,930,760	Change of authorized capital stock: Exercise of employee stock option in exchange of new shares: NT$29,640 thousand Overseas convertible bond: NT$288,042 thousand	N/A	N/A
2006.08	10	1,300,000,000	13,000,000,000	1,010,099,813	10,100,998,130	Exercise of employee stock option in exchange of new shares: NT$6,085 thousand Overseas convertible bond: NT$226,982 thousand	N/A	N/A
2006.08	10	1,300,000,000	13,000,000,000	1,089,670,967	10,896,709,670	Recapitalized by NT$795,712 thousand from earnings	N/A	N/A
2006.10	10	1,300,000,000	13,000,000,000	1,090,079,967	10,900,799,670	Exercise of employee stock option in exchange of new shares: NT$4,090 thousand	N/A	N/A
2007.01	10	1,300,000,000	13,000,000,000	1,090,543,467	10,905,434,670	Exercise of employee stock option in exchange of new shares: NT$4,635 thousand	N/A	N/A
2007.04	10	1,300,000,000	13,000,000,000	1,091,078,967	10,910,789,670	Exercise of employee stock option in exchange of new shares: NT$5,355 thousand	N/A	N/A
2007.07	10	1,300,000,000	13,000,000,000	1,091,594,467	10,915,944,670	Exercise of employee stock option in exchange of new shares: NT$5,155 thousand	N/A	N/A
2007.08	10	1,500,000,000	15,000,000,000	1,214,696,675	12,146,966,750	Change of authorized capital stock: Recapitalized by NT$1,231,022 thousand from earnings	N/A	N/A
2008.01	10	1,500,000,000	15,000,000,000	1,214,706,675	12,147,066,750	Exercise of employee stock option in exchange of new shares: NT$100 thousand	N/A	N/A
2008.04	10	1,500,000,000	15,000,000,000	1,215,037,175	12,150,371,750	Exercise of employee stock option in exchange of new shares: NT$3,305 thousand	N/A	N/A

2008.07	10	1,500,000,000	15,000,000,000	1,215,154,175	12,151,541,750	Exercise of employee stock option in exchange of new shares: NT$1,170 thousand	N/A	N/A
2008.08	10	1,500,000,000	15,000,000,000	1,280,854,009	12,808,540,090	Recapitalized by NT$656,998 thousand from earnings	N/A	N/A
2009.03	10	1,500,000,000	15,000,000,000	1,256,675,009	12,566,750,090	Capital decrease by NT$241,790 thousand upon cancellation of treasury stock	N/A	N/A
2009.08	10	1,500,000,000	15,000,000,000	1,259,735,576	12,597,355,760	Recapitalized by NT$30,606 thousand from earnings	N/A	N/A
2009.12	10	1,500,000,000	15,000,000,000	1,247,287,576	12,472,875,760	Capital decrease by NT$124,480 thousand upon cancellation of treasury stock	N/A	N/A
2010.05	10	1,500,000,000	15,000,000,000	1,237,287,576	12,372,875,760	Capital decrease by NT$100,000 thousand upon cancellation of treasury stock	N/A	N/A
2010.12	10	1,500,000,000	15,000,000,000	1,224,410,576	12,244,105,760	Capital decrease by NT$128,770 thousand upon cancellation of treasury stock	N/A	N/A
2011.01	10	1,500,000,000	15,000,000,000	1,245,037,914	12,450,379,140	Capital decrease by NT$100,000 thousand upon cancellation of treasury stock Overseas convertible bond: NT$306,273 thousand	N/A	N/A
2011.04	10	1,500,000,000	15,000,000,000	1,272,549,545	12,725,495,450	Capital decrease by NT$100,000 thousand upon cancellation of treasury stock Overseas convertible bond: NT$375,116 thousand	N/A	N/A
2011.07	10	1,500,000,000	15,000,000,000	1,274,814,783	12,748,147,830	Overseas convertible bond: NT$22,652 thousand	N/A	N/A
2011.12	10	1,500,000,000	15,000,000,000	1,224,888,354	12,248,883,540	Capital decrease by NT$500,000 thousand upon cancellation of treasury stock; Overseas convertible bond 736,000	N/A	N/A
2012.04	10	1,500,000,000	15,000,000,000	1,197,544,282	11,975,442,820	Capital decrease by NT$300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NT$26,559 thousand	N/A	N/A
2012.07	10	1,500,000,000	15,000,000,000	1,170,241,900	11,702,419,000	Capital decrease by NT$300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NT$26,976 thousand	N/A	N/A

2012.10	10	1,500,000,000	15,000,000,000	1,186,889,400	11,868,894,000	New restricted employee shares: NT$30,000 thousand; Overseas convertible bond: NT$136,475 thousand	N/A	N/A
2013.01	10	1,500,000,000	15,000,000,000	1,190,751,900	11,907,519,000	Overseas convertible bond: NT$38,625 thousand	N/A	N/A
2013.04	10	1,500,000,000	15,000,000,000	1,190,671,900	11,906,719,000	Cancellation of new restricted employee shares: NT$800 thousand	N/A	N/A
2013.05	10	1,500,000,000	15,000,000,000	1,192,671,900	11,926,719,000	New restricted employee shares: NT$20,000 thousand	N/A	N/A
2013.05	10	1,500,000,000	15,000,000,000	1,192,631,900	11,926,319,000	Cancellation of new restricted employee shares: NT$400 thousand	N/A	N/A
2013.08	10	1,500,000,000	15,000,000,000	1,192,536,900	11,925,369,000	Cancellation of new restricted employee shares: NT$950 thousand	N/A	N/A
2014.03	10	1,500,000,000	15,000,000,000	1,192,442,400	11,924,424,000	Cancellation of new restricted employee shares: NT$945 thousand	N/A	N/A
2014.07	10	1,500,000,000	15,000,000,000	1,192,318,400	11,923,184,000	Cancellation of new restricted employee shares: NT$1,240 thousand	N/A	N/A
2015.03	10	1,500,000,000	15,000,000,000	1,192,303,400	11,923,034,000	Cancellation of new restricted employee shares: NT$150 thousand	N/A	N/A
2015.05	10	1,500,000,000	15,000,000,000	1,192,294,400	11,922,944,000	Cancellation of new restricted employee shares: NT$90 thousand	N/A	N/A
2015.11	10	1,500,000,000	15,000,000,000	1,162,294,400	11,622,944,000	Capital decrease by NT$300,000 thousand upon cancellation of treasury stock	N/A	N/A
2016.10	10	1,500,000,000	15,000,000,000	1,167,483,269	11,674,832,690	Overseas convertible bond: NT$51,889 thousand	N/A	N/A
2017.03	10	1,500,000,000	15,000,000,000	1,171,173,138	11,711,731,380	Overseas convertible bond: NT$36,899 thousand	N/A	N/A
2017.07	10	1,500,000,000	15,000,000,000	1,173,709,921	11,737,099,210	Overseas convertible bond: NT$25,368 thousand	N/A	N/A
2017.10	10	1,500,000,000	15,000,000,000	1,206,542,676	12,065,426,760	Overseas convertible bond: NT$328,328 thousand	N/A	N/A
2018.01	10	1,500,000,000	15,000,000,000	1,220,238,284	12,202,382,840	Overseas convertible bond: NT$136,956 thousand	N/A	N/A
2018.04	10	1,500,000,000	15,000,000,000	1,221,277,681	12,212,776,810	Overseas convertible bond: NT$10,394 thousand	N/A	N/A
2018.05	10	1,500,000,000	15,000,000,000	1,222,745,065	12,227,450,650	Overseas convertible bond: NT$14,674 thousand	N/A	N/A

1. Registration of incorporation: The capital was NT$7 million at the time of incorporation.
2. Capital increase in cash: Authorized capital stock NT$9.5 million and paid-in capital NT$9.5 million.
3. Capital increase in cash: (83) Jian-San-Bing-Zi No. 340845, authorized capital stock NT$20.5 million and paid-in capital NT$20.5 million.
4. Capital increase in cash: (84) Jian-San-Ren-Zi No. 487475, authorized capital stock NT$30 million and paid-in capital NT$30 million.
5. Capital increase in cash: (85) Jian-San-Jia-Zi No. 226939, authorized capital stock NT$50 million and paid-in capital NT$50 million.

6. Capital increase in cash: (86) Jian-San-Ding-Zi No. 162044, authorized capital stock NT$90 million and paid-in capital NT$90 million.
7. Capital increase in cash: Jing (86)-Shang-Zi No. 120076, authorized capital stock NT$350 million and paid-in capital NT$170 million.
8. Capital increase in cash: Jing (87)-Shang-Zi No. 130077, authorized capital stock NT$350 million and paid-in capital NT$350 million.
9. Capital increase in cash and recapitalization from earnings: Jing-Shou-Shang-Zi No. 087123302, authorized capital stock NT$800 million and paid-in capital NT$549.75 million.
10. Recapitalization from capital surplus: Jing-Shou-Shang-Zi No. 087128734, authorized capital stock NT$800 million and paid-in capital NT$650 million.
11. Capital increase in cash: Jing-Shou-Shang-Zi No. 087142402, authorized capital stock NT$800 million and paid-in capital NT$700 million.
12. Capital increase in cash and recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 088127133, authorized capital stock NT$1.5 billion and paid-in capital NT$993.75 million.
13. Capital increase in cash: Jing-Shou-Shang-Zi No. 088143309, authorized capital stock NT$1.5 billion and paid-in capital NT$1.24375 billion.
14. Capital increase in cash and recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 089122231, authorized capital stock NT$5.6 billion and paid-in capital NT$2.63225446 billion.
15. Recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 09001276850, authorized capital stock NT$7 billion and paid-in capital NT$4.36672214 billion.
16. Upgraded the authorized capital stock as NT$8.7 billion.
17. Jing-Shou-Shang-Zi No. 09101278670, authorized capital stock NT$8.7 billion and paid-in capital NT$4.47879749 billion.
18. Jing-Shou-Shang-Zi No. 09101442750, authorized capital stock NT$8.7 billion and paid-in capital NT$4.52591205 billion.
19. Jing-Shou-Shang-Zi No. 09201018710, authorized capital stock NT$8.7 billion and paid-in capital NT$4.52876747 billion.
20. Private placement securities: Jing-Shou-Shang-Zi No. 09201121500, authorized capital stock NT$8.7 billion and paid-in capital NT$5.56871604 billion.
21. Jing-Shou-Shang-Zi No. 09201322980, authorized capital stock NT$8.7 billion and paid-in capital NT$5.79303374 billion.
22. Jing-Shou-Shang-Zi No. 09301007670, authorized capital stock NT$8.7 billion and paid-in capital NT$6.87905995 billion.
23. Jing-Shou-Shang-Zi No. 09301060440, authorized capital stock NT$8.7 billion and paid-in capital NT$6.99942564 billion.
24. Jing-Shou-Shang-Zi No. 09301156810, authorized capital stock NT$10.9 billion and paid-in capital NT$7.54955164 billion.
25. Jing-Shou-Shang-Zi No. 09301201590, authorized capital stock NT$10.9 billion and paid-in capital NT$7.67839164 billion.
26. Jing-Shou-Shang-Zi No. 09401003210, authorized capital stock NT$10.9 billion and paid-in capital NT$7.68405664 billion.
27. Jing-Shou-Shang-Zi No. 09401060170, authorized capital stock NT$10.9 billion and paid-in capital NT$7.69176664 billion.
28. Jing-Shou-Shang-Zi No. 09401136480, authorized capital stock NT$10.9 billion and paid-in capital NT$7.81266164 billion.
29. Jing-Shou-Shang-Zi No. 09401161000, authorized capital stock NT$10.9 billion and paid-in capital NT$9.07897897 billion.
30. Jing-Shou-Shang-Zi No. 09401204350, authorized capital stock NT$10.9 billion and paid-in capital NT$9.12958739 billion.
31. Jing-Shou-Shang-Zi No. 09501007380, authorized capital stock NT$10.9 billion and paid-in capital NT$9.1540174 billion.
32. Jing-Shou-Shang-Zi No. 09501077070, authorized capital stock NT$10.9 billion and paid-in capital NT$9.550249 billion.
33. Jing-Shou-Shang-Zi No. 09501160380, authorized capital stock NT$13 billion and paid-in capital NT$9.86793076 billion.
34. Jing-Shou-Shang-Zi No. 09501163350, authorized capital stock NT$13 billion and paid-in capital NT$10.10099813 billion.
35. Jing-Shou-Shang-Zi No. 09501191840, authorized capital stock NT$13 billion and paid-in capital NT$10.89670967 billion.
36. Jing-Shou-Shang-Zi No. 09501232620, authorized capital stock NT$13 billion and paid-in capital NT$10.90079967 billion.
37. Jing-Shou-Shang-Zi No. 09601019120, authorized capital stock NT$13 billion and paid-in capital NT$10.90543467 billion.
38. Jing-Shou-Shang-Zi No. 09601078430, authorized capital stock NT$13 billion and paid-in capital NT$10.91078967 billion.
39. Jing-Shou-Shang-Zi No. 09601177990, authorized capital stock NT$13 billion and paid-in capital NT$10.91594467 billion.
40. Jing-Shou-Shang-Zi No. 09601199070, authorized capital stock NT$15 billion and paid-in capital NT$12.14696675 billion.
41. Jing-Shou-Shang-Zi No. 09701009440, authorized capital stock NT$15 billion and paid-in capital NT$12.14706675 billion.
42. Jing-Shou-Shang-Zi No. 09701089030, authorized capital stock NT$15 billion and paid-in capital NT$12.15037175 billion.
43. Jing-Shou-Shang-Zi No. 09701175060, authorized capital stock NT$15 billion and paid-in capital NT$12.15154175 billion.
44. Jing-Shou-Shang-Zi No. 09701200320, authorized capital stock NT$15 billion and paid-in capital NT$12.80854009 billion.
45. Jing-Shou-Shang-Zi No. 09801061510, authorized capital stock NT$15 billion and paid-in capital NT$12.56675009 billion.
46. Jing-Shou-Shang-Zi No. 09801180250, authorized capital stock NT$15 billion and paid-in capital NT$12.59735576 billion.
47. Jing-Shou-Shang-Zi No. 09801280260, authorized capital stock NT$15 billion and paid-in capital NT$12.47287576 billion.
48. Jing-Shou-Shang-Zi No. 09901106450, authorized capital stock NT$15 billion and paid-in capital NT$12.37287576 billion.
49. Jing-Shou-Shang-Zi No. 09901275210, authorized capital stock NT$15 billion and paid-in capital NT$12.24410576 billion.
50. Jing-Shou-Shang-Zi No. 10001010550, authorized capital stock NT$15 billion and paid-in capital NT$12.45037914 billion.
51. Jing-Shou-Shang-Zi No. 10001070130, authorized capital stock NT$15 billion and paid-in capital NT$12.72549545 billion.
52. Jing-Shou-Shang-Zi No. 10001157030, authorized capital stock NT$15 billion and paid-in capital NT$12.74814783 billion.
53. Jing-Shou-Shang-Zi No. 10001286450, authorized capital stock NT$15 billion and paid-in capital NT$12.24888354 billion.
54. Jing-Shou-Shang-Zi No. 10101055590, authorized capital stock NT$15 billion and paid-in capital NT$11.97544282 billion.
55. Jing-Shou-Shang-Zi No. 10101144030, authorized capital stock NT$15 billion and paid-in capital NT$11.702419 billion.
56. Jing-Shou-Shang-Zi No. 10101203850, authorized capital stock NT$15 billion and paid-in capital NT$11.868894 billion.
57. Jing-Shou-Shang-Zi No. 10201002850, authorized capital stock NT$15 billion and paid-in capital NT$11.907519 billion.
58. Jing-Shou-Shang-Zi No. 10201055970, authorized capital stock NT$15 billion and paid-in capital NT$11.906719 billion.
59. Jing-Shou-Shang-Zi No. 10201077850, authorized capital stock NT$15 billion and paid-in capital NT$11.926719 billion.
60. Jing-Shou-Shang-Zi No. 10201089780, authorized capital stock NT$15 billion and paid-in capital NT$11.926319 billion.
61. Jing-Shou-Shang-Zi No. 10201167530, authorized capital stock NT$15 billion and paid-in capital NT$11.925369 billion.
62. Jing-Shou-Shang-Zi No. 10301074130, authorized capital stock NT$15 billion and paid-in capital NT$11.924424 billion.
63. Jing-Shou-Shang-Zi No. 10301139200, authorized capital stock NT$15 billion and paid-in capital NT$11.923184 billion.
64. Jing-Shou-Shang-Zi No. 10401047430, authorized capital stock NT$15 billion and paid-in capital NT$11.923034 billion.
65. Jing-Shou-Shang-Zi No. 10401086750, authorized capital stock NT$15 billion and paid-in capital NT$11.922944 billion.
66. Jing-Shou-Shang-Zi No. 10401239940, authorized capital stock NT$15 billion and paid-in capital NT$11.622944 billion.
67. Jing-Shou-Shang-Zi No. 10501243690, authorized capital stock NT$15 billion and paid-in capital NT$11.67483269 billion.
68. Jing-Shou-Shang-Zi No. 10601033520, authorized capital stock NT$15 billion and paid-in capital NT$11.71173138

billion.
69. Jing-Shou-Shang-Zi No. 10601091290, authorized capital stock NT$15 billion and paid-in capital NT$11.73709921 billion.
70. Jing-Shou-Shang-Zi No. 10601144700, authorized capital stock NT$15 billion and paid-in capital NT$12.06542676 billion.
71. Jing-Shou-Shang-Zi No. 10701004040, authorized capital stock NT$15 billion and paid-in capital NT$12.20238284 billion.
72. Jing-Shou-Shang-Zi No. 10701034600, authorized capital stock NT$15 billion and paid-in capital NT$12.21277681 billion.
73. Jing-Shou-Shang-Zi No. 10701053680, authorized capital stock NT$15 billion and paid-in capital NT$12.22745065 billion.

2019.04.08 / Unit: share

Types of shares	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	1,222,745,065	277,254,935	1,500,000,000	Including 30 million shares of Employee Stock Option Plan

(I-2) Information relevant to the aggregate reporting policy: N/A.

(II) Shareholder structure

2019.04.08

Quantity of shareholder structure	Government institutions	Financial institutions	Other institutions	Individuals	Foreign institutions and juristic (corporate) persons	Total
Persons	8	69	114	59,085	331	59,607
Shares held	122,777,050	213,344,842	94,893,724	361,867,332	429,862,117	1,222,745,065
Shareholding ratio (%)	10.04	17.45	7.76	29.59	35.16	100

(III) Distribution of equity

1. Common stock

Face value $10 per share 2019.04.08

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%) (Note)
1 to 999	26,793	3,294,095	0.27
1,000 to 5,000	22,966	51,285,104	4.19
5,001 to 10,000	4,726	36,972,908	3.02
10,001 to 15,000	1,627	20,092,293	1.64
15,001 to 20,000	951	17,528,504	1.43
20,001 to 30,000	868	21,866,581	1.79
30,001 to 50,000	661	26,779,948	2.19
50,001 to 100,000	455	32,485,218	2.66
100,001 to 200,000	210	29,243,209	2.39
200,001 to 400,000	112	31,256,331	2.56
400,001 to 600,000	45	22,334,429	1.83
600,001 to 800,000	25	17,474,553	1.43
800,001 to 1,000,000	19	16,882,181	1.38
Over 1,000,001	149	895,249,711	73.22
Total	59,607	1,222,745,065	100

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this Annual General Meeting.

2. The Company never issued any preference stock.

(IV) List of major shareholders

List of shareholders with a stake of 5 percent or greater, or of the top ten

Ended on April 28, 2019

Major Shareholders \ Shares	Shares held	Shareholding ratio (%) (Note)
Fubon Life Insurance Co., Ltd.	70,020,000	5.73
New Labor Pension Fund	60,188,000	4.92
Yann Yuan Investment Co., Ltd	52,600,000	4.30
China Life Insurance Co., Ltd.	39,530,000	3.23
Chin-Kung Lee	34,000,941	2.78
Labor Insurance Fund	24,405,000	2.00
Yuanta/P-shares Taiwan Dividend Plus ETF	24,087,051	1.97
United Microelectronics Corporation	23,157,696	1.89
JPMorgan Chase Bank N.A. Taipei Branch in custody for Templeton Global Smaller Companies Fund, Inc.	20,063,000	1.64
Norges Bank	18,025,038	1.47
Total	366,076,726	29.94

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this Annual General Meeting.

