IMPORTANT NOTICE

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO AND ACCESS HAS BEEN LIMITED SO THAT IT SHALL NOT CONSTITUTE A GENERAL ADVERTISEMENT OR GENERAL SOLICITATION (AS THOSE TERMS ARE USED IN REGULATION D UNDER THE SECURITIES ACT) OR DIRECTED SELLING EFFORTS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) IN THE UNITED STATES OR ELSEWHERE. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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You are reminded that this Preliminary Offering Circular has been delivered to you on the basis that you are a person into whose possession this Preliminary Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Preliminary Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriter or any affiliate of the underwriter is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

This Preliminary Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Citigroup Global Markets Limited and UBS AG, Hong Kong Branch (the "**Initial Purchasers**"), the Trustee and the Agents (each as defined in the "Terms and Conditions of the Bonds") nor any person who controls any of them nor any of their respective directors, officers, employees or agents or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

YAGEO Corporation

(incorporated as a company limited by shares in Taiwan, the Republic of China)

US$180,000,000
Currency Linked Zero Coupon Convertible Bonds due 2025
Issue Price: 100%

We are offering US$180,000,000 aggregate principal amount of Currency Linked Zero Coupon Convertible Bonds due 2025 (the "**Bonds**"). Unless previously redeemed, repurchased and cancelled, or converted, the Bonds will mature, and we will redeem the Bonds, on May 26, 2025 (the "**Maturity Date**") at the Settlement Equivalent (as defined herein) of 100.0% of the unpaid principal amount thereof. The Bonds will not bear any interest. The Bonds will be convertible into our common shares (the "**Shares**" or the "**Common Shares**"), par value NT$10.00 per share, during the period from and including August 25, 2020 to and including May 16, 2025, except during certain Closed Periods (as defined herein), at an initial conversion price of NT$485.00 per share with a fixed exchange rate of NT$29.9280 = US$1.00 applicable on conversion of the Bonds. The Shares are listed on the Taiwan Stock Exchange Corporation (the "**TWSE**") under the stock code "2327" and are subject to certain restrictions on trading imposed by the rules and regulations of the TWSE. See "Risk Factors — Risk Relating to Ownership of the Bonds and Our Shares." On May 19, 2020, the closing price of our Shares on the TWSE was NT$373.00.

At any time on or after May 26, 2023, we may redeem the Bonds, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount (as defined herein) under the circumstances described in this offering circular (the "**Offering Circular**"). At any time, we may also redeem the Bonds then outstanding at the Settlement Equivalent of the Early Redemption Amount, in whole but not in part, if the principal amount of the Bonds that have been redeemed, repurchased and cancelled or converted is at least 90% of the principal amount originally issued. We may also redeem the Bonds then outstanding, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount, if, as a result of certain changes in the laws or regulations of the Republic of China (the "**ROC**") occurring after May 26, 2020, we become obligated to pay Additional Amounts (as defined herein).

You may require us to repurchase the Bonds, in whole or in part (being US$200,000 in principal amount and integral multiples of US$100,000 in excess thereof), (i) at the Settlement Equivalent of 100.0% of the outstanding principal amount thereof on May 26, 2023, (ii) at the Settlement Equivalent of the Early Redemption Amount in the event of a Delisting (as defined herein) or (iii) at the Settlement Equivalent of the Early Redemption Amount in the event of a Change of Control (as defined herein).

The Bonds will be our direct, unconditional, unsubordinated, but subject to a negative pledge, as described in "Description of the Bonds — 3. Negative Pledge", and unsecured obligations, and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.

We have received approval in-principle for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Such permission will be granted when the Bonds have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Offering Circular. Admission of the Bonds to the Official List of the SGX-ST and the quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of our company, our subsidiaries, our associated companies, the Bonds or the Shares. Prior to this offering, there has been no market anywhere for the Bonds, or any market outside Taiwan for the Shares.

INVESTING IN THE BONDS INVOLVES RISKS THAT ARE DESCRIBED IN "RISK FACTORS" BEGINNING ON PAGE 14 OF THIS OFFERING CIRCULAR.

Neither the Bonds nor the Shares have been or will be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws, and are being offered and sold outside the United States in accordance with Regulation S under the U.S. Securities Act, and outside the ROC. The Bonds are sold subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration thereunder or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. For a description of restrictions on transfers of the Bonds, see "Transfer Restrictions" and "Plan of Distribution."

The Bonds will be represented by one or more global certificates (each a "**Global Bond**") and will be fully issued in registered form in the name of Citivic Nominees Limited, as the nominee for, and shall be deposited with, Citibank Europe plc, as common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**"). Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. Except as described herein, individual definitive certificates for the Bonds will not be issued in exchange for interests in the Bonds. The Initial Purchasers expect to deliver the Bonds to purchasers on or about May 26, 2020.

Joint Bookrunners

citi UBS

Offering Circular dated, May 19, 2020

INCORPORATION OF DOCUMENTS BY REFERENCE

KEMET is subject to the information and reporting requirements of the Exchange Act and files periodic reports and other information with the SEC. These periodic reports and other information are available for inspection and copying at the SEC's public reference room and by accessing the website of the SEC at www.sec.gov.

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this Offering Circular. We incorporate by reference the audited consolidated financial statements of KEMET included in its annual report on Form 10-K for the fiscal year ended March 31, 2019 filed with the SEC on May 30, 2019. We incorporate by reference the unaudited consolidated financial statements of KEMET included in Item 1 in its quarterly report on Form 10-Q for the nine months ended December 31, 2019 filed with the SEC on February 6, 2020.

The information incorporated by reference is considered to be a part of this Offering Circular, and you should read it with the same care that you read this offering circular. Any statement in a document incorporated by reference into this Offering Circular will be deemed to be modified or superseded to the extent that a statement contained in this Offering Circular or in a document that is subsequently filed with the SEC and incorporated by reference into this offering circular modifies or supersedes that previous statement.

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IMPORTANT INFORMATION

This Offering Circular is strictly confidential. We are furnishing this Offering Circular in connection with an offering exempt from the registration requirements of the Securities Act, solely for the purpose of enabling you to consider the purchase of the Bonds as described herein. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Bonds. You may not copy, reproduce or distribute this Offering Circular, in whole or in part, and may not disclose any content or use any information in this Offering Circular for any purpose other than considering an investment in the Bonds. By accepting delivery of this Offering Circular, you agree to the foregoing.

The contents of this Offering Circular have not been reviewed by any regulatory authority. Investors are advised to exercise caution in relation to the offering of the Bonds described herein. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice.

We accept full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

You should rely only on the information contained in this Offering Circular. We and the Initial Purchasers have not authorized any other person to provide you with any other information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Offering Circular is accurate only as of the date on the front cover of this Offering Circular or otherwise as of the date specifically referred to in connection with the particular information. Our business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

We, having made all reasonable inquiries, confirm that this Offering Circular contains all information with respect to us, the Group and the Bonds, which are convertible into the Shares, which is material in the context of the issue and offering of the Bonds, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions. We accept responsibility accordingly. Statements contained in this Offering Circular as to the contents of any agreement or other document referred to in this Offering Circular may not set forth all of the terms and conditions of such agreements or other documents, and such statements are qualified by reference to the full text of each such agreement or other document. We have compiled all industry and market information and statistics contained in this Offering Circular from various published and private sources, which may be inconsistent with other information compiled elsewhere. We have reproduced such information correctly in this Offering Circular but neither we, the Initial Purchasers, the Trustee nor the Agents have independently verified the accuracy or completeness of any of such information and we accept responsibility only for accurately extracting information from such sources.

This Offering Circular has been prepared by us solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by us, the Initial Purchasers, the Trustee and the Agents to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes.

The Bonds are offered in reliance upon certain exemptions from the registration requirements under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering in the United States. This Offering Circular is personal to you and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Bonds. In making a purchase of the Bonds, you will be deemed to have made the acknowledgments, representations and agreements provided in the section of this Offering Circular entitled "Transfer Restrictions."

No person has been or is authorized to give any information or to make any representation concerning us, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers, the Trustee or the Agents. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs, the affairs of our Group or any of us since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Initial Purchasers, the Trustee or the Agents to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

PRIIPs Regulation/Prohibition of Sales to European Economic Area ("EEA") Retail Investors — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); and/or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Singapore SFA Product Classification — In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

In making an investment decision regarding the Bonds, you must rely on your own examination of our Company and the terms of this offering, including the merits and risks involved. The contents of this Offering Circular are not to be considered as legal, business, financial or tax advice. You should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Bonds. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Initial Purchasers, Trustee or the Agents or any person who controls any of them or any of their respective directors, officers, employees or agents or any of their respective affiliates, as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with our Company, the issue and offering of the Bonds or the Shares. None of the Initial Purchasers, the Trustee or the Agents has performed procedures to verify all of the information contained in the offering document. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by us, the Group, the Initial Purchasers, the Trustee or the

Agents that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on any of the Initial Purchasers, the Trustee or the Agents or any person affiliated with any of the Initial Purchasers, the Trustee or the Agents in connection with its investigation of the accuracy or completeness of such information or its investment decision. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or the Agents or any person who controls any of them or any of their respective directors, officers, employees or agents accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Initial Purchasers, the Trustee, the Agents or the Registrar or on their behalf in connection with our Company, the issue and offering of the Bonds or the Shares. The Initial Purchasers, the Trustee or the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

None of the Initial Purchasers, the Trustee or the Agents undertakes to review the financial condition or affairs of the Issuer or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Initial Purchasers, the Trustee or the Agents. Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industry or to the economic development of China have been extracted or derived from publicly available information and industry publications. Such information, as well as the financial data of KEMET included in this offering circular, has not been independently verified by the Issuer, the Group, the Trustee, the Agents or any of the Initial Purchasers or by their respective directors and advisers, and none of the Issuer, the Group, the Trustee, the Agents, the Initial Purchasers or their respective directors and advisers make any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

The laws of some jurisdictions may restrict the distribution of this Offering Circular and the offer and sale of the Bonds or the Shares. To purchase the Bonds, you must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or resell the Bonds or possess this Offering Circular. You must also obtain any consent, approval or permission required for your purchase, offer or sale of the Bonds under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchase, offer or resale. None of our Company, the Initial Purchasers and our and its respective representatives is making any representation to you or any person regarding the legality of any investment in the Bonds, or the Shares, by you or any person under applicable legal investment or similar laws or regulations. This Offering Circular does not constitute an offer to sell to you or any person, or a solicitation of an offer from you or any person to buy any of the Bonds or the Shares, in any jurisdiction where it is unlawful to make such an offer or solicitation. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

PRESENTATION OF INFORMATION

The references to "the Company" in this Offering Circular refer to YAGEO Corporation, and references to "we," "us" and "our" in this Offering Circular refer to YAGEO Corporation or YAGEO Corporation and its subsidiaries, as the context requires, unless specifically indicated. The references to "Shares" refer to the common shares of the Company, par value NT$10 per common share. The references to "Taiwan" and "ROC" refer to Taiwan, the Republic of China. The references to "PRC" and "China" refer to the People's Republic of China but not including Hong Kong and Macau Special Administration Regions. The references to "the ROC Company Law" refer to the Company Law of the ROC. The references to "FSC" refer to the Financial Supervisory Commission of the ROC. The references to "TWSE" refer to the Taiwan Stock Exchange Corporation.

Unless expressly stated otherwise, all financial information, description and other information regarding our financial condition and results of operations as of and for the years ended December 31, 2017, 2018 and 2019 included in this Offering Circular are presented on a consolidated basis. We prepared our consolidated financial statements as of and for the years ended December 2017, 2018 and 2019 in accordance with the International Financial Reporting Standards, International Accounting Standards, and relevant interpretations and interpretative bulletins endorsed by FSC (the "**T-IFRSs**"), which differs from U.S. GAAP, IFRS or the generally accepted accounting principles of certain other countries. Our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 have been audited. We prepared our unaudited consolidated interim financial statements as of and for the three months ended March 31, 2019 and 2020 in accordance with IAS 34 "Interim Financial Reporting" endorsed by the FSC as well as the "Regulations Governing the Preparation of Financial Reports by Securities Issuers." Our consolidated interim financial statements as of and for the three months ended March 31, 2019 and 2020 have been reviewed by our independent auditors.

The financial statements of the Company are published in New Taiwan dollars, the lawful currency of the ROC. All references to "United States dollars," "US dollars" and "US$" are to United States dollars, all references to "New Taiwan dollars," "NT dollars" and "NT$" are to New Taiwan dollars and all references to "HK$" are to Hong Kong dollars. Unless otherwise noted, all translations from NT dollars to US dollars were made at the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board (the "**Noon Buying Rate**") as of March 31, 2020, which was NT$30.25 = US$1.00. All amounts translated into US dollars in this Offering Circular are provided solely for your convenience and no representation is made that the NT dollar or US dollar amounts referred to herein could have been or could be converted into US dollars or NT dollars, as the case may be, at any particular rate or at all.

In this Offering Circular, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, the total of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

We have compiled all industry and market information and statistics contained in this Offering Circular from various published and private sources, which may be inconsistent with other information compiled elsewhere. Unless otherwise indicated, all industry and market information and statistics contained in this Offering Circular relate to Taiwan. We have reproduced such information correctly in this Offering Circular but neither we, nor the Initial Purchasers, have independently verified the accuracy or completeness of any of such information.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Offering Circular. The words "believe," "expect," "anticipate," "estimate," "project," "intend," "plan," "seek" and similar words identify forward-looking statements. In addition, all statements other than statements of historical fact included in this Offering Circular are forward-looking statements. Our forward-looking statements contain information regarding:

- our future revenue and profitability;
- our business strategies;
- expected growth in consumer demand; the expected industry trends;
- our capital expenditure plans; and
- other matters discussed in this Offering Circular regarding matters that are not historical facts,

are only forecasts based on information currently available to us. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- the intensely competitive industries in which we operate;
- general economic, political and social conditions and developments in Taiwan, the PRC and other jurisdictions in which we operate our business;
- the pending KEMET Acquisitions;
- market acceptance of our products;
- risks associated with the introduction of new products;
- changes in market prices for our products;
- our rate of growth and ability to meet the demands in relation to our growth;
- changes in the availability and prices of raw materials and machinery and equipment we need to manufacture our products;
- our ability to meet financial and other covenants provided under our loan agreements;
- our continued ability to secure funding to meet our liquidity needs and investment objectives;
- legal proceedings; and
- other risks identified in the "Risk Factors" section of this Offering Circular.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove correct. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in "Risk Factors" and elsewhere in this Offering Circular, the forward-looking events in this Offering Circular are not guarantees of future performance and might not occur and our actual results could differ materially from those anticipated in those forward-looking statements.

ENFORCEABILITY OF FOREIGN JUDGMENTS

The Company is a company limited by shares and incorporated under the ROC Company Law. Substantially all of its directors, supervisors and executive officers and certain of the experts named in this Offering Circular are residents of the ROC, and a significant portion of the Company's assets and these persons are located in the ROC. As a result, it may not be possible for you to effect service of process upon the Company or any of these persons outside of the ROC, or to enforce against any of them judgments obtained in courts outside of the ROC. The Company's ROC counsel has advised that any final judgment obtained against the Company or such persons in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the Bonds or the Shares to be issued upon conversion of the Bonds will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied with the following:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedure resulting in the judgment are not contrary to the public order or good morals of the ROC;
- the judgment is a final judgment for which the period for appeal has expired or from which no appeal can be taken;
- if the judgment was rendered by default by the court rendering the judgment, (i) the Company or such persons were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction, or (ii) process was served on the Company or such persons with judicial assistance of the ROC; and
- judgments of the courts of the ROC would be recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan), or CBC, for the remittance out of the ROC of any amounts recovered in respect of the judgment denominated in a currency other than NT dollars. See "Appendix B — Foreign Investment and Exchange Controls in the ROC".

SUMMARY

The following summary is qualified in its entirety by the more detailed information contained elsewhere in this Offering Circular. This summary may not contain all of the information you should consider before deciding to invest in the GDSs. We recommend that you read this Offering Circular carefully, including the financial statements and related notes which appear in the F-pages of this Offering Circular and "Risk Factors".

Overview

We are a leading global electronic component company with capabilities on a global scale, including production and sales facilities in Asia, Europe and the Americas. We provide one-stop shop product portfolio of resistors, capacitors, wireless and circuit protection components to meet the diverse requirements of customers. According to Paumanok, we were ranked the fourth in the passive component market as measured by consumption value in 2019, and upon the completion of the KEMET Acquisition, we are expected to become the second largest supplier of passive components in the market by consumption value.

We have broad product offerings, primarily comprising multi-layer ceramic capacitors, chip resistors, wireless components and circuit protection components, strategically targeted at various key vertical markets, including applications for consumer electronics, industrial, telecommunications, power and energy, IoT and automotive and transportation. Going forward, the number of new applications in 5G, IoT, cloud computing and electric vehicles is expected to increase over time, and such favorable secular trends is expected to create significant new demand and drive additional growth.

We have an extensive global distribution network that mainly covers Greater China, the United States and Europe. Our customer base mainly includes electronic manufacturing service providers, original design manufacturing providers, original equipment manufacturing providers and distributors. Upon the completion of the KEMET Acquisition, our distribution network will further be enhanced in Asia to include Japan and Korea, and to cover the Americas. In addition, our customer base will further be expanded to include other leading global industrial, automotive and defense companies.

We have more than 25 years of experience in mergers and acquisitions. In addition to KEMET, we have acquired many prestigious passive and electronic component companies, including Vitrohm in 1996, the discrete ceramics and ferrite components businesses of Royal Philips Electronics in 2000, BrightKing Holdings in 2018 and Pulse Electronics in 2018, The consolidation efforts have transformed us from a small Taiwan-based player into a leading global passive component provider while creating shareholder value. Our management proactively undertake integration initiatives post acquisitions to achieve cost savings.

Our operating revenue increased from NT$32,258.6 million in 2017 to NT$77,155.6 million in 2018, and then decreased to NT$41,306.6 million (US$1,365.5 million) in 2019. Our operating revenue decreased from NT$11,394.3 million in the three months ended March 31, 2019 to NT$10,023.5 million (US$331.3 million) in the same period in 2020. Our net profit increased from NT$6,681.0 million in 2017 to NT$33,840.1 million in 2018, and then decreased to NT$7,052.1 million (US$233.1 million) in 2019. Our net profit decreased from NT$2,560.0 million in the three months ended March 31, 2019 to NT$2,350.3 million (US$77.7 million) in the same period in 2020.

Our Competitive Strengths

- Well-positioned to capture attractive growth opportunities anchored by favorable secular trends
- Global leading passive component player with clear strategic focus
- Diversified blue-chip customer base and geographic coverage
- Proven track record in mergers and acquisitions and successful integration
- Visionary and experienced management team

Our Strategies

- Delivering growth by positioning us to capture attractive market opportunities supplemented by selective bolt-on acquisitions
- Continuous improvement on operational efficiency
- Focus on post-deal integration and synergy maximization
- Prudent financial management while maximizing shareholder value

Corporate and Other Information

We were founded by Mr. M.Y. Chen and was incorporated on July 10, 1977 under the name Yageo Company Limited, or YCL, under the Company Law of the Republic of China. YCL manufactured leaded resistors under contract for resistor producers and designed and built resistor factories for third parties on a turnkey basis. YCL merged with Taiwan Resistance Corporation, a manufacturer of leaded resistors in Kaohsiung, Taiwan in 1989 and adopted the name "Yageo Corporation". Our registered office address is at 3F, 233-1, Baoqiao Rd. Xindian Dist., New Taipei City, Taiwan, Republic of China. On October 22, 1993, our Common Shares were listed on the TWSE under the trading code "2327". On May 19, 2020, the closing price of our Common Shares on the TWSE was NT$373.00 per share and our market capitalization was approximately NT$160.49 billion.

Our website address is https://www.yageo.com. The information on our website is not part of this Offering Circular.

The KEMET Acquisition

On November 11, 2019, we entered into an Agreement and Plan of Merger or the KEMET Merger Agreement, by and among YAGEO Corporation, Sky Merger Sub Inc. and KEMET Corporation, or KEMET. The consummation of the KEMET Acquisition is subject to regulatory and KEMET shareholder approvals and customary closing conditions. KEMET's shareholders have approved it on February 20, 2020. We expect the KEMET Acquisition to close in the second half of 2020. There can be no assurance that we will be able to consummate the KEMET Acquisition on timely basis or at all.

The following summary of the KEMET Merger Agreement is not complete and is subject to, and is qualified in its entirety by reference to, all provisions of the KEMET Merger Agreement (including the definitions of terms used therein). You should read the KEMET Merger Agreement for provisions that may be important to you. A copy of the KEMET Merger Agreement was filed as Annex A to Definitive Proxy Statement on Schedule 14A filed with the SEC on January 14, 2020.

Upon the consummation of the KEMET Acquisition, each share of KEMET common stock issued and outstanding immediately prior to the Effective Time (other than (i) shares held by KEMET or held, directly or indirectly, by us or Sky Merger Sub Inc., which will be canceled for no consideration, and (ii) any shares owned by stockholders who are entitled to and who properly exercise appraisal rights under Delaware law) will be converted into the right to receive US$27.20 in cash, without interest and less any applicable withholding taxes.

In the KEMET Merger Agreement, KEMET has made customary representations and warranties to us and Sky Merger Sub Inc. that are subject, in some cases, to specified exceptions and qualifications contained in the KEMET Merger Agreement or in KEMET's disclosure letter to the KEMET Merger Agreement delivered in connection therewith. These representations and warranties relate to, among other things: (i) due organization, good standing and authority and qualification to conduct business with respect to KEMET and its subsidiaries; (ii) capital structure of KEMET, KEMET's ownership of its subsidiaries, KEMET's and its subsidiaries' non-ownership of equity or debt interests other than of subsidiaries of KEMET and KEMET's equity awards granted; (iii) KEMET's corporate authority to enter into, perform its covenants and obligations under, and consummate the transactions contemplated by, the KEMET Merger Agreement and the enforceability of the KEMET Merger Agreement; (iv) subject to the ability to make an Adverse Recommendation Change, the approval of, and recommendation by, the board of directors in favor of the proposal to adopt the KEMET Merger Agreement; (v) the absence of conflicts with laws, KEMET's organizational documents and KEMET's

contracts; (vi) required consents and regulatory filings and approvals (including from CFIUS and pursuant to U.S. and foreign antitrust laws) in connection with the KEMET Merger Agreement; (vii) KEMET's possession of necessary permits and KEMET's compliance with laws (including, but not limited to, anti-corruption laws and international trade laws); (viii) the accuracy of KEMET's SEC filings and financial statements; (ix) the accuracy of the information supplied by or on behalf of KEMET or any of its subsidiaries for inclusion in the Definitive Proxy Statement; (x) KEMET's disclosure controls and procedures; (xi) the conduct of business of KEMET and its subsidiaries in the ordinary course; the absence of any change, event, occurrence, state of facts, condition, development or circumstance that has had or would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect; and the absence of certain actions taken that would otherwise have been prohibited if taken between the date of the KEMET Merger Agreement and the closing, in each case, since April 1, 2019; and (xii) other representations and warranties set forth in the KEMET Merger Agreement.

The KEMET Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after the KEMET stockholder approval: (i) by mutual written consent of us and KEMET; (ii) by either of us or KEMET if (a) the KEMET Acquisition has not been consummated by the Termination Date, subject to certain exceptions, (b) prior to the Effective Time, any governmental authority has, by law or order, permanently restrained, enjoined, rendered illegal or otherwise prohibited the transactions contemplated by the KEMET Merger Agreement and such law or order has become final or nonappealable, subject to certain conditions, (c) KEMET has failed to obtain the KEMET stockholder approval; (d) we have failed to obtain our stockholder approval, (e) a CFIUS turndown has occurred at any time or the parties have failed to obtain CFIUS approval before the Termination Date, or (f) the parties have failed to obtain the approvals of foreign investment and investment in mainland China for the purpose of the KEMET Acquisition and the other transactions contemplated by the KEMET Merger Agreement issued by the Taiwan Investment Commission before the Termination Date. In addition, the KEMET Merger Agreement can be terminated by KEMET under specified circumstances, including, among others, KEMET to enter into a definitive agreement for a superior proposal, and KEMET will be required to pay us a termination fee of US$63.75 million.

The respective obligations of each party to consummate the KEMET Acquisition are subject to the satisfaction or (to the extent permitted by applicable law) waiver by KEMET and us, by the Effective Time, of the following conditions: (i) the KEMET stockholder approval having been obtained; (ii) the consummation of the KEMET Acquisition not being restrained, enjoined, rendered illegal or otherwise prohibited by any law or order of any governmental authority; (iii)(a) the expiration or early termination of any waiting periods (or any extensions thereof) applicable to the consummation of the KEMET Acquisition under the HSR Act and (b) the termination or expiration of any waiting periods (and any extensions thereof), and all related approvals or clearances of the KEMET Acquisition by the relevant antitrust authorities, pursuant to any antitrust laws in Austria, China, Germany, Mexico and Taiwan that are required to be terminated or expired prior to the consummation of the KEMET Acquisition; (iv) the CFIUS approval having been obtained; (v) approvals of foreign investment and investment in mainland China for the purpose of the KEMET Acquisition and the other transactions contemplated by the KEMET Merger Agreement issued by the Taiwan Investment Commission having been obtained; (vi) if required by applicable law, our stockholder approval having been obtained; and (vii) subject to certain exceptions, the accuracy of the representations and warranties in the KEMET Merger Agreement. The KEMET Acquisition remains subject to other customary closing conditions. On February 20, 2020, stockholders of KEMET approved the KEMET Acquisition. As of the date of this Offering Circular, except for the approval from the Taiwan Investment Commission, we have obtained all of the required regulatory approval to consummate the KEMET Acquisition. The KEMET Acquisition is expected to close in the second half of 2020.

There can be no assurance that we will be able to consummate the KEMET Acquisition on a timely basis or at all. See "Risk Factors — Risks Relating to the KEMET Acquisition." This offering is not contingent on the consummation of the KEMET Acquisition.

Information about KEMET

The information below about KEMET has been derived from the Definitive Proxy Statement on Schedule 14A that KEMET has filed with the SEC on January 14, 2020.

KEMET is a leading global manufacturer of a wide variety of capacitors, and electro-magnetic compatible devices, sensors and actuators. With respect to capacitors, KEMET competes in the passive electronic component industry, specifically multilayer ceramic, tantalum, film and aluminum (solid & electrolytic) capacitors. While KEMET competes in the passive electronic component industry, its strategic focus is on growth markets, specialty products requiring high reliability, and within its ceramic product line, larger case size capacitors.

KEMET is organized into three reportable segments: Solid Capacitors, Film and Electrolytic, and Electro-magnetic, Sensors & Actuators. Each segment is responsible for the operations of certain manufacturing sites as well as all related research and development efforts. For the year ended March 31, 2019, approximately 67.7% of KEMET's net sales were derived from sales of Solid Capacitors, approximately 14.9% of KEMET's net sales were derived from sales of Film and Electrolytic products and approximately 17.4% of KEMET's net sales were derived from sales of Sensors & Actuators products. KEMET operates 21 production facilities in Europe, North America, and Asia, and employs approximately 12,800 employees worldwide. KEMET serves the needs of its global customer base through four geographic regions: the Americas, Europe, the Middle East and Africa, Asia and the Pacific Rim, and Japan and Korea. For the year ended March 31, 2019, approximately 38.6% of KEMET's net sales were derived from sales in Asia and the Pacific Rim, approximately 22.8% of KEMET's net sales were derived from sales in Middle East and Africa, approximately 24.4% of KEMET's net sales were derived from sales in the Americas and approximately 14.2% of KEMET's net sales were derived from sales in Japan and Korea.

KEMET common stock is currently listed on the NYSE under the symbol "KEM." On May 18, 2020, the closing price of KEMET common shares on the NYSE was US$27.07 per share and KEMET's market capitalization was approximately US$1.58 billion.

Recent Developments

As announced on the Market Observation Post System, or MOPS, our operating revenue for April 2020 were NT$4,441 million. The financial data for April 2020 have not been audited nor reviewed by our auditor, and are subject to adjustments based upon, among other things, completion of applicable reporting processes. Actual results could differ materially from the financial data provided above.

In April 2020, we completed the offering of 12,680,000 global depositary shares, or GDSs, representing 63,400,000 common shares, at an offering price of US$51.25 per GDS.

Recent Financial Performance of KEMET

On May 14, 2020, KEMET announced its unaudited financial results for the three months and the year ended March 31, 2020 (which does not form part of this offering circular and is not incorporated by reference herein). KEMET recorded a net sales of US$293.2 million, a gross margin of 31.4% and net loss of US$0.3 million (which included US$17.6 million in losses related to the write down of long-lived assets) for the three months ended March 31, 2020, as compared with a net sales of US$355.8 million, a gross margin of 35.5% and net income of US$93.4 million (which included a tax benefit of $50.1 million related to the partial release of valuation allowances in the U.S. and Japan) for the same period in 2019. For the year ended March 31, 2020, KEMET recorded a net sales of US$1,260.6 million, a gross margin of 33.4% and net income of US$41.4 million (which included US$19.7 million in losses related to the write down of long-lived assets), as compared with a net sales of US$1,382.8 million, a gross margin of 33.2% and net income of US$206.6 million (which included a tax benefit of $50.1 million related to the partial release of valuation allowances in the U.S. and Japan) for the year ended March 31, 2019.

The KEMET information included above represents preliminary unaudited financial results as of, and for the fiscal year and three months ended, March 31, 2020. KEMET's consolidated financial statements as of, and for the fiscal year and three months ended, March 31, 2020, are not yet available. The unaudited financial results reflects KEMET's preliminary estimates based on currently available information. KEMET's financial closing procedures are not yet complete and, as a result, its final results upon completion of closing procedures may vary from the preliminary estimates and additional items that would require material adjustments to the preliminary unaudited financial information may be identified. Estimates of results are inherently uncertain and subject to change, and we undertake no obligation to update this information. These estimates should not be viewed as a substitute for interim or annual financial statements prepared in accordance with U.S. GAAP. In addition, the preliminary results are not necessarily indicative of the results that may be reported in any future periods. Our independent registered public accounting firm has not conducted an audit or review and has not expressed an opinion or any other form of assurance, with respect to these preliminary estimates.

THE OFFERING

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Bonds, please refer to the section entitled "Description of the Bonds" in this Offering Circular. Capitalized terms used herein and not defined have the same meaning given to them in this Offering Circular.

Issuer	YAGEO Corporation
Offering	US$180,000,000 aggregate principal amount of Currency Linked Zero Coupon Convertible Bonds due 2025, being offered outside the United States (in reliance on Regulation S under the U.S. Securities Act) and the ROC in offshore transactions.
Interest	The Bonds will not bear any interest.
Lock-up	We and each of Pierre T.M. Chen, Hsu Chang Investment Ltd. and Hsu Tai Investment Ltd. have agreed that for a period of 90 days after the date of this Offering Circular, we will not, without the Initial Purchasers' prior written consent, offer, sell, contract to sell or otherwise dispose of any of our securities that are substantially similar to the Bonds or Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities. See "Plan of Distribution."
Issue Date	May 26, 2020.
Maturity Date and Final Redemption	Unless previously redeemed, repurchased and cancelled, or converted, the Bonds will mature, and the Issuer will redeem the Bonds, on May 26, 2025 at the Settlement Equivalent of 100.0% of the unpaid principal amount thereof.
Issue Price	100% of the principal amount of the Bonds.
Ranking	The Bonds will be our direct, unconditional, unsubordinated (but subject to a negative pledge, as described in "Negative Pledge" below) and unsecured obligations, and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.
Conversion	Subject to certain conditions, each holder of the Bonds (a "**Bondholder**") will have the right during the Conversion Period (as defined herein) to convert its Bonds, in whole or in part (being US$200,000 in principal amount and integral multiples of US$100,000 in excess thereof), into Common Shares at anytime from August 25, 2020 to May 16, 2025 (or if the Bonds are called for redemption prior to the Maturity Date, on the date five Trading Days prior to the redemption date), *provided, however*, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period.

	See "Description of the Bonds — 6. Conversion" and "Risk Factors — Risks Relating to Ownership of Bonds and our Shares — There are limitations on the Bondholders' ability to exercise conversion rights." Subject to changes to ROC laws and regulations, we shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) deliver Shares in certificated or book-entry form to the converting Bondholders for the purpose of trading the Common Shares on the TWSE.
Conversion Price	The conversion price will initially be NT$485.00 per share with a fixed exchange rate applicable on conversion of Bonds of NT$29.9280 = US$1.00. The conversion price will be subject to adjustments for, among other things, subdivision or combination of shares, bond issues, right issues, distributions, stock dividends, and other dilutive events. See "Description of the Bonds — 6. Conversion (C) Adjustments to Conversion Price."
Early Redemption Amount	The Early Redemption Amount for each US$100,000 of Bonds is determined so that it represents for the Bondholder a gross yield of 0.00% per annum on a semi-annual basis. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (B) Redemption at the Option of the Company."
Redemption at the option of the Company	At any time on or after May 26, 2023, the Bonds may be redeemed at the option of us, in whole but not in part, on not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents (as defined herein), at the Settlement Equivalent of the Early Redemption Amount on the date of redemption if the Market Price (as defined herein) (translated into US Dollars at the Prevailing Rate (as defined herein)) for 12 of 30 consecutive Trading Days, the last of which occurs not more than 10 days prior to the date on which notice of such redemption is given, is at least 125% of the quotient of the Settlement Equivalent of the Early Redemption Amount divided by the Conversion Ratio (as defined herein). At any time, we may also redeem the Bonds then outstanding at the Settlement Equivalent of the Early Redemption Amount, in whole but not in part, if the principal amount of the Bonds that have been redeemed, repurchased and cancelled or converted is at least 90% of the principal amount originally issued. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (B) Redemption at the Option of the Company."

Additional Amounts	Payment of principal of and premium and other amounts on the Bonds will be made without withholding or deduction for or on account of any taxes imposed by the ROC or certain other relevant jurisdictions unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will, subject to certain exceptions, pay such additional amounts on the Bonds as will result in the receipt by the Bondholders of the amounts which would otherwise have been receivable in the absence of any such deduction or withholding. See "Description of the Bonds — 9. Taxation."
Tax Redemption	If, as a result of certain changes relating to the tax laws in the ROC, we become obligated to pay Additional Amounts, we may at our option redeem the Bonds, in whole but not in part, at the Settlement Equivalent of the Early Redemption Amount; provided that such right cannot be exercised earlier than 60 days prior to the first date on which we would be obligated to pay Additional Amounts were a payment in respect of the Bonds then due. Notwithstanding the foregoing, Bondholders may elect not to have their Bonds redeemed and to forgo any Additional Amounts or reimbursement of additional tax. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (C) Redemption for Tax Reasons."
Repurchase at the Option of Holder	Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right, at such Bondholder's option, to require us to repurchase in US Dollars all (or any portion of the principal amount thereof which is US$200,000 or any integral multiple of US$100,000 in excess thereof) of such Holder's Bonds, on May 26, 2023 at a repurchase price equal to the Settlement Equivalent of 100.0% of the outstanding principal amount thereof.
Repurchase in the Event of Delisting	Unless the Bonds have been previously redeemed, repurchased and canceled or converted, in the event that the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days (as defined herein) on the TWSE, each Bondholder shall have the right, at such Bondholder's option, to require us to repurchase, in whole or in part (being US$200,000 in principal amount and integral multiples of US$100,000 in excess thereof), of such Bondholder's Bonds on the Delisting Put Date, which shall not be less than 30 days nor more than 60 days after the Trustee mails to each Bondholder a notice regarding such delisting at the Settlement Equivalent of the Early Redemption Amount. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (E) Repurchase of the Bonds in the Event of Delisting."

Repurchase in the Event of Change of Control	Unless the Bonds have been previously redeemed, repurchased and cancelled or converted, each Bondholder shall have the right, at such Bondholder's option, to require us to repurchase, in whole or in part (being US$200,000 in principal amount and integral multiples of US$100,000 in excess thereof), of such Bondholder's Bonds at the Settlement Equivalent of the Early Redemption Amount upon the occurrence of a Change of Control, as defined herein. See "Description of the Bonds — 8. Redemption, Repurchase and Cancellation — (F) Repurchase of the Bonds in the Event of Change of Control."
Negative Pledge	We will not, and will procure that none of our Principal Subsidiaries (as defined herein) will, create or permit to subsist any Security (as defined herein) upon the whole or any part of its property, assets or revenues, present or future, to secure any International Investment Securities (as defined herein) or to secure any guarantee of or indemnity in respect of any International Investment Securities without making effective provision to secure the Bonds (1) equally and ratably with such International Investment Securities with a similar Security or (2) with such other security, guarantee, indemnity or other arrangement as shall not be materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined herein) of the Bondholders. See "Description of the Bonds — 3. Negative Pledge."
Form and Denomination	The Bonds will be issuable only in book-entry form and only in denominations of US$200,000 or any higher integral multiple of US$100,000. The Bonds will be represented by the Global Bond. On the closing date of the Offering, we will deliver the Global Bond to Citibank Europe plc as common depositary. If (1) at any time the Common Depositary advises the Company in writing that it is at any time unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (3) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, the Company shall issue individual definitive bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will not be issuable in a bearer form.
Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream on a book-entry system. Settlement of the Bonds may take place through Euroclear and Clearstream in accordance with the settlement procedures applicable to debt securities in the Euromarket.

Governing Law	The Indenture and the Bonds will be governed by the laws of the State of New York.
Trustee	Citicorp International Limited
Principal Paying Agent, Conversion Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch
Listings	We have received approval in-principle for the listing and quotation of the Bonds on the SGX-ST. Such permission will be granted when the Bonds have been admitted to the Official List of the SGX-ST. Admission of the Bonds to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of our Company, our subsidiaries, our associated companies, the Bonds or the Shares. The Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Bonds are listed on SGX-ST. We have undertaken to list the shares issued upon the conversion of the Bonds on the TWSE. The shares will not be listed on the SGX-ST.
Trading Market for Our Shares	The only trading market for the Shares is the TWSE. Our shares have been listed on the TWSE since October 22, 1993 under the stock code "2327."
Use of Proceeds	The net proceeds to be received by us from this offering of the Bonds will be approximately US$178.6 million. The net proceeds are calculated after deducting underwriting discounts and commissions and related expenses of approximately US$1.4 million. We intend to use the net proceeds from this offering to repay certain bank loans, purchase raw materials overseas and capital expenditure.
Transfer Restrictions	This offering is being made pursuant to Regulation S under the U.S. Securities Act. The Bonds and our Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction. The Bonds may only be offered, sold or delivered outside the United States (as defined in Regulation S under the U.S. Securities Act) in offshore transactions in reliance on Regulation S, and outside the ROC, in each case in accordance with any other applicable law.
Delivery of the Bonds	Delivery of the Bonds, against payment in same-day funds, is expected on or about May 26, 2020.

SUMMARY FINANCIAL AND OTHER DATA OF YAGEO CORPORATION

The following tables present our summary financial information. The summary financial information as of and for the years ended December 31, 2017, 2018 and 2019 set forth below are qualified by reference to, and should be read in conjunction with, our consolidated financial statements included elsewhere in this Offering Circular. Our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 have been prepared and presented in accordance with the T-IFRSs. Our unaudited consolidated interim financial statements as of and for the three months ended March 31, 2019 and 2020 have been prepared and presented in accordance with IAS34 "Interim Financial Reporting" endorsed by FSC as well as "Regulations governing the Preparation of Financial Reports by Securities Issuers." T-IFRSs differ from U.S. GAAP, IFRS or the generally accepted accounting principles of certain other countries. For information relating to the nature and effect of significant differences between IFRS and T-IFRSs as they relate to us, see note 3 to our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 and note 3 to our unaudited consolidated interim financial statements as of and for the three months ended March 31, 2019 and 2020 included elsewhere in this Offering Circular. The results for the three-month period ended March 31, 2020 are unaudited and not necessarily indicative of the results that may be expected for the full year.

	Year ended December 31,							Three months ended March 31,				
	2017		2018		2019			2019		2020		
	NT$	%	NT$	%	NT$	US$	%	NT$	%	NT$	US$	%
	(in millions, except percentages and per share data)											
Consolidated Statement of Income:												
Operating revenue	32,258.6	100.0	77,155.6	100.0	41,306.6	1,365.5	100.0	11,394.3	100.0	10,023.5	331.3	100.0
Operating costs	(21,760.5)	(67.5)	(28,310.3)	(36.7)	(26,526.1)	(876.9)	(64.2)	(6,285.1)	(55.2)	(5,983.6)	(197.8)	(59.7)
Gross profit	10,498.1	32.5	48,845.3	63.3	14,780.5	488.6	35.8	5,109.2	44.8	4,039.9	133.5	40.3
Operating expenses												
Selling and marketing	(1,462.7)	(4.5)	(6,496.6)	(8.4)	(3,792.4)	(125.4)	(9.2)	(1,197.5)	(10.5)	(708.4)	(23.4)	(7.1)
General and administration	(1,138.2)	(3.5)	(3,523.3)	(4.6)	(3,171.3)	(104.8)	(7.7)	(723.4)	(6.3)	(595.4)	(19.7)	(5.9)
Research and development	(303.9)	(1.0)	(413.4)	(0.5)	(774.8)	(25.6)	(1.9)	(204.5)	(1.8)	(172.5)	(5.7)	(1.7)
Expected credit (loss) gain	—	—	(1,504.1)	(2.0)	989.3	32.7	2.4	(14.1)	(0.1)	(1.2)	(0.0)	(0.0)
Total operating expenses	(2,904.8)	(9.0)	(11,937.4)	(15.5)	(6,749.2)	(223.1)	(16.4)	(2,139.5)	(18.7)	(1,477.5)	(48.8)	(14.7)
Profit from operations	7,593.3	23.5	36,907.9	47.8	8,031.3	265.5	19.4	2,969.7	26.1	2,562.4	84.7	25.6
Non-operating income (expenses)												
Finance costs	(299.5)	(0.9)	(547.0)	(0.7)	(524.8)	(17.3)	(1.3)	(140.1)	(1.2)	(101.9)	(3.4)	(1.0)
Share of profit of associates	299.8	0.9	635.5	0.8	154.1	5.1	0.4	43.0	0.4	37.4	1.2	0.4
Interest income	507.9	1.5	1,091.5	1.4	1,142.2	37.8	2.8	277.2	2.4	166.0	5.5	1.7
Rental income	22.2	0.1	41.7	0.1	34.4	1.1	0.1	10.4	0.1	8.0	0.3	0.1
Gain on financial instruments at fair value through profit or loss	152.8	0.5	1,288.5	1.7	620.7	20.5	1.5	79.6	0.7	480.4	15.9	4.8
Loss on financial instruments at fair value through profit or loss	(412.2)	(1.3)	(974.2)	(1.3)	(1,324.9)	(43.8)	(3.2)	(4.7)	0.0	(219.6)	(7.3)	(2.2)
Other gains and losses	(42.1)	(0.1)	1,451.4	1.9	890.1	29.4	2.1	(134.7)	(1.2)	(61.3)	(2.0)	(0.6)
Total non-operating income (expenses)	228.9	0.7	2,987.4	3.9	991.8	32.8	2.4	130.7	1.1	309.0	10.2	3.2
Profit before income tax	7,822.2	24.2	39,895.3	51.7	9,023.1	298.3	21.8	3,100.4	27.2	2,871.4	94.9	28.8
Income tax expense	(1,141.2)	(3.5)	(6,055.2)	(7.8)	(1,971.0)	(65.2)	(4.7)	(540.4)	(4.7)	(521.1)	(17.2)	(5.2)
Net profit for the year	6,681.0	20.7	33,840.1	43.9	7,052.1	233.1	17.1	2,560.0	22.5	2,350.3	77.7	23.6
Other comprehensive income (loss)	1,416.4	4.4	(731.8)	(1.0)	(1,136.4)	(37.5)	(2.8)	728.1	6.4	(230.7)	(7.6)	(2.3)
Total comprehensive income for the year	8,097.4	25.1	33,108.3	42.9	5,915.7	195.6	14.3	3,288.1	28.9	2,119.6	70.1	21.3

	As of December 31,				Three months ended March 31,	
	2017	2018	2019		2020	
	NT$	NT$	NT$	US$	NT$	US$
	(in millions)					
Summary Consolidated Balance Sheet Data:						
Cash and cash equivalents	5,760.9	20,388.7	16,153.3	534.0	26,050.9	861.2
Trade receivables	10,546.4	19,252.0	9,702.4	320.7	9,843.5	325.4
Inventories	4,872.0	10,279.7	5,679.3	187.7	6,123.7	202.4
Investments accounted for using the equity method	3,480.1	6,205.9	6,040.5	199.7	6,027.5	199.3
Property, plant and equipment	16,274.9	18,550.0	20,511.3	678.1	20,548.1	679.3
Goodwill	2,074.0	21,464.3	21,377.8	706.7	21,355.0	706.0
Total assets	69,697.2	123,704.3	96,382.1	3,186.2	104,991.6	3,470.8
Short-term borrowings	17,624.9	23,668.0	18,640.8	616.2	31,123.5	1,028.9
Trade payables	7,511.4	10,347.3	6,059.8	200.3	6,916.5	228.6
Other payables	4,874.4	12,013.0	7,080.8	234.1	13,390.0	442.6
Long-term borrowings	5,500.0	9,000.0	14,013.6	463.3	7,955.9	263.0
Total liabilities	38,363.8	64,266.0	50,135.4	1,657.4	63,069.7	2,084.9

	Year ended December 31,				Three months ended March 31,		
	2017	2018	2019		2019	2020	
	NT$	NT$	NT$	US$	NT$	NT$	US$
				(in millions)			
Summary Consolidated Cash Flow Data:							
Net cash generated from/(used in) operating activities	8,027.3	41,782.8	11,722.3	387.5	7,214.8	2,999.7	99.2
Net cash generated from/(used in) investing activities	(11,447.8)	(27,524.5)	3,721.9	123.0	(530.2)	855.5	28.3
Net cash provided by/(used in) financing activities	2,251.0	396.0	(19,352.3)	(639.7)	4,321.5	6,102.9	201.7
Cash and cash equivalents at the beginning of the year	7,619.5	5,760.9	20,388.7	674.0	20,388.7	16,153.3	534.0
Cash and cash equivalents at the end of the year	5,760.9	20,388.7	16,153.3	534.0	31,513.9	26,050.9	861.2

SUMMARY FINANCIAL AND OTHER DATA OF KEMET

The following summary historical consolidated financial information as of March 31, 2017, 2018 and 2019 and for the three fiscal years ended March 31, 2019 has been derived from the audited consolidated financial statements of KEMET incorporated by reference into this Offering Circular. The following summary historical consolidated financial information as of and for each of the nine months ended December 31, 2018 and 2019 has been derived from the unaudited interim consolidated financial statements of KEMET incorporated by reference into this Offering Circular. KEMET's operating results for the nine months ended December 31, 2019 are not necessarily indicative of the results to be expected for any future periods.

This information is only a summary and should be read in conjunction with the historical consolidated financial statements of KEMET. See "Incorporation of Documents by Reference" in this Offering Circular.

	Fiscal Year Ended March 31,			Nine Months Ended December 31,	
	2017	2018	2019	2018	2019
	(in thousands of US$)				
Summary of Operations:					
Net sales	757,338	1,200,181	1,382,818	1,027,024	967,380
Operating income	34,968	112,852	200,849	146,792	136,138
Interest income	(24)	(809)	(2,035)	(1,325)	(2,525)
Interest expense	39,755	32,882	21,239	18,803	8,099
Income (loss) from continuing operations	47,157	254,127	206,587	113,167	41,682
Income from discontinued operations, net of income tax expense (benefit)	—	—	—	—	—
Net income	47,157	254,127	206,587	113,167	41,682
Balance Sheet Data:					
Total assets	739,439	1,222,923	1,318,095	1,231,257	1,412,332
Working capital	248,252	391,295	363,580	381,041	380,153
Long-term debt, less current portions	386,211	304,083	266,041	277,260	282,746
Other non-current obligations	60,707	152,249	125,360	125,856	153,025
Stockholders' equity	155,569	463,875	639,415	538,433	687,313
Other Data:					
Cash flow provided by (used in) operating activities	71,667	120,761	131,731	82,727	90,735
Capital expenditures	25,617	65,004	146,056	77,650	104,129
Research and development expenses	26,693	39,114	44,612	33,040	37,073

RISK FACTORS

Any potential investor in, and purchaser of, the Bonds should pay particular attention to the fact that the Company and to a large extent its activities are governed by the legal, regulatory and business environments in the ROC and the PRC which in some respects may be different from those which prevail in other jurisdictions. Prior to making an investment decision, prospective investors should carefully consider, along with the other matters set out in this Offering Circular, the following risk factors:

Risks Relating to the Company's Industry and Business

Our operating results may fluctuate due to factors beyond our control.

Our operating results are affected by a wide variety of factors beyond our control that could materially affect our sales revenues and profitability. These factors could also result in a significant variation in our quarterly or annual operating results. These factors include, but are not limited to:

- the industries and markets where we and our customers operate and compete;
- the pending KEMET Acquisition and the results of combining two companies after the KEMET Acquisition;
- breakdown, failure, or substandard performance of our products;
- new product introductions and delays in developing the capability to produce new products;
- shortage of raw material supply and raw material price fluctuations;
- market prices of our products;
- technological changes and changes in manufacturing processes;
- protection of intellectual property rights;
- timing of orders and delays in shipments to customers; and
- volume of orders relative to our production capacity.

The occurrence of any such or other problems could materially and adversely affect our business, financial condition, and results of operation. Thus it is possible that in some future period our operating results or growth rate may be below the expectations of investors.

We operate in a highly competitive industry and we may not be able to sustain our current market position.

The markets for our products are highly competitive with intense pressure on prices and margins for our products. We compete against many passive component manufacturers, certain of which may have better research and development capabilities, greater global logistics, financial, marketing and other resources than us. Our current and prospective customers also evaluate our capabilities against the merits of manufacturing products internally. In outsourcing, customers seek, among other things, to reduce cost. The competitive nature of our industry has resulted in substantial price competition, leading to lower margins.

Accordingly, we typically compete with other major passive component manufacturers for orders from the same customers. We face competition from a number of sources, mainly from Taiwanese, Japanese and Chinese passive component manufacturers. We also face increasing challenges from the PRC and overseas competitors who relocate to the PRC to take advantage of the low labor costs of production in the PRC. We may lose our customers to our competitors if we fail to keep pace with technology changes, enhance product differentiation and improve our cost efficiency. Increased competition could result in significant price competition, reduced revenues, lower profit margins or loss of market share, any of which would have a material adverse effect on our business, financial

condition and results of operations. We cannot be certain that we will be able to compete successfully against either current or potential competitors in the future. In recent years, many participants in the industry have substantially expanded their manufacturing capacity. There can be no assurance that we will be able to competitively develop the technology and provide the services necessary to retain business or attract new customers.

The COVID-19 pandemic could adversely affect our results of operations.

During January 2020, a strain of coronavirus was reported to have surfaced in Wuhan, China and caused the COVID-19, later declared as a pandemic. In an effort to halt the outbreak, the PRC government placed significant restrictions on travel within China and closed certain businesses in the region, and governments and other parties outside of China have halted or sharply curtailed the movement of people, goods and services to and from China. Certain of our key suppliers and production facilities, including those for our MLCC and chip resistor product offerings, are located in China. As such, the utilization rate of our production facilities decreased in February 2020 as compared to January 2020. In addition, we view Greater China as a growth market for our product offering. The coronavirus outbreak is adversely impacting our operations. Moreover, due to the worldwide outbreak beginning March 2020, many countries have also placed the same restrictions, which would increase the adverse impact on our operations. As our customers and end-users of our products are located across the globe, and we source most of our raw materials from China and Japan, prolonged outbreak of the pandemic could materially adversely impact our supply chain and the growth of our revenues from Greater China and worldwide.

In addition, concerns about the coronavirus and its potential impact on the Chinese and global economy are creating uncertainty about the overall demand for consumer electronics, smart and automotive equipment, telecommunication devices and other electronic products, which could have negative implications for the demand of our passive component products. For example, smartphone manufacturers may delay the release of their new products which are expected to be equipped with 5G features, and in turn, the demand and orders for our products may delay as well. At this point, we cannot accurately predict what effects these conditions will have on our business, which will depend on, among other factors, the ultimate geographic spread of the virus, the duration of the outbreak and travel restrictions and business closures across the globe.

The markets in which our customers compete are characterized by rapidly changing technology and innovation.

The markets in which our customers compete are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. Additionally, severe industry-wide competition for market share results in aggressive pricing practices by our customers for their products. In addition, the automotive and industrial end-market sectors may require us to invest in product certification, research and development, and developing customer relationships, at costs that may be higher than our management currently expect. All of the above may adversely affect our own prices, which may lead to reduced revenues, lower profit margins or loss of market share, any of which would have a material adverse effect on our business, financial condition and results of operations.

Our products are applied in various consumer electronics, automotive electronics, smart manufacturing equipment, telecommunication devices and power and energy related products produced by OEMs, ODMs and EMS providers. Accordingly, our viability and success will depend on the success achieved by our OEM, ODM and EMS customers in developing and marketing their products to their consumers. If the technologies or standards supported by our customers become obsolete or fail to gain widespread commercial acceptance, we may experience a loss of certain key customers, a decline in sales, and a decline in operating margins. In addition, there are different product release cycles in different end markets, and if we or our customers fail to meet the ideal product launch dates, our business and operations will be adversely affected.

If we are unable to manage our growth effectively, our business could be adversely affected.

We have experienced, and are expected to continue to experience, growth in the scope and complexity of our operations. In particular, we plan to continue to expand our production capacity for MLCCs at our production facilities. The growth of our business has placed and will continue to place a

strain on our management, personnel, systems and resources. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressures. Moreover, if our allocation of resources does not correspond with future demand for particular products, we could miss market opportunities, and our business, results of operations and financial condition could be materially and adversely affected. There can be no assurance that we will be able to manage our growth effectively in the future.

We must continue to develop innovative products to maintain relationships with our customers and to offset potential price erosion in older products.

While most of the fundamental technologies used in the passive component industry have been available for a long time, the market is nonetheless characterized by rapid changes in product designs and technological advances allowing for better performance, smaller size and/or lower cost. New applications are frequently found for existing technologies, and new technologies occasionally replace existing technologies for some applications or create new business opportunities in other areas of application. We believe successful innovation is critical for maintaining profitability to offset potential erosion of selling prices for existing products and to ensure the flow of new products and robust manufacturing processes that will keep us at the forefront of our customers' product designs. Non-customized products are especially vulnerable to price pressure, but customized products have also experienced price pressure in recent years. Developing and marketing new products requires start-up costs that may not be recouped if these products or production techniques are not successful. There are numerous risks inherent in product development, including the risks we will be unable to anticipate the direction of technological change or we will be unable to develop and market new products and applications in a timely fashion to satisfy customer demands. If this occurs, we could lose customers and experience adverse effects on our results of operations.

If we fail to manufacture our products within the acceptable range of quality and at the optimal production yields, our reputation may suffer and our results of operation and financial condition may be adversely affected.

The manufacturing process for our products is complex and involves a number of precise steps. Defective production can result from a number of factors, including:

- the level of contaminants in the manufacturing environment;
- equipment malfunction;
- process adjustments made to manufacture new products;
- use of substandard raw materials or component parts;
- interruption in the availability of utilities;
- inability of existing equipment to manufacture new products to certain specification;
- deficiencies in quality control;
- inadequate sample testing; and
- human error.

In particular, given the mission-critical nature of our products, especially more so in the markets such as automotive and industrial, we may have potential product liability more than we expected and therefore have adverse impact us. Moreover, from time to time, we have experienced, and may in the future experience, lower than anticipated production yields as a result of the above factors, particularly in connection with the expansion or reorientation of our capacity, a change in the manufacturing processes or the development of a new product. In general, the yield on new products will be lower than average as we develop the necessary expertise and experience to produce those products. If we fail to maintain high quality production standards, our utilization rate may decrease and our reputation may suffer and our customers may cancel their orders or return our products for reproduction, which will materially and adversely affect our results of operations and financial condition.

If we fail to expand our production capacity and output, we may lose market share.

Our future success depends on our ability to increase our production capacity and output to meet the expected growth in demands for our products. If we are unable to do so, we may be unable to meet customer needs and market demand, benefit from economies of scale to decrease our costs, apply capital efficiently, maintain our competitive position and improve our profitability. Our ability to increase our production capacity and output is subject to significant risks and uncertainties, including:

- the need to raise additional funds to purchase additional production equipment or to build additional factories, which we may be unable to obtain on commercially viable terms, if at all, especially due to the financing being less available due to the COVID-19 outbreak;
- failure or inability to acquire necessary land use rights at suitable locations; failure to recruit quality workforce at a reasonable cost;
- cost overruns and delays as a result of a number of factors, many of which are beyond our control, such as problems with site construction or equipment delivery;
- delays or denial of required approvals by relevant government authorities;
- failure to obtain production inputs in sufficient quantities or at an acceptable cost; and
- failure to execute our expansion plans effectively, including insufficient managerial capacity or failure to obtain adequate resources, such as land or buildings that are suitable for our manufacturing facilities.

As we expand our production capacity, our choice of locations for new factories or decision to expand existing factories may become less advantageous to our business than we expect, economically or otherwise, due to changes in the market conditions, local government policies or other factors that may be beyond our control. We may need to halt the construction or to delay the commencement of production and may be unable to recover any costs that we may have already spent. At times, we may also need to relocate one or more of our factories to other locations, which will increase our operational costs and cause interruption to our production. In addition, if we fail to predict the market demand precisely and over-expand our production capacity, we may be unable to recover our investments.

Inventory loss or inventory write-off may adversely affect our results of operations and financial condition.

Our major inventory includes finished products and raw materials. We typically store our finished products and raw materials at our manufacturing facilities and we monitor and manage our inventory level closely. However, there might be unpredictable inventory loss due to natural disasters or warehouse management failure. In addition, there might be an inventory write-off if the market value dropped significantly due to the change in market demand. For example, we had excessive inventory in the last three quarters in 2019 and we had to offer discounts in order to sell off inventory, which led to lower average selling prices for your products in 2019. If we are not able to manage these risks, our results of operations and financial condition may be adversely affected.

We may have capital requirements in connection with our business strategy and there is no assurance that we will be able to obtain the financing necessary to fund substantial capital expenditures.

Our business and the nature of the industry in which we operate may require us to make substantial capital expenditures in the future, leading to a higher level of fixed costs. In particular, we are expanding our production capacity in certain of our existing production facilities to cater to an expected increase in demand for our products. These capital expenditures will be spent in advance of any additional sales to be generated by new or upgraded production facilities as a result of these expenditures. Given the fixed cost nature of our business, we may in the future incur operating losses if our operating revenue does not adequately recover our capital expenditures.

In connection with our business strategy, we have spent NT$5,325 million (US$176 million) on capital expenditure in 2019, primarily for maintenance of our equipment, expanding and upgrading our production facilities as well as improving our manufacturing quality. We anticipate funding our capital expenditures with proceeds from existing cash balances and credit lines, cash inflow from operations, together with the expected proceeds of this offering and existing and future bank borrowings. However, in the event of adverse market conditions in the future or changes in our growth plan, manufacturing process, product technologies, prices of machinery and equipment or interest rates, our actual expenditures may exceed our planned expenditures and we may not have sufficient sources of liquidity to affect our current operational plan and would need to secure additional financing from external sources. There can be no assurance that external sources of liquidity will be available to fund our ongoing operations or our product development. The failure to obtain financing would hinder our ability to make continued investments in product development, which could materially and adversely affect our business, results of operations and financial condition.

The loss, shutdown or suspension of operations at any of our production facilities may have an adverse effect on our business, results of operations and financial condition.

Our production facilities are subject to operational risks, such as industrial accidents, which could cause personal injury or loss of human life, the breakdown or failure of equipment, power supplies or processes, performance below expected levels of output or efficiency, obsolescence, labor disputes, natural disasters and the need to comply with relevant regulatory and requirements. From time to time, we need to carry out planned shutdowns of our various plants for routine maintenance, statutory inspections and testing, and may need to shut down various plants for capacity expansions and equipment upgrades. In addition, due to the nature of our business, and despite compliance with requisite safety requirements and standards, our production process is still subject to operational risks, including discharges or releases of hazardous substances, exposure to particulates and the operation of equipment and manufacturing machinery. These operational risks may cause personal injury or loss of human life and could result in the imposition of civil and criminal penalties. The occurrence of any of these events could have a material adverse effect on the productivity and profitability of a particular production facility and on our business, results of operations and financial condition. Although we have taken precautions to minimize the risk of any significant operational problems at our production facilities, there can be no assurance that our business, results of operations and financial condition may not be adversely affected by disruptions caused by operational hazards at our production facilities. Moreover, our production processes are complex, require advanced and costly equipment and are continuously being modified and updated. As a result of manufacturing process updates and difficulties in the manufacturing process, from time to time, we may experience production difficulties that could cause shutdowns, delivery delays and quality control problems.

Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly.

We rely primarily on patent, trademark, trade secret, copyright law and other contractual restrictions to protect our intellectual property. As of March 31, 2020, we had obtained 82, 131 and 226 granted patents in Taiwan, the PRC and other jurisdictions in the world, respectively. In addition, we had 68 pending patent applications worldwide. As of March 31, 2020, we had obtained 33, 37, 8, 8 and 105 granted trademarks in Taiwan, the PRC, Hong Kong, Singapore and other jurisdictions in the world, respectively. In addition, we had 11 pending trademark applications worldwide. Nevertheless, these afford only limited protection and the actions we take to protect our intellectual property rights may not be adequate. Third parties may infringe or misappropriate our proprietary technologies or other intellectual property rights, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Policing unauthorized use of proprietary technology can be difficult and expensive. Also, litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. We cannot assure you that the outcome of such potential litigation will be in our favor. Such litigation may be costly and may divert management attention and other resources away from our business. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent that we are unable to recover them from other

parties. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Moreover, some of our production activities take place in the PRC, and implementation of PRC intellectual property laws has historically been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in the PRC may not be as effective as in the United States or other countries.

We may be involved in intellectual property disputes which, if determined adversely to us, could cause us to pay significant damage awards and interrupt our business and operations.

Our success will depend in part on our ability to protect our proprietary right and to operate without infringing on the proprietary right of third parties. There can be no assurance that any of our or our subsidiaries' current or future patent applications will result in issued patents, that the scope of the claims in any patents currently held by or to be issued to us in the future will prevent competitors from introducing competitive products or that any patent currently held by us or to be issued to us in the future would be enforceable if challenged.

We have no means of knowing what patent applications have been filed in the United States or elsewhere in the world until they are published, as such information is not available until such time. In addition, there is a possibility that touch modules and other products designed and manufactured by us may inadvertently incorporate aspects of existing design patents. We may also use or develop components or technologies which infringe on patents or other intellectual property rights owned by our competitors or other third parties. If any third party were to make valid intellectual property infringement claims against us or our customers, we could be required to:

- discontinue using disputed components, technologies or products incorporating those components or featuring those technologies in certain regions;
- pay substantial monetary damages;
- seek to develop or license non-infringing component or technologies, which may not be feasible; or
- seek to acquire licenses to the component or technologies, which may not be available on commercially reasonable terms, if at all.

This could restrict us from making, using, selling or exporting some of our products, which could in turn materially and adversely affect our business, result of operations, and financial conditions.

The technology industry frequently features disputes over intellectual property. We may in the future be required to defend our intellectual property rights against infringement, duplication, discovery and misappropriation by third parties or to defend ourselves against third party claims of infringement. See "— Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly."

We may be exposed to claims alleging product defects.

Our business exposes us to claims alleging product defects or nonconformance with product specifications. We may be held liable for, or incur costs related to, such claims if any of our products, or products in which our products are incorporated, are found to have caused end market product application failures, product recalls, property damage or personal injury. Provisions in our customer and distributor agreements are designed to limit our exposure to potential material product defect claims, including warranty, indemnification, waiver and limitation of liability provisions, but such provisions may not be effective under the laws of some jurisdictions. If we cannot successfully defend ourselves against product defect claims, we may incur substantial liabilities. Regardless of the merits or eventual outcome, defect claims could entail substantial expense and require the time and attention of key management personnel.

Our insurance program may not be adequate to cover all liabilities arising out of product defect claims and, at any time, insurance coverage may not be available on commercially reasonable terms or at all. If liability coverage is insufficient, a product defect claim could result in liability to us, which could materially and adversely affect our results of operations or financial condition. Even if we have adequate insurance coverage, product defect claims, or recalls could result in negative publicity or force us to devote significant time and attention to those matters.

Increases in costs for or shortage of supply of our raw materials from our suppliers could decrease our profitability.

The costs of raw materials constitute the majority of our cost of sales. The major raw materials used in the production of our products include ceramic powder, porcelain rod, iron cap, lacquer, copper wire, substrate, conductive paste and resistor paste. We currently source our principal raw materials from a number of third-party suppliers located in China and Japan. Any increases in the costs of our raw materials would increase our cost of sales and we may not be able to pass on all or any of such increased costs to our customers. This may result in decreases in our gross margin and adversely affect our profitability.

We purchase certain of our raw materials from certain suppliers which we believe currently satisfy our quality standards and can meet our volume requirements. However, the capacity of certain of these suppliers may not be able to expand to cope with increases in orders by us. A shortage of any key raw materials could limit the number of units we are able to produce, and is likely to increase the costs of our products, thereby depressing the margins for our products to the extent that we are not able to pass on the increased costs to our customers. In 2018, we encountered a temporary shortage in material supply as the PRC government tightened its policies towards factories' wastewater treatment and certain of our suppliers located in China were subject to temporary interruption of production before they improved their wastewater treatment process. Although we have not experienced any other significant shortage in supply of raw materials and components, nor do we have significant concentration or reliance on a single supplier, there can be no assurance that a significant shortage will not take place in the future.

If we fail to comply with environmental regulations, we may be subject to adverse publicity and potentially monetary damages and fines.

Some of our manufacturing processes employ or create various hazardous substances, including chemicals and wastewater. We are subject to a variety of regulations in the relevant jurisdictions relating to the use, storage, discharge and disposal of chemicals and waste used in its manufacturing processes. Although for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, no material administrative sanctions or penalties have been imposed upon us for the violation of environmental regulations, we cannot assure you that we will never fail to comply with these environmental regulations. Any failure to comply with present and future regulations or obtain the necessary certificates and permits could subject us to future fines and liabilities or other government sanctions. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. Any failure to control the use of or to restrict adequately the discharge of hazardous substances could subject us to monetary fines and liabilities or other government sanctions. If we are held liable for damages in the event of contamination or injury, it could have a material and adverse effect on our business, financial condition and results of operations.

In accordance with the environmental regulations, we are required to obtain relevant licenses and permits, including the wastewater disposal permit and emission permit. Our ability to obtain, maintain, or renew such licenses and permits on acceptable terms is subject to change, as, among other things, the regulations and policies of applicable governmental authorities may change. We cannot assure you that we will be successful and timely in obtaining the required approvals, licenses and permits. Failure to do so may subject us to monetary fines and liabilities or government sanctions.

We rely on certain key personnel and failure to attract, retain or replace such personnel could adversely affect our business.

Our success depends to a significant extent upon, among other factors, the continued services of our skilled technical, managerial, and sales personnel. Our success also depends on our ability to

continue to attract, retain, and motivate said personnel. The loss of the services of any of these key personnel without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on our business, financial condition, results of operations, and future prospects. We do not maintain insurance with respect to the loss of any of our key personnel.

We may need additional capital, and financing may not be available on terms satisfactory to us, or at all.

Since our inception, we have relied on the proceeds from bank borrowings and cash generated from operating activities, which have historically been sufficient to meet our working capital and substantially all of our capital expenditure requirements. As of March 31, 2020, we had cash and cash equivalents of approximately NT$26,050.9 million (US$861.2 million), while we had long-term and short-term borrowings of approximately NT$39,079.4 million (US$1,291.9 million). In addition to the debt financing facility to fund the acquisition of KEMET, we may require additional cash resources due to the future growth and development of our business. Our future capital requirements may be substantial as we seek to expand our operations, diversify our product offering, and pursue acquisitions and equity investments. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities or enter into additional factoring arrangements.

Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows and the overall condition of international capital and lending markets that is beyond our control. Any indebtedness that we may incur in the future may also contain operating and financial covenants that could further restrict our operations. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. A large amount of bank borrowings and other debt may result in a significant increase in interest expense while at the same time exposing us to increased interest rate risks. Equity financings could result in dilution to our shareholders, and the securities issued in future financings may have rights, preferences and privileges that are senior to those of our ordinary shares or GDSs. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations.

Any global systemic economic and financial crisis could negatively affect our business, results of operations, and financial condition.

The global financial markets have experienced significant disruptions since 2008 and the United States, Europe and other economies have experienced periods of recession. The recovery from the lows of 2008 and 2009 has been uneven and there are new challenges, including the escalation of the European sovereign debt crisis from 2011. Since then, the European countries have recently been or are currently in a recession and continue to exhibit weak economic trends. In 2020, due to the outbreak of coronavirus, the global financial markets also suffered from serious disruption. For example, in March 2020, the New York Stock Exchange's circuit breaker kicked in three times in less than two weeks as the market plunged over concerns about the pandemic of coronavirus. Such disruption, economic downturns and potential recessions may have an adverse impact on the markets where we operate, and in turn, may lead to a decrease in our revenues and harm our results of operations.

Moreover, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. There have also been concerns over the United Kingdom leaving the European Union as well as the significant potential changes to United States trade policies, treaties and tariffs, including trade policies and tariffs regarding the PRC. There have also been concerns about the economic effect of the tensions in the relationship between the PRC and surrounding Asian countries. There were and could be in the future a number of domino effects from such turmoil on our business, including significant decreases in orders from our customers; insolvency of key suppliers resulting in product delays; inability of customers to obtain credit to finance purchases of our products and/or customer insolvencies; and counterparty failures negatively impacting our operations. Any systemic economic or financial crisis could cause revenues for the passive component industry as a whole to decline dramatically and could materially and adversely affect our results of operations.

Our multinational operations subject us to various business, economic, political, regulatory and legal risks.

We have operations in Asia, Europe and Americas. As a result of our international operations, we are affected by economic and political conditions in foreign countries, including the imposition of government controls, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, the lack of development of local infrastructure, labor unrest and difficulties in staffing, coordinating communications among and managing international operations, fluctuations in currency exchange rates and earnings, expatriation restrictions, difficulties in obtaining export licenses, and misappropriation of intellectual property. If we cannot successfully manage the risks and challenges generally associated with multinational operations, we may have difficulty successfully completing orders, which might lead to customer dissatisfaction and loss of future orders.

Foreign exchange fluctuations may adversely affect our results of operations and financial conditions.

As the Shares are listed on the TWSE, our financial statements are required to be presented in NT Dollars, the lawful currency of the ROC. However, most of our sales are denominated in US Dollar, Renminbi and Euro, while the majority of our raw materials and component costs are paid for primarily in US Dollar, Renminbi and NT Dollar, with a substantial portion of our labor cost paid in US Dollar, Renminbi and Euro. Accordingly, our operations are exposed to fluctuations among US Dollar, Renminbi, Euro and NT Dollar exchange rates and, to a lesser extent, exchange rates between other currencies.

The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. Effective from July 21, 2005, the Renminbi is no longer pegged solely to the US Dollars. Instead, it is pegged against a basket of currencies, determined by the People's Bank of China, or PBOC, against which its value can rise or fall by as much as 0.3% each day. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed range in relation to a basket of specified foreign currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. On June 19, 2010, the PRC government announced its intention to further relax its currency policy, and the Renminbi slightly appreciated against US Dollars. We cannot assure you that the Renminbi will not experience significant appreciation against US Dollars again. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against US Dollars. Fluctuations in exchange rates may adversely affect the value, translated or converted into US Dollars, of our net assets or earnings.

In addition, under the current foreign exchange regime in the PRC, there can be no guarantee that sufficient foreign currency will be available at a given exchange rate to satisfy the demands of a particular enterprise in full. There can also be no assurance that shortages in the availability of foreign currency will not restrict our ability to obtain sufficient foreign currency to satisfy our foreign currency needs.

The impact of future exchange rate fluctuations among these currencies on our results of operations and financial condition cannot be accurately predicted, and there can be no assurance that our attempt to mitigate the adverse effects of exchange rate fluctuations will be successful or that such exchange rate fluctuations will not in the future have a material adverse effect on our results of operations, financial condition and prospects.

Our insurance coverage may not adequately protect us against certain operating and other hazards which may have an adverse effect on our business.

We believe that the coverage from our insurance policies for our production facilities is in line with industry norms, adequate for our present operations and include adequate coverage for risks relating to fires and public liability. However, there can be no assurance that any claim under the insurance policies maintained will be timely honored in full or at all. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. There can also be no assurance that insurance will continue to be available to provide reasonable, or any, coverage on reasonable commercial terms.

We face risks related to natural disasters, health epidemics and other outbreaks of contagious diseases.

We are vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures or Internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide our services.

