Ventec International Group Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Ventec International Group Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Ventec International Group Co., Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Validity of Specific Revenue

The amount of revenue derived from partial customers was NT$2,513,388 thousand, representing 46% of total revenue of the Group for the year ended December 31, 2018. Since the amount of revenue derived from specific customers significantly increased compared to the figure for the year ended December 31, 2017, the validity of the revenue derived from specific customers has been identified as a key audit matter.

Refer to Note 4 to the Group's financial statements for the accounting policy of revenue recognition.

The main audit procedures we performed for validity of specific revenue are as follows:

1. We obtained an understanding and tested the internal control design and operating effectiveness of the validity of revenue derived from specific customers.

2. We sampled the transaction documents related to revenue derived from specific customers, including sales order, shipping, and receipt documents.

3. We sampled the payee, payment terms and the time of receipt of payment related to revenue derived from specific customers to verify the validity of revenue.

Valuation of Inventory

As of December 31, 2018, the carrying amount of the Group's inventory was NT$740,431 thousand (i.e. the total inventory cost of NT$787,027 thousand with a deduction of the allowance for inventory valuation of NT$46,596 thousand), representing 17% of the Group's total assets. As the Group's inventory was stated at the lower of cost or net realizable value in accordance with IAS 2 "Inventories", which involved critical judgement and accounting estimates by the management, the valuation of inventory has been identified as a key audit matter.

Refer to Notes 4, 5 and 9 to the Group's financial statements for the related accounting policies and disclosures on inventory valuation.

The main audit procedures we performed for valuation of inventory are as follows:

1. We obtained an understanding of the appropriateness of the Group's policies and methods of the allowance for inventory valuation.

2. We obtained the inventory assessment prepared by the management which was stated at the lower of cost or net realizable value, sampled the latest inventory quotation of the inventory at the end of the period, tested whether the value of the inventory was lower by the cost and net realizable value, and assessed the basis for the management's estimated net realizable value and its reasonableness.

3. We performed a year-end observation of physical inventory count and assessed the physical condition of inventory to evaluate the reasonableness of inventory provisions of obsolete and damaged goods.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preludes 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 Chun-Hung Chen and Ming-Yen Chien.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2019

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Notes 4 and 6)	$ 324,963	8	$ 290,288	7
Notes receivable (Notes 4, 8, 14 and 27)	40,846	1	60,018	1
Trade receivables (Notes 4, 8, 14, 26 and 27)	1,615,458	38	1,459,645	34
Other receivables (Notes 4 and 8)	21,926	-	19,349	1
Current tax assets (Notes 4 and 20)	1,126	-	7,794	-
Inventories (Notes 4, 5 and 9)	740,431	17	707,145	17
Prepayments (Notes 4, 13, 14, 23 and 27)	49,796	1	52,715	1
Other financial assets (Notes 4, 14 and 27)	162,405	4	271,750	6
Other current assets	2,562	-	3,163	-
Total current assets	2,959,513	69	2,871,867	67
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 11, 14 and 27)	1,040,106	24	1,156,935	27
Goodwill (Notes 4 and 12)	69,699	2	67,532	2
Intangible assets (Note 4)	2,711	-	4,562	-
Deferred tax assets (Notes 4 and 20)	64,874	2	64,670	1
Long-term prepayments for leases (Notes 4, 13, 14, 23 and 27)	77,305	2	81,281	2
Refundable deposits	36,547	1	58,615	1
Other non-current assets	9,987	-	5,191	-
Total non-current assets	1,301,229	31	1,438,786	33
TOTAL	$ 4,260,742	100	$ 4,310,653	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 8, 11, 13, 14 and 27)	$ 910,823	21	$ 1,818,145	42
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 19)	-	-	1,285	-
Trade payables (Note 26)	913,221	22	689,795	16
Other payables (Notes 15 and 26)	302,231	7	245,671	6
Current tax liabilities (Notes 4 and 20)	71,412	2	28,006	-
Current portion of long-term borrowings (Notes 11, 14 and 27)	12,126	-	32,270	1
Other current liabilities	8,688	-	6,658	-
Total current liabilities	2,218,501	52	2,821,830	65
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 11, 14 and 27)	126,672	3	158,066	4
Deferred tax liabilities (Notes 4 and 20)	118,486	3	145,735	3
Net defined benefit liabilities - non-current (Notes 4 and 16)	35,254	1	34,803	1
Other non-current liabilities	3,221	-	3,748	-
Total non-current liabilities	283,633	7	342,352	8
Total liabilities	2,502,134	59	3,164,182	73
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4, 10, 16, 17 and 22)				
Ordinary shares	646,143	15	586,143	14
Capital surplus	450,263	11	128,875	3
Retained earnings				
Legal reserve	29,849	1	-	-
Special reserve	200,000	4	-	-
Unappropriated earnings	542,300	13	420,714	10
Total retained earnings	772,149	18	420,714	10
Exchange differences on translating the financial statements of foreign operations	(109,947)	(3)	10,739	-
Total equity	1,758,608	41	1,146,471	27
TOTAL	$ 4,260,742	100	$ 4,310,653	100

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

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Note 4)	$ 5,413,656	100	$ 4,962,230	100
COST OF REVENUE (Notes 4, 9, 19 and 26)	4,067,705	75	3,711,603	75
GROSS PROFIT	1,345,951	25	1,250,627	25
OPERATING EXPENSES (Notes 19 and 26)				
Selling and marketing expenses	491,861	9	417,727	9
General and administrative expenses	220,106	4	206,205	4
Research and development expenses	146,544	3	112,965	2
Total operating expenses	858,511	16	736,897	15
PROFIT FROM OPERATIONS	487,440	9	513,730	10
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 19)				
Other income	14,707	-	21,854	1
Other gains and losses	86,941	2	(96,740)	(2)
Interests expense	(88,959)	(2)	(91,579)	(2)
Total non-operating income and expenses	12,689	-	(166,465)	(3)
PROFIT BEFORE INCOME TAX	500,129	9	347,265	7
INCOME TAX EXPENSE (Notes 4 and 20)	94,865	2	48,945	1
NET PROFIT FOR THE YEAR	405,264	7	298,320	6
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 16 and 17)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	4,785	-	(2,336)	-
Exchange differences arising on translation to the presentation currency	37,900	1	(59,419)	(1)
	42,685	1	(61,755)	(1)

(Continued)

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (158,586)	(3)	$ 179,988	3
Other comprehensive income (loss) for the year	(115,901)	(2)	118,233	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 289,363	5	$ 416,553	8
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 405,264	7	$ 298,489	6
Non-controlling interests	-	-	(169)	-
	$ 405,264	7	$ 298,320	6
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 289,363	5	$ 416,871	8
Non-controlling interests	-	-	(318)	-
	$ 289,363	5	$ 416,553	8
EARNINGS PER SHARE (Note 21)				
Basic	$ 6.75		$ 5.40	
Diluted	$ 6.70		$ 5.30	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 4, 10, 16, 17 and 22)										
	Ordinary Shares				Retained Earnings			Other Equity			
	Share (In Thousands)	Share Capital	Advance Receipts for Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	51,419	$ 514,191	$ 9,522	$ 52,994	$ -	$ -	$ 139,545	$ (109,979)	$ 606,273	$ 620	$ 606,893
Appropriation of 2016 earnings											
Cash dividends distributed by the Company	-	-	-	-	-	-	(14,984)	-	(14,984)	-	(14,984)
Actual disposals of interests in subsidiaries	-	-	-	-	-	-	-	-	-	(302)	(302)
Recognition of employee share options by Company	-	-	-	17,735	-	-	-	-	17,735	-	17,735
Net profit (loss) for the year ended December 31, 2017	-	-	-	-	-	-	298,489	-	298,489	(169)	298,320
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(2,336)	120,718	118,382	(149)	118,233
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	296,153	120,718	416,871	(318)	416,553
Issuance of ordinary shares for cash	4,695	46,952	(9,522)	28,146	-	-	-	-	65,576	-	65,576
Share-based payment transaction	2,500	25,000	-	30,000	-	-	-	-	55,000	-	55,000
BALANCE AT DECEMBER 31, 2017	58,614	586,143	-	128,875	-	-	420,714	10,739	1,146,471	-	1,146,471
Appropriation of 2017 earnings											
Legal reserve	-	-	-	-	29,849	-	(29,849)	-	-	-	-
Special reserve	-	-	-	-	-	200,000	(200,000)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	(58,614)	-	(58,614)	-	(58,614)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	405,264	-	405,264	-	405,264
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	4,785	(120,686)	(115,901)	-	(115,901)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	410,049	(120,686)	289,363	-	289,363
Issuance of ordinary shares for cash	6,000	60,000	-	321,388	-	-	-	-	381,388	-	381,388
BALANCE AT DECEMBER 31, 2018	64,614	$ 646,143	$ -	$ 450,263	$ 29,849	$ 200,000	$ 542,300	$ (109,947)	$ 1,758,608	$ -	$ 1,758,608

