Stock Code: 6124

YEH-CHIANG TECHNOLOGY CORP.

ANNUAL REPORT 2018

Printed on May 15, 2019

The content of the annual report and related company information are available at:

Taiwan Stock Exchange Market Observation Post System http://newmops.twse.com.tw

Company website http://www.yctc.com.tw

1. **Contact information of the Spokesperson**

	Name	Title	Tel	Email
Spokesperson	To be announced			
Deputy Spokesperson	Cheng, Wen-Haw	Finance Manager	(02)2655-1166#220	Howard_Cheng@yctc.com.tw

2. **Contact information of the headquarters, branch offices and factories**
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4. **Contact information of the Certified Public Accountants for the Latest Financial Report**
   Name of CPA: Huang, Hi-Nien, Lu, Chien-Hui
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5. **Overseas trade places for listed negotiable securities: None.**

6. **Company Website**
   http://www.yctc.com.tw

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I. Letter to Shareholders

Dear Shareholders:

The consolidated operating revenue NT$1,905,226 thousand in 2018, compared with the consolidated operating revenue NT$2,151,112 thousand in 2017, shows a decline of 11%. The consolidated gross profit margin NT$362,052 thousand in 2018, compared with the consolidated gross profit margin NT$133,100 thousand in 2017, shows an increase of 172%. The net profit after tax NT$111,950 thousand in 2018, compared with the net profit after tax NT$248,489, shows an increase of 145%.

Looking back at the market of 2018, the global PC sales slightly rise 1.95% than 2017; whereas the global smartphone sales slightly rise 1.22% than 2017.

1. The beginning of 5G era is the biggest business opportunity in the heat dissipation industry in 2019. According to the forecast of the "5G's Effects on Economy and Society White Paper" by the CAICT, direct and indirect output driven by 5G in 2030 will reach 6.3 trillion dollars and 10.6 trillion dollars prospectively. In the direct output, it will drive estimated 4840 billion dollars in 2020 when the 5G business market begin. With a continued growth up to 2.2 trillion dollars and 6.3 trillion dollars in 2025 and 2030 prospectively, the compound annual growth rate is 29% during the 10 years. In the indirect output, it will drive estimated 1.2 trillion dollars, 6.3 trillion dollars, and 10.6 trillion dollars in 2020, 2025, and 2030 prospectively. The compound annual growth rate is 24%.
2. Because of the thriving development of the eSports market, the output value 696 million US dollars in 2017 shows a 41.3% growth than in 2016. With the stunning growth, the output value is estimated to reach 1.488 billion dollars in 2020.
3. With the estimated double growth in shipments of the cloud system product (server), we have to develop further in products with higher gross profit.

Based on our long-term performance in thermal conduction heat dissipating component, we will keep on reinforcing the business operation. Our operating policy of the year and the future developing strategy are as following:

I. Operating policy of 2018:

1.Develop new appliance fields of heat dissipation pipe, such as automobile market (headlight dissipation, automobile computer, and battery dissipation), business and home appliance, drone market, VR equipment market and more.

2.Continue to promote ultrathin heat pipe (thickness under 0.37mm). This type of pipe can be massively produced and has been applied in all major cellphone brand in 2018. We will continue to promote order and output to gain higher profit.

3.The demand of the ultrathin heat plate with 0.4 mm thickness, which its material, structure, and manufacturing process are different from the traditional heat plate, might become the new application design for the cellphone in the next stage. It is estimated to enter the stage of sample design in 2018.

4.For the reintegration of the laptop thermal module customer group, we will focus on brands such as Huawei, Microsoft, Lenovo, and ASUS to elevate the overall shipment order.

5.Enter the new product development other than heat dissipation pipe such as: multi-channel aluminum vapor chamber, water cooling, aluminum blowing plate, 3D VC and VC module, and cellphone module.

6.Develop automated process of the heat dissipation pipe to completely improve the shortcomings of the old manufacturing process. This will dramatically reduce the production cost and improve the product quality.

7.Continue to focus on our original core business. We will vigorously develop new customer while maintaining the satisfaction of the existing customer to strengthen its loyalty.

8.Continue to invest in research and development resources. We will strengthen the core competency by prospectively developing innovated service and product.

9.Strengthern corporate governance and implement company culture to reach the goal of sustainable operation.

II. Future developing strategy:

1.Expand and develop global market with diversified products and service supply.

2.Improve the effectiveness of the supply chain management to maximize the production management benefit.

3.Take the lead in the market trend and demand of the technology and product in thermal conduction and heat dissipation.

4.Expand the business scope via strategic multi-integration to improve business performance.

5.Continue to invest in research and development technology in a leading position to deeply strengthen core competitive advantage.

6.Continue to improve the manufacturing process, simplify the product design, improve the automated process to reduce cost, reinforce on renovation of product, research, development, and cooperate with research institute to secure the resource of the medium to long term technology renovation of the company.

7.Expand and develop global market with diversified products and service supply.

8. Continue to invest in research and development technology in a leading position to deeply strengthen core competitive advantage.

Wish you all

Good health and prosperous with everything.

Chairman Tai-Kuang Wang

II. Company Profile

1. Date of Incorporation

December 23, 1994

2. Company History

1994	Yeh-Chiang Technology Corp. was officially founded on December 1994. It manufactures and sells multi-layer ceramic capacitor and electronic critical material with capital of NT200 million dollars.
1995	Officially manufacture multi-layer ceramic capacitor (MLCC)
1996	B.G.A assembly solder ball research and develop trial run. Jun 1996 – capital increased to NT260 million dollars and registered as public traded company. Dec 1996 – plant expansion phase one was completed with 6,470 square meter of land and 3,180.93 square meter of plant.
1997	Successfully developed new products of electronic critical material, such as heat pipe for laptop heat dissipation, conducting paste for round and thick film ceramic capacitor, and solder paste for SMT automatic plug-in, and planned for massive production. Jun 1997 – capital increased to NT300 million dollars and began the sales of heat pipe, solder paste, and conducting paste. Nov 1997 – purchased the land of 1,856 square meter and plant of 812.75 square meter on No. 11, Shih-Er Road.
1998	Purchased the land of 1,721 square meter and plant of 1,010.96 square meter on No. 13, Shih-Er Road. Purchased the land of 6,505 square meter and plant of 1,602.21 square meter on No. 9, Shih-Yi Road.
1999	Capital increased to NT450 million dollars. B.G.A assembly solder ball was approved and adopted by domestic and international companies such as Advanced Semiconductor Engineering, Inc., Siliconware Precision Industries Co., Ltd., Advanced Micro Devices, Inc. USA, and AT&T. The annual revenue reached NT600 million dollars. All products have reached a certain amount of sales and actively promote professional sales team to accelerate business growth.
2000	Apr 2000 - capital increased to NT530 million dollars. Continue to research and develop new material, manufacturing process, and equipment while taking the lead in the super-capacitor technology transfer in Taiwan. May 2000 - B.G.A. Ball was approved by the S.T.Micron in Europe and began to promote business sales in assembly plants in the South East Asia. Aug 2000 – introduced unleaded assembly solder ball that is eco-friendly and began to promote business sales. Sept 2000 – applied for capital increased by cash of NT200 million dollars, making the actual capital reached NT730 million dollars. Introduced domestically renounced corporate shareholders such as VIA Technologies, Right Technology, Da-Jun, Kuang-Hua, Chi-Lu, Kai-Fa, Chung-Shih, Chun-Mao, and Yi-Ho, to create a strong shareholder team. Sept 2000 – successfully developed all types of multilayer ceramic chip inductor (MLCI) and beads and actively planning for massive production. In addition, the latest automatic packing machine and testing machine for MLCC production were also successfully developed.
2001	Jan 2001 - B.G.A. Ball was approved by internationally renounced IC plants such as Intel and Motorola. Heat pipe was also approved by renounced PC plants such as Dell and HP, opened up a new chapter for the Company’s IT critical material. Feb 2001 - successfully developed and manufactured the critical electrode glue for base metal element of MLCC. Mar 2001 – officially stepped in the BME manufacturing industry with successfully developed the Y5V series of MLCC products.
2002	Mar 2002 – stock officially listed in the market. Nov 2002 – Discontinued the old MLCC manufacturing process in Yangmei due to the tough

	market competition and capital expenditure benefit.
2003	Mar 2003 – subsidiary "Yuan Cherng Technology Pump Co., Ltd." was founded with NT100 million dollars for manufacturing passive component of MLCC and business sales. Oct 2003 – subsidiary "Yuan Cherng Technology Pump Co., Ltd." applied for capital increased by cash of NT40 million dollars, making the actual capital reached NT140 million dollars. Nov 2003 – Investment of US2 million dollars from China was approved by MOEAIC. Founded Yeh-Chiang Technology Corp. (Dongguan) with indirect investment through oversea holding company for manufacturing and selling heat pipe.
2004	Feb 2004 - subsidiary "Mao Chiang Technology Corp." was founded with NT5 million dollars for manufacturing electronic critical material and BGA assembly solder ball and business sales. Feb 2004 - Investment of US3 million dollars to increase capital in Yeh-Chiang Technology Corp. (Dongguan) was approved by MOEAIC. Mar 2004 – officially became the largest heat pipe manufacturer in the world. May 2004 – the effect and risk due to the changes in the management right: there was one-third of changes in the directors and supervisors in May 2004 causing the changes in the management right. Since the major decisions of the company were resolved by the board of directors, the newly onboard directors respected the decision of the original management team and kept the existing sales strategy and company policy. The revenue of 2004 and the first quarter of 2005 grew dramatically, which showed the current management could stay on top of the industry trend very well and have a clear view on the company's future development. This would bring the company to the leading role in the industry. Jun 2004 - Investment of US4 million dollars from China was approved by MOEAIC. Founded Yeh-Chiang Technology Corp. (Kunshan) with indirect investment through oversea holding company for manufacturing and selling heat pipe. Oct 2004 - Investment of US4 million dollars from China was approved by MOEAIC. Founded Zhongshan Weiqiang Technology Co., Ltd. with indirect investment through oversea holding company for manufacturing and selling heat pipe. Nov 2004 - Investment of US4 million dollars to increase capital in Yeh-Chiang Technology Corp. (Dongguan) was approved by MOEAIC. Nov 2004 - subsidiary "Yuan Cherng Technology Pump Co., Ltd." applied for capital decreased by cash of NT100 million dollars and increased by cash of NT90 million dollars, making the actual capital reached NT130 million dollars.
2005	Mar 2005 - Investment of US2.5 million dollars to decrease capital in Yeh-Chiang Technology Corp. (Dongguan) was approved by MOEAIC. Mar 2005 - Investment of US2.5 million dollars to increase capital in Zhongshan Weiqiang Technology Co., Ltd. was approved by MOEAIC. Jun 2005 - Investment of US700 thousand dollars to increase capital in Zhongshan Weiqiang Technology Co., Ltd. was approved by MOEAIC. Jul 2005 - Investment of US2.3 million dollars to increase capital in Zhongshan Weiqiang Technology Co., Ltd. was approved by MOEAIC. Aug 2005 – For the company to focus on its core business and the fact that Yuan Cherng Technology Pump Co., Ltd. was unable to finish product development and was at long-term loss, the company decided to dispose Yuan Cherng Technology Pump Co., Ltd. with an open bidding. Sept 2005 - Investments of US800 thousand dollars to increase capital in Zhongshan Weiqiang Technology Co., Ltd. and US353 thousand dollars to increase capital in Zhongshan Weishih Electronic Parts Co., Ltd. were approved by MOEAIC. 2005 – Officially obtained authorization from US and Japan for the unleaded electronic materials, and the heat pipe was certified by ATI globally.

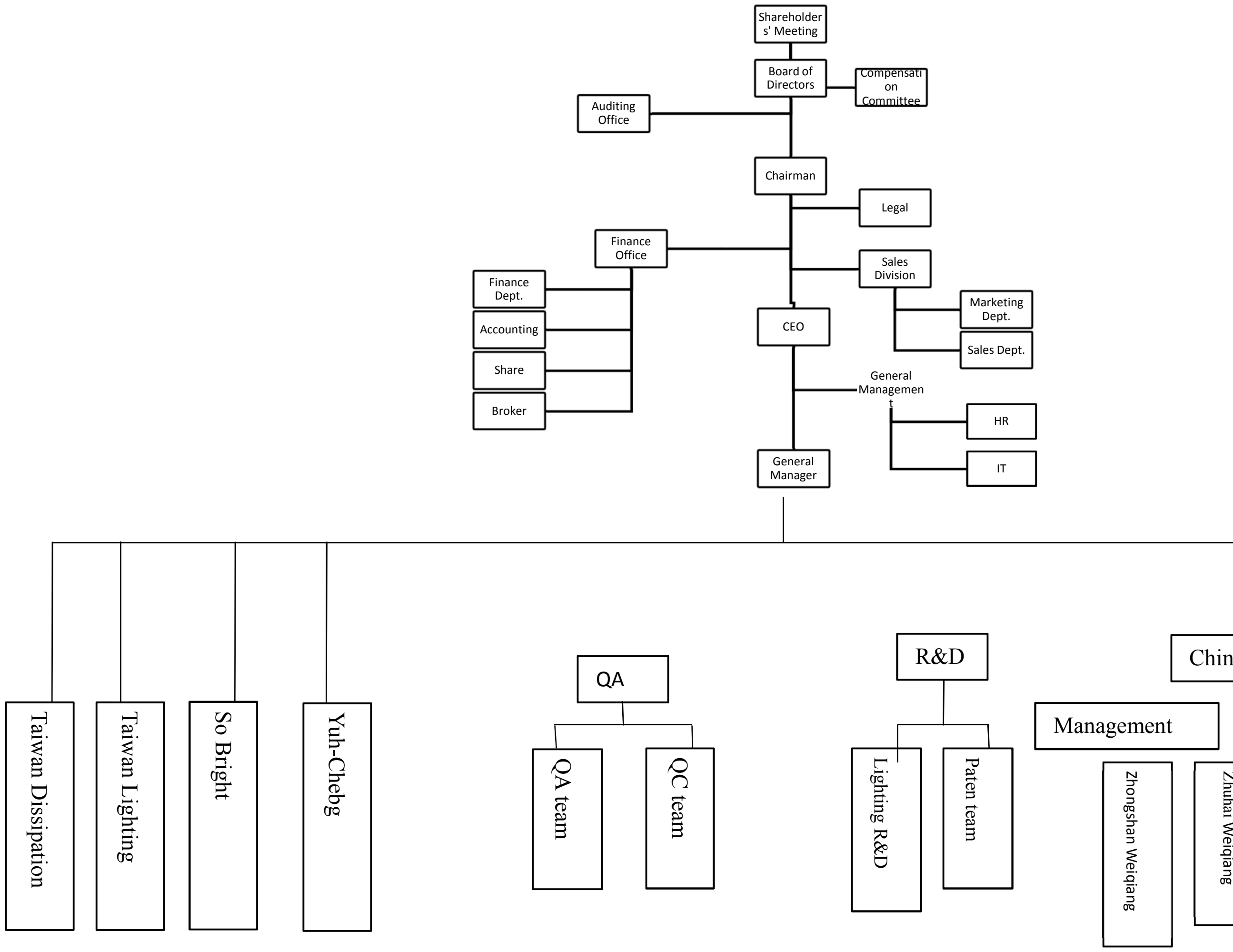
2006	Jan 2006 - Investments of US1 million dollars to increase capital in Zhongshan Weiqiang Technology Co., Ltd., US1.7 million dollars in Yeh-Chiang Technology Corp. (Kunshan), and US300 thousand dollars in Zhuhai Weiqiang Technology Co., Ltd., were approved by MOEAIC. Apr 2006 - Investments of US75 thousand dollars to increase capital in Zhuhai Weiqiang Technology Co., Ltd., was approved by MOEAIC. May 2006 - Investment of US450 thousand dollars to increase capital in Zhongshan Weiqiang Technology Co., Ltd. was approved by MOEAIC. Jun 2006 - Investment of US2.5 million dollars to increase capital in Zhongshan Weiqiang Technology Co., Ltd. was approved by MOEAIC. Jul 2006 - Investment of US2.4 million dollars to increase capital in Yeh-Chiang Technology Corp. (Kunshan) was approved by MOEAIC. Dec 2006 - Investments of US125 thousand dollars to increase capital in Zhuhai Weiqiang Technology Co., Ltd., US147 thousand dollars in Zhongshan Weishih Electronic Parts Co., Ltd., and US900 thousand dollars in Yeh-Chiang Technology Corp. (Kunshan) were approved by MOEAIC.
2007	May 2007 - Investment of US2.1 million dollars to increase capital in Zhongshan Weiqiang Technology Co., Ltd. was approved by MOEAIC. May 2007 - Investment of US100 thousand dollars to increase capital in Yeh-Chiang Technology Corp. (Dongguan) was approved by MOEAIC. Jul 2007 - Investment of US5 million dollars to increase capital in Yeh-Chiang Technology Corp. (Kunshan) was approved by MOEAIC. Dec 2007 - Investment of US1.7 million dollars to increase capital in Yeh-Chiang Technology Corp. (Kunshan) was approved by MOEAIC. Dec 2007 - Investment of US80 thousand dollars to increase capital in Zhuhai Weiqiang Technology Co., Ltd. was approved by MOEAIC.
2008	May 2008 - Investment of US80 thousand dollars to increase capital in Zhongshan Weiqiang Technology Co., Ltd. was approved by MOEAIC. Oct 2008 - Investment of US2 million dollars to increase capital in Zhuhai Weiqiang Technology Co., Ltd. was approved by MOEAIC.
2009	Jun 2009 – Closed two oversea companies Nation Apex Ltd. and Nicestart Int'l Inc. in Belize due to the future operating plan of the company. Jun 2009 – Moved the company's registration address from No. 11, Shih-Er Road. Yangmei, Taoyuan to Room A, 17F, No. 216, Dun-Hua S. Rd. Sec 2., Da-An District, Taipei. Sept 2009 – Signed exclusive authorized contract with Taiwan Co-Su-Mu Corp. Ltd Oct 2009 - subsidiary "Tsai-Shih Biotechnology Co., Ltd." was founded with NT55 million dollars for manufacturing bioethanol and business sales due to the future operating plan of the company. Dec 2009 - Investment of US1,619,035 dollars to increase capital in Zhongshan Weiqiang Technology Co., Ltd. was approved by MOEAIC. Dec 2009 subsidiary "Helo Illumination Co., Ltd. (95%)" was founded with NT47.5 million dollars for manufacturing LED lighting business sales due to the future operating plan of the company.
2010	Feb 2010 – Sold the land of 16,124.19 square meter and plant of 5,303.18 square meter on No.9 and 11, Shih-Yi Rd. Apr 2010 – Obtained trademark right of "Taiwan Lighting". Sept 2010 - Investment of US2,602,159 dollars to increase capital in Yeh-Chiang Technology Corp. (Kunshan) was approved by MOEAIC. Sept 2010 - Subsidiary "Taiwan Lighting Co., Ltd." was founded with NT20 million dollars due to the future operating plan of the company.
2011	Feb 2011 –Wrote-down 10 million shares of treasury stock first repurchase. Capital decreased to NT$1,824,799,450. Apr 2011 – Investment of NT 30 million dollars to increase capital in Taiwan Lighting Co., Ltd. for future operating plan of the subsidiary.

	Aug 2011 – Moved the company's registration address from Room A, 17F, No. 216, Dun-Hua S. Rd. Sec 2., Da-An District, Taipei to 7F, Building E, No. 19-13, San-Chung Rd., Nan-gan District, Taipei. Aug 2011 - Investment of US20 thousand dollars to increase capital in Zhongshan Weiqiang Technology Co., Ltd. was approved by MOEAIC. Dec 2011 – Investment of NT100 million dollars to increase capital in Taiwan Lighting Co., Ltd. for future operating plan of the subsidiary. Dec 2011 – Dissolute Mao Chiang Technology Corp. to simplify the investment structure. Dec 2011 – Closed the oversea company Mastertek (H.K.) Ltd. due to future operating plan.
2012	Jan 2012 – Investment of NT160 million dollars to increase capital in Taiwan Lighting Co., Ltd. for future operating plan of the subsidiary. Feb 2012 – Dissolute Guang Pin Technology Corp. to simplify the investment structure. May 2012 – Dissolute Cheng Guang Lighting Corp. to simplify the investment structure. May 2012 – Decreased capital in Taiwan Lighting Co., Ltd. to NT276 million dollars to make up loss of 3.4 million shares. May 2012 – Invested NT$63,903,780 in So Bright Electronics Co., Ltd. for future operating plan.
2013	Apr 2013 - Investment of US3.8 million dollars in founding Yeh-Chiang Technology Corp. (Ye County) from China was approved by MOEAIC. Sept 2013 – Decreased capital in Taiwan Lighting Co., Ltd. to NT$207.64 million dollars to make up loss of 6.836 million shares. Nov 2013 - Investment of US5 million dollars in founding Yeh-Chiang Technology Corp. (Pingdingshan) from China was approved by MOEAIC.
2014	Nov 2014 - Decreased capital in Taiwan Lighting Co., Ltd. to NT$182.01 million dollars to make up loss of 2.563 million shares.
2015	Jun 2015 - - Investment of US1.2 million dollars in Yeh Chiang Technology (BVI) Crop. was approved by MOEAIC Jun 2015 – Decreased capital in Taiwan Lighting Co., Ltd. to NT$176.11 million dollars to make up loss of 590 thousand shares. Nov 2015 - Closed the oversea company Yeh-Chiang Technology Corp. (Dongguan) due to future operating plan.
2016	Jan 2016 - Investment of US755 thousand dollars in Excel Rainbow LTD. was approved by MOEAIC Mar 2016 – Dispose 100% equity of Yeh-Chiang Technology Corp. (Kunshan) to integrate domestic and oversea manufacturing and operation. Sept 2016 - Investment of US7 million dollars in Yeh-Chiang Technology Corp. (Ye County). was approved by MOEAIC Nov 2016 – Invested NT70 million dollars in subsidiary Yuh Cheng Materials Corp. for future operating plan. Dec 2016 – Invested NT28 million dollars in subsidiary Shin San Re Corp. for future operating plan.
2017	Apr 2017 - - Investment of US1.2 million dollars in Yeh Chiang Technology (BVI) Crop. was approved by MOEAIC Aug 2017 - - Investment of US6.24 million dollars in Yeh-Chiang Technology Corp. (Ye County). was approved by MOEAIC
2018	Dec 2018 - Investment of US4 million dollars in Yeh-Chiang Technology Corp. (Ye County). was approved by MOEAIC
2019	Feb 2019 – Decreased capital in Shin San Re Corp. to NT15 million dollars to make up loss of NT14 million dollars, and increased capital of NT40 million dollars.

III. Corporate Governance Report

1. Organizational System

(i) Organizational structure of the Company



(ii) Business operations of major departments

Major Departments	Business Operations
Compensation committee	Set up and regularly review the performance evaluation, compensation policy, system, standard, and structure of directors, supervisors, and managers.
Auditing Office	Audit and evaluate functional operation in all departments, implementation of internal control system, and follow up on audited items.
Legal Office	Draft contracts; review and provide legal advice of business operations; coordinate the patent copyright trademarks of the domestic and oversea companies; technical authorization related to intellectual property, and overall legal affairs.
General Manager	Make annual policy plan and assist departments for making performance management index; labor safety and health; business coordination and goal setting.
Finance Section	Manage all financial fund scheduling, risk management, shareholders' and board of directors' meetings, stock operation, long and short term investment plan; establish accounting system, accounting record, financial statements, financial budget and difference analysis, capital expense budget and execution; set customer credit; review and manage accounts receivable.
Management Department	In charge of human resources and information managements.
Sales Section	Market development and investigation, sales strategy planning; quoted price for customer; receive and place order; collect accounts receivable; customer complaint and return.
Research and Develop Center	Evaluation on new materials; development on new products; promotion, application, and maintenance on patents.
Quality Assurance Center	Set quality goal; quality check for material imported, manufacturing process, and final products. Determine, follow-up, and prevent of customer complaint for poor quality.
Subsidiary Business Group	In charge of oversea investment on plant setup, assessment, management, research and development, manufacture, sales, and finance affairs.

2. Information on the Company's Directors, Supervisors, General manager, Assistant General Managers, Deputy Assistant General Managers, and the Supervisors of all the Company's Divisions and Branch Units

(1) Information on Directors and Supervisors

Apr 21, 2019

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the Name of Others		Experience (Education)	Current Positions at The Company and Other Companies	Executives, Directors or Supervisors Who Are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Corporate Director	Samoa	Rayman Inc. Samoa (4 reps.)	-	2018.6.12.	3 years	2005.7.15.	19,141,784	10.49%	19,141,784	10.49%	0	0	0	0	-	-		-	-
Chairman	R.O.C	Representative of Rayman Inc. Samoa: Tai-Kuang Wang	M	2018.6.12.	3 years	2005.7.15.	0	0%	0	0%	0	0%	0	0%	Taipei Municipal Chenggong High School	Zhongshan Weiqiang Technology Co., Ltd. Corporate Director representative Zhuhai Weiqiang Technology Co., Ltd. Corporate Director representative Arcadia Tech. Co., Ltd. Corporate Director representative Ye County Weiqiang Technology Co., Ltd. Corporate Director representative Yeh-Chiang Technology Corp. (Pingdingshan) Corporate Director representative Hatwear Int'l Co., Ltd. representative Supercap Industrial Co., Ltd. Corporate Director representative Advance Program Ltd. Corporate Supervisor representative How Ji Investing Corp. Chairman Tong Wei Investing Corp. Chairman Supercap Industrial Co., Ltd. Corporate Supervisor representative Taiwan Lighting Co., Ltd. Corporate Director representative	Director	Chung-Hua Chen	Spouse

																So Bright Electronics Co., Ltd. Corporate Director representative			
Director	R.O.C	Representative of Rayman Inc. Samoa: Chung-Hua Chen	F	2018 6. 12	3 years	2005. 7. 15.	0	0%	0	0%	0	0%	0	0%	Providence University Dept. of Business Administration	Zhongshan Weiqiang Technology Co., Ltd. Corporate Director representative Zhuhai Weiqiang Technology Co., Ltd. Corporate Director representative Arcadia Tech. Co., Ltd. Corporate Director representative Ye County Weiqiang Technology Co., Ltd. Corporate Director representative Yeh-Chiang Technology Corp. (Pingdingshan) Corporate Director representative Taiwan Lighting Co., Ltd. Corporate Director representative	Chairman	Tai-Kuang Wang	Spouse
Director	R.O.C	Representative of Rayman Inc. Samoa: Chin-Xian Meng (Note 1)	M	2018 6. 12	3 years	2005 . 7. 15.	0	0%	0	0%	0	0%	0	0%	Air Force Institute of Technology Term 44	Zhongshan Weili Textile Co. Ltd. Vice General Manager	None	None	None
Director	R.O.C	Representative of Rayman Inc. Samoa: Chia-Yen Chang (Note 2)	M	2018 . 6. 12	3 years	2005 . 7. 15.	0	0%	0	0%	0	0%	0	0%	Tungnan University	Yeh-Chiang Technology Corp. Assisting Manager	None	None	None
Director	R.O.C	Representative of Rayman Inc. Samoa: Shu-Lung Chung (Note 2)	M	2018 . 11. 14	3 years	2005 7. 15.	0	0%	0	0%	0	0%	0	0%	National Chin-Yi University of Technology Mechanical Engineering	Yeh-Chiang Technology Corp. Assisting Manager	None	None	None
Corporate Director	Samoa	Weichiang Ltd. Samoa (1 rep.)	-	2018 . 6. 12	3 years	2006 . 6. 14.	15,281,493	8.37%	15,281,493	8.37%	0	0	0	0	-	-	-	-	-
Director	R.O.C	Representative of Weichiang Ltd. Samoa: Min-Ho Lee	M	2018 . 6. 12.	3 years	2006 . 6. 14.	161	0%	161	0%	0	0%	0	0%	Lung Hwa University of Science and Technology	Zhongshan Weiqiang Technology Co., Ltd. Corporate Director Representative Zhuhai Weiqiang Technology Co., Ltd. Corporate Director Representative Ye County Weiqiang Technology Co., Ltd. Corporate Director Representative	None	None	None

Independent Director	R.O.C	Kuan-Chang Lee	M	2018 6. 12	3 years	2015. 6. 9..	0	0%	0	0%	0	0%	0	0%	National Central University Department of Business Administration Ph. D	United Orthopedic Corporation Compensation Committee Member Tatung Fine Chemicals Co. Independent Director, Audit Committee Convener Compensation Committee Member, Eastern Media International Corporation Independent Director, Audit Committee Convener, Compensation Committee Member	None	None	None
Independent Director	R.O.C	Nian-Chi Yang (Note 3)	F	2018. 6. 12.	2 years	2016 6. 7	0	0%	0	0%	0	0%	0	0%	National Chung Hsing University Department of Finance Ph. D	–	None	None	None
Corporate Supervisor	R.O.C	Tong Wei Investing Corp. (1 rep)	-	2018 6. 12.	3 years	2012. 6. 12..	3,544,964	1.94%	3,544,964	1.94%	0	0%	0	0%	-	-	-	-	-
Supervisor	R.O.C	Representative of Tong Wei Investing Corp: Ya-Ting Hsu	F	2018. 6. 12.	3 years	2012. 6. 12..	0	0%	0	%	0	0%	0	0%	Hwa Hsia University of Technology	Bellevuecity Construction Co., Ltd Interior Engineer	None	None	None
Corporate Supervisor	R.O.C	How Ji Investing Corp. (2 reps)	-	2018. 6. 12	3 years	2006 6. 14.	2,031,753	1.11%	2,031,753	1.11%	0	0%	0	0%	-	-			
Supervisor	R.O.C	Representative of How Ji Investing Corp.: Chen-Ting Wu	F	2018. 6. 12	3 years	2006. 6. 14.	0	0%	0	0%	0	0%	0	0%	Tamkang University Dept. of Banking and Finance	Yuh Cheng Materials Corp. Corporate Director Representative	None	None	None

Supervisor	R.O.C	Representative of How Ji Investing Corp.: Shu-Yuan Lin	F	2018. 6. 12	3 years	2006 6. 14.	0	0%	0	0%	0	0%	0	0.%	Yu Da High School of Commerce	None	None	None	None

Note 1：Resigned on Jun 12, 2018 the position of corporate director representative of the company due to personal career planning. Note 2：The representative of Rayman Inc. Samoa has changed to Mr. Shu-Lung Chung on Nov 14, 2018. Note 3：Resigned on Jun 12, 2018 the position of independent director of the company due to personal career planning.

Major shareholder of the juridical person

Name of the juridical person	Major shareholder of the juridical person
Rayman Inc. Samoa	Bestrime Inc. (100%)
Weichiang Ltd. Samoa	Bestrime Inc. (100%)
Tong Wei Investing Corp.	Tai-Kuang Wang (99.99%)、Wan-Jie Tseng (0.01%)
How Ji Investing Corp.	Tai-Kuang Wang (99.99%)、Shih-Jang Ma (0.01%)

Major shareholder of the major juridical person

Name of the juridical person	Major shareholder of the juridical person
Bestrime Inc.	Shih-Jang Ma (50%); Yu Hua Chen (50%)

Terms / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Attribute（Note 1）										Number of Holding Concurrent Independent Director Position in Other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Rayman Inc. Samoa (4 reps) Representative: Tai-Kuang Wang	—	—	✓	—	—	✓	—	✓	✓	✓	—	✓	—	None
Rayman Inc. Samoa (4 reps) Representative: Chung-Hua Chen	—	—	✓	—	—	✓	—	✓	✓	✓	—	✓	—	None
Rayman Inc. Samoa (4 reps) Representative: Chin-Xian Meng (Note 2)	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	✓	—	None
Rayman Inc. Samoa (4 reps) Representative: Chia-Yen Chang (Note 3)	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	✓	—	None
Rayman Inc. Samoa (4 reps) Representative: Shu-Lung Chung (Note 3)	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	✓	—	None
Weichiang Ltd. Samoa (1 rep) Representative: Min-Ho Lee	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	✓	—	None
Kun-Chang Lee	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Nian-Chi Yang (Note 4)	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Tong Wei Investing Corp. (1 rep) Representative: Ya-Ting Hsu	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	✓	—	None
How Ji Investing Corp. (2 reps) Representative: Chen-Ting Wu	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	✓	—	None

How Ji Investing Corp. (2 reps) Representative: Shu-Yuan Lin	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	✓	—	None

Note 1：The Directors and Supervisors comply with the following conditions from two years before being elected and appointed, and during his term of office, please tick the appropriate corresponding boxes.

(1) Not an employee of this Company or its affiliates

(2) Not a Director or Supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiaries are set up according to this Act or local country ordinances).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.

(4) Not a spouse, second-degree relative or third-degree relative of those listed in the above three items

(5) Not a director, supervisor, or employees of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company.

(7) Not a professional individual who provides services or consultation in business, legal, finance, or accounting to the Company or its any related companies, nor an owner, partner, director, supervisor, officer or spouse of a sole proprietorship, partnership

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Law.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Note 2：Resigned on Jun 12, 2018 the position of corporate director representative of the company due to personal career planning.

Note 3：The representative of Rayman Inc. Samoa has changed to Mr. Shu-Lung Chung on Nov 14, 2018.

Note 4：Resigned on Jun 12, 2018 the position of independent director of the company due to personal career planning.

(2) Information on General manager, Assistant General Managers, Deputy Assistant General Managers, and the Supervisors of all the Company's Divisions and Branch Units

Apr 21, 2019

Title	Nationality	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholdering in the Name of Others		Experience (Education)	Current Positions at The Company and Other Companies	Executives, Directors or Supervisors Who Are Spouses or within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO	R.O.C	Tai-Kuang Wang	M	2012.4.11	0	0.00%	0	0.00%	0	0.00%	Taipei Municipal Chenggong High School	Zhongshan Weiqiang Technology Co., Ltd. Corporate Director representative Zhuhai Weiqiang Technology Co., Ltd. Corporate Director representative Ye County Weiqiang Technology Co., Ltd. Corporate Director representative Yeh-Chiang Technology Corp. (Pingdingshan) Corporate Director representative Hatwear Int'l Co., Ltd. representative Supercap Industrial Co., Ltd. Corporate Director representative Advance Program Ltd. Corporate Supervisor representative How Ji Investing Corp. Chairman Tong Wei Investing Corp. Chairman Supercap Industrial Co., Ltd. Corporate Supervisor representative Taiwan Lighting Co., Ltd. Corporate Director representative So Bright Electronics Co., Ltd. Corporate Director representative	None	None	None
General Manager	R.O.C	Chung-Fu Wang (Note 1)	M	2019.2.1	0	0.00%	0	0.00%	0	0.00%	Chung Yuan Christian University, Dept of Mechanical Engineering Chaun-Choung Technology Corp Vice General Manager Chaun-Choung Technology Corp Chairman/General Manager Chaun-Choung Technology Corp /General Manager Executive Assistant	None	None	None	None
Vice General Manager	R.O.C	Chin-Xian Meng (Note 2)	M	2011.4.1	0	0.00%	0	0.00%	0	0.00%	Air Force Institute of Technology Specialized class of 44th term Zhongshan Weili Textile Corp. Assisting General Manager	None	None	None	None
Vice General Manager	R.O.C	Min-Ho Lee	M	2011.5.1	161	0.00%	0	0.00%	0	0.00%	Lunghwa University of Science and Technology	Zhongshan Weiqiang Technology Co., Ltd. Corporate Director Representative Zhuhai Weiqiang Technology Co., Ltd. Corporate Director Representative	None	None	None

Vice General Manager	R.O.C	Lee-Wen Lin	M	2017.2.21	0	0.00%	0	0.00%	0	0.00%	Yuan Ze University	None	None	None	None
Vice General Manager	R.O.C	Chi-Xuan Yeh (Note 3)	M	2019.3.18	0	0.00%	0	0.00%	0	0.00%	Chien Hsin University of Science and Technology, Dept of Mechanical Engineering Chongqing Platinum Han Plastic Co., Ltd. General Manager Chi-Shin Industry Assisting General Manager Jin-Yuan Mechanic Vice General Manager	None	None	None	None
Assisting General Manager	R.O.C	Chia-Yen Chang (Note 4)	M	2013.5.1	0	0.00%	0	0.00%	0	0.00%	National Cheng Kung University, Graduate School of Mechanic Suzhou Yung Teng Electronic Products Co.,Ltd. Assisting General Manager	None	None	None	None
Assisting General Manager	R.O.C	Shu-Lung Chung	M	2005.4.1	15,631	0.01%	0	0.00%	0	0.00%	National Chin-Yi University of Technology, Dept of Mechanic Yu-Chen Metal Corp. Assistant Manager	None	None	None	None
Assisting General Manager	R.O.C	Chang-Yin Chen	M	2017.2.21	0	0.00%	0	0.00%	0	0.00%	National Taipei University of Business Applied Foreign Language	None	None	None	None
Assisting General Manager	R.O.C	Yi-Hua Lin (Note 5)	F	2018.7.4	0	0.00%	0	0.00%	0	0.00%	Soochow University, Bachelor of Laws Peking University, Bachelor of Arts in Laws Passed the exam of Professional agent of land registration Passed the Attorney of higher examination	None	None	None	None
Assisting General Manager	R.O.C	Tien-Chung Chen (Note 6)	M	2018.9.17	0	0.00%	0	0.00%	0	0.00%	Yuan Ze University	None	None	None	None
Assisting General Manager	R.O.C	Jin-Min Chang (Note 7)	M	2019.3.18	0	0.00%	0	0.00%	0	0.00%	Ta Hwa University of Science and Technology Dept of Electronic Engineering Chung-Chien Po Han Plastic Co., Ltd. Vice General Manager Si Kuo Technology Executive Vice President Communication Opto-Electronic Manager	None	None	None	None
Assisting General Manager	R.O.C	Chia-Mo Yen (Note 8)	M	2019.04.01	0	0.00%	0	0.00%	0	0.00%	University of Birmingham Bachelor of Marketing Science	None	None	None	None
Vice Assisting General Manager	R.O.C	Jie-Hua Lin (Note 9)	M	2019.3.18	0	0.00%	0	0.00%	0	0.00%	National Kaohsiung University of Applied Sciences Dept of Accounting Jiangmen PSC electronics Ltd. Finance Manager WIN LOCK Capital Management &	None	None	None	None

											C.L Manager Jiwubao Creative Technology Finance Manager				
Financial Accounting Supervisor	R.O.C	Wen-How Cheng	M	2012.1.1	0	0.00%	0	0.00%	0	0.00%	The City University of New York Baruch College MBA (Major in Finance)、MS in Accountancy Chung-Hsin Electric & Machinery Mfg. Corp. Accounting Division, Vice Director	Yuh Cheng Materials Corp. Corporate Supervisor Representative	None	None	None
Audit Supervisor	R.O.C	Chia-Yi Lin	F	2016.4.18	0	0.00%	0	0.00%	0	0.00%	Fu Jen University, Dept of Accounting Deloitte Taiwan Auditor First International Computer General Management Division, Audit Manager Joinsoon Electronics Mfg. Co., Ltd. Audit Manager	None	None	None	None

Note 1：Newly-elected on Jan 2, 2019. Note 2：Retired on May 1, 2018. Note 3: Newly-elected on Mar 18, 2019. Note 4: Resigned on Nov 21, 2018. Note 5: Newly-elected on Jul 4, 2018. Note 6: Newly-elected on Sept 17, 2018. Note 7: Newly-elected on Mar 18, 2019. Note 8: Newly-elected on Apr 1, 2019. Note 9: Newly-elected on Mar 18, 2019.