(V) Per share information (including market price, book value, earnings, dividend) during the most recent two years

Unit: NTD

<table>
<tr><th colspan="3">Item \ Year</th><th>2019</th><th>2018</th><th>2017</th></tr>
<tr><td rowspan="3">Market price per share</td><td colspan="2">Highest</td><td>28.10</td><td>33.35</td><td>33.85</td></tr>
<tr><td colspan="2">Lowest</td><td>21.05</td><td>16.90</td><td>25.35</td></tr>
<tr><td colspan="2">Average</td><td>24.74</td><td>25.40</td><td>29.47</td></tr>
<tr><td rowspan="2">Net worth per share</td><td colspan="2">Before distribution</td><td>-</td><td>20.02</td><td>20.53</td></tr>
<tr><td colspan="2">After distribution</td><td>-</td><td>(Note 1)</td><td>18.73</td></tr>
<tr><td rowspan="3">EPS</td><td colspan="2">Weighted average number of shares (thousands) (after retrospective adjustment)</td><td>-</td><td>1,222,296</td><td>1,187,654</td></tr>
<tr><td rowspan="2">EPS</td><td>Before adjustment (retroactive)</td><td>-</td><td>1.47</td><td>1.88</td></tr>
<tr><td>After adjustment (retroactive)</td><td>-</td><td>-</td><td>1.88</td></tr>
<tr><td>Dividends</td><td colspan="2">Cash dividend</td><td>-</td><td>1.35(Note 1)</td><td>1.797838</td></tr>
</table>

per share	Stock dividends	Out of earnings	-	-	-
		Out of additional paid-in capital	-	-	-
	Accumulated, unpaid dividends		-	-	-
ROI analysis	P/E ratio (Note 2)		-	17.57	15.64
	P/D ratio (Note 3)		-	19.13	16.36
	Cash dividend yield (Note 4)		-	0.052	0.061

Note 1: To be resolved during the 2019 Annual General Meeting.
Note 2: P/E ratio = Average closing price per share for the current year/Earnings per share.
Note 3: P/D ratio = Average closing price per share for the current year/Cash dividend per share.
Note 4: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.
Note 5: 2019 data was accurate as of April 8.

(VI) Dividend policy and implementation

1. The dividend policy defined by the Articles of Incorporation

From the profit earned by the Company as shown through the final account, if any, the sum to pay tax and make good previous loss, if any, shall be first set aside, and then 10% for legal reserve and then the sum for special reserve for provision or reversal to meet the Company's operating need and as required by laws. The final balance, if any, added with unappropriated retained earnings accumulated in previous year(s), shall be duly distributed at the percentages as proposed by the Board of Directors and resolved in the shareholders' meeting.

The Company's dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the Company at present moment and in the future. Shareholders interest, balance of dividend payment and long-term financial planning of the Company shall also be take into consideration by the Board of Directors when the Board proposes the motion for allocation of stock dividends annually as required by law and presents the same before the General Meeting of Shareholders for ratification. The Company is currently in the growth stage of its life cycle and is still in need of capital for expansion and investment in the future. The cash dividend allocated to shareholders in the current year shall be no less than 20% of the total dividends to the shareholders for the year.

2. Distribution of dividend proposed in the current shareholders' meeting:

Units: NT$

Item	Amount	Expected coupon rate
Undistributed earnings at the beginning of the period	3,425,611,695	
Less: Actuarial gains and losses from confirmed benefits	(41,787,839)	
Less: Equity instruments from the disposition of other general gains and losses assessed at fair value	(30,202,994)	
Plus: Influence of IFRS9 retrospective applicability and retrospective restatement	448,327,926	
Unallocated number at beginning of period after adjustment	3,801,948,788	
Plus: Profit after tax for year	1,795,343,626	
Less: Provision of 10% legal reserve	(179,534,363)	
Less: Provision of special reserve	(371,932,490)	
Distributable earnings	5,045,825,561	
Distribution items		
shareholders' dividends - cash	1,650,705,837	NT$1.35 per share
Total distribution	1,650,705,837	
Undistributed surplus at end of period	3,395,119,724	

Note: 1. With regard to the Company's principles for the distribution of earnings, 2018 distributable earnings are first distributed, and if insufficient, cumulative distributable earnings from past years are distributed in last in-first out order based on the year in which the earnings were generated.
2. The coupon rate was calculated on the basis of the 1,222,745,065 share of common stock in circulation at the time of the meeting of Board of Directors.
3. The current cash dividends have been calculated to the NT dollar in accordance with the distribution ratios; amounts less than one NT dollar have been eliminated, and the sum of odd amounts less than one NT dollar has been transferred to the employee benefit committee.
4. If, due to changes in equity, this distribution case affects the number of outstanding shares, and shareholders' coupon rate must be revised for this reason, the shareholders' meeting shall be asked to fully authorize the Board of Directors to handle the case and make adjustments.
5. The Board of Directors will be authorized to handle the cash dividend record date and matters concerning the issuance of cash dividends after approval by the Annual General Meeting.

3. Expected change in dividend policy: None.

(VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable.

(VIII) Employee and Directors' remuneration

1. The percentages or ranges with respect to the remuneration to employees and Directors, as set forth in the Company's Articles of Incorporation: Subject to the profit sought for the current year, the

Company shall allocate 8%~10% of the profit as the remuneration to employees, and no more than 1% thereof as the remuneration to Directors. However, profits must first be taken to offset against cumulative losses if any.

2. The basis for estimating the amount of employee and Director remuneration, shall take into account the number of shares to be distributed as stock bonuses, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated figure for the current period:

(1) The profit sought by the Company in 2018 totaled NT$2,576,315,927 (namely, the earnings before tax less the remuneration to employees and Directors). 8% thereof were allocated as the remuneration to employees in cash, i.e. NT$206,105,276, and 0.8% thereof as the remuneration to Directors, i.e. NT$20,610,530.

(2) There is no difference from the estimates provided for 2018.

3. Board of Directors passed remuneration distribution:

(1) Remuneration to employees/Directors in cash: NT$206,105,276 and NT$20,610,530.

(2) Proposed distribution of remuneration to employees in the form of stock bonus as a percentage to net profit after tax plus remuneration to employees in the entity or individual financial statement for the current period: N/A.

4. The actual distribution of remuneration to employees and Directors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the estimated remuneration to employees and Directors, additionally the discrepancy, cause, and how it is treated: The remuneration allocated to employees in cash were NT$254,950,992 and to Directors NT$25,495,098. There is no discrepancy with the estimates.

(IX) Repurchase of the Company's shares: N/A.

II. Instance of corporate bonds

<table>
<tr><td colspan="2">Bond types</td><td>4th overseas unsecured convertible corporate bonds</td></tr>
<tr><td colspan="2">Issuing date</td><td>2016.7.29</td></tr>
<tr><td colspan="2">Face value</td><td>US$10,000</td></tr>
<tr><td colspan="2">Place of issuance and exchange</td><td>Issued in territories outside the R.O.C.
Traded at Singapore Exchange</td></tr>
<tr><td colspan="2">Issue price</td><td>US$10,000</td></tr>
<tr><td colspan="2">Total amount</td><td>US$50,000,000</td></tr>
<tr><td colspan="2">Interest rate</td><td>0%</td></tr>
<tr><td colspan="2">Duration</td><td>3 years, expiry date: July 29, 2019</td></tr>
<tr><td colspan="2">Guaranteeing institution</td><td>N/A</td></tr>
<tr><td colspan="2">Trustee</td><td>Citibank Taiwan Ltd.</td></tr>
<tr><td colspan="2">Underwriting institution</td><td>OSU of Fubon Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certifying attorney</td><td>Chien Yeh Law Offices</td></tr>
<tr><td colspan="2">Certified Public Accountant (CPA)</td><td>Ernst & Young</td></tr>
<tr><td colspan="2">Repayment method</td><td>Unless the corporate bonds are already redeemed earlier, repurchased and canceled, or converted, they shall be repaid in cash at their book value upon maturity.</td></tr>
<tr><td colspan="2">Outstanding principal balance</td><td>US$0</td></tr>
<tr><td colspan="2">Terms for redemption or early repayment</td><td>(I) The bond holders are entitled to claim the premiums at the book value of the bond plus 0.5% annual interest rate, namely 101% (hereinafter referred to as the “Call Price”), against the issuer upon expiration of two years after the bonds were issued to have the bonds held by them redeemed, in whole or in part.
(II) Where KYEC terminates the listing of its common stock on TWSE, the bond holders are entitled to demand that the issuer should redeem the corporate bonds, in whole or in part, earlier at the book value of the bonds plus 0.5% annual interest rate (preliminary) as the yield rate (“Early Redemption Amount”).
(III) Where the issuer suffers the changes in controlling power as defined in the trust agreement for the corporate bonds, the bond holders may demand that the issuer should redeem the corporate bonds, in whole or in part, earlier with adequate Early Redemption Amount.
(IV) The bond holders shall exercise their put rights, if any, and the issuer shall deal with the matters referred to in Article 12 hereof, if any, in accordance with the procedures agreed in the trust agreement for the corporate bonds. The Early Redemption Amount for the corporate bonds, if any, shall be paid by the issuer in cash on the due date required under the trust agreement.</td></tr>
<tr><td colspan="2">Restrictive terms</td><td>N/A</td></tr>
<tr><td colspan="2">Name of credit rating organization, rating date, bond rating results</td><td>N/A</td></tr>
<tr><td rowspan="2">Other rights</td><td>Amount of the bonds already converted into (exchanged into or subscribed for) common shares, overseas depositary receipts, or any other securities until the date of publication of the annual report</td><td>Until December 31, 2018, the due principal has been US$0 thousand.
(Converted to US$50,000,000: The common stock totaled NT$604,506,650, divided into 60,450,655 shares to be issued.)</td></tr>
<tr><td>Issuance and conversion (exchange or subscription) rules</td><td>Please refer to the Company's Regulations Governing Issuance and Conversion of 4th Overseas Unsecured Corporate Bonds.</td></tr>
<tr><td colspan="2">Possible dilution of equity and impact on equity of existing shareholders due to issuance and conversion, trading or subscription rules, or issuance terms</td><td>N/A.</td></tr>
<tr><td colspan="2">Name of commissioned custodial institution for objects exchanged</td><td>Citibank Taiwan Ltd.</td></tr>
</table>

Information of Convertible bonds

Bond types		4th overseas unsecured convertible corporate bond (Note 1)	
Year		2017	Ending March 31, 2018
Market value of Convertible bonds (USD)	Highest	115.5	115.5
	Lowest	99.5	115.5
	Average	111.1	115.5
Conversion price (Note 2)		26.29	
Issue date and conversion price prevailing at the time of issuance		2016.07.29, $29.0	
Approaches to perform the conversion		Issue new stock shares	

Note 1: The 4th overseas unsecured convertible corporate bonds were issued on July 29, 2016. Until March 31, 2018, the due principal has been US$0. Conversion has been fully requested and completed to date.

Note 2: The conversion price was adjusted on August 20, 2016 and July 10, 2017.

III. Instance of preference shares: N/A.

IV. Issuance of overseas depository receipts: N/A.

V. Issuance of employee stock option plan: N/A.

VI. Information about new restricted employee shares: N/A.

VII. Status of merger and acquisition (including consolidation, acquisition and division)

In order to integrate resources and upgrade operating performance to deal with the industrial development and upgrade the Company's competitiveness, the Company merged with Dawning Leading Technology Inc. upon resolution by the Board of Directors meeting on August 7, 2018. Upon the merger, the Company was the surviving company and Dawning Leading Technology Inc. the extinguishing company. The surviving company upon the merger was named as “King Yuan Electronics Co., Ltd.” The consideration was NT$3.0 in cash in exchange for 1 share of Dawning Leading Technology Inc., as paid to the other shareholders of Dawning Leading Technology Inc. As no new shares needed to be issued, no material influence was rendered against the shareholders’ equity therefor. Both companies were merged officially on November 1, 2018.

Basic Information of Merged Company and Assignee

Company		Dawning Leading Technology Inc.
Address		No.118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C.
Responsible person		Chin-Kung Lee
Paid-in capital		2,290,524,820
Core Business		Electronic Parts and Components Manufacturing
Main products		Manufacturing and test of Nand Flash-related products, package and test of Standard DRAM and Low Power DDR, and package and test of such short thin multi-functional products as BGA/LGA/MCP/TSOP/QFN.
(2017) The latest financial information	Total assets	6,986,921,930
	Total liabilities	5,066,567,728
	Total shareholders’ equity	1,920,354,202
	Operating revenue	2,611,906,587
	Gross profit	(1,668,650,153)
	Operating profit (loss)	(1,905,618,278)
	Net income	(1,924,304,195)
	EPS	(5.26)

VIII. Implementation of capital utilization plan: N/A.

Four. Overview of Operations

I. Business contents

(I) Scope of business

1. Major lines of business: Design, manufacturing, test, accessories, processing, packaging and sale of various integrated circuits, manufacturing, processing and sale of various burn-in machines and spare parts thereof, and import and export of said products.
2. Weight of business lines: The Company was officially incorporated in May 1987 and primarily engaged in grinding, cutting, wire bonding and packaging of IC at the very beginning. Since 1996, the Company has successively added the testing services about various types of integrated circuits. Meanwhile, the Company invested fund to incorporate King Long Technology (Suzhou) Ltd. in 2002, and also has invested in Suzhou Zhen Kun Technology Ltd. since 2009, primarily in order to increase its package and test services about various integrated circuits in the territories of Mainland China.

   The consolidated company's weights of import/export for the most recent five years are stated as following:

   In 2014, the weights of import/export were 49.80% and 50.20% respectively.

   In 2015, the weights of import/export were 40.56% and 59.44% respectively.

   In 2016, the weights of import/export were 39.40% and 60.60% respectively.

   In 2017, the weights of import/export were 34.94% and 65.06% respectively.

   In 2018, the weights of import/export were 35.89% and 64.11% respectively.

Main products/services and weights of business in 2018

Unit: NT$ thousand

Product line	Operating revenue	Weight of business (%)
Wafer test service	8,450,582	40.60
Integrated circuits test service	9,598,445	46.11
Others	2,766,342	13.29
Total	20,815,369	100.00

3. The Company's current main products (services)

   Wafer grinding and dicing, test services (Logic, Memory, and mixed signals), Burn-in test and Turnkey Service.
4. New products (services) under development

   5G communication IC testing, integrated IC testing, HPC IC testing, automobile and AI IC testing.

(II) Industry overview

1. Industry status and development

   According to the questionnaire results of Taiwan Semiconductor Industry Association (TSIA), ITRI's IEK statistics showed that the output value of Taiwan's entire IC industry amounted to NT$687 billion (US$22.7B) in Q4 of 2018 (18Q4) (including IC design, IC manufacturing, IC package and IC test), representing a decline of 0.7% from the previous quarter (18Q3) and a growth of 1.7% from the same period in last year (17Q4). Output value of the IC design industry totaled NT$164.3 billion (US$5.4B), declining by 7.5% from the previous quarter (18Q3) and growing by 2.2% from the same period last year (17Q4); output value of the IC manufacturing industry totaled NT$393.7 billion (US$13.0B), growing by 3.2% from the previous quarter (18Q3) and 1.2% from the same period last year (17Q4), including NT$349.7 billion (US$11.6B) from wafer foundry that represented a growth of 7.2% from the previous quarter (18Q3) and 2.0% from the same period last year (17Q4), NT$44 billion (US$1.5B) from memory and other products that represented a decline of 20.4% from the previous quarter (18Q3) and a decline of 4.3% from the same period last year (17Q4); output value of the IC package industry totaled NT$89 billion (US$2.9B), declining by 4.3% from the previous quarter (18Q3) and growing 2.3% from the same period last year (17Q4); output value of the IC test industry totaled NT$40 billion (US$1.3B), growing by 1.8% from the previous quarter (18Q3) and 3.4% from the same period last year (17Q4). The exchange rate of NTD against USD was 1:30.2.

The test industry is identified as a capital-intensive advanced high-tech industry with considerable barriers to entry. Recently, the constant evolution of IC process and increasingly complicated functions have made the IC test become more and more important. Notwithstanding, due to the increasing capital expenditure, more and more leading IDMs and foundries have given up expansion of the back-end production capacity and contracted the IC test services to others. As a result, the professional test industry was booming.

Growth of the world's economy may slow down in 2019 due to effects of the trade war, declining consumer confidence in the U.S., and lower growth of China's manufacturing sector. As a result, the IC packaging and testing industry should exhibit a lack of growth momentum on a worldwide scale in 2019. Overall, production value of Taiwan's IC packaging and testing industry is estimated at NT$495 billion for 2019, representing an expansion of 0.4% over 2018.

2. Association between upstream, midstream, and downstream industry participants

Upstream industry	IC design companies, foundries, and IDMs
Midstream industry	Testing equipment factories, package and test factories, and parts manufacturers
Downstream industry	IC resellers, IC design companies, and IDMs

3. Development trends and degree of competition for our products

The global semiconductor manufacturers moved their production bases to the territories of Asia in order to cut the production costs. The domestic IC industry owns a complete and dynamic vertical division-of-labor system and, therefore, is recognized for its technology, quality and delivery period. Given the increasing proportion of foundries carried out by IDMs and IC design companies in Taiwan and the multiple domestic and foreign wafer fabs going to put in to production, there should be few demand for commissioning domestic manufacturers to engage in the back-end test service, in consideration of the cost, delivery period and maintenance of core competitiveness.

According to the MIC report, the global top ten suppliers in the package and test industry by the scale of operating revenue in 2018 were ASE, Amkor, Jiangsu Changjiang Electronics Technology Co. Ltd., Powertech Technology Inc., Tongfu Microelectronics Co., Ltd., Tianshui Huatian Technology Co., Ltd., UTAC, King Yuan Electronics Co., Ltd. (KYEC), Chipbond Technology Corporation and ChipMOS TECHNOLOGIES INC. Notwithstanding, KYEC was the only one primarily engaged in professional test. Its operating revenue excluded the expenses of materials but included pure test service revenue. Therefore, it held a conspicuous position in the market.

The Company owns complete testing machines, which afford to provide such comprehensive IC test services as logic IC, mixed signal IC, memory IC, wireless network, driver IC and integrated IC, and IC burn-in test. Meanwhile, the Company also provides the integrated services including wafer grinding and dicing and reeling & packaging to meet the customers' need for one-stop purchase and to win the competitive niche for the Company's customers.

(III) Technology and R&D overview

1. R&D expenses during the most recent year and up to the date of publication of this annual report:

Unit: NTD thousand

Year	R&D expenditure	To operating revenue (%)
2018	909,086	4.37

Note: Unaudited R&D expenses as at March 31, 2019 amounted to NT$219,723 thousand.

2. Successfully developed technology or product during the most recent year and up to the date of publication of this annual report

1. D-phy & C-phy home made solution integrated verification and NPI sucessfuly to release.
2. High parallism images sensor package testing solution built up.
3. 90 DUTs STRIP Handler for fingerprint.
4. 26 DUTs Flexible Test System for Image Sensor FT.
5. High payload 1000kgf Hinge.
6. CIS CSP tube L/S test motion for high parallel.
7. ZIF (Zero insertion force) connector for M320 test.
8. Auto Hinge for high loading with E320 series test head.
9. Develop High Power Burn In Oven-cost effective solution for HPC IC.

10. Develop E-serial new generation logical tester.
11. Develop E-serial new generation CIS tester.
12. Develop E-serial LCD driver tester.
13. Develop E-serial Memory tester.
14. Develop MEMS accelerometer device wafer probing test solution and final test system.
15. Develop MEMS microphone device test solution and system.
16. Develop MEMS Pressure device test solution and system.
17. Develop MEMS Gyro device test solution and system.
18. Develop RF IC over 20GHz test board design and manufacture capability.
19. Build up design vertical probe card for probing fine pitch bumping wafer capability for 45 um fine pitch.
20. Develop VCPC for Fine Pitch< 50um and High Speed>56Gbps.
21. During 2016~2018 develop 378 case of difference design type of test board，and released to production 14,650 pcs of KYEC developing test board on our testing production line.

(IV) Long and short-term business development plans

Short-term business development plan: Primarily intended to keep accelerating the expansion of the current market share, perfectly utilize the test platform’s conversion technology, upgrade the production efficiency of the testing machines, cut the production cost, and expand the production capacity to perfectly provide the production capacity to the existing product lines’ customers, including Memory, Logic, RF/Base Band, LCD Driver, Mixed-Signal and Image Sensor, et al..

Long-term business development plan: To be in line with the rapid growth of consumable electronics and the expansion of wireless applications, the Company is dedicated to developing the test services about such areas as LCD Driver, Digital TV, CMOS Sensor, Wireless, NAND Flash, DDRII, automotive IC and MEMS, et al. to support the application of TFT/STN, various hand-held or fixed sensors and wireless access points to such emerging markets as PC, NB, phone, Access port, home digitalization, and automobiles. In the future, the Company will still keep investing in R&D of KGD and high-frequency test solutions. The Company will also develop its standard interface for tests to create its own competitive strength.

II. Market and sales overview

(I) Market analysis

Territories where main products (services) are sold (provided)

Unit: NTD thousand

Year	2018		2017	
Area	Domestic sales	Export sales	Domestic sales	Export sales
Sales value of main products	Value	Value	Value	Value
Wafer test	3,668,804	4,781,778	3,227,925	4,851,991
Integrated circuits test	2,628,239	6,970,206	2,509,237	7,026,795
Others	1,173,145	1,593,197	1,141,048	929,915
Total	7,470,188	13,345,181	6,878,210	12,808,701

Market share

The Company's consolidated operating revenue amounted to NT$20.82 billion in 2018, representing a growth of 5.7% from 2017 that topped among peers. The turnover of annual package and test services generated by it in 2018 ranked 8th place in the same trade in the world, securing the stable market share.

Future supply and demand in this market and growth outlook

Given IDMs' contracting their back-end needs to others successively and the increasing proportion of foundries carried out by domestic/foreign IC design companies in Taiwan, the demand for package and test service has been increasing day by day. Notwithstanding, in consideration of the cost, delivery period and quality, their production bases have been moved to the territories of Asia. The domestic IC industry owns a complete and dynamic vertical division-of-labor system and, therefore, is recognized for its technology, quality and delivery period. Given this, it is expected to catch this amazing business opportunity.