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

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 500,129	$ 347,265
Adjustments for:		
Depreciation expenses	141,710	172,480
Amortization expenses	1,983	1,624
Amortization of long-term prepayments for leases	2,123	2,098
Impairment loss recognized on trade receivables	-	2,382
Expected credit loss recognized on trade receivables	3,421	-
Interest expense	88,959	91,579
Interest income	(4,419)	(1,810)
Compensation cost of employee share options	-	17,735
Loss on disposal of property, plant and equipment, net	694	1,014
(Reversal of) write-downs of inventories	(15,618)	23,278
(Gain) loss on foreign currency exchange, net	(140,885)	155,136
Other loss	-	(302)
Changes in operating assets and liabilities		
Financial assets held for trading	-	(75,685)
Financial assets mandatorily classified as at fair value through profit or loss	(1,302)	-
Notes receivable	19,036	(15,199)
Trade receivables	(127,016)	(12,268)
Other receivables	(1,087)	(4,570)
Inventories	(31,263)	(58,748)
Prepayments	4,587	61,438
Other current assets	689	404
Trade payables	269,144	(265,719)
Other payables	66,033	(5,626)
Other current liabilities	1,782	(9,545)
Net defined benefit liabilities	5,236	4,656
Cash generated from operations	783,936	431,617
Interest received	4,419	1,810
Interest paid	(95,900)	(87,815)
Income tax paid	(72,473)	(25,309)
Net cash generated from operating activities	619,982	320,303
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow on acquisition of subsidiaries	-	(69,057)
Payments for property, plant and equipment	(60,194)	(103,242)
Proceeds from disposal of property, plant and equipment	4,713	6,864
Decrease (increase) in refundable deposits	23,508	(11,413)
Payments for intangible assets	(152)	(2,276)
Decrease (increase) in restricted bank deposits	115,889	(32,874)
Increase in other non-current assets	(2,037)	(2,519)
Net cash generated from (used in) investing activities	81,727	(214,517)

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VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	$ (927,774)	$ (115,622)
Proceeds from long-term borrowings	-	33,406
Repayments of long-term borrowings	(52,013)	(61,080)
(Decrease) increase in other non-current liabilities	(636)	3
Dividends paid to owners of the Company	(58,614)	(14,984)
Proceeds from issuance of ordinary shares	381,388	65,576
Proceeds from issuance of ordinary shares under employee share options	-	55,000
Net cash used in financing activities	(657,649)	(37,701)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(9,385)	(6,900)
NET INCREASE IN CASH	34,675	61,185
CASH AT THE BEGINNING OF THE YEAR	290,288	229,103
CASH AT THE END OF THE YEAR	$ 324,963	$ 290,288

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

1. GENERAL INFORMATION

Ventec International Group Co., Ltd. (the “Company”) was incorporated in the Cayman Islands on October 16, 2012, mainly due to the organizational restructuring for the application for registration of the shares on the Taipei Exchange. The organizational restructuring was carried out on December 10, 2012 as the restructuring base date. After the reorganization, the Company became the holding company of all the merged entities.

The Company’s ordinary shares have been listed on the Taipei Exchange since January 2018. On December 4, 2018 and December 18, 2018, the application for registration of the shares on the Taiwan Stock Exchange was approved by the Listing Review Committee and the Board of Directors of the Taiwan Stock Exchange.

The Company and its subsidiaries, collectively referred to as the “Group”, mainly engages in the research and development, production and sale of copper clad laminate (CCL), aluminium-backed laminate (IMS) and prepreg.

The functional currency of the Company is U.S. dollars. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 11, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

   1) IFRS 9 “Financial Instruments” and related amendments

      IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      The requirements for classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

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

	Measurement Category		Carrying Amount		
Financial Asset	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash	Loans and receivables	Amortized cost	$ 290,288	$ 290,288	*
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	1,538,165	1,538,165	*
Restricted bank deposits (included in other financial assets)	Loans and receivables	Amortized cost	271,750	271,750	*
Refundable deposits	Loans and receivables	Amortized cost	58,615	58,615	*

Financial Asset	IAS 39 Carrying Amount as of January 1, 2018	Reclassification	IFRS 9 Carrying Amount as of January 1, 2018	Remark
Amortized cost	$ -			
Add: Reclassification from loans and receivables (IAS 39)	-	$ 2,158,818		*
	$ -	$ 2,158,818	$ 2,158,818	

* Cash, notes receivable, trade receivables, other receivables, restricted bank deposits and refundable deposits previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct and the promise to transfer it is distinct within the context of the contract. The application of IFRS 15 is not expected to have a material impact on the Group.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and to reclassify the advances received of $3,045 thousand to contract liabilities.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 "Leases"

  IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases" and a number of related interpretations.

  Definition of a lease

  Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

  The Group as lessee

  Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in mainland China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

  The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at the amounts of the lease liability. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Carrying Amount as of January 1, 2019
Prepayments	$ 2,080	$ (2,080)	$ -
Long-term prepayments for leases	77,305	(77,305)	-
Right-of-use-assets	-	151,994	151,994
Total effect on assets	$ 79,385	$ 72,609	$ 151,994
Lease liabilities - current	$ -	$ 27,815	$ 27,815
Lease liabilities - non-current	-	44,794	44,794
Total effect on liabilities	$ -	$ 72,609	$ 72,609

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 10 and Tables 6 and 7 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the entities in the Group (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate). The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the entities in the Group into the presentation currency, are not subsequently reclassified to profit or loss.

On the disposal of a foreign operation (i.e. a disposal of the Company’s entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation which are attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the assets’ useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

i. Intangible assets

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

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

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and derivative instruments and fund beneficiary certificates that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, notes receivable, trade receivables, other receivables, restricted bank deposit and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL and loans and receivables.

i. Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 25.

ii. Loans and receivables

Loans and receivables (including cash, notes receivable, trade receivables, other receivables and other financial assets) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

b) Impairment of financial assets

2018

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

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such financial asset.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience with collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets at amortized cost, the amount of the impairment loss recognized is the difference between such an asset’s carrying amount and the present value of its estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it became probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except the derivative instruments, all financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts, which contain financial asset hosts within the scope of IFRS 9, are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

l. Revenue recognition

<u>2018</u>

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

- Revenue from the sale of goods

  Revenue from the sale of goods comes from the sale of CCL, IMS and prepreg. The sale of goods above is recognized as revenue when the goods are delivered to a customer because it is the time when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar provisions. Provisions for sales returns and liabilities for returns are recognized at the time of sale based on past experience and other relevant factors.

1) Sale of goods

   Revenue from the sale of goods is recognized when all the following conditions are satisfied:

   a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

   b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

   c) The amount of revenue can be measured reliably;

   d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

   e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Interest income

   Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

m. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

n. Borrowing costs

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

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

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

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

q. Employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

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

r. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Write-down of Inventories

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

6. CASH

	December 31 2018	December 31 2017
Cash on hand and petty cash	$ 269	$ 242
Checking accounts and demand deposits	324,694	290,046
	$ 324,963	$ 290,288

7. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT (DECEMBER 31, 2018: NONE)

	December 31, 2017
Financial liabilities held for trading	
Derivative financial liabilities (not under hedge accounting)	
Foreign exchange forward contracts	$ 1,285

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

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2017			
Buy	GBP/EUR	2018.01.19	GBP4/EUR4
Sell	USD/GBP	2018.01.19-2018.09.25	USD1,500/GBP1,136

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. These contracts did not meet the criteria for hedge accounting. Therefore, the Group did not apply a hedge accounting treatment for these contracts.

8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31 2018	December 31 2017
Notes receivable		
Notes receivable - operating	$ 40,846	$ 60,018

(Continued)

	December 31	
	2018	2017
Trade receivables		
At amortized cost		
Gross carrying amount	$ 1,633,329	$ 1,482,183
Less: Allowance for impairment loss	(17,871)	(22,538)
	$ 1,615,458	$ 1,459,645
Other receivables		
Receivables for disposal of land use rights	$ 10,770	$ 11,028
Tax refund receivable	2,441	847
Others	8,715	7,474
	$ 21,926	$ 19,349

(Concluded)

a. Trade receivables

In 2018

The Group's credit period of sales of goods ranges from 120 days to 150 days. No interest was charged on trade receivables due to short period of credit grant. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2018

	Not Past Due	Less than 90 Days	91 to 180 Days	Over 181 Days	Total
Gross carrying amount	$ 1,575,736	$ 38,252	$ 2,919	$ 16,422	$ 1,633,329
Loss allowance (Lifetime ECL)	(7,647)	(2,312)	(382)	(7,530)	(17,871)
Amortized cost	$ 1,568,089	$ 35,940	$ 2,537	$ 8,892	$ 1,615,458

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	$ 22,538
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	22,538
Add: Net remeasurement of loss allowance	3,421
Less: Amounts written off	(7,857)
Foreign exchange gains and losses	(231)
Balance at December 31, 2018	$ 17,871

In 2017

The Group applied the same credit policy in 2018 and 2017. Allowance for impairment loss was based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For some trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31, 2017
Not past due	$ 1,438,806
Less than 90 days	28,702
91-180 days	1,491
Over 181 days	13,184
	$ 1,482,183

The above aging schedule was based on the number of past due days from the end of the credit term.