3. Remuneration Paid During the Most Recent Fiscal Year to Directors, Supervisors, the General Manager, and Assistant General Managers

(1) Remuneration of Directors (including independent directors)

Unit: NT thousand dollars

Title	Name	Remunerations of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		**Relevant remuneration received by directors who are also employe**								Ratio of total compensation (A+B+C+D+E +F+ G) to net income (5)		Compensation paid to directors from an invested company other than the company's subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses and Allowances (E)		Severance Pay		Employee Compensation (G)						
																The Company		All companies in the financial statement				
		The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	Cash	Stock	Cash	Stock	The Company	All companies in the financial statement	
Corpora Director	Rayman Inc Samoa	0	0	0	0	325	325	0	0	0.29	0.29	0	0	0	0	0	0	0	0	0.29	0.29	None
Director	Tai-Kuang W	0	0	0	0	0	0	15	15	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None
Director	Chung-Hua C	0	0	0	0	0	0	5	5	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Min-Ho Lee (Note 1)	0	0	0	0	0	0	15	15	0.01	0.01	391	391	0	0	0	0	0	0	0.36	0.36	None
Director	Chin-Xian M (Note 1/2)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Shih-Fan Che (Note 1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Chia-Yen Ch (Note 1/3)	0	0	0	0	0	0	15	15	0.01	0.01	790	790	0	0	0	0	0	0	0.72	0.72	None
Director	Shu-Lung Ch (Note 3)	0	0	0	0	0	0	0	0	0	0	427	427	0	0	0	0	0	0	0.38	0.38	None
Corpora Director	WeiChiang Samoa	0	0	0	0	259	259	0	0	0	0	0	0	0	0	0	0	0	0	0.23	0.23	None

Director	Ke-Chin Lee (Note 1)	0	0	0	0	0	0	0	0	0	0	648	648	0	0	0	0	0	0	0.58	0.58	None
Director	Min-Ho Lee (Note 1)	0	0	0	0	0	0	15	15	0.01	0.01	592	592	0	0	0	0	0	0	0.53	0.53	None
Indepen Director	Kun-Chang L	0	0	0	0	0	0	105	105	0.09	0.09	0	0	0	0	0	0	0	0	0.09	0.09	None
Indepen Director	Nian-Chi Yar (Note 4)	0	0	0	0	0	0	15	15	0.01	0.01	0	0	0	0	0	0	0	0	0.01	0.01	None

* Except the sheet disclosed above, the remuneration to all the directors served for all the companies within the consolidated financial statement (such as a consultant not an employees) in the most recent fiscal year

Note 1: The original representatives of Rayman Inc. Samoa Mr. Min-Ho Lee and Mr. Shih-Fan Chen resigned on Jun 12, 2018. The new representatives are Mr. Chin-Xian Meng and Mr. Chia-Yen Chang. The original representatives of Weichiang Ltd. Samoa Mr. Ke-Chin Lee resigned and the new representative is Mr. Min-Ho Lee.

Note 2：Resigned on Jun 12, 2018 the position of corporate director representative of the company due to personal career planning.

Note 3：The representative of Rayman Inc. Samoa has changed to Mr. Shu-Lung Chung on Nov 14, 2018.

Note 4：Resigned on Jun 12, 2018 the position of independent director of the company due to personal career planning.

Range of remuneration	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statement	The Company	All companies in the financial statement
Under NT$ 2,000,000	Rayman Inc. Samoa (representatives): Tai-Kuang Wang, Chung-Hua Chen, Min-Ho Lee (Note 1), Shih-Fan Chen(Note 1), Chin-Xian Meng(Note 1/2), Chia-Yen Chang(Note 1/3), Shu-Lung Chung(Note 3)) Weiqiang Technology Co., Ltd. (representatives): Ke-Chin Lee (Note 1), Min-Ho Lee (Note 1) Kun-Chang Lee Nian-Chi Yang (Note 4)	Same as left column	Rayman Inc. Samoa (representatives): Tai-Kuang Wang, Chung-Hua Chen, Min-Ho Lee (Note 1), Shih-Fan Chen (Note 1), Chin-Xian Meng (Note 1/2), Chia-Yen Chang (Note 1/3), Shu-Lung Chung (Note 3) Weiqiang Technology Co., Ltd. (representatives): Ke-Chin Lee (Note 1), Min-Ho Lee(Note 1) Kun-Chang Lee Nian-Chi Yang (Note 4)	Same as left column
NT$2,000,000 (included) ~ NT$5,000,000 (excluded)	-	-	-	-
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	-	-	-	-
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	-	-	-	-
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)	-	-	-	-
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)	-	-	-	-
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	11 people	Same as left column	11 people	Same as left column

Note 1: The original representatives of Rayman Inc. Samoa Mr. Min-Ho Lee and Mr. Shih-Fan Chen resigned on Jun 12, 2018. The new representatives are Mr. Chin-Xian Meng and Mr. Chia-Yen Chang. The original representatives of Weichiang Ltd. Samoa Mr. Ke-Chin Lee resigned and the new representative is Mr. Min-Ho Lee.
Note 2：Resigned on Jun 12, 2018 the position of corporate director representative of the company due to personal career planning.
Note 3：The representative of Rayman Inc. Samoa has changed to Mr. Shu-Lung Chung on Nov 14, 2018.
Note 4：Resigned on Jun 12, 2018 the position of independent director of the company due to personal career planning.

(2) Remuneration of Supervisors

Unit: NT thousand dollars

Title	Name	Remuneration of Supervisors						Ratio of total compensation (A+B+C) to net income (5)		Compensation paid to directors from an invested company other than the company's subsidiary
		Base Compensation (A)		Supervisors Compensation (B)		Allowance (C)				
		The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	
Corporate Supervisor	Tong Wei Investing Corp.	0	0	60	60	0	0	0.05	0.05	None
Supervisor	Representative: Ya-Hui Chang (Note 1)	0	0	0	0	10	10	0.01	0.01	None
Supervisor	Representative: Ya-Ting Hsu (Note 1)	0	0	0	0	15	15	0.01	0.01	None
Corporate Supervisor	How Ji Investing Corp.	0	0	34	34	0	0	0.03	0.03	None
Supervisor	Representative: Fu-Yin Yin (Note 1)	0	0	0	0	0	0	0	0	None
Supervisor	Representative: Chen-Ting Wu (Note 1)	0	0	0	0	5	5	0	0	None
Supervisor	Representative: Shu-Yuan Lin	0	0	0	0	30	30	0.03	0.03	None

Note 1: The original representative of Tong Wei Investing Corp. Miss Ya-Hui Chang resigned on Jun 12, 2018, and the new representative is Miss Ya-Ting Hsu. The original representative of How Ji Investing Corp. Miss Fu-Yin Yin is changed to Miss Chen-Ting Wu.

Range of remuneration	Names of Supervisors

	Total of (A+B+C)	
	The Company	All companies in the financial statement
Under NT$ 2,000,000	Tong Wei Investing Corp. (Representative: Ya-Hui Chang (Note 1), Ya-Ting Hsu (Note 1)) How Ji Investing Corp. (Representative: Fu-Yin Yin (Note 1), Chen-Ting Wu (Note 1), Shu-Yuan Lin)	Tong Wei Investing Corp. (Representative: Ya-Hui Chang (Note 1), Ya-Ting Hsu (Note 1)) How Ji Investing Corp. (Representative: Fu-Yin Yin (Note 1), Chen-Ting Wu (Note 1), Shu-Yuan Lin)
NT$2,000,000 (included) ~ NT$5,000,000 (excluded)	-	-
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	-	-
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	-	-
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)	-	-
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)	-	-
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)	-	-
Over NT$100,000,000	-	-
Total	3 people	Same as left column

Note 1: The original representative of Tong Wei Investing Corp. Miss Ya-Hui Chang resigned on Jun 12, 2018, and the new representative is Miss Ya-Ting Hsu. The original representative of How Ji Investing Corp. Miss Fu-Yin Yin is changed to Miss Chen-Ting Wu.

(3) Remuneration of General Manager and Vice General Manager

Unit: NT thousand dollars

Title	Name	Base Compensation (A)		Severance Pay (B)		Salary, Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (5)		Compensation paid to directors from an invested company other than the company's subsidiary
		The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company	All companies in the financial statement	The Company		All companies in the financial statement		The Company	All companies in the financial statement	
								Cash	Stock	Cash	Stock			
General Manager	Tai-Kuang Wang	2,592	0	0	0	288	0	0	0	0	0	2.59	2.59	None
Vice General Manager	Min-Ho Lee													
Vice General Manager	Shih-Fan Chen													
Vice General Manager	Chin-Xian Meng													
Vice General Manager	Lee-Wen Lin													

Range of remuneration	Names of General Manager and Vice General Managers	
	The Company	All companies in the financial statement
Under NT$ 2,000,000	Tai-Kuang Wang、Min-Ho Lee、Chin-Xian Meng、Shih-Fan Chen 、Lee-Wen Lin	Same as left column
NT$2,000,000 (included) ~ NT$5,000,000 (excluded)	-	-
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	-	-
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	-	-

NT$15,000,000 (included) ~ NT$30,000,000 (excluded)	-	-
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)	-	-
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)	-	-
Over NT$100,000,000	-	-
Total	5 people	Same as left column

(4) Employees profit sharing granted to the management team: none in 2018.

(5) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and vice general managers of the Company paid by the Company and all companies to net profit after tax of the recent two years. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

Unit: NT thousand dollars

Item	The Company				All companies in the financial statement			
	2017		2018		2017		2018	
	Amount	Ratio to net income	Amount	Ratio to net income	Amount	Ratio to net income	Amount	Ratio to net income
Directors	4,034	-1.65%	3,617	3.24%	4,034	-1.65%	3,617	3.24%
Supervisor	80	-0.03%	154	0.14%	80	-0.03%	154	0.14%
General Manager and Vice General Manager	3,612	-1.47%	2,880	2.59%	3,612	-1.47%	2,880	2.59%
Total	7,726	-3.15%	6,651	5.97%	7,726	-3.15%	6,651	5.97%

Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance:

1. Remuneration to directors and supervisors is stated in the company policy.
2. The salary structure of general managers and vice general managers are base salary, confidential allowance, and job grade. The salary is depended on the differences in education, experience, performance, and seniority.
3. The annual bonus of the managements is depended on the operating performance.
4. Linkage to the future risk. The significant decisions are the most suitable decisions made by the managements after considering all possible risk factors that the company might face. The performance of the managements will eventually reflect on the profit of the company. Hence, there is a positive correlation between the remuneration to the directors, supervisors, CEO, and general manager and the Company's performance and future risk.

4. The state of the company's implementation of corporate governance

(1) The state of operations of the board of directors

Six meetings were held by the Board of Directors in the recent fiscal year of 2018, the attendance of directors and supervisors is shown below:

Title	Name	In-person Attendance	By proxy	In-person Attendance Rate (%)	Remarks
Chairman	Rayman Inc. Samoa (4 reps) Representative: Tai-Kuang Wang	3	3	50%	Continue in office on Jun 12, 2018
Director	Rayman Inc. Samoa (4 reps) Representative: Chung-Hua Chen	1	4	17%	Continue in office on Jun 12, 2018
Director	Rayman Inc. Samoa (4 reps) Representative: Chin-Xian Meng	3	0	100%	1. The original representative Mr. Min-Ho Lee took in office on Jun 9, 2015 with 3 out of 3 actual attendances. 2. The new representative Mr. Chin-Xian Meng has resigned on Jun 12, 2018.
Director	Rayman Inc. Samoa (4 reps) Representative: Shu-Lung Chung	3	0	50%	1. The original representative Miss Shih-Fan Chen took in office on Jun 9, 2015 with 0 out of 3 actual attendances. 2. The new representative Miss Chia-Yen Chang took in office on Jun 12, 2018 with 3 out of 3 actual attendances. 3. The representative of Rayman Inc. Samoa has changed to Mr. Shu-Lung Chung on Nov 14, 2018.
Director	Weichiang Ltd. Samoa (1 rep) Representative: Min-Ho Lee	3	3	50%	1. The original representative Mr. Ke-Chin Lee took in office on Jun 9 with 0 out of 3 actual attendances. 2. The new representative Mr. Min-Ho Lee took in office on Jun 12, 2018 with 3 out of 3 actual attendances.
Independent Director	Kun-Chang Lee	6	6	100%	Elected on Jun 12, 2018.

Independent Director	Nian-Chi Yang	3	0	100%	Elected on Jun 12, 2018, but resigned as the independent director of the company due to personal career planning.

1. Other matters to be recorded:
2. According to matters specified in Article 14.3 of the Taiwan Securities and Exchange Act, when other Independent Directors who expressed opposition or qualified opinions that were recorded or declared in writing, the meeting date, period, content, qualified opinion and resolution made by any independent directors should be specified:

Board of Directors	Content and follow-up	Matters specified in Article 14.3 of TSEA.	Independent Directors who expressed opposition or qualified opinions
The 15th session of the 9th meeting Mar 22, 2018	Amendments to the Company's policy	v	
	Qualified Opinion from any Independent Director: None		
	Resolutions: None		
	Result: Approved by all independent directors		
The 1st session of the 10th meeting Aug 9, 2018	The re-investment company Yeh Chiang Technology (Cayman) Corp. plans for lending capital of US 3 million dollars to Yeh-Chiang Technology Corp. (Pingdingshan).	v	
	Qualified Opinion from any Independent Director: None		
	Resolutions: None		
	Result: Approved by all independent directors		
The 2nd session of the 10th meeting Nov 8, 2018	Plan to renew contracts of credit financing rating with China Trust Commercial Bank and Taipei Fubon Commercial Bank	v	
	Qualified Opinion from any Independent Director: None		
	Resolutions: None		
	Result: Approved by all independent directors		
The 3rd session of the 10th meeting Feb 14, 2019	1.The company plans for lending capital of RMB 20 million dollars to Zhongshan Weiqiang Technology Co., Ltd. 2.The company plans for lending capital of RMB 25 million dollars to Ye County Weiqiang Technology Co., Ltd.	v	
	Qualified Opinion from any Independent Director: None		
	Resolutions: None		
	Result: Approved by all independent directors		
The 4th session of the 10th meeting Mar 21, 2019	1.Amendments to the Company's policy 2.Amendments to "acquisition or disposal of assets" procedure. 3. Amendments to "lending of capital to others" procedure. 4.Amendments to "Endorsements and Guarantees" policy.	v	
	Qualified Opinion from any Independent Director: None		

	Resolutions: None
	Result: Approved by all independent directors
The 5th session of the 10th meeting May 9, 2019	1. The company plans for lending capital of RMB 20 million dollars to Zhongshan Weiqiang Technology Co., Ltd.
	Qualified Opinion from any Independent Director: None
	Resolutions: None
	Result: Approved by all independent directors

3. To avoid conflict of interest among directors, the Director’s name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded：None.
4. Strengthening the functions of the board in the current and recent fiscal years (e.g. establishing the Audit Committee, promoting information transparency, etc.) and conducting performance assessment: The Company has set up “Rules and Procedures of Board of Directors Meetings” to enhance the function of the Board and report all information in the MOPS as required to promote information transparency.

(2) The state of operations of the audit committee

1. The Company has not set up audit committee.

2. The state of participation in board meetings by the supervisors.

Six meetings were held by the Board of Directors in the recent fiscal year of 2018, the attendance of directors and supervisors is shown below:

Title	Name	In-person Attendance	In-person Attendance Rate (%)	Remarks
Supervisor	Tong Wei Investing Corp. Representative: Ya-Ting Hsu	5	83%	1. The original representative Miss Ya-Hui Chang took in office on Jun 9, 2015 with 2 out of 3 actual attendances. 2. The new representative Miss Ya-Ting Hsu took in office on Jun 12, 2018 with 3 out of 3 actual attendances.
Supervisor	How Ji Investing Corp. (2 reps) Representative: Shu-Yuan Lin	6	100%	Continue in office on Jun 12, 2018
Supervisor	How Ji Investing Corp. (2 reps) Representative: Chen-Ting Wu	1	16%	1. The original representative Miss Fu-Yin Yin took in office on Jun 9, 2015 with 0 out of 3 actual attendances. 2. The new representative Miss Chen-Ting Wu took in office on Jun 12, 2018 with 1 out of 3 actual attendances.
Other matters to be recorded: 1. The formation and duty of the supervisors： (1) The state of communication among the supervisors, employees, and shareholders: in addition to attending the meeting of the board of the directors and the meeting of the shareholders, supervisors may contact the managements, department supervisors, and auditors at any time to keep themselves updated on important business and financial status. (2) The state of communication among the supervisors, internal audit supervisors, and accountants (for				

examples: the communication of items, method, and result of the company's finance and business.):

1. Internal audit supervisors will file the audit reports to the supervisors regularly and report the implementing status of the audit plan on the meeting of the board of the directors.
2. The accounts will communicate the consolidated governance matters with the supervisors after reviewing the financial statements.

2. Supervisors who expressed qualified opinions that were recorded or declared in writing, the meeting date, period, content, qualified opinion and resolution made by the board and the follow-up of the supervisors' opinions should be specified: None.

3. The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure:

Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has set a "Corporate Governance Guideline" according to the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and disclose on the Company's website.	No Difference
2. Shareholding structure & shareholders' rights (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the Company establish internal rules against insiders trading with undisclosed information??	V V V V		(1) The Company has designated a specific personnel and email account to handle proposals from shareholders as well as matters in dispute. (2) The Company has set up a shareholder unit and stock transfer agency to monitor the list of controlling shareholders of the Company. (3) The Company follows the "Standard Rules Governing Financial and Business Matters Between the Company and Its Affiliated Enterprises" for financial and business interactions. (4) The Company has established the "Management of the prevention of insider trading" and "Codes of Ethical Conduct" to promote and prevent insider trading.	No Difference No Difference No Difference No Difference
3. Composition and Responsibilities of the Board of				

Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) the Company's directors shall be responsible to the Board of the Directors for the operation and arrangement of the Company's governance system to ensure the directors will perform their duties according to the law, the Company's regulation, and the resolution from the shareholders' meeting. There are five directors and two independent directors currently. To ensure the diversity of the Board members, they shall have equipped themselves with the knowledge, skill, and literacy to perform their duty such as: 1. Operation judgement. 2. Accounting and finance analysis ability. 3. Management ability. 4. Risk management ability 5. Knowledge of the industry. 6. Global aspect. 7. Leadership ability. 8. Decision making ability.	No Difference
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	(2) The Company has set up the Remuneration Committee according to the law, but does not have any other functional committees.	No Difference
(3) Does the Company establish a standard to measure the performance of the Board, and implement it annually?	V		(3) The Company has established assessment rules for the Board of Directors' performance and reviewed annually based on the speech performance.	No Difference
(4) Does the Company regularly evaluation the independence of CPAs?		V	(4) The Company has hired CPAs Hai-Ning Huang and Chien-hui Lu from KPMG who are not related parties of the Company and strictly independent. The Company has received independent statements from the CPA and the	No Difference

Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
			assessment of the independence was reviewed annually.	
4. As a TWSE/TPEx listed company, does the Company have set corporate governance (concurrent) unit or personnel in responsible for the concerned affairs (including but not limited to offering necessary materials for the directors and supervisors, executing matters pursuant to board of directors' resolutions, executing the corporate registration and change of registration, proceedings for the board of directors and shareholder meetings and so on)	V		The Company's Stock Department is responsible for corporate governance. It is in charge of providing all necessary materials for directors and supervisors, implementing procedures pursuant to the Board of Directors' resolutions, handling corporate registration and change of registration, and managing proceedings for the Board of Directors as well as shareholder meetings	No Difference
5. Does the Company establish communication channels and dedicate section for stakeholder on its website to respond to important issues of corporate social responsibility concerns?	V		The Company has a designated spokesperson to handle all forms of communication with the stakeholder.	No Difference
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company authorized "KGI Securities" as shareholder services agent.	No Difference
7. Disclosure of information (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V V		(1) The Company has set up a website for information disclosure: http://www.yctc.com.tw (2) The Company has designated a specific person for data collection and disclosure. It has appointed a spokesperson in accordance with the regulation.	No Difference No Difference
8. Is there any other important information to facilitate a better understanding of the company's corporate	V		(1) Employees are the best assets of the Company and their equity and benefits are especially	No Difference

Items	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			important. In addition to labor and health insurance and travel arranged by the employee benefit committee which are required by the law, all types of training are provided as well. (2) Care for employees: The Company's management policies are based on the interests of employees, their quality of life, welfare and competitive compensation. (3) Investor relations: The Company has designated a spokesperson responsible for all forms of communication, as well as collection and disclosure of information. The Stock Department is also in charge of dealing with advice from stockholders. (4) Supplier Relationship: The Company maintains good relations with suppliers at all times and optimizes production cost. (5) Relationship with stakeholders: Stakeholders communicate with the Company and give proposals to protect their legal rights and interests. At present, the Company has designated a spokesperson and deputy spokesperson to handle issues and proposals submitted by shareholders. (6) Continuing education opportunities for directors and supervisors: The Company will arrange these training courses for directors in the	No Difference No Difference No Difference No Difference No Difference No Difference No Difference No Difference

<table>
<tr><th rowspan="2">Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>future.
(7) Implementation of risk management policy and risk measurement standards: Various internal regulations are created for risk management and evaluation. The internal audit department periodically examines the implementation of the internal control system.
(8) Implementation of customer policies: The Company maintains good relations with customers in accordance with internal management measures, and aims for customer satisfaction as part of its quality assurance policy.
(9) Liability insurance for the Company’s directors and supervisors: It is still under evaluation.</td><td></td></tr>
<tr><td colspan="5">9. According to the latest result of the Corporate Governance Evaluation System by the Corporate Governance Center of TWSE, explains the amendments or propose the priority measurements to the not improved items:
1. Items need to be improved in the future: None.</td></tr>
</table>

(4) If the company has a compensation committee in place, the composition, duties, and operation of the compensation committee shall be disclosed

1. Information on members of the Compensation Committee

Identity	Condition / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Attribute								Concurrent compensation committee position in other publicly listed companies	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent director	Kun-Chang Lee	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	—
Others	Chi-Ru Chen	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	—
Independent director	Nian-Chi Yang (Note 2)	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	—
Others	Chun-Pin Lee (Note 3)	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	—

Note 1：All members comply with the following conditions from two years before being elected and appointed, and during his term of office, please tick the appropriate corresponding boxes.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Act.

Note 2: He has resigned the independent director due to personal career planning on the directors and supervisors’ re-election on Jun 12, 2018.

Note 3：Chun-Pin Lee was hired as a member of the Compensation Committee on Nov 8, 2018.

2. Operation status of the Compensation Committee

(1) There are 3 members in the Company's Compensation Committee.

(2) Current Term: From Jun 12, 2018 to Jun 11, 2021. The Compensation Committee held 2 meetings in the recent year up to the date of printing of the annual report, the qualifications and attendance of the Committee are shown as follows:

Title	Name	In-person Attendance	By Proxy	In-person Attendance Rate (%)	Remarks
Convener	Kun-Chang Lee	2	0	100%	Newly elected on Aug 11, 2015.
Member	Chi-Ru Chen	2	0	100%	Newly elected on Aug 11, 2015.
Member	Chun-Pin Lee	2	0	100%	Miss Nian-Chi Yang was newly elected on May 10, 2017 and resigned on Jun 12, 2018. Mr. Chun-Pin Lee was hired instead.

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
3. Discussed items and resolutions result:

Session	Items	Resolutions
The 7th meeting of the 3rd session May 8, 2018	1. Evaluate the rationality of the compensation and bonus of the manager or above in 2017.	Approved by all members.
The 1st meeting of the 4th session Nov 8, 2018	1. Evaluate the rationality of the compensation of the directors, independent directors, supervisors, finance and accounting supervisor, audit supervisor, and manager or above in 2018. 2. Discuss the 2019 annual plan of the Compensation Committee.	Approved by all members.
The 2nd meeting of the 4th session Feb 14, 2019	1. Evaluate the rationality of the compensation and bonus of the manager or above in 2018. 2. General Manager employment.	Approved by all members.

	The 3rd meeting of the 4th session Mar 21, 2019	1. Compensation of the directors, supervisors, and employees in 2018. 2. Add the "Regulations for Performance Evaluation of the Board of Directors". 3. Promotion of the Vice Assisting General Manager in Construction Management. 4. New employment of the Vice General Manager in Thermal Conductivity Manufacturing Division. 5. New employment of Assisting General Manager in Quality Assurance Division.	Approved by all members.

(5) The state of the company's performance of corporate social responsibilities:

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation? (2) Does the company provide educational training on corporate social responsibility on a regular basis? (3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? (4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	V V V V		(1) The Company has established a “corporate social responsibility policy” that promote company governance, comply the regulation, provide good working environment and reasonable compensation and benefit. It involves in all sorts of public welfare events to implement corporate social responsibility. (2) The Company has asked the employees to comply with related regulations and ethic to implement corporate social responsibility. (3) The Management Department of the Company is in charge of promoting social responsibility and contributed a lot in environmental and related social responsibility events. (4) The Company has developed the Employee Code of Conduct and Ethics to uphold business ethics and ensure that employees abide by the rules and code of conduct. The Company provides a reasonable salary and compensation policy based on a performance appraisal system. It strictly and effectively implements a reward and discipline system.	No Difference No Difference No Difference No Difference
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have	V		(1) The company maximizes the use of various resources, pushes the implementation of an electronic form system, and promotes waste	No Difference

Items	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
low impact on the environment? (2) Does the company establish proper environmental management systems based on the characteristics of their industries? (3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	V V		classification, as well as recycling and reduction activities. The Company uses recycled paper and enhances the efficiency of all kinds of resources by strongly advocating resource recycling. (2) The Company does not cause pollution in particular. To protect the environment, employees keep their work areas and public areas clean and orderly. The Company implements energy-saving measures such as turning the lights off when leaving a room. (3) The Company reduces the usage of air conditioner and water and promote the energy saving policy in all departments. It is responsible for save the environment as a corporate.	No Difference No Difference
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions? (3) Does the company provide a healthy and safe working	V V V		(1) In accordance with labor laws, the Company respects employees' legal rights. In implementing policies, the Company offers a two-way communication, which enables employees to fully understand the Company's business philosophy and easily communicate with managers. (2) The Company has established a standard process for handling employee complaint. Every department manager and HR department are the channels for complaint and communication. They will process employee's feedback	No Difference No Difference No Difference No Difference

Items	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
environment and organize training on health and safety for its employees on a regular basis? (4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them? (5) Does the company provide its employees with career development and training sessions? (6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service? (7) Does the company advertise and label its goods and services according to relevant regulations and international standards? (8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships? (9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V V V V V V		immediately. (3) The Company regularly monitors and evaluates the work environment to keep it healthy and safe. It strives to improve the working conditions of employees. (4) The Company holds management meetings regularly to outline important policies and information that affect the entire organization. (5) The Company encourages employees to actively taking external training courses to improve their skills and competencies. (6) The Company gives importance to customer feedback. It has a designated unit to handle customer complaints. This helps guarantee the best quality service and protects customer rights and interests. (7) The Company's products have been labelled in accordance with the regulations and international standards. (8) The Company complies with the "corporate social responsibility policy". (9) If contracts between the Company and suppliers, including suppliers with violations or corporate social responsibility failure, resulted in a negative outcome on the environment and society, they may be temporarily or permanently terminated.	No Difference No Difference No Difference No Difference No Difference
4. Enhanced information disclosure (1) Does the company disclose relevant and reliable	V		(1) The Company has disclosed relevant	Enhance on disclosed relevant

<table>
<tr><th rowspan="2">Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?</td><td></td><td></td><td>information on its website.</td><td>information on corporate social responsibility.</td></tr>
<tr><td colspan="5">5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: No Difference</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices:
(1) The Company follows the Labor Act of Japan to conduct employee management and has assigned specialist to handle all kinds of employee benefits to ensure employee rights.
(2) The Company does not cause pollution in particular. Nevertheless, the Company helps to save the environment and energy by classifying the waste, paper, metal for recycling and also renew its equipment for energy saving.
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: None</td></tr>
</table>

(6) Ethical Corporate Management:

Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
1. Establishment of ethical corporate management policies and programs (1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies? (2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? (3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V V V		(1) The Company has established the "Integrity Operations Code" and is operated based on the honest policy. (2) The Company has outlined the rules for preventing dishonest behavior which clearly stated the operating procedure, behavior guideline, discipline for violation and appealing system. It is actively implemented. (3) The Company has requested all employees to No Difference decline gifts that could cause conflict of interest. All employees are required to keep the Company's trade secrets and others confidential.	No Difference No Difference No Difference
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity? Does the Company work out policies to prevent conflicts of interest and provide proper statement channels? (3) Does the company establish policies to prevent conflicts	V V	V	(1) The Company utilizes an assessment system for its customers and suppliers. The rights and obligations of both parties are detailed in the contract, including a confidentiality clause. (2) The Company has not set up a unit for promoting corporate integrity. HR department is responsible for it and all departments also implement corporate integrity while performing their duties.	No Difference The Company will evaluate if it's necessary to set up a unit for promoting corporate integrity.

Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
of interest and provide appropriate communication channels, and implement it? (4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (5) Does the company regularly hold internal and external educational trainings on operational integrity?	V V	 V	(3) The Company's Human Resources and Auditing units provide the proper communication channel for individuals who intend to report incidents while keeping their identity confidential. (4) The Company has set up internal audit plan. The internal auditing unit performs the audit plan accordingly. (5) The Company makes sure the employees have followed the honest policy in daily operation, and promote related information irregularly via emails.	No Difference No Difference No Difference
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	V V V		(1) The Company has set up standard procedure for handling employee complaint and guidelines for ethical behavior. Employees may report any violation of honest operation via phone or email. (2) The Company handles the violation report seriously with caution and confidentiality. We would review and verify with care. (3) The Company will keep the confidentiality of the prosecutor to prevent any inappropriate situation such as dismissal or retaliation.	No Difference No Difference No Difference
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate	V		(1) The Company has disclosed relevant	No Difference

Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Description	
management policies and the results of its implementation on the company’s website and MOPS?			information on corporate social responsibility in its annual report and on its website.	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: No Difference.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (such as review and revision of regulations): The Company has set up internal audit system and regulation to keep the honest operation. There are guidelines reference for vendor and customer communication.				

(7) If the company has adopted corporate governance best-practice principles or related by laws, disclose how these are to be searched: Please refer to the Company’s website (http://www.yctc.com.tw).

(8) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed:

1. To manage the important internal information, the Company has set up the “Insider Trading Policy” and is known to all directors, supervisors, managers, and employees. It is also available on the Company’s internal website for reference to prevent any insider trading.
2. When a new director, supervisor, manager is onboard, the latest version of the relevant laws and regulations of the insider at the general stock board listed company and emerging stock board listed company prepared by the TPEx are given. The Company will keep and related information up to date.

(9) Internal Control System Execution Status

i. Statement of Internal Control System

Yeh-Chiang Technology Corp.

Statement of Internal Control System

Date: Mar 21, 2019

Based on the findings of a self-assessment, Yeh-Chiang Technology Corp. states the following with regard to its internal control system during the year 2017:

1. The Company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system and have already established it. Its purpose is: i. to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets); ii. The report has reliability, timeliness, transparency; iii. It is compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: i. control environment, ii. risk assessment, iii. control activities, iv. information and communication, and v. monitoring activities.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, the Company believes that, on December 31, 2018, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations
6. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the

Securities and Exchange Law.

7. This statement was passed by the board of directors in their meeting held on March 21, 2019, with none of the five attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Yeh-Chiang Technology Corp.

Chairman：Tai-Kuang Wang signature

General Manager：Chung-Fu Wang signature

ii. If CPA was engaged to conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

(10) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions

imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements.: None.

(11) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

i. Important resolutions made by the Shareholders' Meeting during the fiscal year of 2018.

Meeting Date	Important Resolutions	Implementation Status
Jun 12, 2018	Rectification of 2017 business report and financial statements.	Approved
	Rectification of 2017 loss make-up proposal.	Approved
	Amendment on the Company policy.	Approved and received registration and public approval from Ministry of Economic Affairs on Jul 17, 2018.
	Remake of the Rules and Procedures of Board of Shareholders Meeting.	Approved and uploaded to MOPS.
	Amendment on the election rules of the directors and supervisors.	Approved
	Elect the directors and supervisors for the 10^{th} session.	Approved and received registration and public approval from Ministry of Economic Affairs on Jul 17, 2018.
	Release the limit of non-compete clauses of the newly elected directors.	Approved

ii. Important resolutions made by the board of directors' Meeting during the fiscal year of 2018 and up to the date of printing of the annual report:

Meeting Date	Important Resolutions
Mar 22, 2018	1. Propose the "Statement on Internal Control" of 2017 in accordance with the law. 2. The budget plan of 2018. 3. Propose the business report and financial report of 2017 in accordance with the law. 4. Make up for loss of 2017. 。 5. Amendment on some provisions of the "Rules and Regulations of the Board of Director" of the Company. 6. Reconstitution of the "Rules and Regulations of the Shareholders' Meeting". 7. Amendment of the "Election Regulations of the directors and supervisors". 8. Amendment of the "Rules and Responsibilities of the Independent Directors". 9. Transfer the fixed asset equipment from Zhongshan plant in support of strengthening the foundation of the Henan plant. 10. Re-election and nomination of the 10^{th} session directors (including independent directors) and supervisors' candidates. 11. Release the limit of non-compete clause on the new employment of directors. 12. Amendment of the Rules and Regulations of the Company.

	13. Plan the date, venue, and agenda of the regular shareholders' meeting in 2018.
Apr 27, 2018	1. Review the nomination of the 10th session directors, independent directors, and supervisors.
May 8, 2018	Reports only.
Jun 12, 2018	Election of the Chairman.
Aug 9, 2018	1. The re-investment of Yeh Chiang Technology (Cayman) Corp. plan to loan capital of 3 million US dollars to Yeh-Chiang Technology Corp. (Pingdingshan). 2. Plan to employ members for the 4th session of the Compensation Committee.
Nov 8, 2018	1. Annual internal audit plan of 2019. 2. Plan to renewal the contract of credit rating with the China Trust Commercial Bank. 3. Plan to renewal the contract of credit rating with the Taipei Fu Bon Commercial Bank. 4. Increase the investment to Ye County Weiqiang Technology Co., Ltd. in China. 5. Decrease the capital of 2 million US dollars to Zhuhai Weiqiang Technology Co., Ltd. 6. Disposal of Zhuhai Weiqiang Technology Co., Ltd. 7. Evaluation of the independence of the Accounts of the Company. 8. Amendment on some provisions of the "Organizational regulation of the Salary and Compensation". 9. Amendment on some provisions of the "Insider trading Policy".
Feb 14, 2019	1. Employment of the General Manager of the Company. 2. Loan capital of 20 million RMB to Zhongshan Weiqiang Technology Co., Ltd. 3. Loan capital of 25 million RMB to Ye County Weiqiang Technology Co., Ltd. 4. The budget plan of 2019. 5.To maintain its operations and prepare for production and research equipment, it is planned to decrease investment of 14 million NTD to make up loss before increasing the capital to 40 million NTD for Taiwan New Thermal System Co., Ltd.
Mar 21, 2019	1. Propose the "Statement on Internal Control" of 2018 in accordance with the law. 2. Propose the business report and financial report of 2018 in accordance with the law 3. The compensation of the directors, supervisors, and employee in 2018. 4. The disposition of earnings of 2018. 5. Insurance coverage on directors and supervisors for the listed company in accordance with the regulation and requested by the authority. 6. By-election of the independent directors. 7. Nomination of the independent director candidates. 8. Amendment on some provisions of the Rules and Regulations of the Company. 9. Add the "Standard Procedure on the Request Raised by Directors". 10. Amendment of the "Acquire or Dispose Assets Procedure". 11. Amendment of the "Rules for Corporate Governance". 12. Add the "Guideline for Performance Evaluation of the Board of Directors". 13. Plan to apply for increasing loan credit rating with the China Trust Commercial Bank. 14. Plan to invest Vietnam to found Yeh Chiang Technology (Vietnam) Co., Ltd. 15. Amendment on some provisions of the "Capital Loaning Procedure".

	16. Amendment on some provisions of the “Regulations of Endorsement Guarantee Management”. 17. Discuss of the regular shareholders’ meeting of 2019.
May 9, 2019	1. Loan capital of 20 million RMB to Zhongshan Weiqiang Technology Co., Ltd.