According to the latest research reports from domestic/foreign leading institutions, as boosted by Macroeconomy, wireless communication solutions and consumable products, the need for outsourcing production by the global semiconductor market is expected to increase and thereby drive the development of the IC test service industry.

Competitive niche and positive factors for future development

1. Capital and technique intensive:

   Given the machine and equipment required by the test getting more and more expensive and at large quantity, the rapid upgrading of product hierarchy, shortage of domestic R&D talents and management teams with complete experience, and difficulty in establishing long-term cooperation relationship trusted by customers, it is not easy for potential competitors to enter the industry. The Company has been dedicated to establishing close cooperation relationship with domestic IC manufacturers and IC design companies actively permanently, and won the recognition and reliance from customers in its quality and delivery period.

2. Clear division-of-labor and outsourcing trend in the semiconductor

industry

Under the development trend for professional division of labor in the semiconductor industry, IDMs have gradually increased the proportion of production commissioned to professional OEMs in consideration of the operating cost and effect and financial risks. The domestic IC industry has brought the huge business opportunity to the IC downstream test service suppliers, when the foundry suppliers were expanding their international domains and IC design service suppliers were working hard to cooperate with the international leading manufacturers. The Company owns complete testing machines, which afford to provide such comprehensive IC test services as logic IC, composite signal IC, memory IC, composite signal, wireless network and integrated IC, and IC burn-in test. Meanwhile, the Company also provides the integrated services including wafer grinding and dicing and reeling & packaging to meet the customers' need for one-stop purchase and to win the competitive niche for the Company's customers.

3. Economies of business scale and range of product line

The entire IC industry's development emphasizes the upstream IC design and IC manufacturing capabilities. Meanwhile, the on-site support by the IC back-end package and test services is also an important factor critical to enhancement of the IC industry's competitive strength. The depreciation expenses accounted for a high proportion of the cost in the package and test industry. The profitability and risk of loss may be decided relying on the product line portfolio and economies of scale. This may be considered as a competitive strength. The Company has engaged in the test industry for many years and, therefore, secured its solid position in the industry.

Negative factors for the prospects of our development and our corresponding strategy

1. Merger of competitors or alliance of upstream and downstream suppliers:

Successive expansion of domestic upstream IC manufacturers derived the massive demand for the back-end IC production process. Meanwhile, given the increasing economic recovery in the semi-conductor industry and increasing proportion of outsourcing by IDMs, a lot of new IC test service providers allied with each other and, therefore, the competition will become more and more intensive in the market.

Corresponding strategy:

(1) Provide integrated services which enable customers to receive the complete service for test, Burn-in and product package by placing one order and thereby cut the entire production period.

(2) Establish long-term cooperative relationship with customers: The Company works hard to establish the long-term cooperative relationship with customers with its strengthen in quality, speed and cost, so that its production capacity could be utilized perfectly and stably.

(3) Strengthen technical capability: Make use of the Company's research team to improve the production process and research and develop new technology and products to increase the added value of products.

2. Strong capital demand:

Given the business expansion and expensive price of the new generation test equipment, IC test service providers have a strong demand for working capital and fund for investment in machinery and equipment.

Corresponding strategy: The Company raised consideration working capital through the Company's net cash inflow from operating activities to help the Company's development.

3. More capital investment, more business risk

The annual capital expenditure of the package and test industry frequently ranges between NT$1 billion and NT$10 billion. The annual depreciation expenses are tremendous in this industry. Given the fluctuation of the economy in the semiconductor industry, how to keep the Company seeking profit and avoiding loss is a critical business challenge.

Corresponding strategy: Be cautious in investing in machinery and equipment, purchase mainstream test equipment, invest in customers with high growth ability, and strengthen the integration of effects of test platforms to disperse the proportion of single customer.

(II) Main product applications and production processes:

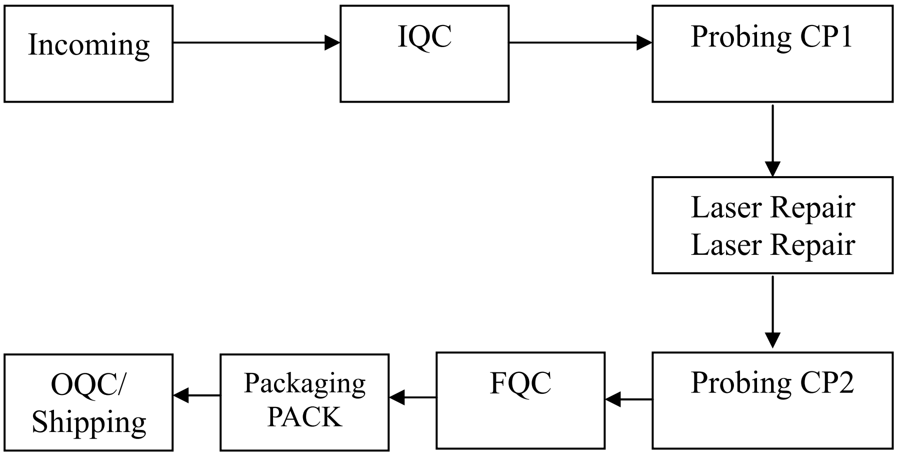
1. Important purpose of main products:

Main products	Important purpose
Wafer probe	Primarily intended to check and test the defects in wafer before the IC package.
Final test	Primarily intended to verify whether such attributes of the IC products as function, speed, tolerance, electronic consumption, electronic emission and heat diffusion satisfy the relevant standards.
Wafer grinding/dicing/ Waffle packing	After the wafer is ground and diced, the waffle is packed the package process.
Burn-in	Test the reliability of IC products and screen unstable ones earlier.
Lead Scan & Reform/Backend Services	Help the lead scan & reform of tested IC products and pack the same into the tap-on-reel trays designated by customers for convenient shipping and processing, and also provide the Dropship service.
Package/test shipment	For the incoming from customers - In the case of chips, package/test the shipment after grinding and dicing. - In the case of waffle, package/test the shipment after packing/probing.

2. Production process of main products

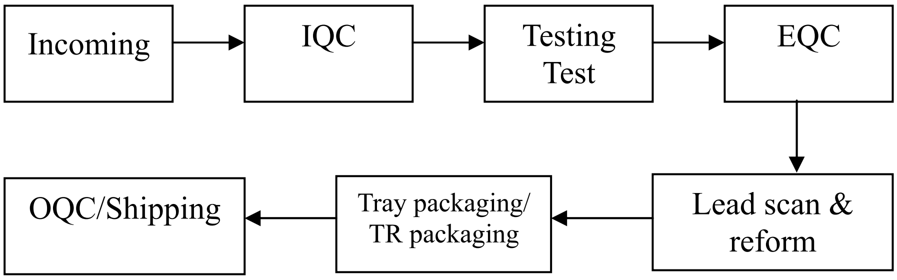
A. Wafer probing

Wafer probing refers to a process dedicated to test wafer to screen accepted and defective goods. The probing result refers to an important basis for the IC assembly, and may serve as the reference and evidence for the yield review in the front-end wafer process. The wafer probing is stated as following:



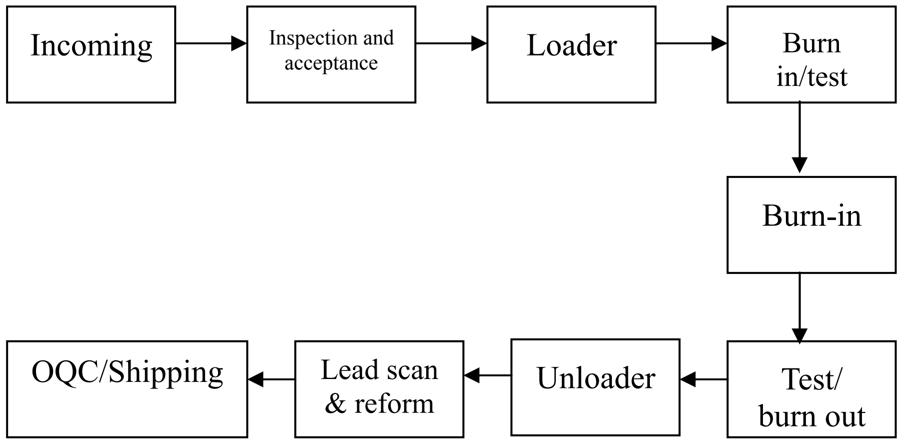
B. IC product testing procedures

The final test is intended to test the packaged IC to distinguish the product quality. The IC passing the test is identified as the finished goods. The conditions for the final test vary depending on the functions of various products. The typical final testing is stated as following:



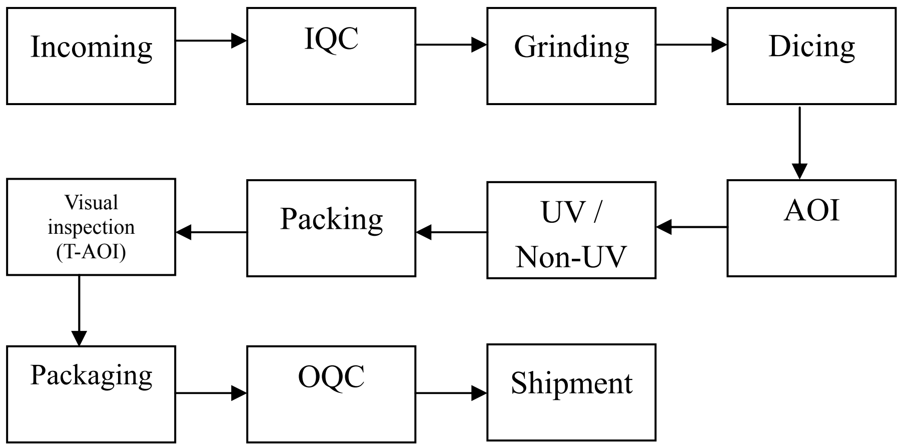
C. Burn-in

Burn-in is intended to test the reliability of IC products and screen unstable ones based on extreme conditions. The main process thereof is stated as following:



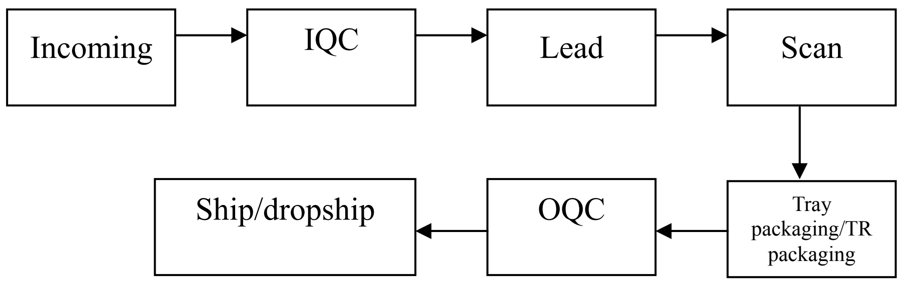
D. Wafer grinding/wafer dicing/waffle packing

The wafer grinding/dicing is primarily intended to grind the finished IC to a specified thickness, and then dice the same to dies for the following wire bonding or package. The main process thereof is stated as following:



E. Lead/dropship

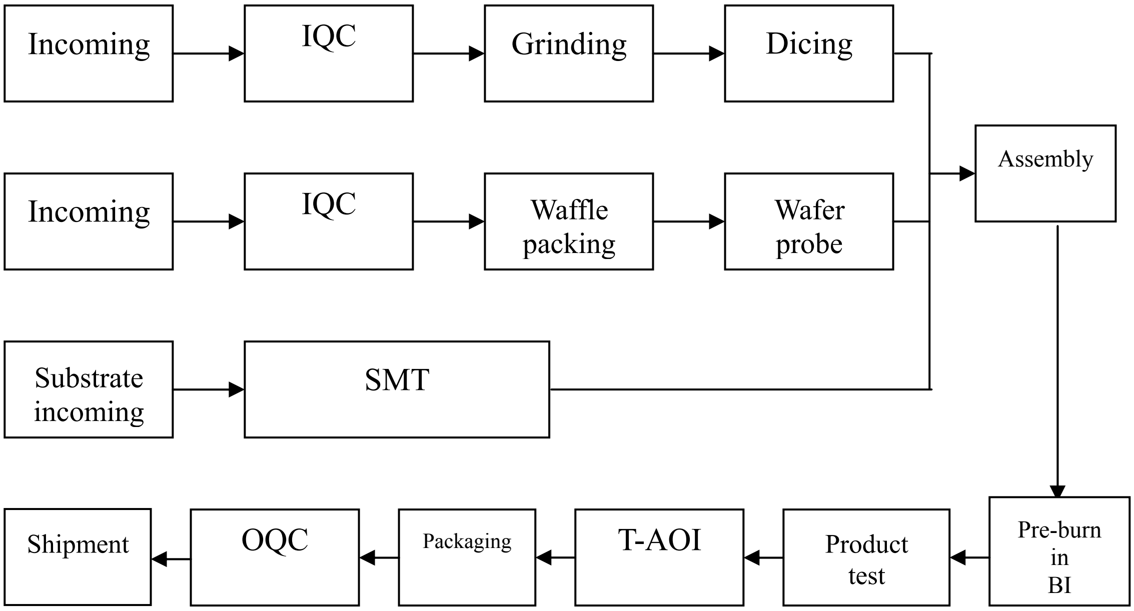
Help the lead scan & reform of tested IC products and pack the same into the tape-on-reel trays designated by customers for convenient shipping and processing, and also provide the Dropship service. The main process thereof is stated as following:



In order to satisfy the customers' demand for said services, the Company works hard to introduce new equipment and improve the process technology, and also research and develop new Burn-in equipment, test programs and related technologies and upgrade the R&D team's level to satisfy the customers and creates higher added value.

F. Package/test

The Company's main package/test products include SIP (SSD/PATA/SATA), MSD/HSSD/UFD QFN, TSOP, BGA and eMMC. Through the overall integrated circuit package and test services provided by the Company, the customers' products may be applied to such products as information, communication, office automation, automotive electronics and consumable electronics successfully.



(III) Supply of main raw materials

The Company is engaged in the technical service industry for the IC industry and, therefore, there is no such problem about supply of main raw materials.

(IV) Information about customers accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the two most recent fiscal years

1. Information about main suppliers: N/A.

Unit: NT$ thousand

Item	2018				2017			
	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer
	Net purchases	2,217,080	100	-	Net purchases	1,840,520	100	-

2. Information of main customers: None.

Unit: NT$ thousand

Item	2018				2017			
	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer
	Net sales	20,815,369	100		Net sales	19,686,911	100	

Explanation of the reason for increases or decreases

Most of the Company’s main customers remained stable from 2017 to 2018. Generally, there was no significant difference arising. Most of the Company’s main customers were renowned semi-conductor design companies and semi-conductor manufacturers. The Company also maintained the long-term stable relationship with the customers.

(V) Production volume and value in the latest two years

Quantity: Thousand (pcs)
Unit: NT$ thousand

Year / Production volume and value / Main products	2018			2017		
	Production capacity	Quantity	Production value	Production capacity	Quantity	Production value
Wafer test	7,615	4,401	5,956,725	7,388	4,370	4,924,328
Integrated circuits test	13,592,751	7,525,553	7,482,430	12,515,507	7,173,337	7,132,647
Others	3,182,082	2,797,406	2,187,717	3,240,655	2,501,997	2,067,587
Total	-	-	15,626,872	-	-	14,124,562

(VI) Sales volume and value in the last two years

Quantity: Thousand (pcs)
Unit: NT$ thousand

Year / Production volume and value / Main products	2018				2017			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer test	3,002	3,668,804	1,399	4,781,778	2,783	3,227,925	1,587	4,851,991
Integrated circuits test	3,779,386	2,628,239	3,736,167	6,970,206	,296,262	2,509,237	3,425,116	7,026,795
Others	1,300,202	1,173,145	1,473,503	1,593,197	,271,031	1,141,048	952,216	929,915
Total	-	7,470,188	-	13,345,181	-	6,878,210	-	12,808,701

III. Information about the employees

Employee Information for the Most Recent Two Years Up to the Publication of this Annual Report

Year		2018	2017	Ending February 28, 2019
Number of employees	Direct employees	3,104	2,394	3,053
	Indirect employees	3,871	3,234	3,853
	Total	6,975	5,628	6,906
Average age		33.9	33.7	33.9
Average years of service		6.3	6.4	6.3
Academic background percentage	Ph. D.	0.09	0.09	0.09
	Master degree	10.61	10.06	10.77
	University/college	67.61	66.58	67.51
	Senior high school	20.75	22.1	20.66
	Less than senior high school	0.94	1.17	0.97

IV. Information about the expenses of environmental protection

(I) Losses (including damage compensations) and fines incurred due to pollution of environment in the year of report up till the publication date of this annual report:

No losses or fines incurred due to pollution of environment should be borne by the Company.

(II) An explanation of the corresponding strategy (including corrective measures) and possible expenditure to be spent in the future (including an estimate of losses, fines, and compensation resulting

from any failure to adopt the corresponding strategy, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible)

1. The Company continued to establish multiple energy-saving projects in 2018, and the actual expenditure thereof was about NT$26,948 thousand.

(III) Whether the Company has established any energy-saving and carbon-reduction, GHG reduction, water-saving or other waste management policies?

1. The Company's Chu-Nan Factory and Tongluo Factory have established the ISO50001 (energy management system).
2. Chu-Nan Factory recalled about 50.5 tons of waste water through 2018.
3. The energy-saving projects were implemented in whole factories in 2018 and a total of 5,920,000 degrees of power were saved. The benefit generated therefor amounted to NT$17.76 million.
4. The Company continued to implement the energy-saving project in 2019, and about 6,360,000 degrees of power expected to be saved accordingly.
5. All factories have passed ISO14001 certification for environmental management system, followed the local competent authorities' policies, and are constantly exploring recycling solutions to mitigate the effect of waste on the environment.

V. Employer and employee relationships

(I) Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

1. Employee benefits, continuing education, training:

A. Employees' Welfare Committee: The Company established the Employees' Welfare Committee on September 2, 1993 to engage in planning various employees' welfare policies.
The Committee provides the following subsidies:

a. Childbirth
b. Gift certificates for three major festivals (Lunar Chinese New Year, Dragon Boat Festival and Moon Festival)
c. Gift certificate for birthday
d. Merchants
e. Marriage
f. Funeral
g. Injury and sickness
h. Company dinner party
i. Budget of social activities
j. Periodic organization of various activities and competitions
k. Free massage service
l. Field service of coffee bar
m. Field service of convenient chain store and preferential treatment for shopping

B. Other welfare policies

a. Remuneration to employees

Provide the allocation of incentive compensation for employees subject to their personal performance to share earnings with all colleagues.

b. Free periodic health checkup

The Company values the employees’ health very much and arranges the employees to take the free health checkup periodically.

c. Provide diversified activities

Encourage the colleagues to relax and adjust themselves physically and mentally besides the routine work through diversified activity design.

d. Medical room and free medical consultation with specialists

e. Provide colleagues who are away from homo with the employee dormitory (equipped with bed, chair and desk, closet, air conditioner and Wi-Fi)

f. Staff restaurant and meal allowance

g. Reading room, books and magazines, and publications loan service (regular subscription for multiple domestic/foreign books, newspapers and magazines, et al.)

h. Parking lots for cars and motorcycles

i. Incentives to senior employees (with the seniority of 5 years and 10 years)

j. Selection of model employees and reward to the model employees

k. Subsidies to budget of department activities

C. Continuing education/training

The Company is used to sparing no efforts to train talents and develop employees’ ability. Therefore, the Company believes that talents should refer to one of the important assets to the Company and also a critical factor to decide the Company's competitive strength and weakness. In order to achieve the goal to train talents, the Company's training system combines the Company's vision, mission, strategy, and core values, and constructs the core competency and management competency required for the various job ranks and required courses to be taken by them based on the analysis information. The Company's training system is categorized into in-house training, off-site training, in-service training, self-inspiration and so on.

For new employees, the Company’s establishes the tutorship system to train and certify their work skills to ensure the quality of the test operations. For the staff engaged in production and operation technicians, the skill test should be conducted each year to ensure improving and correct work skills. The high-rank management should tutor and promote the management talents in person to upgrade the effectiveness of both theoretical and practical management. Meanwhile, the Company works hard to promote its core value, build common values and philosophy, and enhance its performance and foundation of competitiveness.

The training is intended to upgrade the inspiration to the colleagues in knowledge and technology, and also to shape the

Company's corporate culture, core values and organizational common view. In the future, when facing the changeable environment, the Company will continue to uphold its lifelong-learning philosophy to fulfill the purpose for holistic education.

2. Retirement system and the status of its implementation:

In order to take care of the employees' life after retirement, facilitate the labor-management relations and improve work efficiency, the Company established the Supervisory Committee of Workers' Pension Preparation Fund pursuant to laws. The Committee shall supervise the deposit and disbursement of the Fund, and provide pension reserves at 2% of the total monthly salary and deposit the same at the Bank of Taiwan on a monthly basis pursuant to the relevant requirements. As of July 1, 2005, the employees who apply the new system should contribute the pension at 6% of their personal monthly salary to be deposited at the personal pension account opened in the Bureau of Labor Insurance.

3. Labor-management agreement

In addition to complying with the Labor Standard Act, the Company also sets up the employee's message board and opinion mailbox, and organizes periodic labor-management meeting meetings and employee symposium, etc. The Company values employees' opinion and appoints dedicated personnel to process the opinion. The communication channel between the labor and management is so smooth that the relationship between the labors and management is considered harmonious.