Our business could also be adversely affected by the effects of Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, Zika, COVID-19 or other epidemics. Our business operations could be disrupted if any of our employees is suspected of having Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, SARS, Zika, COVID-19 or another contagious disease or condition, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that any of these epidemics harms the global economy in general. In particular, the COVID-19 outbreak has become a pandemic that adversely affected the global economy and can materially and adversely affect our results of operations. See "— The COVID-19 pandemic could adversely affect our results of operations."

Risks Relating to the KEMET Acquisition

Completion of the KEMET Acquisition is subject to conditions and if these conditions are not satisfied or waived, the KEMET Acquisition will not be completed.

The obligations of us and KEMET to complete the KEMET Acquisition are subject to satisfaction or waiver of a number of conditions, including the receipt of any authorization or consent from certain other governmental authorities required to be obtained with respect to the merger under applicable laws, and the absence of an injunction prohibiting the KEMET Acquisition. Each party's obligation to complete the KEMET Acquisition is subject to the satisfaction or waiver (to the extent permitted under applicable law) of certain other customary conditions, the accuracy of the representations and warranties of the other party under the KEMET Merger Agreement (subject to the materiality standards set forth in the KEMET Merger Agreement), the performance by the other party of its respective obligations under the KEMET Merger Agreement in all material respects and delivery of officer certificates by the other party certifying satisfaction of the preceding conditions. We and KEMET may, subject to certain exceptions, terminate the KEMET Merger Agreement upon mutual consent.

The failure to satisfy all of the required conditions could delay the completion of the KEMET Acquisition for a significant period of time or prevent it from occurring. If the KEMET Acquisition is not completed, our ongoing business may be materially adversely affected and, without realizing any of the benefits of having completed the KEMET Acquisition, we will be subject to a number of risks, including the following:

- the market price of our common stock could decline;
- if the KEMET Merger Agreement is terminated and our board of directors seeks another business combination, we cannot be certain that we will be able to find a party willing to enter into a transaction on terms equivalent to or more attractive than the terms that KEMET has agreed to in the KEMET Merger Agreement;
- time and resources, financial and other, committed by our management to matters relating to the KEMET Acquisition could otherwise have been devoted to pursuing other beneficial opportunities for our company;
- we may experience negative reactions from the financial markets or from our customers or employees;
- we will be required to pay our respective costs relating to the KEMET Acquisition, including legal, accounting, financial advisory, financing and printing fees, whether or not the KEMET Acquisition is completed; and
- we may be required to pay a termination fee if we terminate the KEMET Acquisition in specified circumstances.

In addition, if the KEMET Acquisition is not completed, we could be subject to litigation related to any failure to complete the KEMET Acquisition or related to any enforcement proceeding commenced against us to perform our obligations under the KEMET Merger Agreement. The materialization of any of these risks could materially and adversely impact our ongoing business.

Similarly, any delay in completing the KEMET Acquisition could, among other things, result in additional transaction costs, loss of revenue or other negative effects associated with uncertainty about completion of the KEMET Acquisition and cause us not to realize some or all of the benefits that we expect to achieve if the KEMET Acquisition is successfully completed within its expected timeframe. In particular, given the impact of the COVID-19 pandemic, the schedule of the KEMET Acquisition may be delayed. There can be no assurance that the conditions to the closing of the KEMET Acquisition will be satisfied or waived or that the KEMET Acquisition will be consummated.

In order to complete the KEMET Acquisition, we and KEMET must make certain governmental filings and obtain certain governmental authorizations, and if such filings and authorizations are not made or granted or are granted with conditions, completion of the KEMET Acquisition may be jeopardized or the anticipated benefits of the KEMET Acquisition could be reduced.

Although we and KEMET have agreed in the KEMET Merger Agreement to use reasonable best efforts, subject to certain limitations, to make certain governmental filings, to obtain any authorization or consent from certain other governmental authorities required to be obtained with respect to the merger under applicable laws, there can be no assurance that such approvals will be obtained. As a condition to adoption of approvals of the KEMET Acquisition, governmental authorities may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of our business after completion of the KEMET Acquisition.

Under the terms of the KEMET Merger Agreement, subject to certain exceptions, we and our subsidiaries are required to accept certain conditions and take certain actions imposed by certain governmental authorities that would apply to, or affect, the businesses, assets or properties of us, our subsidiaries or KEMET and its subsidiaries. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions and that such conditions, terms, obligations or restrictions will not have the effect of (i) delaying completion of the KEMET Acquisition, (ii) imposing additional material costs on or materially limiting the revenues of the combined company following the KEMET Acquisition, or (iii) otherwise adversely affecting our businesses and results of operations after completion of the KEMET Acquisition. In addition, we can provide no assurance that these conditions, terms, obligations or restrictions will not result in the delay or abandonment of the KEMET Acquisition.

Each party is subject to business uncertainties while the proposed merger is pending, which could adversely affect each party's or the combined company's business and operations.

In connection with the pendency of the KEMET Acquisition, it is possible that some customers, suppliers and other persons with whom we or KEMET have a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationships with us or KEMET, as the case may be, as a result of the KEMET Acquisition, which could negatively affect our or KEMET's respective revenues, earnings and cash flows, regardless of whether the KEMET Acquisition is completed. If the KEMET Acquisition is completed, such terminations, changes or renegotiations could negatively affect the revenues, earnings and cash flows of the combined company. These risks may be exacerbated by delays or other adverse developments with respect to the completion of the KEMET Acquisition.

Lawsuits may be filed against KEMET and its directors challenging the KEMET Acquisition, and an adverse ruling in such lawsuits may prevent the KEMET Acquisition from becoming effective or from becoming effective within the expected time frame.

KEMET and its directors may be named as defendants in putative class action lawsuits brought by purported KEMET shareholders challenging the proposed KEMET Acquisition and seeking, among other things, equitable relief to enjoin consummation of the KEMET Acquisition, rescission of the merger and/or rescissory damages. Under the terms of the KEMET Merger Agreement, one of the conditions to the completion of the KEMET Acquisition is that the consummation of the KEMET Acquisition is not restrained, enjoined, rendered illegal or otherwise prohibited by any law or order of

any governmental authority. As such, if any such lawsuits are filed and any potential plaintiffs are successful in obtaining an injunction prohibiting the consummation of the KEMET Acquisition, then such injunction may prevent the KEMET Acquisition from becoming effective or from becoming effective within the expected time frame.

Combining the two companies may be more difficult, costly or time consuming than expected and the anticipated benefits and cost savings of the KEMET Acquisition may not be realized.

We and KEMET have operated and, until the completion of the KEMET Acquisition, will continue to operate, independently. The success of the KEMET Acquisition, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine and integrate our business with the business of KEMET.

The KEMET Acquisition will involve the integration of KEMET's business with our existing business, which is a complex, costly and time-consuming process. It is possible that the pendency of the KEMET Acquisition and/or the integration process could result in material challenges, including, without limitation:

- the diversion of management's attention from ongoing business concerns and performance shortfalls at one or both of the companies as a result of the devotion of management's attention to the KEMET Acquisition;
- managing a larger combined company;
- maintaining employee morale and retaining key management and other employees;
- attracting and recruiting prospective employees;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- retaining existing business and operational relationships and attracting new business and operational relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations and inconsistencies in standards, controls, procedures and policies;
- coordinating geographically separate organizations;
- unanticipated issues in integrating information technology, communications and other systems;
- litigation challenging the KEMET Acquisition; and
- unforeseen expenses or delays associated with the KEMET Acquisition.

Many of these factors will be outside of the combined company's control and any one of them could result in delays, increased costs, decreases in revenues and diversion of management's time and energy from ongoing business concerns, which could materially affect the combined company's financial position, results of operations and cash flows.

If we experience difficulties with the integration process, the anticipated benefits of the KEMET Acquisition may not be realized fully or at all, or may take longer to realize than expected. These integration matters could have an adverse effect on (i) each of us and KEMET during this transition period and (ii) the combined company for an undetermined period after completion of the KEMET Acquisition. In addition, the actual cost savings of the KEMET Acquisition could be less than anticipated.

The future results of the combined company may be adversely impacted if the combined company does not effectively manage its expanded operations following the completion of the KEMET Acquisition.

Following the completion of the KEMET Acquisition, the size of the combined company's business will be significantly larger than the current size of either our or KEMET's respective businesses. The combined company's ability to successfully manage this expanded business will depend, in part, upon management's ability to design and implement strategic initiatives that address not only the integration of two discrete companies, but also the increased scale and scope of the combined business with its associated increased costs and complexity. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the KEMET Acquisition.

The combined company is expected to incur substantial expenses related to the completion of the KEMET Acquisition and the integration of KEMET.

We and KEMET have incurred, and expect to continue to incur, a number of non-recurring costs associated with the KEMET Acquisition and combining the operations of the two companies. The substantial majority of non-recurring expenses will be comprised of transaction and regulatory costs related to the KEMET Acquisition.

We also will incur transaction fees and costs related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs. We continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the KEMET Acquisition and the integration of the two companies' businesses. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow us to offset integration-related costs over time, this net benefit may not be achieved in the near term, or at all.

In connection with the KEMET Acquisition, we will incur significant additional indebtedness, and certain of KEMET's indebtedness will remain outstanding, which could adversely affect us, including by decreasing our business flexibility, and will increase our interest expense.

Our consolidated indebtedness as of March 31, 2020 was approximately NT$39,079.4 million (US$1,291.9 million). We will have substantially increased indebtedness following completion of the KEMET Acquisition in comparison to our indebtedness on a recent historical basis, which could have the effect of, among other things, reducing our flexibility to respond to changing business and economic conditions and increasing our interest expense.

The amount of cash required to pay interest on our increased indebtedness levels following completion of the KEMET Acquisition, and thus the demands on our cash resources, will be greater than the amount of cash flows required to service our indebtedness prior to the KEMET Acquisition. The increased levels of indebtedness following completion of the KEMET Acquisition could also reduce funds available for working capital, capital expenditures, acquisitions, the repayment or refinancing of our indebtedness as it becomes due and other general corporate purposes and may create competitive disadvantages for us relative to other companies with lower debt levels. In addition, certain of the indebtedness to be incurred in connection with the KEMET Acquisition is expected to bear interest at variable interest rates. If interest rates increase, variable rate debt will create higher debt service requirements, which could further adversely affect our cash flows. If we do not achieve the expected benefits and cost savings from the KEMET Acquisition, or if the financial performance of the combined company does not meet current expectations, then our ability to service our indebtedness may be adversely impacted.

Moreover, in the future we may be required to raise substantial additional financing to fund working capital, capital expenditures, the repayment or refinancing of our indebtedness, acquisitions or other general corporate requirements. See "— We may need additional capital, and financing may not be available on terms satisfactory to us, or at all."

We may not be able to service all of the combined company's indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful. Our failure to meet our debt service obligations could have a material adverse effect on our business, financial condition and results of operations.

We depend on cash on hand and cash flows from operations to make scheduled debt payments. We expect to be able to meet the estimated cash interest payments on the combined company's debt following the KEMET Acquisition through a combination of the expected cash flows from operations of the combined company. However, our ability to generate sufficient cash flow from operations of the combined company and to utilize other methods to make scheduled payments will depend on a range of economic, competitive and business factors, many of which are outside of our control. There can be no assurance that these sources will be adequate. If we are unable to service our indebtedness and fund our operations, we will be forced to reduce or delay capital expenditures, seek additional capital, sell assets or refinance our indebtedness. Any such action may not be successful and we may be unable to service our indebtedness and fund our operations, which could have a material adverse effect on our business, financial condition or results of operations.

Uncertainties associated with the KEMET Acquisition may cause a loss of management personnel and other key employees of KEMET or us, which could adversely affect the future business and operations of the combined company following the KEMET Acquisition.

We and KEMET are dependent on the experience and industry knowledge of our respective officers and other key employees to execute our respective business plans. The combined company's success after the KEMET Acquisition will depend in part upon its ability to retain key management personnel and other key employees of us and KEMET. Current and prospective employees of us and KEMET may experience uncertainty about their future roles with the combined company following the KEMET Acquisition, which may materially adversely affect the ability of each of us and KEMET to attract and retain key personnel during the pendency of and after the KEMET Acquisition. Accordingly, no assurance can be given that the combined company will be able to retain key management personnel and other key employees of us and KEMET.

Completion of the KEMET Acquisition will trigger change in control or other provisions in certain agreements to which KEMET or we are a party, which may have an adverse impact on the combined company's business and results of operations.

The completion of the KEMET Acquisition will trigger change in control and other provisions in certain agreements to which KEMET is a party. If we and KEMET are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seeking monetary damages. Even if we and KEMET are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to KEMET or the combined company. Any of the foregoing or similar developments may have an adverse impact on the combined company's business and results of operations.

Following the consummation of the KEMET Acquisition, the combined company will assume certain potential liabilities relating to KEMET.

Following the consummation of the KEMET Acquisition, the combined company will have assumed certain potential liabilities relating to KEMET, including certain products liability and mass tort claims with respect to the design, manufacture and marketing of its products and related settlement agreements and judgements. Between December 27, 2019 and January 10, 2020, six lawsuits were filed against KEMET and the members of its board in the United States District Court for the District of Delaware and the United States District Court for the Southern District of New York under the following captions: Stein v. KEMET Corp., et al., Case No. 1:19-cv-02361 (D. Del.); Braunstein v. KEMET Corp., et al., Case No. 1:20-cv-00035 (S.D.N.Y.); Rosenblatt v. KEMET Corp., et al., Case No. 1:20-cv-00023 (D. Del.); Conrad v. KEMET Corp., et al., Case No. 1:20-cv-00139 (S.D.N.Y.); Landau v. KEMET Corp., et al., Case No. 1:20- cv-00219 (S.D.N.Y.); and Silverberg v. KEMET Corp., et al., Case No. 1:20-cv-00036 (D. Del.).

KEMET does not maintain or has limited remaining insurance coverage for certain of these claims and the combined company may not be able to obtain additional insurance on acceptable terms or at all that will provide adequate protection against potential liabilities related to these claims. In addition, reserves established by KEMET or the combined company for estimated losses, including with respect to these claims, do not represent an exact calculation of actual liability but instead represent estimates of the probable loss at the time the reserve is established. Due to the inherent uncertainty underlying loss reserve estimates, additional reserves may be established from time-to-time, and actual losses may be materially higher or lower than the related reserve. Any of the foregoing could have a material adverse effect on our business, financial condition or results of operations.

We cannot guarantee that any strategic transactions to which we are or may become a party, including acquisitions, divestitures, investments or alliances, will be successful.

We may seek to supplement our internal growth strategy through various strategic transactions, including acquisitions, divestitures, investments and alliances. The success of any acquisition, investment or alliance may be affected by a number of factors, including our ability to properly assess and value the potential business opportunity or to successfully integrate any business we may acquire into our existing business. From time to time we also receive third-party indications of interest with respect to the purchase of certain of our operations, which may be significant to our business, results of operations and financial condition. Any such divestitures could affect our value and the value of the combined company after the KEMET Acquisition. In addition, there may be influence on the fair value of goodwill such as potential impairment and write-off. Although we are not currently a party to any binding agreements or letters of intent with respect to any such transaction, we could enter into agreements or letters of intent with respect thereto at any time. These strategic transactions are inherently risky and may require significant effort and management attention. There can be no assurance as to the likelihood or terms of any future transactions or that any past or future transaction will be successful.

Our independent registered public accounting firm issued a qualified opinion on our unaudited interim consolidated statements as of March 31, 2020 and for the three months ended March 31, 2019 and 2020 included in this Offering Circular as certain subsidiaries and investments accounted for by using equity method were excluded from the scope of review.

Our independent registered public accounting firm issued a qualified review opinion on our unaudited interim consolidated financial statements as of and for the three months ended March 31, 2019 and 2020, as certain subsidiaries and equity method investees were excluded from the scope of the review. Such scope of review for our interim financial statements is in compliance with the relevant rules and regulations in Taiwan and consistent with our practice in the past. The scope of review for our annual financial statements, on the other hand, must include these subsidiaries and equity method investees. As such, the amounts as of and for the three months ended March 31, 2020 relating to these non-significant subsidiaries and equity method investees may be subject to further adjustments.

Risks Relating to the ROC

Disruptions in the ROC's political environment could seriously harm our business.

Our principal executive office and a portion of our assets are located in Taiwan. Accordingly, our financial condition and results of operations and the market price of the Shares may be affected by changes in governmental policies, taxation, inflation, interest rates, social instability and other political, economic diplomatic or social developments in or affecting Taiwan which are outside of our control. In addition, Taiwan has a unique international political status. Relationships between the ROC and the PRC have at times been strained. Past developments in relationships between the ROC and the PRC have occasionally affected the market prices of the securities of companies in Taiwan. Any changes in the cross-border relationship could adversely affect our business, including our planned cross-border expansion, and the market value of the Shares.

The value of the Shares may be adversely affected by the volatility of the Taiwan securities market.

The Taiwan securities market is smaller and more volatile than the securities markets in the United States and in certain European and other countries. The TWSE has experienced substantial fluctuations in the prices and trading volumes of listed securities, and there are currently limits on the range of daily price movements on the TWSE. From time to time, the ROC regulatory agencies have intervened in the Taiwan stock market during periods of extreme volatility. In addition, the TWSE has experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems could adversely affect the market price and liquidity of the securities of Taiwan companies, including the Shares, in both the domestic and the international markets.

Foreign exchange approvals may be required.

Under existing ROC law, foreign exchange approvals must be obtained from the CBC on a payment-by-payment basis for the conversion from NT dollars into foreign currencies in connection with the proceeds from the sale of subscription rights for newly issued Shares if the proceeds are in excess of US$100,000 per remittance. Although such approvals have been routinely granted in the past, there can be no assurance that in the future any such approvals will be obtained in a timely manner, or at all. In addition, foreign persons may, subject to certain required documents, but without foreign exchange approval of the CBC, remit outside and into the ROC foreign currencies of up to US$100,000 (or its equivalent) for each remittance. There can be no assurance that no requirement for approval of such remittance will continue being applicable in the future.

Financial reporting requirements and accounting standards in the ROC differ from those of other countries.

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries including the United States. In addition, our financial statements are prepared in accordance with the IFRS, which differs in certain material respects from U.S. GAAP. Potential investors should consult their own professional advisers for an understanding of such differences and how they might affect the financial information contained herein.

We publish monthly operating revenue information as part of our ongoing reporting obligations and such information is subject to change due to normal quarter-end closing procedures and excludes certain expenses and other information necessary to be indicative of actual financial results.

We post monthly sales information on the MOPS, as part of our ongoing reporting obligation as a listed company on the TWSE. Such information is preliminary, and is subject to change, upon adjustments and after the completion of our normal quarter-end closing process. Actual sales could differ materially from the preliminary information posted on MOPS. Furthermore, our preliminary operating revenue only reflects sales information up to April 2020 and may not be indicative of our net profit/loss for the months of April 2020. As a result, you should not place undue reliance on such information.

Taiwan is susceptible to natural disasters that could disrupt the normal operations of our business and adversely affect earnings.

We maintain our headquarters and manufacturing facilities in Taiwan. Taiwan is susceptible to natural disasters and in particular, earthquakes and typhoons. On September 21 and October 22, 1999 and June 11, 2000, Taiwan experienced severe earthquakes that caused significant property damage and loss of life, particularly in the central part of Taiwan. These earthquakes caused damage to manufacturing facilities and adversely affected the operations of many companies. Taiwan is also susceptible to typhoons, which may cause damage and business interruptions to operations in Taiwan. In August 2009, Taiwan experienced severe damage from Typhoon Morakot, which caused over 600 deaths, severe flooding and extensive damage to properties and businesses. Although we did not experience major structural damage to our Taiwan facilities from such earthquakes or typhoons, there can be no assurance that future natural disasters will not occur and result in major damages to our Taiwan facilities, which could have a materially adverse effect on our results of operations and financial condition.

You may not be able to enforce a judgment of a foreign court in the ROC.

We are a company limited by shares and incorporated under the ROC Company Law. Substantially all of our directors and executive officers, and some of the experts named herein, are residents of the ROC. As a result, it may be difficult for holders of the Shares or GDSs to enforce against us the judgments obtained outside the ROC, including those predicated upon the civil liability provisions of the federal securities laws of the United States. It is also not certain that an action for civil liabilities predicated solely on the United States federal securities laws could be brought in the ROC court.

Our future tax obligations may adversely affect our profitability.

The ROC government enacted the ROC Income Basic Tax Act, also known as the "Alternative Minimum Tax Act", or the AMT Act, which became effective on January 1, 2006 to impose an alternative minimum tax and to remedy the then excessive tax incentives for individuals and businesses. Alternative minimum tax, or AMT, is a supplemental tax which is payable if the income tax payable pursuant to the ROC Income Tax Act is below the minimum amount prescribed under the AMT Act. For the purpose of calculating the AMT, the taxable income defined under the AMT Act includes most income that is exempted from income tax under various legislations, such as those providing tax holidays and investment tax credits.

For businesses, the income that previously enjoyed tax-exemption privileges under relevant tax regulations, such as the Act for the Establishment and Administration of the Science Parks and Statute for Upgrading Industries, will be subject to the AMT system for the calculation of business taxpayers' aggregate incomes. The AMT rate for business entities was 10% prior to 2013 and has increased to 12% since 2013. Under the AMT Act, a company will be subject to a 12% AMT if its annual taxable income under the statute exceeds NT$0.5 million. However, the AMT Act grandfathered certain tax exemptions granted prior to the enactment of the AMT. As the tax exemption periods expire or in the event of an increase in other taxable income subject to the AMT Act, it may adversely impact our net income after tax.

Risks Relating to the PRC

We are subject to the political and economic environment in the PRC.

Currently, some of our manufacturing facilities are located in the PRC and we may make further investments in the PRC in the future. Accordingly, our results of operations, financial condition and future prospects are subject, to a significant degree, on the political and economic environment and legal developments in the PRC. There can be no assurance that our investments in the PRC and our production operations in the PRC will not be adversely affected if relations between the PRC and the ROC are further strained.

Prior to 1978, the PRC had adopted a central economic planning system. All production and economic activities in the country were governed by the economic goals set out in the five-year plans and annual plans adopted by central authorities. Since 1978, the PRC government has permitted foreign investment and implemented economic reforms, gradually changing from a planned economy towards a market-oriented economy. However, many of the reforms and economic policies adopted or to be adopted by the PRC government are unprecedented or experimental in nature and may have unforeseen results, which may have an adverse effect on enterprises with substantial business in the PRC, including us.

The PRC government has broad discretion and authority to regulate the technology industry in the PRC, and the government has implemented policies from time to time to regulate economic expansion in the PRC. Although in recent years the PRC government has implemented measures emphasizing the use of market forces for economic reform, it continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC's economy has experienced significant growth in the past decades, growth has been uneven both geographically and among various sectors in the economy. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources. Some of these measures benefit the overall economy of the PRC, but may have a negative effect on us. For example, our business, results of operations and financial condition may be adversely affected by governmental control over capital investments or changes in tax regulations.

Changes in international trade policies and international barriers to trade, or the emergence of a trade war, may have an adverse effect on our business and results of operations.

Our business operations involve cross-border transactions, including the manufacturing of products in China and sales of products across the globe. Changes to trade policies, treaties and tariffs in or affecting the jurisdictions in which we operate and to which we sell our products, or the perception that these changes could occur, could adversely affect the financial and economic conditions in those jurisdictions, as well as our international sales, financial condition and results of operations. In 2018, the U.S. administration under President Donald Trump had advocated greater restrictions on trade generally and significant increases on tariffs on goods imported into the United States, particularly from China, and has recently taken steps toward restricting trade in certain goods. In response to the additional tariffs by the United States, China had imposed retaliatory tariffs on various goods imported from the United States. In late 2019, the United States and China have tentatively agreed to a truce in their trade war in order to resume talks. In the event that the United States or China adopts further retaliatory measures against each other or any adverse trade policies of other countries that affect the importation of equipment, tools and materials required in the manufacturing process of our products, there may be an increase in our costs or significant delays in our product releases.

Uncertainties in the PRC legal system could adversely affect our business and result of operations.

Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. However, since the PRC legal system continues to rapidly evolve, interpretations of laws, regulations and rules are not always uniform and enforcement involves uncertainties. Despite the development of the legal system, the PRC's system of laws is not yet complete. Even where laws and regulations exist in the PRC, there may be laws and regulations at the national level or local level, which may impose additional procedural or compliance requirements on those subject to such laws and regulations. Furthermore, the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedural Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedural Law based either on treaty between the PRC and the country where the judgment is made or on reciprocity between jurisdictions, provided that the foreign judgments do not violate the basic principles of laws of the PRC or its sovereignty, security or social and public interest.

Therefore, in the case a foreign judgment is rendered by a foreign court where the country and the PRC do not have any treaties or other agreements that provide for the reciprocal recognition and enforcement of foreign judgments, such a judgment may not be enforced by a PRC court. In addition, interpretation of laws and regulations of the PRC may be subject to government policies reflecting domestic political changes.

Our activities in the PRC will be subject to administrative review and approval by various national and local agencies of the PRC government. Due to the changes occurring in the legal and regulatory structure of the PRC, we may not be able to secure the required governmental approval for our activities. In addition, local government authorities may adopt their own policies and practices. Failure to obtain the requisite governmental approval or to comply with the local government's policies or practices for any of our activities could adversely affect our business and operating results.

We cannot predict the effects of future developments of the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws or the overturn of local governments' decisions by the central government. These uncertainties may limit the legal protections available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management's attention.

Changes in the preferential tax treatment of our PRC subsidiary may adversely affect our profitability.

We have PRC subsidiaries registered in Suzhou, Dongguan, Zhuhai, Mianyang, Suining and Shenzhen, and most of them are categorized as high and new technology enterprises in China, which are subject to a 15% preferential tax rate, as compared with the unified enterprise income tax rate of 25%. Such preferential tax treatment is renewable every three years. There can be no assurance that such preferential tax treatment will continue in the future. If such preferential tax treatment discontinues in the future, the resulting increase in our tax liability would have an adverse effect on our net profits and cash flow.

Profits from our PRC operating subsidiaries available for distribution are determined under PRC GAAP.

We derive a portion of our profits from operating subsidiary companies established in the PRC. The profits available for distribution are therefore dependent on, to a significant extent, the profit available for distribution by the PRC subsidiaries to us which is determined in accordance with generally accepted accounting principles and financial regulations in the PRC, or PRC GAAP, which differ in certain significant respects from generally accepted accounting principles in certain other countries, such as US GAAP and IFRS. In addition, under the Company Law of the PRC, profit available for distribution is determined after offsetting losses in previous years and setting aside a legal capital reserve equal to 10% of the remaining profits.

Our manufacturing facilities in the PRC are subject to risks of power shortages.

Many cities and provinces in the PRC have historically suffered serious power shortages. Many of the regional grids do not have sufficient power generating capacity to fully satisfy the increased demand for electricity driven by continual economic growth and persistent hot weather. Many local governments in the PRC have a history of requiring local factories to temporarily shut down their operations or reduce their daily operational hours in order to reduce local power consumption levels. In such event, our business, results of operations and financial conditions could be materially and adversely affected.

Risks Relating to Ownership of the Bonds and the Common Shares

The market for the Bonds and the Common Shares may not be liquid.

The Bonds have not been registered under the Securities Act, and are being offered and sold outside the United States to non-U.S. persons in accordance with Regulation S. The Bonds are subject to the restrictions on transfer described under "Transfer Restrictions." The Bonds will constitute a new issue of securities with no established trading market. If a trading market does not develop or is not maintained, holders of the Bonds may experience difficulty in reselling the Bonds or may be unable to sell them at all. The Company cannot assure you that an active public market or other market for the Bonds will develop or be maintained. If a market for the Bonds develops, it may be discontinued at any time. Although the Initial Purchasers have advised the Company that they currently intend to make a market in the Bonds, they are not obligated to do so and may discontinue market-making activity at any time without notice. Any market-making activity by the Initial Purchasers will be subject to the limits imposed by the Securities Act and the Securities Exchange Act of 1934, as amended, and other applicable law. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST.

The liquidity of any market for the Bonds will depend upon the size and the number of holders of the Bonds, the Company's operating performance, the interest of securities dealers in making a market in the Bonds and other factors. A liquid trading market may not develop for the Bonds. Furthermore, the market price for the Bonds may be subject to substantial fluctuations. Factors such as the following may have a significant effect on the market price of the Bonds:

- the market price of the Common Shares;
- actual or anticipated fluctuations in the operating results of the Company;
- the perceived business prospects of the Company;

- general economic conditions, including prevailing interest rates; and
- the market for similar securities.

There has been no trading market for the Common Shares outside the ROC and the only trading market for the Common Shares will be the TWSE.

There are limitations on the ability of Holders of the Bonds to exercise conversion rights.

Investors in the Bonds will not be able to exercise their conversion right during Closed Period. Under current ROC law, regulations and policy, a PRC person is not permitted to convert the Bonds and to register as a shareholder of the Company unless it is a qualified domestic institutional investor (a "**QDII**"), who has obtained approval from competent PRC authorities or otherwise obtains approval from the Investment Commission of ROC Ministry of Economic Affairs. If a Holder converts the Bonds, such Holder will be required to register with the TWSE and appoint a tax guarantor, local agent and custodian in the ROC. See "Description of the Bonds — Conversion".

Holders of the Bonds will bear the risk of fluctuations in the price of the Common Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Common Shares. It is impossible to predict how the price of the Common Shares of the Company will change. Trading prices of the Common Shares will be influenced by, among other things, the results of operations of the Company and political, economic, financial and other factors that affect capital markets generally. Any decline in the price of the Common Shares would adversely affect the secondary market price of the Bonds.

Fluctuations in the exchange rate between the NT Dollar and the U.S. Dollar may have a material adverse effect on the value of the Bonds in U.S. Dollar terms.

Although the principal amount of the Bonds is denominated in U.S. Dollars, the Common Shares of the Company are listed on the TWSE, which quotes and trades the Common Shares in NT Dollars. As a result, fluctuations in the exchange rate between the NT Dollar and the U.S. Dollar will affect, among other things, the secondary market price of the Bonds and the U.S. Dollar equivalent of the Common Shares received upon conversion of the Bonds.

Furthermore, the Bonds are currency-linked debt instruments. Bondholders are required to pay the subscription money for the Bonds in U.S. Dollars, while all amounts due from the Company under the Bonds, will be settled in U.S. dollars at the prevailing exchange rate between NT Dollar and the U.S. Dollar at the time of payment. Accordingly, the U.S. dollar return on the Bonds, or yield to maturity, will depend on the principal amount and the premium converted into U.S. Dollars at the prevailing exchange rate. Any volatility of the exchange rate between NT Dollar and the U.S. dollar during the term of the Bonds will affect the return on the Bonds, or yield to maturity, in U.S. dollars. In particular, any devaluation of the NT Dollar against the U.S. Dollar during the term of the Bonds will decrease the U.S. Dollar return on the Bonds and will result in the yield to maturity of the Bonds in U.S. dollars being less than the stated yield to maturity of the Bonds. In the event of a material devaluation of the NT Dollar against the U.S. Dollar, Bondholders may not receive the full U.S. Dollar subscription amount upon redemption of the Bonds.

Holders of the Bonds will have no rights as shareholders until they acquire the Common Shares upon conversion of the Bonds.

Unless and until the holders of the Bonds acquire the Common Shares upon conversion of the Bonds, the holders of the Bonds will have no rights as shareholders, including any voting rights or rights to receive any dividends or other distributions with respect to the Common Shares. Holders of the Bonds who acquire the Common Shares upon the exercise of their Conversion Rights will be entitled to exercise the rights of shareholders only as to actions for which the applicable record date occurs after the Conversion Date.

Holders have limited anti-dilution protection.

The Conversion Price (as defined in the "Terms and Conditions of the Bonds") will be adjusted in the event that there is a sub-division, consolidation or re-denomination, rights issues, bonus issue, reorganization, capital distribution or other adjustment including an offer or scheme which affects Shares, but only in the circumstances and only to the extent provided in "Terms and Conditions of the Bonds — Conversion." There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

Holders of the Bonds or their designee requesting the conversion of the Bonds into the Common Shares may be required to provide certain information to the Company, and failure to provide such information may result in a delay of the conversion.

A Holder of the Bonds or its designee requesting the conversion of the Bonds into the Common Shares may be required to provide certain information to the Company or the Paying Agent, including the name and nationality of the person to be registered as the shareholder, the number of Common Shares to be acquired by such person and the number of Common Shares acquired by such person in the past through the Conversion Date. Under applicable ROC laws, the Company is required to report to the FSC if the person to be registered as a shareholder (1) is a "related party" of the Company as defined in the ROC Regulations Governing the Preparation of Financial Reports by Securities Issuers or (2) will hold, immediately following such conversion, more than 10% of the total number of Common Shares expected to be issued upon conversion of the Bonds based on the initial conversion price. Failure to provide such information may result in a delay of the conversion of the Bonds.

We may not have the ability to redeem the Bonds.

We will at maturity be required to redeem all of the Bonds and the Bondholders may require us to redeem for cash all or some of their Bonds on May 26, 2023 or upon a transaction or event constituting a change of control or delisting or otherwise as described under in "Terms and Conditions of the Bonds." We may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. Our ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by us would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by us.

The Bonds may be redeemed at our option.

We may redeem all but not some only of the Bonds after May 26, 2023 if the Market Price (as defined in the Terms and Conditions of the Bonds) for 12 of 30 consecutive Trading Days is at least 125% of the quotient of the Settlement Equivalent of the Early Redemption Amount divided by the Conversion Ratio (as defined in the Terms and Conditions of the Bonds). At any time, we may also redeem the Bonds then outstanding at the Settlement Equivalent of the Early Redemption Amount, in whole but not in part, if the principal amount of the Bonds that have been redeemed, repurchased and cancelled or converted is at least 90% of the principal amount originally issued.

An optional redemption feature is likely to limit the market value of the Bonds. During any period when we may elect to redeem Bonds, the market value of those Bonds will generally not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The date on which we elect to redeem the Bonds may not accord with the preference of individual Bondholders. This may be disadvantageous to the Bondholders in light of market conditions or the individual circumstances of the Bondholders. In addition, we may be expected to redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Bonds.

USE OF PROCEEDS

The net proceeds to be received by us from this offering of the Bonds will be approximately US$178.6 million. The net proceeds are calculated after deducting underwriting discounts and commissions and related expenses of approximately US$1.4 million.

We intend to use the net proceeds from this offering to repay certain bank loans, purchase raw materials overseas and capital expenditure.

DIVIDENDS AND DIVIDEND POLICY

The following table sets forth the dividends per share declared in respect of each of the years of 2017, 2018 and 2019:

	Stock Dividend Per Share[1]	Cash Dividend Per Share[2]	Total Number of Shares Issued as Stock Dividend[3]	Stock Dividend Amount	
				NT$[4]	US$[5]
				(In thousands)	
2017	2.0	15.0	70,141,276	701,413	23,187
2018	—	45.0	—	—	—
2019	—	15.0	—	—	—

(1) Our stock dividend is declared in New Taiwan dollar amount per share. A shareholder receives as a stock dividend based on the number of Shares equal to the New Taiwan dollar amount per Share of dividend declared multiplied by the number of Shares owned by the shareholder and divided by the par value of NT$10 per Share.

(2) Our cash dividend is declared in New Taiwan dollar amount per Share. A shareholder receives as a cash dividend equal to the New Taiwan dollar amount per Share of dividend declared multiplied by the number of Shares owned by the shareholder.

(3) The total number of Shares issued as stock dividends include Shares issued from retained earnings and from capital reserve.

(4) The New Taiwan dollar amount of stock dividends paid is calculated based upon NT$10 per share times number of shares issued as stock dividend.

(5) The US dollar amount of stock dividends paid is calculated based upon the Noon Buying Rate as set forth in the weekly H.10 statistical release of the Federal Reserve Board for March 31, 2020 of NT$30.25 to US$1.00.

We are generally not permitted under the ROC Company Law to distribute dividends or to make any other distributions to shareholders for any fiscal year in which we have not generated net income. In addition, before distributing a dividend or making any other distribution to shareholders, we must pay all outstanding taxes, recover any past losses, and set aside a legal reserve equal to 10% of our net income until the legal reserve reaches an amount equal to at least 100% of our paid-in share capital. Apart from the aforesaid legal reserve, we also set aside a special reserve in accordance with applicable laws and regulations when necessary. See “Description of Our Share Capital.”

Our Articles of Incorporation provide that, in principle, at least 10% of the remaining portion of the net income, less prior years’ losses, outstanding taxes, the legal reserve and any special reserve will be distributed as dividends to shareholders. In addition, pursuant to our Articles of Incorporation, prior to distributing any dividends to our shareholders, we were required to first distribute (i) not less than 2% of the distributable earnings to employees as bonuses and (ii) not more than 3% of the distributable earnings to directors as compensation. The employees’ bonuses may, subject to a resolution of the board of directors, be distributed to employees in way of cash or shares and the directors’ compensation should be distributed in way of cash. Pursuant to Articles of Incorporation, we are allowed to distribute dividends to our shareholders semiannually.

For information relating to ROC withholding taxes payable on dividends, see “Taxation — ROC Taxation”.

CAPITALIZATION

The following table sets forth our actual consolidated capitalization as of March 31, 2020, and as adjusted to give effect to this offering. This table shall be read in conjunction with our unaudited consolidated interim financial statements as of March 31, 2020 and for the three months ended March 31, 2020, including the notes thereto, included elsewhere in this Offering Circular. There has been no significant change in our financial condition, capitalization or prospects since March 31, 2020. The amounts in US dollars are provided solely for the convenience of the reader.

The as adjusted basis gives effect to the issuance of the Bonds, before deducting the Initial Purchasers' discounts and the estimated offering expenses payable by us, as if the Bonds had been issued on March 31, 2020.

	As of March 31, 2020			
	Actual		As adjusted for the issue of the Bonds	
	NT$	US$	NT$	US$
	(unaudited) (in millions)			
Consolidated Capitalization				
Short-term borrowings				
Short-term loans	31,123.5	1,028.9	31,123.5	1,028.9
Long-term borrowings				
Bonds payable	—	—	4,919.0	162.6
Long-term loans	7,955.9	263.0	7,955.9	263.0
Total long-term borrowings	7,955.9	263.0	12,874.9	425.6
Equity				
Share capital	4,302.7	142.2	4,302.7	142.2
Capital surplus	5,341.2	176.6	5,795.9	191.6
Retained earnings	37,421.4	1,237.1	37,421.4	1,237.1
Other equity	(2,738.9)	(90.5)	(2,738.9)	(90.5)
Treasury stocks	(2,421.6)	(80.1)	(2,421.6)	(80.1)
Equity attributable to owners of the parent	41,904.8	1,385.3	42,359.5	1,400.3
Total equity	41,922.0	1,385.9	42,376.7	1,400.9
Total capitalization(1)	49,877.9	1,648.9	55,251.6	1,826.5

(1) Total capitalization includes total long-term borrowings and total shareholders' equity.

DESCRIPTION OF THE KEMET ACQUISITION

On November 11, 2019, we entered into an Agreement and Plan of Merger by and among YAGEO Corporation, Sky Merger Sub Inc. and KEMET Corporation, or the KEMET Merger Agreement. The consummation of the KEMET Acquisition is subject to regulatory and KEMET shareholder approvals and customary closing conditions. KEMET's shareholders have approved it on February 20, 2020. We expect the KEMET Acquisition to close in the second half of 2020. There can be no assurance that we will be able to consummate the KEMET Acquisition on timely basis or at all.

The KEMET Merger Agreement

The following summary of the KEMET Merger Agreement is not complete and is subject to, and is qualified in its entirety by reference to, all provisions of the KEMET Merger Agreement (including the definitions of terms used therein). You should read the KEMET Merger Agreement for provisions that may be important to you. A copy of the KEMET Merger Agreement was filed as Annex A to Definitive Proxy Statement on Schedule 14A filed with the SEC on January 14, 2020.

Upon the consummation of the KEMET Acquisition, each share of KEMET common stock issued and outstanding immediately prior to the Effective Time (other than (i) shares held by KEMET or held, directly or indirectly, by us or Sky Merger Sub Inc., which will be canceled for no consideration, and (ii) any shares owned by stockholders who are entitled to and who properly exercise appraisal rights under Delaware law) will be converted into the right to receive US$27.20 in cash, without interest and less any applicable withholding taxes.

In the KEMET Merger Agreement, KEMET has made customary representations and warranties to us and Sky Merger Sub Inc. that are subject, in some cases, to specified exceptions and qualifications contained in the KEMET Merger Agreement or in KEMET's disclosure letter to the KEMET Merger Agreement delivered in connection therewith. These representations and warranties relate to, among other things: (i) due organization, good standing and authority and qualification to conduct business with respect to KEMET and its subsidiaries; (ii) capital structure of KEMET, KEMET's ownership of its subsidiaries, KEMET's and its subsidiaries' non-ownership of equity or debt interests other than of subsidiaries of KEMET and KEMET's equity awards granted; (iii) KEMET's corporate authority to enter into, perform its covenants and obligations under, and consummate the transactions contemplated by, the KEMET Merger Agreement and the enforceability of the KEMET Merger Agreement; (iv) subject to the ability to make an Adverse Recommendation Change, the approval of, and recommendation by, the board of directors in favor of the proposal to adopt the KEMET Merger Agreement; (v) the absence of conflicts with laws, KEMET's organizational documents and KEMET's contracts; (vi) required consents and regulatory filings and approvals (including from CFIUS and pursuant to U.S. and foreign antitrust laws) in connection with the KEMET Merger Agreement; (vii) KEMET's possession of necessary permits and KEMET's compliance with laws (including, but not limited to, anti-corruption laws and international trade laws); (viii) the accuracy of KEMET's SEC filings and financial statements; (ix) the accuracy of the information supplied by or on behalf of KEMET or any of its subsidiaries for inclusion in the Definitive Proxy Statement; (x) KEMET's disclosure controls and procedures; (xi) the conduct of business of KEMET and its subsidiaries in the ordinary course; the absence of any change, event, occurrence, state of facts, condition, development or circumstance that has had or would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect; and the absence of certain actions taken that would otherwise have been prohibited if taken between the date of the KEMET Merger Agreement and the closing, in each case, since April 1, 2019; and (xii) other representations and warranties set forth in the KEMET Merger Agreement.

The KEMET Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after the KEMET stockholder approval: (i) by mutual written consent of us and KEMET; (ii) by either of us or KEMET if (a) the KEMET Acquisition has not been consummated by the Termination Date, subject to certain exceptions, (b) prior to the Effective Time, any governmental authority has, by law or order, permanently restrained, enjoined, rendered illegal or otherwise prohibited the transactions contemplated by the KEMET Merger Agreement and such law or order has become final or nonappealable, subject to certain conditions, (c) KEMET has failed to obtain the KEMET stockholder approval; (d) we have failed to obtain our stockholder approval, (e) a CFIUS turndown has occurred at any time or the parties have failed to obtain CFIUS approval before the Termination Date, or (f) the parties have failed to obtain the approvals of foreign investment and

investment in mainland China for the purpose of the KEMET Acquisition and the other transactions contemplated by the KEMET Merger Agreement issued by the Taiwan Investment Commission before the Termination Date. In addition, the KEMET Merger Agreement can be terminated by KEMET under specified circumstances, including, among others, KEMET to enter into a definitive agreement for a superior proposal, and KEMET will be required to pay us a termination fee of US$63.75 million.

The respective obligations of each party to consummate the KEMET Acquisition are subject to the satisfaction or (to the extent permitted by applicable law) waiver by KEMET and us, by the Effective Time, of the following conditions: (i) the KEMET stockholder approval having been obtained; (ii) the consummation of the KEMET Acquisition not being restrained, enjoined, rendered illegal or otherwise prohibited by any law or order of any governmental authority; (iii)(a) the expiration or early termination of any waiting periods (or any extensions thereof) applicable to the consummation of the KEMET Acquisition under the HSR Act and (b) the termination or expiration of any waiting periods (and any extensions thereof), and all related approvals or clearances of the KEMET Acquisition by the relevant antitrust authorities, pursuant to any antitrust laws in Austria, China, Germany, Mexico and Taiwan that are required to be terminated or expired prior to the consummation of the KEMET Acquisition; (iv) the CFIUS approval having been obtained; (v) approvals of foreign investment and investment in mainland China for the purpose of the KEMET Acquisition and the other transactions contemplated by the KEMET Merger Agreement issued by the Taiwan Investment Commission having been obtained; (vi) if required by applicable law, our stockholder approval having been obtained; and (vii) subject to certain exceptions, the accuracy of the representations and warranties in the KEMET Merger Agreement. The KEMET Acquisition remains subject to other customary closing conditions. The KEMET Acquisition is expected to close in the second half of 2020.

There can be no assurance that we will be able to consummate the KEMET Acquisition on a timely basis or at all. See "Risk Factors — Risks Relating to the KEMET Acquisition." This offering is not contingent on the consummation of the KEMET Acquisition.

Financing of KEMET Acquisition

The total amount of funds necessary to consummate the KEMET Acquisition and related transactions, including payment of related fees and expenses, will be approximately US$1,640 million. In connection with the KEMET Acquisition and related transactions, we have obtained the debt financing including (i) a commitment letter from Citi in respect of a senior secured bridge loan facility in an aggregate amount of US$1,100 million, (ii) commitment to provide shareholder loan from Pierre Chen, and (iii) a standby letter of credit issued by Citibank, N.A. Hong Kong Branch which allows us to draw an aggregate amount of US$195 million in the event that Pierre Chen fails to advance the shareholder loan. We are also in the process of obtaining a syndicated loan of approximately NT$45 billion (US$1.5 billion) to finance the KEMET Acquisition and our working capital and will no longer need the financing from the commitment letter, shareholder loan and/or standby letter of credit after we obtained the syndicated loan.

SELECTED FINANCIAL AND OTHER DATA OF YAGEO CORPORATION

The following tables present our summary financial information. The summary financial information as of and for the years ended December 31, 2017, 2018 and 2019 set forth below are qualified by reference to, and should be read in conjunction with, our consolidated financial statements included elsewhere in this Offering Circular. Our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 have been prepared and presented in accordance with the T-IFRSs. Our unaudited consolidated interim financial statements as of and for the three months ended March 31, 2019 and 2020 have been prepared and presented in accordance with IAS34 "Interim Financial Reporting" endorsed by FSC as well as "Regulations governing the Preparation of Financial Reports by Securities Issuers." T-IFRSs differs from U.S. GAAP, IFRS or the generally accepted accounting principles of certain other countries. For information relating to the nature and effect of significant differences between IFRS and T-IFRSs as they relate to us, see note 3 to our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 and note 3 to our unaudited consolidated interim financial statements as of and for the three months ended March 31, 2019 and 2020 included elsewhere in this Offering Circular. The results for the three-month period ended March 31, 2020 are unaudited and not necessarily indicative of the results that may be expected for the full year.

	Year ended December 31,							Three months ended March 31,				
	2017		2018		2019			2019		2020		
	NT$	%	NT$	%	NT$	US$	%	NT$	%	NT$	US$	%
	(in millions, except percentages and per share data)											
Consolidated Statement of Income:												
Operating revenue	32,258.6	100.0	77,155.6	100.0	41,306.6	1,365.5	100.0	11,394.3	100.0	10,023.5	331.3	100.0
Operating costs	(21,760.5)	(67.5)	(28,310.3)	(36.7)	(26,526.1)	(876.9)	(64.2)	(6,285.1)	(55.2)	(5,983.6)	(197.8)	(59.7)
Gross profit	10,498.1	32.5	48,845.3	63.3	14,780.5	488.6	35.8	5,109.2	44.8	4,039.9	133.5	40.3
Operating expenses												
Selling and marketing	(1,462.7)	(4.5)	(6,496.6)	(8.4)	(3,792.4)	(125.4)	(9.2)	(1,197.5)	(10.5)	(708.4)	(23.4)	(7.1)
General and administration	(1,138.2)	(3.5)	(3,523.3)	(4.6)	(3,171.3)	(104.8)	(7.7)	(723.4)	(6.3)	(595.4)	(19.7)	(5.9)
Research and development	(303.9)	(1.0)	(413.4)	(0.5)	(774.8)	(25.6)	(1.9)	(204.5)	(1.8)	(172.5)	(5.7)	(1.7)
Expected credit (loss) gain	—	—	(1,504.1)	(2.0)	989.3	32.7	2.4	(14.1)	(0.1)	(1.2)	(0.0)	(0.0)
Total operating expenses	(2,904.8)	(9.0)	(11,937.4)	(15.5)	(6,749.2)	(223.1)	(16.4)	(2,139.5)	(18.7)	(1,477.5)	(48.8)	(14.7)
Profit from operations	7,593.3	23.5	36,907.9	47.8	8,031.3	265.5	19.4	2,969.7	26.1	2,562.4	84.7	25.6
Non-operating income (expenses)												
Finance costs	(299.5)	(0.9)	(547.0)	(0.7)	(524.8)	(17.3)	(1.3)	(140.1)	(1.2)	(101.9)	(3.4)	(1.0)
Share of profit of associates	299.8	0.9	635.5	0.8	154.1	5.1	0.4	43.0	0.4	37.4	1.2	0.4
Interest income	507.9	1.5	1,091.5	1.4	1,142.2	37.8	2.8	277.2	2.4	166.0	5.5	1.7
Rental income	22.2	0.1	41.7	0.1	34.4	1.1	0.1	10.4	0.1	8.0	0.3	0.1
Gain on financial instruments at fair value through profit or loss	152.8	0.5	1,288.5	1.7	620.7	20.5	1.5	79.6	0.7	480.4	15.9	4.8
Loss on financial instruments at fair value through profit or loss	(412.2)	(1.3)	(974.2)	(1.3)	(1,324.9)	(43.8)	(3.2)	(4.7)	0.0	(219.6)	(7.3)	(2.2)
Other gains and losses	(42.1)	(0.1)	1,451.4	1.9	890.1	29.4	2.1	(134.7)	(1.2)	(61.3)	(2.0)	(0.6)
Total non-operating income (expenses)	228.9	0.7	2,987.4	3.9	991.8	32.8	2.4	130.7	1.1	309.0	10.2	3.2
Profit before income tax	7,822.2	24.2	39,895.3	51.7	9,023.1	298.3	21.8	3,100.4	27.2	2,871.4	94.9	28.8
Income tax expense	(1,141.2)	(3.5)	(6,055.2)	(7.8)	(1,971.0)	(65.2)	(4.7)	(540.4)	(4.7)	(521.1)	(17.2)	(5.2)
Net profit for the year	6,681.0	20.7	33,840.1	43.9	7,052.1	233.1	17.1	2,560.0	22.5	2,350.3	77.7	23.6
Other comprehensive income (loss)	1,416.4	4.4	(731.8)	(1.0)	(1,136.4)	(37.5)	(2.8)	728.1	6.4	(230.7)	(7.6)	(2.3)
Total comprehensive income for the year	8,097.4	25.1	33,108.3	42.9	5,915.7	195.6	14.3	3,288.1	28.9	2,119.6	70.1	21.3

	As of December 31,				Three months ended March 31,	
	2017	2018	2019		2020	
	NT$	NT$	NT$	US$	NT$	US$
			(in millions)			
Summary Consolidated Balance Sheet Data:						
Cash and cash equivalents	5,760.9	20,388.7	16,153.3	534.0	26,050.9	861.2
Trade receivables	10,546.4	19,252.0	9,702.4	320.7	9,843.5	325.4
Inventories	4,872.0	10,279.7	5,679.3	187.7	6,123.7	202.4
Investments accounted for using the equity method	3,480.1	6,205.9	6,040.5	199.7	6,027.5	199.3
Property, plant and equipment	16,274.9	18,550.0	20,511.3	678.1	20,548.1	679.3
Goodwill	2,074.0	21,464.3	21,377.8	706.7	21,355.0	706.0
Total assets	69,697.2	123,704.3	96,382.1	3,186.2	104,991.6	3,470.8
Short-term borrowings	17,624.9	23,668.0	18,640.8	616.2	31,123.5	1,028.9
Trade payables	7,511.4	10,347.3	6,059.8	200.3	6,916.5	228.6
Other payables	4,874.4	12,013.0	7,080.8	234.1	13,390.0	442.6
Long-term borrowings	5,500.0	9,000.0	14,013.6	463.3	7,955.9	263.0
Total liabilities	38,363.8	64,266.0	50,135.4	1,657.4	63,069.7	2,084.9

	Year ended December 31,				Three months ended March 31,		
	2017	2018	2019		2019	2020	
	NT$	NT$	NT$	US$	NT$	NT$	US$
			(in millions)				
Summary Consolidated Cash Flow Data:							
Net cash generated from/(used in) operating activities	8,027.3	41,782.8	11,722.3	387.5	7,214.8	2,999.7	99.2
Net cash generated from/(used in) investing activities	(11,447.8)	(27,524.5)	3,721.9	123.0	(530.2)	855.5	28.3
Net cash provided by/(used in) financing activities	2,251.0	396.0	(19,352.3)	(639.7)	4,321.5	6,102.9	201.7
Cash and cash equivalents at the beginning of the year	7,619.5	5,760.9	20,388.7	674.0	20,388.7	16,153.3	534.0
Cash and cash equivalents at the end of the year	5,760.9	20,388.7	16,153.3	534.0	31,513.9	26,050.9	861.2

SELECTED FINANCIAL DATA OF KEMET

The following summary historical consolidated financial information as of March 31, 2017, 2018 and 2019 and for the three fiscal years ended March 31, 2019 has been derived from the audited consolidated financial statements of KEMET incorporated by reference into this Offering Circular. The following summary historical consolidated financial information as of and for each of the nine months ended December 31, 2018 and 2019 has been derived from the unaudited interim consolidated financial statements of KEMET incorporated by reference into this Offering Circular. KEMET's operating results for the nine months ended December 31, 2019 are not necessarily indicative of the results to be expected for any future periods.

This information is only a summary and should be read in conjunction with the historical consolidated financial statements of KEMET. See "Incorporation of Documents by Reference" in this Offering Circular.

	Fiscal Year Ended March 31,			Nine Months Ended December 31,	
	2017	2018	2019	2018	2019
	(in thousands of US$)				
Summary of Operations:					
Net sales	757,338	1,200,181	1,382,818	1,027,024	967,380
Operating income	34,968	112,852	200,849	146,792	136,138
Interest income	(24)	(809)	(2,035)	(1,325)	(2,525)
Interest expense	39,755	32,882	21,239	18,803	8,099
Income (loss) from continuing operations	47,157	254,127	206,587	113,167	41,682
Income from discontinued operations, net of income tax expense (benefit)	—	—	—	—	—
Net income	47,157	254,127	206,587	113,167	41,682
Balance Sheet Data:					
Total assets	739,439	1,222,923	1,318,095	1,231,257	1,412,332
Working capital	248,252	391,295	363,580	381,041	380,153
Long-term debt, less current portions	386,211	304,083	266,041	277,260	282,746
Other non-current obligations	60,707	152,249	125,360	125,856	153,025
Stockholders' equity	155,569	463,875	639,415	538,433	687,313
Other Data:					
Cash flow provided by (used in) operating activities	71,667	120,761	131,731	82,727	90,735
Capital expenditures	25,617	65,004	146,056	77,650	104,129
Research and development expenses	26,693	39,114	44,612	33,040	37,073

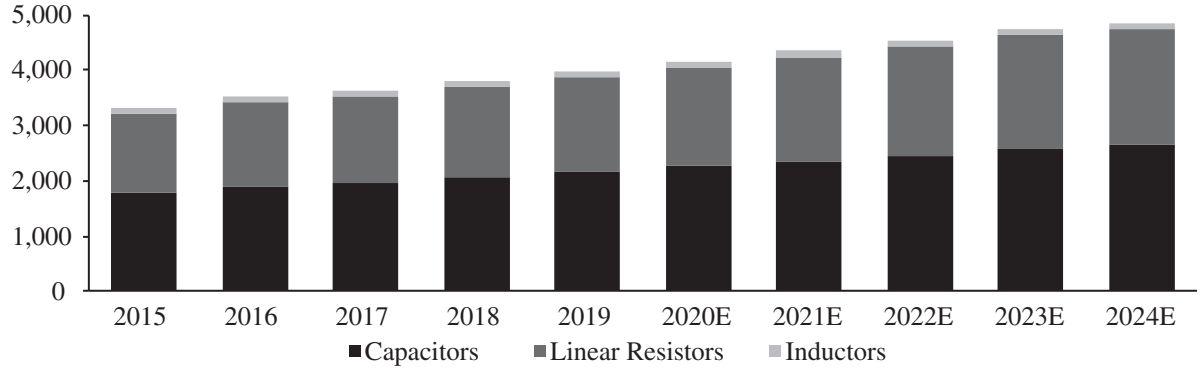
INDUSTRY OVERVIEW

Certain information, including statistics and estimates, set forth in this section and elsewhere in this Offering Circular have been derived from an industry report, namely the Paumanok Report, independently prepared by Paumanok Publications, Inc. In addition, statistics and estimates set forth in this section, unless otherwise specified, are presented in the years ended or ending March 31 of the given year.

Overview of Passive Components

Introduction of Passive Components, Regional Markets and End-Use Markets

According to Paumanok, the global consumption volume of passive components has increased from 3,311 billion pieces in 2015 to 3,954 billion pieces in 2019, and is expected to further increase to 4,852 billion pieces in 2024. The global passive component market consists of three major products, including capacitors, linear resistors and inductors, which accounted for 81%, 10% and 8%, respectively, of the global consumption value in 2019 according to Paumanok.The following table illustrates the global consumption volume of passive components by type from 2015 to 2024 (in billions of units):



Source: the Paumanok Report

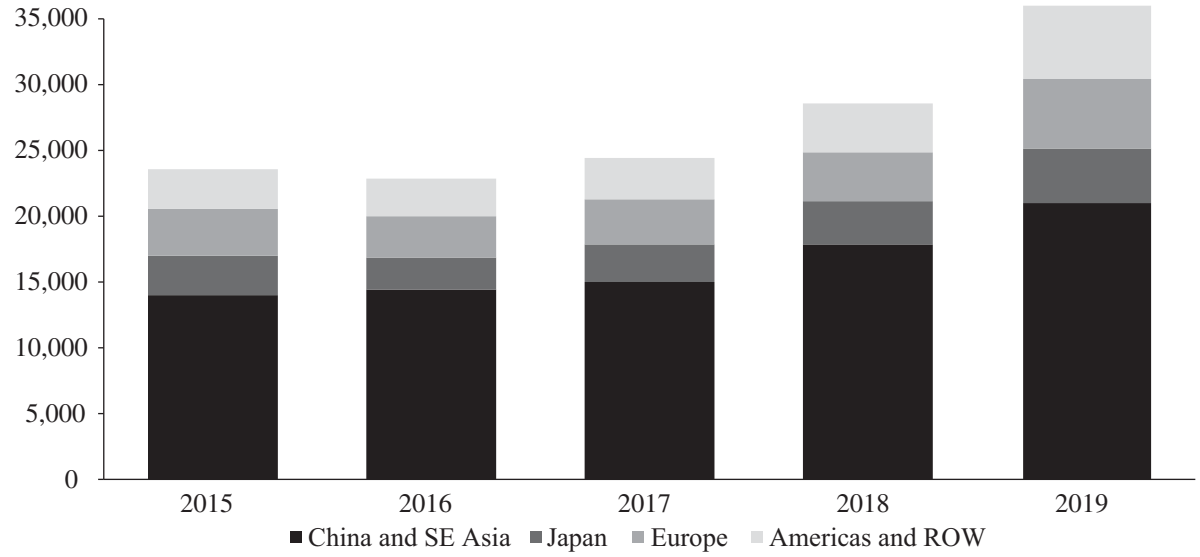
The global passive component market can be divided into three major regional markets, including (i) China, Japan and Southeast Asia, or SE Asia, (ii) Europe, and (iii) Americas and the rest of the world, or ROW, which accounted for 70%, 14% and 16%, respectively, of global consumption value in 2019 according to the same source.

China, Japan and SE Asia. China alone accounted for approximately 70% of the consumption value in this regional market in 2019, which made it the largest market in the world for passive components at approximately US$14.3 billion in value.

Europe. Germany accounted for approximately 50% of the consumption value in this regional market in 2019, while countries such as the UK, France, Italy, the Netherlands and Finland are sizable markets as well and should not be underestimated.

Americas and ROW. The United States, Mexico, Canada, Brazil and the rest of the Americas accounted for approximately 45%, 35%, 10%, 7% and 3%, respectively, of the consumption value in this regional market in 2019.

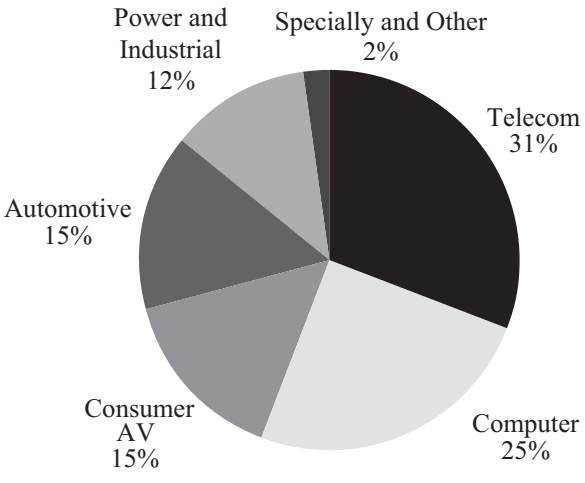
The following diagram illustrates the historical and forecasted passive component consumption by region from 2015 to 2019 (in millions of US$):



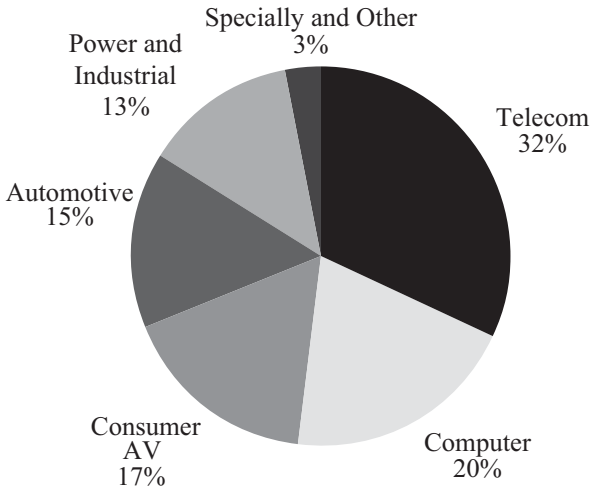
Source: the Paumanok Report

The end-use markets for passive components mainly include telecommunications, computer, consumer audio and video, or consumer AV, automotive, industrial and power and specialty (defense, medical, oil and gas, mining and others). The following diagram illustrates the historical and forecasted global consumption value of passive components by end-use market in 2019 and 2024 (in billions of US$):

2019



2024



Source: the Paumanok Report

Overview of Capacitors

Overview of Capacitors, Regional Markets and End-Use Markets

The capacitor market consists of six major products, including MLCC, aluminum, tantalum, paper and plastic AC film, paper and plastic DC film and other capacitors, which accounted for 65%, 16%, 8%, 5%, 3% and 3%, respectively, of the total capacitor market as measured by consumption value in 2019. The global capacitor consumption can be divided into four regions, including China and SE Asia, Japan, Europe, and Americas and ROW, which accounted for 30%, 21%, 27%, and 37%, respectively, of the total capacitor consumption as measured by consumption value in 2019.

China and SE Asia. This regional market grew at a rate of 17% year-over-year to consumption value, and further grew at a rate of up to 30% year-over-year in 2019 based largely on price increases in MLCCs. MLCCs, aluminum, tantalum, plastic film and electrochemical double-layer capacitors, or EDLC, and other capacitors accounted for approximately 56%, 23%, 9%, 9% and 3%, respectively, of the consumption value in this region in 2018. Certain Japanese and Taiwanese vendors dominate the capacitor markets in China and SE Asia, primarily through sales of MLCCs. However, other vendors, such as KEMET and Yageo are major players in this region as well.

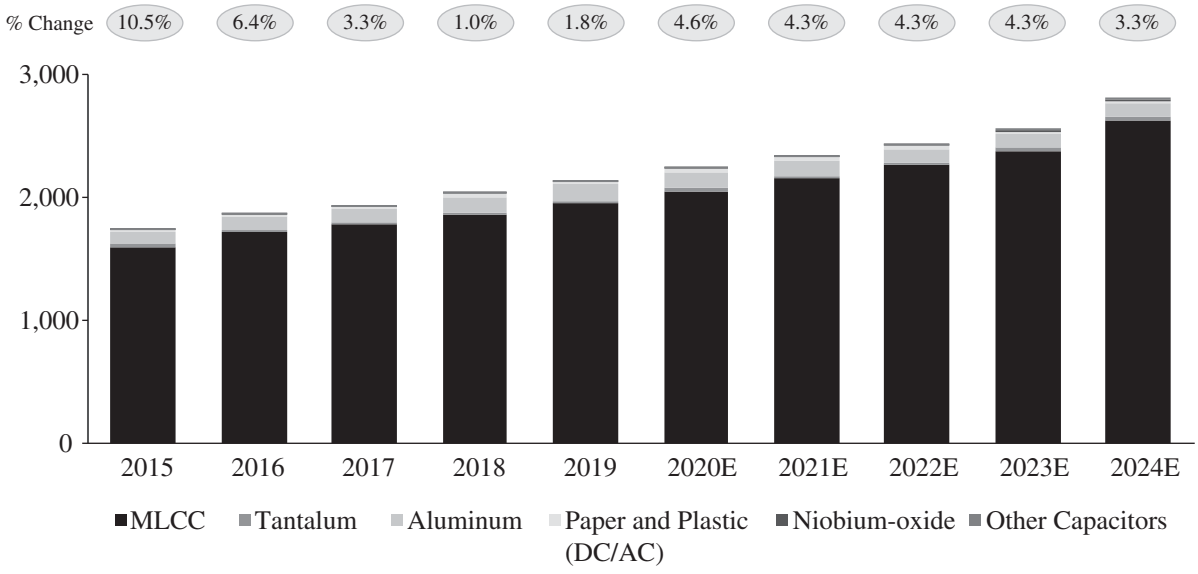
Japan. The consumption value in the Japanese market grew at a rate of 14% year-over-year, and further grew at a rate of 21% year-over-year in 2019 based largely on price increases in MLCC. MLCCs, aluminum, tantalum, plastic film and EDLC and other capacitors accounted for approximately 50%, 23%, 13%, 10% and 4%, respectively, of the consumption value in Japan in 2018.

Europe. The European market grew at a rate of 11% year-over-year in 2018, and further grew at a rate of 27% year-over-year in 2019 based largely on price increases in MLCCs. MLCCs, aluminum, tantalum, plastic film and EDLC and other capacitors accounted for approximately 43%, 25%, 11%, 15% and 5%, respectively, of the consumption value in Europe in 2018.

Americas and ROW. The consumption value in this regional market grew at a rate of 17% year-over-year in 2018, and further grew at a rate of 37% year-over-year in 2019 based largely on price increases in MLCCs. MLCCs, aluminum, tantalum, plastic film and EDLC and other capacitors accounted for approximately 47%, 17%, 14%, 15% and 7%, respectively, of the consumption value in Europe in 2018. Certain Japanese vendors and KEMET are major suppliers in this region.

Historical and Forecasted Volume

Global consumption volume of capacitors is expected to increase by approximately 2% from 2,043 billion pieces in 2018 to 2,144 billion pieces in 2019. Slow volume growth is expected going forward, but the capacitance signature per end-product is expected to rise and so is the capacitance value per capacitor. The forecast is that demand for capacitors will increase to 2,642 billion pieces by 2024. The following table illustrates the breakdown of global consumption for capacitors by type as measured by volume from 2015 to 2024 (in billions of pieces):

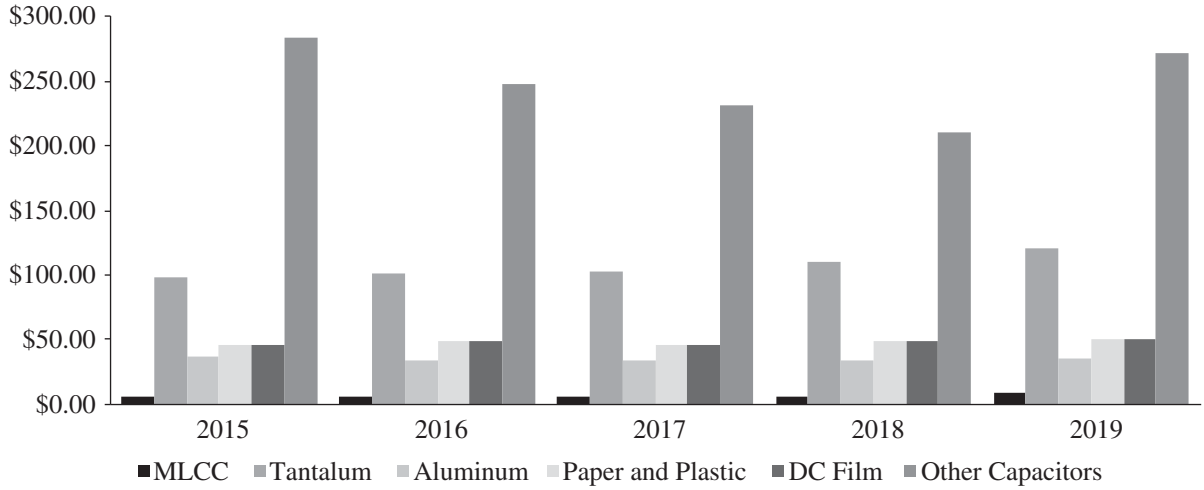


Source: the Paumanok Report

MLCCs accounted for 92% of global capacitor shipment volume in 2019. During this time period, high-capacitance MLCCs made significant inroads into other dielectrics, most notably into tantalum and DC film capacitors. Aluminum capacitors are the next largest in terms of volume with their massive output of radial leaded designs at 6% of global production volume. All other capacitor dielectrics are small in comparison to the massive volume of MLCC shipped worldwide.

Historical and Forecasted ASP

The price of capacitors increased by 24.2% to US$13.61 per thousand pieces in 2019. While price decreases are usually the norm in the industry, in 2018 and 2019, there were price increases due to the MLCC shortage. Going forward, prices will be dependent on the ability for MLCCs to encroach further on electrolytic capacitor technology (which may increase the demand for MLCCs), as well as the shortage of key rare earth elements (tantalum, bauxite, palladium, nickel, neodymium and various oxide additives) consumed in the production of capacitors (which may increase the production cost of MLCCs). The following table illustrates the average selling price for capacitors by type from 2015 to 2019 (in US$ per thousand pieces):



Source: the Paumanok Report

Drivers of the price spike in late 2018 and subsequent decline

Price erosion will continue over the long term due to low cost ceramics taking control over greater percentages of competing dielectrics as well as a broad number of vendors around the globe making for readjustments of market value to new levels, despite the shortages of key rare earth elements consumed in the production of dielectrics. Market supply and demand will be more balanced as existing producers are unlikely to be aggressively expanding capacity, and as a result, average selling price is expected to remain stable. In addition, market consolidations (e.g., Murata's exiting lower end product segments and Yageo's proposed acquisition of KEMET) will instill additional market discipline and create more favorable conditions for market leaders.

Key Drivers for Future Growth

5G Roll-Out Impact on Capacitor Markets. For 2020, we expect a growing demand for MLCCs for 5G base station at Nokia and Ericsson and Samsung. These MLCCs will be high voltage, high capacitance and high frequency designs and be somewhat expensive. This positive growth will get larger over 36 months. In addition, the market of data communications switches will also grow for internet communications. Other parts of the telecommunications sector will contract, especially those associated with POTs systems and switches for twisted pair, and the market moves more securely toward fiber optics for back bone and 5G wireless for internet, IOT and Intelligent Vehicle Highway Systems. All vendors with appropriate capacitance skillsets sets are enabling this technology. Many stations for 5G require 3,000, 5,000 or even 10,000 capacitors per base station and the number of base stations required will be in the tens of thousands per region.

IoT and Impact on MLCCs. Products associated with the IoT will continue driving growth, especially when more products are applied in home automation, featured with connectivity and are sensor intensive. As new market entrants in consumer AV, many new vendors of voice activated home devices (OK Google, Amazon Alexa) had to pay more for these "line voltage" related components. These new products place increasing demand for MLCCs.

EV Impact on MLCCs. The electric vehicle has had another tremendous impact on MLCC demand. For example, certain electric vehicle manufacturer has agreed to design its cars to use more of the ultra-small case size MLCC that would only be consumed in handsets before. Meanwhile, an electric vehicle typically consumes 10,000 MLCCs and has an incredible high capacitance signature compared to an internal combustion engine.