The aging of receivables that were past due but not impaired was as follows:

	December 31, 2017
Less than 90 days	$ 28,702
91-180 days	1,491
Over 181 days	1,851
	$ 32,044

The above aging schedule was based on the number of past due days from the end of the credit term.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 9,073	$ 15,192	$ 24,265
Add: Impairment losses recognized	515	1,867	2,382
Less: Amounts written off during the year	(4,191)	(16)	(4,207)
Foreign exchange gains and losses	596	(498)	98
Balance at December 31, 2017	$ 5,993	$ 16,545	$ 22,538

Refer to Note 25 for details of the factoring agreements for trade receivables.

Notes receivable and trade receivables pledged as collateral for bank borrowings are set out in Note 27.

b. Other receivables

As of December 31, 2018, the Group assessed the impairment loss of other receivables using expected credit losses. There were no other receivables which were past due and for which there was an unrecognized allowance for the respective doubtful accounts as of December 31, 2017.

9. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 426,981	$ 348,141
Work in progress	65,136	84,540
Raw materials	248,314	274,464
	$ 740,431	$ 707,145

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $4,067,705 thousand and $3,711,603 thousand, respectively.

The cost of goods sold for the years ended December 31, 2018 and 2017 included reversals of inventory write-downs of $15,618 thousand and inventory write-downs of $23,278 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Nature of Activities	Proportion of Ownership (%) December 31 2018	2017
Ventec International Group Co., Ltd ("VIG CAYMAN")	Ventec International Group Company Limited (SAMOA) ("VIG SAMOA") (Notes b and c)	General investment	100.00	100.00
VIG SAMOA	Ventec International Group Limited (HK) ("VIG HK")	General investment	100.00	100.00
	Ventec Logistics Limited ("VLL") (Notes b and c)	General investment	100.00	100.00
	Ventec Electronics (HK) Co., Ltd. ("VT HK")	International trade	100.00	100.00
	Ventec Electronics Corporation ("VT TW") (Note a)	Manufacture and sell of CCL, IMS and prepreg	100.00	100.00
	Ventec Europe Ltd. ("VT UK") (Note b)	Sell of CCL, IMS and prepreg	100.00	-
	Ventec Central Europe GmbH. ("VT DE") (Note b)	Sell of CCL, IMS and prepreg	100.00	-
VIG HK	Ventec Electronics (Suzhou) Co., Ltd. ("VT SZ")	Research and development, manufacture and sell of CCL, IMS and prepreg	100.00	100.00
	Ventec Electronics (Jiangyin) Co., Ltd. ("VT JY")	Manufacture and sell of CCL, IMS and prepreg	100.00	100.00
VT SZ	Ventec Electronics (Shenzhen) Co., Ltd. ("VT SZWT")	Manufacture and sell of CCL, and sell of IMS and prepreg	100.00	100.00
VLL	Ventec USA LLC ("VT USA") (Note c)	Sell of CCL, IMS and prepreg	100.00	100.00
	Ventec Europe Ltd. ("VT UK") (Note b)	Sell of CCL, IMS and prepreg	-	100.00
	Ventec Central Europe GmbH. ("VT DE") (Note b)	Sell of CCL, IMS and prepreg	-	100.00

a. In July 2017, VT TW reduced its capital to cover accumulated deficits of $250,000 thousand, and VIG SAMOA increased VT TW's capital by cash of $100,000 thousand.

b. In order to simplify the structure of reinvested overseas companies, the board of directors of the Company passed a resolution on 27 September 2018 to fully sell the shares of VT UK and VT DE to VIG SAMOA through VLL and completed the processes of changing the registration on December 3, 2018 and November 28, 2018, respectively.

c. For the purpose of expanding the oversea business and enriching the operating capital of its subsidiaries, the board of directors of the Company passed a resolution on October 19, 2018 to increase VIG SAMOA's capital by cash of US$11,500 thousand and increase the capital of VLL and VT USA by cash of US$8,000 thousand and US$4,560 thousand, respectively, through VIG SAMOA and VLL.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Leased Assets	Leasehold Improvements	Other Equipment	Construction in Progress and Machinery in Transit	Total
Cost									
Balance at January 1, 2017	$ 118,840	$ 541,398	$ 1,805,911	$ 28,837	$ 380	$ 24,716	$ 112,084	$ 3,478	$ 2,635,644
Additions	-	885	14,757	3,263	-	5,513	9,653	33,381	67,452
Reclassification	-	-	11,092	-	-	-	(451)	(8,641)	2,000
Disposals	-	(129)	(34,809)	(3,453)	-	(1,502)	(7,670)	-	(47,563)
Effect of foreign currency exchange differences	-	(6,504)	(26,985)	(857)	-	(541)	(1,604)	321	(36,170)
Balance at December 31, 2017	118,840	535,650	1,769,966	27,790	380	28,186	112,012	28,539	2,621,363
Accumulated depreciation									
Balance at January 1, 2017	-	103,734	1,131,205	17,747	268	13,552	83,754	-	1,350,260
Depreciation expenses	-	24,115	127,132	3,449	23	2,736	15,025	-	172,480
Reclassification	-	-	2,959	-	-	-	(2,959)	-	-
Disposals	-	(129)	(28,861)	(3,356)	-	(274)	(7,065)	-	(39,685)
Effect of foreign currency exchange differences	-	(1,099)	(15,812)	(374)	(1)	(218)	(1,123)	-	(18,627)
Balance at December 31, 2017	-	126,621	1,216,623	17,466	290	15,796	87,632	-	1,464,428
Carrying amounts at December 31, 2017	$ 118,840	$ 409,029	$ 553,343	$ 10,324	$ 90	$ 12,390	$ 24,380	$ 28,539	$ 1,156,935
Cost									
Balance at January 1, 2018	$ 118,840	$ 535,650	$ 1,769,966	$ 27,790	$ 380	$ 28,186	$ 112,012	$ 28,539	$ 2,621,363
Additions	-	761	15,695	3,122	129	2,890	8,242	15,259	46,098
Reclassification	-	-	32,223	-	-	-	7,377	(38,851)	749
Disposals	-	-	(15,662)	(3,733)	(266)	(9,739)	(17,488)	-	(46,888)
Effect of foreign currency exchange differences	-	(9,260)	(36,855)	(194)	-	(79)	(2,255)	(187)	(48,830)
Balance at December 31, 2018	118,840	527,151	1,765,367	26,985	243	21,258	107,888	4,760	2,572,492
Accumulated depreciation									
Balance at January 1, 2018	-	126,621	1,216,623	17,466	290	15,796	87,632	-	1,464,428
Depreciation expenses	-	24,170	102,312	3,150	25	3,515	8,538	-	141,710
Disposals	-	-	(11,601)	(3,585)	(266)	(9,739)	(16,290)	-	(41,481)
Effect of foreign currency exchange differences	-	(2,880)	(27,474)	(191)	1	(16)	(1,711)	-	(32,271)
Balance at December 31, 2018	-	147,911	1,279,860	16,840	50	9,556	78,169	-	1,532,386
Carrying amounts at December 31, 2018	$ 118,840	$ 379,240	$ 485,507	$ 10,145	$ 193	$ 11,702	$ 29,719	$ 4,760	$ 1,040,106

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

Buildings	
Main buildings	10 to 35 years
Engineering system	3 to 8 years
Machinery and equipment	
Electromechanical power equipment	4 to 15 years
Repair project	2 to 5 years
Office equipment	
Computer equipment	3 to 10 years
Office furniture	3 to 5 years
Leased assets	4 years
Leasehold improvements	3 to 9 years
Other equipment	
R&D equipment	3 to 12 years
Transportation equipment	5 to 8 years
Miscellaneous equipment	3 to 12 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 27.

12. GOODWILL

	For the Year Ended December 31	
	2018	**2017**
Cost		
Balance at January 1	$ 67,532	$ 73,181
Effect of foreign currency exchange differences	2,167	(5,649)
Balance at December 31	$ 69,699	$ 67,532

The Group assesses the recoverable amount of goodwill at the end of the annual financial reporting period and the recoverable amount is based on a value in use calculation. A value in use calculation at December 31 used the cash flow projections in the financial budgets covering a 5-year period and the discount rate was 11.30% which reflect the specific risk of the relevant cash-generating unit. Based on the assessment, the recoverable amount of goodwill of $184,355 thousand was still higher than the related carrying amount, so no impairment loss was recognized.

13. PREPAYMENTS FOR LEASES

	December 31	
	2018	**2017**
Current (included in prepayment)	$ 2,080	$ 2,130
Non-current	77,305	81,281
	$ 79,385	$ 83,411

As of December 31, 2018 and 2017, prepaid lease payment are land use rights located in mainland China.

Land use rights pledged as collateral for bank borrowings is set out in Note 27.

14. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	**2017**
Secured borrowings		
Bank loans	$ 340,878	$ 576,980
Transferred receivables	171,229	298,312
Unsecured borrowings		
Bank loans	171,067	502,240
Transferred receivables	227,155	440,613
Others	494	-
	$ 910,823	$ 1,818,145

The range of interest rate on short-term borrowings was 1.68%-5.22% and 2.15%-5.44% per annum as of December 31, 2018 and 2017, respectively.

b. Long-term borrowings

	December 31	
	2018	**2017**
E.SUN Commercial Bank, Ltd.		
Secured borrowings: From 2012/09/07 to 2032/09/07 and is repaid in 240 periods.	$ 123,889	$ 131,881
Unsecured borrowings: From 2012/09/07 to 2022/09/07 and is repaid in 120 periods.	14,250	17,908
Chailease Finance Co., Ltd.		
Credit borrowings: From 2017/08/31 to 2020/08/31 and is repaid in 36 periods.	-	23,974
Credit borrowings: From 2016/07/15 to 2019/07/15 and is repaid in 36 periods.	-	13,227
Robina Finance & Leasing Corp.		
Credit borrowings: From 2016/01/08 to 2018/01/08 and is repaid in 24 periods.	-	930
HSBC bank plc		
Credit borrowings: From 2017/01/05 to 2018/07/05 and is repaid in 18 periods.	-	903
Credit borrowings: From 2015/06/15 to 2018/03/05 and is repaid in 36 periods.	-	524
Nissan Motor Acceptance Corporatic		
Secured borrowings: From 2017/06/01 to 2021/05/01 and is repaid in 47 periods.	637	841
Mission Valley Ford Trucks		
Secured borrowings: From 2016/05/08 to 2019/04/08 and is repaid in 35 periods.	22	148
	138,798	190,336
Less: Current portions	(12,126)	(32,270)
Long-term borrowings	$ 126,672	$ 158,066

The range of interest rate on long-term borrowings was both 1.60%-6.39% as of December 31, 2018 and 2017.

Refer to Note 27 for details of borrowing secured guarantee.

15. OTHER PAYABLES

	December 31	
	2018	2017
Payables for salaries or bonuses	$ 135,999	$ 103,591
Payables for social security or provident fund	30,372	23,800
Payables for taxes	23,623	18,963
Payables for construction and equipment	6,456	11,499
Others	105,781	87,818
	$ 302,231	$ 245,671

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiary in mainland China, United Kingdom, United States and Germany are members of a state-managed retirement benefit plan operated by the local government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The pension plan "Salary and Welfare Measures for Employees in Taiwan and Hong Kong" set by the Company of the Group is a defined benefit plan. Pension benefits are calculated on the basis of the terms set out in the regulation and average monthly salaries of the 6 months before retirement.

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

	December 31	
	2018	2017
Net defined benefit liabilities	$ 35,254	$ 34,803

Movements in net defined benefit liabilities were as follows:

	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 27,811
Service cost	
Current service cost	4,207
Past service cost	136
Interest expense	313
Recognized in profit or loss	4,656
Remeasurement	
Actuarial loss - changes in demographic assumptions	1
Actuarial loss - experience adjustments	2,335
Recognized in other comprehensive income	2,336
Balance at December 31, 2017	34,803
Service cost	
Current service cost	4,845
Interest expense	391
Recognized in profit or loss	5,236
Remeasurement	
Actuarial loss - changes in financial assumptions	284
Actuarial gain - experience adjustments	(5,069)
Recognized in other comprehensive income	(4,785)
Balance at December 31, 2018	$ 35,254

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

	For the Year Ended December 31	
	2018	2017
General and administrative expenses	$ 5,236	$ 4,656

Through the defined benefit plans under “Salary and Welfare Measures for Employees in Taiwan and Hong Kong”, the Group is exposed to the following risks:

1) Interest risk: A decrease in the interest rate of government bond will increase the present value of the defined benefit obligation

2) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rates	1.000%	1.125%
Expected rates of salary increase	2.000%	2.000%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	**2017**
Discount rates		
0.25% increase	$ (565)	$ (649)
0.25% decrease	$ 579	$ 668
Expected rates of salary increase		
0.25% increase	$ 564	$ 653
0.25% decrease	$ (552)	$ (638)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that changes in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	**2017**
Average duration of the defined benefit obligation	10.0 years	10.4 years

17. EQUITY

a. Ordinary shares

	December 31	
	2018	**2017**
Number of shares authorized (in thousands)	90,000	90,000
Shares authorized	$ 900,000	$ 900,000
Number of shares issued and fully paid (in thousands)	64,614	58,614
Shares issued	$ 646,143	$ 586,143

The holders of issued ordinary shares with a par value of $10 are entitled to the right to vote and to receive dividends.

In order to enrich the working capital in response to the Company’s future development of capital needs, repay bank loans and improve the financial structure, the Company passed the cash increase on October 23, 2015, which is limited to no more than 7,500 shares issued, and the issuance price per share is not less than US$0.6667. Subsequently, the capital increase base date is February 1, 2016 and May 5, 2017, respectively. The total issuance amount deducted from the issuance cost was $73,784 thousand and $34,241 thousand respectively.

In addition, in order to pursue the Company’s future development and improve the financial structure to reduce the debt ratio, the board of directors of the Company passed a resolution of cash increase on December 19, 2016, to issue no more than 3,000 shares, and the issue price per share is not less than NT$13.65 (US$0.45). On the March 31, 2017, the capital increase base date, 2,994 of new shares were issued, and the total issuance amount deducted from the issuance cost was $40,857 thousand.

In order to enrich the working capital and repay the loan to improve the financial structure, the board of directors of the Company passed a resolution of cash increase on March 23, 2018, and it is expected that the total number of shares to be issued will not exceed 6,000 thousand shares. On October 6, 2018, the capital increase base date, 6,000 of new shares were issued, and the issue price per share was $65. The total issuance amount deducted from the issuance cost was $381,388 thousand.

b. Capital surplus

	December 31	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	$ 425,497	$ 104,109
May be used to offset a deficit only		
Issuance of ordinary shares under employee share options	24,766	24,766
	$ 450,263	$ 128,875

1) Unless otherwise provided in the Law, the Applicable Listing Rules and these Articles, neither the Statutory Reserve nor the Capital Reserve shall be used except for offsetting the losses of the Company. The Company shall not use the Capital Reserve to offset its capital losses unless the Statutory Reserve and Special Reserve set aside for purposes of loss offset is insufficient to offset such losses.

2) Subject to the Law, where the Company incurs no loss, it may, by a Special Resolution, distribute its Statutory Reserve, the Share Premium Account and/or the income from endowments received by the Company, which are in the Capital Reserve which are available for distribution, in whole or in part, by issuing new, fully paid Shares and/or by cash to its Members.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, as the Company is in the growing stage, the dividend of the Company may be distributed in the form of cash dividends and/or stock dividends. The Company shall take into consideration the Company’s capital expenditures, future expansion plans, and financial structure, funds requirement and other plans for sustainable development needs in assessing the amount of dividends the Company wish to distribute.

Subject to the Law, the Applicable Listing Rules and these Articles and except as otherwise provided by the rights attaching to any Shares, where the Company still has annual net profit for the year, after paying all relevant taxes, offsetting losses (including losses of previous years and adjusted undistributed profits, if any), setting aside the Statutory Reserve of the remaining profits in accordance with the Applicable Listing Rules (provided that the setting aside of the Statutory Reserve does not apply if the aggregate amount of the Statutory Reserve amounts to the Company’s total issued capital), and setting aside the Special Reserve (if any), the Company may distribute not less than 50% of the remaining balance (including the amounts reversed from the Special Reserve), plus undistributed profits of previous years (including adjusted undistributed profits) in part or in whole as determined by an Ordinary Resolution passed at an annual general meeting of the Company duly convened and held in accordance with these Articles to the Members as dividends/bonuses in proportion to the number of Shares held by them respectively pursuant to these Articles, provided that, cash dividends shall not be less than 20% of the total amount of dividends to Members.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 19-e.

Unless resolved by the general meeting of the Company, the dividends, bonuses or other forms of distributions payable to the Members shall be calculated in NTD.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 19, 2018 and June 16, 2017, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share For the Year Ended December 31	
	2017	**2016**	**2017 (NT$)**	**2016 (US$)**
Legal reserve	$ 29,849	$ -		
Special reserve	200,000	-		
Cash dividends	58,614	14,984 (US$ 494 thousand)	$ 1	$ 0.0088

The appropriation of earnings for 2018 was proposed by the Company's board of directors on March 11, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 40,526	
Special reserve	109,947	
Cash dividends	236,489	$3.66

The appropriation of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 18, 2019.

d. Other equity items

Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ 10,739	$ (109,979)
Exchange differences on translating the financial statements of foreign operations	(158,586)	180,099
Exchange differences arising on translation to the presentation currency	37,900	(59,381)
Balance at December 31	$ (109,947)	$ 10,739

18. REVENUE

a. Revenue from contracts with customers

Contract information refer to Notes 4 and 31.

b. Contact balances

For notes receivable and trade receivables, refer to Note 8.