4. Measures for preserving employees' interests and rights

The Company treats its employees in good faith and respectfully, and stabilize the employees' life and improve the continuing education and training channels by broadening its welfare system, and establishes the fair relationship of mutual trust and cooperation with employees. By aligning with the Company's policies, the employees can fully exert the spirit and effectiveness of teamwork, so that the relationship between the labors and management is full of harmonious sense.

(II) Any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report, and an estimate of losses incurred to date or likely to be incurred in the future, and the corresponding strategy: N/A.

VI. Important contracts

(I) Supply and distribution contracts

Contract nature	Duration	Main contents	Restrictive terms
Processing contract	2018.01~	Test & processing	Duty of confidentiality to third party

(II) Engineering contracts

Contract nature	Counterparty	Duration	Main contents
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2018/10/26~ 2018/12/31	Tongluo 2nd Factory 4F PSG Clean Room PCW Piping Project
Construction contract	Li Wey Technology Engineering Co., Ltd.	2018/6/1~ 2018/7/31	Chu-Nan 4th Factory 6F/Office Premises Expansion RD+BU1 (CIS) Interior Renovation, Power and Fire Protection Project
Construction contract	Jiu Han Engineering Co., Ltd.	2018/1/16~ 2018/4/30	Tongluo 2nd Factory 3F Clean Room (CLASS 10) Project
Construction contract	Alpha Information Systems, Inc.	2018/3/1~ 2018/5/31	Tongluo 2nd Factory 3F Phase-I Clean Room (CLASS 10) Monitoring Project
Construction contract	Jiu Han Engineering Co., Ltd.	2018/3/29~ 2018/5/31	Tongluo 2nd Factory 3F Phase-II Clean Room Project
Construction contract	Jiu Han Engineering Co., Ltd.	2018/4/19~ 2018/5/31	Tongluo 2nd Factory 4F Phase-I Clean Room (1K) Project
Construction contract	Li Wey Technology Engineering Co., Ltd.	2018/7/20~ 2018/9/20	Chu-Nan 3rd Factory 3F CIS Clean Room (10) Air Passage Improvement Project
Construction contract	Li Wey Technology Engineering Co., Ltd.	2018/7/10~ 2018/9/15	Chu-Nan 3rd Factory 3F nVIDIA Clean Room Reconstruction (partitions and main pipeline for PCW)
Mandate contracts	WEI SHUN CONSTRUCTION CO., LTD.	2018/9/1~ 2019/1/20	Tongluo 3rd Factory New Construction Project for Main Building/161KV Substation 1st-Time Transportation of Remain Earth Project in 2018
Construction contract	Jiu Han Engineering Co., Ltd.	2018/10/12~ 2018/10/31	Tongluo 2nd Factory 4F Phase-II Clean Room (1K) for PSG Project
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2018/10/22~ 2019/6/30	Tongluo 3rd Factory Temporary Electricity & Water Project
Construction contract	Li Wei Enterprise Co., Ltd.	2018/10/2~ 2018/11/30	Chu-Nan 3rd Factory 3F SLT Clean Room Expansion Project

(IV) Long-term loan contracts

Unit: NT$ thousand

Contract nature	Counterparty	Duration	Interest rate (%)	Amount
Loan	Standard Chartered (Taiwan)	2018/06/30~2020/06/30	0.90	NTD600,000
Loan	Citibank Taiwan Ltd.	2018/11/30~2020/11/30	3.22	USD15,000
Loan	Bank Sinopac	2018/05/31~2020/05/31	3.00	USD20,000
Loan	HSBC Bank (Taiwan) Limited	2018/10/17~2020/10/17	0.81	NTD800,000
Loan	HSBC Bank (Taiwan) Limited	2018/10/17~2020/10/17	3.185	USD23,000
Loan	Taishin International Bank	2018/02/09~2021/02/09	1.29	NTD115,600
Loan	Cathay United Bank Co., Ltd.	2018/12/24~2020/12/24	2.98	USD9,000
Loan	First Commercial Bank	2018/06/28~2020/06/28	2.99	USD11,000
Loan	Bank of China Limited	2018/10/15~2020/10/14	0.81	NTD300,000
Loan	Mizuho Bank	2019/01/01~2021/01/01	0.82	NTD1,230,000
Loan	Hua Nan Bank	2018/11/16~2020/11/16	3.08	USD6,000
Loan	Taiwan Shin Kong Commercial Bank Co., Ltd.	2018/01/03~2021/01/03	3.15957	USD7,000
Loan	Mega Bank	2018/09/19~2020/09/18	2.877	USD17,000
Loan	O-Bank Co., Ltd.	2017.11.22~2020.11.21	1.2853	NTD200,000
Loan	Mega Bank	2018.02.12~2021.02.12	1.30	NTD319,500
Loan	Land Bank of Taiwan	2018/02/12~2021/02/12	1.30	NTD126,000
Loan	Chang Hwa Commercial Bank	2018.02.09~2021.02.09	1.30	NTD87,750
Loan	E.Sun Commercial Bank, Ltd.	2018/02/09~2021/02/09	1.25	NTD187,000
Loan	Taipei Fubon Commercial Bank Co., Ltd	2018.02.09~2021.02.09	1.334978	NTD175,500
Loan	Bank of Taiwan	2018.02.12~2021.02.12	1.317	NTD479,497
Mortgage loan	Land Bank of Taiwan syndicated loan project for NT$5 billion	2016.03.10~2021.03.10	1.797	NTD3,750,000
Mortgage loan	$14.2-billion syndicated loan of Mega Bank	2018/12/07~2023/12/06	1.3743	NTD4,500,000

(IV) Other contracts that would affect shareholders' equity: None.

Five. Overview of Finance

I. Condensed balance sheets and statements of comprehensive income for the past five fiscal years, the name of the certified public accountant and the auditor's opinion given thereby

(I) Condensed balance sheet

Condensed consolidated balance sheet

Unit: NT$ thousand

Item \ Year		Financial information in the most recent five (5) years				
		2018	2017	2016	2015	2014
Current assets		12,625,373	11,505,395	11,785,560	11,095,165	12,923,358
Property, plant and equipment		31,907,296	26,657,896	28,684,252	25,689,164	24,009,814
Intangible assets		171,062	44,915	31,619	104,529	108,107
Other assets		2,452,028	2,950,038	3,185,667	3,543,278	2,681,079
Total assets		47,155,759	41,158,244	43,687,098	40,432,136	39,722,358
Current liabilities	Before distribution	5,401,904	7,008,005	5,586,934	6,143,296	5,611,642
	After distribution	(Note 1)	9,206,305	7,695,045	7,538,049	7,757,788
Non-current liabilities		17,234,003	9,098,245	14,397,125	11,931,687	11,151,860
Total liabilities	Before distribution	22,635,907	16,106,250	19,984,059	18,074,983	16,763,502
	After distribution	(Note 1)	18,304,550	22,092,170	19,469,736	18,909,648
Total equity attributable to the owner of parent company		24,477,111	25,046,336	23,697,577	22,352,273	22,954,862
Share capital		12,227,451	12,202,383	11,674,833	11,622,944	11,923,184
Capital surplus		4,844,536	5,327,372	4,965,413	5,987,947	6,623,735
Retained earnings	Before distribution	8,208,297	7,746,405	7,241,924	4,548,443	4,115,067
	After distribution	(Note 1)	6,036,616	5,133,813	4,315,984	2,326,612
Other equities		(803,173)	(229,824)	(184,593)	192,939	292,876
Treasury stock		-	-	-	-	-
Non-controlling equity		42,741	5,658	5,462	4,880	3,994
Total equity	Before distribution	24,519,852	25,051,994	23,703,039	22,357,153	22,958,856
	After distribution	(Note 1)	22,853,694	21,594,928	20,962,400	20,812,710

Note 1: To be resolved during the 2019 Annual General Meeting.
Note 2: Financial statements for 2014~2018 have been audited and certified by the CPA.

Condensed Summary Balance Sheet of Individual Entity

Unit: NT$ thousand

Item \ Year		Financial information in the most recent five (5) years				
		2018	2017	2016	2015	2014
Current assets		10,682,961	9,408,719	9,646,213	8,968,890	10,128,939
Property, plant and equipment		28,321,210	23,397,902	25,387,917	22,531,695	21,465,175
Intangible assets		162,619	43,316	30,142	33,963	15,051
Other assets		7,087,793	7,505,850	7,739,301	7,790,681	7,134,222
Total assets		46,254,583	40,355,787	42,803,573	39,325,229	38,743,387
Current liabilities	Before distribution	4,666,325	6,359,967	4,999,212	5,326,030	4,999,266
	After distribution	(Note 1)	8,558,267	7,107,323	6,720,783	7,145,412
Non-current liabilities		17,111,147	8,949,484	14,106,784	11,646,926	10,789,259
Total liabilities	Before distribution	21,777,472	15,309,451	19,105,996	16,972,956	15,788,525
	After distribution	(Note 1)	17,507,751	21,214,107	18,367,709	17,934,671
Share capital		12,227,451	12,202,383	11,674,833	11,622,944	11,923,184
Capital surplus		4,844,536	5,327,372	4,965,413	5,987,947	6,623,735
Retained earnings	Before distribution	8,208,297	7,746,405	7,241,924	4,548,443	4,115,067
	After distribution	(Note 1)	6,036,616	5,133,813	4,315,984	2,326,612
Other equities		(803,173)	(229,824)	(184,593)	192,939	292,876
Treasury stock		-	-	-	-	-
Total equity	Before distribution	24,477,111	25,046,336	23,697,577	22,352,273	22,954,862
	After distribution	(Note 1)	22,848,036	21,589,466	20,957,520	20,808,716

Note 1: To be resolved during the 2019 Annual General Meeting.

Note 2: Financial statements for 2014~2018 have been audited and certified by the CPA.

(II) Condensed statement of comprehensive income

Condensed consolidated comprehensive Income Statement (Consolidated)

Unit: NT$ thousand

Year / Item	Financial information in the most recent five (5) years				
	2018	2017	2016	2015	2014
Operating revenue	20,815,369	19,686,911	20,081,683	7,128,536	6,277,769
Gross profit	5,363,698	5,782,405	5,929,167	4,793,983	4,881,730
Operating profit (loss)	2,719,681	3,466,624	3,701,931	2,703,360	2,932,231
Non-operating revenue and expense	(330,123)	(531,459)	(111,648)	145,241	187,129
Net profit before tax	2,389,558	2,935,165	3,590,283	2,848,601	3,119,360
Continuing departments net income – current period	1,793,890	2,234,080	2,981,777	2,282,273	2,559,731
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) - current period	1,793,890	2,234,080	2,981,777	2,282,273	2,559,731
Other comprehensive income (net after tax) - current period	(245,673)	(134,992)	(432,787)	(161,565)	246,059
Total comprehensive income - current period	1,548,217	2,099,088	2,548,990	2,120,708	2,805,790
Net profit attributable to the owner of parent	1,795,344	2,233,646	2,981,198	2,281,546	2,559,056
Net profit attributable to non-controlling equity	(1,454)	434	579	727	675
Comprehensive income attributable to the owner of parent	1,549,371	2,098,892	2,548,408	2,119,822	2,805,437
Comprehensive income attributable to non-controlling equity	(1,154)	196	582	886	353
EPS	1.47	1.88	2.56	1.93	2.15

Note 1: Financial statements for 2014~2018 have been audited and certified by the CPA.

Statement of comprehensive income of Individual Entity

Unit: NT$ thousand

Year / Item	Financial information in the most recent five (5) years				
	2018	2017	2016	2015	2014
Operating revenue	18,469,742	17,532,168	17,937,593	15,182,815	14,316,926
Gross profit	4,844,342	5,217,767	5,407,242	4,473,133	4,428,278
Operating profit (loss)	2,672,603	3,308,786	3,583,651	2,812,511	2,879,404
Non-operating revenue and expense	(318,946)	(398,164)	(14,594)	29,222	231,498
Net profit before tax	2,353,657	2,910,622	3,569,057	2,841,733	3,110,902
Continuing departments net income – current period	1,795,344	2,233,646	2,981,198	2,281,546	2,559,056
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) - current period	1,795,344	2,233,646	2,981,198	2,281,546	2,559,056
Other comprehensive income (net after tax) - current period	(245,973)	(134,754)	(432,790)	(161,724)	246,381
Total comprehensive income - current period	1,549,371	2,098,892	2,548,408	2,119,822	2,805,437
EPS	1.47	1.88	2.56	1.93	2.15

Note: Financial statements for 2014~2018 have been audited and certified by the CPA.

(III) Names of certified public accountant and audit opinions in recent five years

Year	Certified Public Accountant (CPA)	Contents of the opinion	Remarks
2014	CPA of Ernst & Young: Chia-Ling Tu Chin-Lai Wang	Unqualified opinion	-
2015	CPA of Ernst & Young: Chia-Ling Tu Chin-Lai Wang	Unqualified opinion	-
2016	CPA of Ernst & Young: Chia-Ling Tu Chin-Lai Wang	Unqualified opinion	-
2017	CPA of Ernst & Young: Chia-Ling Tu Shao-Pin Kuo	Unqualified opinion	-
2018	CPA of Ernst & Young: Shao-Pin Kuo Wen-Fun Fuh	Unqualified opinion	-

II. Financial analysis for the most recent five years

Financial analysis consolidated statements

Analysis items \ Year		Financial analysis in the most recent five years				
		2018	2017	2016	2015	2014
Financial structure %	Ratio of liabilities to assets (%)	48.00	39.13	45.74	44.70	42.20
	Ratio of long-term capital to property, plant and equipment	129.35	126.43	131.56	132.24	140.98
Solvency (%)	Current ratio	233.72	164.18	210.95	180.61	230.30
	Quick ratio	200.57	151.59	196.69	170.42	217.84
	Interest Coverage ratio	12.66	15.85	19.62	17.58	23.47
Operational ability	Receivables turnover (times)	4.16	4.26	4.73	4.26	4.15
	Receivables turnover days	88	86	77	86	88
	Inventory turnover (times)	18.95	23.83	25.48	33.90	40.74
	Payables turnover (time)	16.44	21.32	23.48	23.80	24.91
	Inventory turnover days	19	15	14	11	9
	Property, plant and equipment turnover (times)	0.71	0.71	0.74	0.69	0.74
	Total assets turnover (times)	0.47	0.46	0.48	0.43	0.42
Profitability	Return on assets (%)	4.43	5.65	7.47	6.05	6.94
	Return on equity (%)	7.24	9.16	12.95	10.07	11.47
	Ratio of income before tax to paid-in capital (%)	19.54	24.05	30.75	24.51	26.16
	Profit margin (%)	8.62	11.35	14.85	13.32	15.73
	EPS (NTD)	1.47	1.88	2.56	1.93	2.15
Cash flow	Cash flow ratio (%)	156.02	129.50	149.47	134.85	122.99
	Cash flow adequacy ratio (%)	83.43	88.93	90.43	98.32	113.06
	Cash reinvestment ratio (%)	5.72	7.15	7.18	6.82	6.16
Leverage	Operating leverage	3.47	2.83	2.51	2.90	2.51
	Financial leverage	1.08	1.06	1.05	1.07	1.05

The causes resulting in changes in financial rates in the most recent two–years by more than 20%: (Analysis is not required if the magnitude of increase or decrease is less than 20%) 1. Debt to assets ratio increased compared to the previous year mainly because of additional long-term borrowings undertaken to support operational needs. 2. Current ratio and quick ratio increased compared to the previous year mainly due to repayment of long-term borrowings and corporate bonds maturing within one year. 3. Interest coverage ratio, return on assets, return on equity and profit margin decreased compared to the previous year mainly as a result of the overall economy and the addition of low-margin packaging activities, employees and personnel cost following the merger of Dawning Leading Technology Inc. 4. Inventory turnover and payables turnover both decreased from the previous year, which was mainly attributed to the merger of Dawning Leading Technology Inc. 5. Degree of operating leverage increased compared to the previous year mainly as a result of the overall economy and the addition of low-margin packaging activities, employees and personnel cost following the merger of Dawning Leading Technology Inc.

Note 1: Financial figures for 2014~2018 were based on the financial statements audited and certified by the CPA.

Individual Statement of Financial Analysis

Analysis items \ Year		Financial analysis in the most recent five years				
		2018	2017	2016	2015	2014
Financial structure %	Ratio of liabilities to assets (%)	47.08	37.94	44.64	43.16	40.75
	Ratio of long-term capital to property, plant and equipment	145.14	143.38	147.48	149.49	155.98
Solvency (%)	Current ratio	228.94	147.94	192.95	168.40	202.61
	Quick ratio	201.88	137.70	180.86	161.83	195.43
	Interest Coverage ratio	13.29	16.63	21.28	18.95	24.54
Operational ability	Receivables turnover (times)	4.14	4.26	4.77	4.29	4.12
	Receivables turnover days	88	86	77	85	89
	Inventory turnover (times)	20.50	26.75	28.66	46.44	66.79
	Payables turnover (times)	18.66	25.49	28.53	30.12	31.23
	Inventory turnover days	18	14	13	8	5
	Property, plant and equipment turnover (times)	0.71	0.72	0.75	0.69	0.74
	Total assets turnover (times)	0.43	0.42	0.44	0.39	0.38
Profitability	Return on assets (%)	4.50	5.74	7.62	6.18	7.08
	Return on equity (%)	7.25	9.16	12.95	10.07	11.46
	Ratio of income before tax to paid-in capital (%)	19.25	23.85	30.57	24.45	26.09
	Profit margin (%)	9.72	12.74	16.62	15.03	17.87
	EPS (NTD)	1.47	1.88	2.56	1.93	2.15
Cash flow	Cash flow ratio (%)	171.16	133.60	157.86	146.62	127.58
	Cash flow adequacy ratio (%)	85.71	89.64	91.36	99.19	114.91
	Cash reinvestment ratio (%)	5.62	6.96	7.12	6.72	5.95
Leverage	Operating leverage	3.29	2.76	2.48	2.64	2.37
	Financial leverage	1.08	1.06	1.05	1.06	1.05

The causes resulting in changes in financial rates in the most recent two–years by more than 20%: (Analysis is not required if the magnitude of increase or decrease is less than 20%). 1. Debt to assets ratio increased compared to the previous year mainly because of additional long-term borrowings undertaken to support operational needs. 2. Current ratio and quick ratio increased compared to the previous year mainly due to repayment of long-term borrowings and corporate bonds maturing within one year. 3. Interest coverage ratio, return on assets, return on equity and ~~net~~ profit margin decreased compared to the previous year mainly as a result of the overall economy and the addition of low-margin packaging activities, employees and personnel cost following the merger of Dawning Leading Technology Inc. 4. Inventory turnover and payables turnover both decreased from the previous year, which was mainly attributed to the merger of Dawning Leading Technology Inc.

Note: Said financial figures were based on the financial statements audited and certified by the CPA.

The calculation formula for said ratios is identified as following:

1. Financial structure
   (1) Ratio of liabilities to assets = total liabilities/total assets.
   (2) Ratio of long-term capital to property, plant and equipment = (Total equity+Long-term loan) / net of property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
   (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operational ability
   (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
   (2) Receivables turnover days = 365 / receivables turnover.
   (3) Inventory turnover = sale cost / average inventory.
   (4) Payables (including accounts payable and notes payable resulting from operation) turnover = net sales / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation).
   (5) Inventory turnover days = 365 / inventory turnover.
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
   (7) Total assets turnover = net sales / average total assets.
4. Profitability
   (1) Return on assets = [Net Income or Loss + Interest expense × (1 - tax rate)] / Average total assets.
   (2) ROE = Income after income tax / average total equity.
   (3) Profit margin = Income After income tax / net sales.
   (4) Earnings per share = (attributable to the shareholder's profit and loss of the parent company - Preferred dividends) / Weighted average number of shares issued. (Note 1)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow from operating activities during the most recent five years / (capital expenditure + increase in inventory + cash dividends) during the most recent five years.
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + intangible assets + working capital). (Note 2)
6. Leverage:
   (1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 3).
   (2) Financial leverage = operating profit / (operating profit - interest expenses).

Note 1: Calculation of earnings per share has taken the following factors into account:

1. The weighted average quantity of outstanding common shares shall be used as the standard, not the quantity of outstanding shares at the end of the year.
2. In case of raising capital through issuing new shares or transactions of treasury stocks, calculate also the weighted average quantity of outstanding shares in the period of circulation.
3. In case of capitalization of retained earnings or capitalization of capital surplus into new shares, adjustment shall be made in retrospect to the size of capitalization for each instance when calculating the earnings per shares annually or semi-annually. The time of issuance can be neglected.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend declared in current period (whether paid or unpaid) shall be deducted from corporate earnings or as addition to earnings after taxation. If the accumulated preferred shares

are not accumulative in nature, dividend for preferred shares shall be deducted from corporate earnings, if any. In case of loss, no adjustment shall be made.

Note 2: Cash flow analyses have taken the following factors into account:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refer to the amount before deducting accumulated depreciation.

Note 3: The Company, as a securities issuer, is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

III. Audit Report from the Audit Committee on the latest financial statements

King Yuan Electronics Co., Ltd.
Audit Committee's audit report

With regard to the Company's 2018 business report, consolidated financial statement (including financial statements of individual entities), and distribution of earnings resolutions prepared and submitted by the Board of Directors, the consolidated financial statement (including financial statements of individual entities) has already been audited by Ernst & Young, which has submitted an audit report. The foregoing business report, consolidated financial statement (including financial statements of individual entities), and distribution of earnings resolution has been reviewed by the Audit Committee, which found no discrepancies. The foregoing report has been made pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, please check.