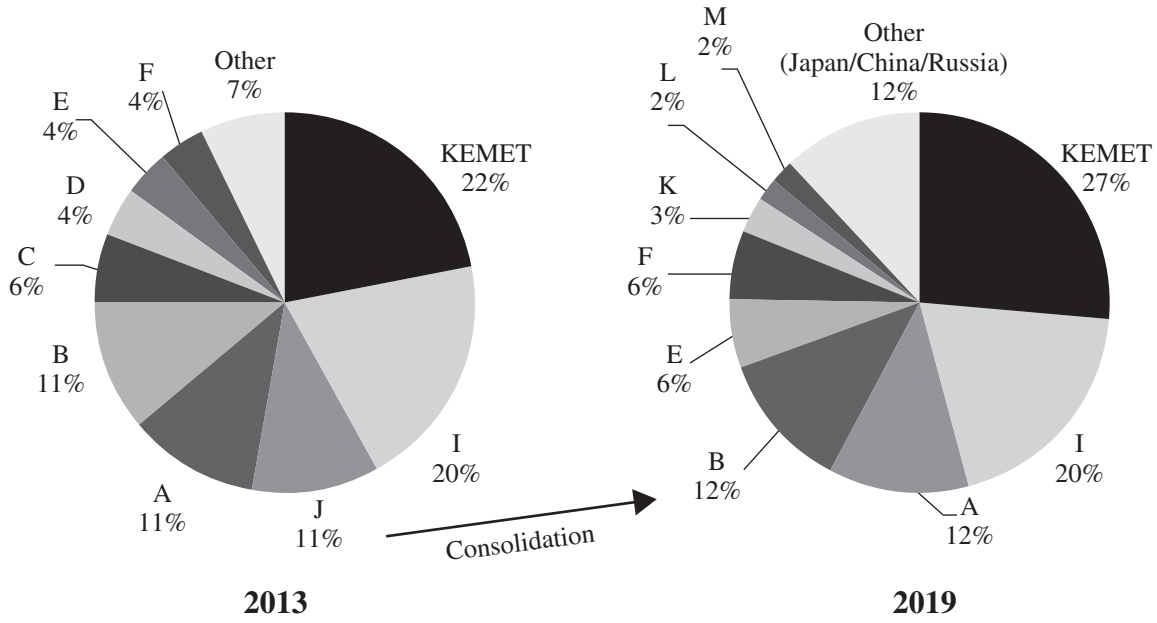
Competitive Landscape

According to Paumanok, there are approximately 300 capacitor manufacturers worldwide in 2018. However, there are only 13 tier one suppliers. The relationship between dielectric revenues and the number of suppliers by dielectric is interesting and implies barriers to entry. There are more suppliers of film capacitors and aluminum capacitors because the manufacturing technology is based upon winding of dielectrics, and equipment is readily available at comparatively low cost. Multilayered ceramic capacitor suppliers are fewer in number because the technology requires stacking of dielectric and metallization and firing. There are even fewer tantalum suppliers because this is difficult technology to master effectively, and involved the unique creation of tantalum anodes that require cathode baths or impregnation, which is a difficult process to master effectively. The following table summarizes the top 12 vendors of capacitors as measured by revenue from 2015 to 2019:

Vendor	2015	2016	2017	2018	2019	% of Total	% of Growth
Company A (capacitor only)	$ 2,918	$ 3,052	$ 3,487	$ 4,018	$ 5,223	14.6%	30%
Company B	1,727	1,750	1,637	2,308	3,277	9.1%	42%
Company C	1,221	1,196	1,333	1,559	1,781	5.0%	14%
Company D	1,126	985	1,064	1,209	1,560	4.3%	29%
Company E (capacitor only)	1,332	1,242	1,264	1,345	1,533	4.3%	14%
Company F	999	1,030	1,115	1,363	1,485	4.1%	9%
KEMET	834	734	752	1,200	1,357	3.8%	13%
Yageo (MLCC only)	435	400	444	565	1,271	3.5%	125%
Company G	835	788	965	1,072	1,160	3.2%	9%
Company H	550	735	800	860	937	2.6%	9%
Company I	763	670	650	750	825	2.3%	10%
Company J	420	349	330	403	487	1.4%	21%
Company K	226	262	261	350	455	1.3%	30%
Others	4,830	4,623	4,820	5,549	7,829	21.8%	39%
Total Passive Components	$18,216	$17,816	$18,922	$22,551	$29,180	81.3%	26%

Source: the Paumanok Report

The following pie charts illustrate the global market share of major tantalum capacitor manufacturers in 2019, with KEMET being the largest player in the market. In particular, top three suppliers of tantalum capacitors include KEMET (production in the USA and Mexico), Company I (production in the Czech Republic, UK and El Salvador; and recent acquirer of tantalum capacitor production facilities in Japan and China), Company A (production in Israel, and the USA; it dominates the value added and application specific tantalum capacitor market segment).



Source: the Paumanok Report

Overview of Linear Resistors

Overview of Linear Resistors, Regional Markets and End-Use Markets

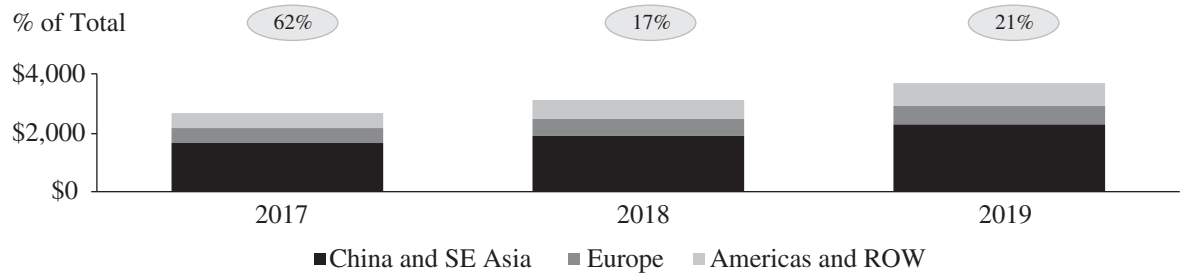
Global resistor markets can be broken down into two distinct categories, including linear resistors and non-linear resistors. Linear resistor markets, technologies and opportunities are electronic components found in all electronic devices in large numbers, especially in wireless handsets, computers, TV sets, automobiles and almost every other electronic device produced by mankind. Thus, linear resistor shipments are counted in trillions of pieces. The variable about resistors, is that the majority of units sold are thick film chip resistors that consist of an alumina ceramic substrate and a precious metal (ruthenium) based thick film ink to provide the required resistance.

This global resistor market amounted to US$3.7 billion in 2019. It consists of five major products, including chip resistors, network/arrays, wirewound, film/oxide/foil and carbon film/comp, which accounted for 37%, 32%, 17%, 12% and 2%, respectively, of the total resistor market as measured by consumption value in 2019.

Think film chip resistors. The global market of thick film chip resistors as measured by consumption value increased by 23% from US$1,135 million in 2018 to US$1,392 million in 2019. The global consumption volume of thick film chip resistors increased by 2.8% from 1.587 trillion pieces in 2018 to 1.632 trillion pieces in 2019.

The global resistor market can be divided into three major regional markets, including China and SE Asia, Europe and Americas, which accounted for 62%, 17% and 21%, respectively, of the total resistor market as measured by consumption value in 2019. The following table illustrates the breakdown of consumption value by regional markets from 2017 to 2019 (in millions of US$):

World Region Trend



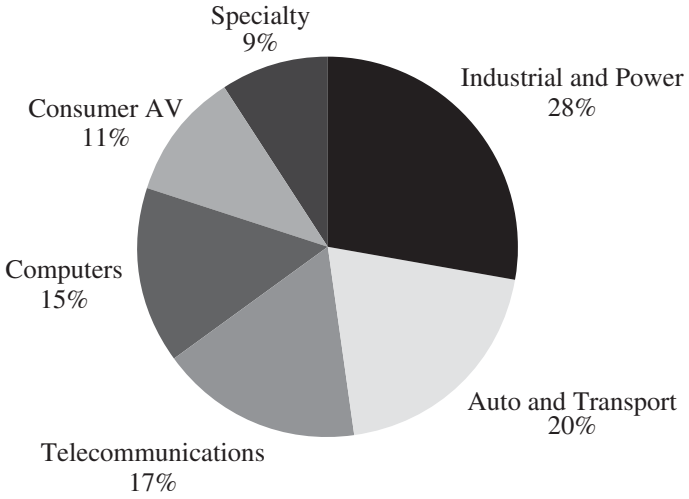
Source: the Paumanok Report

China and SE Asia. Taiwan companies have made significant inroads in the linear resistor markets. Companies, such as Yageo, are consistently among the top 15 linear resistor manufacturers in the world; however, the majority of their unit production is located in factories in China. "Greater China" represents about 36% of the world's consumption of linear resistors. Greater China is also the largest region producing wireless handsets, notebook computers and tablets. Taiwan is also a key country for consumption of resistors for power supplies. Japan is the second largest market in Asia for linear resistors and accounts for 14% of global consumption. Japan consumed more advanced resistors and has a penchant toward thin film resistors, high voltage and high frequency designs. Other countries, such as Singapore, Korea, Thailand, Vietnam, Malaysia, India and the Philippines, are also major consumers of linear resistors.

Europe. The consumption value of linear resistors in Europe amounts to US$623 million in 2019, increased by 11% in 2018. In particular, German linear resistor market amounted to US$200 million in 2019, which accounted for 35% of linear resistor consumption value in Europe in 2019. The German market is dominated by the automotive electronics markets, whose linear resistor consumption, especially for higher priced nickel chromium parts, was significant over the years and remains so today. In 2018 and 2019, the linear resistor market got a boost due to an increasing demand in Germany for F4 type factory automation equipment.

Americas and ROW. The United States market for linear resistors is considerable in size given the small volume nature of the market. This is because the market demands a large percentage of value-added and application specific resistors that have higher average unit prices in comparison to resistors sold in China and SE Asia. The key end-use markets in the United States for linear resistors are automotive, defense and aerospace, telecom infrastructure, medical, oil and gas electronics, instrumentation and control equipment, laboratory test equipment and power transmission and distribution, lighting ballasts and large home appliances.

The following pie chart illustrates the breakdown of global consumption value for resistors by end-use market in 2019 (in millions of US$):

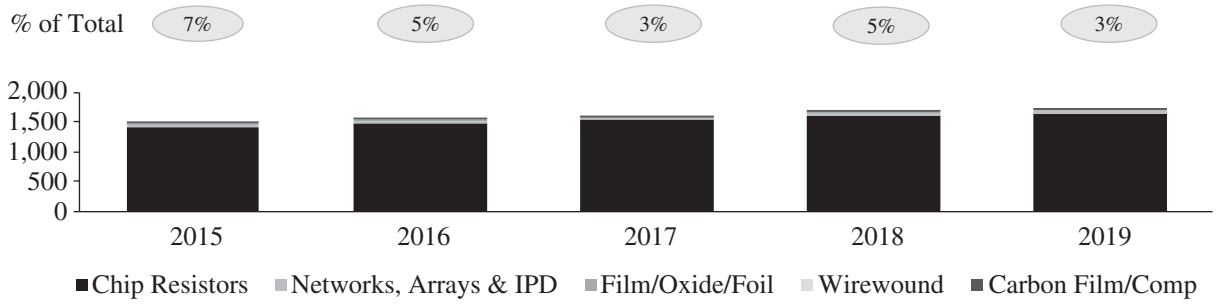


Source: the Paumanok Report

Historical and Forecasted Volume

Global consumption volume of resistors increased by an estimated 3% to 1,704 billion pieces in 2019, following a growth rate of 5% in 2018 when the global consumption volume was 1,655 billion pieces.

Linear Resistors



Source: the Paumanok Report

Competitive Landscape

There are a number of linear resistor manufacturers worldwide, primarily including Company A, Yageo, Company B, Company C, Company D, Company E, Company F and others, which accounted for 26%, 15%, 11%, 7%, 6%, 6%, 5% and 24%, respectively, of the global market shares in 2019. The following table illustrates the global competitive environment by resistor type and sub-category in the linear and non-linear categories.

Manufacturer	Thick Film Chip R	SIPs, DIPs, and Arrays	Wirewound	Nichorome	Tin-Oxide	Thin Film	Other
Company A	✔	✔	✔	✔	✔	✔	✔
Company B	✔	✔		✔		✔	
Yageo	✔	✔	✔	✔			✔
Company C	✔	✔		✔	✔	✔	
Company D			✔	✔		✔	
Company E	✔	✔					
Company F	✔						
Company G	✔	✔				✔	
Company H	✔		✔	✔			✔
Company I	✔	✔					
Company J	✔	✔	✔	✔	✔		
Company K	✔					✔	
Company L	✔			✔	✔		
Company M						✔	
Company N			✔	✔			✔
Company O							✔
Company P		✔			✔		
Company Q	✔						
Company R				✔	✔		✔
Company S			✔	✔	✔		✔
Company T			✔	✔			
Company U			✔	✔	✔		
Company V			✔	✔			✔
Company W	✔						
Others	✔	✔	✔	✔	✔	✔	✔

Source: the Paumanok Report

BUSINESS

Overview

We are a leading global electronic component company with capabilities on a global scale, including production and sales facilities in Asia, Europe and the Americas. We provide one-stop shop product portfolio of resistors, capacitors, wireless and circuit protection components to meet the diverse requirements of customers. According to Paumanok, we were ranked the fourth in the passive component market as measured by consumption value in 2019, and upon the completion of the KEMET Acquisition, we are expected to become the second largest supplier of passive components in the market by consumption value.

We have broad product offerings, primarily comprising multi-layer ceramic capacitors, chip resistors, wireless components and circuit protection components, strategically targeted at various key vertical markets, including applications for consumer electronics, industrial, telecommunications, power and energy, IoT and automotive and transportation. Going forward, the number of new applications in 5G, IoT, cloud computing and electric vehicles is expected to increase over time, and such favorable secular trends is expected to create significant new demand and drive additional growth.

We have an extensive global distribution network that mainly covers Greater China, the United States and Europe. Our customer base mainly includes electronic manufacturing service providers, original design manufacturing providers, original equipment manufacturing providers and distributors. Upon the completion of the KEMET Acquisition, our distribution network will further be enhanced in Asia to include Japan and Korea, and to cover the Americas. In addition, our customer base will further be expanded to include other leading global industrial, automotive and defense companies.

We have more than 25 years of experience in mergers and acquisitions. In addition to KEMET, we have acquired many prestigious passive and electronic component companies, including Vitrohm in 1996, the discrete ceramics and ferrite components businesses of Royal Philips Electronics in 2000, BrightKing Holdings in 2018 and Pulse Electronics in 2018. The consolidation efforts have transformed us from a small Taiwan-based player into a leading global passive component provider while creating shareholder value. Our management proactively undertake integration initiatives post acquisitions to achieve cost savings.

Our operating revenue increased from NT$32,258.6 million in 2017 to NT$77,155.6 million in 2018, and then decreased to NT$41,306.6 million (US$1,365.5 million) in 2019. Our operating revenue decreased from NT$11,394.3 million in the three months ended March 31, 2019 to NT$10,023.5 million (US$331.3 million) in the same period in 2020. Our net profit increased from NT$6,681.0 million in 2017 to NT$33,840.1 million in 2018, and then decreased to NT$7,052.1 million (US$233.1 million) in 2019. Our net profit decreased from NT$2,560.0 million in the three months ended March 31, 2019 to NT$2,350.3 million (US$77.7 million) in the same period in 2020.

Our Competitive Strengths

Well-positioned to capture attractive growth opportunities anchored by favorable secular trends

We have broad product offerings strategically targeted at various key vertical markets, including applications for consumer electronics, industrial, telecommunications, power and energy, IoT and automotive and transportation. The passive component industry is expected to achieve a healthy GDP growth rate due to content growth in applications such as smartphones. According to Paumanok, the global consumption value of passive components has increased from US$23,521 million for the year ended March 31, 2015 to US$35,877 million for the year ended March 31, 2019, and it is expected to amount to US$32,528 million for the year ending March 31, 2024. The global consumption volume of passive components has increased from 3,311 billion pieces for the year ended March 31, 2015 to 3,954 billion pieces for the year ended March 31, 2019, and is expected to further increase to 4,852 billion pieces for the year ending March 31, 2024.

Going forward, the number of new applications in 5G, IoT, cloud computing and electric vehicles is expected to increase over time, and such favorable secular trends will create significant new demand and drive additional growth. These new applications will also increase component usage in products such as smartphones, and thus create more demand for our passive component products. In addition,

further consolidation among existing players in the passive component industry, such as KEMET and us, and the exit of Murata in lower end MLCC segments will create additional market and pricing discipline. For example, we have a wide product offering that caters to fast-growing applications and this is further enhanced by the KEMET Acquisition. As a result, we believe we are well-positioned to capture attractive growth opportunities.

Global leading passive component player with clear strategic focus

We are a leading global electronic component company with capabilities on a global scale, including production and sales facilities in Asia, Europe and the Americas. We provide one-stop shop product portfolio of resistors, capacitors, wireless and circuit protection components to meet the diverse requirements of customers. According to Paumanok, we were ranked the fourth in the passive component market as measured by consumption value in 2019. According to the same source, we and KEMET accounted for 7% and 4%, respectively, of the total passive component market share as measured by consumption value in 2019. As such, after the completion of the KEMET Acquisition, we are expected to become the second largest supplier of passive components in the market by consumption value.

We are increasingly focusing on non-commoditized automotive, industrial, and aerospace segments which will enable us to gain market share in the high-end and high-margin product segments. To this end, we leverage our strong global presence, including 19 manufacturing sites and eight research and development centers worldwide. In late 2019, we started to expand our production capacity of MLCCs and chip resistors, and by end of 2020, we expect the expansion rate of MLCC capacity and chip resistor capacity to grow at a rate of 21% and 76%, respectively. After we largely complete our capacity expansion, it will position us to quickly ramp up production to capture market opportunities with minimal additional costs.

Diversified blue-chip customer base and geographic coverage

We have an extensive global distribution network that mainly covers Greater China, the United States and Europe. Upon the completion of the KEMET Acquisition, our distribution network will further be enhanced in Asia to include Japan and Korea, and to cover the Americas.

Our customer base mainly includes electronic manufacturing service, or EMS, original design manufacturing, or ODM, original equipment manufacturing, or OEM, providers and distributors. Upon the completion of the KEMET Acquisition, our customer base will further be expanded to include other leading global industrial, automotive and defense companies.

In addition, after we successfully acquired Pulse Electronics, an American company focused on electronics and electrochemical products, our product offerings were further diversified to include magnetics, antennas, inductors, transformers, LAN components, modules and other components, which can used in the telecommunications, power, automotive and other electronics industries.

Proven track record in mergers and acquisitions and successful integration

We have more than 25 years of experience in mergers and acquisitions. For example, in 1996, we acquired Vitrohm, a Danish company focused on film resistors and wirewound resistors; in 2000, we acquired the discrete ceramics and ferrite components businesses of Royal Philips Electronics, a Dutch electronics company; in 2018, we acquired Pulse Electronics, an American company focused on electronics and electrochemical products; in 2018, we also acquired BrightKing Holdings, a Cayman company with its main business in China manufacturing protective components.

The consolidation efforts have transformed us from a small Taiwan-based player into a leading global passive component provider while creating shareholder value. Our management proactively undertake integration initiatives post acquisitions to achieve cost savings. For example, the integration of Pulse Electronics completed in 2018 has successfully reduced overhead costs by a material percentage. In addition, we are in the process of the KEMET Acquisition, and we believe it will further enable us to expand our product portfolio, enhance our global footprint, drive profitability with cost synergies and greater efficiencies, increase our market share in advanced product sectors, and on the other hand, scale up KEMET's business in Greater China and Asia through our regional presence.

Visionary and experienced management team

We have a passionate, visionary management team with proven international experience and complementary backgrounds. Our chairman, Mr. Pierre T.M. Chen, has more than 40 years of experience in this industry and continues to be involved in the day-to-day operation. Mr. Chen is supported by a professional management team including our Chief Executive Officer, Mr. David Wang, and our Chief Technology Officer, Mr. Masayuki Fujimoto, who have in-depth knowledge and decades-long experience in the electronics component sector. Our management has successfully executed growth strategies both organically and through mergers and acquisitions to achieve stellar shareholder return.

Our Business Strategies

Delivering growth by positioning us to capture attractive market opportunities supplemented by selective bolt-on acquisitions

We plan to place greater emphasis on more stable industrial, automotive and aerospace product segments to counter more cyclical consumer electronics and telecom applications. In addition, we intend to further develop high-margin, high-end and niche products, such as components used in autonomous driving and 5G infrastructure and connectivity, by leveraging the design and production capability of advanced capacitors, inductors and wireless components acquired from Pulse Electronics and KEMET.

In addition, we intend to invest in more research and development spending to target the more premium verticals, including those in electric vehicles and industrial sectors. To this end, we will cooperate with reliable partners to conduct research and development projects and leverage the know-how we acquired from other companies to improve our product offerings.

Continuous improvement on operational efficiency

We plan to achieve greater marginal benefit by targeting higher utilization with existing production capacity. To this end, we will optimize our production planning process that provides production targets and the corresponding resource allocations for each planning period. As part of the production planning process, we also regularly re-evaluate our existing production capacity to ensure that the right resources are available when they are needed.

We will also leverage effective inventory management to ensure shorter cash cycle and lower inventory level. To this end, we plan to upgrade our inventory management system to improve the accuracy of inventory tracking, and we will optimize our stock control to ensure a safety stock level. In addition, we will leverage information such as annual order quantity, ordering costs per order, annual usage of such order and annual carrying cost rate to find the order quantity that has the lowest total cost of carrying the inventory to reduce the carrying costs.

By leveraging the aforementioned production planning and inventory management, we are able to have strong cost control and efficiency to maintain high margin advantages and offset the industry-wise margin pressure.

Focus on post-deal integration and synergy maximization

Historically, we integrated acquisition targets after closing to achieve cost savings. As previously mentioned, the integration of Pulse Electronics completed in 2018 has successfully enhanced our cost structure. We will assess different situations and take advantage of such integration and synergy to simultaneously pursue both expansion of our global presence and localization based on tailored strategies for our global businesses.

Going forward, we plan to combine sales staff and distribution network worldwide to maximize cross-selling opportunities and reduce overhead costs. For example, upon the completion of the KEMET Acquisition, we will leverage KEMET's sales channel to sell our products to KEMET's existing customers and vice versa. In addition, we plan to leverage our strategic relationship with distributors to collect and create dynamic, high-resolution customer profiles, so as to understand how customers' reference has changed over time, how they have migrated among products according to

technology or industry trends, and which triggers caused changes in their behavior. As such, we will be able to produce products that cater to customers' needs and maximize cross-selling opportunities.

Prudent financial management while maximizing shareholder value

We intend to keep the leverage ratios in check after major expansions and acquisitions to maintain a healthy balance sheet. To this end, we will continue to determine the size of our expansions based on market and industry trends, selling patterns and product pipeline as well as working with our customers to identify future capacity requirements. We will also manage the timing and scale of our capital expenditure obligations by phasing our expansions. In addition, we will continue to manage our capital deployment and financial management decisions adhering to our target internal rate of return on new expansions and target leverage ratios. By implementing the aforementioned tactics, we believe we will be able to deliver strong shareholder return via dividends and share price appreciation.

Products and Services

Our products include multi-layer ceramic capacitors, or MLCCs, chip resistors, wireless components, through-hole resistors, circuit protection components and other products. The table below sets forth the revenue contribution of our major products for the periods indicated:

	Year ended December 31,							Three months ended March 31,		
	2017		2018		2019			2020		
	NT$	%	NT$	%	NT$	US$	%	NT$	US$	%
	(in millions, except percentages)									
Revenue by product:										
MLCC	16,624.0	51.5	46,609.3	60.4	13,417.5	443.6	32.5	3,755.9	124.2	37.5
Chip Resistor	13,128.6	40.7	26,032.1	33.7	11,602.5	383.5	28.1	2,889.4	95.5	28.8
Wireless and Advanced Component	487.4	1.5	1,586.4	2.1	12,916.7	427.0	31.3	2,831.0	93.6	28.2
Through-hole Resistor	932.9	2.9	1,011.9	1.3	894.8	29.6	2.2	198.2	6.5	2.0
Circuit Protection Component	0.0	0.0	1,442.3	1.9	2,324.6	76.8	5.6	324.4	10.7	3.2
Other Product	1,085.7	3.4	473.6	0.6	150.5	5.0	0.3	24.6	0.8	0.3
Total	32,258.6	100.0	77,155.6	100.0	41,306.6	1,365.5	100.0	10,023.5	331.3	100.0

MLCC

Driven by the infinite desire for electronic devices to be more compact and reliable, MLCCs have become one of the most developed and highly competitive capacitors segments in the market. As a major MLCC provider, we continue to allocate research and development resources to product development, manufacturing refinement, and quality assurance. We are dedicated to offering a comprehensive MLCC product portfolio for diverse applications, including consumer electronics, industrial and heavy duty machinery, and automotive electronics systems. Our MLCC line-up includes general purpose, ultra-small size, high voltage, soft termination, high quality for high frequency communication, high reliability for automotive use, low inductance and others. The following table sets forth a list of our major MLCC products:

General Purpose

We devote to offer a broad selection of general purpose MLCC for meeting all requirements in electric devices. They all are no polarity and have good reliability with qualification of IEC60068. Thanks to the duty of environmental protection, our MLCC are RoHS and Halogen free compliant.

Automotive

As one of the world's major MLCC suppliers, we are pleased to bring our customers automotive grade MLCC, AC series. Compared to general purpose MLCC, AC series are qualified with AEC-Q200 criteria to make sure its reliability.

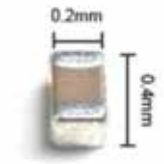
High Frequency

Our HiQ series can effectively reduce the power dissipation of wireless signal. With copper as inner electrode, HiQ series MLCC have extremely low ESR in VHF, UHF and microwave frequency bands.

Soft Termination

Featured with flexible termination system, our CS series MLCC can resist at least 3mm boardflex. These MLCC have well performance in high flexure stress circuit boards, switch power supplies and Telecom base station.

Miniaturization



Due to more functionalities in smart phone, wearable devices, and modules, the high density component mounting needs to be realized. Our small size MLCCs with accurate dimension control reveal effective pick and place implementation in addition to the required reliability.

Array

Capacitor array, CA series, is a 4-in-1 capacitance. Our CA series allow space savings and enhanced manufacturing efficiency.

Low Inductance

Our low inductance MLCC effectively suppresses HF noise and reduces ripple voltage on DC lines. The special reverse design improves the ESL of capacitor that become necessary feature for application in IC package.

The three major factors of MLCC product are raw materials, production process and manufacturing machinery. As we are capable of producing high-end ceramic powder and metal pastes and is able to design and develop the key manufacturing process and machinery, we can effectively control the production cost and quality and ensure the production efficiency and high yield rate. Through pursuing continuous optimization in manufacturing process, we maintain the leadership position among the MLCC suppliers in the Greater China region.

Chip Resistors

We are one of the largest global suppliers of chip resistors and serve various applications in major market segments, including automotive, industrial, alternative energy, and consumer electronics. With the largest number of components in a circuit board, chip resistors can determine end product performance and reliability. We provide a complete range of chip resistors, covering automotive-grade metal current sensors, precision thin film, surge, sulfur-resistant, high power, high voltage, arrays, miniature types 01005 and 0075, and more. Our chip resistor applications include flagship smartphone and automotive and industrial use. For example, high-precision thick film resistors are not only for small-size products, but also for the medium- and large-size products targeted at automotive and industrial markets. The following table sets forth a list of our major chip resistor products:

Automotive

Our automotive grade passive components conform to the AEC-Q200 automotive electronics industry standard. The available solutions include thick film, thin film, current sensors, and anti-FOS grade, applicable in infotainment, comfort and convenience, security, ECU, steering, power management and lighting systems applications for the automotive industry.

Current Sensing

Reliable current measurement is critical for the protection, control, and monitoring to keep circuits safe during operation in power and instrumentation systems. They are designed for low resistance values (down to 0.5mR), low TCR (metals with 50ppm/°C), and high power ratings (case size 2512 with 1-3W). Wide termination and 4 termination are also available.

Anti-Sulfurated

Our sulfur resistant chip resistors have superior resistance in sulfur-containing atmospheres. Resistive technology includes both thick film and thin film.

Thin Film

Using advanced sputtering technology, our thin film chip resistors provide high precision, high stability, a narrow tolerance of ±0.1% and a low TCR of ±25ppm/°C. The minimum available case size is 0201. The lowest TCR is ±5ppm/°C.

Thick Film Precision and General Purpose

Our automotive grade thick film precision chip resistors are optimized through a highly reliable electrode construction. The series boasts a narrow tolerance of ±0.1% and a low TCR ±50ppm /°C.

We maintain the largest productive worldwide capacity of thick film resistors offering case sizes from 0075 to 2512. The series is highly reliable electrode construction and is suitable for all general purpose applications, such as smartphones, tablets, laptops and televisions.

High Voltage

Our high voltage series is ideal for industrial automation, power supplies and battery chargers. The series is designed to handle a maximum working voltage of 500V with case sizes from 0603 to 2512. The surface mountable resistors are suitable for handling by automatic placement systems.

Lead-free

Our lead free (Pb <1,000ppm) chip resistors are compatible with all soldering processes without RoHS exemptions (7C-1). The series is highly stable in auto-placement surface mounting applications.

We are in the leading position of advanced technologies and provides customer design-in services. Our superior quality system and state-of-the-art manufacturing technology ensure resistors fully meet all requirements. Customers can benefit from our robust product quality as well as our innovative services.

Wireless Components

Our wireless components mainly include antenna products and LTCC integrated components.

Antenna Products. We have been dedicated to the development of RF attenuator and antenna products for wireless communication device for years, and in 2018, we acquired Pulse Electronics to further strengthen its technology and product portfolio as well as to provide more diverse, customized, and professional services to customers. We expect to be positioned as a vendor with wireless total solution. We offer high performance communication antenna products, including PCB/FPCB antennas, metal antennas, ceramic patch antennas, ceramic chip antennas, and active antennas, which can be used in wireless wide area network (WWAN), wireless metro network (WMAN), wireless local area network (WLAN) and wireless personal network (WPAN) that address multi-frequency, broadband, dual or multiple network technologies. Our products enable the internet networking services that meet the needs of various WiFi users. Applications cover consumer devices, automotive electronics (infotainment and telematics), industrial surveillance, smart-meters, smart homes, and wireless networking.

LTCC integrated components. We also offer low temperature co-fired ceramic, or LTCC, integrated components, including balun, filter, balanced filter, and diplexer and triplexer, which combine multiple discrete circuits into one compact package.

We possess comprehensive wireless manufacturing technologies, including ceramic patch antennas, LTCC, LDS, FluidAnt, and base station wireless technology, which can be used in NFC, Bluetooth earphone, wireless network, GPS satellite navigation, IoT networking, automotive, mini base stations and others.

Through-hole Resistors

We are one of the major market providers of through-hole resistors. Our through-hole resistors include film resistors (metal, metal oxide, carbon and metal glazed film), wirewound (general purpose, fusible safety, non-inductive and power wirewound), and shunt (metal plate and alloy wire). Resistors are available in compact size, precision, high voltage, safety, ultra-low resistance, and extreme high power rating to meet all applications, from consumer electronics to computers, alternative energy, telecommunications, and industrial. With state-of-art manufacturing technology and a wide range of specifications, we are committed to providing total solutions for superior product quality and reliability with the most comprehensive value added services.

Circuit Protection Components

We offer complete circuit protection solutions including overvoltage protection components (TVS, MOV, GDT, SPG, ESD and TSS) and overcurrent protection components (PPTC and NTC). TVS, MOV, and ESD products have precise voltage clamping capability. They can constrain the voltage in a permissible level to prevent circuit damage by conducting significant current to ground. GDT, SPG and TSS products work as a switch. The switch can be turned on to conduct transient abnormal current to ground. PPTC and NTC are resistors whose resistances are dependent on temperature. The resistances of PPTC and NTC can be changed along with temperature to protect circuit. Our circuit protection products are used in all kinds of applications including automotive, industrial, power supplies, telecommunications and consumer electronics.

Other Products

Our other products mainly include electrolytic capacitors, inductors and coils.

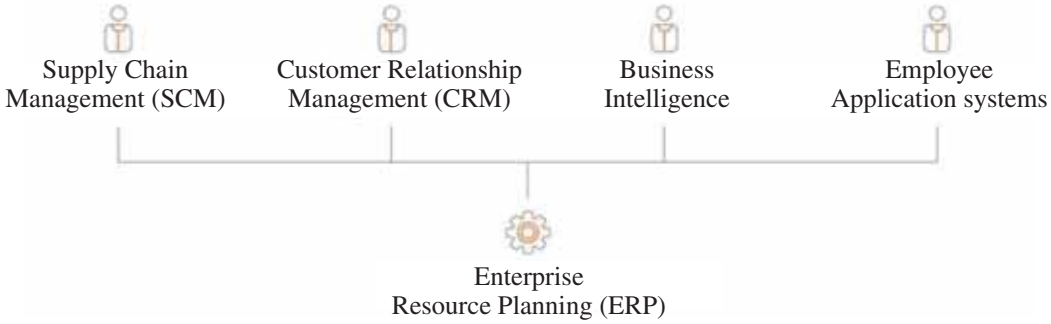
Electrolytic Capacitors. Aluminum electrolytic capacitor is one of capacitor types which has a larger capacitance per unit volume. The large capacitance of electrolytic capacitors makes them particularly suitable for passing or bypassing low-frequency signals and storing large amounts of energy. Coupled with strictly quality control, advanced technology, and excellent service, we offer many different series of electrolytic capacitors including miniature, surface mount, snap-in, screw terminal and polymer.

Inductors and Coils. After we successfully acquired Pulse Electronics, our product offerings expand to include inductors, coils and other components used in cars and mobile phones. Inductors are one of the essential passive components used for reshaping and delaying alternating current. They are applied to electronics where voltage and current change over time. Our inductor products include chip beads, multi-layer chip inductors, wirewound inductors and power inductors, with various sizes, frequency characteristics and a wide range of impedance / inductance values to meet customer's diverse application requirements.

Electronic Data Interchange

Electronic data interchange, or EDI, is the electronic interchange of business information using a standardized format; which allows one company to send information to another company electronically. We work hard to make things easy for customers. EDI makes it possible to minimize or even eliminate the manual steps involved in the transfer of information from the seller's computer to the customer's computer. Now customers can place an order at the touch of a button, and the electronic components customers order will arrive at their production line on time.

To integrate distribution, production lines, and information flows, we invested in an e-business platform a couple years ago, establishing an electronic link between customers, suppliers, and factories. On a platform of information system technology and enterprise resource planning, or ERP, supply chain management, or SCM, customer relationship management, or CRM, business intelligence, and employee application systems play an important role, facilitating globalized communication with customers including information exchange while also handling development, production, and distribution issues. By using technology to optimize efficiency, we have once again made life easier for customers by becoming an integral part of their supply chain.



Research and Development

We believe that our continuous devotion in research and development is crucial in maintaining our competitive edge. Our research and development efforts mainly focus on improving our product quality, optimizing productivity and manufacturing efficiency and reducing raw material and energy consumption. We also endeavor to invest in the development of new products in response for potential business opportunities. For example, we are developing RF attenuator and antenna products which support sub-6GHz and mm Wave in relation to 5G applications. In addition, we continue to develop advanced MLCC product with higher capacitance, higher voltage, better reliability and smaller size for more diversified applications, including consumer electronics, 5G, automotive, and industrial grade. Meanwhile, we have grown the capacity of our thin film resistors and current sensing resistors to a large extent and we expect it to reach the world's number one position after further technology breakthrough and successful product development given the strong demand for IoT, automotive and industrial applications.

As of March 31, 2020, we had eight research and development centers worldwide, and we had a dedicated research and development team with over 300 employees, among which approximately 28.0% had a master's degree and 5.5% had a Ph.D. degree.

Sales and Marketing

Our products are applied in various industries, which is attributable to our stable and expanding customer base. We primarily sell our products to EMS, ODM, OEM providers and distributors. Revenue derived from direct sales, EMS/OEM providers and distributors accounted for approximately 26%, 31% and 43% of our total revenue in 2019 and 29%, 28%, 43% of our total revenue in the first quarter of 2020. As a result of our comprehensive product offerings, we are able to maintain a diversified customer base covering first-tier industry players based in Greater China, Japan and the United States.

We believe we do not rely on any single customer. As of March 31, 2020, we worked with more than 1,382 distributors and customers worldwide. In addition, due to our worldwide customer base, we have established a distribution network covering over 69 countries or regions in the world. The table below sets forth the breakdown of revenue contribution by geographic locations for the periods indicated:

	Year ended December 31,							Three months ended March 31,		
	2017		2018		2019			2020		
	$	%	NT$	%	NT$	US$	%	NT$	US$	%
	(in millions, except percentages)									
Revenue by geographic locations:										
Asia (except Taiwan)	25,267.6	78.3	57,059.1	74.0	28,310.5	935.9	68.5	7,620.6	251.9	76.0
Taiwan	3,070.9	9.5	7,913.6	10.3	2,100.7	69.4	5.1	420.1	13.9	4.2
Europe	3,221.5	10.0	9,365.0	12.1	8,190.7	270.8	19.8	1,468.0	48.5	14.7
Americas	698.6	2.2	2,817.9	3.6	2,704.7	89.4	6.6	514.8	17.0	5.1
Total	32,258.6	100.0	77,155.6	100.0	41,306.6	1,365.5	100.0	10,023.5	331.3	100.00

Sales to our customers are generally governed by purchase orders. In certain cases, we enter into a framework procurement contract with our key customer, under which we will deliver our products according to specified qualifications, while customers will settle the procurement payment within thirty days to ninety days from the invoice date or the monthly closing date. The term ranges from one year to five years, and some of which can be automatically renewable for one year unless otherwise terminated. We usually fix the price at the time of delivery or negotiate the price with our customers upon each order based on our proposal.

Leveraging our established brand recognition and market leading position, we primarily market and sell our products through our in-house direct sales force based in our Taiwan headquarters and each of our operating subsidiaries. We also leverage the sales force of our distributors located across the globe to serve customers worldwide. Our sales and marketing personnel works closely with our research and development and manufacturing teams to coordinate our product development activities, product launches and ongoing demand and supply planning.

Raw Materials, Manufacturing Processes and Logistics

Raw Materials and Supply

The main raw materials of passive components are ceramic powder, porcelain rod, iron cap, lacquer, copper wire, substrate, conductive paste and resistor paste. Most of the raw materials are imported from China and Japan. Considering cost control, stable delivery and local supply chain cluster, we also purchase some of the raw materials from domestic vendors.

In line with industry practice, we do not have long-term supply contracts with our suppliers. A shortage of any key raw materials could limit the number of units we are able to produce, and is likely to increase the costs of our products, thereby depressing the margins for our products to the extent that we are not able to pass on the increased costs to our customers. In 2018, we encountered a temporary

shortage in material supply as the PRC government tightened its policies towards factories' wastewater treatment and certain of our suppliers located in China were subject to temporary interruption of production before they improved their wastewater treatment process. See "Risk Factors — Risks Relating to our Industry and Business — Increases in costs for or shortage of supply of our raw materials from our suppliers could decrease our profitability."

Manufacturing Facilities and Processes

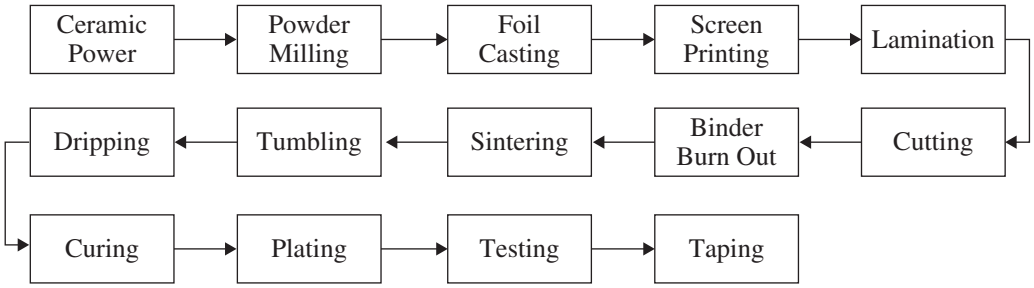
To maintain our leading position, we have placed great emphasis on achieving large production capacity and maintaining a high standard of manufacturing quality at the same time. We have established a global manufacturing network to meet our customers' needs worldwide. We currently operate 19 manufacturing facilities in Taiwan, China, India, the United States and Europe, as well as 37 branch offices across three continents. Moreover, since our manufacturing facilities have production capacity for multiple products, we are able to achieve better economies of scale and optimize our cost structure by reallocating production resources among various sites after evaluating relevant production costs. In response to the ROC government's favorable policy, we have increased our investment in manufacturing facilities in Taiwan. In particular, in March 2020, our plan to invest an additional of NT$14.7 billion in Taiwan was approved by the ROC government.

The table below sets forth certain information of these manufacturing facilities as of March 31, 2020:

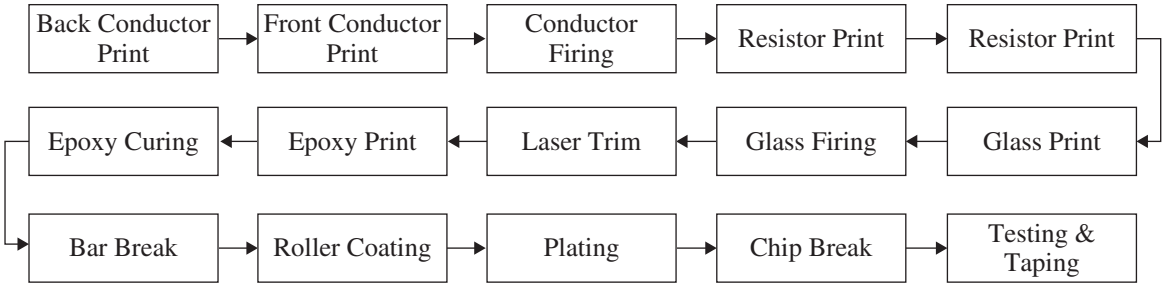
Facilities	Commencement of Operation	Main Products	Actual Capacity
YP, Kaohsiung, Taiwan	2003	MLCC	5,193
YR I, YR II, Y3, Kaohsiung, Taiwan	1987	Chip Resistor	1,520
YF, Kaohsiung, Taiwan	2001	MLCC	9,244
SZI, Suzhou, China	1998	MLCC	21,211
SZII, Suzhou, China	1998	Chip Resistor	59,943
MD, Suzhou, China	2003	Leaded Resistor	362
DG, Dongguan, China	1996	Chip Resistor, MLCC, Leaded Resistor	Chip Resistor: 56,539 MLCC: 23,179 Leaded Resistor: 252
Vitrohm, Trajouce, Portugal	1971	Leaded Resistor	4
BBE, Dongguan, China	2007	Circuit Protection Components	125.01
PSU, Suzhou, China	1999	Different types of Antennas, like Embedded, External, In-Door and Outdoor Antennas, as well as Vehicle Antennas	12
MPO, Mianyang, China	2007	Connector, Transformer, Filter	1.55
MPO1, Suining, China	2010	Inductor, Transformer	15.50
CPO, Dongguan, China	1994	Electromagnetic Coil, Ignition coils, Transformer, Inductor	0.581
UPO, Dongguan, China	2016	LAN Transformer, Chip Inductor	5.14
Vancouver, Washington	1966	LMR (Land Mobile Radio) Antennas and Other Accessories	0.05
Zuhai, China	2004	Current Transformer, Power Inductor, SMD Transformer, Ignition Coil, Cable System, Power Supply	2
Jemnice and Znojmo, Czech Republic	1991	Cables, Inductive Components, Motor Coils	1.0198
Pancevo, Serbia	2017	Cables	0.001407
Trichy, India	2011	Transformers, Inductors	0.269437

Our well-established global manufacturing network enables us to quickly respond to customer demands in major regional markets and the close proximity to our customers is also attributable to reduce our logistic costs. Moreover, each of our manufacturing facilities is able to deliver multi types of products, which bring us significant manufacturing flexibility and we may shift production schedules among our facilities in the event of unexpected business interruption or overcapacity.

The diagram below illustrates the manufacturing process of our MLCC:



The diagram below illustrates the manufacturing process of our chip resistors:



Logistics

With our global logistics support, we provide fast delivery to accelerate time-to-market for customers' products efficiently. Our unique logistics platforms, including customer's demand planning systems, collaborative working models and automated warehousing operations, allow customers to better estimate and control their logistics expenses for operational efficiency improvements. Meanwhile, we have established multiple regional services centers based in customer's area, helping customers respond to their clients' various requests in a timely manner.

Intellectual Property

We believe maintaining sufficient and integrate intellectual property and other proprietary know-hows covering our products and major manufacturing processes are critical to our business operations. As of March 31, 2020, we had obtained 82, 131 and 226 granted patents in Taiwan, the PRC and other jurisdictions in the world, respectively. In addition, we had 68 pending patent applications worldwide. As of March 31, 2020, we had obtained 33, 37, 8, 8 and 105 granted trademarks in Taiwan, the PRC, Hong Kong, Singapore and other jurisdictions in the world, respectively. In addition, we had 11 pending trademark applications worldwide. In addition to the patented technologies, we also utilize know-hows available in the public domain and unpatented know-how developed in-house.

As of the date of this Offering Circular, we had not been involved in any material disputes or claims in connection with our intellectual property. The technology industry frequently features disputes over intellectual property. We may in the future be required to defend our intellectual property rights against infringement, duplication, discovery and misappropriation by third parties or to defend ourselves against third party claims of infringement. See "Risk Factors — Risks Relating to Our Industry and Business — Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly" and "Risk Factors — Risks Relating to Our Industry and Business — We may be involved in intellectual property disputes which, if determined adversely to us, could cause us to pay significant damage awards and interrupt our business and operations."

Competition

The worldwide passive component industry is highly competitive and rapidly evolving. We compete internationally and domestically with dedicated passive component manufacturers and those final product manufacturers who have in-house manufacturing capacity. In particular, we compete with several strong capacitor manufacturers such as Murata and SEMCO, and we also compete with linear resistor manufacturers such as Vishay and KOA. Some of our competitors may have substantially greater production capacity, financial, research and development and marketing resources, greater brand recognition, more established customer base or stronger bargaining power for raw materials than we have. In addition, emerging new market players may further intensify the competition. Any significant increase in competition regionally or globally may erode our profit margins, weaken our earnings and cause us to lose market share. See "Risk Factors — Risks Relating to Our Industry and Business — We operate in a highly competitive industry and we may not be able to sustain our current market position."

Key competitive factors in the passive component market include availability of raw materials and their prices, product quality, consistency, pricing, technical innovation and customer services. We believe we have successfully differentiated ourselves from our competitors by providing a comprehensive product portfolio with competitive pricing, our leading technical know-how, global coverage as well as our strong manufacturing capacity. We will continue to emphasize our research and development capacity, enhance product innovation, improve customer service and consistency in delivering high quality wafers that meet our customers' evolving demands.

Employees

As of March 31, 2020, we had 16,873 full-time employees, including 3,586 in Taiwan, 11,693 in China, 85 in the United States and 1,509 in other countries. The table below sets forth our employees by function as of March 31, 2020:

Function	Number of Employees
Manufacturing and engineering	14,800
Research and development	325
Procurement	281
Marketing and customer service	213
Administration and management	1,250
Others	4
Total	16,873

Our success is dependent in large part on our ability to attract, retain, train and motivate skilled and qualified engineering, research and management personnel. We have devoted significant attention and resources to recruit and train our employees in order to enhance their professional capabilities and to instill the qualities that are essential to enable us to realize our long-term goals. We select our personnel through a rigorous process. We recruit graduates from colleges and universities. We also recruit employees through various other channels, including postings on job recruitment websites and human resource agents.

We believe that our compensation packages are competitive with those of our competitors. We evaluate the performance of our employees annually, which forms the basis for determining the salary levels, bonuses and promotion opportunities. We may also distribute annual bonuses in the form of cash and Shares to our directors, senior management and other full-time employees. See "Dividends and Dividend Policy."

We are required to make contribution to employee pension plans in the various jurisdictions in which we operate. In particular, PRC subsidiaries are required under the PRC law to make contributions to our employee benefit plans including pension, work-related injury benefits, maternity insurance and medical and unemployment insurance. Our contributions are made based on specified percentages of the salaries, bonuses and certain allowances of our employees.

We have not experienced any material labor dispute and we believe we have maintained a sound relationship with our employees.

Insurance

We believe our insurance policies are in line with customary industry practice in our industry. However, any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations, and we cannot assure you that our insurance coverage will be sufficient to cover our losses. See "Risk Factors — Our insurance coverage may not adequately protect us against certain operating and other hazards which may have an adverse effect on our business" in this Offering Circular.

Environmental, Safety and Health Matters

Our operations and manufacturing sites are subject to the laws and regulations governing the environment protection in the relevant jurisdictions, including those governing air emissions, water discharges, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. Chemical emissions and wastewater are by-products of the production processes for our products and these pollutants are treated in accordance with all applicable environmental laws and regulations. We believe that our operations are in compliance in all material respects with applicable environmental laws and regulations. We have obtained all requisite licenses and certificates for our operations in each jurisdiction where we have operations. We have also received ISO14001, ISO9001, ISO17025, ISO45001, TS16949, IATF16949, SONY Green Partner and Asustek Green Management System certification for environment management.

We may incur substantial costs in the event of violations or liabilities under these laws and regulations, or non-compliance with the environmental permits required at our facilities. Our expenditures in this regard may further increase if more environmental laws in the relevant jurisdictions are adopted in the future which may impose more string compliance requirements. As of the date of this Offering Circular, we were not aware of any threatened or pending material environmental investigations, lawsuits or claims involving us, our operations, or our manufacturing facilities.

Our health and safety standards and our implementations of such are reviewed on an ongoing basis. Our operations are also subject to periodic inspections by the government.

Legal Proceedings

We may from time to time be subject to various complaints, allegations or lawsuits claiming in the ordinary course of business. Such complaints, allegations or lawsuit claiming, whether or not have merit, may result in our expenditure of significant financial and management resources, injunctions against us or payment of damages. The outcome of any claims, investigations and proceedings is inherently uncertain, and in any event defending against these claims could be both costly and time-consuming. These risks may be amplified by the increase in the number of third parties whose sole or primary business is to assert such claims.

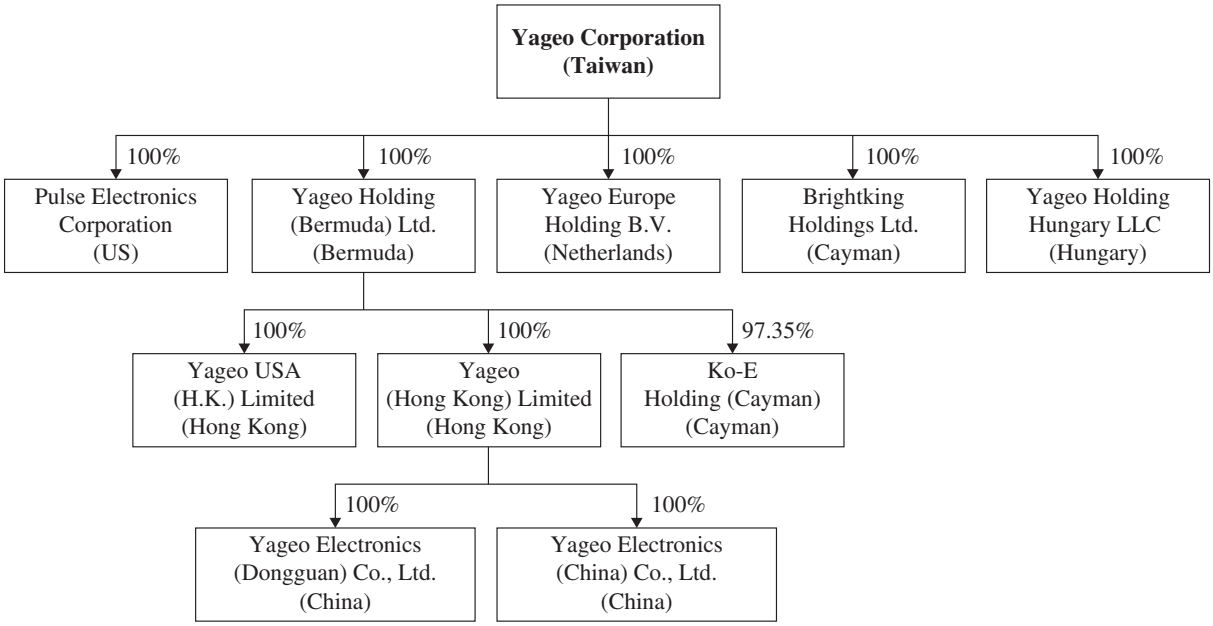
As of the date of this Offering Circular, we were not involved in any material legal, arbitral or administrative proceedings, and we were not aware of any material pending or threatened legal, arbitral or administrative proceedings against us or any of our directors which could have a material adverse effect on our operations or financial condition.

Investment and Principal Subsidiaries

We have adopted internal investment guidelines based on the requirements of the FSC relating to acquisition and disposal of assets and derivative transactions. We shall consider the liquidity and volatility, as well as the overall prudence and investment amounts. Our guidelines specify respective maximum investment limits for each type of investments we are allowed to make, such as real estates, equity interests, securities and so on. The guidelines also provide detailed procedures we shall follow to complete the investments, including obtaining relevant valuation reports or legal opinions, obtaining approvals from our shareholders and/or board of directors, issuing proper announcements in accordance with the relevant laws and regulations, and evaluating the fair treatment in the proposed transaction in case the relevant counterparty is an associate of our company. Investment proposals shall also be submitted to the board of directors for discussion and review.

We maintain shareholdings in our subsidiaries and affiliates for long-term strategic and financial investment purposes. To the extent that we make any long-term investments during a given year, the majority of such investments would be made on a strategic basis in companies whose businesses relate in some way to our business operations.

Set forth below is an organizational chart depicting our principal subsidiaries as of March 31, 2020:



MANAGEMENT

General

The ROC Company Law and our Articles of Incorporation provide that our board of directors is elected by the shareholders and is responsible for the management of our business. The election of our directors by our shareholders is conducted by means of cumulative voting pursuant to the ROC Company Law. Our Articles of Incorporation provide for a board comprising nine directors, among them at least three and not fewer than one-fifth of the total number of directors shall be independent directors. Directors serve up to a term of three years and may serve any number of consecutive terms. Directors may be removed from office at any time for a bona fide reason, including breach of duties, by a resolution adopted at a shareholders' meeting. Our current directors were elected at the ordinary shareholders' meeting held on June 5, 2018, and their terms expire on June 4, 2021 (except for Tzong-Yeng Lin, one of the Hsu Chang Investment Ltd. Representatives, who was elected on October 17, 2018 and Chi-Sheng Weng, one of the Hsu Chang Investment Ltd. Representatives, who was elected on August 16, 2019). The next election for all of the directors is expected to be held in 2021. Pursuant to the ROC Company Law, a person may serve as our director in his/her personal capacity or as the representative of another legal entity (excluding independent directors, which should serve as our director in his/her personal capacity). Our board of directors is empowered to appoint executive officers to serve until appointed successors are qualified.

Each of our directors, supervisors and senior executive officers listed below can be reached at our registered and principal executive office located at 3F, No. 233-1. Baoqiao Road, Xindian District, New Taipei City, Taiwan, R.O.C.

The following table shows information regarding all of our directors and executive officers as of the date of this Offering Circular:

Name	Age	Position	Number of Shares (and percentage) held as of February 26, 2020
Pierre T.M. Chen	63	Chairman	35,280,673 (8.2%)
Hsu Chang Investment Ltd. Representative: Victor C. Wang	69	Director	4,019,156 (0.9%)
Hsu Chang Investment Ltd. Representative: Tzong-Yeong Lin	68	Director	4,019,156 (0.9%)
Hsu Chang Investment Ltd. Representative: Shih-Chien Yang	75	Director	4,019,156 (0.9%)
Hsu Chang Investment Ltd. Representative: David D.R. Wong	61	Director	4,019,156 (0.9%)
Hsu Chang Investment Ltd. Representative: Lai-Fu Lin	69	Director	4,019,156 (0.9%)
Jerry Lee	62	Independent director	0
Hilo Chen	69	Independent director	0
Tun-Son Lin	49	Independent director	0
David D.R. Wang	61	Chief Executive Officer	0
Kim Chang	52	Chief Financial Officer	0
Masayuki Fujimoto	65	Chief Technical Officer	0
Bob P.Y. Wang	68	Executive Vice President	0
Owen Yang	67	Vice President	0
Chris Yang	54	Vice President	34,503 (0.00008%)
C.T Lee	49	Vice President	36,183 (0.00008%)

Pierre T.M. Chen joined us in 1977. He has served as our chairman since 1993. Currently, Mr. Chen also serves as the chairman of Chilisin Electronics Corp, the chairman of Kuo Shin Investment Ltd., the chairman of Yageo Holding (Bermuda) Ltd., a director of Hsu Tai International (H.K.), the chairman at Global Testing Corporation Limited, and the chairman of Tong Hsing Electronic Industries Ltd. Previously, Mr. Chen served as our general manager and the chairman of Teapo Electronic Corp. Mr. Chen received his bachelor's degree in engineering from National Cheng Kung University.

Victor C. Wang joined us in 2012. He has served as the representative of Hsu Chang Investment Ltd. at our board of directors since 2012. Currently, Mr. Wang also serves as an independent director of Taiwan Cement Co., Ltd., an independent Director of Da-Cin Construction Co., Ltd., an independent Director of Taiwan Navigation., Co., Ltd., a director of Chilisin Electronics Corp., a supervisor of DIVA Laboratories. Ltd., a vice chairman of Deloitte & Touche, and an independent director of Fulin-KY. Previously, Mr. Wang served as the vice chairman of Deloitte & Touche. Mr. Wang received his EMBA degree from National Taiwan University and bachelor's degree in accounting from Soochow University.

Tzong-Yeong Lin joined us in 2007. He has served as the representative of Hsu Chang Investment Ltd. at our board of directors since 2007. Currently, Mr. Lin also serves as a director of the International Commercial Bank of China Cultural and Educational Foundation. Previously, Mr. Lin served as a senior advisor of Mega International Commercial Bank Co., Ltd., the president of Mega Financial Holding Company, the chairman of the International Commercial Bank of China, administrative vice minister of Ministry of Finance, and chairman of Securities and Futures Commission, Ministry of Finance. Mr. Lin received his master's degree in law from National Taiwan University.

Shih-Chien Yang joined us in 2006. He has served as the representative of Hsu Chang Investment Ltd. at our board of directors since 2006. Currently, Mr. Yang also serves as the chairman and chief executive officer of Global Strategic Investment Fund, an independent director of Topkey Group, and an independent director of WUS Printed Circuit Co., Ltd. Previously, Mr. Yang served as the senior vice minister of the Ministry of Economic Affairs. Mr. Yang received his Ph.D. degree in electrical engineering from Northwestern University.

Lai-Fu Lin joined us in 2012. He has served as the representative of Hsu Chang Investment Ltd. at our board of directors since 2012. Currently, Mr. Lin also serves as an independent director of O2Micro International Limited, the chief executive partner of UHY L&C Company, a director and member of Compensation Committee of Arima Communications Corp, the CPAs international contact in Taiwan of UHY International and a supervisor of Tex Year Industries Inc. Mr. Lin is a ROC certified public accountant. Previously, he served as an accountant at Deloitte & Touche. Mr. Lin received an undergraduate degree from New Taipei Municipal San-chung Commercial High School.

Jerry Lee joined us in 2012. He has served as our independent director since 2012. Previously, Mr. Lee served as our vice chairman, and an audit manager of Deloitte & Touche. Mr. Lee received his bachelor's degree in accounting from Tam-Kang University.

Hilo Chen joined us in 2012. He has served as our independent director since 2012. Currently, Mr. Chen is also the founder & Chairman of GuoShi Partners, an independent director of Giant Manufacturing Co., Ltd., an independent director of Momo.com Inc., and an independent director of China Chemical & Pharmaceutical Co., Ltd. Previously, Mr. Chen served as the president and chief executive officer of Systex Corp., a general manager of Yahoo! China, and a vice president of Commercial Ops, Yahoo! North Asia. Mr. Chen received his bachelor's degree in transportation technology and management from National Chiao Tung University, and he received his EMBA degree from National Taiwan University.

Tun-Son Lin joined us in 2018. He has served as our independent director since 2018. Currently, Mr. Lin also serves as the chairman and managing partner of Whitesun Equily Ltd., and an independent director of Ubright Optronics Corporation. Mr. Lin is experienced in investing, operating and financing in consumer service, media as well as high-end value-added manufacturing businesses in the Pacific Rim since 2000. Mr. Lin is the founding vice president of the Hong Kong Independent Non-Executive Directors Association (HKINED), where he advocates better corporate governance and providing linkage to knowledge sharing across Hong Kong, China and Taiwan. Mr. Lin is also involved in philanthropic activities where he supports autism awareness and provides education support across the U.S. and Greater China region. Mr. Lin received his Ph.D. degree from King's College London, University of London.

David D.R. Wang joined us in 2019. He has served as the representative of Hsu Chang Investment Ltd. at our board of directors since May 2020. Currently, Mr. Wang also serves as our chief executive officer and president. He had served as our chief operating officer since 2019 prior to his promotion to chief executive officer. Previously, Mr. Wang served as the senior vice president and spokesman of Qisda Company and the financial controller of Philips in household electronic appliance. Mr. Wang also served as Sr. VP of Finance & Administration, CFO and Spokesman of Qisda Corporation. Mr. Wang received his EMBA degree from National Taiwan University and his master's degree in computer from University of Massachusetts.

Kim Chang joined us in 2020. She served as our chief financial officer since 2020. Previously, Ms. Chang served as the chief accounting officer at Standard Chartered Bank Taiwan. She also served as the partner and chief operating officer of Assurance Services, EY Taiwan. Ms. Chang received her EMBA degree from National Taiwan University and her master degree in accounting from Long Island University, New York.

Masayuki Fujimoto joined us in 2008. He has served as our chief technical officer since 2008. Previously, Mr. Masayuki served as the general manager of central research laboratories of Taiyo Yuden Co., Ltd. and the visiting scientist at the Massachusetts Institute of Technology. Mr. Masayuki received his bachelor's degree in science from Tokyo University and Ph.D. degree in engineering from University of Tokyo.

Bob P.Y. Wang joined us in 2019. He has served as our executive vice president of the head of global business unit since 2019. Currently, Mr. Wang also serves as the chairman of Kuo-E Corp., a director of Chilisin Electronics Corp., and a director of Teapo Electronics Corp. Previously, Mr. Wang served as CEO of Yageo USA, and Commercial Vice president of Philips Taiwan,. Mr. Wang received his bachelor's degree in electrical engineering and microelectronics from National Cheng Kung University.

Owen Yang joined us in 2016. He has served as our vice president since 2016. Currently, Mr. Yang also serves as a director of Ko-E Technology (Shenzhen) Co. Ltd., a director of Ko-E (H.K.) Ltd., a director of Ko-E Corp., a director of Yageo USA (H.K.) Ltd., a supervisor of Yageo Components (Suzhou) Co., Ltd., a director of Yageo Corp. (South Asia), a director of Yageo America, a director of Yageo Europe Holding B.V., a director of Vitrohm Holding, and a director of Yageo South Asia (M) SDN BHD. Previously, Mr. Yang served as the executive vice president of Ralec Electronic Co., Ltd. Mr. Yang received his associate's degree in industrial engineering from Provincial Taipei Institute of Technology.

Chris Yang joined us in 2010. He has served as our vice president since 2014. Currently, Mr. Yang also serves as a director of Yageo Electronics (China) Co., Ltd., a supervisor of Yageo Trade (Suzhou) Co., Ltd., and a director of Compostar Technology (Dongguan) Co., Ltd. Previously, Mr. Yang served as a director of TPO Displays Corp. and a Senior Manager of NXP Semiconductors. Mr. Yang received his bachelor's degree in computer science from Soochow University and master's degree in information engineering from Feng Chia University.

C.T Lee joined us in 2000. He has served as our vice president since 2014. Currently, Mr. Lee also serves as our Senior Manager of MLCC Specialty Division. Previously, Mr. Lee served as a deputy manager of MLCC Specialty Division of Philips Taiwan. Mr. Lee received his Ph.D. degree in resources engineering from National Cheng Kung University.

Audit Committee

Prior to June 5, 2018, we had two supervisors, each of whom was elected by our shareholders for a three-year term at the shareholders' meeting. On June 5, 2018, our shareholders' meeting and board of directors resolved to set up an audit committee, which replaced these two supervisors and is responsible for implementing the powers and functions of supervisors required by relevant laws and regulations, including but not limited to, investigation of our business and financial condition. Our audit committee currently consists of Mr. Jerry Lee, Mr. Hilo Chen and Mr. Tun-Son Lin. Mr. Lee is the chairman of our audit committee. In 2018 and 2019, our audit committee held meetings 6 times and 6 times, respectively.

Compensation Committee

Our compensation committee consists of Mr. Jerry Lee, Mr. Hilo Chen and Mr. Tun-Son Lin. Mr. Lee is the chairman of our compensation committee. All of our compensation committee members are independent directors. Our compensation committee is responsible for prescribing and periodically reviewing the performance review and remuneration policy, system, standards, and structure for directors and managerial officers. Our compensation committee is also responsible for periodically evaluating and prescribing the remuneration of directors and managerial officers.

Compensation of Directors and Executive Officers

Our directors received aggregate remuneration approximately of NT$195 million, NT$1,028 million and NT$281 million (US$9.3 million) in 2017, 2018 and 2019, respectively. Our senior management received aggregate remuneration approximately of NT$63 million, NT$70 million and NT$67 million (US$2.2 million) in 2017, 2018 and 2019, respectively. Aggregate remuneration includes all salaries, benefits in kind and annual profit-sharing paid in cash and stock, with stock being valued at par value.

In addition, there are no outstanding loans granted by us to any of the directors or senior management and there are no outstanding guarantees provided by us for the benefit of any of the directors or senior management. Our directors and senior management do not have any interests, other than in the ordinary course of business, in our business transactions. In 2017, 2018 and 2019, we did not enter into any transactions with our directors or senior management or any other companies or entities on which they serve which are unusual in their nature or conditions.

PRINCIPAL SHAREHOLDER

The names of our principal shareholders of record and their share ownership as of February 26, 2020, the most recent record date, are as follows:

Principal Shareholders		Shares held prior to this Offering[(1)]		Shares held after to this Offering[(1)]	
		Number	%	Number	%
1.	Pierre T.M. Chen	35,280,673	8.19		
2.	CTBC Bank as Custodian for PRC Holding Limited	35,053,556	8.14		
3.	CTBC Bank as Custodian for Dominant Investment Holdings Ltd.	34,991,943	8.13		
4.	Mega International Commercial Bank as Custodian for the investment account of Wholly Group Japan III	13,665,618	3.17		
5.	Fubon Life Insurance Co., Ltd	10,923,772	2.53		
6.	New Employee Retirement Fund	8,196,290	1.90		
7.	JPMorgan Chase Bank N.A.	6,390,561	1.48		
8.	Credit Suisse Securities (Europe) Limited	6,167,584	1.43		
9.	Vanguard Emerging Markets Stock Index Fund	5,831,629	1.35		
10.	Hsu Tai Investment Ltd.	5,402,577	1.25		

As of February 26, 2020, the total number of our Common Shares held by our directors was 39,299,829 shares, which represented 9.1% of the issued and outstanding Common Shares of our company on that date. As of February 26, 2020, the total number of our Common Shares held by our senior management was 35,351,359 shares, which represented 8.2% of the issued and outstanding Common Shares of our company on that date.

We granted 40,000,000 options to certain employees in May 2014, which included 20,430,000 options granted to the senior management. The vesting period of these options is 10 years. Qualified employees may exercise at certain percentages of the options after two years, from the grant date. The options were granted at an exercise price equal to the closing price of our common shares listed on the on the grant date. For any subsequent changes in our capital surplus, the exercise price is adjusted accordingly.

CHANGES IN ISSUED SHARE CAPITAL

According to our Articles of Incorporation, we have common shares with a par value of NT$10 per share and we may also issue preferred shares within our authorized share capital. Currently, our Articles of Incorporation provide that our authorized share capital is NT$4,302,570,560, divided into 430,257,056 Shares. All issued shares are in registered form.

The following table sets forth the changes in our issued share capital as of the dates indicated:

Date	Description	Number of Shares issued	Number of total issued Shares after issue
September 1987 . . .	Initial issuance of 2,000,000 shares	2,000,000	2,000,000
May 1988	Cash capital increase: NT$23,500,000; Issuance of Stock dividends from earnings: NT$6,500,000	3,000,000	5,000,000
August 1989	Issuance of stock dividends from earnings: NT$54,000,000	5,400,000	10,400,000
November 1989	Consolidation by merger: NT$75,000,000; Cash capital increase: NT$20,000,000	9,500,000	19,900,000
July 1990	Cash capital increase: NT$40,000,000; Issuance of stock dividends from earnings: NT$44,354,000; Issuance of stock dividends from capital reserves: NT$30,271,000	11,462,500	31,362,500
June 1991	Issuance of stock dividends from earnings: NT$37,635,000; Issuance of stock dividends from capital reserves: NT$50,180,000	8,781,500	40,144,000
October 1992	Issuance of stock dividends from earnings: NT$40,144,000; Issuance of stock dividends from capital reserves: NT$80,288,000	12,043,200	52,187,200
July 1993	Issuance of stock dividends from earnings: NT$52,187,200; Issuance of stock dividends from capital reserves: NT$78,280,800	13,046,800	65,234,000
January 1994	Cash capital increase: NT$147,660,000	14,766,000	80,000,000
June 1994	Issuance of stock dividends from earnings: NT$168,000,000; Issuance of stock dividends from capital reserves: NT$120,000,000	28,800,000	108,800,000
August 1994	Cash capital increase: NT$200,000,000	20,000,000	128,800,000
March 1995	Cash capital increase: NT$512,000,000	51,200,000	180,000,000
May 1995	Issuance of stock dividends from earnings: NT$352,800,000; Issuance of stock dividends from capital reserves: NT$547,200,000	90,000,000	270,000,000
May 1996	Issuance of stock dividends from earnings: NT$810,000,000; Employee Profit sharing: NT$16,701,000; Issuance of stock dividends from capital reserves: NT$270,000,000	109,670,100	379,670,100
March 1997	Conversion of convertible bonds to capital stock: NT$177,474,990	17,747,499	397,417,599
June 1997	Cash capital increase: NT$525,000,000	52,500,000	449,917,599

Date	Description	Number of Shares issued	Number of total issued Shares after issue
June 1997	Issuance of stock dividends from earnings: NT$899,835,190; Employee Profit sharing: NT$42,400,610; Issuance of stock dividends from capital reserves: NT$899,835,190	184,207,099	634,124,698
September 1997 . . .	Conversion of convertible bonds to capital stock: NT$379,474,570	37,947,457	672,072,155
March 1998	Cash capital increase: NT$700,000,000	70,000,000	742,072,155
April 1998	Conversion of convertible bonds to capital stock: NT$60,596,030	6,059,603	748,131,758
June 1998	Issuance of stock dividends from earnings: NT$1,496,263,510; Employee Profit sharing: NT$79,588,480; Issuance of stock dividends from capital reserves: NT$1,496,263,510	307,211,550	1,055,343,308
October 1998	Conversion of convertible bonds to capital stock: NT$36,306,060	3,630,606	1,058,973,914
April 1999	Conversion of convertible bonds to capital stock: NT$4,596,990	459,699	1,059,433,613
June 1999	Issuance of stock dividends from earnings: NT$635,660,160; Employee Profit sharing: NT$61,988,130; Issuance of stock dividends from capital reserves: NT$529,716,800	122,736,509	1,182,170,122
May 2000	Conversion of convertible bonds to capital stock: NT$76,391,080	7,639,108	1,189,809,230
June 2000	Issuance of stock dividends from earnings: NT$832,866,460; Employee Profit sharing: NT$114,878,130; Issuance of stock dividends from capital reserves: NT$951,847,380	189,959,197	1,379,768,427
May 2001	Issuance of stock dividends from earnings: NT$4,139,305,280; Employee Profit sharing: NT$570,938,660	471,024,394	1,850,792,821
July 2001	Cash capital increase: NT$2,000,000,000	200,000,000	2,050,792,821
July 2002	Issuance of stock dividends from capital reserves: NT$1,640,634,260; Employee Profit sharing: NT$391,853,470	203,248,773	2,254,041,594
June 2004	Conversion of convertible bonds to capital stock: NT$31,774,000	3,177,400	2,257,218,994
July 2004	Conversion of convertible bonds to capital stock: NT$176,445,110	17,644,511	2,274,863,505
July 2005	Issuance of new shares for the acquisition of the shares of Compostar Technology Co., Ltd: 131,605,908 shares	131,605,908	2,406,469,413
July 2006	Issuance of new shares for the acquisition of the shares of Chipcera Technology Co., Ltd.: 16,556,067 shares	16,556,067	2,423,025,480
February 2007	Cancellation of Treasury stock: 2,193,000 shares; Conversion of convertible bonds to capital stock: 1,241,171 shares; Conversion of Option: 140,800 shares	–811,029	2,422,214,451
May 2007	Conversion of Option: 157,000 shares	157,000	2,422,371,451
September 2007 . . .	Conversion of Option: 8,768,167 shares	8,768,167	2,431,139,618
November 2007	Conversion of Option: 640,000 shares;		

Date	Description	Number of Shares issued	Number of total issued Shares after issue
	Conversion of convertible bonds to capital stock: 6,441,687 shares	7,081,687	2,438,221,305
May 2008	Cancellation of Treasury stock: 145,470,000 shares	–145,470,000	2,292,751,305
July 2008	Cancellation of Treasury stock: 97,889,000 shares	–97,889,000	2,194,862,305
November 2010	Conversion of convertible bonds to capital stock: 6,846,077 shares	6,846,077	2,201,708,382
April 2011	Conversion of Option: 3,600,000 shares	3,600,000	2,205,308,382
September 2013	Cash Capital reduction: 661,592,515 shares	–661,592,515	1,543,715,867
April 2014	Cancellation of Treasury stock: 18,001,000 shares; Conversion of convertible bonds to capital stock: 691,797,237 shares; Conversion of Option: 21,280,000 shares	695,076,237	2,238,792,104
July 2014	Cancellation of Treasury stock: 39,494,000 shares	–39,494,000	2,199,298,104
September 2014	Cash Capital reduction: 1,539,508,673 shares	–1,539,508,673	659,789,431
November 2014	Conversion of Option: 8,102,500 shares	8,102,500	667,891,931
May 2015	Conversion of Option: 9,107,763 shares	9,107,763	676,999,694
September 2015	Cancellation of Treasury stock: 17,445,000 shares	–17,445,000	659,554,694
November 2015	Cancellation of Treasury stock: 7,960,000 shares	–7,960,000	651,594,694
March 2016	Cancellation of Treasury stock: 4,045,000 shares	–4,045,000	647,549,694
May 2016	Cancellation of Treasury stock: 4,731,000 shares	–4,731,000	642,818,694
July 2016	Cash Capital reduction: 128,563,739 shares	–128,563,739	514,254,955
November 2016	Conversion of Option: 2,050,587 shares	2,050,587	516,305,542
April 2017	Conversion of Option: 5,266,456 shares; Cancellation of Treasury stock: 18,349,000 shares	–13,082,544	503,222,998
July 2017	Cash Capital reduction: 150,966,899 shares	–150,966,899	352,256,099
August 2017	Conversion of Option: 377,693 shares; Cancellation of Treasury stock: 3,392,000 shares	–3,014,307	349,241,792
November 2017	Conversion of Option: 1,159,163 shares	1,159,163	350,400,955
March 2018	Conversion of Option: 162,791 shares	162,791	350,563,746
May 2018	Conversion of Option: 175,552 shares	175,552	350,739,298
July 2018	Issuance of stock dividends from capital reserves: 70,141,276 shares; Conversion of Option: 3,300,957 shares	73,442,233	424,181,531
December 2018	Conversion of Option: 2,857,888 shares	2,857,888	427,039,419
April 2019	Conversion of Option: 82,276 shares	82,276	427,121,695
August 2019	Conversion of Option: 878,166 shares	878,166	427,999,861
November 2019	Conversion of Option: 1,047,932 shares	1,047,932	429,047,793
March 2020	Conversion of Option: 1,209,263 shares	1,209,263	430,257,056

TRANSACTIONS WITH RELATED PARTIES

General

We have from time to time engaged in a variety of transactions with our related parties (as defined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Unless it can be established that no control or significant influence exists, a party falling within any of the following shall be deemed to have a substantive related party relationship:

1. An affiliated enterprise within the meaning given in Chapter VI-I of the ROC Company Law, and any of its directors, supervisors, and managerial officers.