	December 31, 2018
Contract liabilities (included in other current liabilities)	$ 3,423

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

19. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 4,419	$ 1,810
Others	10,288	20,044
	$ 14,707	$ 21,854

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment, net	$ (694)	$ (1,014)
Gain (loss) on foreign currency exchange, net	104,737	(106,176)
Others	(17,102)	10,450
	$ 86,941	$ (96,740)

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 141,710	$ 172,480
Intangible assets	1,983	1,624
	$ 143,693	$ 174,104
An analysis of depreciation by function		
Operating costs	$ 117,618	$ 143,994
Operating expenses	24,092	28,486
	$ 141,710	$ 172,480
An analysis of amortization by function		
Operating costs	$ 756	$ -
Selling and marketing expenses	95	373
General and administrative expenses	1,132	1,251
	$ 1,983	$ 1,624

d. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plans	$ 4,148	$ 3,009
Defined benefit plans	5,236	4,656
	9,384	7,665
Share-based payments		
Equity-settled	-	17,735
Other employee benefits	699,822	611,699
Total employee benefits expense	$ 709,206	$ 637,099
An analysis of employee benefits expense by function		
Operating costs	$ 339,916	$ 325,231
Operating expenses	369,290	311,868
	$ 709,206	$ 637,099

e. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation amended in October 2017, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of 5%-15% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

According to the Articles of Incorporation amended in June 2018, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of 5%-10% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 11, 2019 and March 23, 2018, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	6.5%	5.0%
Remuneration of directors and supervisors	2.0%	2.0%

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash (NT$ in Thousands)	Cash (US$ in Thousands)	Cash (NT$ in Thousands)	Cash (US$ in Thousands)
Employees' compensation	$ 28,701	$ 952	$ 16,129	$ 530
Remuneration of directors and supervisors	8,773	291	6,391	210

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

20. INCOME TAX

a. Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 126,793	$ 46,948
Adjustments for prior years	(13,874)	(10,028)
	112,919	36,920
Deferred tax		
In respect of the current year	(18,811)	12,025
Adjustments for prior years	757	-
	(18,054)	12,025
Income tax expense recognized in profit or loss	$ 94,865	$ 48,945

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 500,129	$ 347,265
Income tax expense calculated at the statutory rate	$ 81,157	$ 55,389
Deferred tax effect of earnings of subsidiaries	32,408	22,210
Effect of tax rate changes of subsidiaries	-	3,629
Unrecognized loss carryforwards and deductible temporary differences	(6,524)	(17,381)
Adjustments for prior years' tax	(13,117)	(10,028)
Others	941	(4,874)
Income tax expense recognized in profit or loss	$ 94,865	$ 48,945

In 2017, the applicable corporate income tax rate used by the entities in the Group in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%; however, VT SZ has applied to the local tax bureau for the preferential income tax for "high-tech enterprises", with the applicable tax rate decreasing to 15%. Tax rates used by entities in the Group that operate in other jurisdictions are based on the tax laws in those jurisdictions.

In addition, the income tax rate of the United States was amended and signed into effect in December 2017. The corporate income tax rate in the United States was adjusted from 35% to 21%. In 2017, the income tax expense increased by $3,629 thousand due to the change of tax rate.

b. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	$ 1,126	$ 7,794
Current tax liabilities		
Income tax payable	$ 71,412	$ 28,006

c. Deferred tax assets and liabilities

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
Deferred tax assets					
Temporary differences	$ 6,896	$ (2,306)	$ (67)	$ -	$ 4,523
Allowance for inventory valuation	11,462	(192)	(229)	-	11,041
Others	18,358	(2,498)	(296)	-	15,564
	46,312	1,483	1,515	-	49,310
Tax losses					
	$ 64,670	$ (1,015)	$ 1,219	$ -	$ 64,874
Deferred tax liabilities					
Temporary differences					
Unappropriated earnings of subsidiaries	$ 87,139	$ 32,408	$ 3,194	$ (11,264)	$ 111,477
Disposal of land use rights	50,894	(50,735)	(159)	-	-
Others	7,702	(742)	49	-	7,009
	$ 145,735	$ (19,069)	$ 3,084	$ (11,264)	$ 118,486

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation	$ 7,767	$ (719)	$ (152)	$ 6,896
Others	6,434	5,149	(121)	11,462
	14,201	4,430	(273)	18,358
Loss carryforwards	40,004	9,369	(3,061)	46,312
	$ 54,205	$ 13,799	$ (3,334)	$ 64,670
Deferred tax liabilities				
Temporary differences				
Unappropriated earnings of subsidiaries	$ 70,892	$ 22,210	$ (5,963)	$ 87,139
Disposal of land use rights	51,727	-	(833)	50,894
Others	4,125	3,614	(37)	7,702
	$ 126,744	$ 25,824	$ (6,833)	$ 145,735

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets were $223,417 thousand and $303,350 thousand as of December 31, 2018 and 2017, respectively.

e. Income tax assessments

The income tax returns of VT TW through 2016 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 6.75	$ 5.40
Diluted earnings per share	$ 6.70	$ 5.30

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

Net Profit for the Year

	For the Year Ended December 31	
	2018	**2017**
Profit for the period attributable to owners of the Company	$ 405,264	$ 298,489

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares used in computation of basic earnings per share	60,044	55,258
Effect of potentially dilutive ordinary shares:		
Employees' compensation	468	1,074
Weighted average number of ordinary shares used in the computation of diluted earnings per share	60,512	56,332

Since the exercise price of the options issued by the Company exceeded the average market price of the shares during 2017, they are anti-dilutive and excluded from the computation of diluted earnings per share.

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees of the Company were granted 2,500 thousand options in October 2017. Each option entitles the holder to subscribe for one ordinary share of the Company. The employee share options are granted to the Company's and subsidiaries' (the Company directly or indirectly holds over 50% stakes) Taiwanese and other non-Chinese employees. The exercise price of the share options is NT$22. After the share options are issued, the ordinary shares of the Company change, and the exercise price of the share options is adjusted according to the prescribed formula.

The duration of the share options is 5 years. The holder of the certificate can exercise a certain percentage of the share options granted from the date of the expiration of 0.5 year. However, in the event of public offering held by the Company, the stock option must be exercised before the public offering. The employee share options granted to employees in October 2017 were exercised on October 27, 2017 before the Company's public offering.

Information on employee share options is as follows:

	For the Year Ended December 31, 2017	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**
Balance at January 1	-	$ -
Options granted	2,500	22
Options forfeited	-	-
Options exercised	(2,500)	22
Balance at December 31	-	

The weighted-average fair value per share of the share options granted in 2017 was $7.09.

Options granted in October 2017 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	October 2017
Exercise price (NT$)	$22
Expected volatility	42.65%-45.21%
Expected life (in years)	5
Expected dividend yield	0.00%
Risk-free interest rate	3.51%

Compensation cost recognized was $17,735 thousand for the year ended December 31, 2017.

23. OPERATING LEASE ARRANGEMENTS

The prepayment for leases is the leased land for the manufacture of the product, and the lease term is 50 years. The lease payment is made in one lump sum at the time of contract. The Group does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

25. FINANCIAL INSTRUMENTS

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

The management of the Group believes that the book value of financial assets and liabilities which are not measured by fair value approaches its fair value or its fair value cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy (December 31, 2018: None)

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives	$ -	$ 1,285	$ -	$ 1,285

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

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Financial assets at amortized cost (1)	$ 2,199,704	$ -
Loans and receivables (2)	-	2,158,818
Financial liabilities		
Held for trading	-	1,285
Financial liabilities measured at amortized cost (3)	2,076,781	2,808,715

1) The balances include financial assets at amortized cost, which comprise cash, notes receivable, trade receivables, other receivables and restricted bank deposit (included in other financial assets).

2) The balances include loans and receivables measured at amortized cost, which comprise cash, notes receivable, trade receivables, other receivables, other financial assets and refundable deposits.

3) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, other payables and long-term borrowings (including current portion).

d. Financial risk management objectives and policies

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the board of directors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's operating activities exposed itself primarily to the market risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange derivatives.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 1% strengthening/weakening of the functional currency against U.S. dollars, the Group's net income before tax for the years ended December 31, 2018 and 2017 would have decreased/increased by $19,076 thousand and $18,569 thousand, respectively.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign currency risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

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

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial liabilities	$ 113,157	$ 2,417
Cash flow interest rate risk		
Financial assets	487,099	561,771
Financial liabilities	936,464	2,006,064

Sensitivity analysis

The sensitivity analysis was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate financial assets and liabilities, the analysis were prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 points higher and all other variables were held constant, the Group's net income before tax for the years ended December 31, 2018 and 2017 would have decreased by $1,123 thousand and $3,611 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the following:

a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. The Group also check between transaction amount and credit limit periodically and adjust the limit in time to control credit risk.