King Yuan Electronics Co., Ltd.

Chairperson of the Audit Committee: Hsien-Tsun Yang

March 14, 2019

IV. The latest financial statements

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

KING YUAN ELECTRONICS CO., LTD.

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

Address: No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City 300, Taiwan (R.O.C.)
Telephone: 886-3-5751888

The reader is advised that these 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.

EY 安永
Building a better working world

安永聯合會計師事務所

30078 新竹市新竹科學園區力行一路1號E-3
E-3, No.1, Lixing 1st Rd., Hsinchu Science Park
Hsinchu City, Taiwan, R.O.C.

Tel: 886 3 688 5678
Fax: 886 3 688 6000
www.ey.com/taiwan

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 accompany parent company only balance sheets of King Yuan Electronics Co., Ltd. as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of King Yuan Electronics Co., Ltd. as of December 31, 2018 and 2017, and its 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.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of King Yuan Electronics Co., Ltd. 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 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition
King Yuan Electronics Co., Ltd. recognized NT$18,469,742 thousand as net sales. Their mainly activities are providing testing and assembly services that represented 94%, or NT$17,417,745 thousand in the amount, of the net operating revenues.

Since the primary activities of King Yuan Electronics Co., Ltd. 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 financial statements.

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

Management is responsible for the preparation and fair presentation of the parent company only 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of King Yuan Electronics Co., Ltd. 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. 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.

EY 安永
Building a better working world

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 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 parent company only 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.

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. 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 parent company only 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. to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within King Yuan Electronics Co., Ltd. to express an opinion on the 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 parent company only 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.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 14, 2019

Notice to Readers

- The accompanying parent company only 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 financial statements are those generally accepted and applied in the Republic of China.

- Accordingly, the accompanying parent company only 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.

PARENT COMPANY ONLY 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)	$3,887,001	9	$4,043,906	10
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(17), 6(18), 7	289,427	1	-	-
Notes receivable, net	4, 6(5), 6(18)	13,844	-	10,655	-
Accounts receivable, net	4, 6(6), 6(18)	3,900,814	8	3,256,792	8
Accounts receivable from related parties, net	4, 6(6), 6(18), 7	752,618	2	674,225	2
Other receivables		144,666	-	168,440	-
Other receivables from related parties	4, 7	123,577	-	217,941	-
Inventories, net	4, 6(7)	962,615	2	350,430	1
Prepayments	6(8)	300,194	1	300,725	1
Other current assets		190,755	-	272,875	1
Total current assets		10,682,961	23	9,408,719	23
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-noncurrent	4, 6(9)	-	-	1,785,558	5
Investments accounted for using the equity method	4, 6(10)	4,816,516	11	5,257,688	13
Property, plant and equipment	4, 6(11), 7, 8	28,321,210	61	23,397,902	58
Intangible assets	4, 6(12)	162,619	-	43,316	-
Deferred tax assets	4, 6(23)	405,398	1	333,914	1
Other financial assets-non-current	8	109,912	-	99,521	-
Other non-current assets		3,487	-	7,087	-
Total non-current assets		35,571,622	77	30,947,068	77
Total assets		$46,254,583	100	$40,355,787	100

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY 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					
Contract liabilities-current	4, 6(17)	$84,834	-	$-	-
Notes payable		39,512	-	11,815	-
Accounts payable		944,104	2	445,546	1
Accounts payable to related parties	7	12,391	-	7,236	-
Other payables		2,129,717	4	1,807,868	5
Other payables to related parties	7	110,605	-	52,888	-
Payables on equipment		778,069	2	417,338	1
Current tax liabilities	4, 6(23)	288,772	1	334,724	1
Bonds payable, current portion	4, 6(13)	-	-	64,829	-
Current portion of long-term liabilities	4, 6(14), 8	-	-	2,991,661	7
Other current liabilities		278,321	1	226,062	1
Total current liabilities		4,666,325	10	6,359,967	16
Non-current liabilities					
Long-term loans	4, 6(14), 6(21)	16,628,004	36	8,501,737	21
Net defined benefit liabilities	4, 6(15)	481,570	1	446,624	1
Guarantee deposits		1,573	-	1,123	-
Total non-current liabilities		17,111,147	37	8,949,484	22
Total liabilities		21,777,472	47	15,309,451	38
Equity					
Share capital	4, 6(13), 6(16)				
Common stock		12,227,451	27	12,202,383	31
Capital surplus	4, 6(13), 6(16)	4,844,536	10	5,327,372	13
Retained earnings	4, 6(16)				
Legal reserve		2,179,765	5	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	18	7,746,405	19
Other equity	4	(803,173)	(2)	(229,824)	(1)
Total equity		24,477,111	53	25,046,336	62
Total liabilities and equity		$46,254,583	100	$40,355,787	100

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY 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(17), 7	$18,469,742	100	$17,532,168	100
Operating costs	4, 6(5), 6(12), 6(15), 6(19), 6(20), 7	(13,625,400)	(74)	(12,314,401)	(70)
Gross profit		4,844,342	26	5,217,767	30
Operating expenses	4, 6(12), 6(15), 6(19), 6(20)				
Selling expenses		(325,580)	(2)	(303,750)	(1)
Administrative expenses		(1,116,369)	(5)	(952,309)	(5)
Research and development expenses		(727,857)	(4)	(652,922)	(4)
Expected credit losses		(1,933)	-	-	-
Total operating expenses		(2,171,739)	(11)	(1,908,981)	(10)
Operating income		2,672,603	15	3,308,786	20
Non-operating income and expenses					
Other income	4, 6(21), 7	45,290	-	73,295	-
Other gains and losses	4, 6(4), 6(9), 6(21)	242,583	1	86,446	-
Finance costs	4, 6(11), 6(21)	(191,478)	(1)	(186,229)	(1)
Share of profit of associates accounted for using the equity method	4, 6(10)	(415,341)	(2)	(371,676)	(2)
Total non-operating income and expenses		(318,946)	(2)	(398,164)	(3)
Net income before income tax		2,353,657	13	2,910,622	17
Income tax expense	4, 6(23)	(558,313)	(3)	(676,976)	(4)
Net income		1,795,344	10	2,233,646	13
Other comprehensive income	4, 6(22)				
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		(81,743)	(1)	(100,133)	(1)
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		(245,973)	(2)	(134,754)	(1)
Total comprehensive income		$1,549,371	8	$2,098,892	12
Earning per share(NT$)	4, 6(24)				
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 parent company only financial statements.

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Other equity			Total Equity
			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	
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
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)
Profit for the year ended December 31, 2017	-	-	-	-	2,233,646	-	-	-	2,233,646
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(89,523)	(51,953)	-	6,722	(134,754)
Total comprehensive income	-	-	-	-	2,144,123	(51,953)	-	6,722	2,098,892
Conversion of convertible bonds	527,550	830,428	-	-	-	-	-	-	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
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
Effects of retrospective application and retrospective restatement	-	-	-	-	448,328	-	(393,955)	(5,412)	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
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)
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	(33,755)	-	-	-	-	-	-	(33,755)
Profit for the year ended December 31, 2018	-	-	-	-	1,795,344	-	-	-	1,795,344
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(41,788)	(56,892)	(147,293)	-	(245,973)
Total comprehensive income	-	-	-	-	1,753,556	(56,892)	(147,293)	-	1,549,371
Conversion of convertible bonds	25,068	39,430	-	-	-	-	-	-	64,498
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

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY 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	$2,353,657	$2,910,622
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	6,083,925	5,786,300
Amortization	39,208	25,985
Expected credit loss (reversal of provision)	1,933	(16,000)
Gains on financial assets and liabilities at fair value through profit or loss	(418)	-
Interest expenses	191,478	186,229
Interest income	(9,919)	(10,498)
Dividend income	(880)	(4,295)
Investment loss accounted for using the equity method	415,341	371,676
Gain on disposal of property, plant and equipment	(83,565)	(74,812)
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 (gain)	58,154	(110,044)
Changes in operating assets and liabilities：		
Contract assets	(289,427)	-
Notes receivable	(3,189)	3,595
Accounts receivable	46,728	(3,807)
Accounts receivable from related parties	(78,393)	299,913
Other receivables	68,803	(92,931)
Other receivables from related parties	127,309	(18,663)
Inventories	(185,581)	204,484
Prepayments	(33,494)	16,418
Other current assets	82,120	51,581
Contract liabilities	84,834	-
Notes payable	27,697	645
Accounts payable	(41,577)	(37,170)
Accounts payable to related parties	5,155	(669)
Other payables	(229,987)	(262,173)
Other payables to related parties	51,475	(8,213)
Other current liabilities	10,742	13,429
Accrued pension liabilities	(6,842)	(4,376)
Cash generated from operating activities	8,610,860	9,241,607
Interest received	9,979	11,043
Income tax paid	(633,780)	(755,833)
Net cash provided by operating activities	7,987,059	8,496,817

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	(280,938)	-
Acquisition of property, plant and equipment	(7,755,488)	(4,649,350)
Proceeds from disposal of property, plant and equipment	225,975	436,658
Decrease in refundable deposits	28,337	3,456
Acquisition of intangible assets	(15,925)	(39,159)
Proceeds from disposal of intangible assets	246	-
Net cash outflows from acquisition of subsidiaries	(209,444)	-
Increase in other financial assets	(10,391)	(5,525)
Dividend received	10,940	15,755
Net cash used in investing activities	(7,996,950)	(4,493,272)
Cash flows from financing activities :		
Decrease in short-term loans	(413,652)	-
Borrowing in long-term loans	21,368,956	5,611,600
Repayments of long-term loans	(18,716,667)	(7,321,930)
Increase in guarantee deposits	450	-
Decrease in guarantee deposits	-	(75)
Cash dividends	(2,198,300)	(2,108,111)
Interest paid	(187,801)	(169,990)
Net cash used in financing activities	(147,014)	(3,988,506)
Net (decrease) increase in cash and cash equivalents	(156,905)	15,039
Cash and cash equivalents at the beginning of the year	4,043,906	4,028,867
Cash and cash equivalents at the end of the year	$3,887,001	$4,043,906

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

1. Organization and Operation

King Yuan Electronics Co., Ltd. ("the Company") 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 parent company only financial statements of 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$84,834 thousand and the contract liabilities increased by NT$84,834 thousand as at December 31, 2018.

d. Please refer to Note 4.(17), Note 5 and Note 6.(17) 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.(7) 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)	8,478,567
Loans and receivables (including cash and cash equivalents, notes receivables, trade receivables (including related parties), other receivables (including related parties), and other financial assets)	8,478,567		
Total	$10,398,937	Total	$10,458,238

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			Retained earnings adjusted amount	Other components of equity Adjusted amount
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference		
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	4,043,906	Cash and cash equivalents	4,043,906	-	-	-
Notes receivables	10,655	Notes receivables	10,655	-	-	-
Trade receivables (including related parties)	3,931,017	Trade receivables (including related parties)	3,931,017	-	-	-
Other receivables (including related parties)	386,381	Other receivables (including related parties)	386,381	-	-	-
Other financial assets	99,521	Other financial assets	99,521	-	-	-
Other non-current assets	7,087	Other non-current assets	7,087	-	-	-
Subtotal	8,478,567		8,478,567	-	-	-
Total	$10,398,937	Total	$10,458,238	$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.(7), 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$471,190 thousand and the lease liability will increase by NT$471,190 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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

Basis of Preparation

The Company prepared the parent company only financial statements in accordance with the Regulations. According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial statements will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

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

Foreign currency transactions

The parent company only financial statements are presented in NT$, which is also the Company' functional currency.

Transactions in foreign currencies are initially recorded by the Company's functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated 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

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional 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 adjustment in “investments accounted for using the equity method”. In partial disposal of an associate or jointly controlled entity 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

According to Article 21 of the Regulations, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" and changes in value will be adjusted accordingly. The profit or loss and other comprehensive income presented in parent company only financial statements will be the same as the allocations of profit or loss and other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under "investments accounted for using equity method", "share of profit of subsidiaries and associates accounted for using equity method" and "share of other comprehensive income of subsidiaries and associates accounted for using equity method".

The Company's investment in its associate is accounted for using the equity method. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate 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. After the interest in the associate 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. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate 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, 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 on a pro rata basis.

When the associate issues new shares, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate 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.

The financial statements of the associate 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	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 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 the Company (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 the Company 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 the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For the defined contribution plan, the Company 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.

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 employees 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 parent company only 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 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.

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.

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

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
Checking and savings accounts	$3,797,001	$2,359,881
Time deposits	90,000	1,684,025
Total	$3,887,001	$4,043,906

(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.

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

(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.

(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.

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

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.(18) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(6) Trade receivables and trade receivables from related parties

	December 31, 2018	December 31, 2017
Trade receivables	$3,928,197	$3,305,275
Less: loss allowance	(27,383)	(25,450)
Less: allowance for sales returns and discounts(note)	-	(23,033)
Subtotal	3,900,814	3,256,792
Trade receivables from related parties	752,618	674,225
Less: loss allowance	-	-
Subtotal	752,618	674,225
Total	$4,653,432	$3,931,017

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.

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

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. (18) 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	$16,503	$41,450
Reversal for the current period	-	(10,392)	(10,392)
Reversal due to recovery	(5,608)	-	(5,608)
As of December 31, 2017	$19,339	$6,111	$25,450

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	$3,487,839	$399,086	$44,092	$-	$-	$3,931,017

(7) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$771,444	$273,478
Work in progress	191,129	76,952
Finished goods	42	-
Total	$962,615	$350,430

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

The cost of inventories recognized in operating costs for the years ended December 31, 2018 and 2017 amounted to NT$13,625,400 thousand and NT$12,314,401 thousand, respectively, including the write-down of inventories of NT$619 thousand and NT$1,681 thousand, and scrap loss of NT$3,219 thousand and NT$3,319 thousand, respectively. The reversal is due to the fact that the previous write-down of inventories was disposed and resulted in a reversal of provision recognized previously.

No inventories were pledged.

(8) Prepayments

	December 31, 2018	December 31, 2017
Prepaid equipment	$122,860	$271,226
Input tax	133,221	19,480
Prepaid expenses	7,076	2,995
Others	37,037	7,024
Total	$300,194	$300,725

(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.

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

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) Investment accounted for using the equity method

	December 31, 2018		December 31, 2017	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Subsidiaries:				
KYEC USA Corp.	$11,499	100.00%	$14,019	100.00%
KYEC Investment International Co., Ltd.	4,479,700	100.00%	4,448,762	100.00%
KYEC Technology Management Co., Ltd.	262,356	100.00%	254,950	100.00%
KYEC Japan K.K.	53,592	89.83%	49,979	89.83%
KYEC SINGAPORE PTE. LTD.	1,007	100.00%	1,727	100.00%
King Ding Precision Incorporated Company (King Ding)	34,032	48.94%	-	-
Subtotal	4,842,186		4,769,437	
Investment in affiliates:				
Dawning Leading Technology Inc.(Dawning)	-	-	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	65,352		578,521	
Less：deferred credits	(88,022)		(90,270)	
Total	$ 4,816,516		$5,257,688	

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

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

In April 2018, 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.(25) for more details.

A. Investment in subsidiaries

Investments in subsidiaries are express as "Investments accounted for using the equity method" in the Company's parent company only financial statements with necessary valuation adjustments.

No investments were pledged.

B. 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

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

	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)

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 summarized financial information of the Company's ownership in those associates is as follows:

	Years 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	$3,845,176	$6,895,627	$65,431,859	$563,047	$41,347	$3,332,758	$4,425	$344,765	$81,602,398
Additions	-	19,724	744,630	6,838,663	39,133	4,119	457,100	-	(7,393)	8,095,976
Addition- acquired through business combination	-	-	194,802	2,682,988	12,944	-	113,873	-	42,433	3,047,040
Disposals	-	-	(17,427)	(2,500,015)	(1,942)	(1,736)	(72,597)	-	-	(2,593,717)
Transfers	-	-	-	40,426	-	-	(87,014)	-	105,933	59,345
As of December 31, 2018	$1,143,394	$3,864,900	$7,817,632	$72,493,921	$613,182	$43,730	$3,744,120	$4,425	$485,738	$90,211,042
Cost:										
As of January 1, 2017	$1,143,394	$3,845,176	$6,575,026	$63,490,304	$536,895	$39,930	$3,221,606	$4,425	$378,142	$79,234,898
Additions	-	-	364,538	2,578,304	34,062	3,824	208,680	-	1,140,090	4,329,498
Disposals	-	-	(43,937)	(1,542,680)	(7,910)	(2,407)	(97,528)	-	-	(1,694,462)
Transfers	-	-	-	905,931	-	-	-	-	(1,173,467)	(267,536)
As of December 31, 2017	$1,143,394	$3,845,176	$6,895,627	$65,431,859	$563,047	$41,347	$3,332,758	$4,425	$344,765	$81,602,398

(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	$-	$1,205,274	$4,795,333	$49,026,731	$479,305	$25,044	$2,671,629	$1,180	$-	$58,204,496
Depreciation	-	124,036	434,467	5,274,956	34,253	5,077	210,694	442	-	6,083,925
Disposals	-	-	(17,427)	(2,304,887)	(1,942)	(1,736)	(72,597)	-	-	(2,398,589)
Transfers	-	-	-	-	-	-	-	-	-	-
As of December 31, 2018	$-	$1,329,310	$5,212,373	$51,996,800	$511,616	$28,385	$2,809,726	$1,622	$-	$61,889,832
As of January 1, 2017	$-	$1,081,238	$4,409,785	$45,281,715	$454,875	$22,549	$2,596,082	$737	$-	$53,846,981
Depreciation	-	124,036	429,522	5,022,020	32,302	4,902	173,075	443	-	5,786,300
Disposals	-	-	(43,974)	(1,277,004)	(7,872)	(2,407)	(97,528)	-	-	(1,428,785)
Transfers	-	-	-	-	-	-	-	-	-	-
As of December 31, 2017	$-	$1,205,274	$4,795,333	$49,026,731	$479,305	$25,044	$2,671,629	$1,180	$-	$58,204,496
Net carrying amount as at:										
December 31, 2018	$1,143,394	$2,535,590	$2,605,259	$20,497,121	$101,566	$15,345	$934,394	$2,803	$485,738	$28,321,210
December 31, 2017	$1,143,394	$2,639,902	$2,100,294	$16,405,128	$83,742	$16,303	$661,129	$3,245	$344,765	$23,397,902

(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	$8,095,976	$4,329,498
Net (increase) decrease in payables to equipment suppliers	(334,246)	318,132
Net (increase) decrease in other payables - related parties	(6,242)	1,720
Total	$7,755,488	$4,649,350

	For the years ended December 31,	
	2018	2017
Disposal of property, plant and equipment	$283,520	$362,229
Net (increase) decrease in other receivables	(24,600)	-
Net (increase) decrease in other receivables - related parties	(32,945)	74,429
Total	$225,975	$436,658

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	$101,930	$-	$101,930
Additions from acquisitions	15,925	-	15,925
Acquired through business combination	17,897	35,914	53,811
Disposals	(36,693)	-	(36,693)
Transfers	89,021	-	89,021
As of December 31, 2018	$188,080	$35,914	$223,994

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

As of January 1, 2017	$77,533	$-	$77,533
Additions from acquisitions	39,159	-	39,159
Disposals	(14,762)	-	(14,762)
As of December 31, 2017	$101,930	$-	$101,930
Amortization and impairment:			
As of January 1, 2018	$58,614	$-	$58,614
Amortization	39,208	-	39,208
Disposals	(36,447)	-	(36,447)
As of December 31, 2018	$61,375	$-	$61,375
As of January 1, 2017	$47,391	$-	$47,391
Amortization	25,985	-	25,985
Disposals	(14,762)	-	(14,762)
As of December 31, 2017	$58,614	$-	$58,614
Net carrying amount as of:			
December 31, 2018	$126,705	$35,914	$162,619
December 31, 2017	$43,316	$-	$43,316

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	12,895	10,642
Research and development costs	5,566	4,983
Total	$39,208	$25,985

The goodwill acquired through business combination is NT$35,914 thousand. Please refer to Note 6.(25) for more details.

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

(13) 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 Company's 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.

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.

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

(14) 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	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
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

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

Lenders	Nature	Balance	Maturity Date	Terms of repayment
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.
Subtotal		16,677,329		
Less: current portion		-		
Less: Arrangement fee		(43,675)		
Less: Unamortized discount		(5,650)		
Total		$16,628,004		
Interest Rates		0.81%~3.66%		

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

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
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 repayment 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.

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

Lenders	Nature	Balance	Maturity Date	Terms of repayment
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.
Subtotal		11,510,593		
Less: current portion		(2,991,661)		
Less: Arrangement fee		(17,195)		
Total		$8,501,737		
Interest rate		0.74%~1.99%		

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.

c. The Company's unused short-term lines of credits amounted to NT$2,797,687 thousand and NT$3,151,036 thousand as at December 31, 2018 and 2017, respectively.

(15) 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.

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$162,061 thousand and NT$150,314 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 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 defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease 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.

(16) 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.(13) 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 Board of shareholders' general meeting on June 8, 2018, the Company would reduce the capital surplus from share premium of NT$488,511 thousand to distribute cash dividends.