2. A company or institution governed by the same general management office as the issuer, and any of its directors, supervisors, and managerial officers.

3. A person holding the position of manager or higher in the general management office.

4. A company or institution shown as an affiliated enterprise in the issuer's publications or public announcements.

Under Chapter VI-1 of the ROC Company Law, the term "affiliated enterprises" as used in this Law shall refer to enterprises which are independent in existence but are interrelated in either of the following relations:

- Companies having controlling and subordinate relation between them;

- Companies having made investment in each other.

In considering whether a counterparty is a related party, attention shall be directed to the substance of the relationship in addition to the legal form.

Transactions with Related Parties as of and for the years ended December 31, 2017, 2018 and 2019

Sales and Purchases of Goods

In 2017, 2018 and 2019, we sold our products to our related parties in the aggregate amount of NT$596.3 million, NT$966.7 million and NT$113.2 million (US$3.7 million), respectively.

In 2017, 2018 and 2019, we purchased raw materials and components from our related parties in the aggregate amount of NT$1,002.6 million, NT$723.0 million and NT$204.2 million (US$6.8 million), respectively.

Accounts Receivable and Payable

As of December 31, 2017, 2018 and 2019, accounts receivable due from our related parties but accounted for under accounts receivable amounted to NT$456.1 million, NT$199.0 million and NT$121.5 million (US$4.0 million), respectively.

As of December 31, 2017, 2018 and 2019, accounts payable due to our related parties but accounted for under accounts payable amounted to NT$146.1 million, NT$135.2 million and NT$129.0 million (US$4.3 million), respectively.

Lease Arrangements

In 2017, 2018 and 2019, we leased out office and plant to our related parties and received lease income amounting to NT$15.2 million, NT$25.6 million and NT$26.5 million (US$0.9 million), respectively.

Disposal of Property, Plant and Equipment

In 2017, 2018 and 2019, proceeds of the disposal of property, plant and equipment amounted to NT$0.4 million, nil and nil, respectively.

In 2017, 2018 and 2019, gain from the disposal of property, plant and equipment amounted to NT$0.2 million, nil and nil, respectively.

Disposals of Other Assets

In 2017, 2018 and 2019, proceeds of the disposal of other assets amounted to NT$4,329.4 million, nil and nil, respectively.

In 2017, 2018 and 2019, gain from the disposal of other assets amounted to nil, nil and nil, respectively.

Other transactions with related parties

In 2017, 2018 and 2019, rental income amounted to NT$15.2 million, NT$25.6 million and NT$26.5 million (US$0.9 million), respectively.

In 2017, 2018 and 2019, other expense amounted to nil, NT$0.2 million and NT$3.0 million (US$0.1 million), respectively.

Key Management Compensation

In 2017, 2018 and 2019, key management compensation amounted to NT$317.4 million, NT$1,257.7 million and NT$378.2 million (US$12.5 million), respectively.

Transactions with Related Parties as of and for the three months ended March 31, 2019 and 2020

Sales and Purchases of Goods

In the three months ended March 31, 2019 and 2020, we sold our products to our related parties in the aggregate amount of NT$54.5 million, NT$29.7 million (US$1.0 million), respectively.

In the three months ended March 31, 2019 and 2020, we purchased raw materials and components from our related parties in the aggregate amount of NT$33.6 million, NT$184.4 million (US$6.1 million), respectively.

Accounts Receivable and Payable

As of March 31, 2019 and 2020, accounts receivable due from our related parties but accounted for under accounts receivable amounted to NT$126.8 million and NT$134.4 million (US$4.4 million), respectively.

As of March 31, 2019 and 2020, accounts payable due to our related parties but accounted for under accounts payable amounted to NT$48.2 million and NT$204.7 million (US$6.8 million), respectively.

Lease Arrangements

In the three months ended March 31, 2019 and 2020, we leased out office and plant to our related parties and received lease income amounting to NT$7.0 million and NT$6.1 million (US$0.2 million), respectively.

Disposal of Property, Plant and Equipment

In the three months ended March 31, 2019 and 2020, proceeds of the disposal of property, plant and equipment amounted to nil and nil, respectively.

In the three months ended March 31, 2019 and 2020, gain from the disposal of property, plant and equipment amounted to nil and nil, respectively.

Disposals of Other Assets

In the three months ended March 31, 2019 and 2020, proceeds of the disposal of other assets amounted to nil and nil, respectively.

In the three months ended March 31, 2019 and 2020, gain from the disposal of other assets amounted to nil and nil, respectively.

Other transactions with related parties

In the three months ended March 31, 2019 and 2020, we leased out office and plant to our related parties and received lease income amounting to NT$7.0 million and NT$6.1 million (US$0.2 million), respectively.

In the three months ended March 31, 2019 and 2020, we donated to our related parties in the aggregate amount of nil and NT$1 million (US$0.03 million), respectively.

In the three months ended March 31, 2019 and 2020, other expense amounted to NT$7 thousand and NT$7 thousand (US$0.2 thousand), respectively.

Key Management Compensation

In the three months ended March 31, 2019 and 2020, key management compensation amounted to NT$68.5 million and NT$93.9 million (US$3.1 million), respectively.

For more information on the transactions with related parties, see Note 30 to our consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 and Note 28 to our unaudited consolidated interim financial statements as of and for the three months ended March 31, 2020, which appear in the F-pages of this Offering Circular.

DESCRIPTION OF THE BONDS

The following is a description of the terms and conditions of the Bonds (except for the sentences in italics), which includes summaries of, and is subject to, the more detailed provisions of the Indenture referred to below.

The issue of the US$180,000,000 aggregate principal amount of currency linked zero coupon convertible bonds due 2025 (the "**Bonds**", which shall include, unless the context requires otherwise, any further Bonds issued in accordance with the Indenture (as defined below) and consolidated and forming a single series therewith) of YAGEO Corporation (the "**Company**" or the "**Issuer**") was authorized by a resolution of the board of directors of the Company adopted on March 2, 2020. The Bonds will be constituted by an indenture (the "**Indenture**") dated on or about May 26, 2020 (the "**Issue Date**") between the Company and Citicorp International Limited, as trustee (the "**Trustee**", which term shall include all persons for the time being appointed as trustee or trustees under the Indenture) for the holders of the Bonds. The Company will also enter into a paying, conversion and transfer agency agreement (the "**Agency Agreement**") dated the Issue Date with Citibank, N.A., London Branch, as the registrar (the "**Registrar**") and as the principal paying agent, conversion agent and transfer agent (the "**Principal Agent**") and any other paying agents, conversion agents and transfer agents appointed thereunder (each a "**Paying Agent**," "**Conversion Agent**" and "**Transfer Agent**" and together with the Principal Agent and the Registrar, the "**Agents**") in relation to the Bonds. The registrar, principal paying agent, conversion agent and transfer agent, paying agents, conversion agents and transfer agents for the time being are referred to below as the "**Registrar**", the "**Principal Agent**", the "**Paying Agents**" (which expression shall include the Principal Agent), the "**Conversion Agents**" (which expression shall include the Principal Agent) and the "**Transfer Agents**" (which expression shall include the Principal Agent and the Registrar), respectively. Approval-in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Copies of the Indenture and the Agency Agreement are available for inspection upon written request and proof of holding to the satisfaction of the Trustee, during normal business hours at the principal office of the Trustee. The holders of the Bonds are entitled to the benefit of the Indenture and are bound by, and are deemed to have notice of, all of the provisions of the Indenture and the Agency Agreement.

1. Status

The Bonds constitute direct, unconditional, unsubordinated and, subject to the negative pledge provisions of Condition 3, unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves and, subject to the negative pledge provisions of Condition 3, with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company, except as may be required by mandatory provisions of law. In addition, the common shares of the Company, par value NT$10 per share (the "**Shares**") issuable upon conversion of the Bonds will rank pari passu with all of our Shares outstanding as of the date of conversion of the Bonds.

2. Form, Denomination and Title

(A) Form and Denomination

The Bonds will be issuable only in registered book-entry form and only in minimum denominations if US$200,000 and in integral multiples of US$100,000 in excess thereof. The Bonds shall initially be represented by the Global Bond and only under the limited circumstances described in Condition 18, the Global Bond and the Indenture shall definitive bond certificates (each a "**Certificated Bond**") be issued to the Bondholders to represent their individual holdings. Each Certificated Bond, if issued, will have an identifying number which will be recorded on the relevant Certificated Bond and in the register of Bondholders that the Company will cause to be kept by the Registrar.

(B) Title

The Bonds will be registered instruments, title to which will pass only by registration in the register of the Bonds (the "**Bond Register**"). Each Bondholder will be treated as the owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any

interest or any writing on, or the theft or loss of, the Bond) and neither the Company nor the Trustee nor the Agents nor any agent thereof shall be affected by notice to the contrary. In these Conditions, "**Bondholder**" and "**Holder**" in relation to a Bond means the person in whose name a Bond is registered on the Bond Register.

3. Negative Pledge

So long as any of the Bonds remain outstanding (as defined in the Indenture), neither the Company nor any of its Principal Subsidiaries shall create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of its property, assets or revenues, present or future, to secure any International Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of any International Investment Securities unless, at the same time or prior thereto, the Company's or the Principal Subsidiary's obligations under the Bonds and the Indenture (i) are secured equally and ratably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall not be materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Indenture) of the Bondholders.

For the purposes of these Conditions:

"**Principal Subsidiary**" means any Subsidiary (as defined below) of the Company:

(i) whose gross revenues or (in the case of a Subsidiary which has subsidiaries) consolidated gross revenues as shown by its latest audited income statement exceed 5% of the consolidated gross revenues as shown by the then latest published audited consolidated income statement of the Company and its Subsidiaries;

(ii) whose gross assets or (in the case of a Subsidiary which has subsidiaries) gross consolidated assets (as consolidated into the latest published audited consolidated balance sheet of the Company and its Subsidiaries) as shown by its latest audited balance sheet exceed 5% of the gross consolidated assets of the Company and its Subsidiaries as shown by the then latest published audited consolidated balance sheet of the Company and its Subsidiaries; or

(iii) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, provided that, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Principal Subsidiary unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (i) above.

References to the audited income statement and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated income statement and consolidated balance sheet of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such income statement or balance sheet is required by law to be produced or is not produced when the Subsidiary becomes a Principal Subsidiary, to a pro forma income statement or balance sheet, prepared by the Auditors (as defined in the Indenture) for the purpose of such determination.

"**International Investment Securities**" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures (debentures for this purpose shall exclude, for the avoidance of doubt, fixed or floating charges, loan agreements or other documents creating or evidencing indebtedness that are not commonly known as securities), loan stock or other similar securities that (i) either are, by their terms, payable, or confer a right to receive payments, in any currency other than NT Dollars or are denominated in NT Dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the ROC by or with the authorization of the Company or any of its Principal Subsidiaries thereof and (ii) are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over the counter or other securities market but excluding any such indebtedness that has a stated maturity of not exceeding one year.

"**Subsidiary**" means any company or other business entity more than 50% of the issued share capital or other ownership interest of which is for the time being owned, directly or indirectly, by the Company.

4. Transfers of Bonds; Issue of Certificated Bond

(A) Transfer

A Bond may be transferred as follows: (i) in the case of a Bond represented by a Certificated Bond, by depositing such Certificated Bond during normal business hours at the specified offices of any Transfer Agent, with the form of transfer on the back of such Certificated Bond duly completed and signed, or (ii) in the case of a Bond represented by the Global Bond, by delivery at such specified office of the Registrar or any of the Transfer Agents a form of transfer duly completed and executed, and any other evidence that such Transfer Agent may require. The Registrar and any Transfer Agent may decline to effect any exchange or transfer of a Bond (i) during the period of 15 days ending on (and including) the due date for any payment of the principal of and premium and other amounts of such Bond, (ii) after such Bond has been drawn for redemption under, and notice thereof is given pursuant to, Condition 8(D) or (iii) in respect of which a Conversion Notice (as defined in Condition 6(B)) has been delivered in accordance with Condition 6(B).

(B) Delivery of New Certificated Bonds

Each new Certificated Bond to be issued on the transfer of a Bond will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificated Bond and the form of transfer, be mailed at the risk of the Bondholder entitled to the Bond to the address specified in the form of transfer. Where some but not all the Bonds in respect of which a Certificated Bond is issued are to be transferred, converted or redeemed, a new Certificated Bond in respect of the Bonds not so transferred, converted or redeemed will, within five business days of deposit or surrender of the original Certificated Bond with or to the Registrar or the relevant Transfer Agent, Conversion Agent or Paying Agent, be mailed at the risk of the Bondholder of the Bonds not so transferred, converted or redeemed to the address of such Bondholder appearing on the Bond Register.

For the purposes of this Condition 4, "**business day**" means a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar, the relevant Transfer Agent, Conversion Agent or Paying Agent with whom a Certificated Bond is deposited or surrendered in connection with a transfer, conversion or redemption is located.

(C) Formalities Free of Charge

No service charge shall be made for any registration of transfer or exchange of Bonds, provided that the Company or any of the Transfer Agents may require payment of a sum sufficient to cover any tax or other governmental charges that may be imposed and such transfer shall not be made unless and until the required payment described herein is made.

(D) Regulations

All transfers of Bonds and entries on the register of Bondholders will be made subject to the detailed regulations concerning transfer of Bonds attached as a schedule to the Agency Agreement. A copy of the current regulations will be made available (free of charge to the Bondholder and at the Issuer's expense) by the Registrar to any Bondholder upon written request and proof of holding and identity satisfactory to the Registrar.

(E) Change of Transfer Agent

The Company reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Transfer Agent and to appoint additional or other Transfer Agents, in each case in accordance with the Agency Agreement. The Company will, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the rules of that exchange so require, maintain a Transfer Agent having an office

in Singapore. Notice of any such termination or appointment and of any changes in the specified offices of the Transfer Agents will be given promptly by the Company to the Trustee and the Bondholders in accordance with Condition 15.

5. Interest

The Bonds do not bear any interest.

6. Conversion

(A) Conversion Right

(i) Conversion Period

At any time during the Conversion Period referred to below on and subject to the terms set forth herein (the "**Conversion Right**") and the terms of the Agency Agreement, each Bondholder has the right hereunder to convert its Bonds into Shares.

Subject to and upon compliance with the provisions of this Condition 6, the Conversion Right attaching to any Bond may be exercised, at the option of the Bondholder and as and to the extent provided herein, at any time on or after August 25, 2020, which is the 91st calendar day after the Issue Date, up to and including the close of business (at the place where such Bond is deposited for conversion) on May 16, 2025, which is the 10th calendar day prior to the Maturity Date (or if such day shall not be a business day at such place, on the immediately preceding business day at such place, but in no event thereafter), or, if such Bond shall have been called for redemption prior to May 16, 2025, which is the 10th calendar day prior to the Maturity Date, then up to and including the close of business (at the place aforesaid) on the fifth business day prior to the date fixed for redemption thereof (or if such day shall not be a business day at such place, on the immediately preceding business day at such place) (the "**Conversion Period**"); *provided*, *however*, that the Conversion Right during any Closed Period (as defined below) shall be suspended and the Conversion Period shall not include any such Closed Period.

"**Closed Periods**" or a "**Closed Period**" mean (i) the 60-day period prior to the date of any of the Company's annual general shareholders' meetings; (ii) the 30-day period prior to the date of any of the Company's special shareholders' meetings; (iii) the period beginning on the 15th Trading Day (as defined below) prior to the 5th day before the record date for the distribution of stock or cash dividends or subscription of new shares to the date ending on (and including) such record date; (iv) the period beginning on the record date of a capital reduction to one day prior to the Trading Day on which the shares of the Company are reissued after such capital reduction; (v) the period beginning from one business day before the Company's application with the Ministry of Economic Affairs for the change of par value of its shares to one day prior to the first Trading Day of the Shares reissued after the change of par value; and (vi) such other periods during which the Company may be required to close its stock transfer books or not to issue new shares under ROC laws and regulations applicable from time to time.

For the purposes of this Condition 6:

"**business day**" means a day other than Saturday or Sunday on which banks are open for business in New York, London, Hong Kong or the city in which (1) the specified office of the Registrar, if a Certificated Bond is deposited in connection with a transfer, is located, (2) the relevant Transfer Agent, Conversion Agent or Paying Agent, if a Certificated Bond is deposited, in connection with a transfer, or a notice of conversion is deposited in connection with a conversion, is located, or (3) the Company and the ROC share registry of the Company, if a notice of conversion is deposited in connection with a conversion or for the purpose of calculating the Closed Period, is located.

The Company shall procure that the Bondholders are given at least seven days' prior notice of any Closed Period in accordance with Condition 15.

(ii) Number of Shares Delivered on Conversion

The number of Shares to be delivered upon conversion of any Bond will be determined by the Company by dividing the NTD Equivalent (as defined in Condition 7(A)) of the principal amount of the Bonds by the Conversion Price (as defined below) then in effect on the Conversion Date (as defined in Condition 6(B)(ii)). If more than one Bond shall be deposited for conversion at any one time by the same holder of the Bonds, the number of Shares to be issued upon conversion thereof shall be calculated on the basis of the aggregate principal amount of the Bonds so deposited. On conversion, the right of the converting Bondholder to repayment of the principal and other amounts of the Bond to be converted shall be extinguished and released.

(iii) Fractions of Shares

Fractions of Shares will not be issued on conversion, and the Company will, upon conversion of the Bonds, pay cash in U.S. Dollars in a sum equal to such portion of the principal amount of the Bond or Bonds deposited for conversion as corresponds to any fraction of a Share not delivered as aforesaid, net of remittance and other processing fees, rounding to 1 U.S. Dollar with 0.5 being rounded upwards. For the purpose of calculating the amount of such payment, the Company shall use the Fixed Exchange Rate.

(iv) Conversion Price

The price used by the Company in determining the number of Shares to be issued upon conversion (the "**Conversion Price**") will initially be NT$485.00 per Share. The Conversion Price will be subject to adjustment in the manner provided in Condition 6(C).

(v) Revival on Default

Notwithstanding the provisions of Condition 6(A)(i), if the Company defaults in making payment in full in respect of any Bond that has been called for redemption prior to the Maturity Date on the date fixed for redemption thereof, the Conversion Right attaching to such Bond will continue to be exercisable up to, and including, the close of business (at the place where the Certificated Bond evidencing such Bond is deposited for conversion) on the date upon which the full amount of the monies payable in respect of such Bond has been duly received by the Trustee and the Principal Paying Agent and notice of such receipt has been duly given to the Bondholders.

(B) Conversion Procedure

(i) Conversion Notice

To exercise the Conversion Right attaching to any Bond, a Bondholder must complete, execute and deposit at his own expense between 9:00 a.m. and 3:00 p.m. (local time at the specified office referred to below) on any business day during the Conversion Period at the specified office of any Conversion Agent outside the ROC at which the Bond is presented for conversion a notice of conversion (a "**Conversion Notice**") in duplicate, duly completed and signed, in the then current form obtainable from the specified office of any Conversion Agent, together with the relevant Bond and any certificates and other documents as may be required under the law of the ROC or the jurisdiction in which such Conversion Agent shall be located.

A Conversion Notice once deposited may not be withdrawn without the consent in writing of the Company. Bondholders who deposit a Conversion Notice during a Closed Period will not be permitted to convert their Bonds until the business day following the last day of that Closed Period which (if all other conditions to conversion have been fulfilled) will be deemed as the Conversion Date (as defined below) for such Bonds. A converting Bondholder shall retain the rights of a Bondholder with respect to the Bonds until the Conversion Date. The price at which such Bonds will be converted will be the Conversion Price then in effect on the Conversion Date.

No Shares or beneficial interests therein will be delivered to a converting Bondholder unless such Holder satisfies the foregoing conditions. If such Bondholder is unable or otherwise fails to satisfy the foregoing conditions, such Bondholder may transfer its Bond or beneficial interest therein subject to compliance with the transfer restrictions set forth in the Agency Agreement. See "Transfer Restrictions."

(ii) Taxes and Expenses; Deposit Date and Conversion Date

As conditions precedent to conversion, a Bondholder must pay directly to the relevant tax authorities all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the jurisdiction in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issuance of Shares or payment of any other property or cash upon conversion of the Bonds to, or to the order of a person other than, the converting Bondholder. Except as aforesaid, the Company will pay the expenses arising in the ROC on the issue of Shares on conversion of Bonds and all charges of the Conversion Agents in connection therewith as provided in the Agency Agreement.

The date on which any Bond and the Conversion Notice (in duplicate) relating thereto are deposited with a Conversion Agent and the payments, if any, required to be paid by the Bondholder are made is hereinafter referred to as the "**Deposit Date**." The "**Conversion Date**" applicable to a Bond means the day next following the Deposit Date, which day both is a Trading Day (as hereinafter defined in Condition 6(C)) and falls during the Conversion Period.

(iii) Holders of Record

With effect from the opening of business in the ROC on the Conversion Date, the Company will deem the person designated in the Conversion Notice to have become the holder of record of the number of Shares to be delivered upon such conversion (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective) and at such time, subject to Condition 6(B)(iv) — Delivery of Shares, the rights of such converting Bondholder as a Bondholder with respect to the Bonds deposited for conversion shall cease (except rights arising under Condition 6(B)(v) — Retroactive Adjustment of Conversion Price).

(iv) Delivery of Shares

On the Conversion Date, the Company shall register the converting Holder (or its designee) in the Company's register of shareholders as the owner of the number of Shares to be issued upon conversion of such Bonds and, subject to any applicable limitations then imposed by ROC laws and regulations, according to the request made in the relevant Conversion Notice, procure that, as soon as practicable, and in any event within five Trading Days from the Conversion Date (subject to changes to applicable laws and regulations), there be delivered to the local agent appointed by the converting Holder through book-entry system maintained by the Taiwan Depositary and Clearing Corporation for the relevant Shares, registered in the name specified for that purpose in the relevant Conversion Notice, together with any other property or cash required to be delivered upon conversion and such assignments or other documents (if any) as may be required by law to effect the delivery thereof.

(v) Retroactive Adjustment of Conversion Price

If (a) the Conversion Date in relation to any Bond shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to Condition 6(C) and the provisions of the Indenture; and (b) the relevant Conversion Date falls on a date when the relevant adjustment has not been reflected in the Conversion Price, the Company shall, within 20 days after the effective date of such adjustment of the Conversion Price, issue and deliver such number of Shares to the person designated in the Conversion Notice as is equal to the excess of the number of Shares that would have been required to be issued and delivered on conversion of such Bond if the relevant retroactive adjustment had been made as at the said Conversion Date over the number of Shares

previously transferred pursuant to such conversion, and in such event and in respect of such number of Shares referenced in Condition 6(B)(iv) (Delivery of Shares) to the Conversion Date shall be deemed to refer to the date upon which such retroactive adjustment becomes effective (disregarding the fact that it becomes effective retroactively).

(vi) Dividends and Other Entitlements

Each Bondholder will not have any right to receive or be paid any dividends declared on the Shares unless such Bondholder has exercised the Conversion Right in accordance with the procedures set forth in Conditions 6(B)(i) (Conversion Notice) and 6(B)(ii) (Taxes and Expenses; Deposit Date and Conversion Date). A converting Bondholder's right to receive dividends declared on the Shares which are delivered to the person designated in the Conversion Notice upon conversion of a Bond or Bonds will begin on the Conversion Date. The Shares issued on conversion of the Bonds will in all respects rank *pari passu* with the Shares outstanding on the date on the relevant Conversion Date (except for any right or distribution the record date for which falls on or precedes such Conversion Date and except for any other right excluded by mandatory provisions of applicable law).

(vii) Restrictions on Shareholding of PRC persons

Under current ROC laws, regulations and policy, a PRC person is not permitted to convert the Bonds and to register as a shareholder of the Issuer unless (i) it is a qualified domestic institutional investor approved by competent PRC authorities ("**QDII**") who will hold less than 10% of the Issuer's issued shares after conversion of the Bonds, or (ii) it otherwise obtains the approval of the Investment Commission of the Ministry of Economic Affairs if all the business items are within the positive list promulgated by the ROC government from time to time and it will hold 10% or more (or other threshold required by the regulators) of the Issuer's issued shares after conversion of the Bonds. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a Bondholder who is a PRC person to be unable to convert and hold the Common Shares issuable upon conversion of the Bonds. Under current ROC laws, "PRC person" means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.

(viii) ROC Procedures for Foreign Nationals Holding the Shares

Under the existing ROC law, a non-ROC converting Bondholder, before exercising the Conversion Right, is required to register with the TWSE for making investments in the ROC securities market. Such non-ROC converting Bondholder is also required to appoint a local agent in Taiwan which meets the qualifications that are set from time to time by the FSC to open a securities trading account with a local brokerage firm and a bank account to remit funds, pay taxes, exercise shareholders' rights and perform such other functions as may be designated by such Holder. In addition, such non-ROC converting Bondholder must also appoint a custodian bank in Taiwan to hold the securities and any cash proceeds for safekeeping, to make confirmation and settlement of trades and to report all relevant information. Furthermore, such non-ROC converting Bondholder is required to appoint a tax guarantor, in Taiwan which meets the qualifications that are set from time to time by the Ministry of Finance of the ROC for filing tax returns and making tax payments on their behalf. Without meeting such requirements, such non-ROC converting Bondholder would not be able to hold or sell or otherwise transfer the Shares into which the Bonds may be converted on the TWSE or otherwise.

(C) Adjustments to Conversion Price

(i) Antidilution Adjustments

The Conversion Price shall be subject to adjustment as follows:

(a) Declaration of Dividend in Shares or Free Distribution or Bonus Issue of Shares

(i) If the Company shall declare a dividend in Shares or make a free distribution or bonus issue of Shares which is treated as a capitalization issue for accounting purposes (including but not limited to capitalization of capital reserves but excluding the issuance of employee stock bonus), then the Conversion Price in effect on the date when such dividend and/or distribution is declared (or, if the Company has fixed a prior record date for the determination of shareholders entitled to receive such dividend and/or distribution, on such record date) shall be adjusted in accordance with the following formula:

NCP = OCP x [N / (N + n)]

where:

NCP = the Conversion Price after such adjustment. OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard in this case and in each subsection mentioned below to subsection (q) below) at the time of distribution of such dividend, free distribution and/or bonus issue.

n = the number of Shares to be distributed to the shareholders as a dividend, free distribution and/or bonus issue.

(ii) An adjustment made pursuant to this subsection (a) shall become effective on the record date for determination of shareholders entitled to receive such dividend and/or distribution; provided that in the case of a bonus issue of Shares or capitalization of reserves which must, under applicable law of the ROC, be submitted for approval to a general meeting of shareholders of the Company before being legally paid or made, and which is so approved after the record date fixed for the determination of shareholders entitled to receive such dividend and/or distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

(b) Reduction of Share Capital

(i) If the Company shall reduce its share capital other than by means of canceling any Shares held in treasury or repurchasing any Shares for the purpose of holding such Shares in treasury, the Conversion Price then in effect on the record date for the determination of the shareholders participating in such capital reduction shall be adjusted in accordance with the following formula:

NCP = OCP x (N / n) where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above.

N = the number of Shares outstanding immediately prior to such capital reduction.

n = the number of Shares outstanding immediately after such capital reduction.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection (b) will be required if the Company cancels any Shares held in treasury or repurchases any Shares for the purpose of holding such Shares in treasury.

(ii) If the Company shall reduce its share capital other than by means of canceling any Common Shares or repurchasing any Common Shares and for the purpose of holding such Common Shares in treasury and distributes cash in connection with such share capital reduction, the Conversion Price then in effect on the record date for the determination of the shareholders participating in such capital reduction shall be adjusted in accordance with the following formula:

NCP = (OCP – C) x (N/n)

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N and n have the meanings ascribed thereto in clause (a) of this subsection above.

C = the amount of cash distributed per Common Share.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Company cancels any Common Shares or repurchases any Common Shares for the purposes of holding such Common Shares in treasury.

(iii) Such adjustment shall become effective immediately on the record date for the determination of the shareholders participating in such capital reduction.

(c) Sub-division, Combination, Paid-in Capital Reduction and Reclassification of Shares

(i) If the Company shall (1) sub-divide its outstanding Shares, (2) combine its outstanding Shares into a smaller number of Shares, or (3) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond on the Conversion Date which occurs after the coming into effect of the adjustment described in this paragraph (i) shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Company has fixed a prior record date for the determination of shareholders entitled to receive any such securities issued upon any such sub-division, combination or re-classification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.

(ii) An adjustment made pursuant to paragraph (i) above shall become effective immediately on the relevant event referred to above becoming effective or, if a record date is fixed therefor, immediately after such record date.

(d) Concurrent Adjustment Events

If the Company shall declare a dividend in, or make a free distribution or bonus issue of, Shares which dividend, issue or distribution is to be paid or made to shareholders as of a record date which is also:

(i) the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to subsections (e), (f) or (g) below;

(ii) the day immediately before the date of issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to subsection (i) below:

(iii) the day immediately before the date of issue of any Shares which requires an adjustment of the Conversion Price pursuant to subsection (l) below;

(iv) the day immediately before the date of issue of any rights, options or warrants which requires an adjustment of the Conversion Price pursuant to subsection (m) below; or

(v) determined by the Company to be the relevant date for an event or circumstance which requires an adjustment to the Conversion Price pursuant to subsection (n) below,

then no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under subsection (a), but in lieu thereof an adjustment shall be made under subsection (e), (f), (g), (i), (l) or (m) below (as the case may require) by including in the denominator of the fraction described therein the aggregate number of Shares to be issued pursuant to such dividend, bonus issue or free distribution and, in the case of such dividend, including in the numerator of the fraction described therein the number of Shares which the aggregate par value of Shares to be so distributed would purchase at the Current Market Price per Share.

(e) Rights Issues to Shareholders

(i) If the Company shall grant, issue or offer to the holders of Shares rights entitling them to subscribe for or purchase Shares (a "**Rights Issue**", which expression shall exclude those Shares offered to employees as employee bonus shares) at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date and is less than the Current Market Price per Share with respect to the record date, then the Conversion Price in effect on the record date shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)] where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares to be issued in connection with such Rights Issue at the said consideration.

v = the number of Shares which the aggregate consideration receivable by the Company would purchase at such Current Market Price per Share specified above.

After the record date, the consideration per Share shall not be changed in any event.

(ii) Subject as provided below, such adjustment shall become effective immediately after the date the consideration for such Shares are received in full but retroactively to immediately after the record date.

(f) Warrants and Options Issued to Shareholders

(i) If the Company shall grant, issue or offer to the holders of Shares warrants or options entitling them to subscribe for or purchase Shares at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date and is less than the Current Market Price per Share with respect to the record date, then the Conversion Price in effect shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)] where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares initially to be issued upon exercise of such warrants or options at the said consideration where no applications by shareholders entitled to such warrants or options are required. Where applications by shareholders entitled to such warrants or options are required, n = the number of such Shares that equals (A) the number of warrants or options which underwriters have agreed to underwrite as referred to below or, as the case may be, (B) the number of warrants or options for which applications are received from shareholders as referred to below save to the extent already adjusted for under (A).

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share specified above.

(ii) Subject as provided below, such adjustment shall become effective (1) where no applications for such warrants or options are required from shareholders entitled to the same, upon their issue and (2) where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Company fixes the said consideration, but in all cases retroactively to immediately after the record date.

(iii) If, in connection with a grant, issue or offer to the holders of Shares of warrants or options entitling them to subscribe for or purchase Shares where applications by shareholders entitled to the same are required, any warrants or options which are not subscribed for or purchased by the shareholders entitled thereto are agreed to be underwritten by others prior to the latest date for the submission of applications for such warrants or options, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the underwriters agree to underwrite the same or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date. If, in connection with a grant, issue or offer to the holders of Shares of warrants or options entitling them to subscribe for or purchase Shares where applications by shareholders entitled to the same are required,

any warrants or options which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred the right to purchase such warrants) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(g) Issues of Rights or Warrants for Equity-Related Securities to Shareholders

(i) If the Company shall grant, issue or offer to the holders of Shares options, rights or warrants entitling them to subscribe for or purchase any securities convertible into or exchangeable for Shares or which carry rights to subscribe for or purchase Shares at a consideration per Share receivable by the Company (determined as provided in subsection (p) below) which is fixed on or prior to the record date mentioned below and is less than the Current Market Price per Share with respect to the record date; then the Conversion Price in effect on the record date shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)] where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the record date.

n = the number of Shares initially to be issued upon exercise of such rights or warrants and conversion or exchange of such convertible or exchangeable securities at the said consideration which, in the case of rights, equals (A) the number of Shares initially to be issued upon conversion or exchange of the number of such convertible or exchangeable securities which the underwriters have agreed to underwrite as referred to below or, as the case may be, (B) the number of Shares initially to be issued upon conversion or exchange of the number of such convertible or exchangeable securities for which applications are received from shareholders as referred to below save to the extent already adjusted for under (A), and which, in the case of warrants where no applications by shareholders entitled to such warrants are required, equals such number of Shares initially to be issued upon such exercise and conversion or exchange. Where applications by shareholders entitled to such warrants are required, n = the number of such Shares that equals (x) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, (y) the number of warrants for which applications are received from shareholders as referred to below save to the extent already adjusted for under (x).

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share specified.

(ii) Subject as provided below, such adjustment shall become effective (1) where no applications for such warrants are required from shareholders entitled to the same, upon their issue and (2) in the case of rights and where applications by shareholders entitled to the warrants are required as aforesaid, immediately after the latest date for the submission of applications or (if later) immediately after the Company fixes the said consideration, but in all cases retroactively to immediately after the record date.

(iii) If, in connection with a grant, issue or offer to the holders of Shares of rights or of warrants entitling them to subscribe for or purchase securities

convertible into or exchangeable for Shares where applications by shareholders entitled to the same are required, any convertible or exchangeable securities or warrants which are not subscribed for or purchased by the shareholders entitled thereto are agreed to be underwritten by others prior to the latest date for the submission of applications for such convertible or exchangeable securities or warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the underwriters agree to underwrite the same or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date. If, in connection with a grant, issue or offer to the holders of Shares of rights or of warrants entitling them to subscribe for or purchase securities convertible into or exchangeable for Shares where applications by shareholders entitled to the same are required, any convertible or exchangeable securities or warrants which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred such rights or the right to purchase such warrants) who have submitted applications for such convertible or exchangeable securities or warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(h) Capital Distribution, Other Distributions to Shareholders

(i) If the Company shall make any Capital Distribution or the distribution to the holders of Shares of evidences of indebtedness of the Company or of shares of capital stock of the Company (other than Shares) or of assets or of options, rights or warrants to subscribe for or purchase shares (other than Shares) or securities (other than those mentioned in (e), (f) or (g) above):

NCP = OCP x [(CMP – fmv) / CMP]

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

CMP = the Current Market Price.

fmv = the amount of such distribution or the fair market value (as determined by the Company or, if pursuant to applicable law of the ROC such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court) of the portion of the evidences of indebtedness, shares of capital stock, assets, rights or warrants so distributed applicable to one Share, less any consideration payable for the same by the relevant Shareholder. In making a determination of the fair market value of any such evidences of indebtedness, shares of capital stock, assets, rights or warrants, the Company shall consult a leading independent securities company or bank in Taipei selected by the Company and shall take fully into account the advice received from such company or bank.

(ii) Such adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive such Capital Distribution or distribution, provided that (1) in the case of such a Capital Distribution or distribution which must, under applicable law of the ROC, be submitted for approval to a general meeting of shareholders of the Company before such Capital Distribution or distribution may legally be made and is so approved after the record date fixed for the determination of shareholders entitled to receive such Capital Distribution or distribution, such adjustment

shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after the record date and (2) if the fair market value of the evidences of indebtedness, shares of capital stock, assets, rights or warrants so distributed cannot be determined until after the record date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after the record date.

(iii) Notwithstanding anything provided herein to the contrary, no adjustment to the Conversion Price shall be made if the Company reduces its share capital by purchasing and canceling its shares.

(i) Issue of Convertible or Exchangeable Securities Generally

(i) If the Company shall issue any securities convertible into or exchangeable for Shares (other than the Bonds, or in any of the circumstances described in subsection (g) above and subsection (m) below) and the consideration per Share receivable by the Company (determined as provided in subsection (p) below) either through a public offering or a private placement shall be less than the Current Market Price per Share on the date in the ROC on which the Company makes a public record following the pricing of such securities, then the Conversion Price in effect immediately prior to the date of issue of such convertible or exchangeable securities shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)] where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of Shares initially to be issued upon conversion or exchange of such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share.

(ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such convertible or exchangeable securities are issued.

(j) Tender or Exchange Offers

(i) In case a tender or exchange offer made by the Company or any Subsidiary of the Company for all or any portion of the Shares shall expire and such tender or exchange offer shall involve the payment by the Company or such Subsidiary of consideration per Share having a fair market value (as determined by an independent financial institution selected by the Company at the expense of the Company) at the last time (the "**Expiration Date**") tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Current Market Price per Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

NCP = OCP x [N x M / (a + [(N - n) x M])] where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above.

N = the number of Shares outstanding (including any tendered or exchanged Shares) on the Expiration Date.

M = Current Market Price per Share as of the Expiration Date.

a = the fair market value of the aggregate consideration payable to the holders of Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Shares deemed so accepted up to any such maximum, being referred to as the "**Purchased Shares**").

n = the number of Purchased Shares.

such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

(ii) If the Company is obligated to purchase Shares pursuant to any such tender or exchange offer, but the Company is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

(k) Merger

In case of a Merger of the Company (as defined in Condition 6(D)), each Bond then Outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger on the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the Conversion Right to continue after such Merger and such supplemental indenture shall provide for adjustments to the Conversion Price which shall be as nearly equivalent as practicable to the adjustments provided in this Condition 6. Where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth herein.

(l) Other Issues of Shares

(i) If the Company shall issue any Shares (other than Shares issued upon conversion or exchange of any convertible or exchangeable securities (including the Bonds) issued by the Company or upon exercise of any rights or warrants granted, offered or issued by the Company or in any of the circumstances described in subsection (a), (b), (c) or (d) above or the issuance of Shares or restricted share units pursuant to an employee bonus arrangement) for a consideration per Share receivable by the Company (determined as provided in subsection (p) below) either through a public offering or a private placement less than the Current Market Price per Share on the record date or on which the Company fixes the said consideration if no closed period is set forth for such issuance, then the Conversion Price in effect immediately prior to the issue of such additional Shares shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of additional Shares issued as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share.

It being understood that, for the avoidance of doubt, in the case of the issuance of Shares pursuant to an employee bonus arrangement, the aggregate consideration receivable by the Company shall be the product of the number of Shares issued pursuant thereto and the closing price of the Shares on the date immediately preceding the date of the meeting of the shareholders approving such issuance (after taking into account the effect of any dividend payment).

(ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such additional Shares are issued.

(m) Issue of Equity Related Securities

(i) If the Company shall grant, issue or offer options, rights or warrants to subscribe for or purchase Shares (other than in any of the circumstances described in subsections (e) and (f)) or securities convertible into or exchangeable for Shares and the consideration per Share receivable by the Company (determined as provided in subsection (p) below) shall be less than the Current Market Price per Share on the record date (or, if the offer, grant or issue of such rights, options or warrants is subject to approval by a general meeting of shareholders, on the date on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect immediately prior to the date of the offer, grant or issue of such options, rights or warrants shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (a) above (which may be further adjusted pursuant to the provisions of subsections (b) and (c) above).

N = the number of Shares outstanding (having regard to subsection (q) below) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of Shares initially to be issued on exercise of such options, rights or warrants and (if applicable) conversion or exchange of such convertible or exchangeable securities.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in subsection (p) below) would purchase at such Current Market Price per Share.

(ii) Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such rights or warrants are issued.

(n) Analogous Events

If the Company determines that any other event or circumstance has occurred which has or would have an effect on the position of the Bondholders as a class compared with the position of the holders of all the securities (and options and rights relating thereto) of the Company, taken as a class which is analogous to any of the events referred to in subsections (a) through (m), then, in any such case, the Company shall notify the Trustee in writing thereof and the Company shall consult with a leading independent securities company or commercial bank in Taipei selected by the Company as to what adjustment, if any, should be made to the Conversion Price to preserve the value of the Conversion Right of Bondholders and will make any such adjustment. Any such adjustment, where possible, shall be made using methodology similar in nature to one or more of the adjustments described above in this Condition 6(C), and may consist of a combination of such adjustments where appropriate.

(o) Simultaneous Issues of Different Classes of Shares

In the event of simultaneous issues of two or more classes of share capital comprising Shares or rights or warrants in respect of, or securities convertible into or exchangeable for, two or more classes of share capital comprising Shares, then, for the purposes of this Condition 6(C), the formula:

NCP = OCP x [(N + v) / (N + n)] shall be restated as NCP = OCP x [(N + v1 + v2 + v3) / (N + n1 + n2 + n3)]

where v1 and n1 shall have the same meanings as "v" and "n" but by reference to one class of Shares, v2 and n2 shall have the same meanings as "v" and "n" but by reference to a second class of Shares, v3 and n3 shall have the same meanings as "v" and "n" but by reference to a third class of Shares and so on.

(p) Consideration Receivable by the Company

For the purposes of any calculation of the consideration receivable by the Company pursuant to this Condition 6(C), the following provisions shall be applicable:

(i) in the case of the issue of Shares for cash, the consideration shall be the amount of such cash, provided that in no such case shall any deduction be made for any commissions or any expenses paid or incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(ii) in the case of the issue of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Company (and in making such determination the Company shall consult a leading independent securities company or bank in Taipei selected by the Company and shall take fully into account the advice received from such company or bank) or, if pursuant to applicable law of the ROC such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof;

(iii) in the case of the issue (whether initially or upon the exercise of rights or warrants) of securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for such securities and (if applicable) rights or warrants plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in paragraphs (i) and (ii) above) and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price;

(iv) in the case of the issue of rights or warrants to subscribe for or purchase Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in paragraphs (i) and (ii) above) and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price;

(v) if any of the consideration referred to in any of the preceding paragraphs of this subsection (p) is receivable in a currency other than New Taiwan Dollars, such consideration shall, in any case where there is a fixed rate of exchange between the New Taiwan Dollar and the relevant currency for the purposes of the issue of the Shares, the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into New Taiwan Dollars for the purposes of this subsection (p) at such fixed rate of exchange and shall, in all other cases, be translated into New Taiwan Dollars at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. Dollars if no direct rate is quoted) by a leading bank in the ROC for buying and selling spot units of the relevant currency by telegraphic transfer against

New Taiwan Dollars on the date as of which the said consideration is required to be calculated as aforesaid; and

(vi) in the case of the issue of Shares credited as fully paid out of retained earnings or capitalization or reserves at their par value, the aggregate consideration receivable by the Company shall be deemed to be zero (and accordingly the number of Shares which such aggregate consideration receivable by the Company could purchase at the relevant Current Market Price per Share shall also be deemed to be zero).

(q) Cumulative Adjustments

If, at the time of computing an adjustment (the "**later adjustment**") of the Conversion Price pursuant to any of subsections above, the Conversion Price already incorporates an adjustment (the "**earlier adjustment**") made (or taken or to be taken into account pursuant to the proviso to subsection (r) below) to reflect an issue of Shares or of securities convertible into or exchangeable for Shares or of rights or warrants to subscribe for or purchase Shares or securities, to the extent that the number of such Shares or securities taken into account for the purposes of calculating the earlier adjustment exceeds the number of such Shares in issue at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such excess Shares shall be deemed to be outstanding for the purposes of making such computation.

(r) Reference to "fix"

Any reference herein to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

(i) No adjustment will be made where such adjustment would be less than 1% of the Conversion Price then in effect; *provided, however*, that any adjustment that otherwise would be required to be made will be carried forward and taken into account (as if such adjustment had been made at the time when it would have been made but for the provisions of this subsection (ii)) in determining any subsequent adjustment. The Company will promptly notify the Bondholders, the Trustee and the Conversion Agent in writing of any adjustment in accordance with Condition 15. Neither the Trustee nor the Conversion Agent will be responsible for verifying the information in the notice. Any such notice relating to an adjustment in the Conversion Price should set forth the event giving rise to the adjustment, the Conversion Price prior to the adjustment, the effective date of such adjustment and the Conversion Price after the adjustment.

For the purposes of the Conditions:

"**Capital Distribution**" means any cash dividend, distribution of cash or distribution of assets in specie made by the Company for any fiscal year unless it comprises a purchase or redemption of share capital of the Company;

"**Current Market Price**" on any date means (i) in the case of Shares, the average of the Market Prices of the Shares for the most recent 30 Trading Days, (ii) in the case of capital stock (other than Shares) which is listed on the relevant stock exchange, the average of the Market Prices of such capital stock (other than Shares) for the most recent 30 Trading Days and (iii) in the case the market value cannot be determined pursuant to the procedures above, the market value determined by an opinion of an independent, internationally recognized investment banking firm selected by the Company;

"**Market Price**" means for any Trading Day (a) with respect to the Shares, the closing sales price of the Shares on the TWSE on such day or, if no reported sales take place on such day, the

average of the reported closing bid and offered prices, in either case as reported by the TWSE for such day as furnished by a leading independent securities firm in Taiwan selected from time to time by the Company, and (b) with respect to capital stock of the Company (other than Shares), the closing bid price for such capital stock (other than Shares) on the relevant stock exchange; and

"**Trading Day**" means with respect to the Shares, a day when the TWSE is open for business; *provided, however,* if no transaction price or closing bid and offered prices are reported by the TWSE in respect of the Shares for one or more Trading Days (or furnished by a reputable independent securities firm in Taiwan as aforesaid), such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days.

(D) Mergers; Disposals

So long as the Bonds remain outstanding, the Company will not merge, amalgamate or consolidate with or into any other corporation or entity, (provided that the Company is not the surviving entity) or sell, convey, transfer, lease or otherwise dispose of all, or substantially all, of the assets of the Company (each event a "**Merger**"), whether as a single transaction or a number of transactions, related or not, to any corporation, entity or person or to one or more members of any group under the common control of any corporation, entity or person unless:

(i) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly assume, by an indenture supplemental hereto, all obligations of the Issuer under this Indenture and the performance of every covenant and agreement applicable to it contained herein;

(ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;

(iii) the Company at least 20 Business Days prior to the Merger has delivered to the Trustee an Officer's Certificate stating that such Merger complies with this Condition and that all conditions precedent herein provided for or relating to such Merger have been complied with;

(iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to:

(a) indemnify each holder of a Bond against any tax, assessment or governmental charge imposed on such holder solely as a consequence of such Merger with respect to the Bonds; and

(b) if organized under the laws of a jurisdiction other than the ROC, deliver a substitute undertaking to the Trustee to pay any additional amounts as may be necessary in order that the net amounts of principal of and premium and other amounts on the Bonds received by the Holders of the Bonds, after any withholding or deduction of any tax, assessment or other governmental charge imposed by such jurisdiction or any taxing authority thereof or therein shall equal the respective amounts, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Issuer would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and

(v) the Company shall as soon as practicable on or prior to the Merger, deliver an opinion satisfactory to the Trustee of counsel(s) of recognized standing as to the legality and validity of the Merger.

The Trustee shall not be responsible for verifying or confirming the information in any Officer's Certificate or opinion of counsel(s) required pursuant to the above provisions.

Upon any Merger in accordance with Condition 6(D), the successor corporation formed by such Merger shall succeed to and be substituted for, and may exercise every right and power of,

the Company under the Indenture with the same effect as if such successor corporation had been named as the Company herein, and thereafter, the predecessor corporation shall be relieved of all obligations and covenants under the Indenture and the Bonds.

(E) Conversion Undertakings

The Company undertakes that:

(i) it will use its best efforts to ensure that all Closed Periods during any 365-day period shall not be in the aggregate more than 120 calendar days, having taken into account the applicable ROC laws and regulations;

(ii) it will procure sufficient Shares for transfer and delivery to the person designated on the Conversion Notice upon conversion of the Bonds, by way of increasing the Company's paid-in share capital and, if necessary, its authorized capitalization for the issuance of new Shares, if approval of the ROC FSC is obtained and future changes to ROC laws and regulations permit the Company to issue new Shares for delivery upon conversion of the Bonds. The Company acknowledges that the undertaking above may involve amending the Company's Articles of Incorporation, which requires the approval of its board of directors and its shareholders; and

(iii) it will use its best efforts to obtain and maintain a listing on the TWSE for the Shares to be issued upon the conversion of the Bonds.

7. Payments

(A) U.S. Dollar Settlement

All amounts due under, and all claims arising out of or pursuant to, the Bonds and/or the Indenture or the Agency Agreement from or against the Company shall be payable and settled in U.S. Dollars only.

For the purposes of the Conditions:

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Taipei, New York, Hong Kong and London;

"**Fixed Exchange Rate**" means the fixed rate of US$1.00 = NT$29.9280.

"**Independent Investment Bank**" means (i) an independent investment bank of international repute or (ii) leading independent securities company or bank in the ROC (in each case of (i) and (ii), acting as an expert) selected by the Company.

"**NT Dollars**" or "**NT$**" means the lawful currency for the time being of the ROC.

"**NTD Equivalent**" means in respect of any U.S. Dollar-denominated amount in respect of the Bonds, or in respect of the Conversion Price then in effect, such U.S. Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate.

"**Prevailing Rate**," for each Rate Calculation Date, means a rate determined by the Principal Agent as follows:

(a) the fixing rate at 11:00 a.m., expressed as the number of NT Dollars per one U.S. Dollar, quoted by Taipei Forex Inc., which rate shall be provided by the Company to the Principal Agent;

(b) if no such rate is available under sub-paragraph (a), the prevailing rate determined by the Principal Agent on the basis of quotations provided by the Company that are obtained from Reference Dealers (as defined below) of the specified exchange rate for the Rate Calculation Date as obtained in accordance with the provisions below; and

(c) if fewer than two quotations are provided under sub-paragraph (b), the exchange rate for the Rate Calculation Date as shall be determined by an Independent Investment Bank in good faith.

In determining the prevailing rate under sub-paragraph (b), the Taipei office of each of the Reference Dealers will provide to the Principal Agent a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer's experience in the foreign exchange market for NTD and general activity in such market on the Rate Calculation Date. The quotations used to determine the Prevailing Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be provided at 3:30 p.m. (Taipei time) on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available. All quotations shall be provided by the Company to the Principal Agent in writing and the Principal Agent shall not be responsible for requesting or obtaining the quotations.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7, whether by the Reference Dealers (or any of them), the Company or the Independent Investment Bank, will (in the absence of fraud, willful misconduct or gross negligence) be binding on the Company, the Trustee, the Agents and all Bondholders.

"**Rate Calculation Date**" means the day which is the fifth Business Days before the due date of the relevant amount under the Conditions.

"**Reference Dealers**" means four leading dealers engaged in the foreign exchange market of the relevant currency selected by the Company.

"**Settlement Equivalent**" for the relevant Rate Calculation Date in respect of any U.S. Dollar-denominated amount payable in respect of the Bonds, means such U.S. Dollar amount converted into NT Dollar amount using the Fixed Exchange Rate, and then converted back to U.S. Dollar amount using the applicable Prevailing Rate on such date.

"**U.S. Dollars**" or "**US$**" means the lawful currency for the time being of the United States of America.

(B) Method of Payment

Payment of principal of and premium and other amounts on the Bonds will be in U.S. Dollar and will be made (i) with respect to a Holder of a Bond, by wire transfer of immediately available funds to the registered account of the Holder of such Bond or (ii) in the case of a Holder of a Certificated Bond where the Registrar has advised that payments cannot be made via wire transfer, by U.S. Dollar check mailed to the registered address of the Bondholder. Payments of principal and premium and other amounts will only be made against surrender of the relevant Certificated Bond at the specified office of the Principal Paying Agent or any of the other Paying Agents.

(C) Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(D) Business Days

If the due date for payment of any amount of principal or premium or any other amount in respect of any Bond (or any later date on which a Bond could otherwise be presented for payment) is not, in the relevant place of presentation, a business day, the Holder of the relevant Bond shall not be entitled to payment at such place of the amount due until the next following business day at such place and shall not be entitled to any interest or other payment in respect of such delay. In this Condition 7(D), "**business day**" means any day on which banks are open for business in the Taipei, London, Hong Kong and in the relevant place of presentation and, unless the following sentence applies, in the case of payment by transfer to a U.S. Dollar account as referred to above, on which dealings in foreign currency may be carried on both in New York, London, Hong Kong and in such place of presentation. If a Bond is presented for payment at a time when, as a result of differences in time zones, it is not practicable to transfer the relevant amount to an account as referred to above for value on the relevant date, the Company shall not be obliged to do so but shall be obliged to transfer the relevant amount to the account for value on the first practicable date thereafter.

(E) Paying Agents

The names of the initial Principal Paying Agent and the other initial Paying Agents and their specified offices are set out in the Agency Agreement. The Company reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, in each case in accordance with the Agency Agreement, provided that the Company will at all times maintain a Principal Paying Agent, Conversion Agent and a Paying Agent having a specified office in London and, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, a specified office in Singapore. The Paying Agent may resign at any time by giving written notice to the Company and the Trustee not less than 60 days in advance. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Paying Agent and the Paying Agents will be given promptly by the Company to the Bondholders in accordance with Condition 15.

(F) Default Interest

If the Company fails to pay any sum in respect of the Bonds when due, default interest will accrue on the overdue Settlement Equivalent of principal amount at the rate of 3% per annum from the due date and ending on the date the Trustee determines to be the date on and after which the overdue payment is to be made to the Bondholders as stated in a notice given to the Bondholders in accordance with Condition 15 (both dates inclusive). The default interest will accrue on the basis of the actual number of days elapsed calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and the amount payable will be equal to the Settlement Equivalent of such default interest amount.

8. Redemption, Repurchase and Cancellation

(A) Final Redemption

Unless previously redeemed, repurchased and canceled or converted as herein provided, the Company will redeem the Bonds at the Settlement Equivalent of 100.0% of their principal amount on May 26, 2025 (the "**Maturity Date**"). The Company may not redeem or repurchase the Bonds prior to that date except as provided in paragraph (B), (C), (E) or (F) below (but without prejudice to Condition 10).

(B) Redemption at the Option of the Company

On or at any time after May 26, 2023 and on or prior to May 26, 2025, the Company may, having given not less than 30 nor more than 60 days' notice to the Bondholders (which notice will be irrevocable and given in accordance with Condition 8(D) and Condition 15), redeem in whole or from time to time in part (being US$200,000 in principal amount or an integral multiple of US$100,000 in excess thereof) of the Bonds at the Settlement Equivalent of the Early Redemption Amount on the date of redemption if the Market Price (translated into US Dollars at the

Prevailing Rate) for 12 out of 30 consecutive Trading Days, the last of which occurs not more than 10 days prior to the date of the redemption notice, shall have been at least 125% of the quotient of the Early Redemption Amount divided by the Conversion Ratio. If the Market Price cannot be determined for one or more consecutive Trading Days, such day or days will be disregarded in the relevant calculation and will be deemed not to have existed when ascertaining such period.

Notwithstanding the foregoing, the Company may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, at the Settlement Equivalent of the Early Redemption Amount on the date of redemption date if at least 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled, or converted; *provided* that the applicable date of redemption does not fall within a Closed Period.

"**Conversion Ratio**" means US$100,000 divided by the Conversion Price then in effect (translated into U.S. Dollars at the fixed exchange rate).

"**Early Redemption Amount**" means, for each US$100,000 principal amount of Bonds, the amount calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards.

Early Redemption Amount = Previous Redemption Amount x $(1 + r/2)^{d/p}$

Previous Redemption Amount = the Early Redemption Amount for each US$100,000 principal amount on the Semi-annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to November 26, 2020, US$100,000):

Semi-annual Date	Early Redemption Amount (in U.S. Dollars)
November 26, 2020	100,000
May 26, 2021	100,000
November 26, 2021	100,000
May 26, 2022	100,000
November 26, 2022	100,000
May 26, 2023	100,000
November 26, 2023	100,000
May 26, 2024	100,000
November 26, 2024	100,000

r = 0.00% expressed as a fraction

d = number of days from and including the immediately preceding Semi-annual Date (or if the Bonds are to be redeemed on or before November 26, 2020, from and including the Issue Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

p = 180

Upon the expiry of any such notice, the Company will be bound to redeem the Bonds to which such notice relates at the price aforesaid applicable at the date fixed for redemption.

For the avoidance of doubt, neither the Trustee nor the Agents shall be responsible for calculating or verifying the Early Redemption Amount.

"**Prevailing Rate**" means, for each relevant Trading Day, the fixing rate at 11:00 a.m. (Taipei time), expressed as the number of NT Dollars per one U.S. Dollar, as quoted by Taipei Forex Inc.

(C) Redemption for Tax Reasons

If, as a result of any change in, amendment or non-renewal of, or judicial decision relating to, the laws of the ROC or any political subdivision or taxing authority or legislative body thereof or therein, or any treaty to which the ROC is party, or any change in the official application or interpretation of any such laws or treaty, in any such case, occurring after the Issue Date, or as a result of any action taken or proposed by the ROC or any political subdivision or any taxing authority or legislative body thereof or therein, or brought in a court of competent jurisdiction in the ROC or any political subdivision thereof (each, a "**Change in Tax Law**"), whether or not such action was taken or brought with respect to the Company but which, in any such case, becomes effective or generally known after the Issue Date, on the occasion of the next payment due in respect of any Bond, the Company has or will become required to pay Additional Amounts as provided in Condition 9 and such obligation cannot be avoided by the Company taking reasonable measures available to it, the Company may at its option, having given not less than 30 nor more than 60 days' notice (in accordance with Conditions 8(C) and 15) to the Bondholders (which notice will be irrevocable) redeem, in whole but not in part, the Bonds on the expiry date of the notice of redemption (the "**Tax Call Date**") at the Settlement Equivalent of the Early Redemption Amount, provided that no notice of redemption shall be given earlier than 60 days before the earliest date on which the Company would be required to pay the Additional Amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company shall deliver to the Trustee a certificate in form and substance reasonably acceptable to the Trustee signed by two authorized officers of the Company stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing the conditions precedent to the right of the Company so to redeem have occurred, and an opinion addressed to the Trustee in form and substance reasonably acceptable to the Trustee by an independent law firm of recognized standing admitted to practice in the ROC to the effect that the Company has or will become obliged to pay such Additional Amounts as a result of such Change in Tax Law and the Trustee shall be entitled to accept and fully rely on such certificate (without verification by it) as sufficient evidence of the conditions precedent referred to in this Condition 8(C) in which event it shall be conclusive and binding on the Bondholders.

If the Company gives a notice of redemption of the Bonds under this Condition 8(C), each Bondholder shall have the right (the "**Non-Redemption Right**") to elect that all or a portion (being US$200,000 in principal amount or an integral multiple of US$100,000 in excess thereof) of its Bonds not be redeemed by giving the notice to such effect to the Company (with a copy to the Trustee) no later than 15 days prior to the redemption date fixed by the Company. If a Bondholder exercises the Non-Redemption Right with respect to such Bonds, no Additional Amounts referred to in Condition 9 and that gave rise to the Company's redemption of the Bonds under this Condition 8(C) shall be payable on the payments due after the relevant date (as defined in Condition 9) in respect of such Bonds and such payments shall be made subject to the deduction or withholding required by the Change in Tax Law. For the avoidance of doubt, the Company shall continue to be responsible to such Bondholders for any Additional Amount that is payable in respect of the Bonds under Condition 9 as a result of the laws, treaties or regulations (or the interpretation or administration thereof) of a relevant taxing jurisdiction in effect on the Issue Date.

(D) Redemption Procedures

In the case of a redemption, the Company will furnish the Trustee with a notice of redemption in sufficient time to permit the Trustee, within not less than 30 days nor more than 60 days prior to any such Redemption Date, to mail to each Holder such notice of redemption, which notice will specify:

(i) the date of Redemption in connection with Condition 8(B) or the Tax Call Date (the "**Redemption Date**");

(ii) the price at which such Bonds will be redeemed and the method by which such amount will be paid;

(iii) that, in the case of Bondholders that hold Certificated Bonds, payment will be made upon presentation and surrender of the Certificated Bond(s) to be redeemed;

(iv) the names and addresses of all Paying Agents;

(v) the Conversion Right of the Bondholders and the then current Conversion Price;

(vi) the Market Price on the most recent practicable Trading Day for which such Market Price can be provided; and

(vii) that the right to convert such Bonds will expire seven days prior to the Redemption Date.

No notice of redemption given under the above Conditions 8(B) and 8(C) shall be effective if the Redemption Date specified therein is during a Closed Period or within 30 days following the last day of a Closed Period.

Upon the expiration of such notice, the Company will be bound to redeem the Bonds at the applicable redemption price on the Redemption Date, except as otherwise indicated in these Conditions or the Indenture.

Payment of the relevant redemption price for any Bond will be made on the Redemption Date, *provided*, *however*, that (i) if such Bond is a Certificated Bonds and has not been so delivered on or prior to the Redemption Date, payment will only be made at the time of delivery of such Certificated Bonds (together with the necessary endorsements), (ii) if the Redemption Date falls on a day other than a Business Day, payment shall be made on the next immediate Business Day and (iii) money sufficient for payment of the relevant redemption price has been deposited with the Paying Agents at least one Business Day prior to the Redemption Date. If the Company has made available to the Trustee and the Paying Agents, in accordance with the terms of the Indenture and the Agency Agreement, cash sufficient to pay the relevant redemption price of a Bond on the Redemption Date, then, immediately after such Redemption Date, whether or not such Bond is delivered to a Paying Agent, (i) such Bond will cease to be outstanding; (ii) the interest (if any) on such Bond will cease to accrue; (iii) such Bond will be deemed paid; and (iv) all other rights of the Holder will terminate (other than the right to receive the relevant redemption price).

(E) Repurchase of the Bonds at the Option of the Bondholder

Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Bondholder shall have the right (the "**Holder's Put Right**"), at such Bondholder's option, to require the Company to repurchase in US dollars all (or any portion of the principal amount thereof which is US$200,000 or any integral multiple of US$100,000 in excess thereof) of such Bondholder's Bonds, on May 26, 2023 (the "**Holder's Put Date**") at a redemption price equal to the Settlement Equivalent of 100.0% of the outstanding principal amount thereof (the "**Holder's Put Price**").

(F) Repurchase of the Bonds in the Event of Delisting

In the event that the Shares officially cease to be listed or admitted for trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the TWSE (a "**Delisting**"), each Bondholder shall have the right (the "**Delisting Put Right**"), at such Bondholder's option, to require the Company to repurchase, in whole or in part (being US$200,000 in principal amount or an integral multiple of US$100,000 in excess thereof), such Bondholder's Bonds on the date set by the Company for such repurchase (the "**Delisting Put Date**"), which shall be not less than 30 days nor more than 60 days following the date on which the Trustee mails to each Bondholder a notice regarding the Delisting referred to under Condition 8(H) below, at the Settlement Equivalent of the Early Redemption Amount (the "**Delisting Put Price**").

(G) Repurchase of the Bonds in the Event of a Change of Control

If a Change of Control (as defined below) occurs, each Bondholder shall have the right (the "**Change of Control Put Right**"), at such Bondholder's option, to require the Company to

repurchase, in whole or in part (being US$200,000 in principal amount or an integral multiple of US$100,000 in excess thereof), such Bondholder's Bonds on the date set by the Company for such repurchase (the "**Change of Control Put Date**"), which shall not be less than 30 nor more than 60 days following the date on which the Company notifies the Trustee of the Change of Control, at the Settlement Equivalent of the Early Redemption Amount (the "**Change of Control Put Price**").

A "**Change of Control**" will be deemed to have occurred when (i) Control of the Company is acquired or deemed to be held by any Person or Persons acting together if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the Issue Date, (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such other Person or Persons acquiring Control over the Company or the successor entity; or (iii) one or more other Persons acquires the legal or beneficial ownership of all or substantially all of the capital stock of the Company. Notwithstanding anything in the Indenture to the contrary, for the purposes of this definition, the term "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Company's Board of Directors or any other governing board of the Company and does not include the Company's wholly-owned direct or indirect Subsidiaries.

"**Control**" means the right to appoint and/or remove all or the majority of the members of the Issuer's Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be liable to any person for any failure to do so. The Trustee shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Bond is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

(H) Repurchase Procedures

Not less than 30 nor more than 60 days prior to the Holder's Put Date and promptly after becoming aware of, and in any event within seven days of, a Delisting or a Change of Control, the Company will provide sufficient information promptly to the Trustee in sufficient time to permit the Trustee to mail to each Bondholder a notice regarding such Holder's Put Right, Delisting Put Right or Change of Control Put Right, as the case may be. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and Clearstream, notice to Bondholders may be given by delivery of the relevant notice to Euroclear and Clearstream, for communication by them to entitled accountholders in substitution for notification as required by the foregoing sentence. Such notice shall state, as appropriate:

(i) The Holder's Put Date, the Delisting Put Date or the Change of Control Put Date, as the case may be (each, a "**Repurchase Date**");

(ii) in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;

(iii) in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;

(iv) the date by which the Repurchase Notice (as defined below) must be given;

(v) the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;

(vi) the names and addresses of all Paying Agents;

(vii) the Conversion Right of the Bondholders and the Conversion Price then in effect;

(viii) the Market Price on the most recent practicable Trading Day for which such Market Price can be provided;

(ix) the procedures that Bondholders must follow and the requirements that Holders must satisfy in order to exercise their repurchase rights and Conversion Right, as the case may be; and

(x) that a Repurchase Notice, once validly given, may not be withdrawn.

To exercise its right to require the Company to purchase the Bonds, the Bondholder must deliver a written irrevocable notice of the exercise of such right (a "**Repurchase Notice**") together with the applicable Certificated Bonds (if applicable) to any Paying Agent on any Business Day prior to the close of business at the location of such Paying Agent on such day and which day is not less than five Business Days prior to the Repurchase Date.

Payment of the Holder's Put Price upon exercise of the Holder's Put Right, the Delisting Put Price upon exercise of the Delisting Put Right or of the Change of Control Put Price upon exercise of the Change of Control Put Right, for any Bond for which a Repurchase Notice has been delivered is conditioned upon delivery of such Bond (including any Certificated Bonds, together with any necessary endorsements) to any Paying Agent on any Business Day together with the delivery of such Repurchase Notice, and shall be made promptly following the later of the Repurchase Date and the time of delivery of such Bond. If the Paying Agent holds on the Repurchase Date money sufficient to pay the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be (such money shall be deposited with the Paying Agents at least one Business Day prior to the applicable Repurchase Date), of Bonds for which Repurchase Notices have been delivered in accordance with the provisions of the Indenture, then, whether or not such Bond is delivered to the Paying Agent, on and after such Repurchase Date, (i) such Bond will cease to be outstanding; (ii) the interest (if any) on such Bond will cease to accrue; (iii) such Bond will be deemed paid; and (iv) all other rights of the Bondholder shall terminate (other than the right to receive the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be).

(I) Purchase and Cancellation

The Company or any Subsidiary may at any time and from time to time purchase Bonds in the open market or otherwise at any price. If purchases are made by tender, tenders must be available to all Bondholders alike. Any Bonds so purchased by the Company or any Subsidiary will be surrendered to the Principal Paying Agent for cancellation and will not be reissued.

9. Taxation

Subject to Condition 8(C), all payments of principal and premium and other amounts on the Bonds and all issuance of Shares on conversion of the Bonds will be made after any deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of (i) the government of the ROC or any taxing authority thereof or therein, (ii) any jurisdiction in which the Company is, for tax purposes, incorporated, organized or resident or doing business or (iii) any jurisdiction from or through which payment is made or deemed made, unless such deduction or withholding is required by law or by regulation or governmental policy having the force of law. In the event that any such deduction or withholding from any such payment is so required, the Company will pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the Bondholders of the amounts which would otherwise have been receivable in the absence of any such deduction or withholding, except that no Additional Amounts shall be payable in respect of any Bond:

(i) to a Bondholder or beneficial owner (or to a third party on behalf of a Bondholder or beneficial owner) where such Bondholder or beneficial owner is liable for such Taxes in respect of such Bond by reason of its being connected with the relevant taxing jurisdiction otherwise than merely by holding such Bond or by the receipt of principal or premium or any other amount in respect of any Bond or the enforcement of payment on such Bond;

(ii) to or on behalf of a Bondholder or beneficial owner to the extent that such Bondholder or beneficial owner would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other claims for exemption or deduction to the relevant tax authorities if such Bondholder or beneficial owner is eligible to make such declaration or claim and, after a written request from the Company, such Bondholder or beneficial owner fails to timely do so;

(iii) presented for payment more than 30 days after the relevant date except to the extent that the Bondholder or beneficial owner thereof would have been entitled to the Additional Amounts on presenting the same for payment on the last day of such 30-day period; or

(iv) to or on behalf of a Bondholder or beneficial owner if such Bondholder or beneficial owner would have been able to avoid the withholding or deduction by the presentation (where presentation is required) of the relevant Bond to, or otherwise accepting payment from, another paying agent in a member state of the European Union.

For this purpose the "**relevant date**" in relation to any Bond means (a) the due date for payment in respect thereof, or (b) if the full amount of the moneys payable on such due date has not been received by the Trustee and the Principal Paying Agent on or prior to such due date, the date on which notice is duly given to the Bondholders that such moneys have been so received.