(12) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None

(13) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer:

TITLE	NAME	DATE ASSUMED	DATE DISMISSAL	REASON FOR RESIGNATION OR DISMISSAL
General Manager	Tai-Kuang Wang	Apr 11, 2012	Jan 2, 2019	Mr. Chung-Fu Wang is newly hired as General Manager.

5. Information on CPA professional fees:

(1) The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: N/A

(2) Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: N/A

(3) The audit fee is reduced by over 15% compared with the previous year, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: N/A

Information on CPA professional fees interval chart

Name of CPA Firm	Name of the Accountant		Period Covered by CPA's Audit	Remarks
KMPG	Hai-Ning Huang	Chien-Hui Lu	2018.1.1~2018.12.31	

Currency: Thousand

Amount Interval \ Item		Audit Fee	Non-Audit Fee	Total
1	Under 2,000		v	
2	2,000 (included) ~ 4,000	v		v
3	4,000 (included) ~ 6,000			
4	6,000 (included) ~ 8,000			
5	8,000 (included) ~ 10,000			
6	Over 10,000 (included)			

Currency: Thousand

Name of CPA Firm	Name of the Accountant	Audit Fee	Non-Audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company registration	Human Resources	Others	Subtotal		
KMPG	Hai-Ning Huang, Chien-Hui Lu	2,300	0	0	0	680 (Note 1)	680	107.1.1~ 107.12.31	

Note 1：Non-Audit Fee 680 thousand dollars is for transfer pricing report and English financial report.

6. Information on replacement of certified public accountant: None

7. Information on Service of the Company's Chairman, President, and Financial or Accounting Managers at the Accounting Firm or Its Affiliates: None.

8. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

(1) Changes of directors, supervisors, managers or shareholders holding greater than a 10 percent stake in the company:

Title	Name	2018		Current year up to Apr 21, 2018	
		Shareholding Increase/ Decrease	Pledged Shares Increase/ Decrease	Shareholding Increase/ Decrease	Pledged Shares Increase/ Decrease
Chairman	Rayman Inc. Samoa (4 reps)	-	-	-	-
	Representative: Tai-Kuang Wang	-	-	-	-
Directors	Rayman Inc. Samoa	-	-	-	-
	Representative: Chung-Hua Chen	-	-	-	-
Directors	Rayman Inc. Samoa	-	-	-	-
	Representative: Chin-Xian Meng (Note 1/2)	-	-	-	-
Directors	Rayman Inc. Samoa	-	-	-	-
	Representative: Shu-Lung Chung (Note 1/3)	-	-	-	-
Directors	Weichiang Ltd. Samoa	-	-	-	-
	Representative: Min-Ho Lee(Note 1)	-	-	-	-
Independent directors	Kun-Chang Lee	-	-	-	-
Independent directors	Nian-Chi Yang (Note 4)	-	-	-	-
Supervisor	Tong Wei Investing Corp.	-	-	-	-
	Representative: Ya-Ting Hsu (Note 5)	-	-	-	-
Supervisor	How Ji Investing Corp. (2 reps)	-	-	-	-
	Representative: Chen-Ting Wu (Note 5)	-	-	-	-
Supervisor	How Ji Investing Corp.	-	-	-	-
	Representative: Shu-Yuan Lin	-	-	-	-
CEO	Tai-Kuang Wang	-	-	-	-
General Manager	Chung-Fu Wang				
Vice General Manager	Min-Ho Lee		-	-	-
Vice General Manager	Lee-Wen Lin	-	-	-	-
Vice General Manager	Chi-Xuan Yeh				
Assisting General Manager	Shu-Lung Chung	-	-	-	-
Assisting General Manager	Chia-Yen Chang (Note 6)	-	-	-	-

Assisting General Manager	Chang-Yin Chen	-	-	-	-
Assisting General Manager	Tien-Chung Chen				
Assisting General Manager	Yi-Hua Lin				
Assisting General Manager	Jin-Min Chang				
Assisting General Manager	Jie-Hua Lin				
Finance Accountin g Supervisor	Wen-How Cheng	-	-	-	-
Audit Supervisor	Chia-Yi Lin	-	-	-	-
10% Major Sharehold er	Rayman Inc. Samoa	-	-	-	-

Note 1: The original representatives of Rayman Inc. Samoa Mr. Min-Ho Lee and Mr. Shih-Fan Chen resigned on Jun 12, 2018. The new representatives are Mr. Chin-Xian Meng and Mr. Chia-Yen Chang. The original representatives of Weichiang Ltd. Samoa Mr. Ke-Chin Lee resigned and the new representative is Mr. Min-Ho Lee.
Note 2：Resigned on Jun 12, 2018 the position of corporate director representative of the company due to personal career planning.
Note 3：The representative of Rayman Inc. Samoa has changed to Mr. Shu-Lung Chung on Nov 14, 2018.
Note 4：Resigned on Jun 12, 2018 the position of independent director of the company due to personal career planning.
Note 5: The original representative of Tong Wei Investing Corp. Miss Ya-Hui Chang resigned on Jun 12, 2018, and the new representative is Miss Ya-Ting Hsu. The original representative of How Ji Investing Corp. Miss Fu-Yin Yin is changed to Miss Chen-Ting Wu.
Note 6: Resigned on Nov 21, 2018.

(2) Information on equity transfer of directors, supervisors, managers or shareholders holding greater than a 10 percent stake in the company: The counterparties of equity transfer are not related parties: N/A

(3) Information on equity pledge of directors, supervisors, managers or shareholders holding greater than a 10 percent stake in the company: The counterparties of equity transfer are not related parties: N/A

9. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:

NAME	SHAREHOLDING		SPOUSE & MINOR CURRENT SHAREHOLDING		CURRENT SHAREHOLDING IN THE NAME OF OTHERS		RELATIONSHIPS AMONG THE TOP TEN SHAREHOLDERS, ANYONE WHO IS A RELATED PARTY, SPOUSE, OR SECOND-DEGREE KINSHIP OF ANOTHER: NAME AND RELATION		REMARKS
	Shares	%	Shares	%	Shares	%	Name	Relation	
Taipei Fubon Commercial Bank entrusted investing account (Rayman Inc. Samoa)	19,141,784	10.49%	0	0.00%	0	0.00%	None	None	
Feng Lei Investing Co. Ltd.	18,137,000	9.94%	0	0.00%	0	0.00%	None	None	
Feng Lei Investing Co. Ltd. Representative: Yu-Hua Chen	0	0%	0	0.00%	0	0.00%	None	None	
Advance Program Ltd.	17,134,181	9.39%	0	0.00%	0	0.00%	None	None	
Advance Program Ltd. Representative: Hui Tseng	1,614,000	0.88%	0	0.00%	0	0.00%	Wan-Chung Tseng	The representative is a second-degree relative	
Supercap Industrial Co., Ltd.	17,011,602	9.32%	0	0.00%	0	0.00%	None	None	
Supercap Industrial Co., Ltd. Representative: Wan-Chung Tseng	0	0%	0	0.00%	0	0.00%	Hui Tseng	The representative is a second-degree relative	
Taipei Fubon Commercial Bank entrusted investing account (Hai-De Share Control Inc.)	16,808,000	9.21%	0	0.00%	0	0.00%	None	None	
Taipei Fubon Commercial Bank entrusted investing account (Kao-Wei Investing Inc.)	15,865,000	8.69%	0	0.00%	0	0.00%	None	None	
Bellevuecity Construction Co., Ltd.	15,677,236	8.59%	0	0.00%	0	0.00%	None	None	
Bellevuecity Construction Co., Ltd. Representative: Tai-Kuang Wang	0	0%	0	0.00%	0	0.00%	None	None	
Taipei Fubon Commercial Bank entrusted investing	15,281,493	8.37%	0	0.00%	0	0.00%	None	None	

account （ Weichiang Ltd.）									
Chi Hui Si Investing Co., Ltd.	5,886,000	3.23%	0	0.00%	0	0.00%	Chi Hui San Investing Co., Ltd.	The same person as the Company's representative	
Chi Hui Si Investing Co., Ltd. Representative: Yu-Fen Wang	947,000	0.52%	0	0.00%	0	0.00%	None	None	
Chi Hui San Investing Co., Ltd.	4,667,000	2.56%	0	0.00%	0	0.00%	Chi Hui Si Investing Co., Ltd.	The same person as the Company's representative	
Chi Hui San Investing Co., Ltd. Representative: Yu-Fen Wang	947,000	0.52%	0	0.00%	0	0.00%	None	None	

10. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company:

Dec 31, 2018; Unit: thousand shares; %

Name of the re-investment company	Name of the investing company	Shareholding		Investment of directors, supervisors, managers and directly or indirectly controlled companies		Comprehensive Investment		Remarks
		Shares	%	Shares	%	Shares	%	
YCTSC	The Company	1,704	100.00%	-	-	1,704	100.00%	
YCTBC	The Company	1,206	100.00%	-	-	1,206	100.00%	
Yuh Cheng Materials Co., Ltd.	The Company	11,238	67.03%	-	-	11,238	67.03%	
Excel Rainbow Ltd.	The Company	2,155	100.00%	-	-	2,155	100.00%	
Tsai-Sheng Biotech	The Company	5,500	100.00%	-	-	5,500	100.00%	
Tai-chou	The Company	17,611	100.00%	-	-	17,611	100.00%	
Jin-lien	The Company	6,390	60.29%	-	-	6,390	60.29%	
Taiwan New Thermal System Co., Ltd.	The Company	2,800	96.55%			2,800	96.55%	
YCTCC	YCTSC	1,505	100.00%	-	-	1,505	100.00%	
YCTYXCC	YCTSC	148	100.00%	-	-	148	100.00%	
Zhongshan Weiqiang Technology Co., Ltd.	YCTCC	-	100.00%	-	-	-	100.00%	
Zhuhai Weiqiang Technology Co., Ltd.	YCTCC	-	100.00%	-	-	-	100.00%	
Yeh-Chiang Technology Corp. (Pingdingshan)	YCTCC	-	100.00%	-	-	-	100.00%	

Ye County Weiqiang	YCTYXCC	-	100.00%	-	-	-	100.00%	
Tsai-Sheng	Tsai-Shin	120	60.00%	-	-	120	60.00%	

IV. CAPITAL RAISING ACTIVITIES

1. CAPITAL AND SHARES

(1) Source of capital stock

1. The formation of capital

Month /Year	Par Value (dollars)	Authorized capital stock		Paid-in capital		Remarks			
		Shares (thousand)	Amount (thousand dollars)	Shares (thousand)	Amount (thousand dollars)	Source of capital (thousand dollars)	Capital Others Increased by Assets Other Than Cash	Others	Effective (approval) date and document number
Dec 1994	10.00	20,000	200,000	20,000	200,000	–	–		Dec 23, 1994/Approval Letter No. MOEA118122
Jul 1996	16.67	40,000	400,000	26,000	260,000	Capital increase 60,000 by cash	–		Jun 25, 1996/Approval Letter No. TSE36976
Jul 1997	35.00	40,000	400,000	30,000	300,000	Capital increase 40,000 by cash	–		Jun 17, 1997/Approval Letter No. TSE48376
Sept 1999	10.00	60,000	600,000	45,000	450,000	Capital increase 150,000 by cash	–		Jun 22, 1999/Approval Letter No. TSE57139
Apr 2000	15.00	60,000	600,000	53,000	530,000	Capital increase 80,000 by cash	–		Mar 30, 2000/Approval Letter No. TSE28061
Oct 2000	55.00	100,000	1,000,000	73,000	730,000	Capital increase 200,000 by cash	–		Aug 29, 2000/Approval Letter No. TSE72858
Jun 2001	10.00	100,000	1,000,000	83,401	834,014	Capital increase 104,014 by earnings, additional paid in, and employee bonus	–		Jun 22, 2001/Approval Letter No. TSE140290
Aug 2004	10.00	150,000	1,500,000	92,558	925,583	Capital increase 9,1569 by earnings, additional paid in, and employee bonus	–		Aug 19, 2004/Approval Letter No. FSC0930136827
Jul 2005	10.00	150,000	1,500,000	102,848	1,028,475	Capital increase 102,892 by earnings, additional paid in, and employee bonus	–		Jul 6, 2005/Approval Letter No. FSC0940127237
Sept 2005	45.00	150,000	1,500,000	112,848	1,128,475	Capital increase 100,000 by cash	–		Sept 14, 2005/Approval Letter No. FSC0940137204
Feb 2006	20.84	150,000	1,500,000	114,183	1,141,825	Transfer at the 4th quarter of 2005 by employee stock warrants for 13,350	–		Sept 29, 2003/Approval Letter No. TSE0920146099 and Feb 6, 2006/Approval Letter No. MOEA09501020470
Jun 2006	20.84	150,000	1,500,000	114,595	1,145,945	Transfer at the 1st quarter of 2006 by employee stock warrants for 4,120	–		Sept 29, 2003/Approval Letter No. TSE0920146099 and Jun 27, 2006/MOEA09501125730
Oct 2006	20.84	200,000	2,000,000	141,364	1,413,641	Capital increase 267,586 by earnings and employee bonus and transfer at the 2nd quarter of 2006 by employee stock warrants for 100	–		Jul 27, 2006/Approval Letter No. FSC0950133036 and Sept 29, 2003/Approval Letter No. TSE0920146099. Oct 4, 2006/ Approval Letter No. MOEA09501225900 approved to change registration.

Jan 2007	16.90	200,000	2,000,000	141,731	1,417,311	Transfer at the 3th-4th quarter of 2006 by employee stock warrants for 3,670	—		Sept 29, 2003/Approval Letter No. TSE0920146099 and Jan 18, 2007/Approval Letter No. MOEA09601014760

Month /Year	Par Value (dollars)	Authorized capital stock		Paid-in capital		Remarks			
		Shares (thousand)	Amount (thousand dollars)	Shares (thousand)	Amount (thousand dollars)	Source of capital (thousand dollars)	Capital Others Increased by Assets Other Than Cash	Others	Effective (approval) date and document number
Mar 2007	16.9	200.000	2.000.000	141.736	1.417.361	Transfer at the 1st quarter of 2007 by employee stock warrants for 50	—		Sept 29, 2003/Approval Letter No. TSE0920146099 and Apr 14, 2007/Approval Letter No. 09601076470
Jul 2007	10	260,000	2,600,000	172,693	1,726,927	Capital increase 309,566 by earnings, additional paid in, and employee bonus	—		Jul 5, 2007/Approval Letter No. FSC0960034345 and Aug 16, 2007/Approval Letter No. MOEA09601197420
Jul 2007	16.9	260,000	2,600,000	172,800	1,727,998	Transfer at the 2nd quarter of 2007 by employee stock warrants for 1,070	—		Sept 29, 2003/Approval Letter No. TSE0920146099 and Aug 16, 2007/Approval Letter No. MOEA09601197420
Oct 2007	16.9	260,000	2,600,000	172,819	1,728,188	Transfer at the 3rd quarter of 2007 by employee stock warrants for 1,900	—		Sept 29, 2003/Approval Letter No. TSE0920146099 and Nov 16, 2007/Approval Letter No. 09601283490
Mar 2007	16.9	260,000	2,600,000	173,124	1,731,238	Transfer at the 4th quarter of 2007 by employee stock warrants for 3,050	—		Sept 29, 2003/Approval Letter No. TSE0920146099 and Apr 7, 2008/Approval Letter No. MOEA09701079630
Apr 2008	16.9	260,000	2,600,000	173,187	1,731,868	Transfer at the 1st quarter of 2008 by employee stock warrants for 630	—		Sept 29, 2003/Approval Letter No. TSE0920146099 and May 12, 2008/Approval Letter No. MOEA09701109930
Sept 2008	10	260,000	2,600,000	192,473	1,924,729	Capital increase 192,862 by earnings and employee bonus	—		Jul 7, 2008/Approval Letter No. FSC0970033807 and Sept 2, 2008/Approval Letter No. MOEA09701223180
Sept 2008	13.87	260,000	2,600,000	192,480	1,924,800	Transfer at the 2nd quarter of 2008 by employee stock warrants for 70	—		Sept 29, 2003/Approval Letter No. TSE0920146099 and Sept 2, 2008/Approval Letter No. MOEA09701223180
Jan 2011	10	260,000	2,600,000	182,480	1,824,800	Write-off treasury shares 100,000	—		Jan 19, 2011/Approval Letter No. MOEA10001013850

Unit: share

Type of Stock	Authorized Capital			Remarks
	Issued Shares (listed)	Un-issued Shares	Total	
Common Stock	182,479,945	77,520,055	260,000,000	

2. General information about the reporting system: None

(2) Shareholder structure

Date: Apr 21, 2019

Shareholder Structure / Quantity	Government Institutions	Financial Institutions	Other Juridical Persons	Foreign Institutions and Foreign Persons	Domestic Natural Persons	Total
Number of Shareholders	1	0	30	11	3,302	3,344
Shareholding	127	0	93,975,607	67,121,695	21,382,516	182,479,945
Holding Percentage (%)	0	0	51.49	36.78	11.73	100

(3) Diffusion of ownership

1. Common Stock

Apr 21, 2019

Class of Shareholding	Number of Shareholders	Shareholding	Percentage (%)
1 ~ 999	2,235	488,166	0.27%
1,000 ~ 5,000	766	1,610,104	0.88%
5,001 ~ 10,000	156	1,138,163	0.62%
10,001 ~ 15,000	47	566,636	0.31%
15,001 ~ 20,000	41	725,089	0.40%
20,001 ~ 30,000	18	431,264	0.24%
30,001 ~ 40,000	13	451,393	0.25%
40,001 ~ 50,000	7	305,921	0.17%
50,001 ~ 100,000	19	1,386,948	0.76%
100,001 ~ 200,000	14	1,954,248	1.07%
200,001 ~ 400,000	4	968,000	0.53%
400,001 ~ 600,000	0	0	0%
600,001 ~ 800,000	1	701,000	0.38%
800,001 ~1,000,000	1	947,000	0.52%
Over 1,000,001	22	170,806,013	93.60%
Total	3,344	182,479,945	100.00%

2. Preferred Share: None.

(4) Major Shareholders: List all shareholders with a stake of 5 percent or greater, or the names of the top ten shareholders, specifying the number of shares and stake held by each shareholder on the list

Apr 21, 2019

Shares / Name of Major Shareholders	Shareholding	Percentage (%)
Taipei Fubon Commercial Bank entrusted investing account（Rayman Inc. Samoa）	19,141,784	10.49%
Feng Lei Investing Co. Ltd.	18,137,000	9.94%
Advance Program Ltd.	17,134,181	9.39%
Supercap Industrial Co., Ltd.	17,011,602	9.32%
Taipei Fubon Commercial Bank entrusted investing account (Hai-De Share Control Inc.)	16,808,000	9.21%
Taipei Fubon Commercial Bank entrusted investing account (Kao-Wei Investing Inc.)	15,865,000	8.69%
Bellevuecity Construction Co., Ltd.	15,677,236	8.59%
Taipei Fubon Commercial Bank entrusted investing account（Weichiang Ltd. Samoa）	15,281,493	8.37%
Chi Hui Si Investing Co., Ltd.	5,886,000	3.23%
Chi Hui San Investing Co., Ltd.	4,667,000	2.56%

(5) Provide share prices for the past 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information

Item \ Year			2017	2018	Current Year to Mar 31, 2019
Market Price Per Share (Note1)	Highest		33.09	27.85	28.65
	Lowest		23.50	19.50	20.35
	Average		28.05	22.38	26.10
Net Worth Per Share	Before distribution		14.19	15.05	15.26
	After distribution (Note2)		14.19	15.05	15.26
Earnings Per Share	Weighted average shares (thousand shares)		182,480	182,480	182,480
	Earnings Per Share	Before Adjustment	1.17	0.61	0.35
		After Adjustment (Note 3)	1.17	0.61	0.35
Dividend Per Share	Cash Dividend		-		-
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	-	-	-
		Stock Dividends Appropriated from capital surplus	-	-	-
	Accumulated Undistributed Dividends (Note4)		-	-	-
Return on Investment	P/E ratio (Note5)		-	37	-
	Price-dividend ratio (Note6)		-	-	-
	Cash dividend yield (Note7)		-	-	-

＊If there is a surplus or capital reserve to increase the share, it shall disclose the market price and cash dividend adjusted based on the number of shares.

Note 1：List the highest and the lowest market prices of the general stock in every year. Calculate the average market price for each year by the annual turnover and volume.

Note 2：Please use the number of share issued at the end of the year and fill in by the resolution of the shareholders' meeting next year.

Note 3：If an adjustment is made due to stock grants, the earnings per share before and after the adjustment shall be listed.

Note 4：In the condition term of the equity securities, if the undistributed dividend of the year may be accumulated until the year with earnings, the unpaid dividend accumulated as of the end of each year shall be disclosed.

Note 5：P/E ratio = current year average closing price per share /earnings per share.

Note 6：Price-dividend ratio= current year average closing price per share / cash dividend per share.

Note 7：Cash dividend yield= cash dividend per share/ current year average closing price per share.

(6) Company's dividend policy and implementation thereof

1. Dividend Policy:

   The current policy of the Company regarding to the dividends is as follow:

   (1) If there is a surplus in the final accounts of the Company, 10 percent shall be reserved as employee compensation and no more than 2 percent for directors' and supervisors' compensation. A reserve is allotted to be used for making up for the accumulated losses. As for the employee compensation mentioned previously, the issuance of the object contains a certain condition for the subsidiary employees.

   (2) If there is a surplus in the final accounts of the Company, the tax shall be paid to make up for the losses first, and second, 10 percent shall be reserved as statutory surplus reserve, but this is no longer necessary when the statutory surplus reserve has reached the total amount of capital of the Company, and in accordance with the law and the competent authorities, the special surplus reserve shall be increased or rotated. A special surplus is reserved for operation need or regulation requirement. If there is still a surplus, the Board of Directors will combine with the undistributed surplus and propose a distribution plan for shareholders' resolution.

   (3) The dividend policy is in accordance with the Company's regulation. It will be adjusted based on the changes in the Company's capital, financial structure, operation status, surplus, industry nature and cycle. The cash dividend will be under 50% of the total dividend of the year.

2. Distribution of stock dividends at the Shareholders' Meeting: None.

(7) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: None (No planning to distribute stock in this Shareholders' meeting.)

(8) Employee Bonus and Compensation of directors and supervisors

1. Ratio or scope of compensation for employees, directors, and supervisors, as set forth in the Company's Articles of Incorporation:

   If there is surplus in the final accounts of the Company, a reserve is allotted to be used for making up for the accumulated losses. After paying taxes, 10 percent will be allotted as legal reserve. If there is a balance, 2 percent will be distributed as directors and supervisors' compensation and 10 percent as employee bonus. For the rest of the surplus, the board of directors will reserve a proper amount after reviewing the operation needs. Together with the retained earnings in the previous years, the board will propose an amount for shareholder bonus for a resolution in the Shareholders' meeting.

2. The estimated amount of employee bonus and compensation for directors and supervisors for the current period shall be calculated based on number of employee shares of stock considering any accounting discrepancy between the actual distributed amount of employee stock dividend and estimated figure:

   The calculation basis of the 2017 employee bonus and compensation for directors and supervisors is allocating 10% of the legal reserved surplus on net profit, then allocate 2% for compensation for directors and supervisors and 10% for employee bonus. The calculation basis of the stock dividend is closing price on the day before the shareholders' meeting and considerate the effects of ex-Right and Ex-Dividends. If the actual allocating amount is different from the estimated amount, it will be treated as accounting estimated change and recognized in the profit or loss next year.

3. Information on the amount of employee bonus

(1) The employee bonus (in cash or stock) and compensation of directors and supervisors is distributed in the form of cash dividend or stock dividend. If there is any discrepancy between the actual distributed amount and figure, the difference, reason and response should be disclosed.:

Unit: NT$

Item / State	Employee bonus in cash	Employee bonus in stock	Compensation of directors and supervisors
Distribution amount proposed by the Board of directors	3,392,568	-	678,514
Annual estimated amount	3,392,568	-	678,514
The difference	-	-	-
Reason and handling state	Not applicable	Not applicable	Not applicable

(2) The amount of employee stock dividend and ratio of the total net profit after-tax and individual employee compensation or separate financial report for the current period: Not applicable because no employee stock dividend will be distributed in this shareholders' meeting.

(3) The earnings per share after allocating the employee bonus and compensation for directors and supervisors: Not applicable because allocating the employee bonus and compensation for directors and supervisors are paid in expenses.

4. The actual distribution of employee bonus and compensation for directors and supervisors in 2017: No distribution in 2017.

(9) Share repurchases: None

(10) Corporate bonds, preferred shares, global depository receipts: None.

(11) Employee stock warrants: None

(12) New restricted employee shares: None

(13) Status of new shares issuance in connection with mergers and acquisitions：None

2. The Status of Implementation of Capital Allocation

Plans:

(1) Content of the plan

Previously issued or privately issued securities that are not completed or completed in 3 years but does not have an evidence in efficiency.: None.

(2) Execution state: None

V. Operational Highlights

1. Business Activities

1. Scopes of the business

i. The main operational categories of the Company:

The Company is a manufacturer of professional information electronics parts. The main business scopes are as follow:

(1) CC01080 Electronic Parts and Components Manufacturing
(2) CB01010 Machinery and Equipment Manufacturing
(3)F401010 International Trade
(4) CC01990 Electrical Machinery, Supplies Manufacturing
(5) CC01040 Lighting Facilities Manufacturing
(6)E603090 Illumination Equipment Construction
(7)F113020 Wholesale of Household Appliance
(8)F213010 Retail Sale of Household Appliance
(9) IG03010 Energy Technical Services
(10)F119010 Wholesale of Electronic Materials
(11)F219010 Retail Sale of Electronic Materials
(12)E603080 Traffic Signals Construction
(13) EZ05010 Apparatus Installation Construction
(14)F113030 Wholesale of Precision Instruments
(15)F113090 Wholesale of Traffic Signal Equipment and Materials
(16)F113110 Wholesale of Batteries
(17)F114030 Wholesale of Motor Vehicle Parts and Supplies
(18)F213090 Retail Sale of Traffic Signal Equipment and Materials
(19)F214030 Retail Sale of Motor Vehicle Parts and Supplies
(20)F213040 Retail Sale of Precision Instruments
(21) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

ii. Sales proportion

Unit: NT$ thousand

Year / Product	2018		2017	
	Sales	%	Sales	%
Heat pipe (Note 1)	1,419,622	74.51	1,353,888	62.94
BGA assembly solder ball	149,563	7.85	336,875	15.66
Lighting (LED)	336,041	17.64	460,349	21.40
Total	1,905,226	100	2,151,112	100

Note ：1. Heat pipe product includes vapor chamber. 2. Others includes sales of other raw material and a few new products.

iii. Current product

Main product	Function
Heat Pipe	Heat dissipation for 3C technology products.
Vapor Chamber	Heat dissipation for high power products such as server and display card.
Ultrathin Heat Pipe	Heat dissipation for smartphone.
Ultrathin Vapor Chamber	Heat dissipation for smartphone.
Heat Dissipation Module	Heat dissipation module for non-notebook products such as industrial computer and projector.
Two-Phase Thermal Syphon	Special working temperature needs such as frozen medical and large LCD.

iv. New product development projects

(1) Apply heat pipe on cellphone heat dissipation and break the thickness limit to 0.35mm.

(2) Develop traditional and ultrathin vapor chambers to break the thickness limit to 0.35mm. It is mainly applied on the demand of display card and cellphone heat dissipation markets.

(3) Plans for heat pipe performance improvement and refined automation process for massive production equipment by specific re-developing new process to meet the demand of smaller and lighter products in the future. It will improve the precision on every process equipment and therefore enhance the product quality and lower the cost effectively.

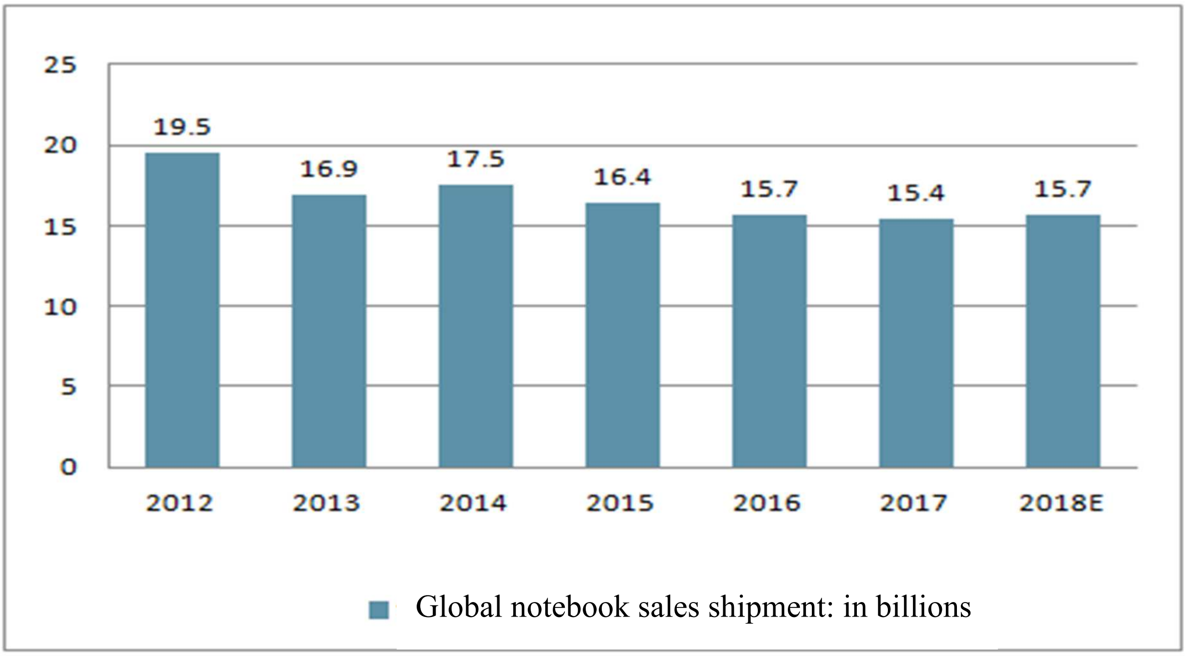
(4) Two-phase product is conducted by using two different mediums (Freon kind) and applied on LCD and frozen medical.

(5) Complete heat pipe application demand in new industry including car, home appliance, drone, and VR equipment.

2. Industry Overview:

1. Current status and development of the industry

Looking back at the market of 2018, the global PC sales slightly rise 1.95% than 2017.

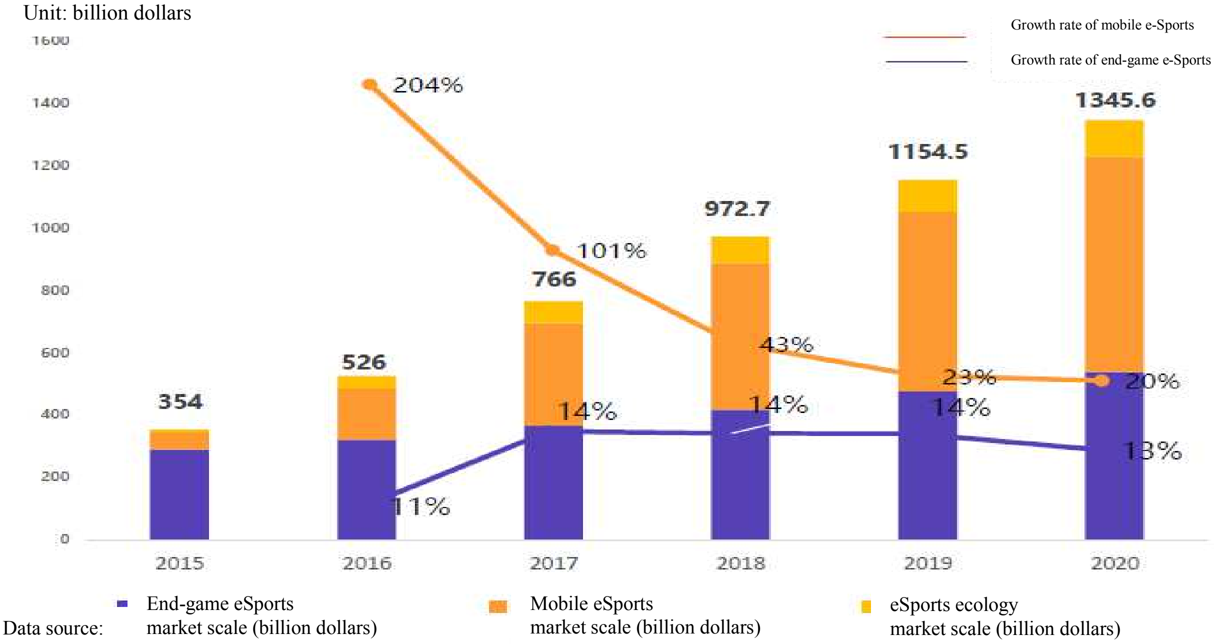


The global smartphone sales slightly rise 1.22% than 2017

	2018 Unit (million)	2018 market share	2017 Unit (million)	2017 market share
Samsung	295.04	19%	321.26	20.9%
Apple	209.04	13.4%	214.92	14%
Huawei	202.90	13%	150.53	9.8%
Xiaomi	122.38	7.9%	88.92	5.8%
OPPO	118.83	7.6%	112.12	7.3%
Others	607.04	39%	648.76	42.2%
Total	1,555.26	100%	1,536.53	100%

Because of the thriving development of the eSports market, the output value 696 million US dollars in 2017 shows a 41.3% growth than in 2016. With the stunning growth, the output value is estimated to reach 1.488 billion dollars in 2020.

eSports market scale in China



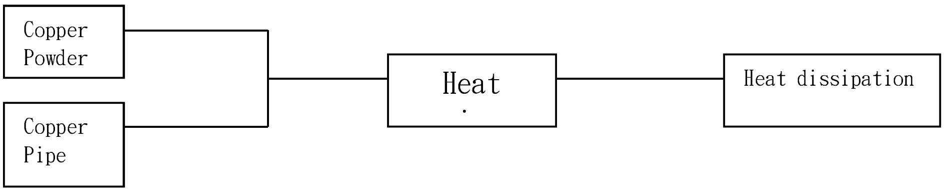
Data source: Jingdata

In summary, the module manufacturers have transferred the production scale from notebook to other products with higher gross profit such as server, display card, console, Netcom, smartphone, and other energy industry. We will not only continue to improve our main business scope in heat pipe, but also extend the development of vapor chamber, ultrathin vapor chamber, multi-channel aluminum vapor chamber, and blowing plate. We expect to increase the variety of the product and add in more product with higher gross profit.

2. Industry relevance of upstream, midstream and downstream companies

<u>Upstream</u> <u>Midstream</u> <u>Downstream</u>

Heat pipe



3. Various product development trends

The beginning of 5G era is the biggest business opportunity in the heat dissipation industry in 2019. According to the forecast of the “5G’s Effects on Economy and Society White Paper” by the CAICT, direct and indirect output driven by 5G in 2030 will reach 6.3 trillion dollars and 10.6 trillion dollars prospectively. In the direct output, it will drive estimated 4840 billion dollars in 2020 when the 5G business market begin. With a continued growth up to 2.2 trillion dollars and 6.3 trillion dollars in 2025 and 2030 prospectively, the compound annual growth rate is 29% during the 10 years. In the indirect output, it will drive estimated 1.2 trillion dollars, 6.3 trillion dollars, and 10.6 trillion dollars in 2020, 2025, and 2030 prospectively. The compound annual growth rate is 24%.

4. Product competition

Competition of the cellphone heat pipe

Manufacturer of the cellphone heat pipe	Yeh-Chiang	Taisoi	Delta	Lei-shi	Tian-mai	Tanyuan	Jieqiao	He-zhong	Ze-Hong	CCI
2019 equipment and production capability plan	6 million	3 million	3 million	3 million	5 million	3 million	3 million	1 million	15 million	5 million
2019YQ2 actual production capability	3 million	4 million	1.5 million	1 million	3 million	1.5 million	1 million	300 thousand	10 million	3 million
Process capability	Braid	Braid	Braid	Braid	Braid	Braid	Braid	Braid	Braid	Braid
Major customer	Huawei	TOSHIBA/ Huawei	Samsung/LG	Huawei /OPPO/VIVO/Xiaomi/ Meizu	Huawei /OPPO/VIVO/Xiaomi/ Meizu	Huawei /OPPO/VIVO/Xiaomi/ Meizu	Digitimes (Huawei)	Digitimes (Huawei)	Samsung/ Huawei /OPPO/VIVO /Xiaomi/Meizu	Samsung/ Huawei

3. Technology and R & D Overview

The R&D expense of the Company in 2018 was NT 36,894 thousand dollars. The R&D result is as follow:

1. Analysis of the raw material of copper pipe, copper powder, and braid. It can optimize the matching ratio and parameter and improve the product performance and competitiveness.
2. R&D of ultrathin vapor chamber and plan for massive production for the market demand in cellphone and tablet heat dissipation.
3. Plans for heat pipe performance improvement and refined automation process for massive production equipment by specific re-developing new process to meet the demand of

smaller and lighter products in the future. It will improve the precision on every process equipment and therefore enhance the product quality and lower the cost effectively.

4. Develop Thermosiphon Heat Sink. Initial R&D products are aluminum blowing plate and multi-channel aluminum vapor chamber, which are applied to large LED television.
5. Develop heat pipe appliance demand in new field. It can be applied with high and low temperature, car, home appliance, drone, and VR equipment.

The Company continue to improve R&D ability and recruit R&D professional. The future focus on the R&D will still be on the new process equipment of heat pipe. We will improve and refine the current product while continue in develop ultrathin VC and heat pipe in different materials.

4. Long and short-term business development plans

1. Short-term business development plan

(1) Expand the sales team, customer, and product applicability. We will focus on cellphone, server, eSports, and communication product this year.

(2) Actively develop new niche product type and automation process technology to strengthen the competitive niche.