Please refer to Note 6.(20) for information regarding the employees' compensations (bonuses) and remunerations to directors.

(17) Operating revenue

	For the years ended December 31,	
	2018	2017
Assembly and testing processing revenue	$17,417,745	$16,893,911
Revenue from rental of machinery	592,975	370,575
Rental income from property	102,787	74,320
Other operating revenues	356,235	193,362
Total revenue	$18,469,742	$17,532,168

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:

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

A. Disaggregation of revenue

Nature of revenue	Timing of revenue recognition	Amount
Rendering of services	Over time	$17,417,745
Revenue from rental of machinery	Over time	592,975
Rental income from property	On a straight-line basis or on a systematic basis (Note)	102,787
Other operating revenues	At a point in time	356,235
Total		$18,469,742

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	$84,834	$38,673

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.

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

(18) 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	1,933	
Total	$1,933	

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	$4,346,324	$262,602	$1,469	$64,967	$2,958	$4,678,320
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(9,582)	-	(15)	(1,299)	(148)	(11,044)
Subtotal	4,336,742	262,602	1,454	63,668	2,810	4,667,276

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

Group 2	Not yet due (Note)	Overdue 1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$500	$-	$-	$-	$15,839	$16,339
Loss ratio	100%	-%	-%	-%	100%	
Lifetime expected credit losses	(500)	-	-	-	(15,839)	(16, 339)
Subtotal	-	-	-	-	-	-
Total						$4,667,276

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)	$-	$-	$25,450
Beginning balance (in accordance with IFRS 9)	-	-	25,450
Addition/(reversal) for the current period	-	-	1,933
Ending balance	$-	$-	$27,383

(19) 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:

	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

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

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	$4,887	$15,231
Later than one year and not later than five years	1,749	22,961
Total	$6,636	$38,192

(20) 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	$3,318,671	$780,161	$4,098,832	$3,003,955	$712,902	$3,716,857
Labor and health insurance	315,182	57,938	373,120	285,568	52,895	338,463
Pension	138,300	34,852	173,152	132,773	31,367	164,140
Remuneration of directors	-	20,611	20,611	-	25,495	25,495
Other employee benefits expense	171,480	27,211	198,691	146,933	22,753	169,686
Total	$3,943,633	$920,773	$4,864,406	$3,569,229	$845,412	$4,414,641
Depreciation	$5,646,480	$437,445	$6,083,925	$5,409,186	$377,114	$5,786,300
Amortization	$20,747	$18,461	$39,208	$10,360	$15,625	$25,985

The total number of employees was 6,982 and 5,635 as of December 31, 2018 and 2017, respectively. The total number of Board of Directors who has not served as employees was 7 and 7, respectively.

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)

(21) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2018	2017
Interest income	$9,919	$10,498
Dividend income	880	4,295
Others	34,491	58,502
Total	$45,290	$73,295

B. Other gains and losses

	For the years ended December 31,	
	2018	2017
Gains on disposal of property, plant and equipment	$83,565	$74,812
Gains on disposal of investments	74,427	246
Foreign exchange gains, net	84,731	12,230
Gains (losses) on financial assets at fair value through profit or loss (Note)	418	-
Impairment losses-financial assets measured at cost	-	(14,627)
Others	(558)	13,785
Total	$242,583	$86,446

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	$191,809	$178,405
Amortization on bonds payable	(331)	7,824
Total	$191,478	$186,229

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

(22) 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	(81,743)	-	(81,743)	24,851	(56,892)
Total of other comprehensive income	$(318,145)	$30,203	$(287,942)	$41,969	$(245,973)

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	(100,133)	-	(100,133)	48,180	(51,953)
Unrealized gains (losses) from available-for-sale financial assets	6,968	(246)	6,722	-	6,722
Total of other comprehensive income	$(182,688)	$(246)	$(182,934)	$48,180	$(134,754)

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

(23) 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	$579,239	$648,700
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	$558,313	$676,976

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	$2,353,657	$2,910,622
Tax at the domestic rates applicable to profits in the country concerned	$470,731	$494,806
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
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	$558,313	$676,976

(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
The Company	2009	$372,867	$115,242	$155,080	2019

Unrecognized deferred tax assets

As of December 31, 2018 and 2017, the Company has no unrecognized deferred tax assets.

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.

The assessment of income tax returns

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

Entities	The assessment of income tax returns
The Company	Assessed and approved up to 2016

Based on the amendments to the Income Tax Act announced, 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 deferred tax assets will increase NT$58,926 thousand when income tax rate changed.

(24) 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
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.

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

(25) 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.

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

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

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$20,498,384 thousand and NT$1,153,699 thousand, respectively.

7. Related Party Transactions

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

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

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
KYEC USA Corp.	Subsidiaries
KYEC SINGAPORE PTE. LTD.	Subsidiaries
KYEC Japan K.K.	Subsidiaries
King Long Technology (Suzhou) Ltd.	Subsidiaries
Suzhou Zhengkuan Technology Ltd.	Subsidiaries
King Ding (Note 3)	Subsidiaries

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).

Note 3： The Company acquired control over King Ding in November 2018. Information disclosed herein includes only those transactions occurred after the control was acquired.

B. Significant transactions with related parties

(a). Sales

	For the years ended December 31,	
	2018	2017
MediaTek Inc.	$ 1,716,536	$1,249,631
Mediatek Singapore Pte. Ltd.	1,081,850	1,312,601
Other related parties	342,711	263,677
Associates	67,209	46,513
Subsidiaries	23,679	3,180
Total	$3,231,985	$2,875,602

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

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.

(b). The Company purchased inventories from associates and subsidiaries. For the years ended December 31, 2018, the purchase amounts were NT$52,506 thousand and NT$1 thousand, respectively. The Company purchased inventories from associates, for the year ended December 31, 2017, the purchase amount was NT$56,642 thousand. 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. The Company appointed a subsidiaries to perform machinery repairs. For the years ended December 31, 2018 and 2017, the operating cost recognized amounted to NT$4,562 thousand and NT$174 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
King Long Technology (Suzhou) Ltd.	$174,863	$38,993	$304,874	$52,560
Subsidiaries	40,578	3,872	446	316
Associates	4,824	3,581	5,525	2,562
Total	$220,265	$46,446	$310,845	$55,438

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.

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

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
Subsidiaries	$44,327	$11,593
Associates	530,915	187,579
Total	$575,242	$199,172

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

(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..	$414,807	$292,806
Mediatek Singapore Pte. Ltd	266,512	241,231
Other related parties	69,309	111,928
Subsidiaries	1,564	1,332
Associates	426	26,928
Less: loss allowance	-	-
Net	$752,618	$674,225

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

(h). Other receivables from related parties

	December 31, 2018	December 31, 2017
King Ding	$54,968	$-
Suzhou Zhengkuan Technology Ltd.	32,477	215
King Long Technology (Suzhou) Ltd.	24,795	61,307
Other related parties	9,365	2,970
Associates	1,972	-
Dawning	-	153,449
Total	$123,577	$217,941

(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.	$46,514	$20,541
Wei Jiu Industrial Co., Ltd.	33,073	6,357
King Long Technology (Suzhou) Ltd.	13,533	11,971
KYEC USA Corp.	11,979	7,738
Other subsidiaries	4,666	4,836
Other related parties	840	1,420
Other associates	-	25
Total	$110,605	$52,888

(k). The Company paid NT$118,276 thousand and NT$110,956 thousand as commission expenses to the subsidiaries for the years ended December 31, 2018 and 2017, respectively.

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

(l). Other income

	For the years ended December 31,	
	2018	2017
Associate	$2,750	$520
Subsidiaries	1	361
Total	$2,751	$881

C. Endorsements and Guarantees:

As of December 31, 2018, the Company guaranteed King Long Technology (Suzhou) Ltd.'s lines of credit which were provided by KGI Bank and Mega International Commercial Suzhou Bank. Please refer to Note 9 for more details.

As of December 31, 2018, the Company guaranteed Suzhou Zhengkuan Technology Ltd. 's lines of credit which were provided by KGI Bank, Taishin International Bank, O-Bank, HSBC Taiwan Bank, and Mega International Commercial Suzhou Bank. Please refer to Note 9 for more details.

D. Key management personnel compensation

	For the years ended December 31,	
	2018	2017
Short-term employee benefits	$ 90,561	$98,113
Post-employment benefits	1,165	972
Total	$ 91,726	$99,085

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 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	$5,389,378	$6,414,755	

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$336,625 thousand with NT$194,856 thousand already paid and NT$141,769 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.

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.

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

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)	8,935,919	-(Note 1)
Loans and receivables (Note 4)	-(Note 1)	8,478,567
Total	$10,805,849	$10,398,937

Financial liabilities		
Financial liabilities at amortized cost:		
Payables (including related parties)	$996,007	$464,597
Other payables (including related parties)	3,018,391	2,278,094
Bonds payable (including current portion	-	64,829
Long-term loans (including current portion)	16,628,004	11,493,398
Guarantee deposits	1,573	1,123
Total	$20,643,975	$14,302,041

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, other financial assets and refundable deposits.
4. Includes cash and cash equivalents, notes receivable, trade receivable (including related parties), other receivables, 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$2,044 thousand and decreased / increased by NT$ 12,384 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$16,677 thousand and NT$11,511 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.

As of December 31, 2018 and 2017, receivables from top ten customers represented 39% 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.

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

(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	$4,014,398	$-	$-	$-	$-	$4,014,398
Borrowings	237,046	6,360,701	8,170,603	31,315	2,531,316	17,330,981
December 31, 2017						
Payables	$2,742,691	$-	$-	$-	$-	$2,742,691
Borrowings	3,130,370	3,369,418	3,581,428	1,780,164	-	11,861,380
Bonds payable	66,562	-	-	-	-	66,562

(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	$-	$11,493,398	$64,829	$11,558,227
Cash flows	(413,652)	2,652,289	-	2,238,637
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	-	58,154	-	58,154
As of December 31, 2018	$-	$16,628,004	$-	$16,628,004

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 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.

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

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

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.

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

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

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:

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

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

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

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$	$139,644	30.715	$4,289,154
JPY	481,491	0.2782	133,951
CNY	31	4.472	137
Monetary financial liabilities			
US$	146,297	30.715	4,493,506
JPY	567,100	0.2782	157,767

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

	December 31, 2017		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$111,976	29.76	$3,332,405
JPY	440,225	0.2642	116,307
CNY	78	4.565	356
Monetary financial liabilities			
US$	70,362	29.76	2,093,973
JPY	464,252	0.2642	122,655

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$84,731 thousand and NT$12,230 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.

(2) Information on investees

A. Information regarding investee companies over which the Company can exercises significant influence or control: Please refer to Attachment 6.

B. The following are additional disclosures for investee companies KYEC has significant influence or control over:

a. Financing provided to others: None.

b. Endorsement/Guarantee provided to others: None.

c. Securities held as of December 31, 2018: None.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.

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 as of December 31, 2015: Please refer to Attachment 5.

i. Financial instruments and derivative transactions: None.

(3) Investment in Mainland China: Please refer to Attachment 7.

KING YUAN ELECTRONICS CO., LTD. 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.

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.

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.

KING YUAN ELECTRONICS CO., LTD.

Attachment 4

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	9.29%	Month-end 75 days	Note	Month-end 30 to 120 days	$417,996	8.43 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	$1,081,850	5.86%	Month-end 60 days		Month-end 30 to 120 days	$270,562	5.46 %
	Airoha Technology Corporation	Subsidiary of MediaTek Inc.	Sales	$169,208	0.92%	Month-end 60 days		Month-end 30 to 120 days	$47,947	0.97 %
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Associate	Sales	$128,491	7.65%	Month-end 90 days		Month-end 60 to 90 days	$64,213	14.78 %

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

KING YUAN ELECTRONICS CO., LTD.

Attachment 5

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.

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.

Attachment 7

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.

KING YUAN ELECTRONICS CO., LTD.

1.STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash and cash equivalents	Including US$20,529 thousand and JPY481,491 thousand	$ 3,797,001	Exchange rate of Dec.31, 2018:
Time deposits		90,000	NT$ 30.715 = US$ 1.00
Total		$ 3,887,001	NT$ 0.2782 = JPY 1

KING YUAN ELECTRONICS CO., LTD.
2.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT
For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Financial product	Balance, January 1, 2018		Increase in 2018		Decrease in 2018		Unrealized gain or loss on financial assets at fair value through profit or loss	Balance, December 31, 2018		Provide pledged as collateral assets	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value		
KGI Victory Money Market Fund	4,399,937	$ 50,675	-	$ -	-	$ -	$ 198	4,399,937	$ 50,873	N/A	Note
TCB Taiwan Money Market Fund	4,986,238	50,368	-	-	-	-	220	4,986,238	50,588	N/A	Note
Total		$ 101,043		$ -		$ -	$ 418		$ 101,461		

Note: The beginning balance includes the initial impact of the adoption of IFRS 9 by the Company as of January 1, 2018.

KING YUAN ELECTRONICS CO., LTD.

3.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-CURRENT

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Financial product	Balance, January 1, 2018		Increase in 2018		Decrease in 2018		Unrealized gain or loss on financial assets at fair value through other comprehensive income	Balance, December 31, 2018		Provide pledged as collateral assets	Note
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value		Shares	Fair Value		
Unimicron technology corp.	717,000	$ 11,687	-	$ -	-	$ -	$ 4,302	717,000	$ 15,989	N/A	Note
Total		$ 11,687		$ -		$ -	$ 4,302		$ 15,989		

Note: The beginning balance includes the initial impact of the adoption of IFRS 9 by the Company as of January 1, 2018.

KING YUAN ELECTRONICS CO., LTD.

4.STATEMENT OF NOTES RECEIVABLE, NET

December 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
GSI Technology Taiwan Inc.		$ 10,105	
Champion Computer Co., Ltd.		3,550	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	189	
Total		13,844	
Less: loss allowance		-	
Net		$ 13,844	

KING YUAN ELECTRONICS CO., LTD.

5.STATEMENT OF TRADE RECEIVABLE, NET

December 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Huawei Tech. Investment Co., Ltd.		$ 350,935	
Omnvision Technologies Singapore Pte. Ltd.		230,301	
Longsys Electronics (HK) Co., Ltd.		201,522	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	3,145,439	
Total		3,928,197	
Less: loss allowance		(27,383)	
Net		$ 3,900,814	

KING YUAN ELECTRONICS CO., LTD.

6.STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES

December 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
MediaTek Inc.		$ 414,807	
Mediatek Singapore Pte. Ltd.		266,512	
Airoha Technology Corp.		47,947	
MStar Semiconductor, Inc.		10,207	
EcoNet (Suzhou) Limited		9,214	
Suzhou Zhengkuan Technology Ltd.		1,018	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	2,913	
Total		$ 752,618	

KING YUAN ELECTRONICS CO., LTD.

7.STATEMENT OF OTHER RECEIVABLES

December 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Other receivables		$ 131,939	
Tax refund		12,150	
Interest receivable		577	
Total		$ 144,666	

KING YUAN ELECTRONICS CO., LTD.

8.STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES

December 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
King Ding Precision Incorporated Company		$ 54,968	
Suzhou Zhengkuan Technology Ltd.		32,477	
King Long Technology (Suzhou) Ltd.		24,795	
MediaTek Inc.		4,681	
Mediatek Singapore Pte. Ltd.		4,569	
Fixwell Technology Corp.		1,972	
Others	The amount of each item in "Others" does not exceed NT$1,000 thousand.	115	
Total		$ 123,577	

KING YUAN ELECTRONICS CO., LTD.

9.STATEMENT OF INVENTORIES, NET

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	market price	
Raw materials		$ 779,357	$ 779,357	Inventory are valued at lower of cost and net realized value.
Work in process		191,129	191,129	
Finished goods		42	42	
Total		970,528	$ 970,528	
Less: allowance for inventory valuation and obsolescence losses		(7,913)		
Net		$ 962,615		

KING YUAN ELECTRONICS CO., LTD.

10.STATEMENT OF OTHER CURRENT ASSETS

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payment on behalf of others		$ 165,679	
Temporary payments		25,076	
Total		$ 190,755	

KING YUAN ELECTRONICS CO., LTD.

11.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHESIVE INCOME-NON-CURRENT

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Securities Name	Balance, January 1, 2018 (Note)				Increase in 2018		Decrease in 2018		Unrealized gain or loss on financial assets at fair value through comprehensive income	Balance, December 31, 2018		Provide pledged as collateral assets	Note
	Shares	Cost of an investment	Unrealized gain or loss	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value		
Parawin Venture Capital Corp.	874,712	$ 8,747	$ (8,747)	$ -	-	$ -	(874,712)	$ (8,747)	$ 8,747	-	$ -	N/A	Note 1
ADL Engineering INC.	372,122	327,490	(327,490)	-	-	-	(161,508)	-	-	210,614	-	N/A	Note 2
Shieh Yong Investment Co., Ltd.	57,810,000	500,000	(36,942)	463,058	-	-	-	-	(60,243)	57,810,000	402,815	N/A	
Yong Li Investment Co., Ltd.	1,055,807	10,558	(3,507)	7,051	-	-	(1,055,807)	(10,558)	3,507	-	-	N/A	Note 3
APM Communication, Inc.	10,456	23,427	(23,427)	-	-	-	-	-	-	10,456	-	N/A	
Greenliant Systems, Ltd.	2,333,333	30,300	(30,300)	-	-	-	-	-	-	2,333,333	-	N/A	
YANN YUAN Investment Co., Ltd.	25,000,000	1,275,000	99,750	1,374,750	-	-	-	-	(82,202)	25,000,000	1,292,548	N/A	
Mcube Inc.	528,745	44,880	(44,880)	-	-	-	-	-	-	528,745	-	N/A	
IROC Co., Ltd.	436,046	15,275	6,807	22,082	-	-	-	-	(4,640)	436,046	17,442	N/A	Note 4
Subtron Technology Co., Ltd.	-	-	-	-	927,147	7,983	-	-	1,177	927,147	9,160	N/A	Note 5
CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	-	-	-	-	11,965,500	45,711	-	-	(15,196)	11,965,500	30,515	N/A	Note 5
Total		$ 2,235,677	$ (368,736)	$ 1,866,941		$ 53,694		$ (19,305)	$ (148,850)		$ 1,752,480		

Note: The beginning balance includes the initial impact of the adoption of IFRS 9 by the Company as of January 1, 2018.

Note 1: The Company received capital returns of NT$2,099 thousand from Parawin Venture Capital Corp. on August 2018, and disposed of all remaining shares with a disposal amount of NT$1,113 thousan on November, and meanwhile, recognized an amount of NT$5,535 thousand to decrease retained earnings. After that, the Company does not no longer hold the shares of Parawin Venture Capital Corp..

Note 2: In April 2018, ADL Engineering INC. reduced capital to offset the deficit with a decreasing ratio of 43.40%.

Note 3: The Company received capital returns of NT$6,526 thousand from Yong Li Investment Co., Ltd. on December 2018, and the dissolutionon date of the investee was December 31, 2018, therefore, the Company recognized an amount of NT$4,032 thousand to decrease retained earnings. After that, the Company does not no longer hold the shares of Yong Li Investment Co., Ltd..

Note 4: Originally Chongpengyiji Corp.

Note 5: The additional amount is incurred by the merger transaction.

KING YUAN ELECTRONICS CO., LTD.
12.STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2018		Increase in 2018		Decrease in 2018		Investment income (loss)	Cumulative translation adjustment	Capital surplus adjustment	Retained earnings adjustment	Balance, December 31,2018			Market Value or Net Assets Value		Provide pledged as collateral assets	Note
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	%	Amount	Unit Price	Total Amount		
KYEC USA Corp.	160,000	$ 14,019	-	$ -	-	$ -	$ (2,863)	$ 343	$ -	$ -	160,000	100.00%	$ 11,499	$ 71.87	$ 11,499	N/A	
KYEC Investment International Co., Ltd.	177,155,000	4,448,762	-	-	-	-	111,061	(80,123)	-	-	177,155,000	100.00%	4,479,700	25.29	4,479,700	N/A	
KYEC Technology Management Co., Ltd.	7,500,000	254,950	-	-	-	-	12,042	(4,636)	-	-	7,500,000	100.00%	262,356	34.98	262,356	N/A	
KYEC Japan K.K.	1,899	49,979	-	-	-	-	962	2,651	-	-	1,899	89.83%	53,592	28,220.98	53,592	N/A	
KYEC SINGAPORE PTE. LTD.	78,000	1,727	-	-	-	-	(742)	22	-	-	78,000	100.00%	1,007	12.91	1,007	N/A	
Dawning Leading Technology Inc.	98,461,181	511,800 (Note 1)	176,868,057	702,390	(275,329,238)	(612,731)	(557,408)	-	(33,755)	(10,296)	-	-	-	-	-	N/A	Note2
Fixwell Technology Corp	2,800,000	41,540	-	-	-	(7,000)	9,878	-	-	-	2,800,000	23.33%	44,418	15.86	44,418	N/A	Note3
Wei Jiu Industrial Co., Ltd.	1,020,000	14,841	-	-	-	(3,060)	6,153	-	-	-	1,020,000	34.00%	17,934	20.79	17,934	N/A	Note3
King Ding Precision Incorporated Company	-	-	3,230,000	35,530	-	-	(1,498)	-	-	-	3,230,000	48.94%	34,032	10.71	34,032	N/A	Note4
Subtotal		5,337,618		737,920		(622,791)	(422,415)	(81,743)	(33,755)	(10,296)			4,904,538				
Less:deferred credits		(90,270)		(4,826)		-	7,074	-	-	-			(88,022)				
Total		$ 5,247,348		$ 733,094		$ (622,791)	$ (415,341)	$ (81,743)	$ (33,755)	$ (10,296)			$ 4,816,516				

Note 1: The Company adopted IFRS 9 since January 1, 2018, and the impact on the beginning balance with an amount of NT$10,340 thousand to decrease the investment accounted for using the equity method.