The counterparties of the Group's trade receivable included numerous clients distributed over a variety of areas, and were not centered on a single client or location. Furthermore, the Group continuously assesses the financial condition of its clients, and then the Group's credit risk was limited. At the end of the reporting period, the Group's largest exposure on credit risk approximates to the carrying amounts of its financial assets.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and financing facilities deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized short-term bank loan facilities set out in (b) below.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

December 31, 2018

	On Demand or Less than 1 Year	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities			
Non-interest bearing	$ 1,049,084	$ 6,779	$ 6,243
Variable interest rate assets	810,179	44,386	81,899
Fixed interest rate assets	112,770	387	-
	$ 1,972,033	$ 51,552	$ 88,142

December 31, 2017

	On Demand or Less than 1 Year	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities			
Non-interest bearing	$ 803,977	$ 7,836	$ 7,294
Variable interest rate assets	1,848,597	66,910	90,557
Fixed interest rate assets	1,818	599	-
	$ 2,654,392	$ 75,345	$ 97,851

b) Financing facilities

	December 31	
	2018	**2017**
Bank loan facilities		
Amount unused	$ 1,576,272	$ 1,282,837

e. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2018 and 2017 were as follows:

Subsidiaries	Counterparties	Receivables Sold	Amounts Collected	Foreign Exchange Gains and Losses	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
2018							
VT DE	Adesion Factoring GmbH.	$ 322,535	$ 321,627	$ (209)	$ 5,371	3.25	$ 43,894
VT UK	HSBC Bank plc	94,054	91,109	(383)	20,005	1.75	86,015
		$ 416,589	$ 412,736	$ (592)	$ 25,376		
2017							
VT DE	Adesion Factoring GmbH.	$ 265,643	$ 261,265	$ (2,925)	$ 4,672	3.25	39,983
VT UK	HSBC Bank plc	76,376	80,930	594	17,443	1.88	82,229
		$ 342,019	$ 342,195	$ (2,331)	$ 22,115		

The above credit lines may be used on a revolving basis.

Pursuant to the Group’s factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Group, while losses from credit risk are borne by the banks.

The accounts that have been sold but not yet used by the subsidiaries VT DE and VT UK have been reclassified from account receivables to other receivables.

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party names and categories

Related Party Name	Related Party Category
Supreme Charger International Co., Ltd.	The same chairman
FFP Global Inc. (“FFP”)	The same chairman

b. Purchases of goods

Related Party Category	For the Year Ended December 31 2018	2017
The same chairman	$ 14	$ 29

Purchases from related parties had no material differences from those of general purchase transactions.

c. Commission expense

Related Party Name	For the Year Ended December 31 2018	2017
FFP	$ -	$ 2,284

As of December 31, 2017, commission payable was $213 thousand (included in other payables).

d. Payables to related parties

Line Item	Related Party Category	December 31 2018	2017
Trade payables	The same chairman	$ -	$ 12

The outstanding trade payables from related parties are unsecured.

e. Compensation of key management personnel

	For the Year Ended December 31 2018	2017
Short-term employee benefits	$ 36,612	$ 37,231
Share-based payments	-	5,200
Post-employment benefits	2,224	1,949
	$ 38,836	$ 44,380

The compensation of directors and key executives of the Company was determined by the remuneration committee based on the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the group are provided as collateral bank borrowings:

	December 31 2018	2017
Notes receivable	$ -	$ 30,587
Trade receivables	182,663	983,973
Restricted bank deposits	162,405	271,750
Property, plant and equipment, net	469,430	505,100
Land use rights	30,483	32,011
	$ 844,981	$ 1,823,421

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2018 and 2017, the Group’s unused letters of credit amounted to $41,378 thousand and $42,290 thousand, respectively.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities of the entities in the Group denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	Foreign Currencies (in thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 69,513	6.8755 (USD:RMB)	$ 2,135,117
USD	88,065	7.8332 (USD:HKD)	2,704,813
USD	3,694	30.715 (USD:NTD)	113,467
			$ 4,953,397
Financial liabilities			
Monetary items			
USD	16,404	6.8755 (USD:RMB)	$ 503,861
USD	80,497	7.8332 (USD:HKD)	2,471,872
USD	2,282	30.715 (USD:NTD)	70,107
			$ 3,045,840

December 31, 2017

	Foreign Currencies (in thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 84,445	6.5063 (USD:RMB)	$ 2,513,080
USD	99,773	7.8126 (USD:HKD)	2,969,245
			$ 5,482,325
Financial liabilities			
Monetary items			
USD	29,466	6.5063 (USD:RMB)	$ 876,904
USD	92,358	7.8126 (USD:HKD)	2,748,565
			$ 3,625,469

For the years ended December 31, 2018 and 2017, net foreign exchange gains (losses) were $104,737 thousand and $(106,176) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held. (None)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (Table 3)

5) Acquisitions of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 5)

9) Trading in derivative instruments. (Note 7)

10) Intercompany relationships and significant intercompany transactions. (Table 8)

11) Information on investees. (Table 6)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 2, 4, 5 and 8)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.

31. SEGMENT INFORMATION

The Group mainly engages in the production and sale of CCL, IMS and prepreg. The operating decision-makers use company-wide financial information to allocate resources and measure performance. In accordance with the requirements of IFRS 8 “Operating Department”, the Group provides information to key operational decision makers to allocate resources and assess the performance of the department by focusing on location of operations. The reportable segments should include “Asia” and “Europe and America”.

a. Segment revenue and results

The following was an analysis of the Group’s revenue and results from continuing operations by reportable segments.

For the year ended December 31, 2018

	Asia	Europe and America	Elimination	Total
Revenue from external customers	$ 4,243,137	$ 1,170,519	$ -	$ 5,413,656
Inter-segment revenue	4,418,596	-	(4,418,596)	-
Consolidated revenue	$ 8,661,733	$ 1,170,519	$ (4,418,596)	$ 5,413,656
Segment income	$ 447,909	$ 39,531	$ -	$ 487,440
Other income				14,707
Other gains and losses				86,941
Interest expense				(88,959)
Profit before tax				$ 500,129

For the year ended December 31, 2017

	Asia	Europe and America	Elimination	Total
Revenue from external customers	$ 3,881,550	$ 1,080,680	$ -	$ 4,962,230
Inter-segment revenue	4,076,370	5,231	(4,081,601)	-
Consolidated revenue	$ 7,957,920	$ 1,085,911	$ (4,081,601)	$ 4,962,230
Segment income	$ 480,602	$ 33,128	$ -	$ 513,730
Other income				21,854
Other gains and losses				(96,740)
Interest expense				(91,579)
Profit before tax				$ 347,265

Segment income represented the profit before tax earned by each segment without other income, other gains and losses and interest expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. However, the measure of segment assets and liabilities was not provided to the chief operating decision maker.

b. Product information

The Group mainly engages in the production and sale of CCL, IMS and prepreg, which all belong to one single product category. As a result, there is no need to disclosure product information.

c. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
China	$ 3,884,175	$ 3,514,471	$ 768,693	$ 868,131
United Kingdom	338,511	353,452	21,000	24,668
United States	388,475	348,092	27,069	29,695
Germany	443,533	379,136	16,822	81,904
Taiwan	358,962	367,079	296,525	311,103
	$ 5,413,656	$ 4,962,230	$ 1,130,109	$ 1,315,501

Non-current assets exclude financial instruments and deferred tax assets.

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2018	2017
Customer A	$ 593,590	$ 519,635
Customer B	560,781	540,559
	$ 1,154,371	$ 1,060,194

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise in Thousands)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 4)	Ending Balance (Note 4)	Actual Borrowing Amount (Note 4)	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limits (Notes 3 and 4)	Note
													Item	Value			
1	VIG SAMOA	VLL	Other receivables	Yes	$ 92,145 (US$ 3,000)	$ 92,145 (US$ 3,000)	$ -	-	b	$ -	Operating capital needed	$ -	-	-	$ 18,111,000 (US$ 589,640)	$ 36,222,000 (US$ 1,179,280)	
2	VT HK	VIG SAMOA	Other receivables	Yes	1,535,750 (US$ 50,000)	1,535,750 (US$ 50,000)	1,362,702 (US$ 44,366)	-	b	-	Operating capital needed	-	-	-	2,468,790 (US$ 80,380)	4,937,580 (US$ 160,760)	
		VLL	Other receivables	Yes	307,150 (US$ 10,000)	307,150 (US$ 10,000)	171,789 (US$ 5,593)	-	b	-	Operating capital needed	-	-	-	2,468,790 (US$ 80,380)	4,937,580 (US$ 160,760)	
		VT USA	Other receivables	Yes	153,575 (US$ 5,000)	153,575 (US$ 5,000)	-	-	b	-	Operating capital needed	-	-	-	2,468,790 (US$ 80,380)	4,937,580 (US$ 160,760)	

Note 1: The parent company is indicated by “0”, while all other numbers indicate subsidiaries.

Note 2: Types of financing were as follows:

a. Business and trade.
b. Short-term financing.

Note 3: The limits of financing amounts were as follows:

a. Financing received from the Company cannot exceed 50% of the Company’s net asset value.

b. The financing limits where the Company directly and indirectly holds voting right shares of subsidiaries at 100% are as follows: The total and individual financing amount cannot exceed 20 times and 10 times of the Company’s net asset value, respectively. The calculation of net asset value was based on lender’s net asset value as of December 31, 2018.