(3) Expand the supply in global heat conductivity and take 50% of the global market share.

2. Long-term business development plan

(1) Create the best marketing team and make global sales of element and module to meet the ultimate goal of being the leader in global market.

(2) Reach the international standard of the heat pipe production by new process introduction, new product development, and expansion of the equipment scales.

(3) Actively plan for oversea production location and expand work division globally. It would reach the goal of source supply, lower production cost, and refine product quality.

(4) Combine technology and humanity to protect global environment, while developing product of energy saving and zero pollution is the duty of a global citizen.

(5) Gather the best corporate culture and talent to get hold on the future and create the goal for sustainability.

2. Market and Sales Overview

(1) Market analysis

1.Market share

The main sales product of Yeh-Chiang is heat pipe for PC related product. The total shipment in 2018 was 72 million. Our goal in 2019 is to reach 88 million with 22% growth.

2. Market supply and demand situation and future growth

A. Ultrathin heat pipe for cellphone

Heat dissipation in cellphone, eSports console, server, and display card are the main focus in the market this year. Order in these types of products will increase dramatically in 2019.

The new fields of heat dissipation are battery for automobile, drone, VR equipment and digital TV box. They all need heat pipe or vapor chamber to solve the problem of heat. We are the experts in heat dissipation in electronic products and will provide the best solution in new application.

B. Ultrathin vapor chamber for cellphone

Production equipment and professional are set since the ultrathin vapor chamber career division was established at the end of 2018. Multiple products are sent to customer verification and is ready for production in the early 2019. It is expected to produce 50 thousand pieces monthly in Q1 and 1.2 million pieces in Q1. The production capability can be increased in accordance with the market demand.

3. Competitive niche, favorable development prospects, unfavorable factors and countermeasures

(1) Favorable factors

A. Advantage of technology integration that is industry-leading

We are equipped with overall technology integration ability. We develop our own production from basis material, process, production line design, to assembly equipment. This would not only help to control the production capacity on our own, but also reduce the production cost.

B. Strong R&D capability and abundant R&D result

With strong R&D capability, practical experience, and overall technology integration ability, we are able to develop leading product with high added value

C. Global market scale continues to grow

With the fast development of technology, all sorts of information, communication, and consumer electronics are parts of our life now. The market is expanding year by year. The improved performance of tablet and cellphone will bring up a new demand of heat pipe. The future market of the console is also very promising. Being on top of the upstream material supplier, we will benefit from the expansion of the electronics market.

(2) Unfavorable factors and countermeasures

A. Risk of price fluctuation in metal

When producing electronics material and heat pipe, there is a certain demand in rare precious metal. Thus, the price fluctuation of precious metal would affect our material cost.

Countermeasures:

We need to strengthen the risk avoidance concept and the understanding of derivative financial products of the financial personnel, while strengthening the bond with the financial agency to keep up of the latest information on metal price. It would help us determine the future material cost on precious metal.

B. More production from domestic manufacturers

Because of the endless business opportunities in heat pipe, many competitors have prepared for massive production. With the rapid growth in the information and communication market in the country, the demand in heat pipe increases as well. This attracts more manufacturer for production.

Countermeasures:

① Fully develop the research and developing capability in various products for customers' need. It would increase the added value of the product and maintain its competitiveness.

② Increase the yield rate with the existing good production basis while lowering the production cost for better gross profit.

③ Continue to provide full service to existing customer in product design, massive production, admin support, distribution, and after sales service. It would help to strengthen the long-term cooperation relation.

C. More demand in product capability and production cost.

Since the shape of heat pipe is getting more complex, making it more difficult for its mold and process. As a result, the production cost increases as well.

Countermeasures:

① Continue to develop automation equipment with new manufacturing procedure to increase the effectiveness and reduce the production time. It would help to increase the quality and reduce the cost as well.

② Increase the production ability in mold design to reduce the process step and production cost.

D. New technology, new product, and new challenge.

It needs more marketing promotion and market expansion in new fields such as cellphone module, server module, and two-phases products:

Countermeasures:

① Analyze the industry environment to differentiate ourselves. Start from the competitors in the market, clarify the product position in the mind of consumers and the strengths and weaknesses of the product.

② Support with excellent quality. Quality is a comprehensive concept, including engineering quality, culture quality, and management quality. It is essential to establish an image with quality.

③ Integrate, propagate, and apply the heat dissipation technology in the market while actively developing new route and distributor. Increase the product and the Company's exposure via electronic media, press, internet, and trade show while promoting the advantage of the Company's high efficiency on heat dissipation.

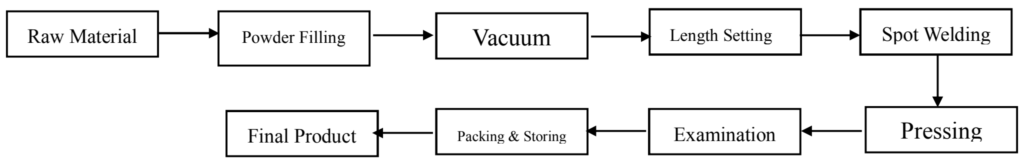
(2) Main products' important functions and production process

1. Main products' important functions

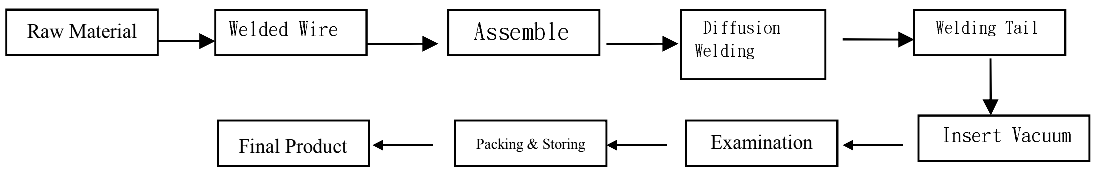
Main product	Function
Heat Pipe	Heat dissipation for 3C technology products.
Vapor Chamber	Heat dissipation for high power products such as server and display card.
Ultrathin Heat Pipe	Heat dissipation for smartphone.
Ultrathin Vapor Chamber	Heat dissipation for smartphone.
Heat Dissipation Module	Heat dissipation module for non-notebook products such as industrial computer and projector.
Two-Phase Thermal Syphon	Special working temperature needs such as frozen medical and large LCD.

2. Production process

(1) Heat pipe process



(2) Vapor chamber process



(3) Primary raw materials

Product type	Main material	Main supplier	Supply status
Heat pipe/vapor chamber	Smooth pipe, coil, copper plate	Noreda, Naile	Good
Solder paste	Block tin, silver grain	Kueishi, Zhuhai Shihtou	Sufficient supply with good quality

(4) Customers accounted for more than 10% of the total sales in the past two years:

1. Data of major supplier for the last two years

Unit: NT$ thousand

	2017				2018				As of the previous season of 2019			
Item	Name	Amount	Net purchase of the year (%)	Relation with the issuer	Name	Amount	Net purchase of the year (%)	Relation with the issuer	Name	Amount	Net purchase as of the previous season of the year (%)	Relation with the issuer
1	BoT precious metal	234,126	25.11	Vendor	BoT precious metal	106,407	19	Vendor	Tienlin	20,105	19.39	Vendor
2	Noreda	98,519	10.57	Vendor	Tienlin	64,082	11.44	Vendor	Hailien Otto	20,015	19.31	Vendor
3	Tienlin	92,493	9.92	Vendor	Niele Cooper	45,757	8.17	Vendor	Rayjin Debon	12,214	11.78	Vendor
4	Niele Cooper	63,120	6.77	Vendor	Hailien Otto	44,882	8.01	Vendor	Niele Cooper	8,970	8.65	Vendor
5	Jinray	61,085	6.55	Vendor	Jinray	31,690	5.66	Vendor	Jinlin	6,974	6.73	Vendor
	Other	330,182	41.08	Vendor	Other	267,229	47.72	Vendor	Other	35,395	34.14	Vendor
		932,309	100			560,047	100			103,673	100	

Analysis of the changes in supplier:

1. Noreda is not listed on 2018 because the supply is under 10% and not in the top 5 suppliers.

2. The raw material purchased from Hailien Otto is increased in Zhongshan Weiqiang Technology Co., Ltd. It is over 10% and in the top 5 suppliers.

2. Data of major supplier for the last two years

Unit: NT$ thousand

	2017				2018				Until the previous quarter of 2019			
Item	Company	Amount	Annual net purchase 〔%〕	Relationship with issuer	Company	Amount	Annual net purchase 〔%〕	Relationship with issuer	Company	Amount	Annual net purchase 〔%〕	Relationship with issuer
1	Auras (and its associates)	383,449	17.83	Customer	Auras (and its associates	336,872	17.68	Customer	Auras (and its associates	71,478	16.79	Customer
2	Foxconn (and its associates)	188,022	8.74	Customer	Aavid Thermalloy (and its associates)	136,583	7.17	Customer	Delta (and its associates)	52,889	12.42	Customer
3	Aavid Thermalloy (and its associates)	112,893	5.25	Customer	Delta (and its associates)	100,452	5.27	Customer	Aavid Thermalloy (and its associates)	23,553	5.53	Customer
	Other	1,466,748	68.18	Customer	Other	1,331,319	69.88	Customer	Other	277,871	65.26	Customer
	Net Sales	2,151,112	100		Net Sales	1,905,226	100		Net Sales	425,791	100	

Reason for change: no change in major supplier for the last two years.

5. Production value in the last two years

Unit: NT$ thousand

Year / Major Production value	Unit	2017			2018		
		Production Capacity	Yield	Output Value	Production Capacity	Yield	Output Value
Heat pipe	Thousand	144,000	90,330	1,779,800	96,000	79,594	1,378,369
BGA ASSEMBLY SOLDER BALL	Million	216,000	9,797	69,939	54,000	1,300	12,988
Total	-	-	-	1,849,739			1,391,357

6. Sales value for the last two years

Unit: NT$ thousand

Year / Major Production Volume and Value	Unit	2017				2018			
		Domestic Sale		Export Sales		Domestic Sale		Export Sales	
		Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value	Sales Volume	Sales Value
Heat pipe	Thousand	27,719	647,823	61,140	706,065	33,385	900,190	45,922	519,432
BGA ASSEMBLY SOLDER BALL	Million	86,329	336,875	-	-	12,807	149,563	-	-
LED	Thousand	8,410	389,687	26	70,662	5,697	294,210	46	41,831
Total	-	-	1,374,385	-	776,727	-	1,343,963	-	561,263

3. Employees information

Unit: Person

Year		2017	2018	Up to Apr 21, 2019
Number of employees	Direct employees	771	606	600
	Indirect employees	2,459	1,909	1,804
	Total	3,230	2,515	2,404
Average Age		34.42	34.33	
Average Service Years		8.46	10.03	
Education level distribution ratio (%)	Ph. D.	-	-	-
	Master	0.95	0.88	1.16
	University	8.06	7.47	8.61
	High school	7.95	7.47	7.32
	Below high school	83.04	84.18	82.91

4. Disbursements for environmental protection

Losses (including remedial measures), total amount of penalties (including remedies) and total expenditures (including the estimated amount of compensation, fines or penalties) due to failure in taking responsive action in the recent years or ending the publication date of this report. If it is not feasible to make a reasonable estimate, it should be clearly indicated as such: None.

5. Labor relations

(1) Various aspects of employee welfare measures, continuing education, job training, retirement system and its implementation, as well as labor agreements, labor rights and employment protection measures:

1.Employee benefits：

The Company always pay attention to employee salary and benefit while cultivating talents and implementing labor law to ensure employee’s right. In additional to cover with national health insurance and labor insurance, employee welfare committee is set up for handling employee benefit matters. With a well-established welfare system, it allocates welfare every month to secure employee’s life. Good employee training is also provided for employees to establish trusty and reliable relationship. The main benefits of the Company is as follow:

A. Consolation money for sickness or injury.

B. Cash gift on five holidays (Spring holiday, Moon Festival, Dragon Boat Festival, employee’s birthday, and Labor Day)

C. Allowance for wedding and.

D. Allowance for travel.

2. Employee advance study:

The Company provides complete employee training system. With the training management regulation, employees may receive up to date professional training to increase their knowledge in professional field.

3. Employee training:

The Company has budget and plan to hold in-service training, professional training, and annual training every year regularly.

4. Retirement system and its implement:

The company has set up a staff retirement scheme. In accordance with Article 2 in the Labor Pension Regulations, 2% of the monthly salary of employees is allocated in a special account in the Bank of Taiwan. It is also under the rule of No. 18 retirement pension treatment in IFRSs since 2001.

When adopting a defined contribution plan, the Company will allocate 6% of the monthly salary of employees to the Labor Insurance Bureau in compliance with the regulation.

5. Employee rights and interests：

The Company has regulations and systems on employee rights, obligations, and benefits and regularly review and amend them to maintain all employee rights.

6. Labor agreements, maintenance of employee rights and interests:

All rules and regulations of the Company are in accordance with the Labor Act. In order to maintain good interaction between the Company and employees, employees can communicate with the Company about any systems or job environment via Welfare Committee, Labor-management Conference.

(2) List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken. If the loss cannot be reasonably estimated, make a statement to that effect: no loss incurred in the recent year and up to the date of publication of this report.

6. Important contracts: None

VI. An Overview of the Company's Financial Status

1. Condensed balance sheets and statements of comprehensive income

(1) Condensed balance sheet and consolidated income statement-International Financial Reporting Standards

1. Condensed balance sheet (consolidated)

Unit: NT$ thousand

Item \ Year		Financial information in the last 5 years (Note 1)					Current financial data ending Mar 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Current Assets		2,528,555	2,339,932	2,967,413	2,220,902	2,057,587	2,017,496
Property, plant, and equipment		417,523	408,421	303,958	519,932	684,551	814,954
Intangible assets		77,278	37,196	29,991	21,875	13,979	11,959
Other assets		365,648	297,048	132,661	288,668	287,205	333,616
Total assets		3,389,004	3,082,597	3,434,023	3,051,377	3,043,322	3,178,025
Current liabilities	Before distribution	491,063	317,055	522,432	411,303	295,297	312,201
	After distribution	491,063	317,055	522,432	411,303	295,297	312,201
Non-current liabilities		39,991	20,858	4,064	1,211	1,224	26,248
Total liabilities	Before distribution	531,054	337,913	526,496	412,514	296,521	338,449
	After distribution	531,054	337,913	526,496	412,514	296,521	338,449
Equity Attributed to Stockholders of the Company		-	-	-	-	-	-
Share capital		1,824,799	1,824,799	1,824,799	1,824,799	1,824,799	1,824,799
Capital surplus		833,023	833,023	824,660	831,350	831,350	831,219
Retained earnings	Before distribution	130,316	73,971	283,469	38,255	158,327	222,573
	After distribution	130,316	73,971	283,469	38,255	158,327	222,573
Other equity interest		56,969	5,834	(85,947)	(105,145)	(123,002)	(93,617)
Treasury stock		-	-	-	-	-	-
Non-controlling equity		12,843	7,057	60,546	49,604	55,327	54,602
Total equity	Before distribution	2,857,950	2,744,684	2,907,527	2,638,863	2,746,801	2,839,576
	After distribution	2,857,950	2,744,684	2,907,527	2,638,863	2,746,801	2,839,576

Note 1：Financial Reports in the recent 5 years are signed and checked by certified accountants.

Note 2：The financial information up to Mar 31, 2019 is reviewed by the accountants.

2. Condensed balance sheet (Individual)

Unit: NT$ thousand

Item \ Year		Financial information in the last 5 years (Note 1) 2014	2015	2016	2017	2018	Current financial data ending Mar 31, 2019
Current Assets		1,162,335	1,113,425	1,243,715	905,938	765,711	Not applicable
Property, plant, and equipment		30,786	4,147	99,606	98,323	96,167	
Intangible assets		64,252	36,195	28,411	20,655	13,066	
Other assets		1,947,928	1,846,086	1,616,117	1,681,275	1,879,244	
Total		3,205,301	2,999,853	2,987,849	2,706,191	2,754,188	
Current liabilities	Before distribution	208,534	200,740	139,532	116,132	62,447	
	After distribution	208,534	200,740	139,532	116,132	62,447	
Non-current liabilities		151,660	61,486	1,336	800	267	
Total liabilities	Before distribution	360,194	262,226	140,868	116,932	62,714	
	After distribution	360,194	262,226	140,868	116,932	62,714	
Equity Attributed to Stockholders of the Company		-	-	-	-	-	
Share capital		1,824,799	1,824,799	1,824,799	1,824,799	1,824,799	
Capital surplus		833,023	833,023	824,660	831,350	831,350	
Retained earnings	Before distribution	130,316	73,971	283,469	38,255	158,327	
	After distribution	130,316	73,971	283,469	38,255	158,327	
Other equity interest		56,969	5,834	(85,947)	(105,145)	(123,002)	
Treasury stock		-	-	-	-	-	
Non-controlling equity		-	-	-	-	-	
Total equity	Before distribution	2,845,107	2,737,627	2,846,981	2,589,259	2,691,474	
	After distribution	2,845,107	2,737,627	2,846,981	2,589,259	2,691,474	

Note 1：Financial Reports in the recent 5 years are signed and checked by certified accountants.

3.Condensed Income Statement (Consolidated)

Unit: NT$ thousand

Item \ Year	Financial information in the last 5 years（Note 1）					Current financial data ending Mar 31, 2019 (Note 2)
	2014	2015	2016	2017	2018	
Operating revenues	2,048,621	1,785,723	2,173,107	2,151,112	1,905,226	425,791
Gross profit	337,064	227,492	211,670	133,100	362,052	126,862
Net operating income	4,005	(94,190)	(135,066)	(184,672)	87,927	55,077
Profit before income tax, net	(6,879)	35,542	364,840	(64,464)	34,589	20,296
Profit	(2,874)	(58,648)	229,774	(249,136)	122,516	75,373
Profit of the operating departments	(16,887)	(61,972)	212,903	(248,489)	111,950	63,390
Loss of the closed departments	-	-	-	-	-	-
Profit(Loss)	(16,887)	(61,972)	212,903	(248,489)	111,950	63,390
Other comprehensive income, net	50,052	(51,294)	(92,223)	(19,257)	(55,936)	29,385
Total comprehensive income	33,165	(113,266)	120,680	(267,746)	56,014	92,775
Profit attributable to the equity holders of the company	(11,466)	(56,218)	214,003	(245,155)	111,399	64,246
Net profit attributable to non-controlling interests	(5,421)	(5,754)	(1,100)	(3,334)	551	(856)
Comprehensive income attributable to the equity holders of the Company	38,580	(107,480)	121,780	(264,412)	55,463	93,631
Comprehensive income attributable to non-controlling interests	(5,415)	(5,786)	(1,100)	(3,334)	551	(856)
Earnings per share	(0.06)	(0.31)	1.17	(1.34)	0.61	0.35

Note 1：Financial Reports in the recent 5 years are signed and checked by certified accountants.

Note 2：The financial information up to Mar 31, 2019 is reviewed by the accountants.

4. Condensed Income Statement (Individual)

Unit: NT$ thousand

Item \ Year	Financial information in the last 5 years（Note 1）					Current financial data ending Mar 31, 2019
	2014	2015	2016	2017	2018	
Operating revenues	1,230,714	972,930	815,485	906,822	793,987	Not applicable
Gross profit	98,602	49,760	(5,476)	7,199	27,116	
Net operating income	6,042	(31,898)	(107,135)	(71,431)	(41,617)	
Profit before income tax, net	(13,046)	(22,709)	332,000	(174,481)	152,738	
Profit	(7,004)	(54,607)	224,865	(245,912)	111,121	
Profit of the operating departments	(11,466)	(56,218)	214,003	(245,155)	111,399	
Loss of the closed departments	-	-	-		-	
Profit(Loss)	(11,466)	(56,218)	214,003	(245,155)	111,399	
Other comprehensive income, net	50,046	(51,262)	(92,223)	(19,257)	(55,936)	
Total comprehensive income	38,580	(107,480)	121,780	(264,412)	55,463	
Profit attributable to the equity holders of the company	(11,466)	(56,218)	214,003	(245,155)	111,399	
Net profit attributable to non-controlling interests	-	-	-	-	-	
Comprehensive income attributable to the equity holders of the Company	38,580	(107,480)	121,780	(264,412)	55,463	
Comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share	(0.06)	(0.31)	1.17	(1.34)	0.61	

Note 1：Financial Reports in the recent 5 years are signed and checked by certified accountants.

(2) The names of appointed certified accountants and their audit opinions in the last 5 years

Year	Name of the CPA	Audit opinion
2014	KPMG Hui-Lan, Wu, Hai-Ning Huang	Unqualified opinion
2015	KPMG Hui-Lan, Wu, Hai-Ning Huang	Unqualified opinion
2016	KPMG Hai-Ning Huang, Chien-Hui Lu	Unqualified opinion
2017	KPMG Hai-Ning Huang, Chien-Hui Lu	Unqualified opinion
2018	KPMG Hai-Ning Huang, Chien-Hui Lu	Unqualified opinion

2. Financial analyses for the past 5 fiscal years

(1) Adoption of International Financial Reporting Standards (Consolidated)

Item \ Year		Financial information in the last 5 years (Note 1)					Current financial data ending Mar 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Financial Structure (%)	Debts Ratio	16	11	15	14	10	11
	Long-term Funds to Property, Plant and Equipment Ratio	691	675	938	498	393	345
Solvency%	Current Ratio	515	738	568	540	697	646
	Quick Ratio	452	657	508	466	614	550
	Times Interest Earned	-3	-107	131	-136	99	243
Operating Performance	Average Collection Turnover（Times）	3.06	3.04	3.61	3.36	3.25	3.16
	Average number of days	119	120	101	109	112	116
	Inventory Turnover（Times）	6.56	6.39	7.83	7.56	6.36	4.80
	Average Payment Turnover（Times）	10	10	11	11	16	21.20
	Average Sales Days	56	57	47	48	57	76
	Property, Plant, and Equipment Turnover（Times）	4.91	4.37	7.14	4.14	2.78	2.08
	Total Assets Turnover（Times）	0.60	0.58	0.63	0.70	0.63	0.52
Profitability	Return on Total Assets（%）	-0.35	-1.74	6.57	-7.56	3.66	8.28
	Return on equity（%）	-0.41	-2.01	7.66	-9.02	4.22	9.4
	Pre-tax net profit to paid-in capital ratio (%)	-0.16	-3.21	12.59	-13.65	6.71	16.52
	Net Margin（%）	-0.56	-3.47	9.79	-11.55	5.88	14.89
	Earnings per share（NT）	-0.06	-0.31	1.17	-1.34	0.61	0.35
Cash Flow	Cash Flow Ratio（%）	59	44	34	-61	67	126
	Cash Flow Adequacy Ratio（%）	55	101	211	-6	63	74
	Cash Flow Reinvestment Ratio(%)	9	5	6	-9	7	14
Leverage	Operating Leverage	24	0	0	1	2	1
	Financial Leverage	1	1	1	1	1	1

Analysis of significant changes in financial ratios over the last two years (No analysis required for changes under 20%)
1. Decrease in financial structure ratio is due to decrease in total liabilities.
2. Increase in liquidity analysis is due to increase in income before tax.
3. Decrease in operating capability is because decrease in inventory turnover and increase in average days in sales.
4. Increase in profitability and leverage is due to increase in operating income.
5. Increase in cash flow is due to increase in cash flows from operating activities.

(2) Adoption of International Financial Reporting Standards (Independent)

Item	Year	2014	2015	2016	2017	2018	Current financial data ending Mar 31, 2019
		Financial information in the last 5 years (Note 1)					
Financial Structure (%)	Debts Ratio	11	9	5	4	2	Not applicable
	Long-term Funds to Property, Plant and Equipment Ratio	9,242	67,497	2,860	2,634	2,799	
Solvency%	Current Ratio	557	555	891	780	1,226	
	Quick Ratio	549	551	884	768	1,206	
	Times Interest Earned	-	-	-	-	-	
Operating Performance	Average Collection Turnover（Times）	3.01	2.90	3.04	3.00	2.66	
	Average number of days	121	126	120	122	137	
	Inventory Turnover（Times）	72	148	253	183	161	
	Average Payment Turnover（Times）	6	5	6	10	16	
	Average Sales Days	5	2	1	2	2	
	Property, Plant, and Equipment Turnover（Times）	40	235	8	9	8	
	Total Assets Turnover（Times）	0.38	0.32	0.27	0.34	0.29	
Profitability	Return on Total Assets（%）	-0.36	-1.81	7.15	-8.61	4.08	
	Return on equity（%）	-0.41	-2.01	7.66	-9.02	4.22	
	Pre-tax net profit to paid-in capital ratio (%)	-0.38	-2.99	12.32	-13.48	6.09	
	Net Margin（%）	-0.93	-5.78	26.24	-27.03	14.03	
	Earnings per share（NT）	-0.06	-0.31	1.17	-1.34	0.61	
Cash Flow	Cash Flow Ratio（%）	8.11	97.8	11.31	-120.67	41.96	
	Cash Flow Adequacy Ratio（%）	348.53	1075.52	3,392.51	-3,793.51	856.69	
	Cash Flow Reinvestment Ratio（%）	0.58	6.9	0.57	-5.36	0.99	
Leverage	Operating Leverage	4	0	1	1	1	
	Financial Leverage	1	1	1	1	1	

Analysis of significant changes in financial ratios over the last two years (No analysis required for changes under 20%)
1. Increase in liquidity analysis is due to decrease in current liabilities.
2. Increase in profitability, cash flow, and leverage ratio are due to increase in net profit.

Note 1: Financial Reports in the recent 5 years are signed and checked by certified accountants.
Note 2: Current financial data ending Mar 31, 2019 is signed and checked by certified accountants.
Note 3: Calculation

1. Financial Structure
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance
   (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
   (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Profitability
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity = Net Income / Average Total Equity
   (3) Net Margin = Net Income / Net Sales
   (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding （Note 4）
5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends)/ (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (Note 5)
6. Leverage
   (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (Note: 6)
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

3. Supervisors' or audit committee's report for the most recent year's financial statement

Yeh-Chiang Technology Corp.

Review Report of Supervisors

The Board of Directors made the Company's 2018 business report and appropriation of earnings, with the consolidated financial statements and the stand alone financial statements certified by the KMPG accountants Hai-Ning Huang and Chien-Hui Lu, are approved by the Supervisors and considered that there is no disagreement and can reflect on the Company’s financial status and operating result. In accordance with the Article 219 of the Company Act made a report, please review it.

To

2019 Annual Shareholders’ Meeting

Yeh-Chiang Technology Corp.

Supervisor：Tong Wei Investing Corp.

Representative: Ya-Ting Hsu

Supervisor：How Ji Investing Corp.

Representative: Chen-Ting Wu

Representative: Shu-Yuan Lin

Mar 31, 2019

4. Individual financial statement for the most recent fiscal year, certified by a CPA, please see page 96~173

Independent Auditors' Report

To the Board of Directors of Yeh Chiang Technology Corporation:

Opinion

We have audited the financial statements of Yeh Chiang Technology Corporation ("the Company"), which comprise the balance sheet as of December 31, 2018 and 2017, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Evaluation of inventory allowance (include the inventory that recorded in investments accounted for using equity method)

   For the evaluation of inventory policy please refer to Note 4(7) Summary of Significant Accounting Policies - Inventories, Notes 5 Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty, and Note 6(4) description of Significant Accounts - Inventories to the Parent Company Only financial statements.

Description of key audit matter:

In financial reports, inventories are measured at the lower of cost and net realizable value. Therefore, the Company needs to use judgment and estimation to decide on the net realizable value of the inventory on the reporting date. Due to the rapid changes in technology, the launch of new products and the new technologies may cause a significant change in the market, and sales of related products may fluctuate significantly, resulting in the inventory costs to exceed its net realizable value. In addition, the policy for the allowance for loss of inventories is based on past experience and the management's estimate of the future. As a result of these subjective judgments and estimates on inventory allowance for loss of value is one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included evaluating the method in providing allowance for inventory valuation and the reasonableness of information, assumptions and formulas on which it is based; and examining the appropriate supporting documents to assess the appropriateness of the inventory allowance; examining the inventory aging report to analyze the change on inventory aging reports; performing the sample procedures to check the correctness of the inventory aging reports; evaluating whether the evaluation of inventory is consistent with the evaluation policy; performing a retrospective testing to verify the rationality of the provision of obsolescence.

2. Impairment of long-term non-financial assets (include the long-term non-financial assets that recorded in investments accounted for using equity method)

   For the impairment assessment of long-term non-financial assets, please refer to Note 4(12) for non-financial assets impairment assessment, Note 5 major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty, and Note 6(6) description of real estate, plant and equipment.

   Description of key audit matter:

   The profitability of the company is greatly affected by the rapid changes in technology and changes in regional industrial competitiveness. Therefore, the impairment testing of long-term non-financial assets (including plant and equipment) is important; the asset impairment assessment includes the process of identifying the cash-generating unit, determining the evaluation model, determining the important assumptions and calculating the recoverable amount. The assessment process is complex and contains the subjective judgment of the management, therefore, the impairment of long-term non-financial assets in one of the key matters in our audit.

   How the matter was addressed in our audit:

   Our principal audit procedures included evaluating whether the cash-generating units and the related assets identified by the management are reasonable; assessing the methodology and assumption used by the management to determine whether the property is impaired; conducting a retrospective test to assess whether the results of the Company's past estimated future cash flows are significantly different from the actual conditions; performing the sensitivity analysis on important assumptions; appointing specialists to evaluate the appropriateness of the evaluation model and the weighted average cost of capital; obtaining the subsequent financial information or significant matters to assess the rationality of the evaluation of impairment. In addition, assessing whether the management has properly disclosed its long-term non-financial asset impairment policies and other information.

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

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

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

Those charged with governance (including the supervisors) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 parent-company-only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-company-only financial statements of the current period 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 Hai-Ning Huang and Chien-Hui Lu.

KPMG

Taipei, Taiwan (Republic of China)
March 21, 2019

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

Yeh Chiang Technology Corporation

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents(note 6(1))	$ 140,415	5	209,827	8
1110	Current financial assets at fair value through profit or loss(note 6(2))	352,490	13	343,031	13
1170	Notes and accounts receivable, net(note 6(3))	259,319	9	338,207	12
1210	Other receivables - related parties(note 6(3) and 7)	838	-	1,071	-
130X	Inventories(note 6(4))	4,406	-	5,132	-
1470	Other current assets(note 8)	8,243	1	8,670	-
		765,711	28	905,938	33
	Non-current assets:				
1518	Non-current financial assets at fair value through other comprehensive income(note 6(2))	65,201	2	-	-
1523	Non-current available-for-sale financial assets(note 6(2))	-	-	58,177	2
1543	Non-current financial assets at cost, net(note 6(2))	-	-	1,608	-
1551	Investments accounted for using equity method(note 6(5))	1,745,496	63	1,556,254	58
1600	Property, plant and equipment(note 6(6))	96,167	3	98,323	4
1780	Intangible assets(note 6(7))	13,066	1	20,655	1
1840	Deferred income tax assets(note 6(9))	22,338	1	16,677	-
1900	Other non-current assets(note 6(8),note 8)	46,209	2	48,559	2
		1,988,477	72	1,800,253	67
	Total assets	**$ 2,754,188**	**100**	**2,706,191**	**100**

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2170	Notes and accounts payable	$ 239	-	433	-
2180	Accounts payable - related parties(note 7)	15,784	1	77,034	3
2300	Other current liabilities(note 7)	46,424	1	38,665	2
		62,447	2	116,132	5
	Non-Current liabilities:				
2570	Deferred income tax liabilities(note 9)	267	-	800	-
	Total liabilities	62,714	2	116,932	5
	Equity:(note 6(10))				
3100	Common stock	1,824,799	66	1,824,799	67
3200	Capital surplus	831,350	30	831,350	31
3300	Retained earnings	158,327	6	38,255	1
3400	Other equity interest	(123,002)	(4)	(105,145)	(4)
	Total equity	2,691,474	98	2,589,259	95
	Total liabilities and equity	**$ 2,754,188**	**100**	**2,706,191**	**100**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

Yeh Chiang Technology Corporation

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earning Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue** (note 6(12))	$ 793,987	100	906,822	100
5000	**Operating costs** (note 6(4), (8) and 12)	766,871	97	899,623	99
	Gross profit from operations	27,116	3	7,199	1
	Operating expenses (note 6(8), (13) and 12):				
6100	Selling expenses	11,102	1	13,502	1
6200	Administrative expenses	52,875	7	59,693	7
6300	Research and development expenses	4,756	1	5,435	1
		68,733	9	78,630	9
	Net operating loss	(41,617)	(6)	(71,431)	(8)
	Non-operating income and expenses:				
7020	Other gains and losses, net (note 6(2), (14) and 7)	32,818	4	(37,203)	(4)
7070	Share of profit (loss) of subsidiaries accounted for using equity method, net (note 6(5))	119,478	15	(139,646)	(15)
7100	Interest income	442	-	2,368	-
		152,738	19	(174,481)	(19)
	Income (loss) before income taxes	111,121	13	(245,912)	(27)
7950	**Income tax benefits** (note 6(9))	(278)	-	(757)	-
	Net income (loss)	111,399	13	(245,155)	(27)
8300	**Other comprehensive income:**				
8310	**Items that will not be reclassified to profit or loss**				
8311	Remeasurements of defined benefit plans (note 6(8))	240	-	(59)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(41,336)	(5)	-	-
		(41,096)	(5)	(59)	-
8360	**Items that may be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(20,656)	(3)	(23,674)	(3)
8362	Unrealized gains on available-for-sale financial assets	-	-	460	-
8399	Income tax related to items that will be reclassified subsequently (note 6(9)	5,816	1	4,016	-
		(14,840)	(2)	(19,198)	(3)
8300	**Other comprehensive income for the period**	(55,936)	(7)	(19,257)	(3)
8500	**Total comprehensive income for the period**	$ 55,463	6	(264,412)	(30)
	Earnings per share (New Taiwan Dollars)(note 6(11))				
9750	Basic earnings per share	$	0.61		(1.34)
	Diluted earnings per share	$	0.61		(1.34)

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

Yeh Chiang Technology Corporation

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
Balance at January 1, 2017	$ 1,824,799	824,660	11,702	5,555	266,212	283,469	(89,298)	-	3,351	(85,947)	2,846,981
Net loss	-	-	-	-	(245,155)	(245,155)	-	-	-	-	(245,155)
Other comprehensive income (loss) for the period	-	-	-	-	(59)	(59)	(19,658)	-	460	(19,198)	(19,257)
Total comprehensive income for the period	-	-	-	-	(245,214)	(245,214)	(19,658)	-	460	(19,198)	(264,412)
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	21,400	-	(21,400)	-	-	-	-	-	-
Special reserve	-	-	-	89,298	(89,298)	-	-	-	-	-	-
From share of changes in equities of subsidiaries	-	6,690	-	-	-	-	-	-	-	-	6,690
Balance at December 31, 2017	1,824,799	831,350	33,102	94,853	(89,700)	38,255	(108,956)	-	3,811	(105,145)	2,589,259
Effects of retrospective application of new standards	-	-	-	-	8,433	8,433	-	42,130	(3,811)	38,319	46,752
Balance on January 1, 2018 after adjustment	1,824,799	831,350	33,102	94,853	(81,267)	46,688	(108,956)	42,130	-	(66,826)	2,636,011
Net income	-	-	-	-	111,399	111,399	-	-	-	-	111,399
Other comprehensive income (loss) for the period	-	-	-	-	240	240	(14,840)	(41,336)	-	(56,176)	(55,936)
Total comprehensive income for the period	-	-	-	-	111,639	111,639	(14,840)	(41,336)	-	(56,176)	55,463
Balance at December 31, 2018	**$ 1,824,799**	**831,350**	**33,102**	**94,853**	**30,372**	**158,327**	**(123,796)**	**794**	**-**	**(123,002)**	**2,691,474**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

Yeh Chiang Technology Corporation

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from operating activities:			
Income (loss) before income tax	$	111,121	(245,912)
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		751	1,540
Amortization expense		8,105	7,938
Net loss (gain) on financial assets and liabilities at fair value through profit or loss		(1,459)	104
Interest income		(442)	(2,368)
Dividend income		(7,116)	(5,744)
Reversal of inventory obsolescence gain		(6,832)	-
Share of loss (profit) of subsidiaries accounted for using equity method		(119,478)	139,646
Loss on disposal of property, plant and equipment		386	-
		(126,085)	141,116
Changes in operating assets and liabilities:			
Notes and accounts receivable, net		78,888	(72,570)
Inventories		7,558	(453)
Other operating assets		621	1,717
Notes and accounts payable (including related parties)		(61,444)	(21,297)
Other operating liabilities		7,758	(2,103)
Total changes in operating assets and liabilities		33,381	(94,706)
Total adjustments		(92,704)	46,410
Cash flow generated from operations		18,417	(199,502)
Interest received		442	2,679
Dividends received		7,481	6,226
Income taxes paid		(139)	(260)
Net cash flows generated from (used in) operating activities		26,201	(190,857)
Cash flows from investing activities:			
Acquisition of financial assets at fair value through profit or loss		(8,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss		-	50,725
Acquisition of investments accounted for using equity method		(90,785)	(201,399)
Acquisition of property, plant and equipment		-	(257)
Disposal of property, plant and equipment		1,019	-
Decrease (increase) in refundable deposits		2,154	(15,937)
Increase in other financial assets		(1)	(3,002)
Net cash flows used in investing activities		(95,613)	(169,870)
Net decrease in cash and cash equivalents for the period		(69,412)	(360,727)
Cash and cash equivalents at beginning of period		209,827	570,554
Cash and cash equivalents at end of period	$	**140,415**	**209,827**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Yeh Chiang Technology Corporation (the "Company") was incorporated on December 23, 1994 and commenced its business operation in December 1995. The registered address of the Company's office is 7th Floor, No.13, No.19, Sanchong Road, Nangang District, Taipei. The Company's ordinary shares were publicly listed on the Taiwan Exchange in March 2002.