Note 2: The Company acquired 100% interests in Dawning in stages and the merger date was November 1, 2018. After the merger, Dawning was dissolved.

Note 3: The decrease amount is due to the cash dividends received.

Note 4: The Company acquired new shares issued by cash.

KING YUAN ELECTRONICS CO., LTD.

13.STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT、 CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT, AND STATEMENT OF CHANGES IN INTANGIBLE ASSETS

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

A. Please refer to Note 6.(11) for more details of the changes in property, plant and equipment and accumulated depreciation of property, plant and equipment.

B. Please refer to Note 8 for property, plant and equipment under pledges.

C. Details of transfer are as following:

Transferred from prepayments	$	148,366
Transferred to intangible assets	$	(89,021)

D.Depreciation expense details are as following:

Operating costs	$	5,646,480
Selling expenses		3,081
Administration expenses		351,978
Research and development expenses		82,386
Total	$	6,083,925

E. Please refer to Note 6.(12) for more details of the changes in intangible assets.

KING YUAN ELECTRONICS CO., LTD.

14.STATEMENT OF OTHER ASSETS-NON-CURRENT

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Subtotal	Total	
Refundable deposits	Golf club membership deposit	$ 3,000		
	Car rental deposit	230		
	Others	257	$ 3,487	
Other financial assets-non-current	Customs deposit		$ 109,912	Please refer to Note 8 for more details.

KING YUAN ELECTRONICS CO., LTD.

15.STATEMENT OF NOTES PAYABLE

December 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
SYSAGE THCHNOLOGY CO., LTD		$ 31,290	
Acer e-Enabling Service Business Inc.		6,023	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	2,199	
Total		$ 39,512	

KING YUAN ELECTRONICS CO., LTD.

16.STATEMENT OF ACCOUNT PAYABLE

December 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
UNIMICRON HOLDING LIMITED		$ 113,220	
ELITEK CORPORATION		100,826	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	730,058	
Total		$ 944,104	

KING YUAN ELECTRONICS CO., LTD.

17.STATEMENTS OF PAYABLES TO RELATED PARTIES

December 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Wei Jiu Industrial Co., Ltd.		$ 12,391	

KING YUAN ELECTRONICS CO., LTD.

18.STATEMENT OF OTHER PAYABLES

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued payroll and bonuses		$ 770,137	
Accrued payable to employees' compensations and remunerations to directors		230,472	
Accrued utilities expense		95,270	
Accrued labor and health insurance expense		82,429	
Accrued pension expense		30,168	
Accrued interest payable		11,797	
Accrued repair expense		19,585	
Others		889,859	Note
Total		$ 2,129,717	

Note：Mainly indirect supplies.

KING YUAN ELECTRONICS CO., LTD.

19.STATEMENT OF OTHER PAYABLES TO RELATED PARTIES

December 31, 2018

(In Thousands of New Taiwan Dollars)

Related parties	Description	Amount	Note
Fixwell Technology Corp.		$ 46,514	
Wei Jiu Industrial Co., Ltd.		33,073	
King Long Technology (Suzhou) Ltd.		13,533	
KYEC USA Corp.		11,979	
KYEC Japan K.K.		3,896	
Others	The amount of each item in "Others" does not exceed NT$1,000 thousand.	1,610	
Total		$ 110,605	

KING YUAN ELECTRONICS CO., LTD.

20.STATEMENT OF PAYABLES TO EQUIPMENT SUPPLIERS

December 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Teradyne (Asia) Pte. Ltd.		$ 186,598	
HON. PRECISION, Inc.		78,637	
Foxpert International Mercantile Corporation		65,630	
JIU HAN ENGINEERING Co., Ltd.		47,281	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	399,923	
Total		$ 778,069	

KING YUAN ELECTRONICS CO., LTD.

21.STATEMENT OF OTHER CURRENT LIABILITIES

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Receipts under custody		$ 240,485	
Unearned receipts		2,390	
Allowance for sales returns and discounts		33,330	Note
Temporary receipts		2,116	
Total		$ 278,321	

Note： After January 1, 2018, the Company's refund amount for the expected discount was relatively recognized as a refund liability, which was included under other current liabilities and has been recognized for sales returns and allowances based on past experience and other known factors.

KING YUAN ELECTRONICS CO., LTD.
22.STATEMENT OF LONG-TERM LOANS
December 31, 2018

(In Thousands of New Taiwan Dollars)

Creditor	Description	Loan amount	Contract period	Range of interest rates	Terms of repayment	Note
Fubon Bank and other 9 banks (Note 1)	Secured loans	$ 530,000	2012.09.10~2020.09.10	1.59%	Please refer to Note 6.(14) for more details.	Please refer to Note 8 for more details
Land Bank and other 13 banks (Note 2)	Secured loans	3,750,000	2016.03.10~2021.03.10	1.80%		
Standard Chartered Bank	Unsecured loans	600,000	2018.12.28~2020.06.30	0.90%		
Citi Bank	Unsecured loans	460,725	2018.12.14~2020.11.30	3.01%~3.05%		
SinoPac Bank	Unsecured loans	614,300	2018.12.19~2020.05.31	3.50%		
Taiwan Business Bank	Unsecured loans	276,435	2018.12.21~2020.02.26	3.57~3.66%		
HSBC Taiwan Bank	Unsecured loans	1,660,020	2018.11.30~2020.10.17	0.81~3.195%		
Taishin Bank	Unsecured loans	289,000	2018.12.07~2021.02.09	1.28%		
Cathay United Bank	Unsecured loans	276,435	2018.12.19~2020.12.24	3.48~3.52%		
First Commercial Bank loans	Unsecured loans	337,865	2018.11.29~2020.06.28	2.83~3.5%		
Bank of china	Unsecured loans	300,000	2018.11.29~2020.10.14	0.82%		
Mizuho Bank	Unsecured loans	1,230,000	2018.12.28~2021.01.01	0.88%		
Hua Nan Commercial Bank	Unsecured loans	92,145	2018.12.26~2020.11.16	3.59%		
E. Sun Bank	Unsecured loans	92,145	2018.12.19~2020.09.13	3.38%		
Shin Kong Commercial Bank	Unsecured loans	61,430	2018.12.26~2021.01.03	3.57%		
Mega Bank	Unsecured loans	491,440	2018.12.21~2020.09.18	2.97~3.25%		
Land Bank	Unsecured loans	92,145	2018.12.26~2020.02.12	3.44%		
O Bank	Unsecured loans	300,000	2018.12.09~2020.11.21	1.28%		
Mega Bank	Unsecured loans	639,000	2018.12.21~2021.02.12	1.30%		
Land Bank	Unsecured loans	252,000	2018.11.12~2021.02.12	1.30%		
Chang Hwa Commercial Bank	Unsecured loans	263,250	2018.11.30~2021.02.29	1.30%		
E. Sun Bank	Unsecured loans	259,000	2018.12.09~2021.02.09	1.25%		
Fubon Bank	Unsecured loans	351,000	2018.12.09~2021.02.09	1.333~1.334%		
Bank of Taiwan	Unsecured loans	958,994	2018.12.12~2021.02.12	1.313%		
Mega Bank and other 17 banks (Note3)	Commercial Paper	2,500,000	2018.12.07~2023.12.06	1.269%		
Total		16,677,329				
Less: current portion		-				
Less: Arrangement fee		(43,675)				
Less: Unamortized discount		(5,650)				
Due date beyond one year of long-term loans		$ 16,628,004				

Note1: The Company entered into a syndicated loan agreement in the amount of 3.8 billion with 9 banks including Taipei Fubon Commercial Bank(lead bank), Taiwan Cooperative Commercial Bank, Hua Nan Commercial Bank, SinoPac Bank, Mega International Commercial Bank, First Commercial Bank, Land Bank of Taiwan, E.SUN Commercial Bank, Ltd. and Chang Hwa Commercial Bank.

Note2: The Company entered into a syndicated loan agreement in the amount of 5.0 billion with 13 banks including Land Bank of Taiwan(lead bank), Bank of Taiwan, Mega International Commercial Bank, Taipei Fubon Commercial Bank, CTBC Commercial Bank, Taiwan Cooperative Commercial Bank, First Commercial Bank, Hua Nan Commercial Bank, Chang Hwa Commercial Bank, Taiwan Business Bank, SinoPac Bank, E.SUN Commercial Bank, and KGI Commercial Bank.

Note3: The Company entered into a syndicated loan agreement in the amount of 2.5 billion with 17 banks including Mega International Commercial Bank(lead bank), Taipei Fubon Commercial Bank, CTBC Commercial Bank, Bank of Taiwan, Land Bank of Taiwan, O Bank, E. Sun Commercial Bank, Taishin Commercial Bank, SinoPac Bank, First Commercial Bank, Cathay United Commercial Bank, Hua Nan Commercial Bank, Shin Kong Commercial Bank, Chang Hwa Commercial Bank, Taiwan Business Bank, KGI Commercial Bank, and Bank of Panhsin.

KING YUAN ELECTRONICS CO., LTD.

23.STATEMENT OF TOTAL REVENUE

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Assembly and testing processing revenue		$ 17,417,745	
Revenue from rental of machinery		592,975	
Rental income from property		102,787	
Other operating revenues		356,235	
Total Revenue		$ 18,469,742	

KING YUAN ELECTRONICS CO., LTD.

24.STATEMENT OF COST OF GOODS SOLD

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cost of goods sold			
Raw materials used			
Balance, beginning of the year		$ 282,011	
Add： acquired through business combination		381,168	
Add： purchase		1,742,207	
Less： indirect consumables		(16,474)	
Less： transfer to other expenses		(367,297)	
Less： losses of inventory scrap		(3,219)	
Less： sale of raw materials		(7,667)	
Less： ending balance of the year		(779,357)	
Current consumption		1,231,372	
Direct labor		1,688,553	
Manufacturing overhead		11,221,650	
Manufacturing costs		14,141,575	
Add： work in process, beginning of the year		76,952	
Add： acquired through business combination		45,319	
Add： purchase for production consumable		17,841	
Less： transfer to other repair expenses		(44,612)	
Less： transfer to unfinished working orders		(117,194)	
Less： work in process, end of the year		(191,129)	
Cost of finished goods		13,928,752	
Add： acquired through business combination		116	
Less： finished goods, end of the year		(42)	
Less： transfer to processing cost		(12,994,770)	
Less： transfer to property, plant and equipments		(313,693)	
Costs of goods sold		620,363	
Processing cost		12,994,770	
Sale of raw materials		7,667	
Losses of inventory scrap		3,219	
Inventory valuation and obsolescence reversal gain		(619)	
Operating costs		$ 13,625,400	

KING YUAN ELECTRONICS CO., LTD.

25.STATEMENT OF MANUFACTURING OVERHEAD

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Depreciation		$ 5,646,480	
Indirect labor		2,093,102	
Repairs and maintenance		1,060,106	
Utilities expense		946,287	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	1,475,675	
Total		$ 11,221,650	

KING YUAN ELECTRONICS CO., LTD.

26.STATEMENT OF SALES EXPENSE

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 128,504	
Commission expense		118,984	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	78,092	
Total		$ 325,580	

KING YUAN ELECTRONICS CO., LTD.

27.STATEMENT OF GENERAL EXPENSES

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 410,885	
Depreciation		351,978	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	353,506	
Total		$ 1,116,369	

KING YUAN ELECTRONICS CO., LTD.

28.STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 296,236	
Indirect consumables		236,295	
Depreciation		82,386	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	112,940	
Total		$ 727,857	

V. The latest audited consolidated financial statements

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

Address: No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City 300, Taiwan (R.O.C.)
Telephone: 886-3-5751888

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

安永聯合會計師事務所
30078 新竹市新竹科學園區力行一路1號E-3
E-3, No.1, Lixing 1st Rd., Hsinchu Science Park
Hsinchu City, Taiwan, R.O.C.
Tel: 886 3 688 5678
Fax: 886 3 688 6000
www.ey.com/taiwan

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.

EY 安永
Building a better working world

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.

Revenue recognition

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.

EY 安永
Building a better working world

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)

Description	Equity attributable to owners of the parent company									Non-controlling interests	Total Equity
			Retained earnings			Other equity					
	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		
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			Retained earnings adjusted amount	Other components of equity Adjusted amount
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference		
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	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:

Group 1	Not yet due (Note)	Overdue 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 1-90 days	91-180 days	181-365 days	>366 days	Total
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.

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.

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.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 4

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.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 6

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.

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.

VI. If the Company or its affiliates have experienced financial difficulties, the annual report shall explain how said difficulties will affect the Company's financial position: N/A.

Six. Review and Analysis of Financial Position and Financial Performance, and Risk Assessment

I. Financial position

The main reasons for any material change in the Company's assets, liabilities, or shareholders' equity during the past 2 fiscal years, and the effect thereof, and the measures to be taken in response if the effect is of material significance.

Analysis of financial position

Unit: NT$ thousand

Year / Title	2018.12.31	2017.12.31	Increase (decrease)	Variation (%)
Current assets	12,625,373	11,505,395	1,119,978	9.73
Non-current financial assets at fair value through other comprehensive income	1,752,480	-	1,752,480	-
Financial assets measured at cost - noncurrent	-	1,785,558	(1,785,558)	(100.00)
Investment under equity method	62,352	578,082	(515,730)	(89.21)
Property, plant and equipment	31,907,296	26,657,896	5,249,400	19.67
Other non-current assets	808,258	631,313	176,945	28.03
Total assets	47,155,759	41,158,244	5,997,515	14.57
Current liabilities	5,401,904	7,008,005	(1,606,101)	(22.92)
Non-current liabilities	17,234,003	9,098,245	8,135,758	89.42
Total liabilities	22,635,907	16,106,250	6,529,657	40.54
Capital stock	12,227,451	12,202,383	25,068	0.21
Capital surplus	4,844,536	5,327,372	(482,836)	(9.06)
Retained earnings	8,208,297	7,746,405	461,892	5.96
Total shareholders' equity	24,519,852	25,051,994	(532,142)	(2.12)

The main reasons for the change between the previous and current periods by more than 20% and the amount of change amounting to more than NT$10 million, and the effect thereof are analyzed and stated as following:

1 Increase in non-current financial assets at fair value through other comprehensive income and decrease in financial assets measured at cost - noncurrent: These changes were mainly the result of reclassifications made following the adoption of IFRS 9 - “Financial Instruments” on January 1, 2018.
2 Decrease in equity-accounted investments: Mainly attributed to the merger of Dawning Leading Technology Inc.
3 Increase in other noncurrent assets: Mainly attributed to the merger of Dawning Leading Technology Inc., which added intangible assets and deferred income tax assets to the balance sheet.
4 Decrease in current liabilities: Mainly attributed to repayment of long-term borrowings and corporate bonds maturing within one year.
5 Increase noncurrent liabilities: Mainly attributed to additional long-term borrowings undertaken to support operational needs.

II. Financial performance

The main reasons for any material change in operating revenues, operating income, and income before tax during the past 2 fiscal years, and sales volume forecast and the basis thereof, and the effect upon the Company's financial operations as well as measures to be taken in response.

Comparison and analysis of operating results

Unit: NT$ thousand

Title \ Year	2018	2017	Increase (decrease)	Variation (%)
Operating revenue	20,815,369	19,686,911	1,128,458	5.73
Operating cost	(15,451,671)	(13,904,506)	1,547,165	11.13
Gross profit	5,363,698	5,782,405	(418,707)	(7.24)
Operating expense	(2,644,017)	(2,315,781)	328,236	14.17
Net operating profit	2,719,681	3,466,624	(746,943)	(21.55)
Non-operating revenue and expense	(330,123)	(531,459)	201,336	37.88
Profit before tax	2,389,558	2,935,165	(545,607)	(18.59)
Income tax expense	(595,668)	(701,085)	(105,417)	(15.04)
Net profit - current period	1,793,890	2,234,080	(440,190)	(19.70)
Other comprehensive income (loss) - current period	(245,673)	(134,992)	(110,681)	(81.99)
Total comprehensive income - current period	1,548,217	2,099,088	(550,871)	(26.24)

The main reasons for the change between the previous and current periods by more than 20% and the amount of change amounting to more than NT$10 million, and the effect thereof are analyzed and stated as following:

1. Decrease in operating profit and comprehensive income for the current year: Mainly as a result of the overall economy and the addition of low-margin packaging activities, employees and personnel cost following the merger of Dawning Leading Technology Inc.
2. Increase in net non-operating revenue and expense: Mainly due to increased gain on disposal of machinery and equipment, and increased gain on exchange.
3. Decrease in other comprehensive income for the current period: Mainly due to increase in unrealized losses on valuation of equity instruments carried at fair value through other comprehensive income.

III. Cash flow

Any cash flow changes during the most recent fiscal year, corrective measures to be taken in response to illiquidity, and a liquidity analysis for the coming year.

Analysis of liquidity in the previous two years

Year / Item	2018	2017	Increase (decrease) (%)
Cash flow ratio	156.02%	129.50%	20.48
Cash flow adequacy ratio (%)	83.16%	88.93%	(6.49)
Cash flow reinvestment ratio (%)	5.72%	7.15%	(20.00)
Analysis of variations: Increase in cash flow ratio: Mainly due to repayment of long-term borrowings and corporate bonds maturing within one year. Decrease in cash reinvestment ratio: Mainly attributed to the merger of Dawning Leading Technology Inc.			

Analysis of liquidity in the coming year

Unit: NT$ thousand

Initial cash balance ①	Projected net cash flow from operating activities for the year ②	Projected cash outflow of the year ③	Projected cash balance (deficit) ①+②-③	Remedial measures against insufficient projected cash flow	
				Investment plans	Financing plans
$3,887,001	$9,571,504	$13,363,024	$95,481	$-	$5,707,020
1. Analysis of cash flow for the year: (1) Operating activities: The net cash inflow, NT$9,571,504 thousand, is expected to be generated from operating activities. (2) Investing activities: The capital expenditure are expected to be NT$7,273,428 thousand. (3) Financing activities: Expected to repay the long-term loan, NT$3,596,712 thousand, allocate cash dividends, and the remuneration to employees and directors, NT$1,877,422 thousand.					

IV. Material capital expenditures in the last year and impact on business performance:

(I) Major capital expenditure and source of capital

Unit: NT$ thousand

Projects	Actual or expected source of fund	Actual or expected date of completion	Total fund to be required	Actual or expected fund utilization		
				2017	2018	2019
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2017.12	4,935,606	4,484,837	450,769	-
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2018.12	9,007,997	-	8,230,038	777,959
Investment in construction of factories and machine & equipment	Own funds and bank borrowings	2019.12	7,608,954	-	-	7,608,954

(II) Projected benefits

1. Projected possible increased output/sale volume and value, and gross profit

Unit: NT$ thousand

Year	Item	Output volume	Sale volume	Sale value	Gross profit
2019	Integrated circuits processing and test	Note	Note	584,873	116,975
2020	Integrated circuits processing and test	Note	Note	835,533	233,949
2021	Integrated circuits processing and test	Note	Note	835,533	233,949

Note: It is impossible to enumerate the same, because the unit of measurement varies depending on different processes.

2. Notes to other benefits

A. Strengthen the production structure of the vertical division of labor in the semi-conductor industry.

B. Balance the fab's production capacity which is growing rapidly, and share the risk over investment in the fab investment at the latter stage to upgrade the efficiency of investment efficiency in the core business.

C. Increase the high-efficiency and low-cost professional test services to upgrade the entire competitiveness.

D. Solve the back-end production problems with respect to the IC design companies which the Company has successively invested in.

V. The investment strategy in the most recent year, main causes for profits or losses, improvement plans and the investment plans for the coming year

(I) The Company's investment strategy is primarily intended to align with the Company's enhanced development of the core business, so as to strengthen the relationship with major customers and extend the sensitivity of related industries.

(II) The Company recognized NT$541,377 thousand of investment losses using the equity method in 2018; most of which was attributed to losses incurred by investee - Dawning Leading Technology Inc.

Cause of losses: This was mainly due to customer's 3D Nand Flash supplier having made poor transition into advanced production procedure and resulted in lower yield, which, combined with an excess demand for cloud computing, caused Flash prices to rise and Flash wafers to be in short supply, and therefore resulted in the loss of business.

Projected improvement plans: The out-of-stock problem about Nand Flash has persisted for 20 months. Notwithstanding, given the increasingly stable yield rate in the 3D process, the out-of-stock problem is expected to be improved. According to DRAMeXchange, the supply of Nand Flash will increase by 42.9% in 2018, and the supply and demand thereof will tend to be balanced in Q2. In addition, Dawning will being increasing the weight of logic IC, high-speed IC, standard DRAM and Low Power DDR packaging and make IC, DDR and Flash as the core portfolio to reduce cyclical risk. Other internal measures will also be taken to improve capacity utilization, product portfolio, organization and cost structure to ultimately reduce the breakeven revenue. The subsidiary is expected to turn profitable in the fourth quarter of 2019.