Additionally, the obligation to pay such Additional Amounts shall not apply with respect to (i) any estate, inheritance, gift, sales, transfer or personal property tax or any similar taxes, duties, assessments or other governmental charges of similar nature or (ii) any taxes, duties, assessments or other governmental charges that are payable otherwise than by deduction or withholding from payments on the Bonds or issuance of Shares on conversion of the Bonds.

References in these Conditions to principal, premium and/or any other amounts which may be payable pursuant hereto or pursuant to the Indenture shall be deemed also to refer to any Additional Amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Indenture.

The Company will provide to the Trustee and Agents a certified copy of an official receipt (or, if official receipts are not obtainable, other documentation reasonably satisfactory to the Trustee) evidencing the payment of any applicable Taxes deducted or withheld. Copies of those receipts or other documentation, as the case may be, will be made available to the Bondholders upon written request.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or in connection with the Bonds or for

determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any) or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

The above obligations will survive termination, defeasance or discharge of the Indenture and will apply to any successor of the Company.

Any premium paid on redemption of the bonds will be deemed interest income for the purpose of ROC taxation.

10. Events of Default

(A) Events of Default

The Trustee, if so requested in writing by the Bondholders of not less than 25% in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (subject in each case to being indemnified and/or secured and/or pre-funded by the Bondholders to its satisfaction), give notice to the Company that the Bonds are immediately due and repayable at an amount equal to the principal amount of and premium (if any) on the Bonds as of the date of payment, if any of the following events shall have occurred and be continuing. An "**Event of Default**" occurs if:

(i) a default is made for more than three business days in the payment of principal or premium (if any) in respect of any of the Bonds when due;

(ii) a default is made by the Company in failing to give effect to a Conversion Right exercised by a Bondholder in accordance with the Indenture and such failure conditions continue for more than five business days;

(iii) a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the Indenture or in the Bonds on its part to be performed or observed (other than (i) the covenant to pay the principal amount or premium (if any) or any other amount, in respect of any of the Bonds and (ii) the covenant to give effect to a Conversion Right) and the default continues for the period of 30 days next following the service by the Trustee (acting on the instructions of the Holders) on the Company of written notice requiring such default to be remedied;

(iv) (a) any other present or future indebtedness of the Company or any Principal Subsidiary for or in respect of money borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of an event of default (however called) or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period originally provided for, or (c) the Company or any Principal Subsidiary fails to pay when due any amounts payable by it under any present or future guarantee, indemnity or similar obligation for any monies borrowed or raised, provided that the aggregate amount of the relevant indebtedness or amount payable in respect of which one or more of the events mentioned above in this paragraph (iv) have occurred equals or exceeds US$20 million (as reasonably determined on the basis of the middle spot rate for the relevant currency against the U.S. Dollar as quoted by any leading bank selected by the Company on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);

(v) a final judgment in an aggregate amount in excess of US$20 million is entered against the Company or any of its Principal Subsidiaries which results in a distress, attachment, execution or other legal process being levied, enforced or sued out on or against any part of the property, assets or revenues of the Company or any of its Principal Subsidiaries and is not discharged or stayed within 60 days;

(vi) a final judgment in an aggregate amount in excess of US$20 million is entered against the Company or any of its Principal Subsidiaries which results in any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any of its Principal Subsidiaries becoming enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person);

(vii) the Company or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Company or any of its Principal Subsidiaries; or an administrator or liquidator of the Company or any of its Principal Subsidiaries or the whole or any material part of the assets and turnover of the Company or any of its Principal Subsidiaries is appointed (or application for any such appointment is made);

(viii) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its Principal Subsidiaries (except for a members' voluntary solvent winding up of a Principal Subsidiary), or the Company or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (a) on terms approved by a resolution of holders holding not less than 75% of the principal amount of the outstanding Bonds or in the case of amalgamation, merger or consolidation, the Company or the Principal Subsidiary is the surviving entity, or (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Company or another of its Principal Subsidiaries;

(ix) any step is taken by any authorized person with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or a material part of the assets of the Company or any of its Principal Subsidiaries (and if capable of being remedied, is not remedied within 60 days);

(x) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Indenture, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Bonds and the Indenture admissible in evidence in the courts of the ROC is not taken, fulfilled or done (and if capable of being remedied, is not remedied within 60 days); and

(xi) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Bonds, the Indenture or the Agency Agreement (and if capable of being remedied, is not remedied within 60 days);

The Company will promptly notify the Trustee in writing of the occurrence of any Event of Default, specifying each such default and the nature and status thereof. The Trustee will not be deemed to have knowledge of the occurrence of any Event of Default. In addition, the Company will be required to furnish to the Trustee annually, and within 14 days at the request of the Trustee, a statement concerning the performance and observance of its obligations under the Bonds or the Indenture.

For the purposes of (iv) above, any indebtedness or obligation which is in a currency other than U.S. Dollars shall be translated into U.S. Dollars at the spot rate for the sale of U.S. Dollars against the purchase of the relevant currency quoted by any leading bank in the relevant market selected by the Company on any day when the Company requests such a quotation for such purposes.

For the purposes of (vi) above, "**Lien**" means any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any Subsidiary.

If any event specified in this Condition 10(A) shall occur upon the date on which notice as first mentioned in this Condition is given by the Trustee to the Company (the "**Default Notice Date**"), the principal of, interest and premium (if any) and other amounts on Bonds will become immediately due and payable on the Default Notice Date.

In case of (i) above, the amount due should be the principal of, and premium (if any) and other amounts on such Bonds as of the original due date and the default interest in accordance with Condition 7(F).

(B) Other Provisions

Subject to the provisions of the following five paragraphs, the Conversion Right attached to any Bonds shall survive the provision of the default notice and the acceleration of the payment of the Bonds pursuant to clause (ii) of this Condition 10.

Notwithstanding receipt of such payment, a Bondholder may exercise its Conversion Right by depositing a Conversion Notice with a Conversion Agent during the period from and including the Default Notice Date (as defined below) with respect to an event specified in this Condition 10 (at which time the Company will notify the Bondholders of the number of Shares per Bond to be delivered upon conversion, assuming all the then outstanding Bonds are converted) to and including the seventh business day thereafter.

If a converting Bondholder deposits a Conversion Notice pursuant to this Condition 10 on the business day prior to, or during, a Closed Period, the Bondholder's Conversion Right shall continue until the business day following the last day of the Closed Period which shall be deemed the Conversion Date, for the purposes of such Bondholder's exercise of its Conversion Right pursuant to this Condition 10.

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 10, the Company will issue Shares (which number will be disclosed to such Bondholders as soon as practicable after the Conversion Notice is given) in accordance with Condition 6(B)(iv), except that the Company shall have 12 business days before it is required to register the person designated in the Conversion Notice in the Company's register of shareholders as the owner of the number of Shares to be transferred pursuant to Condition 6(B)(iii).

For the purposes of this Condition 10, "**business day**" shall mean a day other than a Saturday or Sunday on which banks are open for business in Taipei, London and Hong Kong.

11. Prescription

Claims against the Company for payment of principal and premium and other amounts in respect of the Bonds will become prescribed unless made within 10 years from the relevant date for payment in respect thereof.

12. Enforcement

At any time after the Bonds shall have become immediately due and repayable, the Trustee may, at the written direction of the Bondholders holding not less than 25% in principal amount of the Bonds then outstanding, and without further notice, take such proceedings against the Company as it may think fit to enforce repayment of the Bonds together with premium, if any, with respect thereto and to enforce the provisions of the Indenture, but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the Bondholders of not less than 25% in principal amount of the Bonds then outstanding or so directed by an Extraordinary Resolution and (b) it shall have indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder will be entitled to proceed directly against the Company unless the Trustee, having become bound to do so, fails to do so for 60 days and such failure shall be continuing.

13. Meetings of Bondholders, Modification and Waiver

(A) Meetings; Modifications Requiring Extraordinary Resolution

The Indenture contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Indenture or the Agency Agreement. Such a meeting may be convened by the Company or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50% in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented.

Modifications and amendments of the Indenture or the Bonds may be made by the Company and the Trustee with the written consent of the Bondholders of not less than a majority in aggregate principal amount of the outstanding Bonds (and notice of such change shall be given to the Bondholders in accordance with Condition 15), unless the proposed modifications include, inter alia, (i) to modify the due date for any payment in respect of the Bonds, (ii) to change the Holder's Put Date, (iii) to reduce or cancel the principal amount or premium or any other amount payable in respect of the Bonds, or Settlement Equivalent payable in respect of the Bonds or changing the method of calculation of interest or Settlement Equivalent, (iv) to change the place or currency of payment of the Bonds, (v) to modify or cancel the Conversion Rights, or (vi) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66%, or at any adjourned such meeting not less than 33%, in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Indenture provides that a written resolution signed by or on behalf of the Bondholders of not less than 90% of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

The Indenture defines "**Extraordinary Resolution**" to mean a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions of the Indenture by a majority consisting of not less than three-quarters of the votes cast thereon.

(B) Modifications without Consent

The Company, the Trustee and the Principal Paying Agent may enter into one or more indenture or indentures supplemental to the Indenture or the Agency Agreement for any of the following purposes: (i) to evidence the succession of another corporation to the Company and the assumption by such successor of the covenants and obligations of the Company under the Indenture and in, or with respect to, the Bonds, in the event of any merger, consolidation or other action in accordance with Condition 6(D) and Article 6 of the Indenture; or (ii) to add to the covenants of the Company for the benefit of the Holders of Bonds; or (iii) to surrender any right or power conferred upon the Company; or (iv) to reduce the Conversion Price then in effect; or (v) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision therein or which is otherwise defective, or to make any other provisions with respect to matters or questions arising under the Indenture which shall not be inconsistent with the provisions of the Indenture, provided, such action pursuant to this clause (v) shall not adversely affect the interest of the Bondholders; or (vi) to make any modification of the Bonds, the Indenture or the Agency Agreement of a formal, minor or technical nature or necessary in the opinion of the Trustee to correct a manifest error or, upon advice of counsel, to comply with mandatory provisions of ROC law, provided, such action pursuant to this clause (vi) shall not adversely affect the interest of the Bondholders. Any such modification, waiver or authorization will be binding on all of the Bondholders and upon all future Bondholders and, unless the Trustee agrees otherwise, any such modification will be notified to the Bondholders by the Company in accordance with Condition 15 as soon as practicable thereafter.

(C) In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorization or determination), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Indenture. The Trustee is entitled to obtain and rely on a legal opinion or officers' certificate regarding the compliance of this Condition 13(B).

14. Replacement of Certificated Bonds

The Indenture includes provisions for the replacement of any mutilated, defaced, destroyed, stolen or lost Certificated Bonds at the specified office of the Registrar or at the specified office of any Paying Agent, including, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, the Singapore office of a Paying Agent, upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company and the Registrar may require. Mutilated or defaced Certificated Bonds must be surrendered before replacements will be issued.

In the event any such mutilated, destroyed, lost or stolen Certificated Bond has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Certificated Bond, pay such Bond.

15. Notices

Notices to Bondholders shall be validly given if in writing in English and mailed by first class mail to them at their respective addresses in the Bond Register. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear or Clearstream, or the Alternative Clearing System (as defined in Condition 18(F)), notices to holders of the Bonds will be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the foregoing sentence. Any such notice shall be deemed to have been given on the later of such delivery and the seventh day after being so mailed.

In addition, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, notice shall be published, at the Company's expense, either in a newspaper having general or wide circulation in Singapore or on the Internet site of the SGX-ST (*www.sgx.com*). Any such notice shall be deemed to have been given on the date of such publication.

The Company shall cause to be filed with the Trustee, and shall cause to be given to all Bondholders (A) at least seven days prior to the applicable record date (or date of submission to a meeting of the shareholders or directors of the Company for their approval, if such approval is required), if the Company shall (i) declare a dividend (or other distribution) on its Shares payable otherwise than in cash out of its retained earnings, or (ii) authorize the grant to the holders of its Shares of options, rights or warrants to subscribe for or purchase any Shares in the authorized capital of any class or of any other rights, (B) at least 20 days prior to the applicable record date, upon (i) a reclassification of the Shares (other than a subdivision or combination of its outstanding Shares), or of any consolidation, merger or share exchange to which the Company is a party and for which approval of any shareholders of the Company is required, or of any tender or exchange offer by the Company or any Subsidiary for all or any of the Shares, or of the conveyance, lease, sale or transfer of all or substantially all of the assets of the Company, or (ii) the voluntary or involuntary dissolution, liquidation or winding up of the Company, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, rights, options or warrants, or, if a record is not to be taken, the date as of which the holders of Shares of record to be entitled to such dividend, distribution, rights, options or warrants are to be determined, or (y) the date on which such reclassification, consolidation, merger, share exchange, tender or exchange offer, conveyance, lease, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Shares of record shall be entitled to exchange their Shares for securities, cash or other property deliverable upon such reclassification, consolidation, merger, share exchange, tender or exchange offer, conveyance, lease, sale, transfer, dissolution, liquidation or winding up, and (C) within five business days of the occurrence of an event after which the Company is obligated to provide notice pursuant to Condition 6(A).

For the purposes of this Condition, "**business day**" means a day other than a Saturday or Sunday on which banks are open for business in Taipei.

16. Indemnification

The Indenture contains provisions for the indemnification of the Trustee, its officers, employees and agents and for its relief from responsibility, including provisions relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Indenture, the Agency Agreement and/or these Conditions and in respect of the Bonds and to enforce repayment or taking other actions, steps and/or proceedings unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid or reimbursed for its fees, costs, expenses and indemnity payments and any liabilities incurred by it in priority to the claims of Bondholders.

17. Governing Law and Jurisdiction

The Indenture, the Agency Agreement and the Bonds are governed by, and shall be construed in accordance with, the laws of the State of New York. In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Agency Agreement and the Bonds, the Company has in the Indenture or the Agency Agreement, as the case may be, irrevocably submitted to the

jurisdiction of the State of New York and United States Federal courts sitting in the Borough of Manhattan, the City of New York. The Company has appointed Law Debenture Corporate Services, as its agent for service of process.

18. The Global Bond

The Global Bond contains provisions which apply to the Bonds in respect of which the Global Bond is issued, some of which modify the effect of the Conditions. The following is a summary of those provisions.

(A) Meetings

The registered Holders of the Global Bond will have one vote in respect of each US$100,000 in principal amount of Bonds for which the Global Bond are issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Bond has been issued to attend and speak at a meeting of Bondholders on appropriate proof of its identity and interest.

(B) Cancellation

Cancellation of any Bond following its redemption, repurchase, conversion or purchase by the Company will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

(C) Trustee's Powers

In considering the interests of Bondholders, while the Global Bond is registered in the name of a nominee for a clearing system, the Trustee may, without being obliged to do so, have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to Bonds and may consider such interests as if such accountholders were the Bondholders.

(D) Conversion

Subject to the requirements of Euroclear and Clearstream, the Conversion Right attaching to a Bond in respect of which the Global Bond is issued may be exercised by the presentation to or to the order of the Principal Conversion Agent or to any Conversion Agent of one or more Conversion Notices duly completed by or on behalf of a Holder of a book-entry interest in the Bond. Such Conversion Notice is obtainable at, or may be delivered by, the Principal Conversion Agent or any Conversion Agent. Deposit of the Global Bond with the Conversion Agent together with the relevant Conversion Notice shall not be required. The Principal Conversion Agent or such other Conversion Agent shall notify the Registrar and the Holder of the Global Bond of the exercise of the Conversion Right.

(E) Payment

Payments in respect of Bonds, including the principal amount and any premium or other amount, represented by the Global Bond will be made without presentation or, if no further payment is to be made in respect of the Bonds, against presentation and surrender of the Global Bond to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

(F) Notices

So long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear, Clearstream or any Alternative Clearing System as shall have been designated by the Trustee (the "**Alternative Clearing System**"), notices to Bondholders may be given by delivery of the relevant notice to Euroclear, Clearstream, or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions except that, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, notices shall also be published either in a newspaper having general or wide circulation in Singapore or on the Internet site of the SGX-ST (*www.sgx.com*).

(G) Certificated Bonds

Certificated Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Bond is issued, except where (i) the Common Depositary or any successor to the Common Depositary notifies us in writing that it is at any time unwilling or unable to continue as a depositary or if at any time it is no longer eligible to act as the Common Depositary for the Global Bond and a successor depositary is not appointed by us within 90 days, (ii) either Euroclear or Clearstream (or the Alternative Clearing System in which the Bonds evidenced by the Global Bond may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (iii) if any of the Bonds shall have become due and payable in accordance with Condition 10.

(H) Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear or Clearstream and their respective participants in accordance with the rules and procedures of Euroclear or Clearstream and their respective direct and indirect participants.

(I) Enforcement

For the purposes of enforcement of the provisions of the Indenture against the Trustee, the persons named in a certificate of the Holder of the Bonds in respect of which the Global Bond is issued shall be recognized as the beneficiaries of the trusts set out in the Indenture, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the Holder, as if they were themselves the Bondholders in such principal amounts.

Trustee and Agents

Citicorp International Limited is the Trustee and Citibank, N.A., London Branch is the Registrar and Principal Agent. Citicorp International Limited and Citibank, N.A., London Branch, in each of its respective capacities, including without limitation as Trustee, Registrar and Principal Agent, assumes no responsibility for the accuracy or completeness of the information concerning us or our affiliates or any other party contained in this document or the related documents or for any failure by us or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information.

Except during the continuance of an Event of Default, the Trustee will not be liable, except to the extent of its own gross negligence, bad faith or willful misconduct, for the performance of such duties as are specifically set forth in the Indenture and no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Trustee will be under no obligation to exercise any of its discretions, rights or powers under the indenture at the request of any holder, unless such holder shall have offered to the Trustee security and/or indemnity and/or pre-funding satisfactory to it against any loss, liability, tax, cost or expense. The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may refrain from taking any action if it would render it liable to any person in any jurisdiction or if, in its opinion based upon legal advice, it would not have the power to take such action in that jurisdiction by virtue of any applicable law or if it is determined by any court or other competent authority in that jurisdiction that it does not have the power to take such action.

Whenever the Trustee is required or entitled by the terms of the Indenture, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from taking any such action, making any such decision or giving any such direction, to seek directions

from the Bondholders by way of Extraordinary Resolution or clarification of any directions, and the Trustee shall be entitled to rely on any such directions or clarification and shall not be responsible or liable for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from taking such action, making such decision or giving such direction as a result of seeking such direction or clarification of any directions from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholders.

The Trustee and the Agents may rely conclusively without liability to Bondholders, the Issuer or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to rely conclusively on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer and the Bondholders.

The Trustee and the Agents shall be entitled to rely conclusively on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Indenture or passed as further provided in the Indenture. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default has occurred or to monitor compliance by the Issuer with the provisions of the Indenture, the Agency Agreement or these Conditions and shall not be liable to the Bondholders or any other person for not doing so.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and their respective Subsidiaries, and the Trustee shall not at any time have any responsibility or liability for the same and each Bondholder shall not rely on the Trustee in respect thereof.

Pursuant to the terms of the Indenture, we will reimburse the Trustee, Registrar and Principal Agent for all fees, costs, taxes and expenses. The Indenture contains limitations on the rights of the Trustee, should it become our creditor, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee and its affiliates are entitled and permitted to engage in other transactions with the Issuer and/or any entity related (directly or indirectly) to the Issuer, including normal banking and trustee relationships, without accounting for any profit. With respect to notices to holders of a beneficial interest in the Global Bond, such notices would be deemed to have been provided to such holders if the notices are sent to the clearing systems for dispatching to the holder.

TRANSFER RESTRICTIONS OF THE BONDS

Transfer Restrictions

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds or the Common Shares issuable upon conversion of the Bonds.

The Bonds may not be offered or sold directly or indirectly in the ROC. The Bonds and the Common Shares issuable upon conversion of the Bonds have not been registered under the Securities Act and the Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Therefore, the Bonds are being offered and sold outside the United States in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

Except in certain limited circumstances, interests in the Bonds may only be held through interests in the Global Bond. Such interests in the Global Bond will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants.

Each purchaser of the Bonds, by accepting delivery of the Bonds, will be deemed to have acknowledged and represented to and agreed as follows (terms used herein that are defined in Regulation S are used as defined therein):

1. The Bonds and the Common Shares issuable upon conversion of the Bonds have not been and are not expected to be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer.

2. The Bonds will bear legends to the following effect, unless the Company determines otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

   THE BONDS ("**BONDS**") EVIDENCED HEREBY AND THE COMMON SHARES OF YAGEO CORPORATION ("**YAGEO**") ISSUABLE UPON CONVERSION OF THE BONDS HAVE NOT BEEN AND ARE NOT EXPECTED TO BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED.

3. Each purchaser of Bonds that may wish to resell any Bonds pursuant to Regulations S is advised that approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST is a "designated offshore securities market" (within the meaning of Regulation S) and accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbor provided by Rule 904 of Regulation S, subject to compliance with the conditions of Rule 904.

DESCRIPTION OF COMMON SHARES

*Set forth below is certain information relating to our capital stock, including brief summaries of certain provisions of our Articles of Incorporation, the Securities and Exchange Law of the ROC (the "**ROC Securities and Exchange Law**") and the regulations promulgated thereunder, and the Company Law of the ROC (the "**ROC Company Law**").*

General

As of the date of this offering Circular, our authorized share capital registered with the MOEA was NT$40,000,000,000, and our paid-in share capital was NT$4,302,570,560, divided into 430,257,056 Shares with a par value of NT$10 per share. Any change in the authorized share capital of a public company limited by shares, such as us, requires an amendment to our Articles of Incorporation (which requires approval at a shareholders' meeting). Authorized but unissued shares may also be issued at such times and, subject to the provisions of the applicable laws and the approval of, or registration with, the MOEA and the FSC, upon terms that our board of directors may determine. Except as disclosed in this Offering Circular, we do not as of the date of this Offering Circular have any equity in any other form such as preference shares, preferential subscription rights, exchangeable debt securities or warrants other than the Shares.

All issued and outstanding Shares are fully paid and in registered form.

Pre-Emptive Rights and Issue of New Shares

The ROC Company Law provides that between 10% to 15% of any newly-issued shares must be offered first to the issuing company's employees except in certain limited circumstances. In addition, the ROC Securities and Exchange Law and the relevant securities regulations require that if a public company listed on the TWSE or whose shares are traded on the Taipei Exchange, formerly known as GreTai Securities Market, intends to offer new shares for cash, at least 10% of the issue must be offered to the public, except under certain circumstances or when exempted by the FSC. This percentage can be increased by a resolution passed at a shareholders' meeting, which will reduce the number of new shares to which existing shareholders may have pre-emptive right. Unless the percentage of the shares offered to the public is increased by a resolution, our existing shareholders have a pre-emptive right to acquire the remaining 75% to 80% of the issue in proportion to their existing shareholdings. The shares not subscribed for by the employees or the shareholders at the expiration of the period for the exercise of their rights, may be freely offered by the company (subject to ROC law) to the general public by means of a public offering or to specified persons at the direction of our board of directors.

Transfer of Shares

Shares (in registered form) are transferred by endorsement and delivery of the related share certificates. However, settlement of trading of share of a listed company, such as our company, is generally carried out on the book-entry system maintain by the Taiwan Depository & Clearing Corporation, or TDCC. Transferees must have their names and addresses registered on our shareholder's register in order to assert shareholder's rights against us. Shareholders are required to register their respective specimen seals or chops with our share registrar.

Shareholders' Meetings

Our annual ordinary shareholders' meetings are usually held in New Taipei City, Taiwan, or an alternative location within the ROC as determined by our Board of Directors, within six months following the end of our fiscal year. Notice in writing of our annual ordinary shareholders' meetings stating the place, time and agenda thereof must be dispatched to each shareholder at least 30 days prior to the date set for the meeting. Special meetings of our shareholders may be convened by resolution of our Board of Directors, or by our shareholders under certain circumstances. Special meetings of our shareholders may also be convened by any of our supervisors when the Board of Directors does not or cannot convene a shareholders' meeting and/or such a meeting is necessary for the benefit of the shareholders.

Notice in writing of such special meetings stating the place, time and agenda thereof must be dispatched to each shareholder at least 15 days prior to the date set for the meeting. Notice of the shareholders' meetings shall also be published on the MOPS in accordance with the Taiwan Stock Exchange Corporation Regulations Governing Information Reporting by Listed Companies.

Voting Rights

Each Share is entitled to one vote. Except as otherwise provided by ROC law, a resolution may be adopted by the holders of a majority of our issued and outstanding Shares represented at a shareholders' meeting at which a majority of the holders of our issued and outstanding Shares are present. Notwithstanding the above, in order to approve certain major corporate actions, including (a) any amendment to our Articles of Incorporation (which is required in respect of, inter alia, any increase in authorized share capital and any changes in the rights of different classes of shares), (b) entering into, modification or termination of any contract regarding leasing all our business, outsourcing our operations or forming joint operations with others, (c) our dissolution, amalgamation or spin-off, the transfer of all or a material part of our business or our property, (d) the taking over of the whole of the business or property of any other entity which would have a significant impact on our operations, and (e) the distribution of any stock dividend, a resolution has to be approved by the holders of at least a majority of our Shares represented at a meeting of shareholders with a quorum of holders of at least two-third of the issued and outstanding Shares.

Our shareholders may be represented at an ordinary or a special shareholders' meeting by proxy if a valid proxy form is delivered to us at least five days before the date fixed for the ordinary or special shareholders' meeting. Voting rights attached to our Shares exercised by our shareholders' proxies are subject to the proxy regulations promulgated by the FSC.

Any shareholder who has a personal interest in a matter to be discussed at our shareholders' meeting, the outcome of which may impair our interests, shall not vote or exercise voting rights on behalf of another shareholder on such matter.

Registration of Shareholders

With respect to shareholders who have opened book-entry accounts at the TDCC, our register of such shareholders is maintained by the database of the TDCC. With respect to shareholders who have not opened TDCC book-entry accounts, our share registrar, MasterLink Securities Corporation, maintains the register of our shareholders at its offices located at 1F-3F, No. 209, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City 106, Taiwan, and enters transfers of shares in such register upon presentation of, among other documents, certificates representing the shares transferred.

For the purpose of determining certain rights, including right to dividends attached to the Shares, the ROC Company Law provides that the register of shareholders be closed for a period of 60 days, 30 days and five days immediately before the date of each ordinary shareholders' meeting, each special shareholders' meeting and the record date for a dividend distribution, respectively.

Annual Financial Statements

Under the ROC Company Law, 10 days before our ordinary shareholders' meeting, the statements and records of accounts prepared by the board of directors and the report made by the supervisors must be made available at our registered office in New Taipei City for inspection by our shareholders. According to the regulations of the FSC, we are required to publish our annual and quarterly financial statements on a consolidated basis.

Dividends and Distributions

Except under limited circumstances as permitted by the ROC Company Law, an ROC company is not permitted to distribute dividends or make any other distributions to shareholders for any year in which the company does not have current or retained earnings (excluding reserves). In addition, before distributing a dividend or making any other distribution to shareholders, a company must pay all outstanding taxes, recover any past losses, and set aside a reserve, referred to as the "Legal Reserve", at 10% of its earnings until such time as its accumulated Legal Reserve equals the amount of its total paid-up capital. In addition, a company may set aside a special reserve in accordance with its articles

of incorporation or resolutions of the shareholders' meeting. Subject to compliance with these requirements, a company may pay dividends from its earnings or make other distributions from its reserves as set forth below.

In addition to permitting dividends to be paid out of current or retained earnings, the ROC Company Law also permits a company to make distributions to its shareholders in the form of additional shares of capital stock from recapitalization of reserves (including the Legal Reserve and the capital surplus of premium from issuing stocks and earnings from gifts received, referred to as the "**Capital Reserve**"). In the case of a company's Capital Reserve, subject to the ROC Securities and Exchange Law and applicable FSC regulations, 100% of the capital reserves may be recapitalized through stock distributions to shareholders. In the case of a company's Legal Reserve, however, the recapitalized portion payable out of such Legal Reserve can only be effected when the accumulated Legal Reserve exceeds 125% of the paid-in capital of the company.

Under the ROC Company Law, following approval at the shareholders' meeting, dividends are paid to shareholders from a company's current or retained earnings, Legal Reserves or Capital Reserve (subject to compliance with the above requirements), in proportion to the number of shares owned by each shareholder as listed on the register of shareholders as of the relevant record date. Dividends declared out of earnings may also be distributed either in cash or in the form of common stock or a combination thereof. The ratio between any cash dividend and stock dividend is determined by the shareholders at a shareholders' meeting. Stock dividends are delivered to the persons whose names are recorded as shareholders in the shareholders' register at the relevant record date. Notices of such persons' entitlements to stock dividends are delivered by post notifying them of the place and date to collect the relevant share certificates or requesting them to designate an account under their names to which such stock dividends will be delivered. In respect of cash dividends, the company will notify the shareholders and make the payments in check or wire transfer to such accounts as may be designated by the shareholders.

Our Articles of Incorporation provide that, in principle, at least 10% of the remaining portion of the net income, less prior years' losses, outstanding taxes, the legal reserve and any special reserve will be distributed as dividends to shareholders. In addition, pursuant to our Articles of Incorporation, prior to distributing any dividends to our shareholders, we were required to first distribute (i) not less than 2% of the distributable earnings to employees as bonuses and (ii) not more than 3% of the distributable earnings to directors as compensation. The employees' bonuses may, subject to a resolution of the board of directors, be distributed to employees in way of cash or shares and the directors' compensation should be distributed in way of cash. Pursuant to Articles of Incorporation, we are allowed to distribute dividends to our shareholders semiannually.

No dividend or distribution shall bear interest against the Company. Upon the date of declaration, we typically remit dividends into a special bank account, and the bank agency will transfer dividends to each shareholder's designated account. In limited cases, we also distribute dividends with non-negotiable notes by registered mails. If a shareholder fails to provide the correct bank account or address for the wire transfer or registered mail and thus is unable to receive dividends, such dividends will remain as a debt due to the shareholder. Any dividend which remains unclaimed after five years from the date of declaration shall be forfeited and returned to us.

For information on the dividends paid by us in recent years, see "Dividends and Dividend Policy". For information as to ROC taxes on dividends and distributions, see "Taxation — ROC Taxation".

Acquisition of Our Shares by Us

With minor exceptions, we cannot acquire our own Shares under the ROC Company Law. However, under the ROC Securities and Exchange Law, we may by a board resolution adopted by majority consent at a meeting with two-thirds of our Directors present, purchase up to 10% of our issued and outstanding Shares on the TWSE or by a tender offer, in accordance with the procedures prescribed by the FSC, for the following purposes:

(i) to transfer Shares to our employees;

(ii) to convert bonds with warrants, preferred shares with warrants, convertible bonds, convertible preferred shares or certificates of warrants issued by us into the Shares; and

(iii) if necessary, to maintain our credit and our shareholders' equity provided that the Shares so purchased shall be cancelled thereafter.

In addition, we may not spend more than the aggregate amount of the retained earnings, the premium from issuing Shares and the realized portion of the capital reserve to purchase our Shares.

We may not pledge or hypothecate any purchased Shares. In addition, we may not exercise any shareholders' rights attached to such Shares. In the event that we purchase our Shares on the TWSE, our affiliates, Directors, supervisors, and their respective spouses and minor children and/or nominees are prohibited from selling any of our Shares during the period in which we purchase our Shares.

Liquidation Rights

Pursuant to the ROC Company Law, in the event of our liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and distributions to holders of preferred shares, if any, will be distributed pro rata to our shareholders.

Other Rights of Shareholders

Under the ROC Company Law, dissenting shareholders are entitled to appraisal rights in the event of a spin-off or a merger and various other major corporate actions. Dissenting shareholders may request us to redeem all their shares at a fair price to be determined by mutual agreement. If no agreement can be reached, the valuation will be determined by a court. Subject to applicable law, dissenting shareholders may, among other things, exercise their appraisal rights by notifying us before the related shareholders' meeting and/or by raising and registering their dissent at the shareholders' meeting.

One or more shareholders who have held more than 3% of the issued and outstanding Shares for more than one year may require our board of directors to call a special shareholders' meeting by sending a written request, setting forth therein the agenda for discussion and the reasons, to our board of directors. The ROC Company Law allows shareholders holding 1% or more of the total issued shares of a company to submit, during the period of time prescribed by the company, one proposal in writing for discussion at the ordinary meeting of shareholders. The ROC Company Law also provides that a company may adopt a nomination procedure for election of directions or supervisors. If a company wishes to adopt the nomination procedure, it must be stipulated in its articles of incorporation. With such provision in the articles of incorporation of a company, shareholders representing 1% or more of the total issued shares of such company may submit a candidate list along with relevant information and supporting documents to the company within the period prescribed by the company. Our Articles of Incorporation currently offer such nomination procedure.

TAXATION

Prospective investors should consult their own advisers concerning the tax consequences of an investment in the Bonds, the GDSs or Shares.

ROC Taxation

The following summary addresses the principal ROC tax consequences of the ownership and disposition of the Bonds, GDSs or Shares by a non-resident individual or non-resident entity that holds such Bonds, GDSs or Shares (each a "**Non-ROC Holder**"). A "non-resident individual" (a "**Non-ROC Individual Holder**") is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year in which he or she owns the Bonds, GDSs or Shares and a "non-resident entity" (a "**Non-ROC Entity Holder**") is a corporation or a non-corporate body that is organized under the laws of a jurisdiction other than the ROC and does not have a fixed place of business or business agent in the ROC.

Conversion of Bonds

The conversion of Bonds into Shares will not be taxable to Non-ROC Holders under ROC income tax law, i.e., you will generally not recognize gain or loss on the conversion of your Bonds into the Shares except to the extent of cash received in lieu of a fractional Share. The amount of gain or loss you recognize on the receipt of cash in lieu of a fractional Share will be equal to the difference between the amount of cash you receive in respect of the fractional Share and the portion of your adjusted tax basis in the Bonds allocable to the fractional Share. The tax basis of the Shares received upon a conversion of a Bond will equal the adjusted tax basis of the Bond that was converted (excluding the portion of the tax basis allocable to any fractional Share).

In addition, securities transaction tax, gift tax and/or income tax may be imposed in relation to the converting holder's designation of other person to be the holder of Shares upon conversion of the Bonds.

Dividends

Dividends (whether in cash or Shares) declared by the Company out of its retained earnings and distributed to a Non-ROC Holder in respect of the Shares are ROC sourced income and therefore subject to ROC withholding tax, currently at the rate of 21%, on the amount of the distribution (in the case of cash dividends) or on the par value of the Shares (in the case of stock dividends) unless a lower withholding rate is provided under an applicable tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident. A 10% undistributed earnings tax was imposed on an ROC company for its after-tax earnings generated after January 1, 1998 which were not distributed in the following year. The undistributed earnings tax was reduced to 5% on January 1, 2018. The undistributed earnings tax so paid will further reduce the retained earnings available for future distribution. Distributions of stock dividends declared by the Company out of its capital reserves are not subject to withholding tax, except under limited circumstances.

Capital Gains

Sales of the Bonds or GDSs by Non-ROC Holders are regarded as transactions relating to property located outside the ROC and thus any resultant gains are currently not subject to ROC income tax. Non-ROC Holders are exempt from income tax on capital gains from the sale or disposal of the Shares. Payments of principal on the Bonds made by the Company will not be subject to ROC withholding tax. Payments of premium (if any ever becomes payable on the Bonds) to a Non-ROC holder constitute interest income derived from the ROC and, therefore, are subject to ROC withholding tax at a rate of 15% at the time of payment unless a lower withholding rate is provided under a tax treaty between ROC and the jurisdiction where the Non-ROC holder is a resident. The Company has agreed to pay Additional Amounts in respect of the withholding tax on such payments. See "Description of the Bonds — Taxation."

Securities Transaction Tax

Securities transaction tax will be withheld at the rate of 0.3% of the transaction price upon a sale of the Shares. Nevertheless, transfers of the Bonds or GDSs by Non-ROC Holders are not subject to ROC securities transaction tax.

Pre-emptive Rights

Distributions of statutory subscription rights for the Shares in compliance with the ROC Company Law are not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transaction tax, currently at the rate of 0.3% of the gross amount received. Non-ROC Holders remain exempt, after January 1, 2013, from income tax on capital gains from such sale. Proceeds derived from sales of statutory subscription rights which are not evidenced by securities are subject to income tax at the rate of 20% of the gains realized. Subject to compliance with ROC laws, the Company has the sole discretion to determine whether statutory subscription rights shall be evidenced by the issuance of securities.

Estate Tax and Gift Tax

Subject to allowable exclusions, deductions and exemptions, ROC estate tax is payable on any property located within the ROC of a deceased Non-ROC Individual Holder, and ROC gift tax is payable on any property located within the ROC donated by a Non-ROC Individual Holder. Estate tax and gift tax are currently imposed at the progressive rates of 10%, 15% and 20%. Under ROC estate and gift tax law, the Shares are deemed located within the ROC regardless of the location of the owner. Nevertheless, it is unclear whether a holder of the Bonds or GDSs will be considered to own the Shares for this purpose.

Tax Treaties

At present, the ROC has income tax treaties with Singapore, Indonesia, South Africa, Australia, New Zealand, Vietnam, Gambia, Eswatini, Malaysia, North Macedonia, the Netherlands, UK, Senegal, Sweden, Belgium, Denmark, Israel, Paraguay, Hungary, France, India, Slovakia, Switzerland, Germany, Thailand, Kiribati, Luxembourg, Austria, Italy, Japan, Canada, and Poland, which limit the rate of withholding tax on dividends or interest paid by ROC companies to residents of these countries. Holders of the Bonds, GDSs or Shares should consult their own tax advisers concerning their eligibility for benefits under an income tax treaty with respect to the Bonds, GDSs or Shares.

PLAN OF DISTRIBUTION

The Company and the Initial Purchasers named below have entered into a Purchase Agreement dated May 19, 2020 with respect to the Bonds. Subject to certain conditions set forth in the Purchase Agreement, the Initial Purchasers have agreed to purchase the number of Bonds indicated in the following table.

Initial Purchasers	Aggregate Principal Amount of the Bonds
Citigroup Global Markets Limited	US$ 90,000,000
UBS AG, Hong Kong Branch	US$ 90,000,000
Total	US$180,000,000

The Purchase Agreement provides that the obligations of the Initial Purchasers are subject to certain conditions precedent, and entitles the Initial Purchasers to terminate it in certain circumstances prior to payment being made to the Company.

The purchase price at which the Company agrees to sell to the Initial Purchasers, and the Initial Purchasers agree to purchase from the Company, the Bonds, will be the aggregate principal amount of the Bonds to be issued. The Initial Purchasers propose to offer the Bonds at the Offering Price. After the Bonds are released for sale, the Initial Purchasers may change the Offering Price and the other selling terms.

The Initial Purchasers or their respective affiliates may purchase the Bonds for their own account and enter into transactions, including (i) credit derivatives including asset swaps, repackaging and credit default swaps relating to the Bonds and/or our securities or (ii) equity derivatives and stock loan transactions relating to the Common Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counter-parties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Certain of the Initial Purchasers or their respective affiliates may purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes and not with a view to distribution. No disclosure will be made of any such positions. These transactions may involve a substantial portion of the Bonds.

The Bonds and the Common Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act. None of the Initial Purchasers, their respective affiliates, or any persons acting on its or their behalf have engaged or will engage in any "directed selling efforts" (as defined in Regulation S) with respect to the Bonds or the Common Shares. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST.

Each of the Initial Purchasers has acknowledged and agreed that no action has been or will be taken in any jurisdiction by it that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Securities, or possession or distribution of this Offering Circular, in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required, except such actions as may be required under State securities or Blue Sky laws of the United States in connection with the purchase and distribution of the Bonds by or for the account of such Initial Purchaser. Each of the Initial Purchasers will not offer, sell or deliver any Bonds in any jurisdiction outside of the United States except under circumstances that will result in compliance with the applicable laws thereof, and that it will take at its own expense whatever action is required to permit its purchase and resale of such Bonds in such jurisdictions.

The Bonds are being sold outside of the United States to non-U.S. persons in reliance on Regulation S.

United States

Each of the Initial Purchasers acknowledges that the Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Such Initial Purchaser further represents that neither it, nor any of its respective affiliates, nor any persons acting on its behalf has engaged or will engage in any "directed selling efforts" (as defined in Regulation S) with respect to the Bonds or the Shares. Such Initial Purchaser further acknowledges that the Bonds are being sold in accordance with Regulation S.

United Kingdom

Each of the Initial Purchasers: (i) (A) is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (B) has not offered or sold and will not offer or sell the Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of its businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of its businesses where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act of 2000 (the "**FSMA**") by the Company; (ii) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and (iii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Initial Purchasers has not (i) offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (A) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (B) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each of the Initial Purchasers acknowledges that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser represents and agrees that this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the securities or securities-based derivatives contracts (each term as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Singapore SFA Product Classification — In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the GDSs are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

Each of the Initial Purchasers agrees that the Bonds have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**"), and it has not offered or sold and will not offer or sell, directly or indirectly, the Bonds in Japan or to or for the account of any resident of Japan, except (A) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and **(B)** in compliance with any other applicable requirements of Japanese law.

France

Each of the Initial Purchasers acknowledges and agrees that offers and sales of the Bonds will only be made in France to a limited number of investors (cercle restreint d'investisseurs) acting for its own accounts and/or qualified investors (investisseurs qualifies) acting for its own accounts, in each case in accordance with Article L.411-2 of the Code Monetaire et Financier and Decret no. 98-880 dated October 1, 1998; and that this Offering Circular has not been and will not be submitted to the Commission des Operations de Bourse. Neither this Offering Circular nor any other offering material will be distributed to the public in France and neither the Bonds nor the Common Shares will be offered or sold, directly or indirectly, to the public in France.

Netherlands

Each of the Initial Purchasers represents and agrees that it has not offered, transferred, delivered or sold and will not offer, transfer, deliver or sell any Bonds or Common Shares in or from Netherlands as part of its initial distribution or as part of any re-offering, and that it will not distribute this Offering

Circular or any other document in respect of the offering in or from the Netherlands, other than to individuals or legal entities, who or which trade or invest in securities in the conduct of its profession or trade (which include banks, investment banks, securities firms, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises). In addition, transfer requirements may apply to Bonds that qualify as savings certificates as defined in the Savings Certificates Act (Wet inzake spaarbewijzen).

Italy

Each of the Initial Purchasers represents and agrees that this Offering Circular does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This Offering Circular has not been submitted to the clearance procedure of Commissione Nazionale per le Societa e la Borsa ("**CONSOB**") and may not be used in connection with any offering of the notes in Italy other than to "Professional Investors," as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998, or in such other circumstances where an exemption from compliance with the solicitation restrictions under Legislative Decree No. 58 of February 24, 1998 or CONSOB Regulation No. 11971 of May 14, 1999 applies.

People's Republic of China

Each of the Initial Purchasers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

European Economic Area — PRIIPS

Each of the Initial Purchasers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); and/or

(b) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Republic of China

Each of the Initial Purchasers has not offered or sold, and agrees not to offer or sell, any Bonds, directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

Under applicable ROC laws and regulations, we and the Initial Purchasers are prohibited from offering and selling the Bonds to the "related parties" as set forth in the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the persons as specified in Section 36 of the ROC Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms. Therefore, each subscriber or purchaser of the Bonds described in this offering memorandum will be deemed to have acknowledged and represented to us and the Initial Purchasers that he, she or it is not: (a) a related party to us, (b) a business entity that is invested by us using equity method in our accounting reporting, (c) a business entity that invests in our company and uses equity method in its accounting reporting, (d) a company whose chairperson of the board or president is the same as that of our company or is the spouse thereof, (e) a foundation with one-third of its total paid-in funds donated by us, (f) our director, president, vice-president, assistant vice president, and other department head under the immediate supervision by our president, (g) a spouse of our director or president, (h) a director or employee of any member of the underwriting syndicate or a spouse thereto, and (i) a person subscribing for the Bonds on behalf of or for the benefit of any person set forth in items (b) to (h) above.

The Company has agreed with the Initial Purchasers during a period beginning at the date and time the Purchase Agreement was executed and delivered to the parties thereto and ending 90 days

from the date hereof, not to lend, offer, sell or contract to sell, grant any option to purchase, pledge, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to (1) swap or other agreements that transfer to another, in whole or in part, any of the economic consequences of ownership of Common Shares of the Company or (2) cash settlement or otherwise) by the Company or any of its affiliates or any person in privity with the Company or any of its affiliates) directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position, or announce the offering of, any other shares of the Company's common stock or any securities convertible into, or exchangeable for, shares of the Company's common stock, without the prior written consent of the Initial Purchasers; *provided, however,* that, the Company may (i) issue employee bonus shares and stock dividends declared at the annual general meeting of shareholders on June 25, 2015 or consistent with past practice, (ii) implement stock splits and employee stock option plans, (iii) issue common stock issuable upon the conversion of securities or the exercise of warrants outstanding at the execution time of the Purchase Agreement, and (iv) sell the Bonds to the Initial Purchasers pursuant to the Purchase Agreement and issue the Common Shares upon the conversion of the Bonds.

Buyers of Bonds sold by the Initial Purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price of the Bonds.

In connection with the Offering, the Initial Purchasers may purchase or sell Bonds in the open market. These transactions may include, to the extent permitted by applicable laws and regulations, short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater number of the Bonds than it is required to purchase in the Offering. "Covered" short sales are sales made in an amount not greater than the Initial Purchasers' option to purchase additional Bonds from the Company in the Offering. The Initial Purchasers may close out any covered short position by either exercising their option to purchase additional Bonds or purchasing Bonds in the open market. "Naked" short sales are any sales in excess of such option. The Initial Purchasers must close out any naked short position by purchasing Bonds in the open market. A naked short position is more likely to be created if any Initial Purchaser is concerned that there may be downward pressure on the price of the Bonds in the open market after pricing that could adversely affect investors who purchase in the Offering. Stabilizing transactions consist of various bids for or purchases of the Bonds made by the Initial Purchasers in the open market prior to the completion of the Offering.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of the Bonds and together with the imposition of a penalty bid, may stabilize, maintain or otherwise affect the market price of the Bonds. As a result, the price of the Bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Initial Purchasers at any time. These transactions may be effected in the over-the-counter market or otherwise.

It is expected that delivery of the Bonds will be made against payment therefor on or about May 26, 2020, which will be the five business day following the date of pricing the Bonds. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Bonds on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Bonds initially will settle in fifth business days following the pricing date (T+5), to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Initial Purchasers who wish to trade the Bonds on the date of pricing or the next succeeding five business days should consult their own advisor.

The Company has agreed to indemnify the Initial Purchasers and certain other persons against certain liabilities, including liabilities under the Securities Act.

Citigroup Global Markets Limited and UBS AG, Hong Kong Branch are acting as the joint bookrunners for the Offering.

Each Initial Purchaser and/or its respective affiliates, including Citigroup Global Markets Limited and UBS AG, Hong Kong Branch, have provided and may in the future provide banking, advisory and other financial services to the Company and some of its affiliates in the ordinary course. The Initial Purchasers have received customary fees and commissions in connection with these transactions.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for us by Baker & McKenzie as to ROC law, and for the Initial Purchasers by Simpson Thacher & Bartlett as to U.S. federal and New York law and Beijing Tianyuan Law Firm as to PRC law.

INDEPENDENT ACCOUNTANTS

YAGEO Corporation Independent Auditors

The consolidated financial statements of Yageo Corporation and its subsidiaries as of and for the years ended December 31, 2017 and 2018 and as of and for the years ended December 31, 2018 and 2019, included in this offering circular have been audited by Deloitte & Touche, independent auditors, as stated in their reports appearing herein which reports express an unqualified opinion on the consolidated financial statements and include other matters paragraph referring to certain subsidiaries and equity method investees being audited by other auditors, the proposed acquisition of KEMET Corporation, the disposal made in 2017, the acquisitions made in 2018, and retrospective adjustments to the provisional amount of acquisitions made in 2018 and the unqualified opinion expressed on the parent company only financial statements.

With respect to the unaudited interim consolidated financial statements of Yageo Corporation and its subsidiaries as of March 31, 2019 and 2020 and for the three months ended March 31, 2019 and 2020 included in this Offering Circular, Deloitte & Touche, independent auditors, have applied limited procedures in accordance with ROC statement of Auditing Standards No. 65, Review of Financial Information Performed by the Independent Auditor of the Entity, for a review of such information. However, as stated in their report included herein, they did not audit and they do not express an opinion on that interim consolidated financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. In addition, the review report included (1) paragraphs of "Basis for Qualified Conclusion" and "Qualified Conclusion" stated that certain subsidiaries and investments accounted for by using the equity method were reviewed insofar as they relate to the amounts of these subsidiaries and equity method investments included in the consolidated financial statements, they are based solely on unreviewed financial statements, and (2) paragraph headed "Emphasis of Matter" referring to the proposed acquisition of KEMET Corporation and retrospective adjustments to the provisional amount of acquisitions made in 2018.

Deloitte & Touche are located at 20F, No. 100, Songren Road, Taipei, Taiwan.

KEMET Corporation Independent Registered Public Accounting Firm

The consolidated balance sheets of KEMET Corporation and subsidiaries as of March 31, 2019 and 2018, and the consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended March 31, 2019, and the related notes, appearing in KEMET Corporation's Annual Report (Form 10-K) for the year ended March 31, 2019, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference.

GENERAL INFORMATION

We were founded by Mr. M.Y. Chen and was incorporated on July 10, 1977 under the name Yageo Company Limited, or YCL, under the Company Law of the Republic of China. YCL manufactured leaded resistors under contract for resistor producers and designed and built resistor factories for third parties on a turnkey basis. YCL merged with Taiwan Resistance Corporation, a manufacturer of leaded resistors in Kaohsiung, Taiwan in 1989 and adopted the name "Yageo Corporation". As of the date of this Offering Circular, according to our Articles of Incorporation, our authorized share capital is NT$40,000,000,000, and our paid-in share capital was authorized share capital is NT$4,302,570,560, divided into 430,257,056 Shares, NT$10 par value. Our registered and principal executive office is located at 3F, 233-1, Baoqiao Rd. Xindian Dist., New Taipei City, Taiwan, Republic of China, and our telephone number at the above address is +886-2-6629-9999. We are registered with Taiwan Ministry of Economic Affairs and our registration number is 22636630. Our Legal Entity Identifier Code is 5493001P0TOZH7GGNQ21. MasterLink Securities currently acts as our Common Share registrar and maintains our register of shareholders at its offices in Taipei, Taiwan, and enters transfers of Common Shares in such register upon presentation of, among other documents, certificates in respect of the transferred Common Shares. The registered office of our share registrar is at 1F-3F, No. 209, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City 106, Taiwan. The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (whom has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Offering and the issue of the Bonds were authorized and approved by the Board of Directors of the Company on March 2, 2020 and by the FSC on March 26, 2020.

There has been neither significant change in the financial or trading position since March 31, 2020 nor any material adverse change in the financial position or prospects since March 31, 2020 of the Company and its subsidiaries, the date of the latest financial statements contained herein.

The Indenture and the Purchase Agreement are governed by the laws of the State of New York.

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain information about the Bonds is set forth below:

	ISIN number	Common Code number
Bonds	XS2156579497	215657949

Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. As long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Bond is exchanged for certificates in definitive form. In addition, in the event that the Global Bond is exchanged for certificates in definitive form, announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificates in definitive form, including details of the paying agent in Singapore.

Except as disclosed in this Offering Circular, neither the Company nor any members of the Company is, or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the preceding 12 months a significant effect on the financial position of the Company. See "Business — Legal Proceedings".

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Yageo Corporation and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2020 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Yageo Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Yageo Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2019 and 2020, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months ended March 31, 2019 and 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2019 and 2020, combined total assets of these non-significant subsidiaries were NT$33,016,341 thousand and NT$26,585,854 thousand, respectively, representing 26.27% and 25.32%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT$4,649,871 thousand and NT$2,410,820 thousand, respectively, representing 7.38% and 3.82%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2019 and 2020, the amounts of combined comprehensive income (loss) of these subsidiaries were NT$(144,895) thousand, NT$455,975 thousand, respectively, representing (4.41)% and 21.51%, respectively, of the consolidated total comprehensive income. In addition, as disclosed in Notes 13 and 33 to the consolidated financial statements, certain investments accounted for using equity method in the consolidated financial statements were not reviewed. The aggregate carrying values of these investments were NT$156,228 thousand and NT$1,029,396 thousand as of March 31, 2019 and 2020, respectively, and the total amoumts of share in the income of associates were NT$921 thousand and NT$5,045 thousand for the three months ended March 31, 2019 and 2020, respectively.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and associates as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, of the consolidated financial position of the Group as at March 31, 2019 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2019 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting".

Emphasis of Matter

As described in Note 1 to the accompanying consolidated financial statements, in 2018, the Company acquired 100% of the equity interest of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement. The comparative figures of Pulse Electronics Corporation have been restated as if the initial accounting was completed at the acquisition date. Refer to Note 15 for information relating to the restated comparative figures.

As described in Note 30 to the accompanying consolidated financial statements, on November 12, 2019, the Company's board approved the Company's acquisition of 100% of the equity interest of KEMET Corporation at US$27.20 per share in cash transaction for total amount of US$1.64 billion. On February 20, 2020, the shareholders of KEMET Corporation at the special meeting voted to approve the proposed acquisition by the Company.

The engagement partners on the reviews resulting in this independent auditors' review report are Yung-Hsiang Chao and Cheng-Tsai Tsai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 4, 2020

Notice to Readers

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

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

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	March 31, 2019 NT$ (Reviewed)	%	December 31, 2019 NT$ (Audited)	%	March 31, 2020 NT$ (Reviewed)	US$ (Note 4) (Unreviewed)	%
CURRENT ASSETS							
Cash and cash equivalents (Note 6)	$ 31,513,869	25	$ 16,153,271	17	$ 26,050,943	$ 861,188	25
Financial assets at fair value through profit or loss - current (Note 7)	94,805	-	373,120	1	164,678	5,444	-
Financial assets at amortized cost - current (Note 9)	7,986,928	6	4,072,506	4	2,648,958	87,569	3
Notes receivable (Note 10)	257,027	-	159,758	-	113,743	3,760	-
Trade receivables (Notes 10 and 28)	10,936,586	9	9,702,437	10	9,843,452	325,403	9
Other receivables (Note 28)	462,913	-	307,178	-	296,519	9,802	-
Inventories (Note 11)	9,643,553	8	5,679,345	6	6,123,724	202,437	6
Prepayments	973,082	1	496,079	1	483,084	15,970	1
Other current assets	324,323	-	203,843	-	308,889	10,212	-
Total current assets	62,193,086	49	37,147,537	39	46,033,990	1,521,785	44
NON-CURRENT ASSETS							
Financial assets at fair value through profit or loss - non-current (Note 7)	90,271	-	87,686	-	46,104	1,524	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	1,719,378	1	1	-	1	-	-
Financial assets at amortized cost - non-current (Note 9)	7,280,010	6	4,041,659	4	4,029,715	133,214	4
Investments accounted for using the equity method (Note 13)	6,237,847	5	6,040,518	6	6,027,506	199,256	6
Property, plant and equipment (Notes 14 and 29)	19,447,773	16	20,511,273	22	20,548,064	679,275	20
Right-of-use assets	328,799	-	230,273	-	214,070	7,077	-
Goodwill (Note 15)	21,438,980	17	21,377,750	22	21,354,979	705,950	20
Other intangible assets (Note 16)	4,695,510	4	4,535,560	5	4,482,558	148,184	4
Deferred tax assets (Note 22)	2,006,484	2	2,156,351	2	2,001,773	66,174	2
Refundable deposits	105,101	-	103,997	-	104,551	3,456	-
Other non-current assets	153,075	-	149,532	-	148,332	4,903	-
Total non-current assets	63,503,228	51	59,234,600	61	58,957,653	1,949,013	56
TOTAL	$ 125,696,314	100	$ 96,382,137	100	$ 104,991,643	$ 3,470,798	100
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							
Short-term borrowings (Note 17)	$ 30,942,718	25	$ 18,640,796	19	$ 31,123,493	$ 1,028,876	30
Short-term bills payable (Note 17)	499,853	-	299,881	-	-	-	-
Financial liabilities at fair value through profit or loss - current (Note 7)	808	-	421,701	1	44,651	1,476	-
Notes payable	3,905	-	4,803	-	5,710	189	-
Trade payables (Note 28)	7,577,149	6	6,059,800	6	6,916,489	228,644	6
Other payables (Notes 18 and 28)	9,648,599	8	7,080,835	8	13,390,030	442,646	13
Current tax liabilities (Notes 4 and 22)	6,493,784	5	1,826,900	2	1,995,730	65,974	2
Lease liabilities - current	212,904	-	125,695	-	109,312	3,614	-
Other current liabilities	216,154	-	284,326	-	243,220	8,040	-
Total current liabilities	55,595,874	44	34,744,737	36	53,828,635	1,779,459	51
NON-CURRENT LIABILITIES							
Long-term borrowings (Notes 17 and 29)	6,000,000	5	14,013,562	15	7,955,906	263,005	8
Deferred tax liabilities (Notes 4 and 22)	172,734	-	260,100	-	185,768	6,141	-
Net defined benefit liabilities - non-current (Notes 4 and 29)	473,579	1	518,283	1	514,360	17,004	1
Guarantee deposits received	283,098	-	191,517	-	169,282	5,596	-
Other non-current liabilities	442,440	-	407,207	-	415,714	13,743	-
Total non-current liabilities	7,371,851	6	15,390,669	16	9,241,030	305,489	9
Total liabilities	62,967,725	50	50,135,406	52	63,069,665	2,084,948	60
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY							
Share capital							
Common shares	4,271,217	3	4,290,478	4	4,302,571	142,234	4
Capital collected in advance	-	-	12,093	-	100	3	-
Total share capital	4,271,217	3	4,302,571	4	4,302,671	142,237	4
Capital surplus							
Issuance of common shares	2,720,117	2	2,534,899	3	2,537,638	83,889	2
From share of changes in capital surplus of associates	2,805,294	3	2,842,519	3	2,789,922	92,229	3
From employee share options	19,980	-	16,097	-	13,660	451	-
Total capital surplus	5,545,391	5	5,393,515	6	5,341,220	176,569	5
Retained earnings							
Legal reserve	3,235,596	3	6,619,525	7	6,619,525	218,827	6
Special reserve	437,595	-	1,647,659	2	1,647,659	54,468	2
Unappropriated earnings	52,338,887	42	33,213,245	34	29,154,178	963,774	28
Total retained earnings	56,012,078	45	41,480,429	43	37,421,362	1,237,069	36
Other equity							
Exchange differences on translation of foreign operations	(1,421,991)	(1)	(2,560,689)	(3)	(2,794,765)	(92,389)	(3)
Unrealized gain on financial assets at FVTOCI	642,456	-	52,457	-	55,827	1,846	-
Total other equity	(779,535)	(1)	(2,508,232)	(3)	(2,738,938)	(90,543)	(3)
Treasury shares	(2,421,552)	(2)	(2,421,552)	(2)	(2,421,552)	(80,051)	(2)
Total equity attributable to owners of the Company	62,627,599	50	46,246,731	48	41,904,763	1,385,281	40
NON-CONTROLLING INTERESTS	100,990	-	-	-	17,215	569	-
Total equity	62,728,589	50	46,246,731	48	41,921,978	1,385,850	40
TOTAL	$ 125,696,314	100	$ 96,382,137	100	$ 104,991,643	$ 3,470,798	100

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

(With Deloitte & Touche review report dated May 4, 2020)

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Earnings Per Share)

	For the Three Months Ended March 31				
	2019		2020		
	NT$ (Reviewed)	%	NT$ (Reviewed)	US$ (Note 4) (Unreviewed)	%
OPERATING REVENUE (Note 28)					
Net sales	$ 11,394,306	100	$ 10,023,486	$ 331,355	100
OPERATING COSTS (Notes 11, 21 and 28)					
Cost of goods sold	6,285,142	55	5,983,632	197,806	60
GROSS PROFIT	5,109,164	45	4,039,854	133,549	40
OPERATING EXPENSES (Notes 21 and 28)					
Selling and marketing expenses	1,197,520	11	708,350	23,417	7
General and administrative expenses	723,399	6	595,438	19,684	6
Research and development expenses	204,434	2	172,482	5,702	2
Expected credit loss (Note 10)	14,110	-	1,245	41	-
Total operating expenses	2,139,463	19	1,477,515	48,844	15
PROFIT FROM OPERATIONS	2,969,701	26	2,562,339	84,705	25
NON-OPERATING INCOME AND EXPENSES					
Finance costs (Note 21)	(140,104)	(1)	(101,908)	(3,369)	(1)
Share of profit of associates	43,030	-	37,388	1,236	-
Interest income	277,254	2	165,945	5,486	2
Rental income (Note 28)	10,366	-	8,033	266	-
Gain on financial instruments at fair value through profit or loss	79,600	1	480,426	15,882	5
Loss on financial instruments at fair value through profit or loss	(4,685)	-	(219,573)	(7,259)	(2)
Other gains and losses (Note 21)	(134,729)	(1)	(61,282)	(2,026)	(1)
Total non-operating income	130,732	1	309,029	10,216	3
PROFIT BEFORE INCOME TAX	3,100,433	27	2,871,368	94,921	28
INCOME TAX EXPENSE (Notes 4 and 22)	540,472	4	521,054	17,225	5

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Earnings Per Share)

	For the Three Months Ended March 31				
	2019		2020		
	NT$ (Reviewed)	%	NT$ (Reviewed)	US$ (Note 4) (Unreviewed)	%
NET PROFIT FOR THE PERIOD	2,559,961	23	2,350,314	77,696	23
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 20)	335,122	3	5,143	170	-
Share of the other comprehensive loss of associates accounted for using the equity method	(3,777)	-	(1,773)	(58)	-
	331,345	3	3,370	112	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating the financial statements of foreign operations (Note 20)	504,798	4	(285,659)	(9,444)	(3)
Share of the other comprehensive loss of associates accounted for using the equity method (Note 20)	(8,370)	-	(6,936)	(229)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 22)	(99,659)	(1)	58,519	1,935	1
	396,769	3	(234,076)	(7,738)	(2)
Other comprehensive income (loss) for the period, net of income tax	728,114	6	(230,706)	(7,626)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 3,288,075	29	$ 2,119,608	$ 70,070	21
NET PROFIT (LOSS) ATTRIBUTABLE TO:					
Owners of the Company	$ 2,560,761	22	$ 2,350,314	$ 77,696	23

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Earnings Per Share)

	For the Three Months Ended March 31				
	2019		2020		
	NT$ (Reviewed)	%	NT$ (Reviewed)	US$ (Note 4) (Unreviewed)	%
Non-controlling interests	(800)	-	-	-	-
	$ 2,559,961	22	$ 2,350,314	$ 77,696	23
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company	$ 3,290,742	29	$ 2,119,608	$ 70,070	21
Non-controlling interests	(2,667)	-	-	-	-
	$ 3,288,075	29	$ 2,119,608	$ 70,070	21
EARNINGS PER SHARE (NEW TAIWAN DOLLARS/U.S. DOLLARS; Note 23)					
Basic	$ 6.04		$ 5.51	$ 0.18	
Diluted	$ 5.88		$ 5.44	$ 0.18	

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

(With Deloitte & Touche review report dated May 4, 2020) (Concluded)

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company													
	Share Capital (Note 20)			Capital Surplus (Notes 20 and 25)	Retained Earnings				Other Equity				Non-controlling Interests (Notes 20 and 25)	Total Equity
	Common Shares	Capital Collected in Advance	Total		Legal Reserve (Note 20)	Special Reserve (Note 20)	Unappropriated Earnings (Note 20)	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 20)	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 20)	Treasury Stock (Note 20)	Total		
BALANCE, JANUARY 1, 2019	$ 4,270,394	$ 453	$ 4,270,847	$ 5,543,599	$ 3,235,596	$ 437,595	$ 49,478,674	$ 53,151,865	$ (1,820,627)	$ 610,563	$ (2,421,552)	$ 59,334,695	$ 103,657	$ 59,438,352
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	365	-	-	-	-	-	-	-	365	-	365
Recognition of employee share options by the Company	823	(453)	370	1,427	-	-	-	-	-	-	-	1,797	-	1,797
Net profit (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	2,560,761	2,560,761	-	-	-	2,560,761	(800)	2,559,961
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	-	-	398,636	331,345	-	729,981	(1,867)	728,114
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	299,452	299,452	-	(299,452)	-	-	-	-
BALANCE AT MARCH 31, 2019	$ 4,271,217	$ -	$ 4,271,217	$ 5,545,391	$ 3,235,596	$ 437,595	$ 52,338,887	$ 56,012,078	$ (1,421,991)	$ 642,456	$ (2,421,552)	$ 62,627,599	$ 100,990	$ 62,728,589
BALANCE, JANUARY 1, 2020	$ 4,290,478	$ 12,093	$ 4,302,571	$ 5,393,515	$ 6,619,525	$ 1,647,659	$ 33,213,245	$ 41,480,429	$ (2,560,689)	$ 52,457	$ (2,421,552)	$ 46,246,731	$ -	$ 46,246,731
Cash dividends distributed by the Company	-	-	-	-	-	-	(6,409,381)	(6,409,381)	-	-	-	(6,409,381)	-	(6,409,381)
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	(40,998)	-	-	-	-	-	-	-	(40,998)	-	(40,998)
Recognition of employee share options by the Company	12,093	(11,993)	100	302	-	-	-	-	-	-	-	402	-	402
Net profit for the three months ended March 31, 2020	-	-	-	-	-	-	2,350,314	2,350,314	-	-	-	2,350,314	-	2,350,314
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	-	-	(234,076)	3,370	-	(230,706)	-	(230,706)
Non-controlling interests	-	-	-	(11,599)	-	-	-	-	-	-	-	(11,599)	17,215	5,616
BALANCE AT MARCH 31, 2020	$ 4,302,571	$ 100	$ 4,302,671	$ 5,341,220	$ 6,619,525	$ 1,647,659	$ 29,154,178	$ 37,421,362	$ (2,794,765)	$ 55,827	$ (2,421,552)	$ 41,904,763	$ 17,215	$ 41,921,978
BALANCE AT MARCH 31, 2020 (IN U.S. DOLLARS) (Note 4) (UNREVIEWED)	$ 142,234	$ 3	$ 142,237	$ 176,569	$ 218,827	$ 54,468	$ 963,774	$ 1,237,069	$ (92,389)	$ 1,846	$ (80,051)	$ 1,385,281	$ 569	$ 1,385,850

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

(With Deloitte & Touche review report dated May 4, 2020)

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2019	2020	
	NT$ (Reviewed)	NT$ (Reviewed)	US$ (Note 4) (Unreviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	$ 3,100,433	$ 2,871,368	$ 94,921
Adjustments for:			
Expected credit loss recognized on trade receivables	14,110	1,245	41
Depreciation expenses	693,960	659,143	21,790
Amortization expenses	57,660	57,336	1,895
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(74,915)	(260,853)	(8,623)
Finance costs	140,104	101,908	3,369
Amortization of prepayments	1,780	1,511	50
Interest income	(277,254)	(165,945)	(5,486)
Share of profit of associates	(43,030)	(37,388)	(1,236)
Net (gain) loss on disposal of property, plant and equipment	4,897	(160)	(5)
Write-downs of inventories	181,996	-	-
Reversal of write-downs of inventories	-	(109,248)	(3,611)
(Gain) loss on foreign currency exchange	(60,972)	10,675	353
Changes in operating assets and liabilities			
Financial assets mandatorily classified at fair value through profit or loss	33,702	(177,385)	(5,864)
Notes receivable	296,149	46,015	1,521
Trade receivables	8,237,098	(96,675)	(3,196)
Trade receivables of related parties	75,206	(10,849)	(359)
Other receivables	(12,632)	28,359	937
Other receivables of related parties	(2,996)	(2,053)	(68)
Inventories	454,177	(335,131)	(11,079)
Prepayments	20,058	9,760	323
Other current assets	102,234	(85,710)	(2,833)
Notes payable	(159,690)	907	30
Trade payables	(2,633,243)	740,740	24,487
Trade payables of related parties	(86,990)	75,681	2,502
Other payables	(2,051,903)	(120,760)	(3,992)
Other current liabilities	(65,025)	(57,489)	(1,900)
Net defined benefit liabilities	2,161	(3,923)	(130)
Cash generated from operations	7,947,075	3,141,079	103,837
Interest received	272,967	150,298	4,968
Interest paid	(166,120)	(78,178)	(2,584)
Income tax paid	(839,080)	(213,459)	(7,056)
Net cash generated from operating activities	7,214,842	2,999,740	99,165

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2019	2020	
	NT$ (Reviewed)	NT$ (Reviewed)	US$ (Note 4) (Unreviewed)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through other comprehensive income	839,826	-	-
Purchase of financial assets at amortized cost	(324,871)	(75,902)	(2,509)
Proceeds from sale of financial assets at amortized cost	582,009	1,503,989	49,719
Purchase of financial assets at fair value through profit or loss	-	(217,767)	(7,199)
Proceeds from sale of financial assets at fair value through profit or loss	-	528,446	17,469
Payments for property, plant and equipment	(1,664,243)	(885,553)	(29,274)
Proceeds from disposal of property, plant and equipment	37,969	2,800	93
Increase in refundable deposits	(729)	(554)	(18)
Payments for intangible assets	(127)	-	-
Net cash generated from (used in) investing activities	(530,166)	855,459	28,281
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	7,274,610	12,481,474	412,610
Repayments of short-term bills payable	-	(299,881)	(9,913)
Proceeds from short-term bills payable	366	-	-
Proceeds from long-term borrowings	-	4,742,344	156,772
Repayments of long-term borrowings	(3,000,000)	(10,800,000)	(357,025)
Proceeds from guarantee deposits received	44,726	-	-
Refund of guarantee deposits received	-	(27,087)	(895)
Proceeds from employee share options	1,797	402	13
Change in non-controlling interests	-	5,616	186
Net cash generated from financing activities	4,321,499	6,102,868	201,748
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	118,950	(60,395)	(1,998)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,125,125	9,897,672	327,196

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2019	2020	
	NT$ (Reviewed)	NT$ (Reviewed)	US$ (Note 4) (Unreviewed)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	20,388,744	16,153,271	533,992
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 31,513,869	$ 26,050,943	$ 861,188

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

(With Deloitte & Touche review report dated May 4, 2020) (Concluded)

1. GENERAL INFORMATION

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

In 2018, the Company acquired 100% of the equity interests of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement amounting to NT$3,328,253 thousand and US$721,461 thousand, respectively.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on May 4, 2020.

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

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies:

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

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments require that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To judge whether the acquired process is substantive, there will be different judgement requirements depending on whether there is output on the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IAS 1 and IAS 8 "Definition of Material"

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to "could reasonably be expected to influence" and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

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

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

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

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

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

See Note 12 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended

December 31, 2019.

1) Retirement benefits

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 for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

3) U.S dollor amounts (unreviewed)

A translation of the New Taiwan dollar (NT$) amounts into U.S. dollars (US$ or USD) in the consolidated financial statements for Mach 31, 2020 is included solely for the convenience of the readers and is unreviewed, and has been made at the exchange rate set forth in the statistical release of the U.S. Federal Reserve Board of the United States, which was NT$30.25 to US$1.00 as of March 31, 2020. The translation should not be construed as a representation that the NT$ amounts have been, could have been, or could in the future be, converted into USD at this or any other rate of exchange.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Please refer to the consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Cash on hand	$ 2,580	$ 2,435	$ 2,295	$ 76
Demand deposits	22,432,293	10,199,110	13,452,174	444,700
Cash equivalents (investments with original maturities of less than 3 months)				
Short-term bills	293,804	-	306,590	10,135
Time deposits	8,785,192	5,951,726	12,289,884	406,277
	$ 31,513,869	$ 16,153,271	$ 26,050,943	$ 861,188

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Financial assets at FVTPL - current				

Financial assets mandatorily classified as at FVTPL				
Derivative financial assets (not under hedge accounting)				
Foreign exchange forward contracts	$ 16,805	$ 997	$ 164,678	$ 5,444
Non-derivative financial assets				
Domestic listed shares				
Walsin Technology Co., Ltd.	78,000	372,123	-	-
	$ 94,805	$ 373,120	$ 164,678	$ 5,444

(Continued)

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Financial assets at FVTPL - non-current				
Financial assets mandatorily classified as at FVTPL				
Non-derivative financial assets				
Overseas unlisted shares				
Xmholder Technology Co., Ltd.	$ 44,167	$ 41,582	$ -	$ -
Domestic unlisted shares				
Hsin Bung International Co., Ltd.	33,622	33,622	33,622	1,111
Jihsun Securities Investment Trust Co., Ltd.	12,000	12,000	12,000	397
Linko International Golf & Country Club	482	482	482	16
	$ 90,271	$ 87,686	$ 46,104	$ 1,524
Financial liabilities at FVTPL - current				
Financial liabilities mandatorily classified as at FVTPL				
Derivative financial liabilities (not under hedge accounting)				
Foreign exchange forward contracts	$ 808	$ 421,701	$ 44,651	$ 1,476

(Concluded)

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

	Currency	Maturity Date	Notional Amount (In Thousands)
March 31, 2019			

Buy	USD/NTD	2019.04.08-2019.07.22	USD486,600/NTD14,957,668
Buy	EUR/USD	2019.04.12	EUR6,000/USD6,737
December 31, 2019			
Buy	USD/NTD	2020.01.03-2020.01.31	USD1,226,205/NTD37,255,360
Buy	EUR/NTD	2020.01.03	EUR234/NTD7,887
Buy	EUR/USD	2020.01.21	EUR6,000/USD6,699
Sell	EUR/USD	2020.01.02	EUR10,000/USD11,196
March 31, 2020			
Buy	USD/NTD	2020.04.01-2020.12.30	USD1,383,829/NTD41,596,298
Buy	JPY/NTD	2020.04.01	JPY45,451/NTD12,799
Buy	EUR/NTD	2020.04.01	EUR20/NTD665
Buy	EUR/USD	2020.04.23	EUR6,000/USD6,517

(Concluded)

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Non-current				
Investments in equity instruments at FVTOCI	$ 1,719,378	$ 1	$ 1	$ -

Investments in equity instruments at FVTOCI

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Non-current				
Domestic investments				
Listed shares and emerging market shares				
TA-I Technology Co., Ltd.	$ 1,504,967	$ 1	$ 1	$ -
Foreign investments				
Overseas listed shares				
SHS KOA Corp.	214,411	-	-	-
	$ 1,719,378	$ 1	$ 1	$ -

These investments in equity instruments are held for medium to long-term strategic purposes and expected to profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Current				
Domestic investments				
Time deposits with original maturities of more than 3 months	$ 7,986,928	$ 4,072,506	$ 2,648,958	$ 87,569
Non-current				
Foreign investments				
Corporate bonds (a)	$ 7,280,010	$ 4,041,659	$ 4,029,715	$ 133,214

a. From August to October 2017, August to November 2018, March to December 2019 and February to March 2020, the Group bought corporate bonds at face value of $230,100, $6,695, $51,760 and $2,508 in thousand U.S. dollars with the coupon rates of 2.95%-5.50%, 4.10%-4.88%, 1.875%-9.00% and 3.86%-8.88%, and the effective interest rates of 2.53%-4.35%, 3.84%-3.95%, 2.44%-10.02% and 2.26%-7.05%, respectively.