The major business activities of the Company are the production and sales of high-tech heat pipe components and solder balls.

(2) Approval date and procedures of the financial statements:

These parent-company-only financial statements were authorized for issuance by the Board of Directors on March 21, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows - Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of goods, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

The Company adoption of the IFRS 15 would not have any material difference on its parent-company-only financial statements.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

Yeh Chiang Technology Corporation

Notes to the Financial Statements

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(6).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 - please see note 4(6).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  - The determination of the business model within which a financial asset is held.

  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

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

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	209,827	Amortized cost	209,827
Equity instruments	Available-for-sale (note 1)	59,785	Mandatorily at FVTPL	106,537
Trade and other receivables	Loans and receivables	338,207	FVOCI	338,207
Other receivables-relates parties	Loans and receivables	1,071	Amortized cost	1,071
Other financial assets-current	Loans and receivables	3,002	Amortized cost	3,002
Refunded deposits	Loans and receivables	43,845	Amortized cost	43,845

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
FVOCI financial assets						
Available for sale (including measured at cost) reclassification	$ -	59,785	46,752	106,537	8,433	38,319

Note 1: These equity securities (including financial assets measured at cost) represent the investments that the Company intends to hold for long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI. In addition, the impairment loss of equity securities that have been recognized in accordance with IAS 39 for available-for-sale and accumulated in retained earnings, is designated in accordance with IFRS 9 as measured by FVOCI, and no longer required for impairment assessment, resulting in an increase of 46,752 thousand in those recognized assets, and the increase of 38,319 thousand and 8,433 thousand in other equity and retained earnings.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

(iii) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Company adoption of the IFRS 12 would not have any material difference on its parent-company-only financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent-only-company financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard - i.e. the lessors will continue to classify leases as finance or operating leases.

The Company believes that the adoption of the above IFRSs would not have any material impact.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company estimated the application of the new amendments will not have any material impact on its parent-company-only financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date 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

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language Parent Company Only financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the parent-company-only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as "the Regulations").

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Fair value through other comprehensive income (available-for-sale financial assets) are measured at fair value;

3) The defined benefit asset is recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each the Company is determined based on the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(iii) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(iv) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income.

(Continued)

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

(Continued)

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

・it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

・its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, refundable deposits paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date；and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

(Continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The loss allowance is recognized in profit or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial instruments (policy applicable before January 1, 2018)

1) Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, receivables and available-for-sale financial assets.

A. Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a. Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

b. Performance of the financial liabilities is evaluated on a fair value basis;

c. A hybrid instrument contains one or more embedded derivatives.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

B. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments are recognized in profit or loss, are recognized in other comprehensive income and presented within equity in unrealized gains (losses) on available-for-sale financial assets. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are carried at their cost less any impairment losses, and are included in financial assets carried at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

C. Receivables

Receivables, which comprise receivables and other receivables, are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses, using trade date accounting, as applicable. Interest income is recognized in profit or loss.

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Yeh Chiang Technology Corporation

Notes to the Financial Statements

D. Impairments of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

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Yeh Chiang Technology Corporation

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If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

E. Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity - unrealized gains or losses on available-for-sale financial assets" in profit or loss.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

2) Financial liabilities

A. Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held-for-trading if acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a. Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

(Continued)

Yeh Chiang Technology Corporation

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b. Performance of the financial liabilities is evaluated on a fair value basis; or

c. A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and is included in non-operating income and expenses.

B. Other financial liabilities

Financial liabilities not classified as held-for-trading, or designated as at FVTPL, which comprise accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expenses.

C. Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

D. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

3) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in line item of non-operating income of comprehensive income. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

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Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

The Company's subsidiaries are accounted for using the equity method when preparing their parent-company-only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements. The Company's change in the ownership interests of the subsidiaries did not result in a loss of control, and therefore, was deemed as an interest transaction with the owner.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

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(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

The estimated useful lives for the current and comparative years of property, plant and equipment are as follows:

1)	Buildings	15~25 years
2)	Machinery and equipment	6~8 years
3)	Miscellaneous equipment	2~6 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(j) Lease

(i) Lessor

Lessor income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) Lessee

The Company's leases are operating leases and are not recognized in the Company's balance sheet.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(k) Intangible assets

(i) Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortizable amount is the cost of an asset less its residual value. Except for goodwill and intangible assets with indefinite useful lives, since the intangible assets are available for use, patents and trademarks are amortized using the straight-line method over the estimated useful lives of 10 to 20 years. Amortization is recognized in profit or loss.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

(l) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from inventory, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

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Notes to the Financial Statements

The Company would assess, at each reporting date, whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount as a reversal of a previously recognized impairment loss.

(m) Revenue from contracts with customers (policy applicable commencing January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods-electronic components

The Company manufactures and sells high-tech heat pipe components and solder balls. The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer, and payment made by the customer, exceeds one year. As a consequence, the Company does not need to adjust any of the transaction prices for the time value of money.

(n) Revenue (policy applicable before January 1, 2018)

Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

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The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Company's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation.

(Continued)

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Notes to the Financial Statements

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are recognized except for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration through the issuance of shares.

(r) Operating segments

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

(2) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent-company-only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Evaluation of inventory allowance (include the inventory that recorded in investments accounted for using equity method.)

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(4) for further description of the valuation of inventories.

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Notes to the Financial Statements

(b) Impairment of long-term non-financial assets (include the long-term non-financial assets that recorded in investments accounted for using equity method.)

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years may cause significant impairment at the time of the attempt or the impairment loss recognized by the reversal.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(15) for assumptions used in measuring fair value.

(3) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Petty cash and cash on hand	$ 2	2
Check and demand deposits	140,413	209,825
	$ 140,415	**209,827**

Please refer to note 6(15) for the interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

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Notes to the Financial Statements

(b) Financial instruments

(i) Current financial assets at fair value through profit or loss

	December 31, 2018	December 31, 2017
Financial assets held-for-trading-current:		
Beneficiary Certificate - mutual Funds	$ 352,490	343,031

The Company engaged in derivative financial instrument transactions to circumvent the risk of its production materials due to fluctuations in international copper prices. The above transactions are not applicable to hedge accounting, and the related transactions are as follows. In addition, there have been no outstanding contracts as of the reporting date.

Commodity exchange contract:

	Expiry date	Financial product	Buyer/ Seller	Quantity of contracts	Trading price	Settle loss
Closed position	106.9~ 106.11	Copper exchange contract	Buyer	150 tons	USD6,528 dollar/ton ~USD6,960 dollar/ton	$ 1,702

Futures contract transaction:

	Closed position			
	Buyer/Seller	Quantity of contracts	Trading price	Settle loss
106.2~106.5	Buyer	113 tons (250,000 pounds)	USD6,112 dollar/ton	$ 1,327

The gains (losses) arising from the fair value assessment of the financial assets of the Company in 2018 and 2017 were $1,459 and $(104), respectively.

(ii) Non-Current financial assets at fair value through other comprehensive income:

	December 31, 2018
Listed stocks - ASUSTeK Computer Inc.	$ 26,743
Listed stocks - Pegatron Corporation	15,050
Domestic non-listed (cabinet) stocks - Song Long Electronics Co., Ltd.	16,021
Domestic non-listed (cabinet) stock - Powerchip Technology Corporation	7,387
	$ 65,201

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Notes to the Financial Statements

The Company investments in these equity instruments are not held for trading purposes and have been designated for non-current financial assets at fair value through other comprehensive income. These investments were classified as non-current available-for-sale financial assets and non-current financial assets at cost as at December 31, 2017. Please refer to note 6(2) iii and iv for details.

(iii) Non-current available-for-sale financial assets

	December 31, 2017
Listed stocks - ASUSTeK Computer Inc.	$ 37,096
Listed stocks - Pegatron Corporation	21,081
	$ 58,177

These investments were classified as financial assets at fair value through other comprehensive income as at December 31, 2018. Please refer to note 6(2) ii for details.

(iv) Non-current financial assets at cost, net

	December 31, 2017
Stock Investment - Song Long Electronics Co., Ltd.	$ 1,450
Stock Investment - Powerchip Technology Corporation	8,591
	10,041
Less: cumulative impairment	(8,433)
	$ 1,608

The above mentioned stock investments held by the Company were measured at cost, less, allowance for impairment on December 31, 2017, due to the significant range of reasonable estimate of the fair value estimates and the inability to reasonably assess the various estimates the rate, resulted in the management of the Company to believe that its fair value cannot be reliably measured. These investments were classified as financial assets at fair through other comprehensive income on December 31, 2018. Please refer to note 6(b) ii for detail.

(c) Notes and trade receivable, net

	December 31, 2018	December 31, 2017
Note receivables	$ 1,056	1,899
Trade receivables - measured as amortized cost	258,263	336,308
	$ 259,319	**338,207**
Other receivables - related parties	**$ 838**	**1,071**

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The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, account receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	$ 259,319	0%	-

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and account receivable. The company has no past due notes and account receivable, which were past due but not impaired, was as follows:

The movement in the allowance for notes and account receivable was as follows:

	December 31, 2018	December 31, 2017
Balance on January 1, (IAS39)	$ -	-
Adjustment on initial application of IFRS 9	-	-
Balance on December 31, (IFRS 9)	$ -	-

(d) Inventories

	December 31, 2018	December 31, 2017
Commodity inventory	$ 4,406	5,132

As at 2018 and 2017, the company recognized as cost of sales amounting to $773,703 and $899,623 respectively; and the inventory adjustment to net realized value, recognized as inventory write-down (reversals) gain (loss) were $6,832 and $0. The write-downs and reversals are included in cost of sales.

As of, 2018 and 2017, the Company did not provide any inventories as collateral for its loans.

(e) Investments accounted for using equity method

(i) The Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 1,745,496	1,556,254

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For the year ended December 31, 2018 and 2017, recognized share of profit (loss) of subsidiaries amounted to $119,478 and $(139,646).

(ii) Subsidiaries

Please refer to the 2018 consolidated financial report.

(iii) The Company invested the amount of $75,000 in Yuh Cheng Materials in August 2017, resulting in an increase its shareholding from 67.03% to 81.80%. Due to the changes in equities of subsidiaries, and the capital surplus increased by $6,690.

(iv) Collateral

As of December 31, 2018 and 2017, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

		Land	Buildings and construction	Machinery and equipment	Other facilities	Total
Cost:						
Balance on January 1, 2018	$	99,391	8,362	1,866	34,777	144,396
Disposal		-	-	(744)	(2,890)	(3,634)
Balance on December 31, 2018	$	99,391	8,362	1,122	31,887	140,762
Balance on January 1, 2017	$	99,391	8,362	1,866	49,353	158,972
Additions		-	-	-	257	257
Disposal		-	-	-	(14,833)	(14,833)
Balance on December 31, 2017	$	99,391	8,362	1,866	34,777	144,396
Depreciation and impairments loss:						
Balance on January 1, 2018	$	4,673	7,545	1,400	32,455	46,073
Depreciation		-	409	125	217	751
Disposal		-	-	(746)	(1,483)	(2,229)
Balance on December 31, 2018	$	4,673	7,954	779	31,189	44,595
Balance on January 1, 2017	$	4,673	7,136	1,275	46,282	59,366
Depreciation		-	409	125	1,006	1,540
Disposal		-	-	-	(14,833)	(14,833)
Balance on December 31, 2017	$	4,673	7,545	1,400	32,455	46,073
Carrying amounts:						

(Continued)

Yeh Chiang Technology Corporation
Notes to the Financial Statements

Balance on December 31, 2018	$ 94,718	408	343	698	96,167
Balance on December 31, 2017	$ 94,718	817	466	2,322	98,323
Balance on January 1, 2017	$ 94,718	1,226	591	3,071	99,606

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

As of December 31, 2018 and 2017, the Company did not provide any property, plant and equipment as collateral for its loans.

(g) Intangible assets

The cost and amortization of the intangible assets of the Company for the years ended December 31, 2018 and 2017, were as follows:

	Patent and trademark
Costs:	
Balance at January 1, 2018	$ 81,220
Additions	183
Balance at December 31, 2018	**$ 81,403**
Balance at January 1, 2017	$ 81,228
Additions	12
Disposals	(20)
Balance at December 31, 2017	**$ 81,220**
Accumulated amortization:	
Balance at January 1, 2018	$ 60,565
Amortization	7,772
Balance at December 31, 2018	**$ 68,337**
Balance at January 1, 2017	$ 52,817
Amortization	7,768
Disposals	(20)
Balance at December 31, 2017	**$ 60,565**
Carrying value:	
Balance at December 31, 2018	**$ 13,066**
Balance at December 31, 2017	**$ 20,655**
Balance at January 1, 2017	**$ 28,411**

(i) Recognition of amortization

The amortization of intangible assets are included in the statement of comprehensive income under the operating expenses, please refer to note12.

(ii) As of December 31, 2018 and 2017, the Company did not provide any intangible assets as collateral for its loans.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

(h) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

		December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$	(8,665)	(8,313)
Fair value of plan assets		12,845	12,345
Net defined benefit liabilities	$	4,180	4,032

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to 12,845 as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

		2018	2017
Defined benefit obligations at 1, January	$	8,313	8,044
Current service costs and interest cost		232	228
Actuarial loss (gain) arising from:			
－ demographic assumptions		25	82
－ financial assumptions		95	(41)
Defined benefit obligations at 31, December	$	8,665	8,313

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

		2018	2017
Fair value of plan assets at 1, January	$	12,345	12,226
Interest income		140	137
Remeasurements gain (loss):			
－Return on plan assets excluding interest income		360	(18)
Fair value of plan assets at 31, December	$	12,845	12,345

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

		2018	2017
Current service costs	$	138	138
Net interest of net liabilities for defined benefit obligations		(46)	(47)
	$	92	91
Operating expense	$	92	91

5) Remeasurement of net defined benefit asset recognized in other comprehensive income

The Company's remeasurement of the net defined benefit asset recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

		2018	2017
Accumulated amount at 1, January	$	(2,098)	(2,039)
Recognized during the period		240	(59)
Accumulated amount at 31, December	$	(1,858)	(2,098)

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2018	2017
Discount rate	0.875%	1.125%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $359.

The weighted average lifetime of the defined benefits plans is 8.4 years.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit obligations	
		Increased 0.25%	**Decreased 0.25%**
December 31, 2018			
Discount rate	$	(180)	185
Future salary increasing rate		180	(176)
December 31, 2017			
Discount rate	$	(189)	194
Future salary increasing rate		189	(184)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remained constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contribution to the Bureau of the Labor Insurance amount to $1,706 and $2,105 for the years ended December 31, 2018 and 2017, respectively.

(i) Income taxes

(i) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the president of the R.O.C. on February 7, 2018 an increase in the corporate income tax rate from 17% to 20%.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

The amount of income tax expense was as follow:

	2018	2017
Current tax expense(benefit)	$ 100	(175)
Deferred tax expense(benefit)	740	(582)
Adjustment in tax rate	(1,118)	-
	$ (278)	(757)

The amount of income tax benefit recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

	2018	2017
Exchange differences on translation of foreign financial statements	$ (5,816)	(4,016)

Reconciliation of income tax expenses and income before income tax for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Income (loss) before income tax	$ 111,121	(245,912)
Income tax at the Company's domestic tax rate	22,224	(41,805)
Recognition of investment gains and losses of domestic invested companies by equity method	1,345	3,665
Capital reduction for cover accumulated deficits of domestic invested companies	-	(13,869)
Change in unrecognized temporary differences and others	(22,729)	51,252
Adjustment in tax rate	(1,118)	-
	$ (278)	(757)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018	December 31, 2017
The equity method recognizes the loss of foreign subsidiaries	$ 32,700	45,038
The caryforward of unsured tax losses	62,530	67,274
	$ 95,230	112,312

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As of December 31, 2018, the information of the Company's unutilized business losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unutilized business loss	Expiry date
2016(Approved amount)	$ 153,824	2026
2017(Declared amount)	158,824	2027
	$ 312,648	

2) Recognized deferred tax assets and liabilities

Deferred Tax Assets	January 1, 2017	(Debit) Credit income statement	(Debit) Credit Other comprehensive income statement	December 31, 2017	(Debit) Credit income statement	(Debit) Credit Other comprehensive income statement	December 31, 2018
Inventory devaluation loss	$ 6,891	-	-	6,891	(150)	-	6,741
Foreign currency translation differences for foreign operations and other	5,724	46	4,016	9,786	(5)	5,816	15,597
	$ 12,615	46	4,016	16,677	(155)	5,816	22,338

Deferred Tax Liabilities	January 1, 2017	(Debit) Credit income statement	(Debit) Credit Other comprehensive income statement	December 31, 2017	(Debit) Credit income statement	(Debit) Credit Other comprehensive income statement	December 31, 2018
Other	$ 1,336	(536)	-	800	(533)	-	267
	$ 1,336	(536)	-	800	(533)	-	267

(iii) Examination and Approval

The Company's tax returns for the years through 2016 were examined and approved by the Taipei National Tax Administration.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

(j) Capital and other equity

(i) Common stock

As of 31 December 2018 and 2017, the number of authorized ordinary shares were 2,600,000 shares with par value of $10 per share. (All of them reserved 100,000 for the issue of employee stock option certificates, and reserved 200,000 for the issuance of convertible corporate bonds.) The paid-up share capital is $1,824,799.

(ii) Capital surplus

	December 31, 2018	December 31, 2017
Share capital	$ 787,281	787,281
Share of changes in equities of associates	13,492	13,492
Shares of changes of subsidiaries	6,690	6,690
Employee share options	23,887	23,887
	$ 831,350	**831,350**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors to be submitted during the stockholders' meeting for approval.

The Company's dividend policy is determined in accordance with the company law and the company's articles of association, and is determined by the company's capital and financial structure, operating conditions, surplus, the nature of the industry and the cyclical factors. The cash dividend is not less than 50% of the total dividends for the year, and can be adjusted according to the flexibility of internal and external environmental changes.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

1) Legal reserve

According to the amendment of the R.O.C. Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply the exemptions granted under IFRS 1 during the Company's first-time adoption of IFRSs endorsed by the FSC, the accumulating conversion adjustments under shareholders' equity, transferred on the conversion date, resulted in an increase in retained earnings of $109,388. However, on the conversion date, the actuarial gains and losses will be recognized immediately. The retained earnings incurred from the retained surplus of $4,917, and the expected cost of the employee's accumulated paid leave, will be reduced by $1,771. The conversion date was based on the first time adoption of the IFRSs endorsed by the FSC. The net increase in retained earnings amounted to $102,700, which resulted in the loss on the original account of $(90,258) and the retained surplus of $12,422. According to Ruling 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings, due to the first-time adoption of the IFRSs endorsed by the FSC, shall be reclassified as special reserve during earnings distribution, and when the relevant asset is used, disposed, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. In the first half of the year 2016 and the second half of the year of 2015, the special surplus reserve amounted to $2,681 and $4,206, respectively, due to the sales of Yeh Chiang Kunshan and the disposal of Yeh Chiang Dongguan. The carrying amount of special reserve amounted to $5,555 as of December 31, 2018 and 2017.

In accordance with the guidelines of the above Ruling, a portion of the current-period earnings and undistributed prior-period earnings shall be reclassified as special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of the IFRSs endorsed by the FSC, and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior-periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

The Company decided not to distribute any dividends in 2018 and 2017, with the resolution approved during the shareholders' meeting held on the June 12, 2018 and June 13, 2017, respectively.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

(iv) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets
Balance at January 1, 2018	$ (108,956)		3,811
Effects of retrospective application	-	42,130	(3,811)
Balance at January 1, 2018 after adjustments	(108,956)	42,130	-
Exchange differences on translation of foreign financial statements	(14,840)	-	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(41,336)	-
Balance at December 31, 2018	**$ (123,796)**	**794**	**-**

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets
Balance at January 1, 2017	$ (89,298)	3,351
Exchange differences on translation of foreign financial statements	(19,658)	-
Unrealized gains (losses) on available-for-sale financial assets	-	460
Balance at December 31, 2017	**$ (108,956)**	**3,811**

(k) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year ended December 31, 2018 and 2017 are as follows:

	2018	2017
Basic earnings per share:		
Net income / loss attributable to ordinary shareholders of the Company	**$ 111,399**	**(245,155)**

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

Weighted-average number of ordinary shares (in thousands)	**182,480**	**182,480**
Basic earnings per share (TWD)	**$ 0.61**	**(1.34)**

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

	2018	2017
Diluted earnings per share:		
Net income / loss attributable to ordinary shareholders of the Company	111,399	(245,155)
Weighted-average number of ordinary shares (diluted) (in thousands)	182,480	182,480
Impact of dilution of potential common stock - employee compensation (thousand shares)	157	-
Weighted-average number of ordinary shares (in thousands)	182,637	182,480
Diluted earnings per share (TWD)	$ 0.61	(1.34)

(l) Revenue from contracts with customers

Details of revenue:

	2018
Primary geographical markets:	
China	$ 737,137
Taiwan	29,691
Other	27,159
	$ 793,987
Major products/ lines:	
Heat pipe product	$ 793,987

(m) Remuneration to employees, directors and supervisors

The Company's articles of incorporation, which were authorized by the board of directors but has yet to be approved by the shareholders, require that earnings shall first be offset against any deficit, then, a minimum of 10% will be distributed as employee remuneration, and a maximum of 2% will be allocated as remuneration to directors and supervisors. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the Company's subsidiaries who meet certain specific requirements.

For the years ended December 31, 2018, the Company accrued and recognized its employee remuneration amounting to $3,393, as well as its remuneration to directors and supervisors amounting to $679. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees, directors and supervisors, multiplied by the distribution of ratio of the remuneration to employees, directors and supervisors based on the Company's articles of incorporation, and expensed under operating costs or expenses. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or lost in the following year. If, however, the shareholders determine that the employee remuneration is to be distributed through stock dividends, the calculation, based on the shares, shall be calculated using the stock price on the day before the shareholders' meeting.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

Due to the net loss incurred by the Company as of December 31, 2017, no remuneration to employees, directors and supervisors were accrued; and there were no differences between the accrued amount and the actual distribution amount for the year then ended.

The related information can be accessed from the Market Observation Post System website.

(n) Non-operating income and expenses

		2018	2017
Foreign exchange gains	$	14,726	(52,620)
Trademark rights revenue		7,500	7,500
Dividends		7,116	5,744
Gains (Losses) on financial assets (liabilities) at fair value through profit or loss		1,459	(104)
Other		2,017	2,277
	$	32,818	(37,203)

(o) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The customers of the Company are mainly concentrated in the downstream heat pipe module factory of the computer industry. As of the end of December 31, 2018 and 2017, the total amount of notes and accounts receivable deriving from the top five customers of the Company's operating income were $156,060 and $239,247. They accounted for 60% and 72% of the net amounts of notes and accounts receivable, respectively. To reduce the concentration of credit risk, the Company continuously assesses the credit status of its customers and collectability of these notes and accounts receivable, and provide an allowance for doubtful accounts.

3) Credit risk of receivables

For credit risk exposure of note and trade receivables, please refer to note 6(3).

Other financial assets at amortized cost includes time deposits (more than three months) and certificate of deposit restricted. For the details and loss allowance please refer to note 6(5).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(7).

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

(ii) Liquidity risk

Except for the accrued expenses under other current liabilities, the contractual maturities of financial liabilities are as follows:

	Carrying amount	Contractual cash flows	1 2 years
December 31, 2018			
Non derivative financial liabilities			
Notes and accounts payable (including related parties)	$ 16,023	16,023	16,023
December 31, 2017			
Non derivative financial liabilities			
Notes and accounts payable (including related parties)	$ 77,467	77,467	77,467

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 11,770	30.715	361,510	18,052	29.76	537,232
Financial liabilities						
Monetary items						
USD	307	30.715	9,432	2,589	29.76	77,043

2) Sensitivity analysis

Exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, and notes and accounts payable (including related parties) that are denominated in foreign currency.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

A strengthening (weakening) of 5% of the NTD against the USD, and CNY as at December 31, 2018 and 2017 would have increased (decreased) the net profit before tax by $17,604 and $23,010. The analysis is performed on the same basis for prior year.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to$14,726 and $(52,620), respectively.

4) Other price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2018		2017	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 10% (listed stocks) and 1% (mutual funds)	$ 4,179	3,525	5,818	2,847
Decreasing 10%(listed stocks) and 1% (mutual funds)	$ (4,179)	(3,525)	(5,818)	(2,847)

(iv) Interest rate analysis

The Company's assessment did not have a significant loan rate risk.

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income (available for sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required.

(Continued)

Yeh Chiang Technology Corporation
Notes to the Financial Statements

	December 31, 2018				
	Book	Fair Value			
	Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Designated at fair value through profit or loss	$ 352,490	352,490	-	-	352,490
Financial assets at fair value through other comprehensive income					
Stocks in listed companies(domestic)	41,793	41,793	-	-	41,793
Stocks non-listed companies(domestic)	23,408	-	-	23,408	23,408
Financial assets measured at amortized cost					
Cash and cash equivalent	140,415	-	-	-	-
Notes and accounts receivable	259,319	-	-	-	-
Other financial assets - current (recorded in other current assets)	3,003	-	-	-	-
Refundable deposits (recorded in other non-current assets)	41,508	-	-	-	-
	$ 861,936	394,283	-	23,408	417,691
Financial liabilities at amortized cost					
Notes and accounts payable (including related parties)	16,023	-	-	-	-
	$ 16,023	-	-	-	-

	December 31, 2017				
	Book	Fair Value			
	Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative held-for-trading financial assets	$ 343,031	343,031	-	-	343,031
Loans and receivables					
Cash and cash equivalent	209,827	-	-	-	-
Notes and accounts receivable	339,278	-	-	-	-
Other financial assets - current (recorded in other current assets)	3,002	-	-	-	-
Refundable deposits (Recorded in other current assets and non-current assets)	43,845	-	-	-	-
Available-for-sale financial assets					
Stocks in listed companies (domestic)	58,177	58,177	-	-	58,177

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

Financial assets at cost non - current					
Financial assets at cost	1,608	-	-	-	-
	$ 998,768	**401,208**	**-**	**-**	**401,208**

(Continued)

	December 31, 2017				
	Book	Fair Value			
	Value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Notes and accounts payable (including related parties)	77,467	-	-	-	-
	$ 77,467	-	-	-	-

2) Valuation techniques for financial instruments not measured at fair value

A. If Financial instruments measured at fair value through profit or loss, and equity instruments with quoted prices in active market are available, the market price is deemed as the fair value.

B. If quoted prices in active markets are not available, the market comparable company method are used to estimate fair value that is assessed by the peer stock price ratio.

3) There were no transfer between the levels for the years ended December 31, 2018 and 2017.

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value are "financial assets measured at fair value through other comprehensive - equity investments".

The equity investments without an active market that use Level 3 inputs to measure fair value due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments are independent, therefore, there is no correlation.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial liabilities measured at fair value through profit or loss –Contingent consideration	Market Method (comparable to the price and net value ratio of the listed (cabinet) company's peers)	• Price and net value ratio multiplier on December 31, 2018 was 0.82~1.50 • Lack of market liquidity discount on December 31, 2018 was 20~30%	• The higher the price and net value multiplier, the higher the fair value • The higher the lack of market liquidity discount, the lower the fair value

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

5) Reconciliation of level 3 fair values

		2018
Financial assets measured at fair value through other comprehensive gains and losses		
－Equity instruments without an active market		
Opening Balance, 31 December 2017	$	1,608
Initial adjustment to IFRS 9		46,752
Total gain or loss - recognized in other comprehensive		(24,952)
Ending balance	$	23,408

(p) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

This note presents information about the Company's exposure to each of the above risks, and the Company's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout these parent-company-only financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company's, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's bank deposits, accounts receivable and guarantees.

1) Accounts receivable

The Company continuously evaluate the financial status. Please refer to Note 6(15) of the financial report.

2) Investments

The exposure to credit risk for the bank deposits, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, corporate organizations, and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. For details of the guarantee provided by the Company of December 31, 2018 and 2017, please refer to Note 7 and 13.

4) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity risk of the Company is monitored through its corporate financial department which tracks the development of the actual cash flow position for the Company and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate financial invest surplus cash in money market deposits and short term investments with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due. The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company in order to manage market risk. All such transactions are carried out within the guidelines set by the Board of Directors and are subject to the monitor from internal audit office.

(Continued)

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities. The currencies used in these transactions are the USD and CNY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Company's is not hedges its investment in foreign subsidiaries.

2) Other market price risk

The primary goal of the Company's investment strategy is to maximize investment returns. In accordance with this strategy, certain investments are designated as at fair value through profit or loss because their performance is actively monitored and they are measured on a fair value basis.

(q) Capital management

The board's policy is to maintain a strong capital base so as to maintain its investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of share capital, capital surplus, retained earnings, and other equity interest. The board of directors managing its capital is to safeguard the capacity to continue as a going concern, to provide a return on shareholders, and to maintain an optimal capital structure to reduce the cost of capital.

The debt-to-capital ratio at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 62,714	116,932
Total equity	$ 2,691,474	2,589,259
Debt-to-equity ratio	2.33%	4.52%

As of December 31, 2018, the Company had not changed its capital management method.

(4) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Company
Yeh Chiang Technology (Samoa) Corp. (YCTSC)	The supervisor of the entity's parent company is the Company's chairman of directors
Yeh Chiang Technology (BVI) Corp. (YCTBC)	The supervisor of the entity's parent company is the Company's chairman of directors
Excel Rainbow (Seychelles) Ltd. (Excel Rainbow)	The supervisor of the entity's parent company is the Company's chairman of

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

directors

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

Name of related party	Relationship with the Company
Arcadia Tech Co., Ltd. (Arcadia Tech)	The supervisor of the entity's parent company is the Company's chairman of director
Arcadia Earth Co., Ltd. (Arcadia Earth)	The supervisor of the entity's parent company is the Company's chairman of director
Taiwan Lighting Co., Ltd. (Taiwan Lighting)	The supervisor of the entity's parent company is the Company's chairman of director
So Bright Electronic Co., Ltd. (So Bright Electronic)	The supervisor of the entity's parent company is the Company's chairman of director
Yu Cheng Materials Co., Ltd.(Yu Cheng Materials)	The supervisor of the entity's parent company is the Company's chairman of director
Taiwan New Thermal System Co., Ltd. (Taiwan New Thermal System)	The supervisor of the entity's parent company is the Company's director
Yeh Chiang Technology (Cayman) Corp. (YCTCC)	The supervisor of the entity's parent company is the Company's chairman of director
Zhongshan Weiqiang Technology Co., Ltd.(Zhongshan Weiqiang)	The supervisor of the entity's parent company is the Company's chairman of director
ZhuHai and Macau Spaning Border Industrial Estate Wei Qiang Technology Co.,Ltd.(ZhuHai Weiqiang)	The supervisor of the entity's parent company is the Company's chairman of director
Ye Xian Weiqiang Technology Co,Ltd.(Ye Xian Weiqiang)	The supervisor of the entity's parent company is the Company's chairman of director
Ping Ding Shan Yeh Chiang Technology Co., Ltd.(Yeh Chiang Ping Ding Shan)	The supervisor of the entity's parent company is the Company's chairman of director

(b) Key management personnel

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 2,881	3,612

(c) Other related party transactions

(i) Purchases

As of December 31, 2018 and 2017

	2018	2017
Excel Rainbow	$ 765,943	895,273

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

The amount of the purchase due to the above relationship is as follows:

	December 31, 2018	December 31, 2017
Excel Rainbow	$ 15,784	77,034

The above-mentioned transactions are different from these of other non-related party because the purchase of manufactured goods, and the transaction price cannot be compared; the trading conditions are 90 days after the end of the month, which are no different from the general manufacturers.

As of December 31, 2018 and 2017, the raw materials were sold to the subsidiaries for processing and repurchasing. The transaction was calculated by using the cost increase, and the accumulated unrealized gain balances due to the aforementioned transactions amounted to $165 and $446, respectively, which were classified under other current liabilities.

(ii) Endorsement guarantee

As of December 31, 2018 and 2017, the Company's guarantees for the related party are as follows:

	2018		2017	
	Maximum balance	Ending Balance	Maximum balance	Ending Balance
Subsidiary	$ 426,788	426,788	543,440	439,280

As of December 31, 2018 and 2017, the balance of the actual borrowings from the bank due for the abovementioned guarantees was $40,000 and $55,000, respectively.

(iii) Other

The Trademark revenue of the "Shih Kwang" trademark rights of Taiwan Fluorescent Lamps Co., Ltd. to the subsidiaries of the Company at December 31, 2018 and 2017 both amounted to $7,500 for each year, which were accounted for under other gains and losses.

The Company leased its land and plant in the Yangmei District of the Taoyuan City to its subsidiaries. The rental income recognized at December 31, 2018 and 2017 were $1,622 and $1,833, respectively, which were recognized as other interests and losses were recorded.

As of December 31, 2018 and 2017, the other receivables - related parties were $838 and $1,071, respectively.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

(5) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Account	Object	December 31, 2018	December 31, 2017
Time deposits	Other non-current assets	Litigation deposit guarantee	$ 23,800	23,700
Certificate of deposit restricted	Other current assets	Derivative financial commodity guarantee	3,003	3,002
Refundable deposits	Other non-current assets	Futures deposit	13,999	14,135

(6) Commitments and contingencies:

The details on opening guarantee notes for financial loan credits, export bills, and financial commodity trading credits, are as follows:

December 31, 2018	December 31, 2017
$ 278,218	273,920

(7) Losses Due to Major Disasters:None

(8) Subsequent Events:None

(9) Other:

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By funtion / By item	For the year ended December 31					
	2018			2017		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	-	37,394	37,394	-	41,086	41,086
Labor and health insurance	-	2,898	2,898	-	3,509	3,509
Pension	-	1,798	1,798	-	2,196	2,196
Remuneration of directors	-	679	679	-	-	-
Others	-	1,710	1,710	-	2,010	2,010
Depreciation	-	751	751	-	1,540	1,540
Amortization(Note)	-	8,105	8,105	-	7,938	7,938

Note: Amortization expenses included intangible assets amounting to $7,772, and other non-current assets amounting to $333 in 2018. Amortization expenses included intangible assets amounting to $7,768, and other non-current assets amounting to $170 in 2017.

(Continued)

Yeh Chiang Technology Corporation
Notes to the Financial Statements

In 2018 and 2017, the number of employees of the Company were 40 and 52, respectively, which include 2 and 5 directors, respectively, who were considered adjunct employees.

(b) On September 15, 2009, the Group entered into an agreement with an agent, Taiwan Mother Cosmo Co., Ltd. (TMC), for the manufacturing and sales of fibre-alcohol in the People's Republic of China in order to obtain fibre-alcohol mass production technology and related advisory services. However, the TMC failed to comply with the agreement, resulting in the Group to file a lawsuit against the agent, including its chairman and vice chairman, to the Taipei District Court. The Company also provided the amount of $16,800 to the Taipei District Court as security after an execution of a ruling on the abovementioned lawsuit had been carried out. On the other hand, TMC was dissatisfied with the decision made by the Taipei District Court, and therefore, filed an appeal to the Taiwan High Court. On December 7, 2016, the Taiwan High Court demanded TMC to pay the amount $70,308 to the Company, but dismissing the allegation against its chairman and vice chairman. TMC disagreed with the court's decision, hence, filed an appeal against it. However, its appeal was denied on October 11, 2018.

(c) In 2010, the Company entered into an agreement with Unimax Investment Services Ltd. (Unimax) for the purchase of spotlights, wherein Davinci Industrial Inc. (Davinci) was responsible for the manufacturing and sales of the said product. However, there were defects found in the products, resulting in the Company to return them to Unimax for repair. Unimax, on the other hand, refused to comply with the Company's request, which prompted the Company to terminate their agreement and proceeded in filing a lawsuit against Unimax to the Taipei District Court. Furthermore, since Davinci was also involved the case, the Company filed another lawsuit against Davinci to the Taipei District Court on December 12, 2012, demanding for a compensation claim of $41,055. In addition, the Company provided the amount $7,000 as security after an execution on the ruling on the abovementioned lawsuit against Davinci had been carried out. This case is still in progress as of the issuance of this report.

(10) Other disclosures:

(a) Information on significant transactions:None

The following is the information on significant transactions required by the Regulations for the Company:

(i) Loans to others: Please refer to Attachment 1.

(ii) Endorsements/Guarantees provided to others: Please refer to Attachment 2.

(iii) Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint ventures): Please refer to Attachment 3.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(Continued)

Yeh Chiang Technology Corporation

Notes to the Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock: Please refer to Attachment 4.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: None.

(b) Name, Location, and related information of investees for the year 2018 (excluding information on investees in Mainland China): Please refer to Attachment 5.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Attachment 6(1).

(ii) Limitation on investment in Mainland China: Please refer to Attachment 6(2).

(iii) Significant transactions:

The significant inter-Company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "information on significant transactions".

(11) Segment information:

Please refer to the 2018 Consolidated Financial Statements.

Yeh Chiang Technology Corporation
Loans to others
From January 1 to December 31, 2018

Attachment 1 (In Thousands of New Taiwan Dollars)

No	Creditor	Borrower	Financial statement account	Related party	Maximum balance for the period	Ending balance	Actual amount drawn down	Interest rate	Nature of loan	Amount of transaction with the borrower	Reason for short-term financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	The Company	Taiwan Lighting Co., Ltd.	Other receivable - related parties	Yes	52,000	-	-	0~1.2%	The need for short-term financing	-	Business operation	-	None	-	52,833 (Note1)	364,960 (Note2)
2	YCTCC	Ping Ding Shan Yeh-Chiang	Other receivable - related parties	Yes	92,145	92,145	-	0~1.2%	The need for short-term financing	-	Business operation	-	None	-	538,295 (Note3)	1,076,590 (Note4)

Note1: The financing amount for individual counter-party shall not exceed 30% of the latest financial statements of the lender's capital.
Note2: The total financing amount shall not exceed 20% of the latest financial statements of the Company's capital.
Note3: The financing amount for individual counter-party shall not exceed 20% of the latest financial statements of the Company's net assets.
Note4: The total financing amount shall not exceed 40% of the latest financial statements of the Company's net assets.