(III) Investment plans for the coming year: Plans have been proposed to acquire outstanding shares of King Ding Precision Incorporated Company in cash and increase shareholding percentage to 100%.

VI. Analysis and assessment of risk factors

(I) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and responsive measures:

1. Notes to the impact of interest rate and exchange rate changes and inflation on the Company's earnings

A. Impact of interest rate and exchange rate changes on the Company's earnings:

Unit: NT$ thousand

Item	2018	2017
Exchange gains (losses) (A)	84,731	12,230
Interest income (expense) (B)	(181,890)	(167,907)
Operating revenue (C)	18,469,742	17,532,168
Profit before tax (D)	2,353,657	2,910,622
A/C (%)	0.46	0.07
A/D (%)	3.60	0.42

B/C (%)	-	-
B/D (%)	-	-

Source of data: The financial statements certified by the CPA.

For the interest rate and exchange rate changes, the interest expenditure rendered more substantial impact on the earnings.

B. The influence of inflation on the Company's earnings: The inflation has no material impact on the Company's earnings.

2. The Company's responsive measures against interest rate and exchange rate changes and inflation:

A. The capital expenditure is intended for import of equipment. In order to mitigate the impact rendered by the fluctuation in foreign exchange rate on profit, the Company reached an agreement with major customers to collect accounts receivable in USD, in part, to make some payment.

B. Establish Article 12 of the Procedures for the Acquisition or Disposal of Assets, "Procedures for the acquisition or disposition of derivatives" as the basis for operation of the foreign currency exchange rate hedging tools to mitigate the impact rendered by the fluctuation in foreign exchange rate on profit.

C. Collect the information about fluctuation in foreign exchange rate and interest rate on a daily basis to help take responsive measures in a timely manner.

(II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures:

1. The Company has never engaged in any high-risk and highly leveraged investments or loans to third parties. Therefore, no impact on the Company's operation was rendered by said transactions.

2. Endorsements/guarantees

(1) The Company has issued an endorsement/guarantee in favor of KGI Bank, which guarantees the offering of NT$13,000 thousand in credit facilities to finance the operations of King Long Technology (Suzhou) Ltd. By December 31, 2018, King Long Technology had not utilized the credit facility.

(2) To meet the need of King Long Technology (Suzhou) Ltd. for operation, the Company made an endorsement/guarantee for it to secure the credit facility, RMB35,000 thousand, from Mega Bank (Suzhou). By December 31, 2018, King Long never used the credit facility.

(3) To meet the need of Suzhou Zhen Kun Technology Ltd. for operation, the Company made an endorsement/guarantee for it to secure the loan from KGI Bank, Taishin International Bank, O-Bank and HSBC Taiwan. As of December 31, 2018, credit facilities granted by the above banks amounted to US$13,000 thousand, US$5,000 thousand, US$5,000 thousand and US$5,000 thousand, respectively.

(4) The Company has issued an endorsement/guarantee in favor of Mega Bank (Suzhou), which guarantees the offering of credit facilities to finance the operations of Suzhou Zhen Kun Technology

Ltd. As at December 31, 2018, a sum of RMB 25,000 thousand had been drawn on the credit facility.

3. The Company adopts the stable policy to operate its financial fund. The fund is mainly deposited as term deposit at banks and renowned money market/bond fund with fair rate of return. The Company also established the operating procedures for loaning to others and operating procedures for making endorsements/guarantees.

(III) Future research and development plans and projected expenses:

Item No.	Plan	Projected duration	Projected expenses (NTD)
1	Develop D-phy & C-phy &SPI new integrated solution.	2019/Q2	3,000,000
2	High parallism images sensor package testing solution built up.	2019/Q4	7,000,000
3	CMOS Image sensor-based IC exterior watermark inspection system.	2019/Q4	1,100,000
4	AI-based wafer probe mark recognition system.	2020/Q1	700,000
5	Pressure distribution measurement platform.	2019/Q3	2,000,000
6	E320 Water-cooling system.	2019/Q4	2,000,000
7	CIS CP 64 test sties plateform..	2019/Q4	2,000,000
8	High power Burn-in for auto load/un-load.	2019/Q4	8,000,000
9	Cost effective solution for HPC IC. - Support higher power consumption up to 600W / per DUT	2019/Q4	5,000,000
10	Develop E-serial new generation logical tester. 1. E320 2048 channel / 576 DPS for CP/FT 2. 72 DPS channel / DPS board 3. LVM 2G 4. Enhance system reliability	2019/Q4	25,100,000
11	Develop E-serial CIS tester. 1. Add MIPI high speed option 3.5GHz 2. Implement DVP protocol 3. High accurancy DC for automotive 4. Improve system efficiency 5. Enhance CIS testing capability	2019/Q4	13,000,000
12	Develop E-serial LCD driver tester. 1. LCD pin up to 2304 pin 2. MIPI speed 1.6G 4 lanes 3. RVS upgrade to 128 4. Improve system efficiency	2019/Q4	15,000,000
13	Develop E-serial Memory tester. 1. 192channel / PE board 2. PE up to 1024/4608 pin 3. DPS up to 72/576 pin 4. Site number up to 256/576 5. Improve system efficiency	2019/Q4	11,000,000
14	Develop MEMS Pressure-Sensor mass production test technology. 1. Upgrade the accuracy of Pressure and the functions about calibration and control temperature and pressure. 2. Develop production capacity for Tire Pressure Sensor	2019/Q2	1,600,000
15	Develop MEMS Humidity-Sensor mass production test technology. 1. R&D and certify Humidity sensor modules and technology. 2. Develop testing environment for MEMS High Humidity Sensor	2019/Q3	17,000,000

16	Develop MEMS Bio-Sensor test technology. 1. Establish the experimental and certification environment for MEMS Bio-Sensor. 2. R&D the test modules and technology for MEMS Bio-Sensor.	2019/Q3	3,000,000
17	Develop High Accuracy MEMS Optical-Sensor mass production test technology. 1. Develop and validate Optical Sensor modules and technologies 2. Develop production capacity for Optical Sensor	2019/Q4	8,000,000
18	Develop VCPC for Fine Pitch and High Speed.	2019/Q4	6,000,000
19	Develop RF PCB for <40GH RF Signal.	2019/Q4	2,000,000

(IV) Impact on the Company’s financial standing due to changes in domestic or foreign policies and laws, and corresponding countermeasures:

The Company has taken adequate responsive measures against the changes in domestic or foreign policies and laws in the recent years. Therefore, no significant impact should be rendered on the Company's financial standing.

(V) Impact on the Company’s financial standing due to technological or industrial changes, and corresponding countermeasures:

Considering that the test technology became complicated increasingly in the recent year, the Company needs to continue investing fixed fund to purchase new machine and equipment to develop new business opportunities. The Company has sound financial structure. Therefore, the Company’s capital expenditure can satisfy the demand under the new orders for high-end test technology.

(VI) Crisis management, impacts, and responsive measures in the event of a change in corporate identity:

Ethics is the first priority which the corporate identity should focus on. The Company has specified such important principle in its corporate culture and Articles of Incorporation. Therefore, ethics has become an essence upheld by the Company in its corporate governance.

(VII) Expected benefits, risks and responsive measures of planned mergers or acquisitions: N/A.

(VIII) Expected benefits, risks and responsive measures associated with plant expansions: N/A.

(IX) Risks and responsive measures associated with concentrated sales or purchases: N/A.

(X) Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest: N/A.

(XI) Impacts, risks and responsive measures associated with a change of management: N/A.

(XII) Major litigations and non-contentious cases: Describe the major litigations, non-contentious cases or administrative litigations involving the Company or any director, supervisor, President,

person-in-charge or major shareholder with more than 10% ownership interest and affiliate, whether concluded or pending judgment, that are likely to pose significant impact to shareholders' equity or security prices of the Company, and disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report:

Non-contentious case: Application for the ruling against the subscription price of stock.

（1）Fact: Upon merger of Dawning Leading Technology Inc., the shareholders of Dawning raised an opposition action and petitioned for subscription for the stock.

（2）Amount involved: NT$52,585,275

（3）Start date: KYEC submitted the written application to the court on November 20, 2018.

（4）Parties involved: KYEC/Cal-Comp Thailand

（5）Status: The case is currently being reviewed by Hsinchu District Court.

(XIII) Other significant risks and response measures:

Analysis and assessment of information security risks:

The Company has established information security policies and management practices based on the risks identified. An Information Security Task Force has been assembled to review information security policy and conduct information security training on a regular basis.

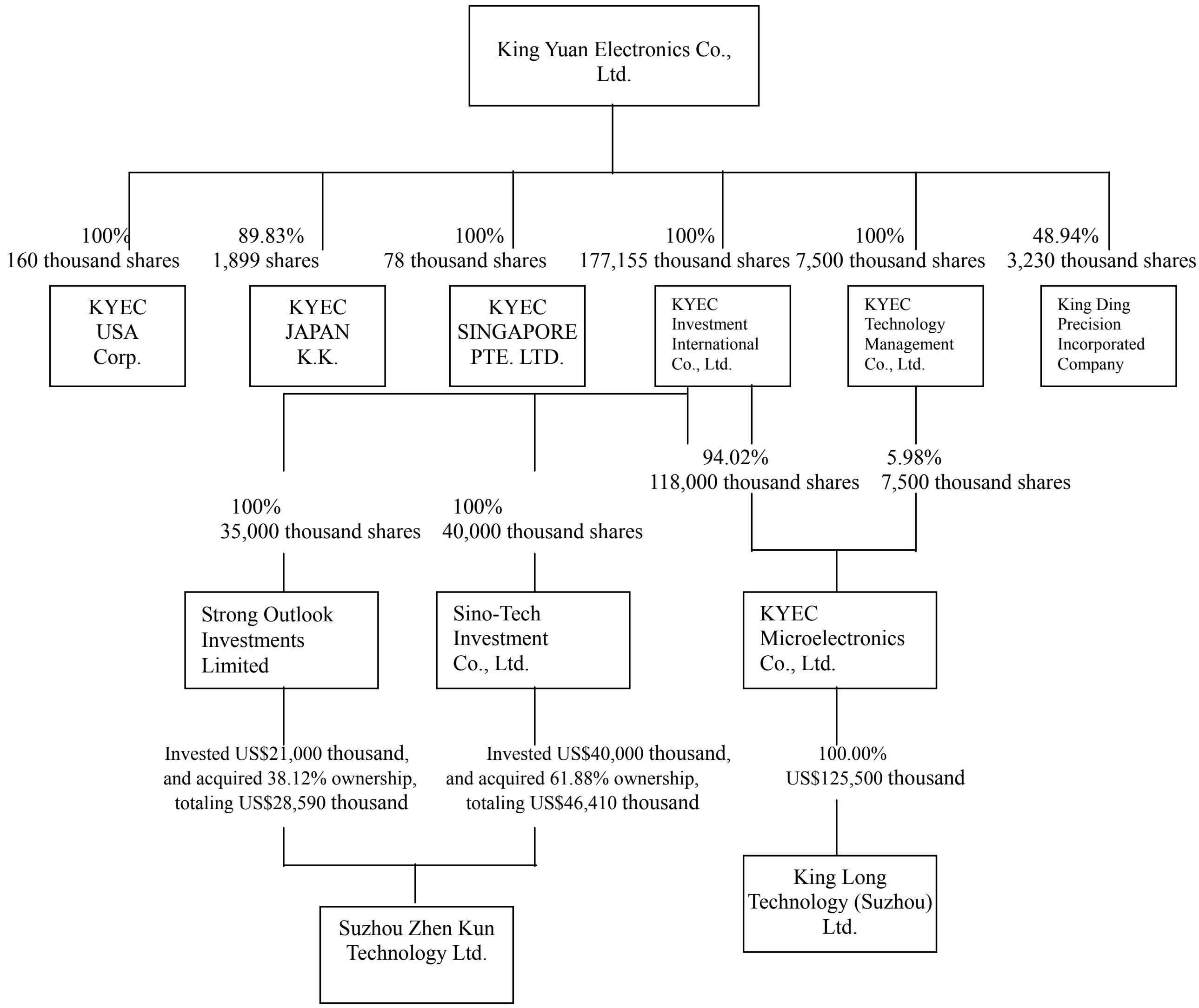
- Information security policy and management
  - ◆ Operational impact analysis (Internet risk assessment): At least once a year
  - ◆ Information security policy
    - ✓ Network security management
    - ✓ System access control
    - ✓ System development, maintenance and security management
    - ✓ Information asset security management
    - ✓ Off-site support
  - ◆ Emergency response measures
    - ✓ Information security incident reporting
    - ✓ Information security incident reporting procedures and channels
- Security Task Force
  - ◆ Regular meetings
  - ◆ Devise information security policies review execution progress
- Employee information security training
  - ◆ Regular information security training for employees

VII. Other significant events: N/A.

Seven. Special Items

I. Information on Affiliates

(I) Organizational chart of affiliates



(II) Basic information on affiliates

Corporate name	Date of Establishment	Address of Establishment	Paid-in capital	Core Business
KYEC USA Corp.	July 2000	CA USA	USD 160 thousand	Act as the agent for business in the territories of the U.S.A. and related communications.
KYEC SINGAPORE PTE. LTD.	December 2006	SINGAPORE	SGD 78 thousand	Act as the agent for business in the territories of South East Asia and Europe and related communications.
KYEC JAPAN K.K.	April 2002	FUKUOKA JAPAN	JPY 84,560 thousand	Engage in electronic parts manufacturing and trading, and act as the agent for business in the territories of Japan and related communications.
KYEC Investment International Co., Ltd.	May 2002	B.V.I	USD 177,155 thousand	General investment
KYEC Technology Management Co., Ltd.	January 2003	SAMOA	USD 7,500 thousand	General investment
KYEC Microelectronics Co., Ltd.	May 2002	CAYMAN	USD 125,500,000	General investment
Sino-Tech Investment Co., Ltd.	September 2008	SAMOA	USD 40,000 thousand	General investment
Strong Outlook Investments Limited	July 2005	B.V.I	USD 35,000 thousand	General investment
King Ding Precision Incorporated Company	March 2018	Chu-Nan, Miao-Li	NTD 66,000 thousand	Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products.
King Long Technology (Suzhou) Ltd.	September 2002	Suzhou City, Jiangsu Province, China	USD 18,168 thousand	Engaged in the operation of business about processing, assembly and sale of analog or hybrid automatic data processor parts, solid memory system and heating ovens, and integrated circuit package and test.
Suzhou Zhen Kun Technology Ltd.	December 2005	Suzhou City, Jiangsu Province, China	USD 75,000 thousand	Integrated circuits package and test, production and sale of processed electronic parts, electronic materials, analog or hybrid automatic data processor, solid memory system and heating ovens, and related after-sale services.

(III) Entities having controlling and subordinate relations with the Company under Article 369-3 of the Company Act: N/A.

(IV) The industry covered by the business operated by the entire affiliates: For the industry covered by the business operated by the affiliates, please refer to the main business lines in the "(II) Basic information on affiliates" on the same page.

(V) Information on directors, supervisors, and presidents of affiliated corporations

2018.12.31

Name of affiliated corporations	Title	Name or Representative	Shareholding	
			Shares	Shareholding ratio (%)
KYEC USA Corp.	Director & Chairman	An-Hsuan Liu (Representative of KYEC)	160 thousand shares	100.00
	Director	Gauss Chang (Representative of KYEC)	160 thousand shares	100.00
	Director	Chung-Wen Wang (Representative of KYEC)	160 thousand shares	100.00
	Director	Neil Chung (Representative of KYEC)	160 thousand shares	100.00
KYEC SINGAPORE PTE. LTD.	Director & Chairman	An-Hsuan Liu (Representative of KYEC)	78 thousand shares	100.00
	Director	Gauss Chang (Representative of KYEC)	78 thousand shares	100.00
	Director	Victor Lim (Representative of KYEC)	78 thousand shares	100.00
	Director	Logan Chao (Representative of KYEC)	78 thousand shares	100.00
KYEC JAPAN K.K.	Director & Chairman	Victor Lim (Representative of KYEC)	1,899 shares	89.83
	Director	Morris Chang	0 share	0.00
	Director (Adjunct President)	Takaaki Suzuki	37 shares	1.75
	Supervisor	Logan Chao	0 share	0.00
	Supervisor	Yoshiro Hori	55 shares	2.60
KYEC Investment International Co., Ltd.	Director & Chairman	Chin-Kung Lee (Representative of KYEC)	177,155 thousand shares	100.00
KYEC Technology Management Co., Ltd.	Director & Chairman	Chin-Kung Lee (Representative of KYEC)	7,500 thousand shares	100.00
KYEC Microelectronics Co., Ltd.	Director & Chairman	Chin-Kung Lee (Representative of KYEC Investment International Co., Ltd.and KYEC Technology Management Co., Ltd.) Representative)	125,500 thousand shares	100.00
Sino-Tech Investment Co., Ltd.	Director & Chairman	Chin-Kung Lee (KYEC Investment International Co., Ltd. Representative)	40,000 thousand shares	100.00
Strong Outlook Investments Limited	Director & Chairman	Chin-Kung Lee (KYEC Investment International Co., Ltd. Representative)	35,000 thousand shares	100.00
King Long Technology (Suzhou) Ltd.	Director & Chairman	Chin-Kung Lee (Representative of KYEC Microelectronics Co.)	USD 18,168 thousand	100.00
	Director (Adjunct President)	An-Hsuan Liu (Representative of KYEC Microelectronics Co.)	USD 18,168 thousand	100.00
	Director	Aaron Chang (Representative of KYEC Microelectronics Co.)	USD 18,168 thousand	100.00
	Supervisor	Gauss Chang (Representative of KYEC Microelectronics Co.)	USD 18,168 thousand	100.00

Suzhou Zhen Kun Technology Ltd.	Director & Chairman	Chin-Kung Lee (Representative of Sino-Tech Investment Co., Ltd. and Strong Outlook Investments Limited)	Invested US$61,000 thousand to secure the equity amounting to US$75,000 thousand.	100.00
	Director (Adjunct President)	An-Hsuan Liu (Representative of Sino-Tech Investment Co., Ltd. and Strong Outlook Investments Limited)	Invested US$61,000 thousand to secure the equity amounting to US$75,000 thousand.	100.00
	Director	Gauss Chang (Representative of Sino-Tech Investment Co., Ltd. and Strong Outlook Investments Limited)	Invested US$61,000 thousand to secure the equity amounting to US$75,000 thousand.	100.00
	Supervisor	K.K Lee (Representative of Sino-Tech Investment Co., Ltd. and Strong Outlook Investments Limited)	Invested US$61,000 thousand to secure the equity amounting to US$75,000 thousand.	100.00

(VI) Operating overview of affiliated corporations

Unit: NT$ thousand

Name of affiliated corporations	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit and loss (after tax)	EPS (NTD) (after tax)
KYEC USA Corp.	4,973	16,700	5,201	11,499	57,011	(2,871)	(2,862)	(17.89)
KYEC SINGAPORE PTE. LTD.	1,830	4,502	3,495	1,007	35,636	(982)	(743)	(9.52)
KYEC JAPAN K.K.	23,897	63,065	3,406	59,659	26,872	1,093	1,072	506.87
KYEC Investment International Co., Ltd.	5,665,371	4,479,701	-	4,479,701	-	-	111,061	0.63
KYEC Technology Management Co., Ltd.	251,579	262,356	-	262,356	-	-	12,042	1.61
KYEC Microelectr-onics Co., Ltd.	4,074,993	4,387,233	5	4,387,228	-	-	201,379	1.60
Sino-Tech Investment Co., Ltd.	1,242,100	225,118	4	225,114	-	-	(48,437)	(1.21)
Strong Outlook Investments Limited	1,155,735	(34,893)	-	(34,893)	-		(29,839)	(0.85)
King Long Technology (Suzhou) Ltd.	558,030	4,664,208	289,479	4,374,729	1,678,649	95,141	201,379	-
Suzhou Zhen Kun Technology Ltd.	2,397,835	1,098,069	734,277	363,792	822,090	(78,698)	(78,276)	-
King Ding Precision Incorporated Company	66,000	128,898	58,193	70,706	16,922	(1,555)	(1,504)	(0.89)

II. Any private placement of securities in the recent years up to the publication of this annual report: N/A.

III. Holding or disposition of the Company’s stock by subsidiaries in the most recent year and up to the publication date of the annual report: N/A.

IV. Other important supplementary information: N/A.

Eight. Matters that Materially Affect Shareholders' Equity or the Prices of the Company's Securities: N/A.

King Yuan Electronics Co., Ltd.

Director & Chairman: Chin-Kung Lee

京元電子股份有限公司
The Testing Industry Benchmark

■ Headquarters: 30070 No.81, Sec.2, Gongdaowu Rd., Hsin-Chu, Taiwan, R.O.C. TEL: 886-3-5751888
Headquarters: 30070 No.81, Sec.2, Gongdaowu Rd., Hsin-Chu, Taiwan, R.O.C.

■ Chunan Branch: 35053 No. 118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C. TEL: 886-37-595666
Chunan Branch: 35053 No. 118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C.

■ Tongluo Branch: 36645 No.8, Tongke N. Rd., Tongluo Township, Miao-Li, Taiwan, R.O.C. TEL: 886-37-980188
Tongluo Branch: 36645 No.8, Tongke N. Rd., Tongluo Township, Miao-Li, Taiwan, R.O.C.