From February to March 2020, part of the bonds were sold to manage credit concentration risk; the bonds were sold at fair value of $19,003 thousand (US$628 thousand), respectively.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Notes receivable				
At amortized cost				
Gross carrying amount	$ 257,027	$ 159,758	$ 113,743	$ 3,760
Notes receivable - operating	$ 257,027	$ 159,758	$ 113,743	$ 3,760
Trade receivables				
At amortized cost				
Gross carrying amount	$ 12,542,264	$ 9,808,954	$ 9,932,087	$ 328,334
Less: Allowance for impairment loss	(1,629,598)	(130,752)	(123,719)	(4,090)
	$ 10,912,666	$ 9,678,202	$ 9,808,368	$ 324,244
Trade receivables - related party (Note 28)	$ 23,920	$ 24,235	$ 35,084	$ 1,159

Trade Receivables

The average credit period of sales of goods was 30-90 days. No interest was charged on trade receivables. The Group adopted a policy of dealing with major customers that the Group could use other publicly available financial information or its own trading records to rate and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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

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

The aging of trade receivables was as follows:

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Current term	$ 8,438,423	$ 8,775,129	$ 8,820,884	$ 291,600
Past due				
1-60 days	1,692,800	838,141	840,893	27,798
61-90 days	1,238,829	26,948	117,109	3,871
91-181 days	950,244	103,288	68,707	2,271
More than 181 days	245,888	89,683	119,578	3,953
	$ 12,566,184	$ 9,833,189	$ 9,967,171	$ 329,493

For the three months ended March 31, 2019, the expected credit loss rate of trade receivables for not past due, 1-90 days past due, and 91 days or older past due was 0.04%, 0.94%-9.45% and 49.21%-100%, respectively.

For the three months ended March 31 2020, the expected credit loss rate of trade receivables for not past due, 1-90 days past due, and 91 days or older past due was 0.04%, 0.22%-5.21% and 42.98%-100%, respectively.

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

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

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Balance at January 1	$ 1,614,602	$ 130,752	$ 4,322
Add: Net remeasurement of loss allowance	14,110	1,245	41
Less: Amounts written off	(430)	(7,173)	(237)
Foreign exchange gains and losses	1,316	(1,105)	(36)
Balance at March 31	$ 1,629,598	$ 123,719	$ 4,090

11. INVENTORIES

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Finished goods and merchandise	$ 4,790,025	$ 1,737,902	$ 2,017,863	$ 66,706
Work in progress	1,152,950	1,104,038	914,401	30,228
Raw materials	3,383,106	2,599,951	2,948,297	97,464
Supplies	279,118	198,849	235,981	7,801
Inventory in transit	38,354	38,605	7,182	238
	$ 9,643,553	$ 5,679,345	$ 6,123,724	$ 202,437

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2019 and 2020 was $6,285,142 thousand and $5,983,632 thousand (US$197,806 thousand), respectively. The cost of goods sold included inventory write downs of $181,996 thousand and recovery of write downs of $(109,248) thousand (US$(3,612) thousand) for the three months ended March 31, 2019 and 2020, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%)			
Investor	Investee	Nature of Activities	March 31, 2019	December 31, 2019	March 31, 2020	Remark
Yageo Corporation	Yageo Holding (Bermuda) Ltd.	Investment	100.00	100.00	100.00	
	Ko-Shin Investment Limited.	Investment	100.00	100.00	100.00	a.
	Ferroxcube (Samoa) Holding Ltd.	Investment	100.00	100.00	100.00	a.
	Brightking Holdings Limited	Holding company	100.00	100.00	100.00	a.
	Yageo Corporation (South Asia)	Electronic component manufacturing and selling	100.00	100.00	100.00	a.
	Yageo Europe Holding B.V.	Holding company	100.00	100.00	100.00	a.
	Yageo America	Electronic component manufacturing and selling	100.00	100.00	100.00	a.
	Yageo South Asia (M) Sdn. Bhd.	Electronic component manufacturing and selling	100.00	100.00	100.00	a.
	Yageo Holding (Cayman) Limited	Holding company	100.00	-	-	b.
	Pulse Electronics Corporation	Holding company	100.00	100.00	100.00	
	Yageo Holding Hungary LLC	Holding company	-	-	100.00	a. d.
Yageo Holding (Bermuda) Ltd.	Yageo (Hong Kong) Limited	Investment	100.00	100.00	100.00	
	Yageo USA (H.K.) Limited	Passive component selling	100.00	100.00	100.00	
	Ko-E Holding (Cayman)	Holding company	83.83	100.00	97.35	e.
	Vitrohm Holding GmbH	Investment	100.00	100.00	100.00	a.

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%) March 31, 2019	December 31, 2019	March 31, 2020	Remark
	Yageo Korea	Resistor selling	100.00	100.00	100.00	a.
	Yageo Japan	Resistor selling	100.00	100.00	100.00	a.
	Hsu Tai International (H.K.) Ltd.	Investment	100.00	100.00	100.00	a.
Brightking Holdings Limited	Brightking Enterprise (H.K.) Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	100.00	a.
Pulse Electronics Corporation	Egston Holding GmbH	Holding company	100.00	100.00	100.00	
Yageo Holding Hungary LLC	Sky Merger Sub Inc.	Holding company	-	-	100.00	a. f.
Yageo (Hong Kong) Limited	Yageo Electronics (China) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	100.00	
	Yageo Electronics (Dongguan) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	100.00	a.
	Yageo (Suzhou) Trade Co., Ltd.	Passive component selling	100.00	100.00	100.00	a.
	Yageo Components (Suzhou) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	100.00	a.
	Compostar Technology (Dongguan) Co., Ltd.	Passive component manufacturing and selling	100.00	-	-	a. g.
Ko-E Holding (Cayman)	Ko-E (H.K.) Limited	Electronic component selling	100.00	100.00	100.00	
	Ko-E Corp.	Electronic component selling	100.00	100.00	100.00	a.
	Ko-E Electronics Trade Co., Ltd.	Electronic component selling	-	100.00	100.00	a. c.
Brightking Enterprise (H.K.) Co., Ltd.	Bestbright Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	100.00	a.
	Brightking Electronics Inc.	Selling overvoltage and overcurrent protection electronic components	100.00	100.00	-	a. h.
	Brightking Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	100.00	a.
	Bestbright Electronics Co., Ltd. (Taiwan)	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	100.00	a.
	Huizhou Lien Shun Electronics Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	28.37	28.37	28.37	a.
Ko-E (H.K.) Limited	Ko-E Technology (Shenzhen) Co., Ltd.	Electronic component selling	100.00	100.00	100.00	a.
Bestbright Electronics Co., Ltd.	Brightking (Shenzhen) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	100.00	100.00	100.00	a.
	Ceramate Technical (Suzhou) Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	100.00	a.
	Zhejiang Bestbright Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	100.00	a.
Brightking (Shenzhen) Co., Ltd.	Brightking (Shanghai) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	100.00	100.00	100.00	a.
	Brightking (Beijing) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	100.00	100.00	100.00	a.
	Huizhou Lien Shun Electronics Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	71.63	71.63	71.63	a.

(Concluded)

Remarks:

a. The Company is an immaterial subsidiary; its financial statements have not been reviewed.

b. Cancelled in November 2019.

c. Established in November 2019.

d. Established in January 2020.

e. Yageo Holding (Bermuda) Ltd. subscribed for additional new shares of Ko-E Holding (Cayman) at a percentage different from its existing owenership percentage, and reduced its continuing interest from 100% to 97.35%.

f. Sky Merger Sub Inc was established in October 2019. Yageo Holding Hungary LLC acquired its 100% of interests in February 2020.

g. Cancelled in the third quarter of 2019.

h. Cancelled in February 2020.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Material associates				
Chilisin Electronics Corp.	$ 5,230,174	$ 5,035,935	$ 4,998,110	$ 165,227
Associates that are not individually material				
Kaimei Electronic Corp. (Note)	542,684	612,864	620,626	20,516
Global Testing Corporation Limited (GTCL)	308,761	237,949	256,775	8,488
Strong Components Co., Ltd.	88,331	91,970	92,653	3,063
Belkin International Enterprises Ltd. (Samoa)	35,616	33,784	32,947	1,089
Guo Chuang Electronics (Dongguan) Co., Ltd.	32,281	28,016	26,395	873
	1,007,673	1,004,583	1,029,396	34,029
	$ 6,237,847	$ 6,040,518	$ 6,027,506	$ 199,256

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

a. Material associates

	Proportion of Ownership and Voting Rights		
Name of Associate	March 31, 2019	December 31, 2019	March 31, 2020
Chilisin Electronics Corp.	12.46%	12.46%	11.87%

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

	March 31, 2019	December 31, 2019	March 31, 2020	
Name of Associate	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Chilisin Electronics Corp.	$ 2,721,798	$ 3,879,623	$ 2,449,012	$ 80,959
Kaimei Electronic Corp.	620,803	637,095	421,865	13,946
GTCL	146,644	111,428	54,559	1,804

	$ 3,489,245	$ 4,628,146	$ 2,925,436	$ 96,709

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

For the three months ended March 31, 2019, except for Strong Components Co., Ltd., Belkin International Enterprises Ltd. (Samoa) and Guo Chuang Electronics (Dongguan) Co., Ltd., investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been reviewed. For the three months ended March 31, 2020, except for associates that are not individually material, investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements which have not been reviewed.

14. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Assets used by the Group	$ 19,299,607	$ 20,374,570	$ 20,414,976	$ 674,875
Assets leased under operating leases	148,166	136,703	133,088	4,400
	$ 19,447,773	$ 20,511,273	$ 20,548,064	$ 679,275

a. Assets used by the Group

	Freehold Land	Buildings	Machinery Equipment	Other Equipment	Construction in Progress and Unaccepted Equipment	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Cost						
Balance at January 1, 2019	$ 730,948	$ 13,315,250	$ 36,925,471	$ 2,999,122	$ 2,664,015	$ 56,634,806
Additions	-	1,865	22,880	9,763	1,343,300	1,377,808
Disposals	-	(1,595)	(434,451)	(35,179)	-	(471,225)
Effects of foreign currency exchange differences	(1,564)	172,055	407,905	49,625	48,360	676,381
Reclassifications	-	298,334	702,741	47,437	(1,135,648)	(87,136)
Balance at March 31, 2019	$ 729,384	$ 13,785,909	$ 37,624,546	$ 3,070,768	$ 2,920,027	$ 58,130,634
Accumulated depreciation and impairment						
Balance at January 1, 2019	$ 203,808	$ 6,308,772	$ 29,496,405	$ 2,221,378	$ -	$ 38,230,363
Disposals	-	(1,408)	(396,018)	(30,933)	-	(428,359)
Depreciation expenses	-	160,193	471,123	61,022	-	692,338
Effects of foreign currency exchange differences	-	60,434	245,272	30,979	-	336,685
Balance at March 31, 2019	$ 203,808	$ 6,527,991	$ 29,816,782	$ 2,282,446	$ -	$ 38,831,027
Carrying amounts at March 31, 2019	$ 525,576	$ 7,257,918	$ 7,807,764	$ 788,322	$ 2,920,027	$ 19,299,607

	Freehold Land	Buildings	Machinery Equipment	Other Equipment	Construction in Progress and Unaccepted Equipment	Total	
	NT$	NT$	NT$	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Cost							
Balance at January 1, 2020	$ 1,678,745	$ 14,389,830	$ 37,860,672	$ 3,102,427	$ 2,675,567	$ 59,707,241	$ 1,973,793
Additions	-	3,323	24,700	17,410	836,965	882,398	29,170
Disposals	-	(10,185)	(152,670)	(10,287)	-	(173,142)	(5,724)
Effects of foreign currency exchange differences	(1,286)	(125,139)	(287,047)	(15,218)	(27,624)	(456,314)	(15,085)
Reclassifications	-	385,932	432,411	28,056	(870,874)	(24,475)	(809)
Balance at March 31, 2020	$ 1,677,459	$ 14,643,761	$ 37,878,066	$ 3,122,388	$ 2,614,034	$ 59,935,708	$ 1,981,345
Accumulated depreciation and impairment							
Balance at January 1, 2020	$ 203,808	$ 6,848,016	$ 29,928,811	$ 2,352,036	$ -	$ 39,332,671	$ 1,300,253
Disposals	-	(10,185)	(152,195)	(8,122)	-	(170,502)	(5,636)
Depreciation expenses	-	184,795	396,073	59,950	-	640,818	21,184
Effects of foreign currency exchange differences	-	(49,567)	(219,050)	(13,638)	-	(282,255)	(9,331)
Balance at March 31, 2020	$ 203,808	$ 6,973,059	$ 29,953,639	$ 2,390,226	$ -	$ 39,520,732	$ 1,306,470
Carrying amounts at March 31, 2020	$ 1,473,651	$ 7,670,702	$ 7,924,427	$ 732,162	$ 2,614,034	$ 20,414,976	$ 674,875

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

Buildings	
Main buildings	50-56 years
Engineering system	40-56 years
Others	1-20 years
Machinery equipment	1-20 years
Other equipment	1-20 years

Property, plant and equipment and pledged as collateral for bank borrowings are set out in Note 29.

b. Assets leased under operating leases

	Buildings
	NT$
Cost	
Balance at January 1, 2019	$ 222,252
Effect of foreign currency exchange differences	5,490
Balance at March 31	$ 227,742
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ 76,685
Depreciation expenses	1,003
Effects of foreign currency exchange differences	1,888
Balance at March 31, 2019	$ 79,576
Carrying amounts at March 31, 2019	$ 148,166

	Buildings	
	NT$	US$ (Note 4) (Unreviewed)
Cost		
Balance at January 1, 2020	$ 214,531	$ 7,092
Effect of foreign currency exchange differences	(2,678)	(88)

Balance at March 31	$ 211,853	$ 7,004
Accumulated depreciation and impairment		
Balance at January 1, 2020	$ 77,828	$ 2,573
Depreciation expenses	1,106	37
Effects of foreign currency exchange differences	(169)	(6)
Balance at March 31, 2020	$ 78,765	$ 2,604
Carrying amounts at March 31, 2020	$ 133,088	$ 4,400

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

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Not later than 1 year	$ 13,425	$ 10,757	$ 356
Later than 1 year and not later than 5 years	404	276	9
	$ 13,829	$ 11,033	$ 365

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

Buildings	
Main buildings	50-56 years

15. GOODWILL

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Cost			
Balance at January 1	$ 21,464,280	$ 21,377,750	$ 706,703
Effect of foreign currency exchange differences	(25,300)	(22,771)	(753)
Balance at March 31	$ 21,438,980	$ 21,354,979	$ 705,950

It was indicated in a valuation report received by the Group in the fourth quarter of 2019 that the fair value of the other current assets, property, plant and equipment, intangible assets and current liabilities of Pulse Electronics Corporation at the date of acquisition was $2,839,703 thousand. The 2018 comparative figures have been restated as if the initial accounting was completed at the acquisition date.

The balances of the items on the consolidated balance sheets before and after the adjustments are the following:

	December 31, 2018	Acquisition Date
	NT$	NT$

Goodwill adjustments	$ 16,943,384	$ 18,532,156
Other current assets	4,570,373	4,377,022
Property, plant and equipment	1,483,560	921,181
Intangible assets	3,357,150	4,062,336
Current liabilities	(4,982,608)	(6,520,836)

16. OTHER INTANGIBLE ASSETS

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Computer software	$ 102,782	$ 75,623	$ 67,905	$ 2,245
Proprietary technology	710,748	658,110	640,159	21,162
Customer relationships	1,011,429	931,276	903,943	29,883
Trademark	2,854,305	2,854,305	2,854,305	94,357
Others	16,246	16,246	16,246	537
	$ 4,695,510	$ 4,535,560	$ 4,482,558	$ 148,184

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

Except for amortization recognized, the Group did not have significant addition disposal or impairment of other intangible assets during the three months ended March 31, 2019 and 2020. Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-5 years
Proprietary technology	10-11.5 years
Customer relationships	9.5-10 years

17. BORROWINGS

a. Short-term borrowings

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Unsecured borrowings				
Line of credit borrowings	$ 30,942,718	$ 18,640,796	$ 31,123,493	$ 1,028,876

The effective interest rates for bank loans had ranges of 0.70%-3.85%, 0.85%-3.70% and 0.50%-3.30% per annum as of March 31, 2019, December 31, 2019 and March 31, 2020, respectively.

b. Short-term bills payable

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Commercial paper	$ 500,000	$ -	$ -
Less: Unamortized discount on bills payable	147	-	-
	$ 499,853	$ -	$ -

Outstanding short-term bills payable were as follows:

March 31, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
	NT$	NT$	NT$			NT$
Commercial paper						
Mega Bills	$ 500,000	$ 147	$ 499,853	0.978%	-	$ -

December 31, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
	NT$	NT$	NT$			NT$
Commercial paper						
Mega Bills	$ 300,000	$ 119	$ 299,881	1.038%	-	$ -

c. Long-term borrowings

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Secured borrowings				
Bank loans	$ 4,500,000	$ 12,513,562	$ 6,455,906	$ 213,418
Unsecured borrowings				
Line of credit borrowings	1,500,000	1,500,000	1,500,000	49,587
	$ 6,000,000	$ 14,013,562	$ 7,955,906	$ 263,005

The effective interest rate of long-term bank loans was 0.9800%-1.7970%, 0.8690%-1.9027% and 0.8690%-1.7970% per annum as of March 31, 2019, December 31, 2019 and March 31, 2020, respectively.

The Company signed a $1,500,000 thousand (US$49,587 thousand) medium-term loan agreement with

MUFG Bank, Ltd. on March 23, 2018. The terms of the loans are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 1,500,000 (US$49,587)	Three years after the date of first borrowing	Fixed rate 0.98% for the first year, and 0.99% for the second and third year	Three years after the date of first borrowing

The Company signed a $10,800,000 thousand (US$357,025 thousand) syndicated loan agreement with Mega International Commercial Bank and twenty other financial institutions on April 10, 2017. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 10,800,000 (US$357,025)	Five years after the date of first borrowing	Fixed rate (0.6%) based on a specific average rate of notes transacted in Taiwan	Four quarterly installments from the 42nd month after the contract signing date

The Company signed a $3,000,000 thousand (US$99,174 thousand) mid-to-long-term loan agreement with TFC Bank Co., Ltd. on August 6, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 3,000,000 (US$99,174)	Five years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period

The Company signed a $5,000,000 thousand (US$165,289 thousand) mid-to-long-term loan agreement with CTBC Bank Co., Ltd. on August 6, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 5,000,000 (US$165,289)	Machinery equipment: Ten years after the date of first borrowing. Revolving fund: Seven years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period

The Company signed a $4,000,000 thousand (US$132,231 thousand) mid-to-long-term loan agreement with Mega International Commercial Bank on August 21, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 4,000,000 (US$132,231)	Machinery equipment: Seven years after the date of first borrowing. Factory building: Ten	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period

	years after the date of first borrowing		

The Company signed a $2,560,000 thousand (US$84,628 thousand) mid-to-long-term loan agreement with Chang Hwa Commercial Bank, Ltd. on September 11, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 560,000 (US$18,512)	Seven years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period
2,000,000 (US$66,116)	Seven years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1.5%	Three-year grace period. Monthly installments after expiration of grace period

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

18. OTHER LIABILITIES

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Current				
Other payables				
Payables for compensation of employees and remuneration of directors	$ 2,254,486	$ 1,095,930	$ 668,864	$ 22,111
Payables for salaries or bonuses	1,774,676	1,086,849	1,378,858	45,582
Payables for purchases of equipment	853,741	727,712	724,557	23,952
Payables for annual leave	39,719	110,537	112,183	3,709
Payables for dividends	7,686	7,686	6,414,234	212,041
Others	4,718,289	4,052,119	4,091,332	135,251
	9,648,597	7,080,833	13,390,028	442,646
Other payables - related party (Note 28)	2	2	2	-
	$ 9,648,599	$ 7,080,835	$ 13,390,030	$ 442,646

19. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2019 and 2020, the pension expenses of defined benefit plans were $4,430 thousand and $6,841 thousand (US$226 thousand), respectively and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2018 and 2019, respectively.

20. EQUITY

a. Share capital

1) Common shares

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Shares authorized (in thousands of shares)	4,000,000	4,000,000	4,000,000	4,000,000
Shares authorized	$ 40,000,000	$ 40,000,000	$ 40,000,000	$ 1,322,314
Shares issued and fully paid (in thousands of shares)	427,122	429,047	430,257	430,257
Shares issued and fully paid	$ 4,271,217	$ 4,290,478	$ 4,302,571	$ 142,234

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

The movements of the common shares were due to issue share dividends and the exercise of employee share options.

2) Global depositary receipts

The Company's global depositary receipts (GDRs) as of March 31, 2020 were as follows:

	GDRs (In Thousand Units)	Equivalent Common Stock (In Thousand Shares)
Initial offering	5,000	25,000
Converted from overseas convertible bonds	34,981	174,903
Net increase due to capital increase or capital reduction	68,873	344,363
Reissued within authorized units	66,911	334,557
GDRs transferred to common shares	(175,753)	(878,761)
Outstanding GDRs issued	12	62

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

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

On February 26, 2020, the special shareholders' meeting approved to issue ordinary shares for the purpose of issuing GDR. The Company's board of directors resolved to issue GDR on March 2,

2020 and the Financial Supervisory Commission approved the issuance of GDR on March 26, 2020.

b. Capital surplus

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)				
Issuance of ordinary shares	$ 2,018,115	$ 1,721,206	$ 1,721,206	$ 56,899

(Continued)

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
May only be used to offset a deficit				
Transferring from employee share options to issuance of common shares due to exercise	702,002	813,693	816,432	26,990
Share of changes in capital surplus of associates or subsidiaries (2)	$ 2,805,294	$ 2,842,519	$ 2,789,922	$ 92,229
Employee share options	19,980	16,097	13,660	451
	$ 5,545,391	$ 5,393,515	$ 5,341,220	$ 176,569

(Concluded)

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation (the "Articles"), when the Company has earnings for the year, the Company shall appropriate for remuneration of directors at 3% or less and for employees' bonus of at least 2% of the earnings. Then, the Company shall make payments for taxes and offset past years' deficit, if any. The remaining profit shall be distributed in the following order:

1) Legal reserve is appropriated at 10% of the remaining profit until the legal reserve equals the Company's paid-in capital.

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

3) Appropriations for dividends and bonuses, of at least 10% of the remaining profit after appropriations for legal reserve and special reserve, may be proposed by the Company's board of directors and approved at the shareholders' meeting. However, if the earnings distribution proposal is for the distribution of dividend and bonus in cash entirely or partially, it shall be resolved by the board of directors with the attendance of more-than-two-thirds of the directors and consent of the majority of attending directors; also it shall be reported in the shareholders' meeting.

The Company's dividend policy takes into account the Company's current and future competitiveness in the domestic and foreign markets, the investment environment and cash requirements. The policy authorizes the Company's board to propose an earnings distribution in the form of shares or in cash appropriately in accordance with the laws and regulations, with the board's proposal subject to approval at the shareholders' meeting. For the policies on distribution of the compensation of employees and remuneration of directors and supervisors set forth in the Articles, refer to e. employee benefits expense in Note 21.

If the Company has no loss, the legal reserve and the Company's additional paid-in capital as stipulated in Paragraph 1, Article 241 of the Company Law can be distributed to the shareholders proportionally according to the resolution of the Board of Directors with the attendance of more than two-thirds of the directors and the consent of the majority of attending directors; also, it shall be reported in the shareholders meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

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

The appropriations of earnings, bonuses to employees and remuneration to directors for 2018 and 2019 approved in the shareholders' meetings on June 5, 2019 and in the Company's board of directors on February 26, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2019	2018	2019
	NT$	NT$	NT$	NT$
Legal reserve	$ 3,383,929	$ 731,081	$ -	$ -
Special reserve	1,210,064	1,298,169	-	-
Cash dividends	18,790,142	6,409,381	44.30	15.00

On February 26, 2020, the Company's board of directors resolved to appropriate cash dividends from

the 2019; the appropriation of earnings for 2019 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 5, 2020.

d. Other equity items

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

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Balance at January 1	$ (1,820,627)	$ (2,560,689)	$ (84,651)
Recognized for the year			
Exchange differences on translating the financial statements of foreign operations	405,332	(228,527)	(7,555)
Share from associates accounted for using the equity method	(6,696)	(5,549)	(183)
Balance at March 31	$ (1,421,991)	$ (2,794,765)	$ (92,389)

	Amount Before Tax	Related Income Tax	Amount After Tax
Balance at January 1, 2019	$ (2,275,784)	$ 455,157	$ (1,820,627)
Other comprehensive income recognized for the year	498,295	(99,659)	398,636
Balance at March 31, 2019	$ (1,777,489)	$ 355,498	$ (1,421,991)
Balance at January 1, 2020	$ (3,200,862)	$ 640,173	$ (2,560,689)
Other comprehensive income recognized for the year	(292,595)	58,519	(234,076)
Balance at March 31, 2020	$ (3,493,457)	$ 698,692	$ (2,794,765)
Balance at March 31, 2020 (in U.S. dollars) (Note 4) (unreviewed)	$ (115,486)	$ 23,097	$ (92,389)

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

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Balance at January 1	$ 610,563	$ 52,457	$ 1,734
Recognized for the year			
Unrealized gain - equity instruments	335,122	5,143	170
Share from associates accounted for using the equity method	(3,777)	(1,773)	(58)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	(299,452)	-	-

Balance at March 31	$ 642,456	$ 55,827	$ 1,846

e. Non-controlling interests

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Balance at January 1	$ 103,657	$ -	$ -
Share in profit for the year	(800)	-	-
Other comprehensive loss during the year			
Exchange difference on translating the financial statements of foreign entities	(1,867)	-	-
Issuance of subsidiary's common stock for cash	-	17,215	569
Balance at March 31	$ 100,990	$ 17,215	$ 569

f. Treasury shares

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

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

21. NET PROFIT FOR THE YEAR

a. Other gains and losses

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Loss on disposal of property, plant and equipment	$ (4,897)	$ 160	$ 5
Net foreign exchange gains	(100,029)	(17,207)	(569)
Other gains	2,803	8,248	273
Other losses	(32,606)	(52,483)	(1,735)
	$ (134,729)	$ (61,282)	$ (2,026)

b. Finance costs

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Interest on bank loans	$ 140,002	$ 101,705	$ 3,362
Interest on short-term bills	7	119	4
Other finance costs	95	84	3
	$ 140,104	$ 101,908	$ 3,369

c. Depreciation and amortization

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
An analysis of depreciation by function			
Operating costs	$ 618,935	$ 588,616	$ 19,458
Operating expenses	75,025	70,527	2,332
	$ 693,960	$ 659,143	$ 21,790

An analysis of amortization by function

Operating costs	$ 390	$ 222	$ 7
Operating expenses	57,600	57,283	1,894
Other expenses	1,450	1,342	44
	$ 59,440	$ 58,847	$ 1,945

d. Employee benefit expense

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Post-employment benefits			
Defined contribution plans	$ 71,542	$ 53,638	$ 1,773
Defined benefit plans (Note 19)	4,430	6,841	226
	75,972	60,479	1,999
Other employee benefits	1,602,572	1,835,682	60,684
Total employee benefit expense	$ 1,678,544	$ 1,896,161	$ 62,683
An analysis of employee benefit expense by function			
Operating costs	$ 740,072	$ 1,210,033	$ 40,001
Operating expenses	938,472	686,128	22,682
	$ 1,678,544	$ 1,896,161	$ 62,683

e. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 2% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the three months ended March 31, 2019 and 2020, which were approved by the Company's board of directors on March 14, 2019 and February 26, 2020, respectively, were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2019	2020
Employees' compensation	3%	3%
Remuneration of directors	3%	3%

Amount

	For the Three Months Ended March 31					
	2019		2020			
	Cash NT$	Shares NT$	Cash NT$	Cash US$ (Note 4) (Unreviewed)	Shares NT$	Shares US$ (Note 4) (Unreviewed)
Employees' compensation	$ 95,100	$ -	$ 80,247	$ 2,653	$ -	$ -
Remuneration of directors	95,100	-	80,247	2,653	-	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Foreign exchange gains	$ 496,793	$ 342,500	$ 11,322
Foreign exchange losses	(596,822)	(359,707)	(11,891)
	$ (100,029)	$ (17,207)	$ (569)

22. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Current tax			
In respect of current year	$ 827,290	$ 483,986	$ 15,999
Adjustments for prior years	(103,203)	(35,216)	(1,164)
	724,087	448,770	14,835
Deferred tax			
In respect of current year	(183,615)	72,284	2,390
Income tax expense recognized in profit or loss	$ 540,472	$ 521,054	$ 17,225

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Deferred tax			
In respect of the current year			
Translation of foreign operations	$ 99,659	$ (58,519)	$ 1,934

Total income tax recognized in other comprehensive income	$ 99,659	$ (58,519)	$ 1,934

c. Income tax assessments

The Company's income tax returns through 2018 had been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Basic earnings per share	$ 6.04	$ 5.51	$ 0.18
Diluted earnings per share	$ 5.88	$ 5.44	$ 0.18

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

Net Profit for the Year

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Profit for the year attributable to owners of the Company	$ 2,560,761	$ 2,350,314	$ 77,696

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

	For the Three Months Ended March 31	
	2019	2020
Weighted average number of common shares used in the computation of basic earnings per share	424,103	426,548
Effect of potentially dilutive common shares:		
Employee share options	7,279	4,809
Employees' compensation	3,974	884
Weighted average number of common shares used in the computation of diluted earnings per share	435,356	432,241

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

24. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan in 2014

Please refer to the consolidated financial statements for the year ended December 31, 2019 for the employee share option plan in 2014.

Information on employee share options was as follows:

	For the Three Months Ended March 31				
	2019		2020		
	Number of Options (In Thousands)	Weighted-average Exercise Price	Number of Options (In Thousands)	Weighted-average Exercise Price	Weighted-average Exercise Price
		NT$		NT$	US$ (Note 4) (Unreviewed)
Balance at January 1	8,541	$48.60	5,369	$40.20	$1.33
Options exercised	(37)	48.60	(10)	40.20	1.33
Balance at March 31	8,504	48.60	5,359	40.20	1.33
Options exercisable, end of period	5,088		4,017		

The weighted average share prices on the exercise date of the share options for the three months ended March 31, 2019 and 2020 were $320.73 and $386 (US$12.76), respectively.

Information about outstanding options was as follows:

	March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Range of exercise price (NT$)	$48.60	$40.20	$1.33
Weighted-average remaining contractual life (in years)	5.08	4.08	

25. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Analysis of assets and liabilities on the date control was lost

On March 27, 2020, the Group subscribed for additional new share of Ko-E Holding (Cayman) at percentage different from its existing ownership percentage, reducing its continuing interest from 100% to 97.35%.

	Ko-E Holding (Cayman)	
	NT$	US$ (Note 4) (Unreviewed)
Cash consideration received	$ 5,616	$ 186
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	(17,215)	(569)
Differences recognized from equity transactions	$ (11,599)	$ (383)

Line items adjusted for equity transactions		
Capital surplus	$ (11,599)	$ (383)

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

26. CAPITAL MANAGEMENT

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

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

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

27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

March 31, 2019

	Level 1	Level 2	Level 3	Total
	NT$	NT$	NT$	NT$
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 16,805	$ -	$ 16,805
Domestic listed shares	78,000	-	-	78,000
Domestic unlisted shares	-	-	46,104	46,104
Overseas unlisted shares	-	-	44,167	44,167
	$ 78,000	$ 16,805	$ 90,271	$ 185,076
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	$ 1,504,967	$ -	$ -	$ 1,504,967
Overseas listed shares	214,411	-	-	214,411

	Level 1	Level 2	Level 3	Total
	NT$	NT$	NT$	NT$
	$ 1,719,378	$ -	$ -	$ 1,719,378
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 808	$ -	$ 808

December 31, 2019

	Level 1	Level 2	Level 3	Total
	NT$	NT$	NT$	NT$
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 997	$ -	$ 997
Domestic listed shares	372,123	-	-	372,123
Domestic unlisted shares	-	-	46,104	46,104
Overseas unlisted shares	-	-	41,582	41,582
	$ 372,123	$ 997	$ 87,686	$ 460,806
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	$ 1	$ -	$ -	$ 1
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 421,701	$ -	$ 421,701

March 31, 2020

	Level 1	Level 2	Level 3	Total	
	NT$	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Financial assets at FVTPL					
Derivative financial assets	$ -	$ 164,678	$ -	$ 164,678	$ 5,444
Domestic unlisted shares	-	-	46,104	46,104	1,524
	$ -	$ 164,678	$ 46,104	$ 210,782	$ 6,968
Financial assets at FVTOCI					
Investments in equity instruments					
Domestic listed shares	$ 1	$ -	$ -	$ 1	$ -
Financial liabilities at FVTPL					
Derivative financial liabilities	$ -	$ 44,651	$ -	$ 44,651	$ 1,476

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

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

For the three months ended March 31, 2019

	Financial Assets at FVTPL
	Equity Instruments
	NT$
Financial assets	
Balance at January 1, 2019	$ 89,196
Effect of foreign currency exchange differences	1,075
Balance at March 31, 2019	$ 90,271

For the three months ended March 31, 2020

	Financial Assets at FVTPL	
	Equity Instruments	
	NT$	US$ (Note 4) (Unreviewed)
Financial assets		
Balance at January 1, 2020	$ 87,686	$ 2,899
Sales	(41,582)	(1,375)
Balance at March 31, 2020	$ 46,104	$ 1,524

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

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

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

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

c. Categories of financial instruments

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Financial assets				
FVTPL				
Mandatorily classified as at FVTPL	$ 185,076	$ 460,806	$ 210,782	$ 6,968
Financial assets at amortized cost (1)	58,542,434	34,540,806	43,087,881	1,424,392
Financial assets at FVTOCI				
Equity instruments	1,719,378	1	1	-
Financial liabilities				
FVTPL				
Mandatorily classified as at FVTPL	808	421,701	44,651	1,476
Amortized cost (2)	54,955,322	46,291,194	59,560,910	1,968,956

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

2) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade and other payables (including related parties), long-term borrowings and guarantee deposits received.

d. Financial risk management objectives and policies

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

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

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

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

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

of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be positive.

	USD Impact		EUR Impact		JPY Impact	
	For the Three Months Ended March 31		For the Three Months Ended March 31		For the Three Months Ended March 31	
	2019	2020	2019	2020	2019	2020
Profit or loss	$ (471,904)	$ (157,635)	$ (42,142)	$ (898)	$ 1,669	$ 6,031

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

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

b) Interest rate risk

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

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

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Fair value interest rate risk				
Financial assets	$ 24,345,934	$ 14,065,891	$ 19,275,147	$ 637,195
Financial liabilities	37,442,571	32,954,239	39,079,399	1,291,881
Cash flow interest rate risk				
Financial assets	22,432,293	10,199,110	13,452,174	444,700

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

Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Group's variable-rate financial assets for the three months ended March 31, 2019 and 2020 would result in cash inflows by $224,323 thousand and $134,522 thousand (US$4,447 thousand), respectively.

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

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% lower, the pre-tax profit for the three months ended March 31, 2020 would have no significant change, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the three months ended March 31, 2019 and 2020 would have decreased by $17,194 thousand and $780 thousand (US$26 thousand), respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to investments in equity securities has decreased during the current period mainly due to the decrease in financial assets at FVTPC and FVTOCI.

2) Credit risk

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

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

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

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

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

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

The Group did transactions with a large number of unrelated customers and, thus, no concentration

of credit risk was observed.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2019, December 31, 2019 and March 31, 2020, the Group had available unutilized short-term bank loan facilities of $6,510,750 thousand, $14,495,815 thousand and $6,929,070 thousand (US$229,060 thousand), respectively.

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

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

	Carrying Amount	Contractual Cash Flows	Within 1 Year	More than 1 Year
	NT$	NT$	NT$	NT$
March 31, 2019				
Short-term borrowings	$ 30,994,718	$ 31,033,493	$ 31,033,493	$ -
Short-term bills payable	499,853	500,000	500,000	-
Long-term borrowings	6,000,000	6,036,832	-	6,036,832
	$ 37,442,571	$ 37,570,325	$ 31,533,493	$ 6,036,832

(Continued)

	Carrying Amount	Contractual Cash Flows	Within 1 Year	More than 1 Year
	NT$	NT$	NT$	NT$
December 31, 2019				
Short-term borrowings	$ 18,640,796	$ 18,707,195	$ 18,707,195	$ -
Short-term bills payable	299,881	300,000	300,000	-
Long-term borrowings	14,013,562	14,110,966	-	14,110,966
	$ 32,954,239	$ 33,118,161	$ 19,007,195	$ 14,110,966
March 31, 2020				
Short-term borrowings	$ 31,123,493	$ 31,210,202	$ 31,210,202	$ -
Long-term borrowings	7,955,906	8,083,402	-	8,083,402
	$ 39,079,399	$ 39,293,604	$ 31,210,202	$ 8,083,402

(Concluded)

	Carrying Amount	Contractual Cash Flows	Within 1 Year	More than 1 Year

	Carrying Amount	Contractual Cash Flows	Within 1 Year	More than 1 Year
	US$ (Note 4) (Unreviewed)	US$ (Note 4) (Unreviewed)	US$ (Note 4) (Unreviewed)	US$ (Note 4) (Unreviewed)
March 31, 2020				
Short-term borrowings	$ 1,028,876	$ 1,031,742	$ 1,031,742	$ -
Long-term borrowings	263,005	267,220	-	267,220
	$ 1,291,881	$ 1,298,962	$ 1,031,742	$ 267,220

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

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the period.

March 31, 2019

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
	NT$	NT$	NT$
Gross settled			
Foreign exchange forward contracts			
Inflows	$ 14,263,825	$ 924,750	$ -
Outflows	(14,240,436)	(924,900)	-
	$ 23,389	$ (150)	$ -

December 31, 2019

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
	NT$	NT$	NT$
Gross settled			
Foreign exchange forward contracts			
Inflows	$ 37,463,491	$ -	$ -
Outflows	(37,802,265)	-	-
	$ (338,774)	$ -	$ -

March 31, 2020

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
	NT$	NT$	NT$

Gross settled			
Foreign exchange forward contracts			
Inflows	$ 37,843,789	$ -	$ 4,235,560
Outflows	(37,639,575)	-	(4,167,352)
	$ 204,214	$ -	$ 68,208

March 31, 2020

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
	US$ (Note 4) (Unreviewed)	US$ (Note 4) (Unreviewed)	US$ (Note 4) (Unreviewed)
Gross settled			
Foreign exchange forward contracts			
Inflows	$ 1,251,034	$ -	$ 140,019
Outflows	(1,244,283)	-	(137,764)
	$ 6,751	$ -	$ 2,255

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category:

Related Party Name	Related Party Category
Chilisin Electronics Corp.	Associate
Kaimei Electronic Corp. (Originally Teapo Electronics Corp.)	Associate
Teapo Electronics (H.K.) Ltd.	Subsidiary of associate
Teapo Electronics (Dongguan) Co., Ltd.	Subsidiary of associate
Dongguan Zhiguo Electronics Co., Ltd.	Subsidiary of associate
Ralec Electronic Corporation	Subsidiary of associate
ASJ Pte. Limited (ASJ Pte.)	Subsidiary of associate
ASJ Components (M) Sdn. Bhd.	Subsidiary of associate
CRL Components (S) Pte. Ltd.	Subsidiary of associate
Guo Chuang Electronics (Dongguan)	Associate
Ferroxcube International Holding B.V.	Subsidiary of associate
Hsin Bung International Co., Ltd.	Substantial related party
Yixin International Co., Ltd.	Substantial related party
Ralec Technology (Kunshan) Limited	Subsidiary of associate
Chilisin International Ltd	Subsidiary of associate
Yageo Professional Competition Development Association	Substantial related party

b. Sales of goods

Line Items	Related Party Category/ Name	For the Three Months Ended March 31		
		2019	2020	
		NT$	NT$	US$ (Note 4) (Unreviewed)
Sales	Substantial related party	$ 6,930	$ 26,726	$ 884
	Associate	47,544	2,971	98
		$ 54,474	$ 29,697	$ 982

c. Purchases of goods

Related Party Category/Name	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Substantial related party	$ 11,530	$ 173,645	$ 5,740
Associate	22,040	10,750	355
	$ 33,570	$ 184,395	$ 6,095

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

Line Items	Related Party Category/ Name	March 31 2019	December 31 2019	March 31 2020	
	NT$	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Trade receivable	Substantial related party	$ 6,172	$ 23,227	$ 33,627	$ 1,111
	Associate	17,748	1,008	1,457	48
		$ 23,920	$ 24,235	$ 35,084	$ 1,159
Other receivables	Associate/Chilisin Electronics Corp.	$ 92,481	$ 90,318	$ 90,762	$ 3,001
	Associate/others	10,382	6,751	8,235	272
	Substantial related party	-	187	312	10
		$ 102,863	$ 97,256	$ 99,309	$ 3,283

The outstanding trade receivable from related parties are unsecured. For the three months ended March 31, 2019 and 2020, no impairment loss was recognized for trade receivable from related parties.

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

Line Items	Related Party Category/ Name	March 31 2019	December 31 2019	March 31 2020

		NT$	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Trade payable	Substantial related party	$ 12,137	$ 102,516	$ 183,050	$ 6,051
	Associate	36,042	26,451	21,598	714
		$ 48,179	$ 128,967	$ 204,648	$ 6,765
Other payables	Associate	$ 2	$ 2	$ 2	$ -

The outstanding trade payable from related parties are unsecured.

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

f. Lease arrangements - Group is lessor

The Group leases out office and plant to its associate - Kaimei Electronic Corp. (originally Teapo Electronics Corp.), Teapo Electronics (Dongguan) Co., Ltd and Dongguan Zhiguo Electronics Co., Ltd under operating leases with lease terms of one year. The lease arrangement would be automatically extended for one year if the arrangement is not terminated in writing by at least one party not later than three months prior to expiration date. As of March 31, 2019, December 31, 2019 and March 31, 2020, the balance of the gross lease payments receivable are $20,892 thousand, $11,378 thousand and $9,217 thousand (US$305 thousand), respectively. For the three months ended March 31, 2019 and 2020, the Group recognized rental income of $6,964 thousand and $6,140 thousand (US$203 thousand).

Lease income was as follows:

Related Party Category/Name	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Associates/Teapo Electronics (Dongguan) Co., Ltd	$ 6,808	$ 5,990	$ 198
Associates/others	156	150	5
	$ 6,964	$ 6,140	$ 203

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

g. Other transactions with related parties

Line Items	Related Party Category	For the Three Months Ended March 31		
		2019	2020	
		NT$	NT$	US$ (Note 4) (Unreviewed)
Donations	Substantial related party	$ -	$ 1,000	$ 33
Other expense	Associates	$ 7	$ 7	$ -

h. Compensation of key management personnel

	For the Three Months Ended March 31		
	2019	2020	
	NT$	NT$	US$ (Note 4) (Unreviewed)
Short-term employee benefits	$ 68,345	$ 93,749	$ 3,099
Post-employment benefits	108	189	6
	$ 68,453	$ 93,938	$ 3,105

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Property, plant and equipment, net	$ 3,844,255	$ 4,043,146	$ 4,013,201	$ 132,668

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and unrecognized commitments of the Group as of March 31, 2019 and 2020, were as follows:

a. Significant unrecognized commitments

1) Unrecognized commitments were as follows:

	March 31, 2019	December 31, 2019	March 31, 2020	
	NT$	NT$	NT$	US$ (Note 4) (Unreviewed)
Acquisition of property, plant and equipment	$ 1,723,347	$ 970,159	$ 1,592,307	$ 52,638

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

b. Contingencies

Contingent liabilities

The Securities and Future Investors Protection Center (SFIPC) alleged that Far Eastern Air Transport Ltd. (FEATL) had been involved in exaggerating the revenue and trade receivable. The SFIPC charged that FEATL window-dressed its financial reports and thus harmed its investors' welfare. Under these investors' authorization, the SFIPC sued 33 defendants, including the FEATL and its management, directors and supervisors, certified public accountant, its accounting firm, etc.,

(excluding the Company) and filed a civil action lawsuit to demand compensation for damages with the district court of Taipei on June 23, 2009. In January 2010, the SFIPC included in its lawsuit the Company and two other companies because they were FEATL's directors and supervisors from 2005 to 2007. Since the joint defendants increased to 36, SFIPC appealed for a compensation amounted of $296,989 thousand (US$9,818 thousand). On February 21, 2020, the Company and SFIPC have reached a settlement. The Company's management assessed that the lawsuit would not have significant impact on the financial condition and business operations of the Company. The settlement expenses were recognized in the first quarter of 2020.

31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On April 20, 2020, the Company has issued 63,400 thousand oridinary shares for issuing of 12,680 thousand units of GDR at US$51.25 per unit, i.e., one unit of GDR for five common shares, and total amount of issuance of GDR was US$649,850 thousand.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

March 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
	NT$		NT$
Financial assets			
Monetary items			
USD	$ 1,248,992	30.8250 (USD:NTD)	$ 38,500,178
USD	387,814	6.7172 (USD:RMB)	11,954,456
USD	252,331	7.8497 (USD:HKD)	7,778,100
USD	120,219	0.8908 (USD:EUR)	3,705,791
USD	1,115	69.1860 (USD:INR)	34,367
USD	342	22.9920 (USD:CZK)	10,542
EUR	132,311	34.6041 (EUR:NTD)	4,578,503
EUR	481	7.5407 (EUR:RMB)	16,645
EUR	5,207	25.8108 (EUR:CZK)	180,186
EUR	1,049	117.6710 (EUR:RSD)	36,303
JPY	249,912	0.2782 (JPY:NTD)	69,526
JPY	215,287	0.0606 (JPY:RMB)	59,870
JPY	939,746	0.0090 (JPY:USD)	260,709
RMB	58,621	0.1489 (RMB:USD)	269,061
GBP	64,999	90.1800 (GBP:INR)	2,611,347
			$ 70,065,584
Non-monetary items			
Investments accounted for using equity method			
USD	$ 11,172	30.8250 (USD:NTD)	$ 344,377
RMB	7,034	1.1686 (RMB:HKD)	32,281

			$ 376,658
Investments in equity instruments at FVTOCI			
JPY	770,708	0.2782 (JPY:NTD)	$ 214,411

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
	NT$		NT$
Financial liabilities			
Monetary items			
USD	$ 435,839	30.8250 (USD:NTD)	$ 13,434,737
USD	39,898	6.7172 (USD:RMB)	1,229,865
USD	4,167	0.8908 (USD:EUR)	128,449
EUR	444	34.6041 (EUR:NTD)	15,364
EUR	348	7.5407 (EUR:RMB)	12,042
EUR	14,325	25.8108 (EUR:CZK)	495,710
EUR	1,173	77.6680 (EUR:INR)	40,587
EUR	976	117.6710 (EUR:RSD)	33,776
JPY	1,065,934	0.2782 (JPY:NTD)	296,543
JPY	936,768	0.0606 (JPY:RMB)	260,509
HKD	28,045	0.8557 (HKD:RMB)	110,127
HKD	5,500	0.1274 (HKD:USD)	21,599
RMB	102,809	0.1489 (RMB:USD)	471,878
SGD	16,377	22.7508 (SGD:NTD)	372,590
			$ 16,923,776

(Concluded)

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
	NT$		NT$
Financial assets			
Monetary items			
USD	$ 72,761	30.1060 (USD:NTD)	$ 2,190,543
USD	241,503	6.9662 (USD:RMB)	7,270,647
USD	91,681	7.7862 (USD:HKD)	2,760,159
USD	4,428	0.8925 (USD:EUR)	133,316
USD	966	71.2825 (USD:INR)	29,079
EUR	667	1.1205 (EUR:USD)	22,500
EUR	23,423	33.7338 (EUR:NTD)	790,147
EUR	8,925	25.4006 (EUR:CZK)	301,081
JPY	777,885	0.2771 (JPY:NTD)	215,552
JPY	89,864	0.0641 (JPY:RMB)	24,894
RMB	77,601	0.1436 (RMB:USD)	335,486

	$ 14,073,404

(Continued)

	Foreign Currencies (In Thousands) NT$	Exchange Rate	Carrying Amount NT$
Non-monetary items			
Investments accounted for using equity method			
USD	$ 9,026	30.1060 (USD:NTD)	$ 271,733
RMB	6,483	1.1177 (RMB:HKD)	28,016
			$ 299,749
Financial liabilities			
Monetary items			
USD	83,948	30.1060 (USD:NTD)	$ 2,527,338
USD	40,692	6.9662 (USD:RMB)	1,232,408
USD	18,244	7.7862 (USD:HKD)	562,467
USD	1,107	22.6690 (USD:CZK)	32,982
EUR	3,670	33.7338 (EUR:NTD)	123,786
EUR	9,609	25.4006 (EUR:CZK)	320,787
EUR	426	79.8720 (EUR:INR)	14,937
EUR	1,469	117.4508 (EUR:RSD)	49,897
JPY	989,749	0.2771 (JPY:NTD)	274,259
JPY	1,007,394	0.0641 (JPY:RMB)	280,742
HKD	8,061	0.8947 (HKD:RMB)	31,356
HKD	29,616	3.8666 (HKD:NTD)	32,957
RMB	130,320	0.1436 (RMB:USD)	580,919
SGD	16,465	22.3787 (SGD:NTD)	368,465
			$ 6,433,300

(Concluded)

March 31, 2020

	Foreign Currencies (In Thousands) NT$	Exchange Rate	Carrying Amount NT$
Financial assets			
Monetary items			
USD	$ 184,142	30.2540 (USD:NTD)	$ 5,571,032
USD	349,607	7.0930 (USD:RMB)	10,576,931
USD	225,220	7.7531 (USD:HKD)	6,813,839
USD	4,306	0.9093 (USD:EUR)	130,268
USD	898	75.4150 (USD:INR)	27,170
EUR	15,750	33.2703 (EUR:NTD)	524,007
EUR	637	1.0997 (EUR:USD)	21,193
EUR	8,194	27.3429 (EUR:CZK)	272,621

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
	NT$		NT$
JPY	$ 401,138	0.2794 (JPY:NTD)	$ 112,078
HKD	5,642	3.9022 (HKD: NTD)	22,016
HKD	9,445	0.9149 (HKD:RMB)	36,857
RMB	125,366	0.1410 (RMB:USD)	534,788
SGD	744	0.7022 (SGD:INR)	15,806
			$ 24,658,606
Non-monetary items			
Investments accounted for using equity method			
USD	9,576	30.2540 (USD:NTD)	$ 289,722
RMB	6,188	1.0931 (RMB:HKD)	26,395
			$ 316,117
Financial liabilities			
Monetary items			
USD	88,438	30.2540 (USD:NTD)	$ 2,675,603
USD	152,545	7.0930 (USD:RMB)	4,615,062
USD	1,190	0.9093 (USD:EUR)	36,001
USD	962	24.8640 (USD:CZK)	29,105
EUR	5,143	33.2703 (EUR:NTD)	171,109
EUR	346	7.8002 (EUR:RMB)	11,511
EUR	14,307	27.3429 (EUR:CZK)	476,006
EUR	527	82.9340 (EUR:INR)	17,535
EUR	1,559	117.3160 (EUR:RSD)	51,869
JPY	1,237,462	0.2794 (JPY:NTD)	345,747
JPY	1,322,482	0.0655 (JPY:RMB)	369,471
HKD	6,382	0.1290 (HKD:USD)	24,907
RMB	105,149	0.1410 (RMB:USD)	448,546
			$ 9,272,472

(Concluded)

For the three months ended March 31, 2019 and 2020, realized and unrealized net foreign exchange gains (loss) were $(100,029) thousand and $(17,207) thousand (US$(569) thousand), respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for resource allocation and the assessment of segment performance is solely based on the financial information of each plant owned by the Group. Each plant has similar economic features as well as manufacturing procedures. In addition, products are sold by the Group in a centralized way. Thus, the Group is reported as a single segment. The Group's revenues and operating results in 2019 and 2020 are shown in the consolidated statements of comprehensive income for 2019 and 2020.

Yageo Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yageo Corporation

Opinion

We have audited the accompanying consolidated financial statements of Yageo Corporation (the Company) and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the other matter paragraph below), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2019 are as follows:

Allowance for Expected Credit Loss of Trade Receivables

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

For a summary of the significant accounting policies on expected credit loss of trade receivables, refer to Note 4 to the accompanying consolidated financial statements. Refer to Note 10 to the consolidated financial statements for the carrying amount of trade receivables. Our audit procedures for the aforementioned key audit matter are described as follows:

1. We tested the completeness and the accuracy of the aging report of the trade receivables which served as a basis for the calculation of the expected credit loss allowance and verified that the percentage of such allowance was consistent with the Group's policy on the allowance for expected credit loss.

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

3. For the past due, outstanding amount, we assessed the reasonableness of the allowance through understanding the history of the client and whether collateral was obtained; we also assessed the state of the overall economy.

Allowance for Inventory Valuation Loss

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

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

1. We tested the completeness and the accuracy of the aging of inventory, assessed the reasonableness of inventory valuation loss per the Group's policy, and calculated the amount of allowance for inventory valuation loss per the Group's policy.

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

Other Matter

We did not audit the financial statements of certain subsidiaries included in the consolidated financial statements of the Group, as of and for the years ended December 31, 2018 and 2019. The total assets of these subsidiaries were 10.55% (NT$13,051,571 thousand) and 15.90% (NT$15,320,336 thousand) of the Group's total consolidated assets as of December 31, 2018 and 2019, respectively, and the total revenue of these subsidiaries was 7.24% (NT$5,584,073 thousand) and 20.63% (NT$8,520,693 thousand) of the Group's total consolidated revenue for the years ended December 31, 2018 and 2019, respectively. As disclosed in Note 13 to the accompanying consolidated financial statements, we also did not audit the financial statements of some investees accounted for using the equity method. The total investments in these investees accounted for using the equity method were 0.13% (NT$154,651 thousand) and 0.16% (NT$153,770 thousand) of the Group's total consolidated assets as of December 31, 2018 and 2019, respectively; the Group's total share of the profit (loss) of such associates was and (0.06%) (NT$(23,364) thousand) 0.01% (NT$673 thousand) of the Group's consolidated profit before income tax for the years ended December 31, 2018 and 2019, respectively. The financial statements of the aforementioned subsidiaries and investees accounted for using the equity method were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the related amounts included herein, is based solely on the reports of other auditors.

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2019 on which we have issued an unqualified opinion with other matter paragraph.

As described in Note 32 to the accompanying consolidated financial statements, on November 12, 2019, the Company's board approved the Company's acquisition of 100% of the equity interest of KEMET Corporation at US$27.20 per share in cash transaction for total amount of US$1.64 billion.

As described in Note 1 to the accompanying consolidated financial statements, in 2018, the Company acquired 100% of the equity interest of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement amounting to NT$3,328,253 thousand and US$721,461 thousand, respectively. The comparative figures have been restated as if the initial accounting was completed at the acquisition date. Refer to Note 15 for information relating to the restated comparative figures.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 26, 2020

Notice to Readers

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

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

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2019
(In Thousands)

ASSETS	2018 NT$	2018 %	2019 NT$	2019 US$ (Note 4) (Unaudited)	2019 %
CURRENT ASSETS					
Cash and cash equivalents (Notes 4 and 6)	$ 20,388,744	17	$ 16,153,271	$ 533,992	17
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	80,458	-	373,120	12,335	1
Financial assets at amortized cost - current (Notes 4 and 9)	8,568,937	7	4,072,506	134,628	4
Notes receivable (Notes 4, 5 and 10)	553,176	-	159,758	5,281	-
Trade receivables (Notes 4, 5, 10 and 30)	19,251,951	16	9,702,437	320,742	10
Other receivables (Notes 4 and 30)	442,998	-	307,178	10,155	-
Inventories (Notes 4, 5 and 11)	10,279,726	8	5,679,345	187,747	6
Prepayments (Note 17)	996,362	1	496,079	16,399	1
Other current assets	355,718	-	203,843	6,739	-
Total current assets	60,918,070	49	37,147,537	1,228,018	39
NON-CURRENT ASSETS					
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	89,196	-	87,686	2,899	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	2,226,976	2	1	-	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	6,946,640	6	4,041,659	133,609	4
Investments accounted for using the equity method (Notes 4 and 13)	6,205,942	5	6,040,518	199,687	6
Property, plant and equipment (Notes 4, 5, 14 and 31)	18,550,010	15	20,511,273	678,059	22
Right-of-use assets (Note 4)	-	-	230,273	7,612	-
Goodwill (Notes 4, 5 and 15)	21,464,280	17	21,377,750	706,702	22
Other intangible assets (Notes 4 and 16)	4,737,280	4	4,535,560	149,936	5
Deferred tax assets (Notes 4 and 23)	2,207,304	2	2,156,351	71,284	2
Refundable deposits	104,372	-	103,997	3,438	-
Long-term prepayments for lease, net of current portion (Note 17)	110,730	-	-	-	-
Other non-current assets	143,532	-	149,532	4,942	-
Total non-current assets	62,786,262	51	59,234,600	1,958,168	61
TOTAL	$ 123,704,332	100	$ 96,382,137	$ 3,186,186	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term borrowings (Note 18)	$ 23,667,981	19	$ 18,640,796	$ 616,225	19
Short-term bills payable (Note 18)	499,487	1	299,881	9,913	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	27,674	-	421,701	13,941	1
Notes payable	163,595	-	4,803	159	-
Trade payables (Note 30)	10,347,305	8	6,059,800	200,324	6
Other payables (Notes 19 and 30)	12,012,953	10	7,080,835	234,077	8
Current tax liabilities (Notes 4 and 23)	6,782,248	6	1,826,900	60,393	2
Lease liabilities - current	-	-	125,695	4,155	-
Other current liabilities	281,179	-	284,326	9,399	-
Total current liabilities	53,782,422	44	34,744,737	1,148,586	36
NON-CURRENT LIABILITIES					
Long-term borrowings (Notes 18 and 31)	9,000,000	7	14,013,562	463,258	15
Deferred tax liabilities (Notes 4 and 23)	383,698	-	260,100	8,598	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	471,418	-	518,283	17,133	1
Guarantee deposits received	150,895	-	191,517	6,331	-
Other non-current liabilities	477,547	1	407,207	13,462	-
Total non-current liabilities	10,483,558	8	15,390,669	508,782	16
Total liabilities	64,265,980	52	50,135,406	1,657,368	52
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital					
Common shares	4,270,394	3	4,290,478	141,834	4
Capital collected in advance	453	-	12,093	400	-
Total share capital	4,270,847	3	4,302,571	142,234	4
Capital surplus					
Issuance of common shares	2,718,524	2	2,534,899	83,798	3
From share of changes in capital surplus of associates	2,804,929	3	2,842,519	93,968	3
From employee share options	20,146	-	16,097	532	-
Total capital surplus	5,543,599	5	5,393,515	178,298	6
Retained earnings					
Legal reserve	3,235,596	3	6,619,525	218,827	7
Special reserve	437,595	-	1,647,659	54,468	2
Unappropriated earnings	49,478,674	40	33,213,245	1,097,959	34
Total retained earnings	53,151,865	43	41,480,429	1,371,254	43
Other equity					
Exchange differences on translation of foreign operations	(1,820,627)	(1)	(2,560,689)	(84,651)	(3)
Unrealized gain on financial assets at FVTOCI	610,563	-	52,457	1,734	-
Total other equity	(1,210,064)	(1)	(2,508,232)	(82,917)	(3)
Treasury shares	(2,421,552)	(2)	(2,421,552)	(80,051)	(2)
Total equity attributable to owners of the Company	59,334,695	48	46,246,731	1,528,818	48
NON-CONTROLLING INTERESTS	103,657	-	-	-	-
Total equity	59,438,352	48	46,246,731	1,528,818	48
TOTAL	$ 123,704,332	100	$ 96,382,137	$ 3,186,186	100

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

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

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018		2019		
	NT$	%	NT$	US$ (Note 4) (Unaudited)	%
OPERATING REVENUE (Notes 4 and 30)					
Net sales	$ 77,155,611	100	$ 41,306,656	$ 1,365,509	100
OPERATING COSTS (Notes 4, 11, 22 and 30)					
Cost of goods sold	28,310,343	37	26,526,111	876,896	64
GROSS PROFIT	48,845,268	63	14,780,545	488,613	36
OPERATING EXPENSES (Notes 4, 22 and 30)					
Selling and marketing expenses	6,496,642	8	3,792,344	125,367	9
General and administrative expenses	3,523,253	5	3,171,344	104,838	8
Research and development expenses	413,353	-	774,821	25,614	2
Expected credit (gain) loss (Notes 4 and 10)	1,504,052	2	(989,287)	(32,704)	(3)
Total operating expenses	11,937,300	15	6,749,222	223,115	16
PROFIT FROM OPERATIONS	36,907,968	48	8,031,323	265,498	20
NON-OPERATING INCOME AND EXPENSES					
Finance costs (Notes 4 and 22)	(547,020)	(1)	(524,825)	(17,350)	(1)
Share of profit of associates (Note 4)	635,527	1	154,049	5,093	-
Interest income (Note 4)	1,091,535	1	1,142,171	37,758	3
Rental income (Notes 4 and 30)	41,662	-	34,429	1,138	-
Gain on financial instruments at fair value through profit or loss (Note 4)	1,288,486	2	620,680	20,518	1
Loss on financial instruments at fair value through profit or loss (Note 4)	(974,160)	(1)	(1,324,859)	(43,797)	(3)
Other gains and losses (Note 22)	1,451,363	2	890,112	29,426	2
Total non-operating income	2,987,393	4	991,757	32,786	2

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018		2019		
	NT$	%	NT$	US$ (Note 4) (Unaudited)	%
PROFIT BEFORE INCOME TAX	39,895,361	52	9,023,080	298,284	22
INCOME TAX EXPENSE (Notes 4 and 23)	6,055,209	8	1,970,965	65,156	5
NET PROFIT FOR THE YEAR	33,840,152	44	7,052,115	233,128	17
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Note 4)	29,415	-	(47,340)	(1,565)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 21)	(598,587)	(1)	(192,914)	(6,377)	(1)
Share of the other comprehensive (loss) income of associates accounted for using the equity method (Note 4)	282	-	(153,407)	(5,071)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 23)	(2,817)	-	9,468	313	-
	(571,707)	(1)	(384,193)	(12,700)	(1)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 21)	(266,131)	-	(861,057)	(28,465)	(2)
Share of the other comprehensive loss of associates accounted for using the equity method (Notes 4 and 21)	(8,200)	-	(76,166)	(2,518)	-

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

	2018		2019		
	NT$	%	NT$	US$ (Note 4) (Unaudited)	%
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 23)	114,209	-	185,016	6,116	-
	(160,122)	-	(752,207)	(24,867)	(2)
Other comprehensive loss for the year, net of income tax	(731,829)	(1)	(1,136,400)	(37,567)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 33,108,323	43	$ 5,915,715	$ 195,561	14
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Company	$ 33,839,293	44	$ 6,944,793	$ 229,580	17
Non-controlling interests	859	-	107,322	3,548	-
	$ 33,840,152	44	$ 7,052,115	$ 233,128	17
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company	$ 33,113,026	43	$ 5,820,538	$ 192,415	14
Non-controlling interests	(4,703)	-	95,177	3,146	-
	$ 33,108,323	43	$ 5,915,715	$ 195,561	14
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 24)					
Basic	$ 80.30		$ 16.35	$ 0.54	
Diluted	$ 78.09		$ 16.02	$ 0.53	

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

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

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019
(In Thousands)

	Equity Attributable to Owners of the Company														
									Other Equity						
	Share Capital (Note 21)				Retained Earnings										
	Common Shares	Capital Collected in Advance	Total	Capital Surplus (Notes 4, 21 and 27)	Legal Reserve (Note 21)	Special Reserve (Note 21)	Unappropriated Earnings (Note 21)	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations (Notes 4 and 21)	Unrealized Valuation Gain (Loss) on Available-for-sale Financial Assets (Notes 4 and 21)	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 21)	Treasury Stock (Note 21)	Total	Non-controlling Interests (Notes 4, 21 and 27)	Total Equity
BALANCE, JANUARY 1, 2018	$ 3,504,010	$ 1,628	$ 3,505,638	$ 3,101,438	$ 2,550,866	$ 1,723,692	$ 20,096,117	$ 24,370,675	$ (1,664,627)	$ 1,911,923	$ -	$ -	$ 31,225,047	$ 108,360	$ 31,333,407
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	5,440	5,440	-	(1,911,923)	1,906,483	-	-	-	-
BALANCE, JANUARY 1, 2018 AS RESTATED	3,504,010	1,628	3,505,638	3,101,438	2,550,866	1,723,692	20,101,557	24,376,115	(1,664,627)	-	1,906,483	-	31,225,047	108,360	31,333,407
Appropriation of the 2017 earnings															
Legal reserve	-	-	-	-	684,730	-	(684,730)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(1,286,097)	1,286,097	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(5,036,144)	(5,036,144)	-	-	-	-	(5,036,144)	-	(5,036,144)
Share dividends distributed by the Company	701,413	-	701,413	-	-	-	(701,413)	(701,413)	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	2,389,116	-	-	-	-	-	-	-	-	2,389,116	-	2,389,116
Issue of share dividends from capital surplus	-	-	-	(226,586)	-	-	-	-	-	-	-	-	(226,586)	-	(226,586)
Actual acquisitions of interests in subsidiaries	-	-	-	-	-	-	(25,874)	(25,874)	-	-	-	-	(25,874)	(543,571)	(569,445)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	(25,765)	(25,765)	-	-	-	-	(25,765)	-	(25,765)
Recognition of employee share options by the Company	64,971	(1,175)	63,796	279,631	-	-	-	-	-	-	-	-	343,427	-	343,427
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	33,839,293	33,839,293	-	-	-	-	33,839,293	859	33,840,152
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	26,880	26,880	(156,000)	-	(597,147)	-	(726,267)	(5,562)	(731,829)
Buy-back of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(2,421,552)	(2,421,552)	-	(2,421,552)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	698,773	698,773	-	-	(698,773)	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	543,571	543,571
BALANCE AT DECEMBER 31, 2018	4,270,394	453	4,270,847	5,543,599	3,235,596	437,595	49,478,674	53,151,865	(1,820,627)	-	610,563	(2,421,552)	59,334,695	103,657	59,438,352
Cash dividends of the Company received by its subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(211,529)	(211,529)
Appropriation of the 2018 earnings															
Legal reserve	-	-	-	-	3,383,929	-	(3,383,929)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	1,210,064	(1,210,064)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(18,790,142)	(18,790,142)	-	-	-	-	(18,790,142)	-	(18,790,142)
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	107,616	-	-	-	-	-	-	-	-	107,616	-	107,616
Issue of share dividends from capital surplus	-	-	-	(296,909)	-	-	-	-	-	-	-	-	(296,909)	-	(296,909)
Actual acquisitions of interests in subsidiaries	-	-	-	(70,026)	-	-	-	-	-	-	-	-	(70,026)	12,695	(57,331)
Recognition of employee share options by the Company	20,084	11,640	31,724	109,235	-	-	-	-	-	-	-	-	140,959	-	140,959
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	6,944,793	6,944,793	-	-	-	-	6,944,793	107,322	7,052,115
Other comprehensive income loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(192,103)	(192,103)	(740,062)	-	(192,090)	-	(1,124,255)	(12,145)	(1,136,400)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	366,016	366,016	-	-	(366,016)	-	-	-	-
BALANCE AT DECEMBER 31, 2019	$ 4,290,478	$ 12,093	$ 4,302,571	$ 5,393,515	$ 6,619,525	$ 1,647,659	$ 33,213,245	$ 41,480,429	$ (2,560,689)	$ -	$ 52,457	$ (2,421,552)	$ 46,246,731	$ -	$ 46,246,731
BALANCE AT DECEMBER 31, 2019 (IN U.S. DOLLARS) (Note 4) (unaudited)	$ 141,834	$ 400	$ 142,234	$ 178,298	$ 218,827	$ 54,468	$ 1,097,959	$ 1,371,254	$ (84,651)	$ -	$ 1,734	$ (80,051)	$ 1,528,818	$ -	$ 1,528,818

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

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

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019
(In Thousands)

	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	$ 39,895,361	$ 9,023,080	$ 298,284
Adjustments for:			
Depreciation expenses	7,500,217	2,719,123	89,888
Amortization expenses	76,677	235,569	7,787
Expected credit loss recognized (reversed) on trade receivables	1,504,052	(989,287)	(32,704)
Net (gain) loss on fair value change of financial assets and liabilities at fair value through profit or loss	(314,326)	704,179	23,279
Finance costs	547,020	524,825	17,350
Amortization of prepayments for leases	2,444	-	-
Amortization of prepayments	6,745	6,863	227
Interest income	(1,091,535)	(1,142,171)	(37,758)
Dividend income	(148,998)	(202,483)	(6,694)
Share of profit of associates	(635,527)	(154,049)	(5,093)
Net loss on disposal of property, plant and equipment	22,279	9,713	321
Write-downs of inventories	77,515	487,935	16,130
(Gain) loss on foreign currency exchange	93,207	(37,644)	(1,244)
Changes in operating assets and liabilities			
Financial assets mandatorily classified at fair value through profit or loss	59,368	(367,441)	(12,147)
Notes receivable	735,928	393,418	13,006
Trade receivables	(6,544,318)	10,457,389	345,699
Trade receivables of related parties	-	74,891	2,476
Other receivables	11,979	114,686	3,791
Other receivables of related parties	-	2,611	86
Inventories	(3,353,349)	4,112,446	135,949
Prepayments	(344,788)	493,989	16,330
Other current assets	32,391	214,355	7,086
Notes payable	150,387	(158,792)	(5,249)
Trade payables	310,976	(4,237,138)	(140,071)
Trade payables of related parties	-	(6,202)	(205)
Other payables	4,587,537	(4,624,267)	(152,868)
Other current liabilities	154,559	3,147	104
Net defined benefit liabilities	(100,570)	46,865	1,549
Cash generated from operations	43,235,231	17,705,610	585,309
Interest received	1,077,893	1,160,694	38,370
Dividend received	148,998	202,483	6,694
Interest paid	(518,382)	(544,637)	(18,004)
Income tax paid	(2,160,957)	(6,801,822)	(224,854)

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019
(In Thousands)

	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Net cash generated from operating activities	41,782,783	11,722,328	387,515
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through other comprehensive income	1,429,614	2,031,103	67,144
Purchase of financial assets at amortized cost	(210,977)	(1,612,894)	(53,319)
Proceeds from sale of financial assets at amortized cost	3,556,572	8,931,172	295,245
Purchase of financial assets at fair value through profit or loss	(149,648)	(296,621)	(9,806)
Proceeds from sale of financial assets at fair value through profit or loss	482,128	61,248	2,025
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	4,987	165
Proceeds from capital reduction of financial assets at fair value through profit or loss	10,497	-	-
Acquisition of associates	-	(24,010)	(794)
Acquisition of subsidiaries	(23,920,521)	-	-
Proceeds from capital reduction of associates	45,261	-	-
Payments for property, plant and equipment	(9,074,910)	(5,737,653)	(189,674)
Proceeds from disposal of property, plant and equipment	92,506	60,615	2,004
Increase in refundable deposits	(21,737)	-	-
Decrease in refundable deposits	-	375	12
Payments for intangible assets	(10,012)	(2,430)	(80)
Dividends received from associates	246,719	306,050	10,117
Net cash generated from (used in) investing activities	(27,524,508)	3,721,942	123,039
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	5,612,797	-	-
Repayments of short-term borrowings	-	(5,026,976)	(166,181)
Repayments of short-term bills payable	(600,285)	(199,606)	(6,599)
Repayments of bond payables	(287,599)	-	-
Proceeds from long-term borrowings	3,500,000	12,513,562	413,672
Repayments of long-term borrowings	-	(7,500,000)	(247,934)
Proceeds from guarantee deposits received	81,352	41,409	1,369
Repayments of lease liabilities	-	(90,161)	(2,980)
Dividends paid to owners of the Company	(5,262,730)	(19,087,051)	(630,977)
Proceeds from employee share options	343,427	140,959	4,660

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019
(In Thousands)

	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Payments for buyback of treasury shares	(2,421,552)	-	-
Dividends paid to non-controlling interests	(569,445)	(144,435)	(4,775)
Net cash generated from (used in) financing activities	395,965	(19,352,299)	(639,745)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(26,385)	(327,444)	(10,825)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,627,855	(4,235,473)	(140,016)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,760,889	20,388,744	674,008
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 20,388,744	$ 16,153,271	$ 533,992

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

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

1. GENERAL INFORMATION

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

In 2018, the Company acquired 100% of the equity interests of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement amounting to NT$3,328,253 thousand and US$721,461 thousand, respectively.