Yeh Chiang Technology Corporation
Endorsements/Guarantees provided to others
From January 1 to December 31, 2018

Attachment 2 (In Thousands of New Taiwan Dollars)

No	Endorser/ Guarantor	Party being endorsed/ guaranteed		Limit on endorsements/ guarantees for a single party (Note1)	Maximum balance for the period	Ending balance	Actual amount drawn down	Amount of collateral endorsements /guarantees	Percentage of accumulated endorsement/ guarantee amount to net assets value from the latest financial statement	Limit of total guarantee / endorsement amount (Note2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to a party in Mainland China
		Name	Relationship with the endorser/ guarantor										
1	The Company	YCTCC	Indirect subsidiary	542,306	15,358 (USD500)	15,358 (USD500)	-	-	1%	1,076,590	Y	N	N
2	The Company	Taiwan Lighting	Subsidiary	542,306	180,000	180,000	-	-	7%	1,076,590	Y	N	N
3	The Company	Excel Rainbow	Subsidiary	542,306	61,430 (USD2,000)	61,430 (USD2,000)	-	-	2%	1,076,590	Y	N	N
4	The Company	So Bright	Subsidiary	542,306	170,000	170,000	40,000	-	6%	1,076,590	Y	N	N
					426,788	**426,788**	**40,000**						

Note1: The amount of endorsements/ guarantees for any single entity shall not exceed 20% of the latest financial statements of the Company's net assets audited.
Note2: The total endorsed/ guaranteed amount shall not exceed 40% of the latest financial statements of the Company's net assets audited.

(Continued)

Yeh Chiang Technology Corporation

Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint ventures)

December 31, 2018

Attachment 3 (In Thousands of New Taiwan Dollars)/Thousand Shares

Securities held by	Name and type of security	Relationship with the securities issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Book value	Percentage of ownership (%)	Fair value	
	Fund:							
The Company	Mega Diamond Money Market Fund	None	Financial assets at fair value through profit or loss, current	7,834	98,100	-	98,100	
The Company	Union Money Market Fund	〃	〃	6,869	90,552	-	90,552	
The Company	Eastspring Investments Well Pool Money Market Fund	〃	〃	4,537	61,634	-	61,634	
The Company	Yuanta Wan Tai Money Market Fund	〃	〃	2,658	40,208	-	40,208	
The Company	Yuanta De-Li Money Market Fund	〃	〃	1,855	30,203	-	30,203	
The Company	Capital Money Market Fund	〃	〃	1,347	21,695	-	21,695	
The Company	Franklin Templeton Sinoam Money Market Fund	〃	〃	978	10,098	-	10,098	
					352,490	-	352,490	
	Stock:							
The Company	Common stock of ASUSTEK Computer Inc.	None	Financial assets at fair value through other comprehensive income, noncurrent	133	26,743	-	26,743	
The Company	Common stock of Song Long Electronics Co., Ltd	〃	〃	300	16,021	18.75	17,890	
The Company	Common stock of Pegatron Corporation Ind. Co., Ltd.	〃	〃	293	15,050	-	15,050	
The Company	Common stock of Powerchip Technology Co., Ltd	〃	〃	589	7,387	-	7,387	
					65,201		65,201	

Yeh Chiang Technology Corporation

Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock

From January 1 to December 31, 2018

Attachment 4 (In Thousands of New Taiwan Dollars)

Investor Computer	Investee Company	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases /sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Excel Rainbow	The Company	Parent Company	Sales	766,166 (USD25,417)	100%	Open account 90 days	No significant different		46,497 (USD1,514)	100%	Note1
Zhong Shan Weiqiang	Excel Rainbow	Subsidiary of the Company	Sales	361,549 (USD11,994)	36%	Open account 90 days	No significant different		32,426 (USD1,056)	10%	Note1
Ye Xian Weiqiang	Ping Ding Shan Yeh Chiang	Subsidiary of the Company	Sales	143,503 (USD31,467)	100%	Open account 90 days	No significant different		22,159 (USD4,955)	100%	Note1
Ping Ding Shan Yeh Chiang	Zhong Shan Weiqiang	Subsidiary of the Company	Sales	396,720 (RMB86,990)	49%	Open account 90 days	No significant different		87,916 (RMB19,659)	81%	Note1
Ping Ding Shan Yeh Chiang	Excel Rainbow	Subsidiary of the Company	Sales	404,618 (USD13,423)	50%	Open account 90 days	No significant different		20,905 (USD681)	19%	Note1

Note1：The disclosure only reflects the subsidiaries' revenue and assets recognized by the Company.

Yeh Chiang Technology Corporation

Name, Location, and related information of investees for the year 2018 (excluding information on investees in Mainland China)

From January 1 to December 31, 2018

Attachment 5

In Thousands of New Taiwan Dollars／Thousand shares

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of Investee	Share of profits/losses of investee (Note 1)	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of ownership	Book value			
The Company	YCTSC	Samoa	Overseas investment activities	1,335,925 (USD42,582)	1,245,140 (USD39,582)	2,244	100.00%	1,303,050 (USD42,424)	111,701 (USD3,706)	111,701 (USD3,706)	
The Company	YCTBC	B.V.I.	International trade	73,333 (USD2,557)	73,333 (USD2,557)	2,406	100.00%	10,947 (USD356)	(10,039) (USD(333))	(10,039) (USD(333))	
The Company	Excel Rainbow	Seychelles	International trade	70,520 (USD2,155)	70,520 (USD2,155)	2,155	100.00%	3,757 (USD122)	(235) (USD(8))	(235) (USD(8))	
The Company	Zhang-Xing	Taipei City	Sales and manufacturing of Bioethanol	55,000	55,000	5,500	100.00%	56,567	487	487	
The Company	Taiwan Lighting	Taipei City	Lighting facilities	176,110	176,110	17,611	100.00%	154,483	7,496	7,496	
The Company	So Bright	Taoyuan City	Lighting facilities	63,904	63,904	6,390	60.29%	20,272	8,179	4,708	
The Company	Yu Cheng	Taipei City	Sales and manufacturing of electronic parts and components	136,784	136,784	13,678	81.80%	182,826	(13,131)	14,035	
The Company	Taiwan's New Thermal	Taichung City	Sales and manufacturing of heat pipes	28,000	28,000	2,800	96.55%	13,594	(8,985)	(8,675)	
								1,745,496	95,473	119,478	
YCTSC	YCTCC	Cayman	Overseas investment activities	USD28,828 (Note1)	USD28,828 (Note1)	1,505	100.00%	896,412 (USD29,185)	116,791 (USD3,874)	116,791 (USD3,874)	
YCTSC	YCTYXCC	Cayman	Overseas investment activities	USD13,760	USD10,760	688	100.00%	406,876 (USD13,247)	(5,063) (USD(168))	(5,063) (USD(168))	

Note1: The original investment cost included the cash investment of US$11,521 and the equipment investment of US$17,307.

Note2: The shares of profits/losses of the investee company have been included in the share of profit/losses of the investor company.

Yeh Chiang Technology Corporation

Information on investment in Mainland China and other information

From January 1 to December 31, 2018

Attachment 6(1)

(a) The names of investees in Mainland China, the main business and products, and other information：

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Main Business and Products	Total amount of paid-in capital	Method of investment	Accumulated outflow of Investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of Investment from Taiwan as of December 31, 2018	Net income (Losses) of the Investee Company	Percentage of Ownership	Investment income (loss) recognized (Note3)	Book value	Accumulated remittance of earnings in current period
						Outflow	Inflow						
YCTCC	Zhong Shan Weiqiang	Sales and manufacturing of heat pipes and BGA	598,943 (USD19,500)	Note1	598,943 (USD19,500)	-	-	598,943 (USD19,500)	29,491 (USD978)	100%	29,935 (USD993)	516,056 (USD16,801)	-
YCTCC	Zhuhai Weiqiang	Sales and manufacturing of heat pipes and bumping	76,788 (USD2,500)	Note1	76,788 (USD2,500)	-	-	76,788 (USD2,500)	3,340 (USD111)	100%	3,340 (USD111)	79,765 (USD2,597)	-
YCTCC	Ping Ding ShanYeh Chiang	Sales and manufacturing of heat pipes	153,575 (USD5,000)	Note1	153,575 (USD5,000)	-	-	153,575 (USD5,000)	85,890 (USD2,849)	100%	84,927 (USD2,817)	162,571 (USD5,293)	-
YCTYXCC	Ye Xian Weiqiang	Sales and manufacturing of heat pipes	422,638 (USD13,760)	Note1	330,493 (USD10,760)	92,145 (USD3,000)	-	330,493 (USD10,760)	(4,836) (USD(160))	100%	(4,927) (USD(165))	407,097 (USD13,254)	-

Attachment 6(2)

(a) Limit of investments in Mainland China：

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,251,943 (US$40,760 in thousands)	1,251,943 (US$40,760 in thousands)	1,614,884

Note1：Investment in companies in Mainland China through a subsidiary in the third regions.

Note2：The investment income (loss) recognition denominated in foreign currencies are translated into New Taiwan Dollars using the average rate of 30.1442 from January 1 to December 31,2018; Other investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the spot rate of 30.715.

Note3：The financial statements of the Company were audited by the audit team of the parent company in Taiwan.

Yeh Chiang Technology Corporation

Statement of Cash and Cash Equivalents

December 31, 2018

(In Thousands of New Taiwan Dollars, Unless specified otherwise)

Item	Description	Amount
Cash	Petty cash and cash on hand	$ 2
Cash in banks	Checking accounts and demand deposits	28,094
	Multi-currency deposits USD: 106	3,241
	Foreign currency deposits USD: 3,493	107,291
	CNY: 400	1,787
	Total	**$ 140,415**

Note: The exchange rates for foreign currency to NTD were as follows:

USD: 30.715

CNY: 4.472

Yeh Chiang Technology Corporation

Statement of Current Financial Assets Measured at Fair Value through Profit or Loss

December 31, 2018

(In Thousands of New Taiwan Dollars)

Name of financial instruments	Description	Number of Shares (In Thousands)	Acquisition price	Fair value Unit price	Fair value Total amount	Collateral
Mega Diamond Money Market Fund	Mutual funds	7,834	95,024	12.5219	98,100	None
Union Money Market Fund	Mutual funds	6,869	90,000	13.1835	90,552	None
Eastspring Investment Well Pool Money Market Fund	Mutual funds	4,537	60,000	13.5842	61,634	None
Yuanta Wan Tai Money Market Fund	Mutual funds	2,658	40,000	15.1255	40,208	None
Yuanta De-Li Money Market Fund	Mutual funds	1,855	30,000	16.2808	30,203	None
Capital Money Market Fund	Mutual funds	1,347	21,152	16.1107	21,695	None
Franklin Templetion Sinoam Money Market Fund	Mutual funds	978	10,000	10.3209	10,098	None
Total			$ 346,176		352,490	

Yeh Chiang Technology Corporation

Statement of Notes and Accounts Receivable, Net

December 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor name	Amount
Chak Huang Technology (Chongqing) Co., Ltd.	$ 65,848
Zhongda Electornic Parts And Components (Wujiang) Co., Ltd.	34,310
Auras Electronic Science and Technology Industrial (Kunshan) Co., Ltd.	27,336
Ze Hong (Guangzhou) Teochnology Co., Ltd.	16,445
Yao Li Chongqing Science and Technology Co., Ltd.	15,475
Suzhou Yongteng Electronic Prouct Co., Ltd.	15,422
Asia Vital Components (Shenzhen) Co., Ltd.	14,361
Chongqing Cyunsiang High-tech Co., Ltd.	14,183
Others (The amount of individual vendor in others does not exceed 5% of the account balance.)	55,939
Notes and Accounts receivable, net	**$ 259,319**

Yeh Chiang Technology Corporation

Statement of Inventories

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount Cost	Amount Net Realizable Value	Note
Raw Materials	$ 17,318	-	Note: Please refer to note 4(7) for further information of the net realizable value of inventories in the parent-company-only financial statements.
Finished goods	16,078	-	
Inventories in transit	4,717	4,406	
	38,113	4,406	
Less: Allowance for inventory obsolescence	(33,707)		
Total	$ 4,406		

Statements of Other Current Assets

Item	Amount
Overpaid sales tax	$ 4,323
Certificate of deposit restricted	3,003
Others (The amount of each item in others does not exceed 5% of the account balance.)	917
	$ 8,243

Yeh Chiang Technology Corporation

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Investee Company	Beginning Balance Shares (In Thousands)	Beginning Balance Amount	Addition (Decrease) Shares (In Thousands)	Addition (Decrease) Amount	Investment Income / Loss	Cumulative Translation adjustment	Ending Balance Shares (In Thousands)	Ending Balance Percentage of ownership	Ending Balance Amount	Market Value or Net Assets Value Unit price	Market Value or Net Assets Value Total Amount	Collateral	Note
YCTSC	2,094	$ 1,121,810	150	90,785	111,701	(21,246)	2,244	100 %	1,303,050	-	1,303,050	None	
YCTBC	2,406	20,517	-	-	(10,039)	469	2,406	100 %	10,947	-	10,947	〃	
Excel Rainbow	2,155	3,871	-	-	(235)	121	2,155	100 %	3,757	-	3,757	〃	
ARCADIA TECH Co., Ltd.	5,500	56,445	-	(365)	487	-	5,500	100 %	56,567	-	56,567	〃	Note 1
Taiwan Lighting Co,,Ltd.	17,611	146,987	-	-	7,496	-	17,611	100 %	154,483	-	154,483	〃	
SO BRIGHT Electronic Co., Ltd.	6,390	15,564	-	-	4,708	-	6,390	60.29 %	20,272	-	20,272	〃	
Yu Cheng Materials Co., Ltd.	13,678	168,791	-	-	14,035	-	13,678	81.80 %	182,826	-	182,826	〃	
Taiwan New Thermal System Co., Ltd.	2,800	22,269	-	-	(8,675)	-	2,800	96.55 %	13,594	-	13,594	〃	
Total		$ 1,556,254		90,420	119,478	(20,656)			1,745,496		1,745,496		

Note 1: The Company distributed $365 cash dividends for the period.

Yeh Chiang Technology Corporation

Statement of Other Non-Current Assets

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Refundable deposits	$ 41,508
Prepaid pension cost	4,180
Others (The amount of each item in others does not exceed 5% of the account balance.)	521
	$ 46,209

Statement of Other Current Liabilities

Item	Amount
Payables on employee compensation and directors' and supervision' remuneration	$ 26,864
Salaries and bonus payable	10,211
Temporary receipts	6,109
Others (The amount of each item in others does not exceed 5% of the account balance.)	3,240
	$ 46,424

Yeh Chiang Technology Corporation

Statement of Operating Revenue

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Quantity	Amount
Heat pipes	45,972 pieces (In Thousands)	$ 793,969
Others (The amount of each item in others does not exceed 5% of the account balance.)		18
Total		$ 793,987

Statement of Operating Costs

Item	Amount
Raw materials used	
Balance, beginning of year	$ 17,318
Raw materials, end of year	17,318
Direct raw materials used	-
Finished goods, beginning of year	28,353
Add: Finished goods purchased	765,943
Finished goods returned by the division	725
Finished goods required by the division	(155)
Less: Finished goods, end of year	20,795
Cost of production and marketing	774,071
Reversals of inventory obsolescence gain	(6,832)
Others (Realized gross profit on related-party transactions)	(368)
Total operating costs	$ 766,871

Yeh Chiang Technology Corporation

Statement of Selling Expenses

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Amortization expense	$ 7,501
Salaries	2,060
Export expense	1,105
Others (The amount of each item in others does not exceed 5% of the account balance.)	436
Total	**$ 11,102**

Statements Of General and Administrative Expenses

Item	Amount
Salaries	$ 31,756
Rent expense	6,958
Processing expense	2,901
Others (The amount of each item in others does not exceed 5% of the account balance.)	11,260
Total	**$ 52,875**

Yeh Chiang Technology Corporation

Statements Of Research and Development Expenses

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item		Amount
Salaries	$	3,578
Labor Insurance		277
Rent expense		271
Others (The amount of each item in others does not exceed 5% of the account balance.)		630
Total	$	4,756

Statements Of Other Income and Expense, Net

Please refer to note 6(14) for further information of Other Income and Expense.

Statements Of Employee Benefits, Depreciation, And Amortization Expense By Function

Please refer to note 12 for further information of Employee benefits, Depreciation and Amortization expense.

5. Consolidated financial statement for the most recent fiscal year, certified by a CPA, please see page 174~254

Representation Letter

The entities that are required to be included in the combined financial statements of Yeh Chiang Technology Corporation as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Yeh Chiang Technology Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Yeh Chiang Technology Corporation
Chairman: Wang, Tai-Kuang
Date: March 21, 2019

Independent Auditors' Report

To the Board of Directors of Yeh Chiang Technology Corporation:

Opinion

We have audited the consolidated financial statements of Yeh Chiang Technology Corporation ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2018 and 2017, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Evaluation of inventory allowance

   For the evaluation of inventory policy please refer to Note 4(8) Summary of Significant Accounting Policies - Inventories, Notes 5 Major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty, and Note 6(4) description of Significant Accounts - Inventories to the consolidated financial statements.

Description of key audit matter:

In financial reports, inventories are measured at the lower of cost and net realizable value. Therefore, the Company needs to use judgment and estimation to decide on the net realizable value of the inventory on the reporting date. Due to the rapid changes in technology, the launch of new products and new technologies may cause a significant change in the market, and sales of related products may fluctuate significantly, resulting in the inventory costs to exceed its net realizable value. In addition, the policy for the allowance for loss of inventories is based on past experience and the management's estimate of the future. As a result of these subjective judgments and estimates on inventory allowance for loss of value is one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included evaluating the method in providing allowance for inventory valuation and the reasonableness of information, assumptions and formulas on which it is based; examining the appropriate supporting documents to assess the appropriateness of the inventory allowance; examining the inventory aging report to analyze the change on inventory aging reports; performing the sample procedures to check the correctness of the inventory aging reports; evaluating whether the evaluation of inventory is consistent with the evaluation policy; performing a retrospective testing to verify the rationality of the provision of obsolescence.

2. Impairment of long-term non-financial assets

For the impairment assessment of long-term non-financial assets, please refer to Note 4(13) for non-financial assets impairment assessment, Note 5 major Sources of Accounting Judgments, Estimations and Assumptions of Uncertainty, and Note 6(6) description of real estate, plant and equipment.

Description of key audit matter:

The profitability of the Group is greatly affected by the rapid changes in technology and changes in regional industrial competitiveness. Therefore, the impairment testing of long-term non-financial assets (including plant and equipment) is important; the asset impairment assessment includes the process of identifying the cash-generating unit, determining the evaluation model, determining the important assumptions and calculating the recoverable amount. The assessment process is complex and contains the subjective judgment of the management, therefore, the impairment of long-term non-financial assets in one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included evaluating whether the cash-generating units and the related assets identified by the management are reasonable; assessing the methodology and assumption used by the management to determine whether the property is impaired; conducting a retrospective test to assess whether the results of the Company's past estimated future cash flows are significantly different from the actual conditions; performing the sensitivity analysis on important assumptions; appointing specialists to evaluate the appropriateness of the evaluation model and the weighted average cost of capital; obtaining the subsequent financial information or significant matters to assess the rationality of the evaluation of impairment. In addition, assessing whether the management has properly disclosed its long-term non-financial asset impairment policies and other information.

Other Matter

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for Consolidated Financial Stachments

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRC, 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 supervisors) are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 auditor's 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group 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 of the current period 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 Hai-Ning Huang and Chien-Hui Lu.

KPMG

Taipei, Taiwan (Republic of China)
March 21, 2019

<u>Notes to Readers</u>

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Yeh Chiang Technology Corporation and subsidiaries

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 666,185	22	768,490	25
1110	Current financial assets at fair value through profit or loss (note 6(2))	392,605	13	343,031	11
1170	Notes and accounts receivable, net (note 6(3))	565,553	19	602,851	20
130X	Inventories(note 6(4))	227,895	7	257,609	8
1476	Other financial assets - current (note 6(1), (3), (5) and 8)	187,340	6	203,813	7
1470	Other current assets (note 8)	18,009	1	45,108	1
		2,057,587	68	2,220,902	72
	Non-current assets:				
1518	Non-current financial assets at fair value through other comprehensive income (note 6(2))	65,201	2	-	-
1523	Non-current available-for-sale financial assets (note 6(2))	-	-	58,177	2
1543	Non-current financial assets at cost, net (note 6(2))	-	-	1,608	-
1600	Property, plant and equipment (note 6(6))	684,551	22	519,932	17
1780	Intangible assets (note 6(7))	13,979	-	21,875	1
1840	Deferred income tax assets (note 6(13))	22,338	1	16,677	1
1900	Other non-current assets (note 6(12)and 8)	51,572	2	57,910	2
1985	Long-term rent prepayments (note 6(11))	148,094	5	154,296	5
		985,735	32	830,475	28
	Total assets	**$ 3,043,322**	**100**	**3,051,377**	**100**

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2102	Bank loan (note 6(8))	$ 40,000	1	55,000	2
2170	Notes and accounts payable	51,117	2	147,573	5
2180	Accounts payable to related parties (note 7)	2,116	-	2,264	-
2322	Long-term borrowings, current portion (note 6(9))	-	-	600	-
2300	Other current liabilities (note 6(10))	202,064	7	205,866	7
		295,297	10	411,303	14
	Non-Current liabilities:				
2570	Deferred income tax liabilities (note 6(13))	267	-	818	-
2600	Other non-current liabilities	957	-	393	-
		1,224	-	1,211	-
	Total liabilities	296,521	10	412,514	14
	Equity (note 6(14)):				
3100	Common stock	1,824,799	60	1,824,799	60
3200	Capital surplus	831,350	27	831,350	26
3300	Retained earnings	158,327	5	38,255	1
3400	Other equity interest	(123,002)	(4)	(105,145)	(3)
	Equity attributable to parent Company stockholders	2,691,474	88	2,589,259	84
36XX	Non-controlling interests	55,327	2	49,604	2
	Total equity	2,746,801	90	2,638,863	86
	Total liabilities and equity	**$ 3,043,322**	**100**	**3,051,377**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Yeh Chiang Technology Corporation and subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue** (note 6(16) and 14)	$ 1,905,226	100	2,151,112	100
5000	**Operating costs** (note 6(4), (11) and (12))	1,543,174	81	2,018,012	94
	Gross profit from operations	362,052	19	133,100	6
	Operating expenses (note 6(7),(11), (12), (17), and 7):				
6100	Selling expenses	93,920	5	120,681	6
6200	Administrative expenses	143,311	8	165,162	8
6300	Research and development expenses	36,894	2	31,929	1
		274,125	15	317,772	15
	Net operating gain (loss)	87,927	4	(184,672)	(9)
	Non-operating income and expenses:				
7020	Other gains and losses, net (note 6(2) and (18))	30,859	2	(70,622)	(3)
7050	Finance costs, net	(1,244)	-	(1,817)	-
7100	Interest income	4,974	-	7,975	-
		34,589	2	(64,464)	(3)
	Income (loss) before income taxes	122,516	6	(249,136)	(12)
7950	**Income tax expenses (benefits)** (note 6(13))	10,566	-	(647)	-
	Net income (loss)	111,950	6	(248,489)	(12)
8300	**Other comprehensive income (loss):**				
8310	**Items that will may be reclassified to profit or loss**				
8311	Remeasurements of defined benefit plans (note 12)	240	-	(59)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(41,336)	(2)	-	-
		(41,096)	(2)	(59)	-
8360	**Items that may be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(20,656)	(1)	(23,674)	(1)
8362	Unrealized gains on available-for-sale financial assets	-	-	460	-
8399	Income tax related to items that will be reclassified subsequently (note 6(13)	5,816	-	4,016	-
		(14,840)	(1)	(19,198)	(1)
8300	**Other comprehensive income for the period**	(55,936)	(3)	(19,257)	(1)
	Total comprehensive income for the period	**$ 56,014**	**3**	**(267,746)**	**(13)**
	Net income (loss) for the period attributable to:				
	Shareholders of the parent	$ 111,399	6	(245,155)	(12)
	Non-controlling interests	551	-	(3,334)	-
		$ 111,950	**6**	**(248,489)**	**(12)**
	Total comprehensive income attributable to:				
	Shareholders of the parent	$ 55,463	3	(264,412)	(12)
	Non-controlling interests	551	-	(3,334)	(1)
		$ 56,014	**3**	**(267,746)**	**(13)**
	Earnings per share (New Taiwan Dollars)(note 6(15))				
	Basic earnings per share	**$**	**0.61**		**(1.34)**
	Diluted earnings per share	**$**	**0.61**		**(1.34)**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Yeh Chiang Technology Corporation and subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												
			Retained earnings				Total other equity interest						
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured atfair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 1,824,799	824,660	11,702	5,555	266,212	283,469	(89,298)	-	3,351	(85,947)	2,846,981	60,546	2,907,527
Net loss	-	-	-	-	(245,155)	(245,155)	-	-	-	-	(245,155)	(3,334)	(248,489)
Other comprehensive income (loss) for the period	-	-	-	-	(59)	(59)	(19,658)	-	460	(19,198)	(19,257)	-	(19,257)
Total comprehensive income for the period	-	-	-	-	(245,214)	(245,214)	(19,658)	-	460	(19,198)	(264,412)	(3,334)	(267,746)
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	21,400	-	(21,400)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	89,298	(89,298)	-	-	-	-	-	-	-	-
From share of changes in equities of subsidiaries	-	6,690	-	-	-	-	-	-	-	-	6,690	-	6,690
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(7,608)	(7,608)
Balance at December 31, 2017	1,824,799	831,350	33,102	94,853	(89,700)	38,255	(108,956)	-	3,811	(105,145)	2,589,259	49,604	2,638,863
Effects of retrospective application of new standards	-	-	-	-	8,433	8,433	-	42,130	(3,811)	38,319	46,752	-	46,752
Balance on January 1, 2018 after adjustment	1,824,799	831,350	33,102	94,853	(81,267)	46,688	(108,956)	42,130	-	(66,826)	2,636,011	49,604	2,685,615
Net income	-	-	-	-	111,399	111,399	-	-	-	-	111,399	551	111,950
Other comprehensive income (loss) for the period	-	-	-	-	240	240	(14,840)	(41,336)	-	(56,176)	(55,936)	-	(55,936)
Total comprehensive income for the period	-	-	-	-	111,639	111,639	(14,840)	(41,336)	-	(56,176)	55,463	551	56,014
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	5,172	5,172
Balance at December 31, 2018	**$ 1,824,799**	**831,350**	**33,102**	**94,853**	**30,372**	**158,327**	**(123,796)**	**794**	**-**	**(123,002)**	**2,691,474**	**55,327**	**2,746,801**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Yeh Chiang Technology Corporation and subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from operating activities:			
Income (loss) before income tax	$	122,516	(249,136)
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		69,235	57,406
Amortization expense		13,191	10,876
Net loss (gain) on financial assets and liabilities at fair value through profit or loss		(1,573)	1,618
Interest expense		1,244	1,817
Interest income		(4,974)	(7,975)
Provision for (reversal of) inventory obsolescence (gain)		6,439	(1,768)
Dividend income		(7,116)	(5,744)
Impairment loss on property, plant and equipment		-	11,234
Others		5,226	(1,642)
		81,672	65,822
Changes in operating assets and liabilities:			
Notes and accounts receivable, net		32,239	66,961
Inventories		20,754	18,227
Other operating assets		46,636	(62,894)
Notes and accounts payable (including related parties)		(96,604)	(71,717)
Other operating liabilities		(5,429)	(82,815)
		(2,404)	(132,238)
Total adjustments		79,268	(66,416)
Cash flow generated (used in) from operations		201,784	(315,552)
Interest received		4,737	8,595
Dividends received		7,116	5,744
Interest paid		(1,358)	(1,885)
Income taxes paid		(6,809)	(458)
Net cash flows from (used in) operating activities		205,470	(303,556)
Cash flows from investing activities:			
Acquisition of financial assets at fair value through other comprehensive income		(48,001)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	60,459
Decrease in held-to-maturity investments		-	18,297
Acquisition of property, plant and equipment		(280,105)	(256,441)
Disposal of property, plant and equipment		16,078	11
Decrease (increase) in refundable deposits		2,935	(14,239)
Decrease (increase) in other financial assets		(1,425)	3,787
Increase in long-term rent payments		-	(153,417)
Net cash flows used in investing activities		(310,518)	(341,543)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowing		(15,000)	23,064
Repayments of long-term borrowings		(600)	(3,600)
Increase (decrease) in guarantee deposits		714	(249)
Net cash flows from (used in) financing activities		(14,886)	19,215
Effect of exchange rate changes on cash and cash equivalents		17,629	(26,800)
Net decrease in cash and cash equivalents for the period		(102,305)	(652,684)
Cash and cash equivalents at beginning of period		768,490	1,421,174
Cash and cash equivalents at end of period	$	666,185	768,490

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Yeh Chiang Technology Corporation (the "Company") was incorporated on December 23, 1994 and commenced its business operation in December 1995. The registered address of the Company's office is 7th Floor, No.13, No.19, Sanchong Road, Nangang District, Taipei. The Company's ordinary shares were publicly listed on the Taiwan Exchange in March 2002.

The major business activities of the Company and its subsidiaries (together referred to as the "Group") are the production and sales of high-tech heat pipe components, solder balls, LED products, equipment and semiconductor packaging wires.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the Board of Directors on March 21, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of goods, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

The Group adoption of the IFRS 15 would not have any material difference on its consolidated financial statements.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(7).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39, please see note 4(7).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  - The determination of the business model within which a financial asset is held.

  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

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

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	768,490	Amortized cost	768,490
Equity instruments	Available-for-sale (note 1)	59,785	FVOCI	106,537
Trade and other receivables	Loans and receivables	602,851	Amortized cost	602,851
Other financial assets	Loans and receivables	203,813	Amortized cost	203,813
Refundable deposits	Loans and receivables	49,439	Amortized cost	49,439

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
FVOCI financial assets						
Available for sale (including measured at cost) reclassification	$ -	59,785	46,752	106,537	8,433	38,319

Note 1: These equity securities (including financial assets measured at cost) represent the investments that the Group intends to hold for long term strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. In addition, the impairment loss of equity securities that have been recognized in accordance with IAS 39 for available-for-sale, and accumulated in retained earnings, is designated in accordance with IFRS 9 as measured by FVOCI, and no longer required for impairment assessment, resulting in an increase of 46,752 thousand in those recognized assets, and the increase of 38,319 thousand and 8,433 thousand in other equity and retained earnings.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(22).

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group adoption of the IFRS 12 would not have any material difference on its Consolidated financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard - i.e. the lessors will continue to classify leases as finance or operating leases.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, and factory facilities. The Group estimated that the right-of-use assets and the lease liabilities to increase by $158,714 thousand and $10,620 thousand respectively, as well as the long-term rent prepayments to decrease by $148,094.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Group estimated the application of the new amendments will not have any material impact on its consolidated financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date 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

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.
The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations") and the and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Fair value through other comprehensive income (available-for-sale financial assets) are measured at fair value;

3) The defined benefit asset is recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and the subsidiaries.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries in the consolidated financial statements

The list of subsidiaries is included in the consolidated financial statements:

			Percentage of Ownership at	
Name of Investor	**Name of Subsidiary**	**Business**	**December 31, 2018**	**December 31, 2017**
the Company	Arcadia Tech Co., Ltd. (Arcadia Tech)	Production and sales of raw alcohol	100%	100%
the Company	Excel Rainbow (Seychelles) Ltd. (Excel Rainbow)	International trade	100%	100%
the Company	Yeh Chiang Technology (Samoa) Corp. (YCTSC)	Overseas holding business	100%	100%
the Company	Yeh Chiang Technology (BVI) Corp. (YCTBC)	International trade	100%	100%
the Company	Taiwan Lighting Co., Ltd. (Taiwan Lighting)	Production and sales of lighting equipment	100%	100%
the Company	So Bright Electronic Co., Ltd. (So Bright Electronic)	Production and sales of lighting equipment	60.29%	60.29%
the Company	Yu Cheng Materials Co., Ltd.(Yu Cheng Materials)	Production and sales of semiconductor package	81.80%	81.80%

(Continued)

Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

		wires		
the Company	Taiwan New Thermal System Co., Ltd. (Taiwan New Thermal System)	Production and sales of heat pipes	96.55%	96.55%

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership at December 31, 2018	Percentage of Ownership at December 31, 2017
Arcadia Tech	Arcadia Earth Co., Ltd. (Arcadia Earth)	Environmental protection related business	60%	60%
YCTSC	Yeh Chiang Technology (Cayman) Corp. (YCTCC)	Overseas holding business	100%	100%
YCTSC	Yeh Chiang Technology Ye Xian(Cayman) Corp. (YCTYXCC)	Overseas holding business	100%	100%
YCTCC	Zhongshan Weiqiang Technology Co., Ltd.(Zhongshan Weiqiang)	Production and sales of heat pipes and solder balls	100%	100%
YCTCC	ZhuHai and Macau Spaning Border Industrial Estate Wei Qiang Technology Co.,Ltd.(ZhuHai Weiqiang)	Production and sales of heat pipes	100%	100%
YCTYXCC	Ye Xian Weiqiang Technology Co,Ltd.(Ye Xian Weiqiang)	Production and sales of heat pipes	100%	100%
YCTCC	Ping Ding Shan Yeh Chiang Technology Co., Ltd.(Yeh Chiang Ping Ding Shan)	Production and sales of heat pipes	100%	100%

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership at December 31, 2018	Percentage of Ownership at December 31, 2017

cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income.

Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable, which is presented as accounts receivable. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date； and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

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Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The loss allowance is recognized in profit or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial instruments (policy applicable before January 1, 2018)

1) Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, receivables and available-for-sale financial assets.

A. Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a. Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

b. Performance of the financial asset is evaluated on a fair value basis;

c. A hybrid instrument contains one or more embedded derivatives.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

B. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments are recognized in profit or loss, are recognized in other comprehensive income and presented within equity in unrealized gains (losses) on available-for-sale financial assets. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are carried at their cost less any impairment losses, and are included in financial assets carried at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expenses.

C. Receivables

Receivables, which comprise receivables and other receivables, are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses, using trade date accounting, as applicable. Interest income is recognized in profit or loss.

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Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

D. Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

(Continued)

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If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

E. Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity - unrealized gains or losses on available-for-sale financial assets" in profit or loss.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

2) Financial liabilities

A. Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Group designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

a. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;

(Continued)

Yeh Chiang Technology Corporation and subsidiaries
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b. Performance of the financial liabilities is evaluated on a fair value basis; or

c. A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and is included in non-operating income and expenses.

B. Other Financial liabilities

Financial liabilities not classified as held-for-trading, or designated as at FVTPL, which comprise accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expenses.

C. Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is recognized in non-operating income and expenses.

D. Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

E. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in line item of non-operating income of comprehensive income. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

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(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Yeh Chiang Technology Corporation and subsidiaries
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The estimated useful lives for the current and comparative years of property, plant and equipment are as follows:

1)	Buildings	15~25 years
2)	Machinery and equipment	6~8 years
3)	Miscellaneous equipment	2~6 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(j) Lease

(i) Lessee

The Group's leases are operating leases and are not recognized in the Group's balance sheet.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(ii) Long-term prepaid rent

Acquisition of land-use-rights is based on the acquisition cost and is amortized over 50 years according to the contract and the estimated benefit period.

(k) Intangible assets

(i) Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

(Continued)

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortizable amount is the cost of an asset less its residual value. Except for goodwill and intangible assets with indefinite useful lives, since the intangible assets are available for use, patents and trademarks are amortized using the straight-line method over the estimated useful lives of 10 to 20 years. Amortization is recognized in profit or loss.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

(l) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from inventory, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

The Group would assess, at each reporting date, whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount as a reversal of a previously recognized impairment loss.

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(m) Revenue from contracts with customers (policy applicable commencing January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods - electronic components

The Group manufactures and sells high-tech heat pipe components, solder balls, LED products, equipment and semiconductor packaging wires. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer, and payment made by the customer, exceeds one year. As a consequence, the Group does not need to adjust any of the transaction prices for the time value of money.

(n) Revenue (policy applicable before January 1, 2018)

Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

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(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Group's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation

(iii) Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(Continued)

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases.

Deferred taxes are recognized except for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration through the issuance of shares.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Evaluation of inventory allowance

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(4) for further description of the valuation of inventories.

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Notes to the Consolidated Financial Statements

(b) Impairment of long-term non-financial assets

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups, considering of the nature of the industry. Any changes in these estimates, based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

The Group's accounting policies include measuring financial and non financial assets and liabilities at fair value through profit or loss.

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value. The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(19) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Petty cash and cash on hand	$ 3,609	3,040
Check and demand deposits	537,591	589,340
Time deposits(within three months)	124,985	176,110
	$ 666,185	768,490

Please refer to note 6(19) for the interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

The time deposits that did not conform with the definition of cash in the year ended December 31, 2018 and 2017 amounted to $174,461 and $173,043, respectively, which were classified to other financial assets-current.

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(b) Financial instruments

(i) Current financial assets at fair value through profit or loss

	December 31, 2018	December 31, 2017
Financial assets held-for-trading current:		
Beneficiary Certificates - mutual Funds	$ 392,605	343,031

The Group engaged in derivative financial instrument transactions to circumvent the risk of its production materials due to fluctuations in international copper prices. The above transactions are not applicable to hedge accounting, and the related transactions are as follows. In addition, there have been no outstanding contracts as of the reporting date.