Note 4: The calculation was based on the spot exchange rate as of December 31, 2018.

Note 5: All intercompany transactions have been eliminated on consolidation.

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise in Thousands)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount (Note 3)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 4)	Note
		Name	Relationship											
0	VIG CAYMAN	VT HK	Subsidiary	$ 1,758,608 (US$ 57,255)	$ 848,963 (US$ 27,640)	$ 848,963 (US$ 27,640)	$ 142,733 (US$ 4,647)	$ -	48.28	$ 3,517,216 (US$ 114,510)	N	N	N	
		VT TW	Subsidiary	1,758,608 (US$ 57,255)	210,029 (US$ 6,838)	210,029 (US$ 6,838)	95,247 (US$ 3,101)	-	11.94	3,517,216 (US$ 114,510)	N	N	N	
		VT SZ	Subsidiary	1,758,608 (US$ 57,255)	184,290 (US$ 6,000)	184,290 (US$ 6,000)	184,290 (US$ 6,000)	-	10.48	3,517,216 (US$ 114,510)	N	N	Y	
1	VIG SAMOA	VT HK	Subsidiary	2,716,650 (US$ 88,446)	273,241 (US$ 8,896)	19,658 (US$ 640)	-	-	1.12	3,622,200 (US$ 117,928)	N	N	N	
		VT UK	Subsidiary	2,716,650 (US$ 88,446)	113,983 (US$ 3,711)	107,503 (US$ 3,500)	60,201 (US$ 1,960)	-	6.11	3,622,200 (US$ 117,928)	N	N	N	
2	VIG HK	VT UK	Fellow subsidiary	263,241 (US$ 8,570)	113,983 (US$ 3,711)	107,503 (US$ 3,500)	60,201 (US$ 1,960)	-	6.11	526,481 (US$ 17,141)	N	N	N	
3	VT HK	VT SZ	Fellow subsidiary	370,319 (US$ 12,057)	98,288 (US$ 3,200)	98,288 (US$ 3,200)	98,288 (US$ 3,200)	-	5.59	493,758 (US$ 16,076)	N	N	Y	
4	VT TW	VIG CAYMAN	Parent company	1,393,700 (US$ 45,375)	30,715 (US$ 1,000)	-	-	-	-	1,672,440 (US$ 54,450)	N	N	N	
		VT HK	Fellow subsidiary	1,393,700 (US$ 45,375)	469,940 (US$ 15,300)	307,150 (US$ 10,000)	178,423 (US$ 5,809)	-	17.47	1,672,440 (US$ 54,450)	N	N	N	
5	VT JY	VT SZ	Fellow subsidiary	817,584 (US$ 26,620)	647,749 (US$ 21,089)	647,749 (US$ 21,089)	105,967 (US$ 3,450)	-	36.83	1,021,980 (US$ 33,275)	N	N	Y	
6	VT SZWT	VT SZ	Parent company	219,712 (US$ 7,152)	97,520 (US$ 3,175)	89,350 (US$ 2,909)	-	-	5.08	274,640 (US$ 8,940)	N	N	Y	

Note 1: The parent company is indicated by "0", while all other numbers indicate subsidiaries.

Note 2: The limits of endorsements/guarantees amounts were as follows (the calculation of net asset value was based on endorser's or guarantor's net asset value as of December 31, 2018):

a. For VIG CAYMAN, the total amount of endorsement/guarantee provided and the limit on endorsement/guarantee amounts provided to each guaranteed party cannot exceed 200% and 100% of the Company's net asset value, respectively.
b. For VIG SAMOA, the total amount of endorsement/guarantee provided and the limit on endorsement/guarantee amounts provided to each guaranteed party cannot exceed 200% and 150% of the Company's net asset value, respectively.
c. For VIG HK, the total amount of endorsement/guarantee provided and the limit on endorsement/guarantee amounts provided to each guaranteed party cannot exceed 20% and 10% of the Company's net asset value, respectively.
d. For VT HK the total amount of endorsement/guarantee provided and the limit on endorsement/guarantee amounts provided to each guaranteed party cannot exceed 200% and 150% of the Company's net asset value, respectively.
e. For VT TW, the total amount of endorsement/guarantee provided and the limit on endorsement/guarantee amounts provided to each guaranteed party cannot exceed 600% and 500% of the Company's net asset value, respectively.
f. For VT JY, the total amount of endorsement/guarantee provided and the limit on endorsement/guarantee amounts provided to each guaranteed party cannot exceed 500% and 400% of the Company's net asset value, respectively.
g. For VT SZWT, the total amount of endorsement/guarantee provided and the limit on endorsement/guarantee amounts provided to each guaranteed party cannot exceed 500% and 400% of the Company's net asset value, respectively.

Note 3: The calculation was based on the spot exchange rate as of December 31, 2018.

Note 4: Endorsement/guarantee given by parent which is listed company on behalf of subsidiaries, endorsement/guarantee given by subsidiaries on behalf of parent which is listed company and endorsement/guarantee given on behalf of companies in Mainland China: must fill in Y.

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise in Thousands)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		Note
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount (Note)	
VIG CAYMAN	VIG SAMOA	Investments accounted for using the equity method	Issuance of ordinary shares for cash	Subsidiary	22,000,000	$ 1,182,723 (US$ 39,742)	11,500,000	$ 628,377 (US$ 19,222)	-	$ -	$ -	$ -	33,500,000	$ 1,811,100 (US$ 58,964)	1
VIG SAMOA	VLL	Investments accounted for using the equity method	Issuance of ordinary shares for cash	Subsidiary	10,000	(253,434) (US$ -8,516)	8,000,000	263,945 (US$ 8,858)	-	-	-	-	8,010,000	10,511 (US$ 342)	2
VLL	VT USA	Investments accounted for using the equity method	Issuance of ordinary shares for cash	Subsidiary	-	(82,247) (US$ -2,764)	-	142,948 (US$ 4,740)	-	-	-	-	-	60,701 (US$ 1,976)	3

Note 1: The changes mainly included new investment of US$11,500 thousand and share of profit of subsidiaries US$15,082 thousand less dividends distribution of US$2,100 thousand and exchange differences on translating the financial statements of foreign operations US$5,260 thousand.

Note 2: The change mainly included new investment of US$8,000 thousand and share of profit of subsidiaries US$1,072 thousand less exchange differences on translating the financial statements of foreign operations US$214 thousand.

Note 3: The change mainly included new investment of US$4,560 thousand and share of profit of subsidiaries US$180 thousand.

Note 4: All intercompany transactions have been eliminated on consolidation.

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise in Thousands)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchase/ Sale	Amount (Note 1)	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance (Note 2)	% of Total	
VT HK	VT SZ	The same ultimate parent	Sale	$ (132,778) (US$ -4,404)	4.54	150 days	No major difference	No major difference	$ 13,488 (US$ 439)	1.39	
	VT USA	The same ultimate parent	Sale	(209,395) (US$ -6,945)	7.46	150 days	No major difference	No major difference	148,394 (US$ 4,831)	15.31	
	VT DE	The same ultimate parent	Sale	(245,356) (US$ -8,138)	8.64	150 days	No major difference	No major difference	65,051 (US$ 2,118)	6.71	
	VT UK	The same ultimate parent	Sale	(223,275) (US$ -7,405)	6.84	150 days	No major difference	No major difference	58,294 (US$ 1,898)	6.02	
	VT TW	The same ultimate parent	Sale	(152,514) (US$ -5,509)	5.21	150 days	No major difference	No major difference	73,732 (US$ 2,401)	7.61	
	VT SZ	The same ultimate parent	Purchase	2,179,738 (US$ 72,300)	78.67	150 days	No major difference	No major difference	(1,978,192) (US$ -64,404)	93.29	
	VT SZWT	The same ultimate parent	Purchase	273,874 (US$ 9,084)	9.88	150 days	No major difference	No major difference	(33,370) (US$ -1,086)	1.57	
	VT JY	The same ultimate parent	Purchase	128,746 (US$ 4,270)	4.65	150 days	No major difference	No major difference	(75,363) (US$ -2,454)	3.55	
VT JY	VT SZ	The same ultimate parent	Sale	(418,828) (US$ -13,892)	73.75	150 days	No major difference	No major difference	20,898 (US$ 680)	21.59	
	VT HK	The same ultimate parent	Sale	(128,746) (US$ -4,270)	22.67	150 days	No major difference	No major difference	75,363 (US$ 2,454)	77.86	
	VT SZ	The same ultimate parent	Purchase	108,456 (US$ 3,597)	22.87	150 days	No major difference	No major difference	-	-	
VT SZ	VT HK	The same ultimate parent	Sale	(2,179,738) (US$ -72,300)	49.84	150 days	No major difference	No major difference	1,978,192 (US$ 64,404)	71.41	
	VT SZWT	The same ultimate parent	Sale	(144,137) (US$ -4,781)	3.30	150 days	No major difference	No major difference	15,987 (US$ 520)	0.58	
	VT JY	The same ultimate parent	Sale	(108,456) (US$ -3,597)	2.48	150 days	No major difference	No major difference	-	-	
	VT HK	The same ultimate parent	Purchase	132,778 (US$ 4,404)	4.23	150 days	No major difference	No major difference	(13,488) (US$ -439)	1.71	
	VT JY	The same ultimate parent	Purchase	418,828 (US$ 13,892)	13.34	150 days	No major difference	No major difference	(20,898) (US$ -680)	2.66	