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

1) IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

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

The Group also applies the following practical expedients:

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

b) The Group adjusts the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized on December 31, 2018, instead of assessing the impairment under IAS 36.

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

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

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

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

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

	NT$	US$ (Note 4) (Unaudited)
The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 327,407	$ 10,823
Less: Recognition exemption for short-term leases	(100,198)	(3,312)
Undiscounted amounts on January 1, 2019	$ 227,209	$ 7,511
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 219,487	$ 7,256
Lease liabilities recognized on January 1, 2019	$ 219,487	$ 7,256

The Group as lessor

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

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
	NT$	NT$	NT$
Right-of-use assets	$ -	$ 332,593	$ 332,593
Lease liabilities - current	$ -	$ 219,487	$ 219,487

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
	US$ (Unaudited)	US$ (Unaudited)	US$ (Unaudited)
Right-of-use assets	$ -	$ 10,995	$ 10,995
Lease liabilities - current	$ -	$ 7,256	$ 7,256

2) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings. Upon initial application of the above amendment, the related borrowing costs are included in the calculation starting from 2019.

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

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

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

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

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

1) Amendments to IFRS 3 “Definition of a Business”

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are

measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

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

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

d. Basis of consolidation

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

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

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

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

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

See Note 12, Table 8 and 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

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

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purpose of presenting consolidated financial statements, the functional currencies of the

Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

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

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.

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

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

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

to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

i. Property, plant and equipment

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

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

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 29: Financial Instruments.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 60 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, and any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liability.

Fair value is determined in the manner described in Note 29.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

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

n. Revenue recognition

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

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

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

o. Leasing

2018

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

1) The Group as lessor

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

2) The Group as lessee

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

2019

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

p. Borrowing costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group’s best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of treasury shares transferred to employees is the date on which the employees are informed.

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

t. U.S dollor amounts (unaudited)

A translation of the New Taiwan dollar (NT$) amounts into U.S. dollars (US$ or USD) in the consolidated financial statements for December 31, 2020 is included solely for the convenience of the readers and is unaudited, and has been made at the exchange rate set forth in the statistical release of the

U.S. Federal Reserve Board of the United States, which was NT$30.25 to US$1.00 as of March 31, 2020. The translation should not be construed as a representation that the NT$ amounts have been, could have been, or could in the future be, converted into USD at this or any other rate of exchange.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Notes 9 and 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

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

c. Impairment of property, plant and equipment

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

d. Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Cash on hand	$ 2,743	$ 2,435	$ 80
Demand deposits	15,223,019	10,199,110	337,161
Cash equivalents (investments with original maturities of less than 3 months)			
Short-term bills	127,835	-	-
Time deposits	5,035,147	5,951,726	196,751
	$ 20,388,744	$ 16,153,271	$ 533,992

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

	December 31	
	2018	2019
Short-term bills	0.5%	-
Bank deposits	0.01%-4.7%	0.01%-3.67%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Financial assets at FVTPL - current			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	$ 20,398	$ 997	$ 33
Non-derivative financial assets			
Domestic listed shares			
Walsin Technology Co., Ltd.	60,060	372,123	12,302
	$ 80,458	$ 373,120	$ 12,335
Financial assets at FVTPL - non-current			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Overseas unlisted shares			
Xmholder Technology Co., Ltd.	$ 43,092	$ 41,582	$ 1,375
Domestic unlisted shares			
Hsin Bung International Co., Ltd.	33,622	33,622	1,111

(Continued)

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Jihsun Securities Investment Trust Co., Ltd.	12,000	12,000	397
Linko International Golf & Country Club	482	482	16
	$ 89,196	$ 87,686	$ 2,899
Financial liabilities at FVTPL - current			
Financial liabilities mandatorily classified as at FVTPL			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	$ 27,674	$ 421,701	$ 13,941

(Concluded)

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2018			
Buy	USD/NTD	2019.01.04-2019.01.28	USD 581,500/NTD 17,903,315
Buy	EUR/USD	2019.01.07	EUR 6,000/USD 6,831
Sell	EUR/CZK	2019.01.31-2019.04.30	EUR 1,750/CZK 46,486
December 31, 2019			
Buy	USD/NTD	2020.01.03-2020.01.31	USD 1,226,205/NTD 37,255,360
Buy	EUR/NTD	2020.01.03	EUR 234/NTD 7,887
Buy	EUR/USD	2020.01.21	EUR 6,000/USD 6,699
Sell	EUR/USD	2020.01.02	EUR 10,000/USD 11,196

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Non-current			
Investments in equity instruments at FVTOCI	$ 2,226,976	$ 1	$ -

Investments in equity instruments at FVTOCI

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Non-current			
Domestic investments			
Listed shares and emerging market shares			
TA-I Technology Co., Ltd.	$ 1,327,605	$ 1	$ -
Foreign investments			
Overseas listed shares			
SHS KOA Corp.	899,371	-	-
	$ 2,226,976	$ 1	$ -

These investments in equity instruments are held for medium to long-term strategic purposes and expected to profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. In 2019, the Group sold all its ordinary shares in SHS KOA Corp. and part of its ordinary shares in TA-I Technology Co., Ltd. in order to manage credit concentration risk. The shares sold had a fair value of JPY3,870,434 thousand and $949,279 thousand (US$31,381 thousand), respectively, and the related unrealized valuation gain of $365,781 thousand (US$12,092 thousand) in other equity was transferred to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Current			
Domestic investments			
Time deposits with original maturities of more than 3 months (a)	$ 8,568,937	$ 4,072,506	$ 134,628
Non-current			
Foreign investments			
Corporate bonds (b)	$ 6,946,640	$ 4,041,659	$ 133,609

a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 3.10%-5.40% and 1.76%-4.50% per annum as of December 31, 2018 and 2019, respectively.

b. From August to October 2017, August to November 2018 and March to December 2019, the Group bought corporate bonds at face value of $230,100, $6,695 and $51,760 in thousand U.S. dollars with the coupon rates of 2.95%-5.50%, 4.10%-4.88% and 1.875%-9.00%, and the effective interest rates of 2.53%-4.35%, 3.84%-3.95% and 2.44%-10.02%, respectively.

In October 2018 and from September to December 2019, part of the bonds were sold to manage credit concentration risk; the bonds were sold at fair value of $550,229 thousand and $4,099,659 thousand (US$135,526 thousand), respectively.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Notes receivable			
At amortized cost			
Gross carrying amount	$ 553,176	$ 159,758	$ 5,281
Notes receivable - operating	$ 553,176	$ 159,758	$ 5,281
Trade receivables			
At amortized cost			
Gross carrying amount	$ 20,767,427	$ 9,808,954	$ 324,263
Less: Allowance for impairment loss	(1,614,602)	(130,752)	(4,322)
	$ 19,152,825	$ 9,678,202	$ 319,941
Trade receivables - related party (Note 30)	$ 99,126	$ 24,235	$ 801

Trade Receivables

The average credit period of sales of goods was 30-90 days. No interest was charged on trade receivables. The Group adopted a policy of dealing with major customers that the Group could use other publicly available financial information or its own trading records to rate and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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

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

The aging of trade receivables was as follows:

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Current term	$ 15,054,779	$ 8,775,129	$ 290,087
Past due			
1-60 days	4,479,367	838,141	27,707
61-90 days	476,379	26,948	891
91-181 days	750,791	103,288	3,414
More than 181 days	105,237	89,683	2,965
	$ 20,866,553	$ 9,833,189	$ 325,064

In 2018, the expected credit loss rate of trade receivables for not past due, 1-90 days past due, and 91 days or older past due was 0.01%, 2.95%-3.72% and 43.77%-100%, respectively.

In 2019, the expected credit loss rate of trade receivables for not past due, 1-90 days past due, and 91 days or older past due was 0.01%, 1.21%-2.48% and 43.77%-100%, respectively.

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

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

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Balance at January 1	$ 50,142	$ 1,614,602	$ 53,375
Acquisitions through business combinations	30,988	-	-
Add: Net remeasurement of loss allowance	1,800,534	418,704	13,841
Less: Net remeasurement of loss allowance	(296,482)	(1,407,991)	(46,545)
Less: Amounts written off	(468)	(502,075)	(16,597)
Foreign exchange gains and losses	29,888	7,512	248
Balance at December 31	$ 1,614,602	$ 130,752	$ 4,322

11. INVENTORIES

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Finished goods and merchandise	$ 3,823,036	$ 1,737,902	$ 57,451
Work in progress	1,954,122	1,104,038	36,497
Raw materials	4,205,334	2,599,951	85,949
Supplies	285,790	198,849	6,574
Inventory in transit	11,444	38,605	1,276
	$ 10,279,726	$ 5,679,345	$ 187,747

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2019 was $28,310,343 thousand and $26,526,111 thousand (US$876,896 thousand), respectively. The cost of goods sold included inventory write-downs of $77,515 thousand and $487,935 thousand (US$16,130 thousand) for the years ended December 31, 2018 and 2019, respectively.

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2018	2019	Remark
Yageo Corporation	Yageo Holding (Bermuda) Ltd.	Investment	100.00	100.00	
	Ko-Shin Investment Limited.	Investment	100.00	100.00	
	Ferroxcube (Samoa) Holding Ltd.	Investment	100.00	100.00	
	Brightking Holdings Limited	Holding company	100.00	100.00	a.
	Yageo Corporation (South Asia)	Electronic component manufacturing and selling	100.00	100.00	
	Yageo Europe Holding B.V.	Holding company	100.00	100.00	
	Yageo America	Electronic component manufacturing and selling	100.00	100.00	
	Yageo South Asia (M) Sdn. Bhd.	Electronic component manufacturing and selling	100.00	100.00	
	Yageo Holding (Cayman) Limited	Holding company	100.00	100.00	
	Pulse Electronics Corporation	Holding company	100.00	100.00	b.
Yageo Holding (Bermuda) Ltd.	Yageo (Hong Kong) Limited	Investment	100.00	100.00	
	Yageo USA (H.K.) Limited	Passive component selling	100.00	100.00	
	Ko-E Holding (Cayman)	Holding company	83.83	100.00	c.
	Vitrohm Holding GmbH	Investment	100.00	100.00	
	Yageo Korea	Resistor selling	100.00	100.00	
	Yageo Japan	Resistor selling	100.00	100.00	
	Hsu Tai International (H.K.) Ltd.	Investment	100.00	100.00	
Brightking Holdings Limited	Brightking Enterprise (H.K.) Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	a.
Pulse Electronics Corporation	Egston Holding GmbH	Holding company	100.00	100.00	b.
Yageo (Hong Kong) Limited	Yageo Electronics (China) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	
	Yageo Electronics (Dongguan) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	
	Yageo (Suzhou) Trade Co., Ltd.	Passive component selling	100.00	100.00	
	Yageo Components (Suzhou) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	
	Compostar Technology (Dongguan) Co., Ltd.	Passive component manufacturing and selling	100.00	-	d.

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2018	Proportion of Ownership (%) December 31 2019	Remark
Ko-E Holding (Cayman)	Ko-E (H.K.) Limited	Electronic component selling	100.00	100.00	
	Ko-E Corp.	Electronic component selling	100.00	100.00	
	Ko-E Electronics Trade Co., Ltd.	Electronic component selling	-	100.00	e.
Brightking Enterprise (H.K.) Co., Ltd.	Bestbright Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	a.
	Brightking Electronics Inc.	Selling overvoltage and overcurrent protection electronic components	100.00	100.00	a.
	Brightking Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	a.
	Bestbright Electronics Co., Ltd. (Taiwan)	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	a.
	Huizhou Lien Shun Electronics Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	28.37	28.37	a.
Ko-E (H.K.) Limited	Ko-E Technology (Shenzhen) Co., Ltd.	Electronic component selling	100.00	100.00	
Bestbright Electronics Co., Ltd.	Brightking (Shenzhen) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	100.00	100.00	a.
	Ceramate Technical (Suzhou) Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	a.
	Zhejiang Bestbright Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	100.00	100.00	a.
Brightking (Shenzhen) Co., Ltd.	Brightking (Shanghai) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	100.00	100.00	a.
	Brightking (Beijing) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	100.00	100.00	a.
	Huizhou Lien Shun Electronics Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	71.63	71.63	a.

(Concluded)

Remarks:

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

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

c. Ko-E Holding (Cayman) returned capital of US$1,904 thousand to its non-controlling interests in December 2019, and the ownership percentage of the Group was increased from 83.83% to 100%.

d. Cancelled in the third quarter of 2019.

e. Established in November 2019.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Material associates			
Chilisin Electronics Corp.	$ 5,158,426	$ 5,035,935	$ 166,477
Associates that are not individually material			
Kaimei Electronic Corp.(Note)	615,983	612,864	20,260
Global Testing Corporation Limited (GTCL)	276,882	237,949	7,866
Strong Components Co., Ltd.	88,161	91,970	3,040
Belkin International Enterprises Ltd. (Samoa)	35,061	33,784	1,117
Guo Chuang Electronics (Dongguan) Co., Ltd.	31,429	28,016	927
	1,047,516	1,004,583	33,210
	$ 6,205,942	$ 6,040,518	$ 199,687

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

a. Material associates

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2018	2019
Chilisin Electronics Corp.	12.47%	12.46%

Refer to Table 8 "Information on Investees" and Table 9 "Information on Investments in Mainland China" for the nature of activities, principal places of business and countries of incorporation of the associates.

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

	December 31		
	2018	2019	
Name of Associate	NT$	NT$	US$ (Note 4) (Unaudited)
Chilisin Electronics Corp.	$ 2,379,300	$ 3,879,623	$ 128,252
Kaimei Electronic Corp.	545,328	637,095	21,061
GTCL	135,845	111,428	3,684
	$ 3,060,473	$ 4,628,146	$ 152,997

All the associates were accounted for using the equity method.

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

Chilisin Electronics Corp.

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Current assets	$ 18,502,431	$ 16,901,120	$ 558,715
Non-current assets	22,544,803	23,336,272	771,447
Current liabilities	(10,599,060)	(11,636,991)	(384,694)
Non-current liabilities	(5,873,843)	(4,981,992)	(164,694)
Equity	24,574,331	23,618,409	780,774
Non-controlling interests	(73,793)	(74,741)	(2,471)
	$ 24,500,538	$ 23,543,668	$ 778,303
Proportion of the Group's ownership	12.47%	12.46%	12.46%
Equity attributable to the Group	$ 3,055,217	$ 2,933,541	$ 96,976
Other adjustments	2,103,209	2,102,394	69,501
Carrying amount	$ 5,158,426	$ 5,035,935	$ 166,477

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Operating revenue	$ 17,553,007	$ 15,870,564	$ 524,647
Net profit for the year	$ 2,866,095	$ 1,150,010	$ 38,017
Other comprehensive loss	(187,404)	(574,456)	(18,990)
Total comprehensive income for the year	$ 2,678,691	$ 575,554	$ 19,027
Dividends received from Chilisin Electronics Corp.	$ 82,897	$ 242,038	$ 8,001

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
The Group's share of:			
Net profit for the year	$ 193,579	$ 11,143	$ 368
Other comprehensive income (loss)	13,440	(4,209)	(139)
Total comprehensive income for the year	$ 207,019	$ 6,934	$ 229

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

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

14. PROPERTY, PLANT AND EQUIPMENT

a. 2018

	Freehold Land	Buildings	Machinery Equipment	Other Equipment	Construction in Progress and Unaccepted Equipment	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Cost						
Balance at January 1, 2018	$ 714,067	$ 12,060,388	$ 27,313,086	$ 1,971,720	$ 2,597,969	$ 44,657,230
Additions	-	664	69,556	29,602	8,798,103	8,897,925
Disposals	-	(182,179)	(944,410)	(58,365)	-	(1,184,954)
Effects of foreign currency exchange differences	(1,081)	(188,276)	(374,376)	(50,773)	(40,215)	(654,721)
Reclassifications	-	1,437,710	7,165,433	257,274	(8,904,220)	(43,803)
Acquisitions through business combinations (Note 26)	17,962	409,195	3,696,182	849,664	212,378	5,185,381
Balance at December 31, 2018	$ 730,948	$ 13,537,502	$ 36,925,471	$ 2,999,122	$ 2,664,015	$ 56,857,058
Accumulated depreciation and impairment						
Balance at January 1, 2018	$ 203,808	$ 5,880,180	$ 20,676,375	$ 1,621,990	$ -	$ 28,382,353
Disposals	-	(180,063)	(843,965)	(46,141)	-	(1,070,169)
Depreciation expenses	-	533,774	6,846,137	120,306	-	7,500,217
Effects of foreign currency exchange differences	-	(70,756)	(273,092)	(43,522)	-	(387,370)
Acquisitions through business combinations (Note 26)	-	222,322	3,090,950	568,745	-	3,882,017
Balance at December 31, 2018	$ 203,808	$ 6,385,457	$ 29,496,405	$ 2,221,378	$ -	$ 38,307,048
Carrying amounts at December 31, 2018	$ 527,140	$ 7,152,045	$ 7,429,066	$ 777,744	$ 2,664,015	$ 18,550,010

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

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

	December 31, 2018
	NT$
Not later than 1 year	$ 16,894
Later than 1 year and not later than 5 years	535
	$ 17,429

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

Buildings	
Main buildings	50-56 years
Engineering system	40-56 years
Others	1-20 years
Machinery Equipment	1-20 years
Other Equipment	1-20 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 31.

b. Assets used by the Group - 2019

	December 31, 2019	
	NT$	US$ (Note 4) (Unaudited)
Assets used by the Group	$ 20,374,570	$ 673,540
Assets leased under operating leases	136,703	4,519
	$ 20,511,273	$ 678,059

	Freehold Land	Buildings	Machinery Equipment	Other Equipment	Construction in Progress and Unaccepted Equipment	Total	
	NT$	NT$	NT$	NT$	NT$	NT$	US$ (Note 4) (Unaudited)
Cost							
Balance at January 1, 2019	$ 730,948	$ 13,315,250	$ 36,925,471	$ 2,999,122	$ 2,664,015	$ 56,634,806	$ 1,872,225
Additions	951,724	26,083	216,833	23,904	4,106,645	5,325,189	176,039
Disposals	-	(12,907)	(837,348)	(84,259)	-	(934,514)	(30,893)
Effects of foreign currency exchange differences	(3,927)	(340,285)	(752,834)	(52,060)	(74,090)	(1,223,196)	(40,436)
Reclassifications	-	1,401,689	2,308,550	215,720	(4,021,003)	(95,044)	(3,142)
Balance at December 31, 2019	$ 1,678,745	$ 14,389,830	$ 37,860,672	$ 3,102,427	$ 2,675,567	$ 59,707,241	$ 1,973,793
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ 203,808	$ 6,308,772	$ 29,496,405	$ 2,221,378	$ -	$ 38,230,363	$ 1,263,813
Disposals	-	(11,186)	(781,348)	(71,652)	-	(864,186)	(28,568)
Depreciation expenses	-	685,957	1,778,771	247,192	-	2,711,920	89,650
Effects of foreign currency exchange differences	-	(137,085)	(565,017)	(43,324)	-	(745,426)	(24,642)
Reclassifications	-	1,558	-	(1,558)	-	-	-
Balance at December 31, 2019	$ 203,808	$ 6,848,016	$ 29,928,811	$ 2,352,036	$ -	$ 39,332,671	$ 1,300,253
Carrying amounts at December 31, 2019	$ 1,474,937	$ 7,541,814	$ 7,931,861	$ 750,391	$ 2,675,567	$ 20,374,570	$ 673,540

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

Buildings

Main buildings	50-56 years
Engineering system	40-56 years
Others	1-20 years
Machinery equipment	1-20 years
Other equipment	1-20 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings were set out in Note 31.

c. Assets leased under operating leases - 2019

	Buildings	
	NT$	**US$ (Note 4) (Unaudited)**
Cost		
Balance at January 1, 2019	$ 222,252	$ 7,347
Effect of foreign currency exchange differences	(7,721)	(255)
Balance at December 31	$ 214,531	$ 7,092
Accumulated depreciation and impairment		
Balance at January 1, 2019	$ 76,685	$ 2,535
Depreciation expenses	3,935	130
Effects of foreign currency exchange differences	(2,792)	(92)
Balance at December 31, 2019	$ 77,828	$ 2,573
Carrying amounts at December 31, 2019	$ 136,703	$ 4,519

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

	December 31, 2019	
	NT$	**US$ (Note 4) (Unaudited)**
Not later than 1 year	$ 16,852	$ 557
Later than 1 year and not later than 5 years	393	13
	$ 17,245	$ 570

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

Buildings	
Main buildings	50-56 years

15. GOODWILL

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Cost			
Balance at January 1	$ 2,074,005	$ 21,464,280	$ 709,563
Acquisitions through business combinations (Note 26)	17,826,168	-	-
Goodwill adjustment after the business combination	1,588,772	-	-
Effect of foreign currency exchange differences	(24,665)	(86,530)	(2,861)
Balance at December 31	$ 21,464,280	$ 21,377,750	$ 706,702

It was indicated in a valuation report received by the Group in the fourth quarter of 2019 that the fair value of the other current assets, property, plant and equipment, intangible assets and current liabilities of Pulse Electronics Corporation at the date of acquisition was $2,839,703 thousand (US$93,874 thousand). The 2018 comparative figures have been restated as if the initial accounting was completed at the acquisition date.

The balances of the items on the consolidated balance sheets before and after the adjustments are the following:

	December 31, 2018	Acquisition Date
	NT$	NT$
Goodwill adjustments	$ 16,943,384	$ 18,532,156
Other current assets	4,570,373	4,377,022
Property, plant and equipment	1,483,560	921,181
Intangible assets	3,357,150	4,062,336
Current liabilities	(4,982,608)	(6,520,836)

The recoverable amount of the cash-generating unit was determined based on a value in use calculation. The Group's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast with the following discount rates as of December 31, 2018 and 2019: 14.82% and 11.64% , respectively. The operating revenue forecast was based on the expected future growth rate of the passive product industry along with the projected advancement of the Group's own business. The Group's management believed that any reasonable changes in the principal assumptions would not result in the carrying values exceeding the recoverable amounts. As of December 31, 2018 and 2019, there was no indication of impairment loss based on the principal assumptions.

16. OTHER INTANGIBLE ASSETS

	Computer Software	Proprietary Technology	Customer Relationships	Trademark	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Cost						
Balance at January 1, 2018	$ 228,336	$ -	$ -	$ -	$ -	$ 228,336
Additions	10,012	-	-	-	-	10,012
Reclassifications	32,146	-	-	-	-	32,146
Acquisitions through business combinations (Note 26)	25,397	739,902	1,055,883	2,854,305	16,246	4,691,733

Effect of foreign currency exchange differences	(23)	-	-	-	-	(23)
Balance at December 31, 2018	$ 295,868	$ 739,902	$ 1,055,883	$ 2,854,305	$ 16,246	$ 4,962,204
Accumulated amortization and impairment						
Balance at January 1, 2018	$ 142,254	$ -	$ -	$ -	$ -	$ 142,254
Amortization expenses	47,331	11,609	17,737	-	-	76,677
Acquisitions through business combinations (Note 26)	5,419	-	-	-	-	5,419
Effect of foreign currency exchange differences	574	-	-	-	-	574
Balance at December 31, 2018	$ 195,578	$ 11,609	$ 17,737	$ -	$ -	$ 224,924
Carrying amounts at December 31, 2018	$ 100,290	$ 728,293	$ 1,038,146	$ 2,854,305	$ 16,246	$ 4,737,280

	Computer Software	Proprietary Technology	Customer Relationships	Trademark	Others	Total	
	NT$	NT$	NT$	NT$	NT$	NT$	US$ (Note 4) (Unaudited)
Cost							
Balance at January 1, 2019	$ 295,868	$ 739,902	$ 1,055,883	$ 2,854,305	$ 16,246	$ 4,962,204	$ 164,040
Additions	2,430	-	-	-	-	2,430	80
Reclassifications	31,995	-	-	-	-	31,995	1,058
Effect of foreign currency exchange differences	(922)	-	-	-	-	(922)	(31)
Balance at December 31, 2019	$ 329,371	$ 739,902	$ 1,055,883	$ 2,854,305	$ 16,246	$ 4,995,707	$ 165,147
Accumulated amortization and impairment							
Balance at January 1, 2019	$ 195,578	$ 11,609	$ 17,737	$ -	$ -	$ 224,924	$ 7,436
Amortization expenses	58,516	70,183	106,870	-	-	235,569	7,787
Effect of foreign currency exchange differences	(346)	-	-	-	-	(346)	(12)
Balance at December 31, 2019	$ 253,748	$ 81,792	$ 124,607	$ -	$ -	$ 460,147	$ 15,211
Carrying amounts at December 31, 2019	$ 75,623	$ 658,110	$ 931,276	$ 2,854,305	$ 16,246	$ 4,535,560	$ 149,936

The trademark and others acquired through business combinations in 2018 were valued at $2,854,305 thousand and $16,246 thousand, respectively. Various studies including industrial characteristics, product life cycle studies and enterprise characteristics have been performed by management of the Group, which supported their opinion that there is no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows. Therefore, the trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The recoverable amount of trademark was determined based on a value in use calculation that used the cash flow projections in the financial budgets approved by management covering a 5-year period; the discount rate was 15%. The cash flows beyond that 5-year period have been extrapolated using the expected growth rate. Other key assumptions included budgeted revenue and relief from royalty rate. Such assumptions were based on the past performance of the cash-generating unit and management's expectations of market development.

No impairment loss on trademark was recognized for the years ended December 31, 2018 and 2019.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer Software	1-5 years
Proprietary Technology	10-11.5 years
Customer Relationships	9.5-10 years

17. PREPAYMENTS FOR LEASES

	December 31, 2018
	NT$
Current asset (included in prepayment)	$ 2,376
Non-current asset	110,730
	$ 113,106

Prepayments for leases included land use rights in Mainland China.

18. BORROWINGS

a. Short-term borrowings

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Unsecured borrowings			
Line of credit borrowings	$ 23,667,981	$ 18,640,796	$ 616,225

The effective interest rates for bank loans had ranges of 0.70%-4.20% and 0.85%-3.70%per annum as of December 31, 2018 and 2019, respectively.

b. Short-term bills payable

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Commercial paper	$ 500,000	$ 300,000	$ 9,917
Less: Unamortized discount on bills payable	513	119	4
	$ 499,487	$ 299,881	$ 9,913

Outstanding short-term bills payable were as follows:

December 31, 2018

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

December 31, 2019

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
	NT$	NT$	NT$			NT$
Commercial paper						
Mega Bills	$ 300,000	$ 119	$ 299,881	1.038%	-	$ -

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
	US$ (Note 4) (Unaudited)	US$ (Note 4) (Unaudited)	US$ (Note 4) (Unaudited)			US$ (Note 4) (Unaudited)
Commercial paper						
Mega Bills	$ 10,030	$ 4	$ 10,026	1.038%	-	$ -

c. Long-term borrowings

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Secured borrowings			
Bank loans	$ 7,500,000	$ 12,513,562	$ 413,671
Unsecured borrowings			
Line of credit borrowings	1,500,000	1,500,000	49,587
	$ 9,000,000	$ 14,013,562	$ 463,258

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

The Company signed a $1,500,000 thousand (US$49,587 thousand) medium-term loan agreement with MUFG Bank, Ltd. on March 23, 2018. The terms of the loans are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 1,500,000 (US$49,587)	Three years after the date of first borrowing	Fixed rate 0.98% for the first year, and 0.99% for the second and third year	Three years after the date of first borrowing

The Company signed a $10,800,000 thousand (US$357,025 thousand) syndicated loan agreement with Mega International Commercial Bank and twenty other financial institutions on April 10, 2017. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement

$ 10,800,000 (US$357,025)	Five years after the date of first borrowing	Fixed rate (0.6%) based on a specific average rate of notes transacted in Taiwan	Four quarterly installments from the 42nd month after the contract signing date

The Company signed a $3,000,000 thousand (US$99,174 thousand) mid-to-long-term loan agreement with TFC Bank Co., Ltd. on August 6, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 3,000,000 (US$99,174)	Five years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period

The Company signed a $5,000,000 thousand (US$165,289 thousand) mid-to-long-term loan agreement with CTBC Bank Co., Ltd. on August 6, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 5,000,000 (US$165,289)	Machinery equipment: Ten years after the date of first borrowing. Revolving fund: Seven years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period

The Company signed a $4,000,000 thousand (US$132,231 thousand) mid-to-long-term loan agreement with Mega International Commercial Bank on August 21, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 4,000,000 (US$132,231)	Machinery equipment: Seven years after the date of first borrowing. Factory building: Ten years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period

The Company signed a $2,560,000 thousand (US$84,628 thousand) mid-to-long-term loan agreement with Chang Hwa Commercial Bank, Ltd. on September 11, 2019. The terms of the loan are summarized as follows:

Credit Lines	Credit Period	Interest Rate	Repayment Agreement
$ 560,000 (US$18,512)	Seven years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1%	Three-year grace period. Monthly installments after expiration of grace period

2,000,000 (US$66,116)	Seven years after the date of first borrowing	Variable interest rate based on the two-year fixed deposit of Chunghwa Post Co., Ltd. and the actual receipt must not be less than 1.5%	Three-year grace period. Monthly installments after expiration of grace period

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

19. OTHER LIABILITIES

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Current			
Other payables			
Payables for compensation of employees and remuneration of directors	$ 2,527,914	$ 1,095,930	$ 36,229
Payables for salaries or bonuses	1,372,575	1,086,849	35,929
Payables for purchases of equipment	1,140,176	727,712	24,057
Payables for annual leave	43,251	110,537	3,654
Payables for dividends	7,686	7,686	254
Others	6,921,349	4,052,119	133,954
	12,012,951	7,080,833	234,077
Other payables - related party (Note 30)	2	2	-
	$ 12,012,953	$ 7,080,835	$ 234,077

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The subsidiaries-Yageo Dongguan, Yageo China, Yageo Components (Suzhou) Co., Ltd., Yageo Trade (Suzhou) Co., Ltd., Yageo USA (H.K.) Limited, Yageo Europe, Vitrohm Portuguesa, Yageo Japan, Yageo America Corporation, Yageo Corporation (South Asia) Pte. Ltd., Yageo South Asia (M) Sdn. Bhd., Ko-E H.K., Ko-E Technology (Shenzhen), Brightking Enterprise (H.K.) Co., Ltd., Bestbright Electronics Co., Ltd., Brightking Electronics Inc., Huizhou Lien Shun Electronics Co., Ltd., Brightking (Shenzhen) Co., Ltd., Ceramate Technical (Suzhou) Co., Ltd., Zhejiang Bestbright Electronics Co., Ltd., Brightking (Shanghai) Co., Ltd., Brightking (Beijing) Co., Ltd., Pulse Electronics (Dongguan) Co., Ltd., Mian Yang Pulse Electronics Co., Ltd., Suining Pulse Electronics Co., Ltd., Pulse (Suzhou) Wireless Products Co., Ltd., Pulse Electronics (ShenZhen) Co., Ltd., Shengsheng Technology (Suzhou) Co., Ltd. and Egston Electronics Zhuhai Ltd. have defined contribution plans and make contributions based on a fixed rate of salaries and wages according to the local laws. The subsidiaries-Yageo Holding (Bermuda),

Kuo Shin Investment, Ferroxcube Holding (Samoa), Hsu Tai (H.K.), Ko-E Holding (Cayman), Yageo Hong Kong, Yageo Holding (Cayman) Limited and Brightking Holdings Limited do not have pension plans since there is no employee.

b. Defined benefit plans

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

All the employees of Vitrohm Holding GmbH, Yageo Europe Holding B.V., Pulse Electronics Corporation and Egston Holding GmbH (AT) have defined benefit plans. As of December 31, 2018 and 2019, the pension liabilities amounted to $357,934 thousand and $361,343 thousand (US$11,945 thousand), respectively, included in defined benefit liabilities.

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

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Present value of defined benefit obligation	$ 346,860	$ 366,990	$ 12,132
Fair value of plan assets	(233,376)	(210,050)	(6,944)
Net defined benefit liability	$ 113,484	$ 156,940	$ 5,188

Movements in the net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
	NT$	NT$	NT$
Balance at January 1, 2018	$ 379,066	$ (171,924)	$ 207,142
Service cost			
Current service cost	3,440	-	3,440
Net interest expense (income)	4,738	(2,545)	2,193
Recognized in profit or loss	8,178	(2,545)	5,633
Remeasurement			
Actuarial (gain) loss			
Changes in demographic assumptions	741	-	741
Changes in financial assumptions	3,707	-	3,707
Experience adjustments	(29,780)	(4,746)	(34,526)
Recognized in other comprehensive income	(25,332)	(4,746)	(30,078)
Contributions from the employer	-	(69,213)	(69,213)

Benefits paid	(15,052)	15,052	-
Balance at December 31, 2018	$ 346,860	$ (233,376)	$ 113,484

	Present Value of the Defined Benefit Obligation		Fair Value of the Plan Assets		Net Defined Benefit Liabilities	
	NT$	US$ (Note 4) (Unaudited)	NT$	US$ (Note 4) (Unaudited)	NT$	US$ (Note 4) (Unaudited)
Balance at January 1, 2019	$ 346,860	$ 11,466	$ (233,376)	$ (7,715)	$ 113,484	$ 3,751
Service cost						
Current service cost	2,843	94	-	-	2,843	94
Net interest expense (income)	3,902	129	(2,675)	(88)	1,227	41
Recognized in profit or loss	6,745	223	(2,675)	(88)	4,070	135
Remeasurement						
Actuarial (gain) loss						
Changes in demographic assumptions	2,002	66	-	-	2,002	66
Changes in financial assumptions	10,012	331	-	-	10,012	331
Experience adjustments	42,460	1,404	(7,134)	(236)	35,326	1,168
Recognized in other comprehensive income	54,474	1,801	(7,134)	(236)	47,340	1,565
Contributions from the employer	-	-	(7,915)	(262)	(7,915)	(262)
Benefits paid	(41,089)	(1,358)	41,050	1,357	(39)	(1)
Balance at December 31, 2019	$ 366,990	$ 12,132	$ (210,050)	$ (6,934)	$ 156,940	$ 5,188

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

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Operating costs	$ 4,429	$ 3,138	$ 104
Selling and marketing expenses	280	240	8
General and administrative expenses	627	496	16
Research and development expenses	297	196	7
	$ 5,633	$ 4,070	$ 135

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2018	2019
Discount rates	1.125%	0.800%
Expected rates of salary increase	1.500%	1.500%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Discount rates			
0.25% increase	$ (7,541)	$ (7,836)	$ (259)
0.25% decrease	$ 7,804	$ 8,107	$ 268
Expected rates of salary increase			
0.25% increase	$ 7,542	$ 7,809	$ 258
0.25% decrease	$ (7,325)	$ (7,587)	$ (251)

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

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Expected contributions to the plans for the next year	$ 8,750	$ 7,915	$ 262
Average duration of the defined benefit obligation	12 years	11 years	11 years

21. EQUITY

a. Share capital

1) Common shares

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Shares authorized (in thousands of shares)	4,000,000	4,000,000	4,000,000
Shares authorized	$ 40,000,000	$ 40,000,000	$ 1,322,314
Shares issued and fully paid (in thousands	427,039	429,047	429,047

of shares)			
Shares issued and fully paid	$ 4,270,394	$ 4,290,478	$ 141,834

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

The movements of the common shares were due to issue share dividends and the exercise of employee share options.

2) Global depositary receipts

The Company's global depositary receipts (GDRs) as of December 31, 2019 were as follows:

	GDRs (In Thousand Units)	Equivalent Common Stock (In Thousand Shares)
Initial offering	5,000	25,000
Converted from overseas convertible bonds	34,981	174,903
Net increase due to capital increase or capital reduction	68,873	344,363
Reissued within authorized units	66,911	334,557
GDRs transferred to common shares	(175,753)	(878,761)
Outstanding GDRs issued	12	62

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

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

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

b. Capital surplus

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1)			
Issuance of ordinary shares	$ 2,018,115	$ 1,721,206	$ 56,899
May only be used to offset a deficit			
Transferring from employee share options to issuance of common shares due to exercise	700,409	813,693	26,899

(Continued)

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
May not be used for any purpose			
Share of changes in capital surplus of associates or subsidiaries (2)	$ 2,804,929	$ 2,842,519	$ 93,968
Employee share options	20,146	16,097	532
	$ 5,543,599	$ 5,393,515	$ 178,298

(Concluded)

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation (the "Articles"), when the Company has earnings for the year, the Company shall appropriate for remuneration of directors at 3% or less and for employees' bonus of at least 2% of the earnings. Then, the Company shall make payments for taxes and offset past years' deficit, if any. The remaining profit shall be distributed in the following order:

1) Legal reserve is appropriated at 10% of the remaining profit until the legal reserve equals the Company's paid-in capital.

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

3) Appropriations for dividends and bonuses, of at least 10% of the remaining profit after appropriations for legal reserve and special reserve, may be proposed by the Company's board of directors and approved at the shareholders' meeting. However, if the earnings distribution proposal is for the distribution of dividend and bonus in cash entirely or partially, it shall be resolved by the board of directors with the attendance of more-than-two-thirds of the directors and consent of the majority of attending directors; also it shall be reported in the shareholders' meeting.

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

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company's earnings distribution or loss recovery can be completed at the end of each interim fiscal

year. The Company before distributing the earnings of the first half of the fiscal year as stated in the preceding paragraph should estimate and retain the amount of tax payable, loss coverage, employee compensation, and the provision of earnings reserved in advance. However, when the legal reserve equals to the amount of paid-in capital, it is not subject to this restriction.

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

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

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

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

On June 5, 2019, the Company's shareholders resolved to pay cash dividends at NT$0.70(US$0.023) per share from capital surplus of $296,909 thousand(US$9,815 thousand), and plus the above cash dividends at NT$44.3(US$1.46) per share, the total cash dividends paid aggregated to NT$45(US$1.49) per share for 2018.

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

	For the Year Ended December 31, 2019	
	NT$	US$ (Note 4) (Unaudited)
Legal reserve	$ 731,081	$ 24,168
Special reserve	$ 1,298,169	$ 42,915
Cash dividends	$ 6,409,381	$ 211,880
Cash dividends per share (NT$)	$ 15	$ 0.5

d. Special reserves

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Beginning at January 1	$ 1,723,692	$ 437,595	$ 14,466
Debit to other equity items	-	1,210,064	40,002
Reversal of the debits to other equity items	(1,286,097)	-	-

Balance at December 31	$ 437,595	$ 1,647,659	$ 54,468

e. Other equity items

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

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Balance at January 1	$ (1,664,627)	$ (1,820,627)	$ (60,186)
Effect of change in tax rate	60,167	-	-
Recognized for the year			
Exchange differences on translating the financial statements of foreign operations	(208,455)	(800,995)	(26,479)
Share from associates accounted for using the equity method	(7,712)	60,933	2,014
Balance at December 31	$ (1,820,627)	$ (2,560,689)	$ (84,651)

	Amount Before Tax	Related Income Tax	Amount After Tax
Balance at January 1, 2018	$ (2,005,575)	$ 340,948	$ (1,664,627)
Effect of change in tax rate	-	60,167	60,167
Other comprehensive income recognized for the year	(270,209)	54,042	(216,167)
Balance at December 31, 2018	$ (2,275,784)	$ 455,157	$ (1,820,627)
Balance at January 1, 2019	$ (2,275,784)	$ 455,157	$ (1,820,627)
Other comprehensive income recognized for the year	(925,078)	185,016	(740,062)
Balance at December 31, 2019	$ (3,200,862)	$ 640,173	$ (2,560,689)
Balance at December 31, 2019 (in U.S. dollars) (Note 4) (Unaudited)	$ (105,814)	$ 21,163	$ (84,651)

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

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Balance at January 1	$ 1,906,483	$ 610,563	$ 20,184
Recognized for the year			
Unrealized gain - equity instruments	(598,587)	(192,914)	(6,377)
Share from associates accounted for using the equity method	1,440	824	27
Cumulative unrealized gain of equity instruments transferred to retained	(698,773)	(366,016)	(12,100)

earnings due to disposal			
Balance at December 31	$ 610,563	$ 52,457	$ 1,734

f. Non-controlling interests

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Balance at January 1	$ 108,360	$ 103,657	$ 3,427
Share of profit for the year	859	107,322	3,548
Other comprehensive income (loss) during the year			
Exchange difference on translating the financial statements of foreign entities	(5,562)	(12,145)	(402)
Non-controlling interests arising from acquisition of Brightking Holdings Limited	543,571	-	-
Acquisition of non-controlling interests in Brightking Holdings Limited	(543,571)	-	-
Acquisition of non-controlling interests in Ko-E Holding (Cayman Islands) Limited because of returning cash capital to the non-controlling interests' holders	-	12,695	420
Cash dividends distributed by subsidiaries	-	(211,529)	(6,993)
Balance at December 31	$ 103,657	$ -	$ -

g. Treasury shares

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

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

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

22. NET PROFIT FOR THE YEAR

a. Other gains and losses

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Loss on disposal of property, plant and equipment	$ (22,279)	$ (9,713)	$ (321)
Net foreign exchange gains	1,363,987	731,548	24,183
Dividend income	148,998	202,483	6,694
Other gains	98,592	163,028	5,390
Other losses	(137,935)	(197,234)	(6,520)
	$ 1,451,363	$ 890,112	$ 29,426

b. Finance costs

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Interest on bank loans	$ 535,609	$ 521,024	$ 17,224
Interest on short-term bills	6,732	1,844	61
Other finance costs	4,679	1,957	65
	$ 547,020	$ 524,825	$ 17,350

c. Depreciation and amortization

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
An analysis of depreciation by function			
Operating costs	$ 7,337,191	$ 2,419,806	$ 79,993
Operating expenses	163,026	299,317	9,895
	$ 7,500,217	$ 2,719,123	$ 89,888
An analysis of amortization by function			
Operating costs	$ 1,536	$ 1,330	$ 44
Operating expenses	78,551	235,286	7,778
Other expenses	5,779	5,816	192
	$ 85,866	$ 242,432	$ 8,014

d. Employee benefit expense

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Post-employment benefits			
Defined contribution plans	$ 267,302	$ 250,556	$ 8,283
Defined benefit plans (Note 20)	10,662	26,650	881
	277,964	277,206	9,164
Other employee benefits	6,840,488	7,498,640	247,889
Total employee benefit expense	$ 7,118,452	$ 7,775,846	$ 257,053
An analysis of employee benefit expense by function			
Operating costs	$ 3,331,082	$ 4,633,868	$ 153,186
Operating expenses	3,787,370	3,141,978	103,867
	$ 7,118,452	$ 7,775,846	$ 257,053

e. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 2% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2019, which were approved by the Company's board of directors on March 14, 2019 and February 26, 2020, respectively, were as follows:

Accrual rate

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

Amount

	For the Year Ended December 31					
	2018		2019			
	Cash NT$	Shares NT$	Cash NT$	Cash US$(Note4) (Unaudited)	Shares NT$	Shares US$(Note4) (Unaudited)
Employees' compensation	$ 1,173,873	$ -	$ 258,432	$ 8,543	$ -	$ -
Remuneration of directors	1,173,873	-	258,432	8,543	-	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Company's

board of directors in 2019 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Foreign exchange gains	$ 3,765,966	$ 2,515,111	$ 83,144
Foreign exchange losses	(2,401,979)	(1,783,563)	(58,961)
	$ 1,363,987	$ 731,548	$ 24,183

23. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Current tax			
In respect of current year	$ 6,857,850	$ 1,569,437	$ 51,882
Income tax on unappropriated earnings	166,442	559,313	18,490
Adjustments for prior years	(209,729)	(10,900)	(360)
	6,814,563	2,117,850	70,012
Deferred tax			
In respect of current year	(725,267)	(154,331)	(5,102)
Effect of tax rate changes	(90,021)	-	-
Adjustments for prior years	55,934	7,446	246
	(759,354)	(146,885)	(4,856)
Income tax expense recognized in profit or loss	$ 6,055,209	$ 1,970,965	$ 65,156

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

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Profit before tax	$ 39,895,361	$ 9,023,080	$ 298,284
Income tax expense calculated at the statutory rate	$ 7,979,072	$ 1,804,616	$ 59,657
Unrecognized deductible temporary differences	(4,337,584)	(1,056,166)	(34,915)
Income tax on unappropriated earnings	166,442	559,313	18,490
Effect of tax rate changes	90,021	-	-

Effect of different tax rates of group entities operating in other jurisdictions	2,491,095	666,656	22,038
Adjustments for prior years' tax	(153,795)	(3,454)	(114)
Income tax expense recognized in profit or loss	$ 6,055,209	$ 1,970,965	$ 65,156

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Deferred tax			
Effect of change in tax rate	$ (63,088)	$ -	$ -
In respect of the current year			
Translation of foreign operations	(54,042)	(185,016)	(6,116)
Remeasurement of defined benefit plans	5,738	(9,468)	(313)
Total income tax recognized in other comprehensive income	$ (111,392)	$ (194,484)	$ (6,429)

c. Current tax liabilities

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Current tax liabilities	$ 6,782,248	$ 1,826,900	$ 60,393

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Effect of Change in Tax Rate	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Acquisitions Through Business Combinations	Closing Balance
	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Deferred tax assets							
Temporary differences							
Impairment loss on goodwill	$ 118,163	$ 20,852	$ (55,606)	$ -	$ -	$ -	$ 83,409
Impairment loss on property, plant and equipment	192,335	33,941	(6,228)	-	-	-	220,048
Inventory write-downs	54,172	9,560	7,574	-	-	-	71,306
Accrued expenses	60,890	10,745	25,000	-	-	-	96,635

(Continued)

	Opening Balance	Effect of Change in Tax Rate	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Acquisitions Through Business Combinations	Closing Balance
	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Defined benefit obligation	55,691	5,413	(38,067)	(5,738)	-	-	17,299
Exchange difference on foreign operation	340,947	60,167	-	54,042	-	-	455,156
Others	82,207	12,431	957,882	-	-	200,488	1,253,008
	904,405	153,109	890,555	48,304	-	200,488	2,196,861
Loss carryforwards	18,415	-	(7,972)	-	-	-	10,443
	$ 922,820	$ 153,109	$ 882,583	$ 48,304	$ -	$ 200,488	$ 2,207,304
Deferred tax liabilities							
Temporary differences							
Others	$ 376	$ -	$ 213,250	$ -	$ -	$ 170,072	$ 383,698

(Concluded)

For the year ended December 31, 2019

	Opening Balance	Effect of Change in Tax Rate	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Acquisitions Through Business Combinations	Closing Balance	
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	US$(Note4) (Unaudited)
Deferred tax assets								
Temporary differences								
Impairment loss on goodwill	$ 83,409	$ -	$ (55,606)	$ -	$ -	$ -	$ 27,803	$ 919
Impairment loss on property, plant and equipment	220,048	-	(5,835)	-	-	-	214,213	7,081
Inventory write-downs	71,306	-	64,541	-	-	-	135,847	4,491
Accrued expenses	96,635	-	124,212	-	-	-	220,847	7,301
Defined benefit obligation	17,299	-	(802)	9,468	-	-	25,965	858
Exchange difference on foreign operation	455,156	-	-	185,016	-	-	640,172	21,163
Others	1,253,008	-	(395,333)	-	25,046	-	882,721	29,181
	2,196,861	-	(268,823)	194,484	25,046	-	2,147,568	70,994
Loss carryforwards	10,443	-	(1,660)	-	-	-	8,783	290
	$ 2,207,304	$ -	$ (270,483)	$ 194,484	$ 25,046	$ -	$ 2,156,351	$ 71,284
Deferred tax liabilities								
Temporary differences								
Others	$ 383,698	$ -	$ (123,598)	$ -	$ -	$ -	$ 260,100	$ 8,598

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

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Loss carryforwards			
Expire in 2019	$ 204,147	$ -	$ -
Expire in 2020	11,839	11,839	391
	$ 215,986	$ 11,839	$ 391

f. Information about unused investment credits, unused loss carry-forwards and tax-exemptions

Loss carryforwards as of December 31, 2019 comprised:

	Unused Amount		Expiry Year
	NT$	US$ (Note 4) (Unaudited)	
Kuo-Shin Investment Ltd.	$ 11,839	$ 392	2020
Vitrohm Holding GmbH	35,461	1,172	2020
	$ 47,300	$ 1,564	

g. Income tax assessments

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

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Basic earnings per share	$ 80.30	$ 16.35	$ 0.54
Diluted earnings per share	$ 78.09	$ 16.02	$ 0.53

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

Net Profit for the Year

	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Profit for the year attributable to owners of the Company	$ 33,839,293	$ 6,944,793	$ 229,580

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

	For the Year Ended December 31	
	2018	2019
Weighted average number of common shares used in the computation of basic earnings per share	421,408	424,664
Effect of potentially dilutive common shares:		
Employee share options	7,825	4,652
Employees' compensation	4,105	4,271
Weighted average number of common shares used in the computation of diluted earnings per share	433,338	433,587

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

25. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan in 2014

Qualified employees of the Company and its subsidiaries were granted 40,000 thousand units of share options in May 2014. Each option represents one share of the Company's common share. The vesting period of these options is 10 years. Qualified employees may exercise at certain percentages of the options after two years, from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly. In 2018 and 2019, the Company adjusted the exercise price from NT$58.20 to NT$48.60 and from NT$48.60(US$1.61) to NT$40.20(US$1.33), respectively, according to the formulas as specified by the employee share option plan. Information on employee share options was as follows:

	For the Year Ended December 31				
	2018		2019		
	Number of Options (In Thousands)	Weighted-average Exercise Price	Number of Options (In Thousands)	Weighted-average Exercise Price	Weighted-average Exercise Price
		NT$		NT$	US$ (Note 4) (Unaudited)
Balance at January 1	15,308	$ 58.20	8,541	$ 48.60	$ 1.61
Options forfeited	(387)	48.60-58.20	-	-	-
Options exercised	(6,380)	48.60-58.20	(3,172)	40.20-48.60	1.33-1.61
Balance at December 31	8,541	48.60	5,369	40.20	1.33
Options exercisable, end of year	5,125		4,027		

The weighted average share prices on the exercise date of the share options for the years ended December 31, 2018 and 2019 were $953.62 and $278.86(US$9.22), respectively.

Information about outstanding options was as follows:

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Range of exercise price (NT$)	$48.60	$40.20	$1.33
Weighted-average remaining contractual life (in years)	5.33	4.33	

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

	May 2014

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

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

26. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred	
				NT$	US$ (Note 4) (Unaudited)
Brightking Holdings Limited	Holding company components	June 2018	81.08	$ 2,471,209	$ 81,693
Pulse Electronics Corporation	Holding company components	December 2018	100.00	22,325,600	738,036
				$ 24,796,809	$ 819,729

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

b. Consideration transferred

	Brightking Holdings Limited		Pulse Electronics Corporation	
	NT$	US$ (Note 4) (Unaudited)	NT$	US$ (Note 4) (Unaudited)
Cash	$ 2,471,209	$ 81,693	$ 22,325,600	$ 738,036

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

	Brightking Holdings Limited		Pulse Electronics Corporation	
	NT$	US$ (Note 4) (Unaudited)	NT$	US$ (Note 4) (Unaudited)
Current assets				
Cash and cash equivalents	$ 446,980	$ 14,776	$ 429,308	$ 14,192
Other current assets	1,584,307	52,374	4,377,022	144,695
Non-current assets				
Property, plant and equipment	382,183	12,634	921,181	30,452
Intangible assets	623,978	20,627	4,062,336	134,292
Other non-current assets	124,795	4,125	1,623,500	53,669
Current liabilities	(585,522)	(19,356)	(6,520,836)	(215,565)
Non-current liabilities	(444,725)	(14,701)	(1,099,067)	(36,332)
	$ 2,131,996	$ 70,479	$ 3,793,444	$ 125,403

d. Goodwill recognized on acquisitions

	Brightking Holdings Limited	Pulse Electronics Corporation

	NT$	US$ (Note 4) (Unaudited)	NT$	US$ (Note 4) (Unaudited)
Consideration transferred	$ 2,471,209	$ 81,693	$ 22,325,600	$ 738,036
Plus: Non-controlling interests	543,571	17,969	-	-
Less: Fair value of identifiable net assets acquired	(2,131,996)	(70,479)	(3,793,444)	(125,403)
Goodwill recognized on acquisitions	$ 882,784	$ 29,183	$ 18,532,156	$ 612,633

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

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

e. Net cash outflow on the acquisition of subsidiaries

	Brightking Holdings Limited		Pulse Electronics Corporation	
	NT$	US$ (Note 4) (Unaudited)	NT$	US$ (Note 4) (Unaudited)
Consideration paid in cash	$ 2,471,209	$ 81,693	$ 22,325,600	$ 738,036
Less: Cash and cash equivalent balances acquired	(446,980)	(14,776)	(429,308)	(14,192)
	$ 2,024,229	$ 66,917	$ 21,896,292	$ 723,844

f. Impact of acquisitions on the results of the Group

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

	Brightking Holdings Limited		Pulse Electronics Corporation	
	NT$	US$ (Note 4) (Unaudited)	NT$	US$ (Note 4) (Unaudited)
Revenue	$ 1,441,980	$ 47,669	$ 1,131,622	$ 37,409
Profit	$ 112,442	$ 3,717	$ 181,051	$ 5,985

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

27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

a. In the period from the second quarter to the fourth quarter of 2018, the Group subscribed for additional new shares of Brightking Holdings Limited, and increased its continuing interest from 81.08% to 100%.

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

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

b. Analysis of assets and liabilities on the date control was lost

In the fourth quarter of 2019, the subsidiary- Ko-E Holding (Cayman) had a capital reduction in cash and the Group subscribed for all the remaining shares from non-controlling interests, and the Group increased its continuing interest from 83.83% to 100%.

	Ko-E Holding (Cayman)	
	NT$	US$ (Note 4) (Unaudited)
Cash consideration received (paid)	$ 57,331	$ 1,895
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	12,695	420
Differences recognized from equity transactions	$ 70,026	$ 2,315
Line items adjusted for equity transactions		
Capital surplus	$ 70,026	$ 2,315

28. CAPITAL MANAGEMENT

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

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

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

29. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2018

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

December 31, 2019

	Level 1	Level 2	Level 3	Total	
	NT$	NT$	NT$	NT$	US$ (Note 4) (Unaudited)
Financial assets at FVTPL					
Derivative financial assets	$ -	$ 997	$ -	$ 997	$ 33
Domestic listed shares	372,123	-	-	372,123	12,302
Domestic unlisted shares	-	-	46,104	46,104	1,524
Overseas unlisted shares	-	-	41,582	41,582	1,375
	$ 372,123	$ 997	$ 87,686	$ 460,806	$ 15,234
Financial assets at FVTOCI					
Investments in equity instruments					
Domestic listed shares	$ 1	$ -	$ -	$ 1	$ -
Financial liabilities at FVTPL					
Derivative financial liabilities	$ -	$ 421,701	$ -	$ 421,701	$ 13,941

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

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

For the year ended December 31, 2018

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

For the year ended December 31, 2019

	Financial Assets at FVTPL Equity Instruments	
	NT$	US$ (Note 4) (Unaudited)
Financial assets		
Balance at January 1, 2019	$ 89,196	$ 2,949
Effect of foreign currency exchange differences	(1,510)	(50)
Balance at December 31, 2019	$ 87,686	$ 2,899

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

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

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

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed as following: long-term revenue growth rates, long-term pre-tax operating margin, weighted average cost of capital ("WACC") and discount for the lack of marketability. An increase in long-term revenue growth rates or long-term pre-tax

operating margin or a decrease in WACC or discount for the lack of marketability used in isolation would result in increases in fair value.

c. Categories of financial instruments

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Financial assets			
FVTPL			
Mandatorily classified as at FVTPL	$ 169,654	$ 460,806	$ 15,234
Financial assets at amortized cost (1)	56,256,818	34,540,806	1,141,845
Financial assets at FVTOCI			
Equity instruments	2,226,976	1	-
Financial liabilities			
FVTPL			
Mandatorily classified as at FVTPL	27,674	421,701	13,941
Amortized cost (2)	55,842,216	46,291,194	1,530,287

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

2) The balances included financial liabilities at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, trade and other payables (including related parties), long-term loans and guarantee deposits received.

d. Financial risk management objectives and policies

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

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

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

1) Market risk

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

exchange forward contracts to manage its exposure to foreign currency risk.

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

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

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

	USD Impact		EUR Impact		JPY Impact	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2018	2019	2018	2019	2018	2019
Profit or loss	$ (396,589)	$ (80,285)	$ (43,516)	$ (6,043)	$ 6,458	$ 3,146

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

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

b) Interest rate risk

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

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

	December 31

	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Fair value interest rate risk			
Financial assets	$ 20,678,559	$ 14,065,891	$ 464,988
Financial liabilities	33,167,468	32,954,239	1,089,396
Cash flow interest rate risk			
Financial assets	15,223,019	10,199,110	337,161

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

Sensitivity analysis

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

If interest rates had been 1% higher and all other variables were held constant, the Group's variable-rate financial assets for the years ended December 31, 2018 and 2019 would result in cash inflows by $152,230 thousand and $101,991 thousand(US$3,372 thousand), respectively.

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

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 1% lower, the pre-tax profit for the years ended December 31, 2018 and 2019 would have decreased by $1,493 thousand and $4,598 thousand(US$152 thousand), respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2018 and 2019 would have decreased by $22,270 thousand and $0 thousand(US$0 thousand), respectively, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to investments in equity securities has not changed significantly from the prior year.

2) Credit risk

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

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

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

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

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2019, the Group had available unutilized short-term bank loan facilities of $8,911,414 thousand and $14,495,815 thousand(US$479,200 thousand), respectively.

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

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

	Carrying Amount	Contractual Cash Flows	Within 1 Year	More than 1 Year
	NT$	NT$	NT$	NT$
December 31, 2018				
Short-term borrowings	$ 23,667,981	$ 23,768,211	$ 23,768,211	$ -
Short-term bills payable	499,487	500,000	500,000	-
Long-term borrowings	9,000,000	9,043,648	-	9,043,648

	Carrying Amount	Contractual Cash Flows	Within 1 Year	More than 1 Year
	$ 33,167,468	$ 33,311,859	$ 24,268,211	$ 9,043,648

	Carrying Amount NT$	Contractual Cash Flows NT$	Within 1 Year NT$	More than 1 Year NT$
December 31, 2019				
Short-term borrowings	$ 18,640,796	$ 18,707,195	$ 18,707,195	$ -
Short-term bills payable	299,881	300,000	300,000	-
Long-term borrowings	14,013,562	14,110,966	-	14,110,966
	$ 32,954,239	$ 33,118,161	$ 19,007,195	$ 14,110,966

	Carrying Amount US$ (Note 4) (Unaudited)	Contractual Cash Flows US$ (Note 4) (Unaudited)	Within 1 Year US$ (Note 4) (Unaudited)	More than 1 Year US$ (Note 4) (Unaudited)
December 31, 2019				
Short-term borrowings	$ 616,225	$ 618,420	$ 618,420	$ -
Short-term bills payable	9,913	9,917	9,917	-
Long-term borrowings	463,258	466,478	-	466,478
	$ 1,089,396	$ 1,094,815	$ 628,337	$ 466,478

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

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

December 31, 2018

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

December 31, 2019

	On Demand or	3 Months to	Over 6

	Less than 3 Months	6 Months	Months to 12 Months
	NT$	NT$	NT$
Gross settled			
Foreign exchange forward contracts			
Inflows	$ 37,463,491	$ -	$ -
Outflows	(37,802,265)	-	-
	$ (338,774)	$ -	$ -

December 31, 2019

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
	US$ (Note 4) (Unaudited)	US$ (Note 4) (Unaudited)	US$ (Note 4) (Unaudited)
Gross settled			
Foreign exchange forward contracts			
Inflows	$ 1,238,463	$ -	$ -
Outflows	(1,249,662)	-	-
	$ (11,199)	$ -	$ -

30. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category:

Related Party Name	Related Party Category
Chilisin Electronics Corp.	Associate
Kaimei Electronic Corp. (Originally Teapo Electronics Corp.)	Associate
Teapo Electronics (H.K.) Ltd.	Subsidiary of associate
Teapo Electronics (Dongguan) Co., Ltd.	Subsidiary of associate
Dongguan Zhiguo Electronics Co., Ltd.	Subsidiary of associate
Ralec Electronic Corporation	Subsidiary of associate
ASJ Pte. Limited (ASJ Pte.)	Subsidiary of associate
ASJ Components (M) Sdn. Bhd.	Subsidiary of associate
CRL Components (S) Pte. Ltd.	Subsidiary of associate
Guo Chuang Electronics (Dongguan)	Associate
Ferroxcube International Holding B.V.	Subsidiary of associate
Hsin Bung International Co., Ltd.	Substantial related party
Yixin International Co., Ltd.	Substantial related party
Ralec Technology (Kunshan) Limited	Subsidiary of associate
Yixin Trading (Shenzhen) Co., Ltd	Substantial related party
Chilisin International Ltd	Subsidiary of associate
Suzhou Xingguo Electronics Co., Ltd	Substantial related party

Yageo Professional Competition Development Association	Substantial related party

b. Sales of goods

Line Items	Related Party Category/ Name	For the Year Ended December 31		
		2018	2019	
		NT$	NT$	US$ (Note 4) (Unaudited)
Sales	Substantial related party	$ 200,195	$ 71,655	$ 2,369
	Associate	766,539	41,556	1,374
		$ 966,734	$ 113,211	$ 3,743

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Substantial related party	$ 534,782	$ 137,784	$ 4,555
Associate	188,189	66,406	2,195
	$ 722,971	$ 204,190	$ 6,750

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

Line Items	Related Party Category/ Name	December 31		
		2018	2019	
		NT$	NT$	US$ (Note 4) (Unaudited)
Trade receivable	Substantial related party	$ 62,399	$ 23,227	$ 768
	Associate	36,727	1,008	33
		$ 99,126	$ 24,235	$ 801
Other receivables	Associate/Chilisin Electronics Corp.	$ 92,206	$ 90,318	$ 2,986
	Associate/Others	7,661	6,751	223
	Substantial related party	-	187	6
		$ 99,867	$ 97,256	$ 3,215

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

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

Line Items	Related Party Category/ Name	December 31		
		2018	2019	
		NT$	NT$	US$ (Note 4) (Unaudited)

Trade payable	Substantial related party	$ 98,661	$ 102,516	$ 3,389
	Associate	36,508	26,451	874
		$ 135,169	$ 128,967	$ 4,263
Other payables	Associate	$ 2	$ 2	$ -

The outstanding trade payable from related parties are unsecured.

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

f. Lease arrangements - Group is lessor

The Group leases out office and plant to its associate - Kaimei Electronic Corp. (originally Teapo Electronics Corp.), Teapo Electronics (Dongguan) Co., Ltd and Dongguan Zhiguo Electronics Co., Ltd under operating leases with lease terms of one year. The lease arrangement would be automatically extended for one year if the arrangement is not terminated in writting by at least one party not later than three months prior to expiration date. As of December 31, 2018 and 2019, the balance of the gross lease payments receivable are $25,625 thousand and $11,378 thousand(US$376 thousand), respectively.

Lease income was as follows:

	For the Year Ended December 31		
Related Party Category/Name	**2018**	**2019**	
	NT$	**NT$**	**US$ (Note 4) (Unaudited)**
Associates/Teapo Electronics (Dongguan) Co., Ltd	$ 24,525	$ 25,286	$ 836
Associates/Others	588	616	20
Substantial related parties	512	611	20
	$ 25,625	$ 26,513	$ 876

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

g. Other transactions with related parties

		For the Year Ended December 31		
Line Items	**Related Party Category**	**2018**	**2019**	
		NT$	**NT$**	**US$ (Note 4) (Unaudited)**
Other expense	Substantial related parties	$ -	$ 3,000	$ 99
	Associates	239	30	1
		$ 239	$ 3,030	$ 100

h. Compensation of key management personnel

	For the Year Ended December 31		
	2018	**2019**	
	NT$	**NT$**	**US$ (Note 4) (Unaudited)**
Short-term employee benefits	$ 1,257,296	$ 377,589	$ 12,482

Post-employment benefits	432	636	21
	$ 1,257,728	$ 378,225	$ 12,503

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Property, plant and equipment, net	$ 2,792,249	$ 4,043,146	$ 133,658

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant unrecognized commitments

1) Unrecognized commitments were as follows:

	December 31		
	2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)
Acquisition of property, plant and equipment	$ 2,110,530	$ 970,159	$ 32,071

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

b. Contingencies

Contingent liabilities

1) Please refer to Table 2 about the endorsements/guarantees and between the Company and subsidiaries.

2) The Securities and Future Investors Protection Center (SFIPC) alleged that Far Eastern Air Transport Ltd. (FEATL) had been involved in exaggerating the revenue and trade receivable. The SFIPC charged that FEATL window-dressed its financial reports and thus harmed its investors' welfare. Under these investors' authorization, the SFIPC sued 33 defendants, including the FEATL and its management, directors and supervisors, certified public accountant, its accounting firm, etc., (excluding the Company) and filed a civil action lawsuit to demand compensation for damages with the district court of Taipei on June 23, 2009. In January 2010, the SFIPC included in its lawsuit the

Company and two other companies because they were FEATL's directors and supervisors from 2005 to 2007. Since the joint defendants increased to 36, SFIPC appealed for a compensation amounted of $296,989 thousand(US$9,818 thousand). On February 21, 2020, the Company and SFIPC have reached a settlement. The Company's management assessed that the lawsuit would not have significant impact on the financial condition and business operations of the Company.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
	NT$		NT$
Financial assets			
Monetary items			
USD	$ 1,043,120	30.7330 (USD:NTD)	$ 32,058,207
USD	405,755	6.8637 (USD:RMB)	12,470,029
USD	307,233	7.8311 (USD:HKD)	9,442,238
USD	105,924	0.8733 (USD:EUR)	3,255,418
USD	977	69.9160 (USD:INR)	30,028
EUR	564	1.1451 (EUR:USD)	19,848
EUR	125,389	35.1924 (EUR:NTD)	4,412,740
EUR	3,688	25.7350 (EUR:CZK)	129,790
JPY	838,986	0.2782 (JPY:NTD)	233,406
JPY	1,244,366	0.0091 (JPY:USD)	348,012
RMB	56,797	0.1457 (RMB:USD)	254,325
HKD	8,125	0.8765 (HKD:RMB)	31,887
			$ 62,685,928
Non-monetary items			
Investments accounted for using equity method			
USD	10,150	30.7330 (USD:NTD)	$ 311,943
RMB	7,019	1.1409 (RMB:HKD)	31,429
			$ 343,372
Investments in equity instruments at FVTOCI			
JPY	839,029	0.2782 (JPY:NTD)	$ 233,418
JPY	2,381,207	0.0091 (JPY:USD)	665,953
			$ 899,371

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
	NT$		NT$
Financial liabilities			
Monetary items			
USD	434,443	30.7330 (USD:NTD)	$ 13,351,737
USD	128,457	6.8637 (USD:RMB)	3,947,857
USD	9,677	0.8733 (USD:EUR)	297,408
EUR	811	35.1924 (EUR:NTD)	28,541

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
	NT$		NT$
EUR	$ 3,239	25.7350 (EUR:CZK)	$ 113,989
EUR	1,504	80.0608 (EUR:INR)	52,933
EUR	434	118.1630 (EUR:RSD)	15,272
JPY	2,410,354	0.2782 (JPY:NTD)	670,560
JPY	2,002,097	0.0621 (JPY:RMB)	556,701
HKD	16,521	0.8765 (HKD:RMB)	64,839
HKD	5,500	0.1277 (HKD:USD)	21,585
RMB	113,621	0.1457 (RMB:USD)	508,772
SGD	16,377	22.4804 (SGD:NTD)	368,162
			$ 19,998,356

(Concluded)

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 72,761	30.1060 (USD:NTD)	$ 2,190,543
USD	241,503	6.9662 (USD:RMB)	7,270,647
USD	91,681	7.7862 (USD:HKD)	2,760,159
USD	4,428	0.8925 (USD:EUR)	133,316
USD	966	71.2825 (USD:INR)	29,079
EUR	667	1.1205 (EUR:USD)	22,500
EUR	23,423	33.7338 (EUR:NTD)	790,147
EUR	8,925	25.4006 (EUR:CZK)	301,081
JPY	777,885	0.2771 (JPY:NTD)	215,552
JPY	89,864	0.0641 (JPY:RMB)	24,894
RMB	77,601	0.1436 (RMB:USD)	335,486
			$ 14,073,404
Non-monetary items			

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Investments accounted for using equity method			
USD	9,026	30.1060 (USD:NTD)	$ 271,733
RMB	6,483	1.1177 (RMB:HKD)	28,016
			$ 299,749

(Continued)

Financial liabilities			
Monetary items			
USD	83,948	30.1060 (USD:NTD)	$ 2,527,338
USD	40,692	6.9662 (USD:RMB)	1,232,408
USD	18,244	7.7862 (USD:HKD)	562,467
USD	1,107	22.6690 (USD:CZK)	32,982
EUR	3,670	33.7338 (EUR:NTD)	123,786
EUR	9,609	25.4006 (EUR:CZK)	320,787
EUR	426	79.8720 (EUR:INR)	14,937
EUR	1,469	117.4508 (EUR:RSD)	49,897
JPY	989,749	0.2771 (JPY:NTD)	274,259
JPY	1,007,394	0.0641 (JPY:RMB)	280,742
HKD	8,061	0.8947 (HKD:RMB)	31,356
HKD	29,616	3.8666 (HKD:NTD)	32,957
RMB	130,320	0.1436 (RMB:USD)	580,919
SGD	16,465	22.3787 (SGD:NTD)	368,465
			$ 6,433,300

(Concluded)

For the years ended December 31, 2018 and 2019, realized and unrealized net foreign exchange gains were $1,363,987 thousand and $731,548 thousand(US$24,183 thousand), respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

34. SEGMENT INFORMATION

a. Basic information

Information reported to the chief operating decision maker for resource allocation and the assessment of segment performance is solely based on the financial information of each plant owned by the Group. Each plant has similar economic features as well as manufacturing procedures. In addition, products are sold by the Group in a centralized way. Thus, the Group is reported as a single segment. The Group's revenues and operating results in 2018 and 2019 are shown in the consolidated statements of comprehensive income for 2018 and 2019.

b. Revenue from major products

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

For the Year Ended December 31	
2018	2019

	NT$	NT$	US$ (Note 4) (Unaudited)
Capacitors	$ 46,609,293	$ 13,417,513	$ 443,554
Wireless and Advanced Electronic Component	1,586,401	12,916,728	426,999
Resistors	26,032,119	11,602,472	383,553
Others	2,927,798	3,369,943	111,403
	$ 77,155,611	$ 41,306,656	$ 1,365,509

c. Geographical information

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

	Revenue from External Customers			Noncurrent Assets		
	Year Ended December 31			December 31		
	2018	2019		2018	2019	
	NT$	NT$	US$ (Note 4) (Unaudited)	NT$	NT$	US$ (Note 4) (Unaudited)
Domestic	$ 7,913,576	$ 2,100,767	$ 69,447	$ 6,223,536	$ 7,580,190	$ 250,585
USA	2,817,894	2,704,681	89,411	23,552,328	23,469,561	775,853
Europe	9,365,002	8,190,726	270,768	2,021,857	1,912,826	63,234
Asia	57,059,139	28,310,482	935,883	13,312,483	13,945,808	461,018
	$ 77,155,611	$ 41,306,656	$ 1,365,509	$ 45,110,204	$ 46,908,385	$ 1,550,690

Noncurrent assets exclude financial instruments and deferred tax assets.