Commodity exchange contract:

	Expiry date	Financial product	Buyer/ Seller	Quantity of contracts	Trading price	Settle loss
Closed position	106.3~ 106.11	Copper exchange contract	Buyer	250 tons	USD6,528 dollar/ton ~USD6,960 dollar/ton	$ 1,702

Futures contract transaction:

	Closed position			
	Buyer/Seller	Quantity of contracts	Trading price	Settle loss
106.2~106.5	Buyer	113 tons (250,000 pounds)	USD6,112 dollar/ton	$ 1,327

The gains (losses) arising from the fair value assessment of the financial assets of the Group in 2018 and 2017 were $1,573 and $(1,618), respectively. Please refer to note 6(19).

(ii) Non-Current financial assets at fair value through other comprehensive income:

	December 31, 2018
Listed stocks - ASUSTeK Computer Inc	$ 26,743
Listed stocks - Pegatron Corporation	15,050
Domestic non-listed (cabinet) stocks - Song Long Electronics Co., Ltd.	16,021
Domestic non-listed (cabinet) stock - Powerchip Technology Corporation	7,387
	$ 65,201

The Group investments in these equity instruments are not held for trading purposes and have been designated for non-current financial assets at fair value through other comprehensive income. These investments were classified as non-current available-for-sale financial assets and non-current financial assets at cost as at December 31, 2017. Please refer to note 6(2) iii and iv for details.

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Notes to the Consolidated Financial Statements

(iii) Non-current available-for-sale financial assets

	December 31, 2017
Listed stocks - ASUSTeK Computer Inc	$ 37,096
Listed stocks - Pegatron Corporation	21,081
	$ 58,177

These investments were classified as financial assets at fair value through other comprehensive income as at December 31, 2018. Please refer to note 6(2) ii for details.

(iv) Non-current financial assets at cost, net

	December 31, 2017
Stock Investment - Song Long Electronics Co., Ltd.	$ 1,450
Stock Investment - Powerchip Technology Corporation	8,591
	10,041
Less: cumulative impairment	(8,433)
	$ 1,608

The above mentioned stock investments held by the Group were measured at cost, less, allowance for impairment on December 31, 2017, due to the significant range of reasonable estimate of the fair value estimates and the inability to reasonably assess the various estimates the rate, resulted in the management of the Group to believe that its fair value cannot be reliably measured. These investments were classified as financial assets at fair through other comprehensive income on December 31, 2018. Please refer to note 6(b) ii for detail.

(c) Notes and accounts receivable, net

	December 31, 2018	December 31, 2017
Note receivables	$ 34,582	31,756
Trade receivables－measured as amortized cost	533,058	573,182
	567,640	604,938
Less: Loss allowance	(2,087)	(2,087)
	$ 565,553	602,851

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The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, account receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Not past due	$ 532,886	0%	-
Past due 0 to 180 days	28,994	1%	290
Past due for more than 180 days	5,760	2%	115
	$ 567,640		405

In addition, the Group assessed the receivables of certain specific customers who were not able to fulfill their obligations, therefore, recognized an expected credit loss of $1,682.

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and account receivable, and the aging analysis of notes and account receivable, which were past due but not impaired, was as follows:

	December 31, 2017	
	Amount	Impairment
Not past due	$ 574,992	-
Past due 0 to 180 days	24,602	-
Past due for more than 180 days	5,344	2,087
	$ 604,938	2,087

The movement in the allowance for notes and account receivable was as follows:

	December 31, 2018	December 31, 2017
Balance on January 1, (IAS39)	$ 2,087	2,087
Adjustment on initial application of IFRS 9	-	-
Balance on December 31, (IFRS 9)	$ 2,087	2,087

Note: The impairment had been collectively assessed as of December 31, 2017.

(Continued)

Details of the relevant information on the assignment of accounts receivable, that meet the conditions for inclusion, are as follows:

December 31, 2018

Takeover bank	Acquisition limit (in thousands)	Advance price Balance (in thousands)	Resale and removal Column balance (in thousands)	Important Transfer clause
Industrial Bank of Taiwan	NTD 60,000	USD -	USD -	note 1～2

December 31, 2017

Takeover bank	Acquisition limit (in thousands)	Advance price Balance (in thousands)	Resale and removal Column balance (in thousands)	Important Transfer clause
Industrial Bank of Taiwan	NTD 100,000	USD 816	USD 1,220	note 1～2

Note 1: The acquiring bank confirms that the transaction-related trading conditions of this transaction are subject to the acceptance of the accounts receivable, which is non-recourse and is the selling behavior of the outstanding receivables.

Note 2: The Group has notified the original debtor of the accounts receivable to pay directly to the bank.

Note 3: On December 31, 2017, the Group made its final payment of $12,005 after deducting the related expenses, which has not been recovered, and therefore, were classified to other financial assets.

(d) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 156,359	145,335
Work in progress	23,793	34,796
Finished goods	120,325	155,895
Commodity inventories	5,957	6,713
	306,434	342,739
Loss: allowance	(78,539)	(85,130)
	$ 227,895	257,609

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

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As at 2018 and 2017, the Group recognized the costs of sales amounting to $1,536,735 and $2,019,780 respectively; and the inventory adjustment to net realized value, recognized as inventory write-down (reversals) gain (loss), amounted to $6,439 and $(1,768). The write-downs and reversals were included in cost of sales.

As of, 2018 and 2017, the Group did not provide any inventories as collateral for its loans.

(e) Other financial assets - current

The other current financial assets - current of the Group were as follows:

		December 31, 2018	December 31, 2017
Time deposits (over three months)	$	174,461	173,043
Other receivable, net		4,798	22,796
Certificate of deposit-restricted		3,003	3,002
Other		5,078	4,972
	$	187,340	203,813

(i) Please refer to note 8 for the certificate of deposit-restricted.

(ii) In the year of 2018 and 2017, the Group did not provide any impairment losses for other financial assets.

(iii) Please refer to note 6(19) for the remaining credit risk.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017, were as follows:

		Land	Buildings and construction	Machinery and equipment	Other facilities	Construction in progress and testing equip	Total
Cost or deemed cost:							
Balance on January 1, 2018	$	99,389	8,362	412,359	207,662	58,808	786,580
Additions		-	-	47,702	32,328	197,369	277,399
Disposal, Reclassification and effect of movements in exchange rates		-	-	19,667	(15,721)	(74,632)	(70,686)
Balance on December 31, 2018	$	99,389	8,362	479,728	224,269	181,545	993,293

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Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

		Land	Buildings and constructi on	Machinery and equipment	Other facilities	Constructi on in progress and testing equip	Total
Balance on January 1, 2017	$	99,389	8,362	192,390	219,413	15,694	535,248
Additions		-	-	216,662	14,728	46,989	278,379
Disposal, Reclassification and effect of movements in exchange rates		-	-	3,307	(26,479)	(3,875)	(27,047)
Balance on December 31, 2017	$	**99,389**	**8,362**	**412,359**	**207,662**	**58,808**	**786,580**
Depreciation and impairments loss:							
Balance on January 1, 2018	$	4,672	7,544	87,514	166,918	-	266,648
Depreciation		-	409	42,671	26,155	-	69,235
Disposal, Reclassification and effect of movements in exchange rates		-	-	(19,105)	(8,036)	-	(27,141)
Balance on December 31, 2018	$	**4,672**	**7,953**	**111,080**	**185,037**	**-**	**308,742**
Balance on January 1, 2017	$	4,672	7,136	68,636	150,846	-	231,290
Depreciation		-	408	24,777	32,221	-	57,406
Impairment losses		-	-	-	11,234	-	11,234
Disposal, Reclassification and effect of movements in exchange rates		-	-	(5,899)	(27,383)	-	(33,282)
Balance on December 31, 2017	$	**4,672**	**7,544**	**87,514**	**166,918**	**-**	**266,648**
Carrying amounts:							
Balance on December 31, 2018	$	**94,717**	**409**	**368,648**	**39,232**	**181,545**	**684,551**
Balance on December 31, 2017	$	**94,717**	**818**	**324,845**	**40,744**	**58,808**	**519,932**
Balance on January 1, 2017	$	**94,717**	**1,226**	**123,754**	**68,567**	**15,694**	**303,958**

In 2017, the heat pipe department of the Group offset the book value of the individual assets with lower usage capacity and fully recognized the impairment loss of $11,234.

As of December 31, 2018 and 2017, the Group did not provide any property, plant and equipment as collateral for its loans.

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Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

(g) Intangible assets

The cost and amortization of the intangible assets of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Patent and trademark
Costs:	
Balance at January 1, 2018	$ 83,002
Additions	830
Disposals	(19)
Balance at December 31, 2018	**$ 83,813**
Balance at January 1, 2017	$ 82,990
Additions	12
Balance at December 31, 2017	**$ 83,002**
Accumulated amortization:	
Balance at January 1, 2018	$ 61,127
Amortization	8,726
Disposals	(19)
Balance at December 31, 2018	**$ 69,834**
Balance at January 1, 2017	$ 52,999
Amortization	8,128
Balance at December 31, 2017	**$ 61,127**
Carrying value:	
Balance at December 31, 2018	**$ 13,979**
Balance at December 31, 2017	**$ 21,875**
Balance at December 1, 2017	**$ 29,991**

(i) Recognition of amortization

The amortization of intangible assets are included in the statement of comprehensive income under the operating expenses, please refer to note12(1).

(ii) As of December 31, 2018 and 2017, the Group did not provide any intangible assets as collateral for its loans.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(h) Short-term borrowings

	December 31, 2018	December 31, 2017
Credit loan	$ 40,000	55,000
Unused short-term credit lines	$ 317,020	289,040
Range of interest rates	1.5%	1.5%~ 3.605%

The above credit loans are from So Bright Electronics Co., Ltd. and Yu-Cheng Materials Co., Ltd., which are guaranteed by the Company.

(i) Long-term borrowings

	December 31, 2018	December 31, 2017
Credit loan	$ -	600
Less: current portion	-	(600)
	$ -	-
Unused long-term credit lines	$ -	-
Range of interest rates	-	4.47%~ 4.6%

(j) Other liabilities-current

	December 31, 2018	December 31, 2017
Payroll and bonus payable	$ 51,402	51,359
Payables on equipment	29,360	31,921
Payables on employee compensation and directors' and supervision' remuneration (Note 6(17))	26,864	22,792
Other	94,438	99,794
	$ 202,064	205,866

(k) Operating lease

(i) Leases as lessee

The Group signed non-cancellable operating lease rentals payable due to the lease of the factory, office and transportation equipment were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 15,839	37,200

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

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Between one and four years	606	10,857
	$ 16,445	**48,057**

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

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During the year, an amount of $23,812 and $29,574 was recognized as operating cost and amount of $18,318 and $18,145 was recognized as operating expenses.

(ii) Long-term prepaid rent

The Group paid the land use right price of the Ye Xian County Land and Resources Bureau for $153,417 in the first quarter 2017. And signed the completion of the state-owned land use right transfer contract in May 2017. The lease period (amortization period) is 50 years and has been amortized starting on June 2017. The construction of the plant have begun.

(l) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$ (8,665)	(8,313)
Fair value of plan assets	12,845	12,345
Net defined benefit liabilities	$ 4,180	4,032

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group's allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $12,845 as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	2018	2017
Defined benefit obligations at 1, January	$ 8,313	8,044
Current service costs and interest cost	232	228
Actuarial loss (gain) arising from:		
－demographic assumptions	25	82
－financial assumptions	95	(41)
Defined benefit obligations at 31, December	$ 8,665	8,313

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	2018	2017
Fair value of plan assets at 1, January	$ 12,345	12,226
Interest income	140	137
Remeasurements gain (loss):		
－Return on plan assets excluding interest income	360	(18)
Fair value of plan assets at 31, December	$ 12,845	12,345

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	2018	2017
Current service costs	$ 138	138
Net interest of net liabilities for defined benefit obligations	(46)	(47)
	$ 92	91
Operating expense	$ 92	91

5) Remeasurement of net defined benefit asset recognized in other comprehensive income

The Group's remeasurement of the net defined benefit asset recognized in other comprehensive income for the years ended December 31, 2018 and 2017, was as follows:

	2018	2017
Accumulated amount at 1, January	$ (2,098)	(2,039)
Recognized during the period	240	(59)

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Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

Accumulated amount at 31, December	**$ (1,858)**	**(2,098)**

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Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2018	2017
Discount rate	0.875%	1.125%
Future salary increase rate	2.00%	2.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $359.

The weighted average lifetime of the defined benefits plans is 8.4 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	**Decreased 0.25%**
December 31, 2018		
Discount rate	$ (180)	185
Future salary increasing rate	180	(176)
December 31, 2017		
Discount rate	$ (189)	194
Future salary increasing rate	189	(184)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remained constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $16,827 and $22,562 for the years ended December 31, 2018 and 2017, respectively.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

(m) Income taxes

(i) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the president of the R.O.C. on February 7, 2018 an increase in the corporate income tax rate from 17% to 20%.

The amount of income tax expense was as follow:

	2018	2017
Current tax expense (benefit)	$ 10,926	(65)
Deferred tax expense (benefit)	758	(582)
Adjustment in tax rate	(1,118)	-
	$ 10,566	(647)

The amount of income tax benefit recognized in other comprehensive income for the years ended December 31, 2018 and 2017 was as follows:

	2018	2017
Exchange differences on translation of foreign statements	$ (5,816)	(4,016)

Reconciliation of income tax and income before income tax for 2018 and 2017 is as follows:

	2018	2017
Income (loss) before income tax	$ 122,516	(249,136)
Income tax using the Company's domestic tax rate	24,503	(42,353)
Effect of tax rates in foreign jurisdiction	(12,006)	(8,588)
Recognition of investment gains and losses of domestic invested companies by equity method	1,345	3,665
Capital reduction for cover accumulated deficits of domestic invested companies	-	(13,869)
Change in unrecognized temporary differences and others	(2,158)	60,498
Adjustment in tax rate	(1,118)	-
	$ 10,566	(647)

(Continued)

Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018	December 31, 2017
The equity method recognizes the loss of foreign subsidiaries	$ 32,700	45,038
The carry forward of unused tax losses	204,469	201,872
Tax effect of deductible temporary differences	26,746	36,671
	$ 263,915	283,581

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As at 31 December 2018, the information of the Group's unutilized business losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unutilized business loss	Expiry date
2009~2018	$ 979,459	2018~2027

2) Recognized deferred tax assets and liabilities

Deferred Tax Liabilities	January 1, 2017	(Debit) Credit income statement	(Debit) Credit Other comprehensive income statement	December 31, 2017	(Debit) Credit income statement	(Debit) Credit Other comprehensive income statement	December 31, 2018
Inventory devaluation loss	$ 6,891	-	-	6,891	(150)	-	6,741
Foreign currency translation differences for foreign operations and other	5,724	46	4,016	9,786	(5)	5,816	15,597
	$ 12,615	46	4,016	16,677	(155)	5,816	22,338

Deferred Tax Assets	January 1, 2017	(Debit) Credit income statement	(Debit) Credit Other comprehensive	December 31, 2017	(Debit) Credit income statement	(Debit) Credit Other comprehensive	December 31, 2018

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

			income statement			income statement	
Foreign currency translation differences for foreign operations	$ 18	-	-	18	(18)	-	-
Other	1,336	(536)	-	800	(533)	-	267
	$ 1,354	**(536)**	**-**	**818**	**(515)**	**-**	**267**

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

(iii) Examination and Approval

The Company's tax returns for the years through 2016 were examined and approved by the Taipei National Tax Administration.

(n) Capital and other equity

(i) Common stock

As of 31 December 2018 and 2017, the number of authorized ordinary shares were 2,600,000 shares with par value of $10 per share. (All of them reserved 100,000 for the issue of employee stock option certificates, and reserved 200,000 for the issuance of convertible corporate bonds.) The paid-up share capital is $1,824,799.

(ii) Capital surplus

	December 31, 2018	December 31, 2017
Share capital	$ 787,281	787,281
Share of changes in equities of associates	13,492	13,492
Share of changes in equities of subsidiaries	6,690	6,690
Employee share options	23,887	23,887
	$ 831,350	831,350

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors to be submitted during the stockholders' meeting for approval.

The company's dividend policy is determined in accordance with the company law and the company's articles of association, and is determined by the company's capital and financial structure, operating conditions, surplus, the nature of the industry and the cyclical factors. The cash dividend is not less than 50% of the total dividends for the year, and can be adjusted according to the flexibility of internal and external environmental changes.

(Continued)

1) Legal reserve

According to the amendment of the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply the exemptions granted under IFRS 1 during the Company's first-time adoption of IFRSs endorsed by the FSC, the accumulating conversion adjustments under shareholders' equity, transferred on the conversion date, resulted in an increase in retained earnings of $109,388. However, on the conversion date, the actuarial gains and losses will be recognized immediately. The retained earnings incurred from the retained surplus of $4,917, and the expected cost of the employee's accumulated paid leave, will be reduced by $1,771. The conversion date was based on the first time adoption of the IFRSs endorsed by the FSC. The net increase in retained earnings amounted to $102,700, which resulted in the loss on the original account of $(90,258) and the retained surplus of $12,422. According to Ruling 1010012865 issued by the FSC on April 6, 2012, a net increase in retained earnings, due to the first-time adoption of the IFRSs endorsed by the FSC, shall be reclassified as special reserve during earnings distribution, and when the relevant asset is used, disposed, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. In the first half of the year 2016 and the second half of the year of 2015, the special surplus reserve amounted to $2,681 and $4,206, respectively, due to the sales of Yeh Chiang Kunshan and the disposal of Yeh Chiang Dongguan. The carrying amount of special reserve amounted to $5,555 as of December 31, 2018 and 2017.

In accordance with the guidelines of the above Ruling, a portion of the current-period earnings and undistributed prior-period earnings shall be reclassified as special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of the IFRSs endorsed by the FSC, and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior-periods due to the first-time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

The Company decided not to distribute any dividends in 2018 and 2017, with the resolution approved during the shareholders' meeting held on the June 12, 2018 and June 13, 2017, respectively.

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Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

(iv) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets
Balance at January 1, 2018	$ (108,956)	-	3,811
Effects of retrospective application	-	42,130	(3,811)
Balance at January 1, 2018 after adjustments	(108,956)	42,130	-
Exchange differences on translation of foreign financial statements	(14,840)	-	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(41,336)	-
Balance at December 31, 2018	**$ (123,796)**	**794**	**-**

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets
Balance at January 1, 2017	$ (89,298)	3,351
Exchange differences on translation of foreign financial statements	(19,658)	-
Unrealized gains (losses) on available-for-sale financial assets	-	460
Balance at December 31, 2017	**$ (108,956)**	**3,811**

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Notes to the Consolidated Financial Statements

(o) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year 2018 and 2017 are as follows:

	2018	2017
Basic earnings per share:		
Net income / loss attributable to ordinary shareholders of the Company	$ 111,399	(245,155)
Weighted-average number of ordinary shares (in thousands)	182,480	182,480
Basic earnings per share (TWD)	$ 0.61	(1.34)
Diluted earnings per share:		
Net income / loss attributable to ordinary shareholders of the Company	$ 111,399	(245,155)
Weighted-average number of ordinary shares (diluted) (in thousands)	182,480	182,480
Impact of dilution of potential common stock - employee compensation (thousand shares)	157	-
Weighted-average number of ordinary shares (in thousands)	182,637	182,480
Diluted earnings per share (TWD)	$ 0.61	(1.34)

(p) Revenue from contracts with customers

(i) Details of revenue

The Group revenue from external customers is as follows:

	2018
Heat pipe product	$ 1,419,622
Lighting device	336,041
Electronic Materials Business/Semiconductor	149,563
	$ 1,905,226

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers, and segment assets are based on the geographical location of the assets.

(Continued)

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	2018
Revenue from external customers:	
Taiwan	$ 413,066
China	1,425,274
Other	66,886
	$ 1,905,226

For details on revenue for the year ended December 31, 2017, please refer to note 14.

(ii) Contract balance

	2018	2017
Contract liabilities	$ 2,908	5,413

The contract liabilities primarily relate to the advance consideration received from customer, for which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liabilities balance at the beginning of the period was 5,413.

(q) Remuneration to employees, directors and supervisors

The Company's articles of incorporation, which were authorized by the board of directors but has yet to be approved by the shareholders, require that earnings shall first be offset against any deficit, then, a minimum of 10% will be distributed as employee remuneration, and a maximum of 2% will be allocated as remuneration to directors and supervisors. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the Company's subsidiaries who meet certain specific requirements.

For the years ended December 31, 2018, the Company accrued and recognized its employee remuneration amounting to $3,393, as well as its remuneration to directors and supervisors amounting to $679. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees, directors and supervisors, multiplied by the distribution of ratio of the remuneration to employees, directors and supervisors based on the Company's articles of incorporation, and expensed under operating costs or expenses. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or lost in the following year. If, however, the shareholders determine that the employee remuneration is to be distributed through stock dividends, the calculation, based on the shares, shall be calculated using the stock price on the day before the shareholders' meeting.

Due to the net loss incurred by the Company as of December 31, 2017, no remuneration to employees, directors and supervisors were accrued; and there were no differences between the accrued amount and the actual distribution amount for the year then ended.

The related information can be accessed from the Market Observation Post System website.

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Notes to the Consolidated Financial Statements

(r) Non-operating income and expenses

		2018	2017
Foreign exchange gains (losses)	$	14,874	(69,383)
Dividend income		7,116	5,744
Gains (losses) on financial assets at fair value through profit or loss		1,573	(1,618)
Other		7,296	(5,365)
	$	30,859	(70,622)

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The customers of the Group are mainly concentrated in the downstream heat pipe module factory of the computer industry. For the years ended December 31, 2018 and 2017, the total amounts of notes and accounts receivable deriving from the top five customers of the Group's operating income were $288,667 and $360,914, which accounted for 51% and 60% of the net amounts of notes and accounts receivable, respectively. To reduce the concentration of credit risk, the Group continuously assesses the credit status of its customers and collectability of these notes and accounts receivable, and provides an allowance for doubtful accounts.

3) Credit risk of receivables

For credit risk exposure of note and trade receivables, please refer to note 6(3).

Other financial assets at amortized cost includes time deposits (more than three months) and certificate of deposit-restricted. For the details and loss allowance please refer to note 6(5).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(7).

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(ii) Liquidity risk

Except for the accrued expenses under other current liabilities, the contractual maturities of financial liabilities are as follows:

		Carrying amount	Contractual cash flows	1 years	2-5 years
December 31, 2018					
Non derivative financial liabilities					
Bank loan	$	40,000	40,000	40,009	-
Notes and accounts payable (including related parties)		53,233	53,233	53,233	-
Guarantee deposits received		952	952	-	952
	$	94,185	94,185	93,242	952
December 31, 2017					
Non derivative financial liabilities					
Bank loan	$	55,000	55,000	55,138	-
Notes and accounts payable (including related parties)		149,837	149,837	149,837	-
Guarantee deposits received		238	238	-	238
Long-term borrowings (including current portion)		600	604	604	-
	$	205,675	205,679	205,579	238

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
CNY	$ 8,690	4.472	38,896	7,892	4.565	36,026
USD	17,293	30.715	531,148	25,311	29.76	753,247
Financial liabilities						
Monetary items						
USD	101	30.715	3,097	560	29.76	16,659

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

2) Sensitivity analysis

Exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, and notes and accounts payable (including related parties) that are denominated in foreign currency. A strengthening (weakening) of 5% of the NTD against the USD, and CNY as at December 31, 2018 and 2017 would have increased (decreased) the net profit before tax by $28,347 and $38,631. The analysis is performed on the same basis for prior year.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized portions) amounted to$14,874 and $(69,383), respectively.

4) Other price risk

For the years ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31, 2018		For the years ended December 31, 2017	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 10% (listed stocks) and 1% (mutual funds)	$ 4,179	3,926	5,818	2,847
Decreasing 10% (listed stocks) and 1% (mutual funds)	$ (4,179)	(3,926)	(5,818)	(2,847)

(iv) Interest rate analysis

The Group's assessment did not have a significant loan rate risk.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income (available-for-sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
	Book	Fair Value			
	Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets at fair value through profit or loss	$ 392,605	392,605	-	-	392,605
Financial assets at fair value through other comprehensive income					
Stocks in listed companies (domestic)	41,793	41,793	-	-	41,793
Stocks non-listed (cabinet) companies (domestic)	23,408	-	-	23,408	23,408
Financial assets measured at amortized cost					
Cash and cash equivalents	666,185	-	-	-	-
Notes and accounts receivable	565,553	-	-	-	-
Other financial assets - current	187,340	-	-	-	-
Refundable deposits (recorded in other current and non-current assets)	45,674	-	-	-	-
	$ 1,922,558	434,398	-	23,408	457,806
Financial liabilities at amortized cost					
Notes and accounts payable (including related parties)	53,233	-	-	-	-
Bank loan	40,000	-	-	-	-
Guarantee deposits received	952	-	-	-	-
	$ 94,185	-	-	-	-

(Continued)

Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

	December 31, 2017				
	Book	Fair Value			
	Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative held-for-trading financial assets	$ 343,031	343,031	-	-	343,031
Loans and receivables					
Cash and cash equivalents	768,490	-	-	-	-
Notes and accounts receivable	602,851	-	-	-	-
Other financial assets-current	203,813	-	-	-	-
Refundable deposits (recorded in current and non-current assets)	49,439	-	-	-	-
Available-for-sale financial assets					
Stocks in listed companies(domestic)	58,177	58,177	-	-	58,177
Financial assets at cost					
Financial assets at cost	1,608	-	-	-	-
	$ 2,027,409	401,208	-	-	401,208
Financial liabilities at amortized cost					
Notes and accounts payable (including related parties)	149,837	-	-	-	-
Bank loan	55,000	-	-	-	-
Long-term borrowings (including current portion)	600	-	-	-	-
Guarantee deposits received	238	-	-	-	-
	$ 205,675	-	-	-	-

2) Valuation techniques for financial instruments not measured at fair value

A. If Financial instruments measured at fair value through profit or loss, and equity instruments with quoted prices in active markets are available, the market price is deemed as the fair value.

B. If quoted prices in active markets are not available, the market comparable company method are used to estimate fair value that is assessed by the pee stock price ratio.

3) There were no transfer between the levels for the years ended December 31, 2018 and 2017.

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value are "financial assets measured at fair value through other comprehensive-entity investments".

(Continued)

Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

The equity investments without an active market that use Level 3 inputs to measure fair value due to the use of significant unobservable inputs. The significant unobservable inputs of the equity investments are independent, therefore, there is no correlation.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive without an active market	Market Method (comparable to the price and net value ratio of the listed (cabinet) company's peers)	• Price and net value ratio multiplier on December 31, 2018 was 0.82~1.50 • Lack of market liquidity discount on December 31, 2018 was 20~30%	• The higher the price and net value ratio multiplier, the higher the fair value • The higher the lack of market liquidity discount, the lower the fair value

5) Reconciliation of level 3 fair values

	2018
Financial assets measured at fair value through other comprehensive gains and losses - Equity instruments without an active market	
Opening Balance 1, 2018	$ 1,608
Initial adjustment to IFRS 9	46,752
Total gain or loss - recognized in other comprehensive	(24,952)
Ending balance	$ 23,408

(t) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout these consolidated financial statements.

(Continued)

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank deposits, accounts receivable and guarantees.

1) Accounts receivable

The Group continuously evaluate the financial status. Please refer to Note 6(19) of the financial report.

2) Investments

The exposure to credit risk for the bank deposits, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, corporate organizations, and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. For details of the guarantee provided by the Group of December 31, 2018 and 2017, please refer to Note 7 and 13.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(Continued)

Liquidity risk of the Group is monitored through its corporate financial department which tracks the development of the actual cash flow position for the Group and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate financial invest surplus cash in money market deposits and short term investments with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due. The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group in order to manage market risk. All such transactions are carried out within the guidelines set by the Board of Directors and are subject to the monitor from internal audit office.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies used in these transactions are the USD and CNY.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is not hedges its investment in foreign subsidiaries.

2) Other market price risk

The primary goal of the Group's investment strategy is to maximize investment returns. In accordance with this strategy, certain investments are designated as at fair value through profit or loss because their performance is actively monitored and they are measured on a fair value basis.

(u) Capital management

The board's policy is to maintain a strong capital base so as to maintain its investors, creditors, and market confidence, and to sustain future development of the business. Capital consists of share capital, capital surplus, retained earnings, and other equity interest. The board of directors managing its capital is to safeguard the capacity to continue as a going concern, to provide a return on shareholders, and to maintain an optimal capital structure to reduce the cost of capital.

(Continued)

The debt-to-capital ratio at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 296,521	412,514
Total equity	$ 2,746,801	2,638,863
Debt-to-equity ratio	10.80%	15.63%

As of December 31, 2018, the Group had not changed its capital management method.

(v) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January.1,2018	Cash flow	December 31, 2018
Bank loan	$ 55,000	(15,000)	40,000
Long-term borrowings, current portion	$ 600	(600)	-

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Group
Zhongshan Wei Li Textile Co., Ltd. (Zhongshan Wei Li)	The supervisor of the entity's parent company is the Company's chairman of directors

(b) Key management personnel

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	$ 5,179	7,215

(c) Other related party transactions

As of December 31, 2018 and 2017, the accounts payable-related parties were $2,116 and $2,264, respectively.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries
Notes to the Consolidated Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Account	Object	December 31, 2018	December 31, 2017
Time deposits	Other non-current assets	Contract fulfillment and warranty guarantee	$ 536	531
Time deposits	Other non-current assets	Litigation deposit guarantee	23,800	23,700
Certificate of deposit restricted	Other current assets	Derivative financial commodity guarantee	3,003	3,002
Refundable deposits	Other non-current assets	Futures deposit	13,999	14,135

(9) Commitments and contingencies:

(a) The Group's acquired property, plant and equipment unrecognized contractual commitments are as follows:

December 31, 2018	December 31, 2017
$ 198,197	7,827

(b) For the financial loan credits, export bills and financial commodity trading credits, the details of the opening guarantee notes are as follows:

December 31, 2018	December 31, 2017
$ 278,218	273,920

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

(12) Other:

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By funtion / By item	For the year ended December 31					
	2018			2017		
	Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Employee benefits						
Salary	480,695	112,092	592,787	596,872	122,115	718,987
Labor and health insurance	3,847	3,836	7,683	5,581	8,263	13,844
Pension	10,477	6,442	16,919	15,278	7,375	22,653
Others	1,519	12,783	14,302	2,682	13,110	15,792
Depreciation	51,322	17,913	69,235	36,627	20,779	57,406
Amortization (Note)	-	13,191	13,191	-	10,876	10,876

(Note) Amortization expenses included intangible assets amounting to \$8,726, long-term rents prepayments amounting to \$3,147, and other non-current assets amounting to \$1,318 in 2018. Amortization expenses included intangible assets amounting to \$8,128, long-term rent prepayments amounting to \$1,821 other non-current assets amounting to \$927 in 2017.

(b) On September 15, 2009, the Group entered into an agreement with an agent, Taiwan Mother Cosmo Co., Ltd. (TMC), for the manufacturing and sales of fibre-alcohol in the People's Republic of China in order to obtain fibre-alcohol mass production technology and related advisory services. However, the TMC failed to comply with the agreement, resulting in the Group to file a lawsuit against the agent, including its chairman and vice chairman, to the Taipei District Court. The Company also provided the amount of \$16,800 to the Taipei District Court as security after an execution of a ruling on the abovementioned lawsuit had been carried out. On the other hand, TMC was dissatisfied with the decision made by the Taipei District Court, and therefore, filed an appeal to the Taiwan High Court. On December 7, 2016, the Taiwan High Court demanded TMC to pay the amount \$70,308 to the Company, but dismissing the allegation against its chairman and vice chairman. TMC disagreed with the court's decision, hence, filed an appeal against it. However, its appeal was denied on October 11, 2018.

(c) In 2010, the Company entered into an agreement with Unimax Investment Services Ltd. (Unimax) for the purchase of spotlights, wherein Davinci Industrial Inc. (Davinci) was responsible for the manufacturing and sales of the said product. However, there were defects found in the products, resulting in the Company to return them to Unimax for repair. Unimax, on the other hand, refused to comply with the Company's request, which prompted the Company to terminate their agreement and proceeded in filing a lawsuit against Unimax to the Taipei District Court. Furthermore, since Davinci was also involved the case, the Company filed another lawsuit against Davinci to the Taipei District Court on December 12, 2012, demanding for a compensation claim of \$41,055. In addition, the Company provided the amount \$7,000 as security after an execution on the ruling on the abovementioned lawsuit against Davinci had been carried out. This case is still in progress as of the issuance of this report.

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the Regulations for the Group:

(i) Loans to other parties: Please refer to Attachment 1.

(ii) Guarantees and endorsements for other parties: Please refer to Attachment 2.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Attachment 3.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock: Please refer to Attachment 4.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions: Please refer to Attachment 5.

(b) Name, Location, and related information of investees for the year 2018 (excluding information on investees in Mainland China): Please refer to Attachment 6.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Attachment 7(1).

(ii) Limitation on investment in Mainland China: Please refer to Attachment 7(2).

(Continued)

(iii) Significant transactions

The significant inter-Company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "information on significant transactions".

(14) Segment information:

(a) General and segment information

The following are the Group's three reportable segments, which are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's main operating decision makers at least quarterly reviews the internal management reports of each strategic division. No segment's assets were provided to the operating decision makers, therefore, no disclosure is required of the Group. In addition, the Segment's gains and losses are measured by using the net profit before tax, which are used as a basis for assessing the segments performance:

Heat pipe Segment: includes the related high-tech heat pipe components and Solder ball production and marketing business.

Lighting Segment: includes LED lighting products and lighting equipment production and marketing business.

Semiconductor Segment: includes semiconductor packaging wire production and marketing business.

(b) The Group's operating segment information and reconciliation are as follows:

	December 31, 2018				
	Heat pipe business	**Lighting business**	**Semiconductor business**	**Reconciliation and elimination**	**Total**
Revenue	$ 1,419,622	338,144	149,563	(2,103)	1,905,226
Depreciation and amortization	$ 79,136	3,075	215	-	82,426
Segment after tax benefit (loss)	$ 109,400	15,681	(13,131)	-	111,950
Segment assets	$ 2,528,590	288,405	227,165	(838)	3,043,322
Segment liabilities	$ 193,401	100,296	3,662	(838)	296,521

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

	December 31, 2017				
	Heat pipe business	**Lighting business**	**Semiconductor business**	**Reconciliation and elimination**	**Total**
Revenue	$ 1,426,044	460,681	264,739	(352)	2,151,112
Depreciation and amortization	$ 62,444	3,360	2,478	-	68,282
Segment after tax profit (loss)	$ (228,149)	308	(20,648)	-	(248,489)
Segment assets	$ 2,522,448	317,329	212,671	(1,071)	3,051,377
Segment liabilities	$ 262,927	144,525	6,133	(1,071)	412,514

(c) Corporate information

(i) Product and service information

Revenue from the external customers of the Group was as follows:

	2017
Heat pipe product	$ 1,353,888
Lighting device	460,349
Electronic Materials Business/Semiconductor	336,875
	$ 2,151,112

For revenue for the year ended December 31, 2018, please refer to Note 6(16)

(ii) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

	2017
Revenue from external customers:	
Taiwan	597,624
China	1,452,630
Other countries	100,858
	2,151,112

(Continued)

Yeh Chiang Technology Corporation and subsidiaries

Notes to the Consolidated Financial Statements

		December 31, 2018	December 31, 2017
Non-current assets:			
Taiwan	$	120,102	124,900
China		726,522	571,203
	$	846,624	696,103

For revenue for the year ended December 31, 2018, please refer to Note 6(16).

The above noncurrent assets include property, plant and equipment, intangible assets, and long-term rent prepayments, excluding financial instruments and other noncurrent assets rights.

(d) Major customers

The total revenue of the Group is from the important customer amount of the heat pipe business unit:

		2018	2017
Shuanghong (and its affiliates)	$	336,872	383,449
Foxconn (and its affiliates)		-	188,022
Aavid Thermalloy (and its affiliates)		136,583	112,893
	$	473,455	684,364

Yeh Chiang Technology Corporation and its Subsidiaries

Loans to others

From January 1 to December 31, 2018

Attachment 1 (In Thousands of New Taiwan Dollars)

No	Lender	Borrower	Financial statement account	Related party	Maximum balance for the period	Ending balance	Actual amount drawn down	Interest rate	Nature of loan	Amount of transaction with the borrower	Reason for short-term financing	Loss allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	The Company	Taiwan Lighting Co., Ltd.	Other receivable-related parties	Yes	52,000	-	-	0~1.2%	The need for short-term financing	-	Business operation	-	None	-	52,833 (Note1)	364,960 (Note2)
2	YCTCC	Ping Ding Shan Yeh-Chiang	Other receivable-related parties	Yes	92,145	92,145	-	0~1.2%	The need for short-term financing	-	Business operation	-	None	-	538,295 (Note3)	1,076,590 (Note4)

Note1: The financing amount for individual counter-party shall not exceed 30% of the latest financial statements of the lender's capital.
Note2: The total financing amount shall not exceed 20% of the latest financial statements of the Company's capital.
Note3: The financing amount for individual counter-party shall not exceed 20% of the latest financial statements of the Company's net assets.
Note4: The total financing amount shall not exceed 40% of the latest financial statements of the Company's net assets.
Note5: The relevant transactions and ending balance are eliminated in the consolidated financial statements.

Yeh Chiang Technology Corporation and its Subsidiaries

Endorsements/Guarantees provided to others

From January 1 to December 31, 2018

Attachment 2 (In Thousands of New Taiwan Dollars)

No	Endorser/ Guarantor	Party being endorsed/ guaranteed		Limit on endorsements / guarantees for a single party(Note1)	Maximum balance for the period	Ending balance	Actual amount drawn down	Amount of collateral endorsements /guarantees	Percentage of accumulated endorsement/ guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount (Note2)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to a party in Mainland China
		Name	Relationship with the endorser/ guarantor										
1	The Company	YCTCC	Indirect subsidiary	542,306	15,358 (USD500)	15,358 (USD500)	-	-	1%	1,076,590	Y	N	N
2	The Company	Taiwan Lighting	Subsidiary	542,306	180,000	180,000	-	-	7%	1,076,590	Y	N	N
3	The Company	Excel Rainbow	Subsidiary	542,306	61,430 (USD2,000)	61,430 (USD2,000)	-	-	2%	1,076,590	Y	N	N
4	The Company	So Bright	Subsidiary	542,306	170,000	170,000	40,000	-	6%	1,076,590	Y	N	N
					426,788	426,788	40,000						

Note1: The amount of endorsements/ guarantees for any single entity shall not exceed 20% of the latest financial statements of the Company's net assets audited.
Note2: The total endorsed/ guaranteed amount shall not exceed 40% of the latest financial statements of the Company's net assets audited.
Note3: The relevant transactions and ending balance are eliminated in the consolidated financial statements.

Yeh Chiang Technology Corporation and its Subsidiaries

Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint ventures)

December 31, 2018

Attachment 3

(In Thousands of New Taiwan Dollars) ／Thousand shares

Securities held by	Name and type of security	Relationship with the securities issuer	Account name	Ending balance: Shares/Units (thousands)	Ending balance: Book value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Highest Percentage of ownership during the year	Note
	Fund:								
The Company	Mega Diamond Money Market Fund	None	Current Financial assets at fair value through profit or loss	7,834	98,100	-	98,100	-	
The Company	Union Money Market Fund	〃	〃	6,869	90,552	-	90,552	-	
The Company	Eastspring Investments Well Pool Money Market Fund	〃	〃	4,537	61,634	-	61,634	-	
The Company	Yuanta Wan Tai Money Market Fund	〃	〃	2,658	40,208	-	40,208	-	
The Company	Yuanta De-Li Money Market Fund	〃	〃	1,855	30,203	-	30,203	-	
The Company	Capital Money Market Fund	〃	〃	1,347	21,695	-	21,695	-	
The Company	Franklin Templeton Sinoam Money Market Fund	〃	〃	978	10,098	-	10,098	-	
Taiwan Lighting	Union Money Market Fund	〃	〃	3,043	40,115	-	40,115	-	
					392,605		392,605		
	Stock:								
The Company	Common stock of ASUSTEK Computer Inc.	None	Non-Current Financial assets at fair value through other comprehensive income	133	26,743	-	26,743	-	
The Company	Common stock of Song Long Electronics Co., Ltd	〃	〃	300	16,021	18.75	16,021	18.75	
The Company	Common stock of Pegatron Corporation Ind. Co., Ltd.	〃	〃	293	15,050		15,050		
The Company	Common stock of Powerchip Technology Co., Ltd.	〃	〃	589	7,387	-	7,387	-	
					65,201		65,201		

Yeh Chiang Technology Corporation and its Subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock

From January 1 to December 31, 2018

Attachment 4 (In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases /sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/ accounts receivable	
Excel Rainbow	The Company	Parent Company	Sales	766,166 (USD25,417)	100%	Open account 90 days	No significant different		46,497 (USD1,514)	100%	Note1
Zhong Shan Weiqiang	Excel Rainbow	Subsidiary of The Company	Sales	361,549 (USD11,994)	36%	Open account 90 days	No significant different		32,426 (USD1,056)	10%	Note1
Ye Xian Weiqiang	Ping Ding Shan Yeh Chiang	Subsidiary of The Company	Sales	143,503 (USD31,467)	100%	Open account 90 days	No significant different		22,159 (USD4,955)	100%	Note1
Ping Ding Shan Yeh Chiang	Zhong Shan Weiqiang	Subsidiary of The Company	Sales	396,720 (RMB86,990)	49%	Open account 90 days	No significant different		87,916 (RMB19,659)	81%	Note1
Ping Ding Shan Yeh Chiang	Excel Rainbow	Subsidiary of The Company	Sales	404,618 (USD13,423)	50%	Open account 90 days	No significant different		20,905 (USD681)	19%	Note1

Note1: The relevant transactions and ending balance are eliminated in the consolidated financial statements.

Note2: The disclosure only reflects the subsidiaries' revenue and assets recognized by the Company.

Yeh Chiang Technology Corporation and its Subsidiaries
Business relationships and significant intercompany transactions
From January 1 to December 31, 2018

Attachment 5

(In Thousands of New Taiwan Dollars)

Number	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
1	Excel Rainbow	The Company	2	Sales	766,166	Open account 90 days	40%
1	Excel Rainbow	The Company	2	Account receivable-related-party	46,497	Open account 90 days	2%
2	Zhong Shan Weiqiang	Excel Rainbow	3	Sales	361,549	Open account 90 days	19%
2	Zhong Shan Weiqiang	Excel Rainbow	3	Account receivable-related-party	32,426	Open account 90 days	1%
3	Ye Xian Weiqiang	Ping Ding Shan Yeh Chiang	3	Sales	143,503	Open account 90 days	5%
3	Ye Xian Weiqiang	Ping Ding Shan Yeh Chiang	3	Account receivable-related-party	22,159	Open account 90 days	1%
4	Ping Ding Shan Yeh Chiang	Zhong Shan Weiqiang	3	Sales	396,720	Open account 90 days	13%
4	Ping Ding Shan Yeh Chiang	Zhong Shan Weiqiang	3	Account receivable-related-party	87,916	Open account 90 days	3%
4	Ping Ding Shan Yeh Chiang	Excel Rainbow	3	Sales	404,618	Open account 90 days	13%
4	Ping Ding Shan Yeh Chiang	Excel Rainbow	3	Account receivable-related-party	20,905	Open account 90 days	1%

Note1: The information of number are as follow：
1. 0 represents the parent company.
2. The consolidated subsidiaries are numbered in order from number 1.

Note2: The types of relationships with traders are as follows:
1. parent company to subsidiary.
2. subsidiary to parent company.
3. subsidiary to subsidiary.

Note3: The relevant transactions and ending balance are eliminated in the consolidated financial statements.

Note4: The transactions with an amount incurred from Sales, Account receivable and other receivable of more than 1% of the operating revenue or assets.

Yeh Chiang Technology Corporation and its Subsidiaries
Name, Location, and related information of investees for the year 2018 (excluding information on investees in Mainland China)
From January 1 to December 31, 2018

Attachment 6 (In Thousands of New Taiwan Dollars)／Thousand shares

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Highest percentage of ownership during the year	Net Income (Loss) of Investee	Share of profits/losses of investee (Note 1)	Note
				December 31,2018	December 31,2017	Shares (In Thousands)	Percentage of ownership	Book value				
The Company	YCTSC	Samoa	Overseas investment activities	1,335,925 (USD42,582)	1,245,140 (USD39,582)	2,244	100.00%	1,303,050 (USD42,424)	100.00%	111,701 (USD3,706)	111,701 (USD3,706)	
The Company	YCTBC	B.V.I.	International trade	73,333 (USD2,557)	73,333 (USD2,557)	2,406	100.00%	10,947 (USD356)	100.00%	(10,039) (USD(333))	(10,039) (USD(333))	
The Company	Excel Rainbow	Seychelles	International trade	70,520 (USD2,155)	70,520 (USD2,155)	2,155	100.00%	3,757 (USD122)	100.00%	(235) (USD(8))	(235) (USD(8))	
The Company	Zhang-Xing	Taipei City	Sales and manufacturing of Bioethanol	55,000	55,000	5,500	100.00%	56,567	100.00%	487	487	
The Company	Taiwan Lighting	Taipei City	Lighting facilities	176,110	176,110	17,611	100.00%	154,483	100.00%	7,496	7,496	
The Company	So Bright	Taoyuan City	Lighting facilities	63,904	63,904	6,390	60.29%	20,272	60.29%	8,179	4,708	
The Company	Yu Cheng	Taipei City	Sales and manufacturing of electronic parts and components	136,784	136,784	13,678	81.80%	182,826	81.80%	(13,131)	14,035	
The Company	Taiwan's new Thermal	Taichung City	Sales and manufacturing of heat pipes	28,000	28,000	2,800	96.55%	13,594	96.55%	(8,985)	(8,675)	
								1,745,496		95,473	119,478	
YCTSC	YCTCC	Cayman	Overseas investment activities	USD28,828 (Note1)	USD28,828 (Note1)	1,505	100.00%	896,412 (USD29,185)	100.00%	116,791 (USD3,874)	116,791 (USD3,874)	
YCTSC	YCTYXCC	Cayman	Overseas investment activities	USD13,760	USD10,760	688	100.00%	406,876 (USD13,247)	100.00%	(5,063) (USD(168))	(5,063) (USD(168))	

Note1: The original investment cost included the cash investment of US$11,521 and the equipment investment of US$17, 307.
Note2: The shares of profits/losses of the investee company have been included in the share of profit/losses of the investor company.
Note3: The relevant transactions and ending balance are eliminated in the consolidated financial statements.

Yeh Chiang Technology Corporation and its Subsidiaries
Information on investment in Mainland China
From January 1 to December 31, 2018

Schedule 7(1)

(a) The names of investees in Mainland China, the main business and product, and other information：

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Main Business and Products	Total amount of paid-in capital	Method of investment	Accumulated outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated outflow of Investment from Taiwan as of December 31, 2018	Net income (Losses) of the investee Company	Percentage of Ownership	Highest Percentage of Ownership during the year	Investment income (loss) recognized (Note3)	Book value	Accumu-lated remittance of earnings in current period
						Outflow	Inflow							
YCTCC	Zhong Shan Weiqiang	Sales and manufacturing of heat pipes and BGA	598,943 (USD19,500)	Note1	598,943 (USD19,500)	-	-	598,943 (USD19,500)	29,491 (USD978)	100%	100%	29,935 (USD993)	516,056 (USD16,801)	-
YCTCC	Zhuhai Weiqiang	Sales and manufacturing of heat pipes and bumping	76,788 (USD2,500)	Note1	76,788 (USD2,500)	-	-	76,788 (USD2,500)	3,340 (USD111)	100%	100%	3,340 (USD111)	79,765 (USD2,597)	-
YCTCC	Ping Ding ShanYeh Chiang	Sales and manufacturing of heat pipes	153,575 (USD5,000)	Note1	153,575 (USD5,000)	-	-	153,575 (USD5,000)	85,890 (USD2,849)	100%	100%	84,927 (USD2,817)	162,571 (USD5,293)	-
YCTYXCC	Ye Xian Weiqiang	Sales and manufacturing of heat pipes	422,638 (USD13,760)	Note1	330,493 (USD10,760)	92,145 (USD3,000)	-	422,638 (USD13,760)	(4,836) (USD(160))	100%	100%	(4,972) (USD(165))	407,097 (USD13,254)	-

Schedule 7(2)

(b) Limit of investments in Mainland China：

Accumulated Investment in Mainland China as of December 31, 2018	**Investment Amounts Authorized by Investment Commission, MOEA**	**Upper Limit on Investment**
1,251,943 (US$40,760)	1,251,943 (US$40,760)	1,614,884

Note1: Investment in companies in Mainland China through a subsidiary in the third regions.

Note2: The investment income (loss) recognition denominated in foreign currencies are translated into New Taiwan Dollars using the average rate of 30.1442 from January 1 to December 31,2018; Other investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the spot rate of 30.715.

Note3: The financial statements of the Company were audited by the audit team of the parent company in Taiwan.

Note4: The relevant transactions and ending balance are eliminated in the consolidated financial statements.

6. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

VII. A Review and Analysis of the Company's Financial Position and Financial Performance, and a Listing of Risks

1. Financial Position:

Unit: NT$ thousand

Item \ Year	2017	2018	Difference	
			Amount	%
Current assets	2,220,902	2,057,587	-163,315	-7.35
Fund and investment	59,785	65,201	5,416	9.06
Fixed assets	519,932	684,551	164,619	31.66
Other assets	250,758	235,983	-14,775	-5.89
Total assets	3,051,377	3,043,322	-8,055	-0.26
Current liabilities	411,303	295,297	-116,006	-28.20
Long-term liabilities	-	-	-	-
Other liabilities	1,211	1,224	13	1.07
Total liabilities	412,514	296,521	-115,993	-28.12
Share capital	1,824,799	1,824,799	-	-
Capital surplus	831,350	831,350	-	-
Retained earnings	38,255	158,327	120,072	313.87
Total equity of shareholders	2,638,863	2,746,801	107,938	4.09

Analysis of items with major change:

(1) Analysis of items with changes over 20% and amount over NT 10 million dollars compared with previous period:

1. Decrease in current assets：due to decrease in cash and receivables.
2. Increase in fixed assets: purchased more equipment and construction in progress.
3. Decrease in current liabilities and total liabilities: decrease in notes and accounts payable.
4. Increase in retained earnings and total equity of shareholders: due to current retained earnings.

(2) Future responding plan for items with major change: None.

2. Financial performance:

Unit: NT$ thousand

Item \ Year	2017	2018	Increase / Decrease amount	% change
Net operating revenue	2,151,112	1,905,226	-245,886	-11.43
Operating cost	2,018,012	1,543,174	-474,838	-23.53
Realized operating margin	133,100	362,052	228,952	172.01
Operating expenses	317,772	274,125	-43,647	-13.73
Operating interest	(184,672)	87,927	272,599	147.61
Non-operating revenue and expenses	(64,464)	34,589	99,053	153.66
Income before tax of operating departments	(249,136)	122,516	371,652	149.18
Income tax expense	(647)	10,566	11,213	1,733.07
Income after tax of operating departments	(248,489)	111,950	360,439	145.05

1. Analysis on changes of increase and decrease ratio:
(1) Operating revenue: caused by decrease in sealing wire, electrical material, and revenue in lighting.
(2) Operating cost: decrease in 2018 operating cost is due to better cost control.
(3) Operating expense: decrease in 2018 operating expense is due to better expense control.
(4) Non-operating income and expense: increase in 2018 is due to foreign exchange gain of the year.

2. Estimated sales of the following year and its analysis
The Company will actively develop new product in accordance with the market trend. It will increase the automation on manufacturing process and seek sales cooperation to improve the efficiency. According to the global economy in the future and historical sales experience, the sales of 2020 are still optimistic and stable.

3. The possible effect and responding plan on the Company's future financial sales in change in Company's main business scope:
Up to date, the Company has no plan on changing the main business scope.

3. Cash Flow:

(1) Cash flow analysis for the recent two years

Item \ Year	2017	2018	Increase / Decrease %
Cash flow ratio	(61%)	67%	128%
Cash flow adequacy ratio	(6%)	63%	69%
Cash flow reinvestment ratio	(9%)	7%	16%

Analysis of changes:

1. Cash flow ratio: increase in net cash flow from operating activities and decrease in current liabilities.
2. Cash flow adequacy ratio：increase in net cash flow from operating activities.
3. Cash flow reinvestment ratio：increase in net cash flow from operating activities.

(2) Insufficient Capital liquidity improvement plan and Cash flow forecast analysis

Unit: NT$ thousand

Beginning cash balance	Cash flow from operating activities	Total cash flow of the year	Estimated net cash flow balance	Cash shortage contingency plan	
				Investment plan	Financing plan
666,185	260,000	220,000	40,000	-	-

Analysis of changes：

(1) Operating activities：it will enforce the cost control and improve the operating profit in accordance with the product change in the heat dissipation market.

(2) Investment activities：mostly adding equipment and automation equipment for new heat dissipation product and investing in plant.

(3) Financing activities：there is enough cash on the account, so no financing need for 2019.

4. Major capital expenditures during the most recent fiscal year: None.

5. Investment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year:

(1) Investment policy: the Company will re-invest in the same business scope of the Company and crease a more diversified operation.

（2）Major reasons for investment profit or loss:

Dec 31, 2018

Unit: NT$ thousand / US$ thousand

Investment company	Major business scope	Investment purpose	Recognized in investment profit or loss	Major reasons for investment profit or loss	Improvement plan	Investment plans for the coming year
Yeh Chiang Technology (Samoa) Corp.	Re-investment oversea	Holding for re-investment oversea	111,701 (USD3,706)	Recognized in investment profit or loss	—	—
Yeh Chiang Technology (BVI) Corp.	International trading	Oversea international trading	(10,039) (USD(333))	No significant profit yet, will keep monitoring	—	—
Excel Rainbow Ltd.	Oversea international trading	International trading	(235) (USD(8))	No significant profit yet, will keep monitoring	—	—
Tsai-Shih Biotech	Biomass alcohol manufacturing and sales	Biomass alcohol business	487	Recognized in investment profit or loss	—	—
Taiwan- N Lighting Corp. Ltd.	Lighting	Lighting business	7,496	No significant profit yet, will keep monitoring	—	—
Yuh Cheng Materials Co., Ltd.	Electronics parts manufacturing and sales	Investment based on operating strategy	14,035	No significant profit yet, will keep monitoring	—	—
So Bright Electronic	Lighting	Lighting business	4,708	No significant profit yet, will keep monitoring	—	—
Yeh Chiang Technology (Cayman) Corp.	Oversea holding-	Holding for re-investment oversea	116,791 (USD3,874)	Recognized in investment profit or loss	—	—
Yeh Chiang Technology Ye Xian(Cayman) Corp.	Oversea holding-	Holding for re-investment oversea	(5,063) (USD(168))	Recognized in investment profit or loss	—	—
Zhongshan Weiqiang Technology Co., Ltd.	Heat pipe and solder ball manufacturing and sales	Investment based on operating strategy	29,935 (USD993)	Recognized in investment profit or loss	—	—
Zhuhai Weiqiang Technology Co., Ltd.	Heat pipe and solder paste manufacturing and sales	Investment based on operating strategy	3,340 (USD111)	Recognized in investment profit or loss	—	—
Ye County Weiqiang Technology Co.,	Heat pipe manufacturing	Investment based on operating	(4,972) (USD(165))	Recognized in investment profit or loss	—	—

Ltd.	and sales	strategy				
Yeh-Chiang Technology Corp. (Pingdingshan)	Heat pipe manufacturing and sales	Investment based on operating strategy	84,927 (USD2,817)	Recognized in investment profit or loss	—	—

（3）Improvement plan: The Company will dispose re-investments of non-related to our business or loss when it is appropriated.

（4）Investment plans for the coming year：None。

6. Risk Management for the Most Recent Fiscal Year and During the Current Fiscal Year up to the Date of Publication of the Annual Report

(1) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future：

1. Interest rate：The Company did not get loan from the bank in 2017, therefore changes in interest rate did not have significant effect on the Company’s profit or loss.
2. Exchange rate：The Company pays close attention on changes in foreign exchange rate while conducting long-term foreign exchange transactions with banks to maintain a certain range of hedge ratios to reduce exchange rate risk. However, due to the exchange risk for foreign transactions, the Company has practices as follow:
   (1) Keep an eye on the international financial status to determine exchange rate trend. This would allow the sales to keep a buffer in product quotation to ensure the profit level.
   (2) Keep up to date information on exchange rate through professional service from the bank we have been cooperated with. Financial personnel will make proper adjustment in hedging or foreign currency to avoid exchange risk.
3. Inflation：The Company pays attention to the market price of the raw material to avoid large fluctuations in the purchase price that may cause the decrease in operating gross profit.

(2) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

In order to manage financial risk, the Company has set up “acquire or dispose asset procedure” (includes the specification of trading in derivative commodities), “operating procedure on capital loan to others”, and “operation procedure on endorsement guarantee” according to the Financial Supervisory Commission when engaging in relevant business.

Trading policy in derivative commodities: the purpose is to reduce the operating risk and increase profit.

(3) Research and development work to be carried out in the future, and further expenditures expected for research and development work：

The Company's main R & D projects and expenses are as follows:

(1) Ultrathin heat pipe/ ultrathin vapor chamber are applied in cellphone heat dissipation design. The major thickness is 0.4mm in the market, and will continue to break the limit to 0.35mm.

(2) Development in traditional vapor chamber product to apply on display card.

(3) Plans for heat pipe performance improvement and refined automation process for

massive production equipment by specific re-developing new process to meet the demand of smaller and lighter products in the future. It will improve the precision on every process equipment and therefore enhance the product quality and lower the cost effectively.

(4) Complete heat pipe application demand in new industry including car, home appliance, drone, and VR equipment.

(5) The estimated investment in research and development expansion cost is US 6.5 million dollars in 2019.

(4) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company has followed the domestic and international regulations on its daily operation. The company pays attention to amendments in domestic and international policies and regulations in order to fully understand changes in the legal environment. It adopts appropriate strategies to reduce the impact of domestic and foreign policies and legal changes on the company’s financial performance.

The company has not been affected by major policies and regulation changes locally and internationally. These policies have no significant impact on the company's financial and business activities up to the date of publication of the annual report.

(5) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response: None.

(6) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response：None.

(7) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken：None.

(8) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken：None.

(9) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken：

The top 3 customers of the Company take on 30.96% of the total sales, which has centralized sales. This is a result of the PC heat dissipation module orders are centralized in top 5 module manufacturers in the upstream. The Company will continue to develop more module customer this year to gradually eliminate the doubts in centralized sales.

The Company is also actively developing new suppliers to establish long-term supply relation with multiple vendors to avoid centralized supply.

(10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.

Up to the date of publication of the annual report, the directors of the company or the majority shareholders who hold more than 10% of the company had made no significant transfer or replacement of shares.

(11) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken：None.

(12) Litigious and non-litigious matters：

1. The Company has signed contract of exclusive agent as manufacturing and sales of the fiber alcohol in R.O.C district and acquired massive production technology and consulting service with Taiwan Co-Su-Mu Corp. Ltd (Taiwan Co-Su-Mu) on Sept 15, 2009. Afterwards, Taiwan Co-Su-Mu did not perform the terms in the agreement, the Company has proposed a civil suit on Taiwan Co-Su-Mu and its Chairman and Deputy Chairman. After the motion for provisional attachment is granted by the court, the Company paid 16.8 million security deposit to the Taipei District Court. On Dec 7, 2016, Taiwan High Court adjudicated Taiwan Co-Su-Mu shall pay the Company 70.308 million dollars but denied the tort responsibility of the owner of the corporation. Taiwan Co-Su-Mu appealed against the losing part, but was denied by the Taiwan High Court on Oct 11, 2018. Taiwan Co-Su-Mu still maintains the rights to appeal.
2. The Company purchased "Spotlights" from UNIMAX INVESTMENT SERVICES LIMITED in 2010. Due to the flaws in the product, the Company terminated the contract after summoned for improvement and appealed to the Taipei District Court on Dec 12, 2012. Also, make Taiwan Light Industry Co., Ltd. as reserved defendant while requesting 41.055 million dollars for damages. The said case has filed motion for provisional attachment and security deposit of 7 million dollars has been paid to the Taipei District Court. The case is proceeded to the Supreme Court trial stage.

(13) Other important risks: None.

7. Other important matters: None.

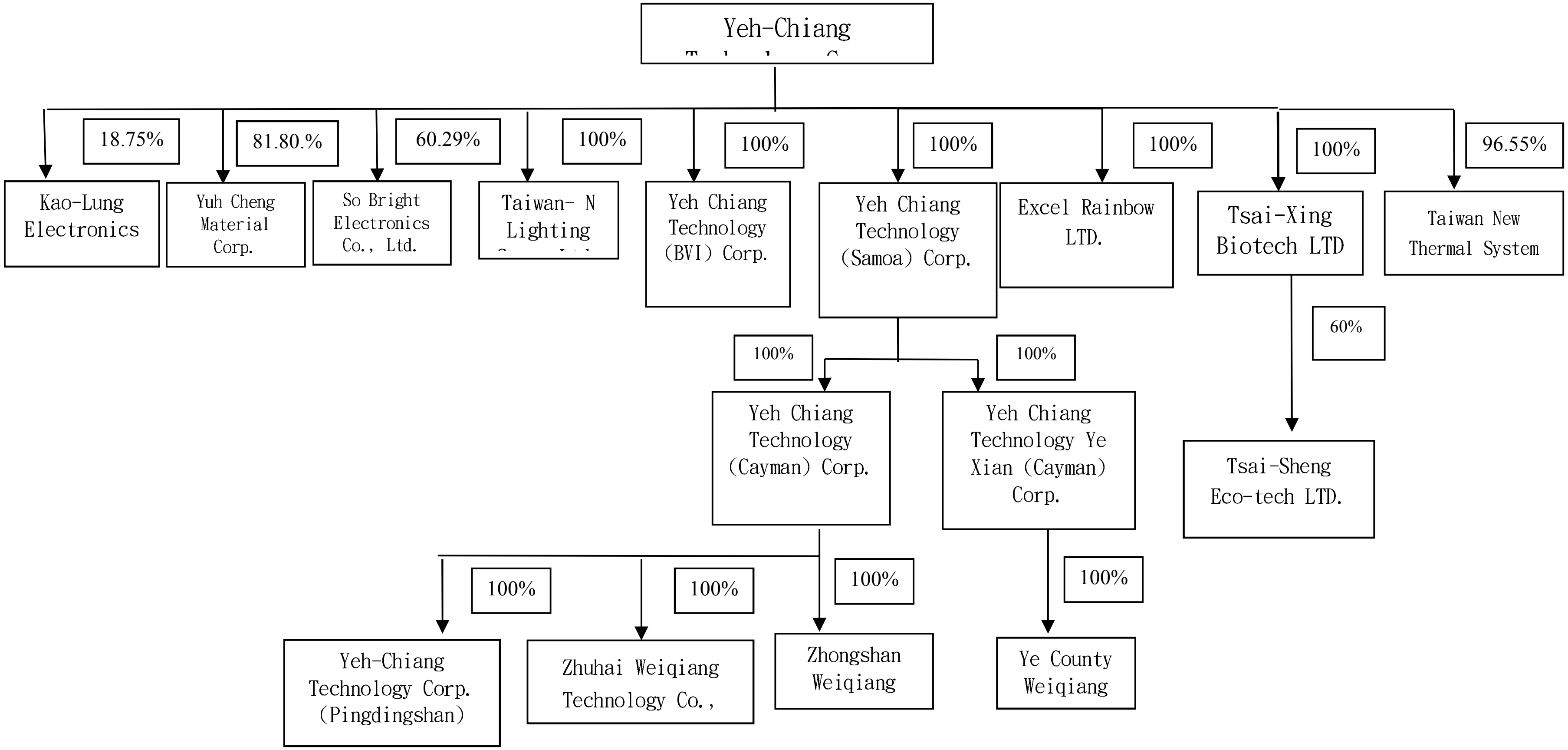
VIII. Special Disclosure

1. Information related to the company's affiliates：

（1）Consolidated Business Report of affiliate companies

1. Organizational chart of affiliate companies

Dec 31, 2018



2. Basic Information of affiliate companies

Dec 31, 2018

Foreign currency unit: thousand dollars / share: thousand shares

Investing	Invested	Location	Main	Original	Investing Amount	Holding	at the	End of Term	Invested Company	Recognized	
Company Name	**Company Name**		**Business**	**End of Current Term**	**End of Last Term**	**Shares**	**Ratio**	**Carrying Value**	**Current Profit or Loss**	**Investment Profit or Loss**	**Remarks**
The Company	YCTSC	Samoa	Oversea holding	1,335,925 (USD42,582)	1,245,140 (USD39,582)	2,244	100.00%	1,303,050 (USD42,424)	111,701 (USD3,706)	111,701 (USD3,706)	
The Company	YCTBC	B.V.I.	International trading	73,333 (USD2,557)	73,333 (USD2,557)	2,406	100.00%	10,947 (USD356)	(10,039) (USD(333))	(10,039) (USD(333))	
The Company	Excel Rainbow	Seychelles	International trading	70,520 (USD2,155)	70,520 (USD2,155)	2,155	100.00%	3,757 (USD122)	(235) (USD8))	(235) (USD(8))	
The Company	Tsai-Shih Biotech	Taipei	Biomass alcohol manufacturing and sales	55,000	55,000	5,500	100.00%	56,567	487	487	
The Company	Tai-Chao	Taipei	Lighting	176,110	176,110	17,611	100.00%	154,483	7,496	7,496	
The Company	So Bright Electronic	Taoyuan	Lighting	63,904	63,904	6,390	60.29%	20,272	8,179	4,708	
The Company	Yuh Cheng Materials Co., Ltd.	Taoyuan	Electronics parts manufacturing and sales	136,784	136,784	13,678	81.80%	182,826	(13,131)	14,035	
The Company	Taiwan New Thermal System Co., Ltd.	Taichung	Heat pipe manufacturing and sales	28,000	28,000	2,800	96.55%	13,594	(8,985)	(8,675)	
YCTSC	YCTCC	Cayman	Oversea holding	USD28,828	USD28,828	1,505	100.00%	896,412 (USD29,185)	116,791 (USD3,874)	116,791 (USD3,874)	
YCTCSC	YCTCYXC	Cayman	Oversea holding	USD13,760	USD10,760	688	100.00%	406,876 (USD13,247)	(5,063) (USD(168))	(5,063) (USD(168))	
YCTCC	Zhongshan Weiqiang Technology Co., Ltd.		Heat pipe and solder ball manufacturing and sales	598,943 (USD19,500)	598,943 (USD19,500)	-	100.00%	516,056 (USD16,801)	29,491 (USD978)	29,935 (USD993)	Note 1
YCTCC	Zhuhai Weiqiang Technology Co., Ltd.	Zhuhai, China	Heat pipe and solder paste manufactu	76,788 (USD2,500)	76,788 (USD2,500)	-	100.00%	79,765 (USD2,597)	3,340 (USD111)	3,340 (USD111)	Note 1

			ring and sales								
YCTCYXC	Ye County Weiqiang Technology Co., Ltd.	Pingdingshan, China	Heat pipe manufacturing and sales	422,638 (USD13,760)	330,493 (USD10,760)	-	100.00%	407,097 (USD13,254)	(4,836) (USD(160))	(4,972) (USD(165))	Note 1
YCTCC	Yeh-Chiang Technology Corp. (Pingdingshan)	Pingdingshan, China	Heat pipe manufacturing and sales	153,575 (USD5,000)	153,575 (USD5,000)	-	100.00%	162,571 (USD5,293)	85,890 (USD2,849)	84,927 (USD2,817)	Note 1

Note 1：Founded the re-investing company YCTSC in the 3rd region to invest in China indirectly.

Note 2：The numbers on this chart shown in NTD is exchanged with the 2018 average rate of 30.1442 except for the profit or loss recognized in this period. The rest is exchanged at spot exchange rate of 30.715 on Dec 31, 2018.

Note 3：Recognized as the financial statement of the Taiwan Parent Company reviewed by the CPA.

Note 4：Related transaction and balance at the end of the term have been written-off.

3. Disclose of people have control and subordinate relationship: None.

4. Information on directors、supervisors, and general manager of the enterprise

Dec 31, 2018

Company Name	Title	Name or Representative
Tsai-Xing Biotech LTD	Chairman	Yeh-Chiang Technology Corp. Representative: Tai-Kuang Wang
	Director	Yeh-Chiang Technology Corp. Representative: Jun-Hua Chen
	Director	Yeh-Chiang Technology Corp. Representative: Ko-Ching Lee
	Supervisor	Yeh-Chiang Technology Corp. Representative: Wen-How Cheng
Tsai-Sheng Eco-tech LTD.	Chairman	Feng Lei Investing Co. Ltd. Representative：Yu-Hua Chen
Taiwan- N Lighting Corp. Ltd.	Chairman	Yeh-Chiang Technology Corp. Representative: Tai-Kuang Wang
	Director	Yeh-Chiang Technology Corp. Representative: Jun-Hua Chen
	Director	Yeh-Chiang Technology Corp. Representative: Rui-Hong Hsu
	Supervisor	Yeh-Chiang Technology Corp. Representative: Fu-Ying Ying
So Bright Electronics Co., Ltd.	Chairman	Yeh-Chiang Technology Corp. Representative: Tai-Kuang Wang
	Director	Yeh-Chiang Technology Corp. Representative: Rui-Hong Hsu
	Director	Yeh-Chiang Technology Corp. Representative: Chen-Ting Wu
	Director	Yeh-Chiang Technology Corp. Representative: Chung-Sien Liu
	Director	Chien-Yu Yi

	Supervisor	Kui-Chi Ku
Taiwan New Thermal System Co., Ltd.	Chairman	Yeh-Chiang Technology Corp. Representative: Wan-Chung Tseng
	Director	Yeh-Chiang Technology Corp. Representative: Tai-Kuang Wang
	Director	Yeh-Chiang Technology Corp. Representative: ：Chun-Shian Lo
	Supervisor	Chen-Ting Wu
Yuh Cheng Materials Co., Ltd.	Chairman	Yeh-Chiang Technology Corp. Representative: Tai-Kuang Wang
	Director	Yeh-Chiang Technology Corp. Representative: Wan-Chung Tseng
	Director	Yeh-Chiang Technology Corp. Representative: Chen-Ting Wu
	Supervisor	How-Ji Investing Corp. Representative: Wen-How Cheng
Yeh Chiang Technology (Samoa) Corp.	Director	Yeh-Chiang Technology Corp. Representative: Wen-How Cheng
Yeh Chiang Technology (Cayman) Corp.	Director	Yeh Chiang Technology (Samoa) Corp. Representative: Wen-How Cheng
Yeh Chiang Technology (BVI) Corp.	Director	Yeh-Chiang Technology Corp. Representative: Wen-How Cheng
Yeh Chiang Technology Ye Xian (Cayman) Corp.	Director	Yeh Chiang Technology (Samoa) Corp. Representative: Wen-How Cheng
Excel Rainbow Ltd.	Director	Yeh-Chiang Technology Corp. Representative: Wen-How Cheng
Zhongshan Weiqiang Technology Co., Ltd.	Chairman	Yeh Chiang Technology (Cayman) Corp. Representative：Tai-Kuang Wang
	Director	Yeh Chiang Technology (Cayman) Corp. Representative：Jun-Hua Chen
	Director	Yeh Chiang Technology (Cayman) Corp. Representative：Min-Ho Lee
Zhuhai Weiqiang Technology Co., Ltd.	Chairman	Yeh Chiang Technology (Cayman) Corp. Representative：Jun-Hua Chen
	Director	Yeh Chiang Technology (Cayman) Corp. Representative：Tai-Kuang Wang
	Director	Yeh Chiang Technology (Cayman) Corp. Representative：Min-Ho Lee
Ye County Weiqiang Technology Co., Ltd.	Chairman	Yeh Chiang Technology (Cayman) Corp. Representative：Tai-Kuang Wang
	Director	Yeh Chiang Technology (Cayman) Corp. Representative：Jun-Hua Chen
	Director	Yeh Chiang Technology (Cayman) Corp. Representative：Min-Ho Lee
Yeh-Chiang Technology Corp. (Pingdingshan)	Chairman	Yeh Chiang Technology (Cayman) Corp. Representative：Yu-Ping Chang
	Director	Yeh Chiang Technology (Cayman) Corp. Representative：Tai-Kuang Wang
	Director	Yeh Chiang Technology (Cayman) Corp. Representative：Jun-Hua Chen

5. Operation Status of affiliate companies

Dec 31, 2018; Unit: NT$ thousand

Company Name	Actual Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating interest	Current income (After tax)	Earnings per share (After tax)
Yeh-Chiang Technology Corp.	1,824,799	2,754,188	62,714	2,691,474	793,987	(41,617)	111,399	0.61
Yeh-Chiang Technology Corp. (BVI)	73,333	10,744	-	10,744	-	(45)	(10,229)	(4.25)
Yeh-Chiang Technology Corp. (Samoa)	1,335,925	1,279,103	269	1,278,834	-	(29)	113,816	0.85
Yeh-Chiang Technology Corp. (Cayman)	885,452	879,753	-	879,753	-	(86)	119,002	5.39
Zhongshan Weiqiang Technology Co., Ltd.	598,943	721,153	163,743	557,410	1,136,648	18,997	29,490	-
Zhuhai Weiqiang Technology Corp. Ltd.	76,788	79,804	39	79,765	-	(657)	3,340	-
Excel Rainbow Ltd.	70,520	86,171	82,484	3,687	780,674	(39)	(239)	-
Tsai-Xing Biotech Ltd.	55,000	56,568	-	56,568	-	-	487	0.09
Tsai-Sheng Eco-tech Ltd.	2,000	2,023	-	2,023	-	-	7	0.04
Taiwan- N Lighting Corp. Ltd.	176,110	195,825	41,342	154,483	242,977	7,254	7,502	0.43
So Bright Electronics Co., Ltd.	63,904	92,688	55,842	33,846	95,168	9,325	8,399	1,31
Ye County Weiqiang Technology Co., Ltd.	422,638	435,455	28,218	407,237	144,473	(6,053)	(4,836)	-
Yeh-Chiang Technology Corp. (Pingdingshan)	153,575	404,842	241,289	163,553	945,881	102,749	85,890	-
Yuh Cheng Materials Co., Ltd.	136,784	227,165	3,662	223,504	136,658	(21,013)	(13,131)	(0.96)
Yeh-Chiang Technology Corp. (Ye County, Cayman)	422,638	399,812	497	399,315	-	(91)	5,063	-
Taiwan New Thermal System Co., Ltd.	28,000	14,618	539	14,079	-	(8,989)	(8,985)	(3.21)

Note ：If the affiliate company is a foreign company, the amount shown is converted to NTD on the date of financial statement.

(2) Relational Business Consolidated Financial Statements:

Statement

In connection with the Consolidated Financial Statements of Affiliated Enterprises of Yeh-Chiang Technology Corp. (the "Consolidated FS of the Affiliates"), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2018 in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those required to be included in the Consolidated Financial Statements of Yeh-Chiang Technology Corp. and its subsidiaries (the "Consolidated FS of the Group") in accordance with International Financial Reporting Standard 27, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, Yeh-Chiang Technology Corp. does not prepare a separate set of Consolidated FS of Affiliates.

Company Name：Yeh-Chiang Technology Corp.

Chairman: Tai-Kuang Wang

Mar 21, 2019

(3) Relational Report：None.

2. Transaction about the Company's private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report：None.

3. Holding or disposal of shares in the company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

4. Other matters that require additional description：None.

IX. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one：None.

Yeh-Chiang Technology Corp.

CEO：Tai-Kuang Wang