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2018 and 2019.

35. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

For the year ended December 31, 2018

			Non-cash Changes			
	Opening Balance	Cash Flows	Acquisition of Subsidiaries	Exchange Differences	Others	Closing Balance
	NT$	NT$	NT$	NT$	NT$	NT$
Short-term borrowings	$ 17,624,878	$ 5,612,797	$ 431,243	$ (937)	$ -	$ 23,667,981
Short-term bills payable	1,099,772	(600,285)	-	-	-	499,487
Long-term borrowings	5,500,000	3,500,000	-	-	-	9,000,000
Guarantee deposits received	69,562	81,352	-	(19)	-	150,895
Bond payables (Note 3)	-	(287,599)	287,599	-	-	-
	$ 24,294,212	$ 8,306,265	$ 718,842	$ (956)	$ -	$ 33,318,363

For the year ended December 31, 2019

			Non-cash Changes			
	Opening Balance	Cash Flows	Acquisition of Subsidiaries	Exchange Differences	Others	Closing Balance
	NT$	NT$	NT$	NT$	NT$	NT$
Short-term borrowings	$ 23,667,981	$ (5,026,976)	$ -	$ (209)	$ -	$ 18,640,796
Short-term bills payable	499,487	(199,606)	-	-	-	299,881
Long-term borrowings	9,000,000	5,013,562	-	-	-	14,013,562
Guarantee deposits received	150,895	41,409	-	(787)	-	191,517

Lease liabilities (Note 3)	219,487	(90,161)	-	(1,674)	(1,957)	125,695
	$ 33,537,850	$ (261,772)	$ -	$ (2,670)	$ (1,957)	$ 33,271,451

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes		Others	Closing Balance
			Acquisition of Subsidiaries	Exchange Differences		
	US$ (Note 4) (Unaudited)	US$ (Note 4) (Unaudited)	US$ (Note 4) (Unaudited)	US$ (Note 4) (Unaudited)	US$ (Note 4) (Unaudited)	US$ (Note 4) (Unaudited)
Short-term borrowings	$ 782,413	$ (166,181)	$ -	$ (7)	$ -	$ 616,225
Short-term bills payable	16,512	(6,599)	-	-	-	9,913
Long-term borrowings	297,520	165,738	-	-	-	463,258
Guarantee deposits received	4,988	1,369	-	(26)	-	6,331
Lease liabilities (Note 3)	7,256	(2,980)	-	(56)	(65)	4,155
	$ 1,108,689	$ (8,653)	$ -	$ (89)	$ (65)	$ 1,099,882

Yageo Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yageo Corporation

Opinion

We have audited the accompanying consolidated financial statements of Yageo Corporation (the Company) and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Allowance for Expected Credit Loss of Trade Receivables

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

For a summary of the significant accounting policies on expected credit loss of trade receivables, refer to Note 4 to the accompanying consolidated financial statements. Refer to Note 13 to the consolidated financial statements for the carrying amount of trade receivables. Our audit procedures for the aforementioned key audit matter are described as follows:

1. We tested the completeness and the accuracy of the aging report of the trade receivables which served as a basis for the calculation of the expected credit loss allowance and verified that the percentage of such allowance was consistent with the Group's policy on the allowance for expected credit loss.

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

3. For the past due, outstanding amount, we assessed the reasonableness of the allowance through understanding the history of the client and whether collateral was obtained; we also assessed the state of the overall economy.

Allowance for Inventory Valuation Loss

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

For a summary of the significant accounting policies on inventory valuation, refer to Note 4 to the accompanying consolidated financial statements. Refer to Note 14 to the consolidated financial statements for the carrying amount of inventory. Our audit procedures for the aforementioned key audit matter are described as follows:

1. We tested the aging of inventory and we calculated the amount of allowance for inventory valuation loss per the Group's policy.

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

Business Combinations

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

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

In addition, we also performed the following audit procedures:

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

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

Other Matter

We did not audit the financial statements of partial subsidiaries included in the consolidated financial statements of the Group, as of and for the years ended December 31, 2017 and 2018. The total assets of these subsidiaries were 12.16% (NT$8,476,474 thousand) and 10.63% (NT$13,051,571 thousand) of the Group's total consolidated assets as of December 31, 2017 and 2018, respectively, and the total revenue of these subsidiaries was 5.79% (NT$1,868,715 thousand) and 7.24% (NT$5,584,073 thousand) of the Group's total consolidated revenue for the years ended December 31, 2017 and 2018, respectively. As disclosed in Note 16 to the accompanying consolidated financial statements, we also did not audit the financial statements of some investees accounted for using the equity method. The total investments in these investees accounted for using the equity method were 0.25% (NT$177,328 thousand) and 0.13% (NT$154,651 thousand) of the Group's total consolidated assets as of December 31, 2017 and 2018, respectively; the Group's total share of the profit (loss) of such associates was (0.03%) (NT$(2,539) thousand) and (0.06%) (NT$(23,364) thousand) of the Group's consolidated profit before income tax for the years ended December 31, 2017 and 2018, respectively. The financial statements of the aforementioned subsidiary and investees accounted for using the equity method were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the related amounts included herein, is based solely on the reports of other auditors.

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2017 and 2018 on which we have issued an unqualified opinion with other matter paragraph.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2019

Notice to Readers

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

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

YAGEO CORPORATION AND SUBSIDIARIES

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

	2017		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	$ 5,760,889	8	$ 20,388,744	17
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	211,359	-	80,458	-
Financial assets at amortized cost - current (Notes 3, 4 and 9)	-	-	8,568,937	7
Debt investments with no active market - current (Notes 3, 4 and 12)	11,575,280	16	-	-
Notes receivable (Notes 3, 4, 5 and 13)	1,196,757	2	553,176	-
Trade receivable (Notes 3, 4, 5, 13 and 34)	10,546,437	15	19,251,951	16
Other receivables (Notes 3, 4 and 34)	428,652	1	442,998	-
Inventories (Notes 4, 5 and 14)	4,872,001	7	10,473,077	9
Prepayment (Note 20)	435,710	1	996,362	1
Other current assets	54,859	-	355,718	-
Total current assets	35,081,944	50	61,111,421	50
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 3, 4 and 7)	-	-	89,196	-
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4 and 8)	-	-	2,226,976	2
Available-for-sale financial assets - noncurrent (Notes 3, 4 and 10)	4,347,325	6	-	-
Held-to-maturity financial assets - noncurrent (Notes 3, 4 and 11)	7,133,802	10	-	-
Financial assets at amortized cost - non-current (Notes 3, 4 and 9)	-	-	6,946,640	6
Investments accounted for using the equity method (Notes 4 and 16)	3,480,124	5	6,205,942	5
Property, plant and equipment (Notes 4, 5, 17 and 35)	16,274,877	24	19,112,389	15
Goodwill (Notes 4, 5 and 18)	2,074,005	3	20,466,026	17
Other intangible assets (Notes 4 and 19)	86,082	-	4,032,094	3
Deferred tax assets (Notes 4 and 26)	922,820	2	2,207,304	2
Refundable deposits (Note 3)	82,635	-	104,372	-
Long-term prepayments for lease, net of current portion (Note 20)	73,061	-	110,730	-
Other noncurrent assets	140,550	-	143,532	-
Total noncurrent assets	34,615,281	50	61,645,201	50
TOTAL	$ 69,697,225	100	$ 122,756,622	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 21)	$ 17,624,878	25	$ 23,667,981	19
Short-term bills payable (Note 21)	1,099,772	2	499,487	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	82,995	-	27,674	-
Notes payable	3,449	-	163,595	-
Trade payable (Note 34)	7,511,421	11	10,347,305	9
Other payables (Notes 22 and 34)	4,874,382	7	11,065,243	9
Current tax liabilities (Notes 4 and 26)	1,209,130	2	6,782,248	6
Other current liabilities	41,375	-	281,179	-
Total current liabilities	32,447,402	47	52,834,712	43
NONCURRENT LIABILITIES				
Long-term borrowings (Notes 21 and 35)	5,500,000	8	9,000,000	7
Deferred tax liabilities (Notes 4 and 26)	376	-	383,698	-
Accrued pension liabilities (Notes 4 and 23)	346,478	-	471,418	1
Guarantee deposits received	69,562	-	150,895	-
Other noncurrent liabilities	-	-	477,547	1
Total noncurrent liabilities	5,916,416	8	10,483,558	9
Total liabilities	38,363,818	55	63,318,270	52
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common shares	3,504,010	5	4,270,394	3
Capital collected in advance	1,628	-	453	-
Total share capital	3,505,638	5	4,270,847	3
Capital surplus				
Issuance of common shares	2,652,778	4	2,718,524	2
From share of changes in capital surplus of associates	415,813	1	2,804,929	3
From employee share options	32,847	-	20,146	-
Total capital surplus	3,101,438	5	5,543,599	5
Retained earnings				
Legal reserve	2,550,866	4	3,235,596	3
Special reserve	1,723,692	2	437,595	-
Unappropriated earnings	20,096,117	29	49,478,674	40
Total retained earnings	24,370,675	35	53,151,865	43
Other equity				
Exchange differences on translation of foreign operations	(1,664,627)	(3)	(1,820,627)	(1)
Unrealized gain on financial assets at FVTOCI	-	-	610,563	-
Unrealized loss on available-for-sale financial assets	1,911,923	3	-	-
Total other equity	247,296	-	(1,210,064)	(1)
Treasury shares	-	-	(2,421,552)	(2)
Total equity attributable to owners of the Company	31,225,047	45	59,334,695	48
NONCONTROLLING INTERESTS	108,360	-	103,657	-
Total equity	31,333,407	45	59,438,352	48
TOTAL	$ 69,697,225	100	$ 122,756,622	100

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

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

YAGEO CORPORATION AND SUBSIDIARIES

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

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

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

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

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

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

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

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

YAGEO CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company															
									Other Equity							
	Share Capital (Note 24)			Capital Surplus (Notes 4, 24 and 28)	Retained Earnings				Exchange Differences on Translating Foreign Operations (Notes 4 and 24)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 4 and 24)	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 24)	Treasury Stock (Note 24)	Total	Business Combinations under Common Control with Successor (Notes 4 and 24)	Non-controlling Interests (Notes 4, 24 and 30)	Total Equity
	Common Shares	Capital Collected in Advance	Total		Legal Reserve (Note 24)	Special Reserve (Note 24)	Unappropriated Earnings (Note 24)	Total								
BALANCE, JANUARY 1, 2017	$ 5,163,056	$ 51,728	$ 5,214,784	$ 504,611	$ 2,155,454	$ 437,595	$ 17,661,355	$ 20,254,404	$ (1,097,198)	$ (188,899)	$ -	$ -	$ 24,687,702	$ -	$ 113,593	$ 24,801,295
Retrospective restatement of business combinations under common control with successor	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,808,243)	-	(1,808,243)
BALANCE, JANUARY 1, 2017 AFTER RESTATED	5,163,056	51,728	5,214,784	504,611	2,155,454	437,595	17,661,355	20,254,404	(1,097,198)	(188,899)	-	-	24,687,702	(1,808,243)	113,593	22,993,052
Capital reduction	(1,509,669)	-	(1,509,669)	-	-	-	-	-	-	-	-	-	(1,509,669)	-	-	(1,509,669)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	200,853	(22,604)	178,249
Appropriation of the 2016 earnings																
Cash dividends distributed by the Company	-	-	-	-	-	-	(1,283,218)	(1,283,218)	-	-	-	-	(1,283,218)	-	-	(1,283,218)
Special reserve	-	-	-	-	-	1,286,097	(1,286,097)	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	395,412	-	(395,412)	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	340,636	-	-	(10,930)	(10,930)	-	-	-	-	329,706	-	-	329,706
Issue of share dividends from capital surplus	-	-	-	(225,094)	-	-	-	-	-	-	-	-	(225,094)	-	-	(225,094)
Restructuring	-	-	-	2,416,738	-	-	-	-	(235,217)	-	-	-	2,181,521	2,096,544	-	4,278,065
Recognition of compensation cost of employee share options	-	-	-	11,490	-	-	-	-	-	-	-	-	11,490	-	-	11,490
Recognition of employee share options by the Company	68,033	(50,100)	17,933	62,994	-	-	-	-	-	-	-	-	80,927	-	-	80,927
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	6,847,300	6,847,300	-	-	-	-	6,847,300	(191,474)	25,188	6,681,014
Other comprehensive income(loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(46,691)	(46,691)	(332,212)	2,100,822	-	-	1,721,919	(297,680)	(7,817)	1,416,422
Buyback of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(1,617,537)	(1,617,537)	-	-	(1,617,537)
Cancellation of treasury shares	(217,410)	-	(217,410)	(9,937)	-	-	(1,390,190)	(1,390,190)	-	-	-	1,617,537	-	-	-	-
BALANCE, DECEMBER 31, 2017	3,504,010	1,628	3,505,638	3,101,438	2,550,866	1,723,692	20,096,117	24,370,675	(1,664,627)	1,911,923	-	-	31,225,047	-	108,360	31,333,407
Retrospective restatement	-	-	-	-	-	-	5,440	5,440	-	(1,911,923)	1,906,483	-	-	-	-	-
BALANCE, JANUARY 1, 2018 AFTER RESTATED	3,504,010	1,628	3,505,638	3,101,438	2,550,866	1,723,692	20,101,557	24,376,115	(1,664,627)	-	1,906,483	-	31,225,047	-	108,360	31,333,407
Appropriation of the 2017 earnings																
Legal reserve	-	-	-	-	684,730	-	(684,730)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(1,286,097)	1,286,097	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(5,036,144)	(5,036,144)	-	-	-	-	(5,036,144)	-	-	(5,036,144)
Share dividends distributed by the Company	701,413	-	701,413	-	-	-	(701,413)	(701,413)	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for by using equity method	-	-	-	2,389,116	-	-	-	-	-	-	-	-	2,389,116	-	-	2,389,116
Issue of share dividends from capital surplus	-	-	-	(226,586)	-	-	-	-	-	-	-	-	(226,586)	-	-	(226,586)
Actual acquisitions of interests in subsidiaries	-	-	-	-	-	-	(25,874)	(25,874)	-	-	-	-	(25,874)	-	(543,571)	(569,445)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	(25,765)	(25,765)	-	-	-	-	(25,765)	-	-	(25,765)
Recognition of employee share options by the Company	64,971	(1,175)	63,796	279,631	-	-	-	-	-	-	-	-	343,427	-	-	343,427
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	33,839,293	33,839,293	-	-	-	-	33,839,293	-	859	33,840,152
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	26,880	26,880	(156,000)	-	(597,147)	-	(726,267)	-	(5,562)	(731,829)
Buyback of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(2,421,552)	(2,421,552)	-	-	(2,421,552)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	698,773	698,773	-	-	(698,773)	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	543,571	543,571
BALANCE, DECEMBER 31, 2018	$ 4,270,394	$ 453	$ 4,270,847	$ 5,543,599	$ 3,235,596	$ 437,595	$ 49,478,674	$ 53,151,865	$ (1,820,627)	$ -	$ 610,563	$ (2,421,552)	$ 59,334,695	$ -	$ 103,657	$ 59,438,352

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

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

YAGEO CORPORATION AND SUBSIDIARIES

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

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

(Continued)

YAGEO CORPORATION AND SUBSIDIARIES

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

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

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YAGEO CORPORATION AND SUBSIDIARIES

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

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

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

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

1. GENERAL INFORMATION

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

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

On August 1, 2017, the Company sold 100% of its equity interest in Ferroxcube International Holding B.V. ("Ferroxcube") in a cash settlement amounting to €133,188 thousand. In addition, in 2018, the Company acquired 100% of the equity interests of Brightking Holdings Limited and Pulse Electronics Corporation in a cash settlement amounting to NT$3,328,253 thousand and US$721,461 thousand, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

   1) Annual Improvements to IFRSs 2014-2016 Cycle

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

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

2) IFRS 9 “Financial Instruments” and related amendments

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

Classification, measurement and impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

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

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

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

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

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

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

1) IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

The Group expects to apply the following practical expedients:

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

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

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

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

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

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

The Group as lessor

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

Anticipated impact on assets and liabilities

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

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

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

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

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

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

4) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

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

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

5) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

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

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

d. Basis of consolidation

- Principles for preparing consolidated financial statements

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

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

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

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

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

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

e. Business combinations

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

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

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

f. Foreign currencies

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

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

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

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

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

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

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

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

g. Inventories

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

h. Investments in associates

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

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

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Goodwill

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

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2017

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

i. Financial assets at FVTPL

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

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

ii. Held-to-maturity investments

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

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

iii. Available-for-sale financial assets

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

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

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

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

iv. Loans and receivables

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

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

2018

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

2017

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

Financial assets at amortized cost, such as trade receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

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

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

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

2018

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

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

n. Revenue recognition

2017

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

1) Revenue from the sale of goods

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

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

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

c) The amount of revenue can be measured reliably;

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

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

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

2) Dividend and interest income

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

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

2018

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

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

o. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

p. Borrowing costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets - 2017

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

b. Estimated impairment of trade receivables - 2018

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

c. Write-down of inventories

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

d. Impairment of property, plant and equipment

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

e. Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

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

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

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2018
Financial assets at FVTPL - current		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 1,359	$ -
Non-derivative financial assets		
Domestic quoted shares		
Walsin Technology Co., Ltd	210,000	-
	211,359	-
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	-	20,398
Non-derivative financial assets		
Domestic quoted shares		
Walsin Technology Co., Ltd	-	60,060
	-	80,458
	$ 211,359	$ 80,458
Financial assets at FVTPL - non-current		
Non-derivative financial assets		
Overseas unlisted shares		
Xmholder Technology Co., Ltd.	$ -	$ 43,092
Domestic unlisted shares		
Hsin Bung International Co., Ltd.	-	33,622
Jihsun Securities Investment Trust Co., Ltd.	-	12,000
Linko International Golf & Country Club	-	482
	$ -	$ 89,196
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 82,995	$ -
Financial assets mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	-	27,674
	$ 82,995	$ 27,674

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

	Currency	Maturity	Notional Amount (In Thousands)
December 31, 2017			
Buy	USD/NTD	2018.01.02-2018.01.31	USD303,500/NTD9,105,480
Buy	EUR/USD	2018.01.05	EUR6,000/USD7,133
Buy	USD/RMB	2018.09.10-2018.09.17	USD30,000/RMB200,514
Buy	USD/RMB	2018.01.03	USD3,050/RMB19,944
Sell	USD/RMB	2018.01.22	USD6,000/RMB39,813
Sell	EUR/USD	2018.01.07-2018.02.22	EUR9,770/USD11,931
December 31, 2018			
Buy	USD/NTD	2019.01.04-2019.01.28	USD581,500/NTD17,903,315
Buy	EUR/USD	2019.01.07	EUR6,000/USD6,831
Sell	EUR/CZK	2019.01.31-2019.04.30	EUR1,750/CZK46,486

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

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

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

Investments in equity instruments at FVTOCI

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

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

9. FINANCIAL ASSETS AT AMORTIZED COST

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

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

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

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

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

11. HELD-TO-MATURITY FINANCIAL ASSETS

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

The Group's investments in bonds were as follows:

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

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET

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

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

13. NOTES RECEIVABLE AND TRADE RECEIVABLES

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

Trade Receivables

For the year ended December 31, 2017

The Group applied the same credit policy in 2017 and 2018. The average credit period of sales of goods was 30-90 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the Trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience was that receivables that are past due beyond 365 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 61 days and 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial positions.

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

The aging of receivables was as follows:

	December 31, 2017
Current term	$ 9,845,405
Past due	
1-60 days	694,297
61-90 days	5,997
91-181 days	8,329
More than 181 days	42,551
	$ 10,596,579

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

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

	December 31, 2017
Less than 60 days	$ 694,297

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

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

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

For the year ended December 31, 2018

The average credit period of sales of goods was 30-90 days. No interest was charged on trade receivables. The Group adopted a policy of dealing with major customers that the Group could use other publicly available financial information or its own trading records to rate and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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

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

The aging of receivables was as follows:

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

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

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

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

14. INVENTORIES

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

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

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

15. SUBSIDIARIES

Entities included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2017	Proportion of Ownership (%) December 31 2018	Remark
Yageo Corporation	Yageo Holding (Bermuda) Ltd.	Investment	100.00	100.00	
	Ko-Shin Investment Ltd.	Investment	100.00	100.00	
	Ferroxcube (Samoa) Holding Ltd.	Investment	100.00	100.00	
	Brightking Holdings Limited	Holding company	-	100.00	c.
	Yageo Corporation (South Asia) Pte. Ltd.	Electronic component selling	100.00	100.00	
	Yageo Europe Holding B.V.	Holding company	100.00	100.00	
	Yageo America Corporation	Electronic component selling	100.00	100.00	
	Yageo South Asia (M) Sdn. Bhd.	Electronic component selling	100.00	100.00	
	Yageo Holding (Cayman) Limited	Holding company	-	100.00	b.
	Pulse Electronics Corporation	Holding company	-	100.00	d.
Yageo Holding (Bermuda) Ltd.	Yageo (Hong Kong) Limited	Investment	100.00	100.00	
	Yageo USA (H.K.) Limited	Passive component selling	100.00	100.00	
	Ko-E Holding (Cayman)	Holding company	83.83	83.83	
	Vitrohm Holding GmbH	Investment	100.00	100.00	
	Yageo Korea	Resistor selling	100.00	100.00	
	Yageo Japan	Resistor selling	100.00	100.00	
	Hsu Tai International (H.K.) Ltd.	Investment	100.00	100.00	
Brightking Holdings Limited	Brightking Enterprise (H.K.) Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	-	100.00	c.
Pulse Electronics Corporation	Egston Holding GmbH	Investment	-	100.00	d.
Yageo (Hong Kong) Limited	Yageo Electronics (China) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	
	Yageo Electronics (Dongguan) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	
	Yageo (Suzhou) Trade Co., Ltd.	Passive component selling	100.00	100.00	
	Yageo Components (Suzhou) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	
	Compostar Technology (Dongguan) Co., Ltd.	Passive component manufacturing and selling	100.00	100.00	
Ko-E Holding (Cayman)	Ko-E (H.K.) Limited	Electronic component selling	100.00	100.00	
	Ko-E Corp.	Electronic component selling	100.00	100.00	
Brightking Enterprise (H.K.) Co., Ltd.	Bestbright Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	-	100.00	c.
	Brightking Electronics Inc.	Selling overvoltage and overcurrent protection electronic components	-	100.00	c.
	Brightking Electronics Co., Ltd.	Manufacturing and selling overvoltage and overcurrent protection electronic components	-	100.00	c.
	Bestbright Electronics Co., Ltd. (Taiwan)	Manufacturing and selling overvoltage and overcurrent protection electronic components	-	100.00	c.
	Huizhou Lien Shun Electronics Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	-	23.87	c.
Ko-E (H.K.) Limited	Ko-E Technology (Shenzhen) Co., Ltd.	Electronic component selling	100.00	100.00	
Bestbright Electronics Co., Ltd.	Brightking (Shenzhen) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	-	100.00	c.
	Ceramate Technical (Suzhou) Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	-	100.00	c.

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2017	2018	Remark
	Zhejiang Bestbright Electronics Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	-	100.00	c.
Brightking (Shenzhen) Co., Ltd.	Brightking (Shanghai) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	-	100.00	c.
	Brightking (Beijing) Co., Ltd.	Selling overvoltage and overcurrent protection electronic components	-	100.00	c.
	Huizhou Lien Shun Electronics Co., Ltd.	Manufacturing and selling overvoltage protection electronic components	-	71.63	c.

(Concluded)

Remarks:

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

b. Established in May 2018.

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

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

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

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

Material Associates

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

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

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

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

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

The financial statements of some investment in associates - Strong Components Co., Ltd., Belkin International Enterprises Ltd. (Samoa), and Guo Chuang Electronics (Dongguan) Co., Ltd. as of and for the years ended December 31, 2017 and 2018 had been audited by other auditors.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Other Equipment	Construction in Progress and Unaccepted Equipment	Total
Cost						
Balance at January 1, 2017	$ 710,132	$ 11,714,623	$ 25,034,746	$ 1,896,709	$ 481,628	$ 39,837,838
Additions	-	898	4,293	7,468	5,975,093	5,987,752
Disposals	-	(44,193)	(865,045)	(84,244)	(104)	(993,586)
Effect of foreign currency exchange differences	3,935	(39,287)	(130,299)	7,154	15,875	(142,622)
Reclassifications	-	428,347	3,269,391	144,633	(3,874,523)	(32,152)
Balance at December 31, 2017	$ 714,067	$ 12,060,388	$ 27,313,086	$ 1,971,720	$ 2,597,969	$ 44,657,230

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Other Equipment	Construction in Progress and Unaccepted Equipment	Total
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ 202,067	$ 5,450,524	$ 20,356,831	$ 1,670,799	$ -	$ 27,680,221
Disposals	-	(43,055)	(844,082)	(82,581)	-	(969,718)
Depreciation expense	-	473,757	1,224,961	83,613	-	1,782,331
Effect of foreign currency exchange differences	1,741	(1,046)	(61,335)	(49,841)	-	(110,481)
Balance at December 31, 2017	$ 203,808	$ 5,880,180	$ 20,676,375	$ 1,621,990	$ -	$ 28,382,353
Carrying amounts at December 31, 2017	$ 510,259	$ 6,180,208	$ 6,636,711	$ 349,730	$ 2,597,969	$ 16,274,877
Cost						
Balance at January 1, 2018	$ 714,067	$ 12,060,388	$ 27,313,086	$ 1,971,720	$ 2,597,969	$ 44,657,230
Additions	-	664	69,556	29,602	8,798,103	8,897,925
Disposals	-	(182,179)	(944,410)	(58,365)	-	(1,184,954)
Effect of foreign currency exchange differences	(1,081)	(188,276)	(374,376)	(50,773)	(40,215)	(654,721)
Reclassifications	-	1,437,710	7,165,433	257,274	(8,904,220)	(43,803)
Acquisitions through business combinations (Note 29)	17,962	409,195	3,696,182	849,664	212,378	5,185,381
Balance at December 31, 2018	$ 730,948	$ 13,537,502	$ 36,925,471	$ 2,999,122	$ 2,664,015	$ 56,857,058
Accumulated depreciation and impairment						
Balance at January 1, 2018	$ 203,808	$ 5,880,180	$ 20,676,375	$ 1,621,990	$ -	$ 28,382,353
Disposals	-	(180,063)	(843,965)	(46,141)	-	(1,070,169)
Depreciation expense	-	533,774	6,846,137	120,306	-	7,500,217
Effect of foreign currency exchange differences	-	(70,756)	(273,092)	(43,522)	-	(387,370)
Acquisitions through business combinations (Note 29)	-	222,322	2,528,571	568,745	-	3,319,638
Balance at December 31, 2018	$ 203,808	$ 6,385,457	$ 28,934,026	$ 2,221,378	$ -	$ 37,744,669
Carrying amounts at December 31, 2018	$ 527,140	$ 7,152,045	$ 7,991,445	$ 777,744	$ 2,664,015	$ 19,112,389

(Concluded)

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

Building	
Main buildings	50-56 years
Engineering system	40-56 years
Others	1-20 years
Machinery equipment	1-20 years
Other equipment	1-20 years

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

18. GOODWILL

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

The recoverable amount of the cash-generating unit was determined based on a value in use calculation. The Group's management estimated the recoverable amounts of core assets at their expected useful lives and thus based the cash flow forecast with the following discount rates as of December 31, 2017 and 2018: 8.15% and 14.82%, respectively. The operating revenue forecast was based on the expected future growth rate of the passive product industry along with the projected advancement of the Group's own business. The Group's management believed that any reasonable changes in the principal assumptions would not result in the carrying values exceeding the recoverable amounts. As of December 31, 2017 and 2018, there was no indication of impairment loss based on the principal assumptions.

19. OTHER INTANGIBLE ASSETS

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

(Continued)

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

(Concluded)

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

20. PREPAYMENTS FOR LEASES

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

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

21. BORROWINGS

a. Short-term borrowings

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

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

b. Short-term bills payable

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

Outstanding short-term bills payable as follows:

December 31, 2017

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

December 31, 2018

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

c. Long-term borrowings

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

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

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

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

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

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

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

22. OTHER LIABILITIES

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

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The subsidiaries-Yageo Dongguan, Yageo China, Yageo Components (Suzhou) Co., Ltd., Yageo Trade (Suzhou) Co., Ltd., Yageo USA (H.K.) Limited, Yageo Europe, Vitrohm Portuguesa, Yageo Japan, Yageo America Corporation, Yageo Corporation (South Asia) Pte. Ltd., Yageo South Asia (M) Sdn. Bhd., Ko-E H.K., Ko-E Technology (Shenzhen), Bestbright Electronics Co., Ltd., Brightking Electronics Inc., Huizhou Lien Shun Electronics Co., Ltd., Brightking (Shenzhen) Co., Ltd., Ceramate Technical (Suzhou) Co., Ltd., Zhejiang Bestbright Electronics Co., Ltd., Brightking (Shanghai) Co., Ltd., Brightking (Beijing) Co., Ltd., Pulse Electronics (Dongguan) Co., Ltd., Mian Yang Pulse Electronics Co., Ltd., Suining Pulse Electronics Co., Ltd., Pulse (Suzhou) Wireless Products Co., Ltd., Pulse Electronics (ShenZhen) CO., Ltd., Shengsheng Technology (Suzhou) Co., Ltd. and Egston Electronics Zhuhai Ltd. have defined contribution plans and make contributions based on a fixed rate of salaries and wages according to the local laws. The subsidiaries-Yageo Holding (Bermuda), Kuo Shin Investment, Ferroxcube Holding (Samoa), Hsu Tai (H.K.), Ko-E Holding (Cayman), Yageo Hong Kong, Yageo Holding (Cayman) Limited and Brightking Holdings Limited do not have pension plans since there is no employee.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and its subsidiaries contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by a pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The

pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

All the employees of Vitrohm Holding GmbH, Yageo Korea, Pulse Electronics Corporation and Egston Holding GmbH (AT) have defined benefit plans. As of December 31, 2017 and 2018, the pension liabilities amounted to $139,336 thousand and $357,934 thousand, respectively, included in accrued pension liabilities.

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

	December 31	
	2017	**2018**
Present value of defined benefit obligation	$ 379,066	$ 346,860
Fair value of plan assets	(171,924)	(233,376)
Net defined benefit liability	$ 207,142	$ 113,484

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

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2017	$ 332,759	$ (176,395)	$ 156,364
Service cost			
Current service cost	3,215	-	3,215
Net interest expense (income)	4,575	(2,483)	2,092
Recognized in profit or loss	7,790	(2,483)	5,307
Remeasurement			
Actuarial loss - changes in demographic assumptions	829	-	829
Actuarial loss - changes in financial assumptions	4,146	-	4,146
Actuarial gain - experience adjustments	48,309	784	49,093
Recognized in other comprehensive income	53,284	784	54,068
Contributions from the employer	-	(8,597)	(8,597)
Benefits paid	(14,767)	14,767	-
Balance at December 31, 2017	379,066	(171,924)	207,142
Service cost			
Current service cost	3,440	-	3,440
Net interest expense (income)	4,738	(2,545)	2,193
Recognized in profit or loss	8,178	(2,545)	5,633
Remeasurement			
Actuarial loss - changes in demographic assumptions	741	-	741
Actuarial loss - changes in financial assumptions	3,707	-	3,707
Actuarial gain - experience adjustments	(29,780)	(4,746)	(34,526)
Recognized in other comprehensive income	(25,332)	(4,746)	(30,078)
Contributions from the employer	-	(69,213)	(69,213)
Benefits paid	(15,052)	15,052	-
Balance at December 31, 2018	$ 346,860	$ (233,376)	$ 113,484

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

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

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2017	2018
Discount rates	1.250%	1.125%
Expected rates of salary increase	1.500%	1.500%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	2018
Discount rates		
0.25% increase	$ (8,430)	$ (7,541)
0.25% decrease	$ 8,728	$ 7,804
Expected rates of salary increase		
0.25% increase	$ 8,441	$ 7,542
0.25% decrease	$ (8,194)	$ (7,325)

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

	December 31	
	2017	2018
Expected contributions to the plans for the next year	$ 8,597	$ 8,750
Average duration of the defined benefit obligation	12 years	12 years

24. EQUITY

a. Share capital

1) Common shares

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

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

The movements of the common shares were due to issue share dividends and the exercise of employee share options.

2) Global depositary receipts

The Company's global depositary receipts (GDRs) as of December 31, 2018 were as follows:

	GDRs (In Thousand Units)	Equivalent Common Stock (In Thousand Shares)
Initial offering	5,000	25,000
Converted from overseas convertible bonds	34,981	174,903
Net increase due to capital increase or capital reduction	68,873	344,363
Reissued within authorized units	66,911	334,557
GDRs transferred to common shares	(175,753)	(878,761)
Outstanding GDRs issued	12	62

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

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

3) Capital reduction

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

b. Capital surplus

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

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or may be transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiaries resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

c. Retained earnings and dividend policy

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

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

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

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

The Company's dividend policy takes into account the Company's current and future competitiveness in the domestic and foreign markets, the investment environment and cash requirements. The policy authorizes the Company's board to propose an earnings distribution in the form of shares or in cash appropriately in accordance with the laws and regulations, with the board's proposal subject to approval at the shareholders' meeting. For the policies on distribution of the compensation of employees and remuneration of directors and supervisors before and after amendment, refer to e. employee benefits expense in Note 25.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

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

The appropriations of earnings, bonuses to employees and remuneration to directors and supervisors for 2016 and 2017 approved in the shareholders' meetings on June 7, 2017 and June 5, 2018, respectively, were as follows:

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

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

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

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

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

d. Special reserves

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

e. Other equity items

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

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

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

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

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

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

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

f. Business combinations under common control with successor

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

	For the Year Ended December 31, 2017
Balance at January 1	$ (62,463)
Exchange differences on translating the financial statements of foreign operations	(297,680)
Business combinations under common control with successor	235,217
Balance at December 31	$ -

g. Non-controlling interests

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

h. Treasury shares

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

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

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

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

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

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

25. NET PROFIT FOR THE YEAR

a. Other gains and losses

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

b. Finance costs

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

c. Depreciation and amortization

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

(Continued)

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

(Concluded)

d. Employee benefit expense

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

e. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2017 and 2018, which have been approved by the Company's board of directors on February 22, 2018 and March 14, 2019, respectively, were as follows:

Accrual rate

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

Amount

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

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2017 and 2018.

Information on the compensation of employees and remuneration to directors and supervisors and bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2018 and 2019 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2017	2018
Foreign exchange gains	$ 1,589,113	$ 3,765,966
Foreign exchange losses	(2,113,276)	(2,401,979)
	$ (524,163)	$ 1,363,987

26. INCOME TAXES

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

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

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

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Current tax liabilities

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

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Opening Balance	Effect of Change in Tax Rate	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Acquisitions through Business Combinations	Closing Balance
Deferred tax assets							
Temporary differences							
Impairment loss on goodwill	$ 165,429	$ -	$ (47,266)	$ -	$ -	$ -	$ 118,163
Impairment loss on property, plant and equipment	197,630	-	(5,295)	-	-	-	192,335
Inventory write-downs	50,436	-	3,736	-	-	-	54,172
Accrued expenses	83,413	-	(22,523)	-	-	-	60,890
Defined benefit obligation	48,513	-	(10)	9,396	(2,208)	-	55,691
Exchange difference on foreign operation	224,727	-	-	116,220	-	-	340,947
Others	45,505	-	26,484	-	10,218	-	82,207
	815,653	-	(44,874)	125,616	8,010	-	904,405
Loss carryforwards	18,076	-	1,734	-	(1,395)	-	18,415
	$ 833,729	$ -	$ (43,140)	$ 125,616	$ 6,615	$ -	$ 922,820
Deferred tax liabilities							
Temporary differences							
Others	$ 5,194	$ -	$ (4,801)	$ -	$ (17)	$ -	$ 376

For the year ended December 31, 2018

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

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

	December 31	
	2017	2018
Loss carryforwards		
Expire in 2019	$ 208,138	$ 204,147
Expire in 2020	11,839	11,839
Expire in 2027	530	-
	$ 220,507	$ 215,986

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

Loss carryforwards as of December 31, 2018 comprised of:

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

g. Income tax assessments

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

27. EARNINGS PER SHARE

Unit: NT$ Per Share

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

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

Unit: NT$ Per Share

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

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

Net Profit for the Year

	For the Year Ended December 31	
	2017	**2018**
Profit for the period attributable to owners of the Company	$ 6,847,300	$ 33,839,293
Business combinations under common control with successor	(191,474)	-
	$ 6,655,826	$ 33,839,293

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

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

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

28. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan in 2007

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

As of December 31, 2018, 42,091 thousand units of employee share options were exercised and converted to 42,091 thousand common shares of the Company.

Information on employee share options was as follows:

	For the Year Ended December 31	
	2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	241	$55.70
Options adjusted	(72)	24.00
Options expired	(169)	79.70
Balance at December 31	-	-
Options exercisable, end of year	-	

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

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

b. Employee share option plan in 2014

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

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

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

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

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

	May 2014
Grant-date share price	$17.70
Exercise price	$17.70
Expected volatility	37.50%
Expected life (in years)	10
Expected dividend yield	-
Risk-free interest rate	1.52%

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

Compensation cost recognized was $11,490 thousand and zero for the years ended December 31, 2017 and 2018, respectively.

29. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

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

b. Consideration transferred

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

c. Assets acquired and liabilities assumed at the date of acquisition

	Brightking Holdings Limited	Pulse Electronics Corporation
Current assets		
Cash and cash equivalents	$ 446,980	$ 429,308
Other current assets	1,584,307	4,570,373
Non-current assets		
Property, plant and equipment	382,183	1,483,560
Intangible assets	623,978	3,357,150
Other non-current assets	124,795	1,623,500
Current liabilities	(585,522)	(4,982,608)
Non-current liabilities	(444,725)	(1,099,067)
	$ 2,131,996	$ 5,382,216

The initial accounting for the acquisition of Pulse Electronics Corporation was only provisionally determined at the end of the reporting period. The tax bases of Pulse Electronics Corporation's assets were required to be reset based on the market values of the assets. At the date of issuance of these consolidated financial statements, the necessary market valuations and other calculations have not been finalized, and they have, therefore, only been provisionally determined based on management's best estimate of the likely tax values.

d. Goodwill recognized on acquisitions

	Brightking Holdings Limited	Pulse Electronics Corporation
Consideration transferred	$ 2,471,209	$ 22,325,600
Plus: Non-controlling interests	543,571	-
Less: Fair value of identifiable net assets acquired	(2,131,996)	(5,382,216)
Goodwill recognized on acquisitions	$ 882,784	$ 16,943,384

The non-controlling interest (a 18.92% ownership interest in Brightking Holdings Limited) recognized at the acquisition date.

The goodwill recognized in the acquisition of Brightking Holdings Limited and Pulse Electronics Corporation mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of Brightking Holdings Limited and Pulse Electronics Corporation. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on acquisition of subsidiaries

	Brightking Holdings Limited	Pulse Electronics Corporation
Consideration paid in cash	$ 2,471,209	$ 22,325,600
Less: Cash and cash equivalent balances acquired	(446,980)	(429,308)
	$ 2,024,229	$ 21,896,292

f. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	Brightking Holdings Limited	Pulse Electronics Corporation
Revenue	$ 1,441,980	$ 1,131,622
Profit	$ 112,442	$ 181,051

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been $91,042,488 thousand, and the profit from continuing operations would have been $34,083,971 thousand for the year ended December 31, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On second quarter to the fourth quarter, 2018, the Group subscribed for additional new shares of Brightking Holdings Limited, increasing its continuing interest from 81.08% to 100%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	Brightking Holdings Limited
Cash consideration received (paid)	$ 569,445
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	(543,571)
Differences recognized from equity transactions	$ 25,874
Line items adjusted for equity transactions	
Retained earnings	$ 25,874

31. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

The Group leases the property and plant with operating leases expired until 2021. The lessees have a bargain purchase option to acquire the property at the expiry of the lease periods.

	December 31	
	2017	2018
Not later than 1 year	$ -	$ 117,878
Over 1 year and not later than 5 years	-	209,529
	$ -	$ 327,407

b. The Group as lessor

Operating leases relate to the property owned by the Group with lease terms between 1 to 5 years. The lessees do not have a bargain purchase option to acquire the property at the expiry of the lease periods.

The future minimum lease payments of noncancellable operating lease were as follows:

	December 31	
	2017	2018
Not later than 1 year	$ 13,561	$ 16,894
Over 1 year and not later than 5 years	1,211	535
	$ 14,772	$ 17,429

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy in accordance with the Company operations and cash flow to assess the situation and to be properly adjusted to adapt to changes in the market in a timely manner.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may reduce the Group's capital or adjust the amount of dividends paid to shareholders and the number of shares repurchased.

33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The Group's management consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 1,359	$ -	$ 1,359
Non-derivative financial assets held for trading	210,000	-	-	210,000
	$ 210,000	$ 1,359	$ -	$ 211,359
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 1,092,149	$ -	$ -	$ 1,092,149
Securities listed in other countries				
Equity securities	3,154,281	-	-	3,154,281
Unlisted securities - ROC				
Equity securities	-	-	56,773	56,773
Unlisted securities - other countries				
Equity securities	-	-	44,122	44,122
	$ 4,246,430	$ -	$ 100,895	$ 4,347,325
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 82,995	$ -	$ 82,995

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 20,398	$ -	$ 20,398
Domestic quoted shares	60,060	-	-	60,060
Domestic unlisted shares	-	-	46,104	46,104
Overseas unlisted shares	-	-	43,092	43,092
	$ 60,060	$ 20,398	$ 89,196	$ 169,654
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic quoted shares	$ 1,327,605	$ -	$ -	$ 1,327,605
Overseas quoted shares	899,371	-	-	899,371
	$ 2,226,976	$ -	$ -	$ 2,226,976
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 27,674	$ -	$ 27,674

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

	Available-for-sale Financial Assets Equity Instruments
Financial assets	
Balance at January 1, 2017	$ 116,069
Repayment of capital reduction	(14,579)
Effect of foreign currency exchange differences	(595)
Balance at December 31, 2017	$ 100,895

For the year ended December 31, 2018

	Financial Assets at FVTPL Equity Instruments
Financial assets	
Balance at January 1, 2018	$ -
Reclassification	100,895
Recognized in profit	5,393
Sales	(5,564)
Repayment of capital reduction	(10,497)
Effect of foreign currency exchange differences	(1,031)
Balance at December 31, 2018	$ 89,196

3) Valuation techniques and inputs used for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated on the basis of observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed in the table below. An increase in long-term revenue growth rates or long-term pre-tax operating margin or a decrease in WACC or discount for the lack of marketability used in isolation would result in increases in fair value.

c. Categories of financial instruments

	December 31	
	2017	2018
Financial assets		
FVTPL		
Held for trading	$ 211,359	$ -
Mandatorily classified as at FVTPL	-	169,654
Held-to-maturity investments	7,133,802	-
Loans and receivables (1)	29,590,650	-
Available-for-sale financial assets (2)	4,347,325	-
Financial assets at amortized cost (3)	-	56,256,818
Financial assets at FVTOCI	-	2,226,976
Equity instruments		
Financial liabilities		
FVTPL		
Held for trading	82,995	-
Mandatorily classified as at FVTPL	-	27,674
Amortized cost (4)	36,683,464	54,894,506

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade and other receivables (including related parties) and refundable deposits.

2) The balances included the carrying amount of held-for-trading financial assets measured at cost.

3) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade and other receivables (including related parties) and refundable deposits.

4) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, long-term loans, short-term bills payable, notes payable, trade and other payables (including related parties), long-term loans and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's impartment financial activities are reviewed by the board of directors in accordance with related standard and internal controls. In executing financial plan, the Group have to obey the related financial operating procedures regarding financial risk management and segregation of duties.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 37.

Sensitivity analysis

The Group assessed the foreign currency risk of its significant assets and liabilities as well as taking unexpired exchange forward contracts into consideration.

The Group was mainly exposed to the USD, EUR and JPY.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A negative number below indicates an increase (a decrease) in pre-tax profit associated with New Taiwan dollars strengthening 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be positive.

	USD Impact		EUR Impact		JPY Impact	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2017	2018	2017	2018	2017	2018
Profit or loss	$ (211,535)	$ (396,589)	$ (65,303)	$ (43,516)	$ 4,682	$ 6,458

The analysis of profit or loss of the table was mainly attributable to the exposure to outstanding USD, EUR and JPY which were not hedged, at the end of the reporting period.

The Group's sensitivity to foreign currency exchange increased during the current year mainly because it had more USD-denominated net assets.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	**2018**
Fair value interest rate risk		
Financial assets	$ 18,997,336	$ 20,678,559
Financial liabilities	24,224,650	33,167,468
Cash flow interest rate risk		
Financial assets	5,471,062	15,223,019

The Group's fixed-term time deposits, bank borrowings and short-term bills are exposed to fair value interest rate risk; however, this expected risk is insignificant.

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's variable-rate financial assets for the years ended December 31, 2017 and 2018 would result in cash inflows by $54,711 thousand and $152,230 thousand, respectively.

The Group's sensitivity to interest rates increased during the current year mainly due to the increase in variable-rate financial assets from the prior year.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% lower, the pre-tax other comprehensive income for the years ended December 31, 2017 would decrease by $2,100 thousand and $42,464 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

If equity prices had been 1% lower, the pre-tax profit for the year ended December 31, 2018 would have decreased by $601 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2018 would have decreased by $22,270 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to available-for-sale investments has not changed significantly from the prior year.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2018, the Group had available unutilized short-term bank loan facilities of $4,697,768 thousand and $8,911,414 thousand, respectively.

a) Liquidity and interest risk rate tables for nonderivative financial liabilities

The table below summarizes the maturity profile of the Group's financial liabilities based on undiscounted contractual payments but did not include the financial liabilities with carrying amounts that approximated contractual cash flows:

	Carrying Value	Contractual Cash Flows	Within 1 Year	More than 1 Year
December 31, 2017				
Short-term borrowings	$ 17,624,878	$ 17,668,377	$ 17,668,377	$ -
Short-term bills payable	1,099,772	1,100,000	1,100,000	-
Long-term borrowings	5,500,000	5,507,853	-	5,507,853
	$ 24,224,650	$ 24,276,230	$ 18,768,377	$ 5,507,853
December 31, 2018				
Short-term borrowings	$ 23,667,981	$ 23,768,211	$ 23,768,211	$ -
Short-term bills payable	499,487	500,000	500,000	-
Long-term borrowings	9,000,000	9,043,648	-	9,043,648
	$ 33,167,468	$ 33,311,859	$ 24,268,211	$ 9,043,648

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2017

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
Gross settled			
Foreign exchange forward contracts			
Inflows	$ 9,902,711	$ -	$ 895,440
Outflows	(9,937,688)	-	(919,056)
	$ (34,977)	$ -	$ (23,616)

December 31, 2018

	On Demand or Less than 3 Months	3 Months to 6 Months	Over 6 Months to 12 Months
Gross settled			
Foreign exchange forward contracts			
Inflows	$ 18,108,376	$ 37,587	$ -
Outflows	(18,138,450)	(36,389)	-
	$ (30,074)	$ 1,198	$ -

34. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides as disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. The Company's related parties and their relationships were as follows:

Related Party	Relationships with the Group
Chilisin Electronics Corp.	Associates
Teapo Electronics Corp.	Associates
Teapo Electronics (H.K.) Ltd.	Subsidiary of associates
Teapo Electronics (Dongguan) Co., Ltd.	Subsidiary of associates
Dongguan Zhiguo Electronics Co., Ltd.	Subsidiary of associates
Ralec Electronic Corporation	Subsidiary of associates
ASJ Pte. Limited (ASJ Pte.)	Subsidiary of associates
ASJ Components (M) Sdn. Bhd.	Subsidiary of associates
CRL Components (S) Pte. Ltd.	Subsidiary of associates
Guo Chuang Electronics (Dongguan)	Associates
Ferroxcube International Holding B.V.	Subsidiary of associates
Hsin Bung International Co., Ltd.	Substantial related parties
Yixin International Co., Ltd.	Substantial related parties

b. Sales of goods

		For the Year Ended December 31	
Line Items	Related Party Categories	2017	2018
Sales	Substantial related parties	$ 431,376	$ 766,539
	Associates	164,944	200,195
		$ 596,320	$ 966,734

c. Purchases of goods

Related Party Categories	For the Year Ended December 31 2017	2018
Substantial related parties	$ 378,654	$ 534,782
Associates	623,959	188,189
	$ 1,002,613	$ 722,971

d. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories	December 31 2017	2018
Trade receivable	Substantial related parties	$ 329,902	$ 62,399
	Associates	29,055	36,727
		$ 358,957	$ 99,126
Other receivables	Associates/Chilisin Electronics Corp.	$ 89,544	$ 92,206
	Associates/Others	7,641	7,661
		$ 97,185	$ 99,867

The outstanding trade receivable from related parties are unsecured. For the years ended December 31, 2017 and 2018, no impairment loss was recognized for trade receivable from related parties.

e. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Categories	December 31 2017	2018
Trade payable	Substantial related party	$ 38,567	$ 98,661
	Associates	107,538	36,508
		$ 146,105	$ 135,169
Other payables	Associates	$ 2	$ 2

The outstanding trade payable from related parties are unsecured.

The payment terms for the trade receivable from (trade payable to) related parties were based on the terms of the related contracts. Other related-party transactions were conducted under normal terms.

f. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds For the Year Ended December 31 2017	2018	Gain on Disposal For the Year Ended December 31 2017	2018
Associates	$ 435	$ -	$ 219	$ -

g. Disposals of other assets

	Proceeds		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
Related Party Category/Name	2017	2018	2017	2018
Associates/Chilisin Electronics Corp.	$ 4,329,425	$ -	$ -	$ -

On August 1, 2017, the Company sold 100% of its interest of Ferroxcube International Holding B.V. in a cash settlement amounting to €133,188 thousand.

h. Other transactions with related parties

		For the Year Ended December 31	
Line Items	Related Party Categories	2017	2018
Rental income	Associates/Teapo Electronics (Dongguan) Co., Ltd.	$ 11,321	$ 24,525
	Associates/Others	3,861	1,100
		$ 15,182	$ 25,625
Other expense	Associates	$ -	$ 239

All the terms and conditions of above rental contracts conformed to normal business practice.

i. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2018
Short-term employee benefits	$ 316,973	$ 1,257,296
Post-employment benefits	432	432
	$ 317,405	$ 1,257,728

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans:

	December 31	
	2017	2018
Property, plant and equipment, net	$ 2,788,239	$ 2,792,249

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 and 2018, were as follows:

a. Significant commitments

Unrecognized commitments were as follows:

	December 31	
	2017	2018
Acquisition of property, plant and equipment	$ 1,660,649	$ 2,110,530

b. Contingencies

Contingent liabilities

1) Please refer to Table 2 about the endorsements/guarantees and between the Company and subsidiaries.

2) The Securities and Future Investors Protection Center (SFIPC) alleged that Far Eastern Air Transport Ltd. (FEATL) had been involved in exaggerating the turnover and trade receivable. The SFIPC charged that FEATL window-dressed its financial reports and thus harmed its investors' welfare. Under these investors' authorization, the SFIPC sued 33 defendants, including the FEATL and its management, directors and supervisors, certified public accountant, its accounting firm, etc., (excluding the Company) and filed a civil action lawsuit to demand compensation for damages with the district court of Taipei on June 23, 2009.

In January 2010, the SFIPC included in its lawsuit the Company and two other companies because they were FEATL's directors and supervisors from 2005 to 2007. Since the joint defendants increased to 36, SFIPC appealed for a compensation amounted of $296,989 thousand. Since the Company has business liability insurance, the Company believes that if the court's ruling is not favorable to the Company, the compensatory damages would not significantly affect its finance and business status.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 605,129	29.8480 (USD:NTD)	$ 18,061,890
USD	528,402	6.5120 (USD:RMB)	15,771,612

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
USD	$ 318,432	7.8147 (USD:HKD)	$ 9,504,637
USD	106,716	0.8361 (USD:EUR)	3,185,448
USD	1,496	1,065.2900 (USD:KRW)	44,623
EUR	181,044	1.1961 (EUR:USD)	6,463,487
EUR	15,398	35.7012 (EUR:NTD)	549,727
EUR	710	7.7890 (EUR:RMB)	25,348
JPY	1,811,186	0.0074 (JPY:EUR)	478,495
JPY	182,363	0.2651 (JPY:NTD)	48,344
JPY	178,037	0.0578 (JPY:RMB)	47,167
RMB	24,182	0.1536 (RMB:USD)	110,866
HKD	43,456	3.8195 (HKD:NTD)	165,980
HKD	29,083	0.1280 (HKD:USD)	111,113
			$ 54,568,737
Non-monetary items			
Investments accounted for using equity method			
USD	13,826	29.8480 (USD:NTD)	$ 412,670
RMB	6,979	1.2000 (RMB:HKD)	31,986
			$ 444,656
Available-for-sale financial assets			
JPY	2,909,068	0.2651 (JPY:NTD)	$ 771,194
JPY	5,148,220	0.0089 (JPY:USD)	1,364,793
JPY	1,811,045	0.0074 (JPY:EUR)	480,108
JPY	2,030,132	0.0694 (JPY:HKD)	538,186
			$ 3,154,281
Financial liabilities			
Monetary items			
USD	318,660	29.8480 (USD:NTD)	$ 9,511,364
USD	357,087	6.5120 (USD:RMB)	10,658,244
USD	160,564	7.8147 (USD:HKD)	4,792,554
USD	15,162	0.8361 (USD:EUR)	452,582
EUR	936	35.7012 (EUR:NTD)	33,416
EUR	13,300	1.1961 (EUR:USD)	474,826
JPY	1,825,667	0.2651 (JPY:NTD)	483,984
JPY	2,107,151	0.0578 (JPY:RMB)	558,240
HKD	634	0.8333 (HKD:RMB)	2,422
RMB	220,458	0.1536 (RMB:USD)	1,010,723
			$ 27,978,355

(Concluded)

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 1,043,120	30.7330 (USD:NTD)	$ 32,058,207
USD	405,755	6.8637 (USD:RMB)	12,470,029
USD	307,233	7.8311 (USD:HKD)	9,442,238
USD	105,924	0.8733 (USD:EUR)	3,255,418
USD	977	69.9160 (USD:INR)	30,028
EUR	564	1.1451 (EUR:USD)	19,848
EUR	125,389	35.1924 (EUR:NTD)	4,412,740
EUR	3,688	25.7350 (EUR:CZK)	129,790
JPY	838,986	0.2782 (JPY:NTD)	233,406
JPY	1,244,366	0.0091 (JPY:USD)	348,012
RMB	56,797	0.1457 (RMB:USD)	254,325
HKD	8,125	0.8765 (HKD:RMB)	31,887
			$ 62,685,928
Non-monetary items			
Investments accounted for using equity method			
USD	10,150	30.7330 (USD:NTD)	$ 311,943
RMB	7,019	1.1409 (RMB:HKD)	31,429
			$ 343,372
Investments in equity instruments at FVTOCI			
JPY	839,029	0.2782 (JPY:NTD)	$ 233,418
JPY	2,381,207	0.0091 (JPY:USD)	665,953
			$ 899,371
Financial liabilities			
Monetary items			
USD	434,443	30.7330 (USD:NTD)	$ 13,351,737
USD	128,457	6.8637 (USD:RMB)	3,947,857
USD	9,677	0.8733 (USD:EUR)	297,408
EUR	811	35.1924 (EUR:NTD)	28,541
EUR	3,239	25.7350 (EUR:CZK)	113,989
EUR	1,504	80.0608 (EUR:INR)	52,933
EUR	434	118.1630 (EUR:RSD)	15,272
JPY	2,410,354	0.2782 (JPY:NTD)	670,560
JPY	2,002,097	0.0621 (JPY:RMB)	556,701
HKD	16,521	0.8765 (HKD:RMB)	64,839
HKD	5,500	0.1277 (HKD:USD)	21,585
RMB	113,621	0.1457 (RMB:USD)	508,772
SGD	16,377	22.4804 (SGD:NTD)	368,162
			$ 19,998,356

For the years ended December 31, 2017 and 2018, realized and unrealized net foreign exchange gains or losses were $(524,163) thousand and $1,363,987 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

38. SEGMENT INFORMATION

a. Basic information

Information reported to the chief operating decision maker for resource allocation and the assessment of segment performance is solely based on the financial information of each plant owned by the Group. Each plant has similar economic features as well as manufacturing procedures. In addition, products are sold by the Group in a centralized way. Thus, the Group is reported as a single segment. The Group's revenues and operating results in 2017 and 2018 are shown in the consolidated statements of comprehensive income for 2017 and 2018.

b. Revenue from major products

The following is an analysis of the Group's revenue from its major products.

	For the Year Ended December 31	
	2017	2018
Capacitors	$ 16,624,037	$ 46,609,294
Resistors	13,128,572	26,032,119
Others	2,505,990	4,514,198
	$ 32,258,599	$ 77,155,611

c. Geographical information

The Group's revenue from external customers by location of operations and information about its noncurrent assets by location of assets are detailed below:

	Revenue from External Customers		Noncurrent Assets	
	Year Ended December 31		December 31	
	2017	2018	2017	2018
Domestic	$ 6,278,301	$ 17,349,383	$ 6,788,370	$ 6,223,536
Europe	2,104,123	5,668,332	2,065,895	2,021,857
Asia	23,797,557	53,258,270	9,857,471	13,312,483
USA	-	761,074	-	22,392,064
Others	78,618	118,552	19,474	19,203
	$ 32,258,599	$ 77,155,611	$ 18,731,210	$ 43,969,143

Noncurrent assets exclude financial instruments and deferred tax assets.

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2017 and 2018.

THE SECURITIES MARKETS OF THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchasers or any of our respective affiliates or advisors in connection with this Offering.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. Effective July 1, 2004, the ROC Securities and Futures Commission has been renamed the ROC Securities and Futures Bureau of the FSC, and its supervisory authority has been transferred from the Ministry of Finance to the FSC.

The Taiwan Stock Exchange

In 1961, the ROC SFB established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and privately owned banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the ROC SFB actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 943 as of April 30, 2020. As of April 30, 2020, the market capitalization of companies listed on the TWSE was approximately NT$33.4 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the ROC SFB has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issuance of ROC's first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are also listed on the TWSE. The ROC SFB also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number and distribution of stockholders, including the diversification of such stockholders;
- length of time in business;
- amount of paid-in capital; and
- profitability.

However, special listing criteria apply to technology companies and key businesses that are engaged in the national economic development.

The following table shows for the periods indicated information relating to the TWSE.

Period	No. of Listed Companies at Period End	Stock Trading Values	Index High	Index Low	Index at Period End
		(in NT$ billions)			
1996	382	12,907.6	6,982.81	4,690.22	6,933.94
1997	404	37,241.1	10,116.84	6,820.35	8,187.27
1998	437	29,619.0	9,277.09	6,251.38	6,418.43
1999	462	29,291.5	8,608.91	5,474.79	8,448.84
2000	531	30,526.6	10,202.20	4,614.63	4,739.09
2001	584	18,354.9	6,104.24	3,446.26	5,551.24
2002	638	21,874.0	6,462.30	3,850.04	4,452.45
2003	669	20,333.2	6,142.32	4,139.50	5,890.69
2004	697	23,875.4	7,034.10	5,316.87	6,139.69
2005	691	18,818.9	6,575.53	5,632.97	6,548.34
2006	688	23,900.4	7,823.72	6,257.80	7,823.72
2007	698	33,043.8	9,809.88	7,344.56	8,506.28
2008	718	26,115.4	9,295.20	4,089.93	4,591.22
2009	741	29,680.5	8,188.11	4,242.61	8,188.11
2010	758	28,218.7	8,972.50	7,071.67	8,972.50
2011	790	26,197.4	9,145.35	6,633.33	7,072.08
2012	809	20,238.2	8,144.04	6,894.66	7,699.50
2013	838	18,940.9	8,623.43	7,616.64	8,611.51
2014	854	21,898.5	9,569.17	8,264.48	9,307.26
2015	874	20,191.5	9,973.12	7,410.34	8,338.06
2016	892	16,771.1	9,392.68	7,664.01	9,253.50
2017	907	23,972.2	10,854.57	9,272.88	10,642.86
2018	928	29,608.9	11,253.11	9,478.99	9,727.41
2019	942	26,464.6	12,122.45	9,382.51	11,997.14
2020 (through April 30, 2020)	943	11,387.5	12,179.81	8,681.34	10,992.14

Source: TWSE

Price limits, commissions, transaction tax and other matters

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, transactions in one class of securities that involve 500 or more trading lots or trading amounts exceeding NT$15 million, and transactions involving five or more different classes of securities and trading amounts exceeding NT$15 million must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 10% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the ROC SFB based on market conditions. The ROC SFB has announced that limitations on price fluctuations may be relaxed with a view to eventually abolish all share price fluctuation controls. Brokerage commission can be set at any rate of the transaction price, provided that any rate exceeding 0.1425% shall be reported to the TWSE and notified to the client in advance. A securities transaction tax, currently levied at 0.3% of the transaction price, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

Regulation and supervision

The ROC SFB has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the ROC SFB for all securities offerings. The ROC SFB has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the ROC SFB establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The ROC SFB has responsibility for implementing ROC Securities and Exchange Law and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Law specifically empowers the ROC SFB to promulgate necessary rules. ROC Securities and Exchange Law prohibits market manipulation. For example, it permits a ROC public company to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and stockholders (together with their spouses, minor children and nominees) who hold more than 10% of the shares of the company. ROC Securities and Exchange Law prohibits trading by "insiders" based on non-public information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. "Insiders" include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and stockholders (together with their spouses, minor children and nominees) who hold more than 10% of a ROC public company's shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material, non-public information due to an occupational or controlling relationship with a ROC public company;

- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and

- any person who has learned material, non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange Law also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of a company's contracts, reports and other documents related to securities transactions. The ROC SFB regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

The ROC SFB does not have criminal or civil enforcement powers under ROC Securities and Exchange Law. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The ROC SFB is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;

- temporary suspension of operation;

- imposition of administrative fines; and

- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the ROC SFB, delist the securities of these issuers.

FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN THE ROC

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Initial Purchasers or any of our respective affiliates or advisors in connection with this Offering.

Foreign Investment

Foreign investments in ROC securities markets were once restricted. Since 1983, the ROC government has adopted, enacted and amended laws and regulations to enable investment in ROC securities markets by oversea Chinese, foreign nationals, and PRC nationals. Currently, the Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals, or the Securities Investment Regulations for Foreign Investors, announced on May 26, 1983 and last amended on February 11, 2014, and the Regulations Governing Securities Investment and Futures Trading in Taiwan by Mainland Area Investors, or the Securities Investment Regulations for PRC Nationals, announced on April 30, 2009 and last amended on October 6, 2010, are the two major regulations governing foreign investment in ROC securities. Foreign investors who are not PRC nationals shall follow the Securities Investment Regulations for Foreign Investors for their respective investment in ROC securities.

Under the Securities Investment Regulations for Foreign Investors, investors are classified into "Offshore General Foreign Investors", "Onshore General Foreign Investors", "Offshore Foreign Institutional Investors" and "Onshore Foreign Institutional Investors", based upon whether they are institutional investors or natural persons, and whether they reside in the ROC ("Offshore General Foreign Investors" and "Offshore Foreign Institutional Investors", hereafter "**Offshore Investor**"; "Onshore General Foreign Investors" and "Onshore Foreign Institutional Investors", hereafter "**Onshore Investor**"). Foreign investors are required to register with the TWSE to trade securities listed on TWSE, and the TWSE may withdraw or rescind the registration if the application documents submitted by foreign investors are untrue or incomplete, or if any material violation of the relevant regulations exists. Offshore investors are required to appoint their local agent or nominee to act on their behalf in Taiwan.

An Offshore Investor may only invest in ROC securities as permitted by the FSC such as shares, certificates of bond conversion entitlement, and Taiwan Depositary Receipts publicly or privately offered by TWSE-listed, TPEx-listed or emerging market-listed companies, beneficiary certificates issued by securities investment trusts, government bonds, bank debentures, corporate bonds, convertible bonds, bonds with warrant, beneficiary securities or asset-backed securities issued by the special purpose trust or special purpose vehicle and warrants. The FSC may set a cap for the total investment amount of offshore investors, after consulting with the CBC; provided that the FSC lifted such cap in 2008.

In the past, PRC persons were prohibited from investing, whether directly or indirectly, in ROC securities. The Securities Investment Regulations for PRC Nationals promulgated in 2009 (as amended in 2010) allow PRC nationals and institutional investors to make investment in ROC securities, if they are qualified for any of the following categories: (i) qualified domestic institutional investors approved by the PRC government, also known as "QDIIs"; (ii) PRC residents who are employees of a TWSE-listed or TPEx listed company and thereupon granted securities; (iii) companies incorporated under the laws of PRC or PRC residents who are the stockholders of a foreign company whose shares or depositary receipts are listed and traded on the TWSE or TPEx; or (iv) other categories as permitted by the competent authority. Subject to the requirements and restrictions set forth below, a PRC investor may invest in TWSE-listed or TPEx-listed securities, beneficiary certificates issued by securities investment trusts, government bonds, bank debentures, corporate bonds issued by public companies, beneficiary securities or asset-backed securities issued by the special purpose trust or special purpose vehicle, warrants and other securities as permitted by the FSC.

- PRC investors are required to appoint their agent or nominee in Taiwan for opening a securities trading account.

- PRC investors are required to appoint a custodian permitted by the competent authority to handle the custody of funds and certificates related to securities.

- In exercising the voting rights of the shares of a TWSE-listed or TPEx-listed company, unless otherwise permitted by laws and regulations, PRC investors may not substantially control or effect the operation and management of the company.

- The amount of investment remittance for each QDII is capped at US$100 million, and the total amount remitted into Taiwan by all QDIIs shall not exceed US$500 million.

- The PRC investor may not exceed the PRC ownership limit imposed by the Taiwan competent authority.

Depositary receipts

In April 1992, the ROC Securities and Futures Commission (later reformed and known as the Securities and Futures Bureau of the FSC) enacted regulations permitting ROC companies with securities listed on the TWSE, with the prior approval of the FSC, to sponsor the issue and sale to foreign investors of depositary receipts. Depositary receipts represent deposited shares of ROC companies. In December 1994, the ROC Ministry of Finance allowed companies whose shares are traded on the TPEx or listed on the TWSE, upon approval of the FSC, to sponsor the issue and sale of depositary receipts.

After depositary receipts are issued initially by a foreign depositary, a holder of depositary receipts may request the foreign depositary to cause the underlying shares (1) to be sold in the ROC, with the proceeds from that sale distributed to the depositary receipt holder after deducting tax payments and relevant costs and expenses, or (2) to be withdrawn from the depositary receipt facility and transferred to the depositary receipt holder.

Under existing laws and regulations relating to foreign exchange control, a depositary may, without obtaining further approvals from the CBC or any other governmental authority or agency of the ROC, convert NT Dollars into other currencies, including US Dollars, in respect of the following: proceeds of the sale of shares represented by depositary receipts, proceeds of the sale of shares received as stock dividends which have been deposited into the depositary receipt facility and any cash dividends or cash distributions received. In addition, a depositary, also without any of these approvals, may convert inward remittances of payments into NT Dollars for purchases of underlying shares for deposit into the depositary receipt facility against the creation of additional depositary receipts. However, a depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT Dollars into other currencies relating to the sale of subscription rights for new shares. Proceeds from the sale of any underlying shares by holders of depositary receipts withdrawn from the depositary receipt facility may be converted into other currencies without obtaining CBC approval.

Proceeds from sale of the underlying shares withdrawn from the depositary receipt facility may be used for reinvestment in the TWSE, the TPEx, or stock of emerging market companies, subject to limitations and restrictions set forth in "Foreign Investment" above (as applicable).

Overseas corporate bonds

Since 1989, the ROC Securities and Futures Commission has approved a series of overseas bonds issued by ROC companies listed on the TWSE in offerings outside the ROC. Under current ROC law and subject to the FSC approval, overseas corporate bonds can be (i) exchanged or converted by bondholders, other than persons of the PRC except for QDIIs, into shares of ROC companies; or (ii) converted into or exchanged for depositary receipts issued by the same ROC company or by the issuing company of the exchange shares, in the case of exchangeable bonds. The relevant regulations also permit ROC companies attaining public company status to issue corporate bonds in offerings outside the ROC. Proceeds from the sale of the shares converted from overseas convertible bonds may be used for reinvestment in securities listed on the TWSE or traded on the TPEx, subject to limitations and restrictions set for in "Foreign Investment" section above (as applicable).

According to the Securities Investment Regulations for Foreign Investors, a non-resident foreign converting bondholder, when exercising the conversion right to convert bonds into shares of a ROC company, will be required to register with the TWSE, and to appoint a local agent (with such

qualifications provided by the FSC) to open a securities trading account with a local brokerage firm, pay ROC taxes, remit funds, exercise stockholders' rights and perform such other matters as may be designated by such converting bondholder on behalf of and as agent for such converting bondholder. The converting holder is also required to appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, to make confirmation to settle trades, and to report all relevant information. Additionally, such converting holder is required to appoint a tax guarantor for filing tax returns and making tax payments.

According to the Securities Investment Regulations for PRC Nationals, a PRC holder of overseas convertible bonds issued by a ROC company may not convert or exchange such convertible into shares unless (i) it is a qualified QDII, (ii) the businesses of the issuer are in the Positive List promulgated by the MOEA, (iii) the shares converted from overseas convertible bonds, in general, would not, jointly with the other PRC stockholders of the issuer, account for 10% or more of the issuer's shares.

Unless otherwise limited by the CBC, a ROC company may, without obtaining further approval from the CBC or any other government authority of the ROC, convert NT Dollars to other non-ROC currencies, including US Dollars, for making payments in respect of proceeds of the redemption of the bonds or repayment of principal of and interest on the bonds. A non-ROC converting bondholder may, through its local agent and without obtaining prior approval from the CBC, convert into foreign currencies net proceeds realized from the sale of certificates of bond conversion entitlement, shares or any stock dividends relating to such shares, or any cash dividend or other cash distribution in respect of such shares, as well as inward remittance of subscription payments in respect of rights offerings. However, a converting bondholder must obtain prior approval from the CBC on a payment-by-payment basis for conversion from NT Dollars into other currencies in respect of the proceeds from the sale of subscription rights for newly issued Shares.

Other Foreign Investment

In addition to investments permitted under the Regulations, foreign investors (other than foreign investors who have registered with the TWSE for making investments in the ROC securities market) who wish to make direct investments in the shares of ROC companies are required to submit a Foreign Investment Approval application to the Investment Commission of the ROC Ministry of Economic Affairs or other government authority. The Investment Commission or such other government authority reviews each Foreign Investment Approval application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the FSC).

Under current law, any non-ROC person possessing a Foreign Investment Approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment, investment capital and capital gains attributable to such investment may be repatriated after approvals of the Investment Commission or other authorities have been obtained.

In addition to the general restriction against investment by non-ROC persons in ROC securities markets, non-ROC persons (except in certain limited cases) are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List, as amended by the Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain other industries are restricted so that non-ROC persons (except in certain limited cases) may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement.

Exchange controls

The Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated to handle such business by the FSC and by the CBC. Current regulations favor trade-related foreign exchange transactions and Foreign Investment Approval investments.

Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters, and all foreign currency needed for the importation of merchandise and services may be purchased freely from the designed foreign exchange banks.

Trade aside, ROC companies and resident individuals may, without foreign exchange approval, remit outside the ROC foreign currency of up to US$50,000,000 (or its equivalent) and US$5,000,000 (or its equivalent) respectively in each calendar year. In addition, ROC companies and resident individuals may, without foreign exchange approval, remit into the ROC foreign currency of up to US$50,000,000 (or its equivalent) and US$5,000,000 (or its equivalent) respectively in each calendar year. Furthermore, any remittance of foreign currency into the ROC by an ROC company or resident individual in a year will be offset by the amount remitted out of the ROC by the company or individual (as applicable) within its annual quota and will not use up its annual inward remittance quota to the extent of such offset. The above limits apply to remittances involving a conversion of NT Dollars to a foreign currency and vice versa. A requirement is also imposed on all enterprises to register medium-and long-term foreign debt with the CBC.

In addition, foreign persons may, subject to certain requirements, but without foreign exchange approval of the CBC, remit outside and into the ROC foreign currencies of up to US$100,000 (or its equivalent) for each remittance. The above limit applies to remittances involving a conversion of NT Dollars to a foreign currency and vice versa.

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