(Continued)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Trade Receivables (Payables)		Note
			Purchase/ Sale	Amount (Note 1)	% of Total	Payment Terms	Unit Price	Payment Terms	Financial Statement Account and Ending Balance (Note 2)	% of Total	
VT SZWT	VT HK	The same ultimate parent	Sale	$ (273,874) (US$ -9,084)	84.12	150 days	No major difference	No major difference	$ 33,370 (US$ 1,086)	87.11	
	VT SZ	The same ultimate parent	Purchase	144,137 (US$ 4,781)	64.22	150 days	No major difference	No major difference	(15,987) (US$ -520)	72.10	
VT USA	VT HK	The same ultimate parent	Purchase	209,395 (US$ 6,945)	70.65	150 days	No major difference	No major difference	(148,394) (US$ -4,831)	67.75	
VT DE	VT HK	The same ultimate parent	Purchase	245,356 (US$ 8,138)	79.96	150 days	No major difference	No major difference	(65,051) (US$ -2,118)	85.29	
VT UK	VT HK	The same ultimate parent	Purchase	223,275 (US$ 7,405)	80.73	150 days	No major difference	No major difference	(58,294) (US$ -1,898)	86.09	
VT TW	VT HK	The same ultimate parent	Purchase	152,514 (US$ 5,059)	45.85	150 days	No major difference	No major difference	(73,732) (US$ -2,401)	133.54	

Note 1: The calculation was based on the average exchange rate from January 1, 2018 to December 31, 2018.

Note 2: The calculation was based on the spot exchange rate as of December 31, 2018.

Note 3: All intercompany transactions have been eliminated on consolidation.

(Concluded)

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise in Thousands)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance (Note 2)		Turnover Rate	Overdue		Amounts Received in Subsequent Period (Notes 1 and 2)	Allowance for Impairment Loss
						Amount (Note 2)	Actions Taken		
VT HK	VT USA	The same ultimate parent	Trade receivables from related parties	$ 148,394 (US$ 4,831)	1.26	$ 93,634 (US$ 3,048)	Strengthen collection	$ 33,325 (US$ 1,085)	$ -
VT SZ	VT HK	The same ultimate parent	Trade receivables from related parties	1,978,192 (US$ 64,404)	1.10	1,229,847 (US$ 40,040)	Strengthen collection	440,766 (US$ 14,350)	-

Note 1: Subsequent period was from January 1, 2019 to February 28, 2019.

Note 2: The calculation was based on the spot exchange rate as of December 31, 2018.

Note 3: All intercompany transactions have been eliminated on consolidation.

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise in Thousands)

Investor Company	Investee Company	Location	Business Content	Original Investment Amount: December 31, 2018 (Note 1)	Original Investment Amount: December 31, 2017 (Note 1)	As of December 31, 2018: Number of Shares	As of December 31, 2018: %	As of December 31, 2018: Carrying Amount (Notes 1 and 3)	Net Income (Loss) of Investee (Note 2)	Share of Profit (Loss) (Notes 2 and 3)	Note
VIG CAYMAN	VIG SAMOA	SAMOA	General investment	$ 1,028,965 (US$ 33,500)	$ 675,738 (US$ 22,000)	33,500,000	100.00	$ 1,811,100 (US$ 58,964)	$ 454,709 (US$ 15,082)	$ 454,709 (US$ 15,082)	Subsidiary
VIG SAMOA	VIG HK	HK	General investment	1,197,939 (US$ 39,001)	1,197,939 (US$ 39,001)	39,010,000	100.00	2,632,406 (US$ 85,703)	346,473 (US$ 11,492)	346,473 (US$ 11,492)	Subsidiary
	VLL.	British Virgin Islands	General investment	246,053 (US$ 8,011)	330 (US$ 11)	8,010,000	100.00	10,511 (US$ 342)	32,329 (US$ 1,072)	32,329 (US$ 1,072)	Subsidiary
	VT HK	HK	International trade	73,757 (US$ 2,401)	73,757 (US$ 2,401)	10,000	100.00	246,879 (HK$ 62,960)	27,699 (HK$ 7,202)	27,699 (HK$ 7,202)	Subsidiary
	VT TW	TW	Manufacture and sell of CCL, IMS and prepreg	508,846 (US$ 16,567)	508,846 (US$ 16,567)	25,000,000	100.00	278,740	33,622	33,622	Subsidiary
	VT UK	UK	Sell of CCL, IMS and prepreg	40,695 (US$ 1,325)	40,695 (US$ 1,325)	807,334	100.00	53,284 (GBP 1,363)	7,661 (GBP 190)	7,661 (GBP 190)	Subsidiary
	VT DE	DE	Sell of CCL, IMS and prepreg	212,039 (US$ 6,903)	212,039 (US$ 6,903)	400,000	100.00	79,437 (EUR 2,262)	18,705 (EUR 525)	18,705 (EUR 525)	Subsidiary
VLL	VT USA	USA	Sell of CCL, IMS and prepreg	228,055 (US$ 7,425)	87,993 (US$ 2,865)	-	100.00	60,701 (US$ 1,976)	5,424 (US$ 180)	5,424 (US$ 180)	Subsidiary

Note 1: The calculation was based on the spot exchange rate of each foreign currency on December 31, 2018.

Note 2: The calculation was based on the average exchange rate of each foreign currency from January 1, 2018 to December 31, 2018.

Note 3: All intercompany transactions have been eliminated on consolidation.

Note 4: For information on invested company in mainland China, refer to Table 7.

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise in Thousands)

Investee Company	Business Content	Paid-in Capital (Notes 1 and 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of Investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 4)	Carrying Amount as of December 31, 2018 (Notes 3 and 4)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow	Inflow						
VT SZ	Research and development, manufacture and sell of CCL, IMS and prepreg	$ 1,455,163 (US$ 40,000) (RMB 319,127)	Indirect investment	$ -	$ -	$ -	$ -	$ 376,473 (RMB 82,563)	100.00	$ 376,473 (RMB 82,563)	$ 2,540,437 (RMB 568,666)	$ -
VT JY	Manufacture and sell of CCL, IMS and prepreg	225,993 (US$ 6,000) (RMB 49,562)	Indirect investment	-	-	-	-	2,549 (RMB 559)	100.00	$ 2,549 (RMB 559)	204,396 (RMB 45,753)	-
VT SZWT	Manufacture and sell of CCL, and sell of IMS and prepreg	91,197 (US$ 3,051) (RMB 20,000)	Indirect investment	-	-	-	-	17,910 (RMB 3,928)	100.00	$ 17,910 (RMB 3,928)	54,928 (RMB 12,295)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ -	$ -	$ -

Note 1: It is calculated based on historical cost.

Note 2: The calculation was based on the average exchange rate of each foreign currency from January 1, 2018 to December 31, 2018.

Note 3: The calculation was based on the spot exchange rate of each foreign currency on December 31, 2018.

Note 4: All intercompany transactions have been eliminated on consolidation.

VENTEC INTERNATIONAL GROUP CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise in Thousands)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details				
				Financial Statement Accounts	Amount	Amount (US$)	Transaction Terms	% of Total Sales or Assets
3	VT HK	VT USA	3	Trade receivables	$ 148,394	$ 4,831	No major difference	3.48
		VT DE	3	Trade receivables	65,051	2,118	No major difference	1.53
		VT UK	3	Trade receivables	58,294	1,898	No major difference	1.37
		VT SZ	3	Trade receivables	13,488	439	No major difference	0.32
		VT TW	3	Trade receivables	73,732	2,401	No major difference	1.73
		VIG CAYMAN	2	Other receivables	18,063	588	No major difference	0.42
		VIG SAMOA	3	Other receivables	1,362,386	44,355	No major difference	31.98
		VLL	3	Other receivables	171,747	5,592	No major difference	4.03
		VT SZ	3	Trade payables	1,978,192	64,404	No major difference	46.43
		VT SZWT	3	Trade payables	33,370	1,086	No major difference	0.78
		VT JY	3	Trade payables	75,363	2,454	No major difference	1.77
		VT USA	3	Sales	209,395	6,945	No major difference	3.87
		VT DE	3	Sales	245,356	8,138	No major difference	4.53
		VT UK	3	Sales	223,275	7,405	No major difference	3.64
		VT JY	3	Sales	6,770	225	No major difference	0.13
		VT SZ	3	Sales	132,778	4,404	No major difference	2.45
		VT TW	3	Sales	152,514	5,059	No major difference	2.82
		VT SZWT	3	Sales	52,540	1,743	No major difference	0.97
		VT SZ	3	Purchase	2,179,738	72,300	No major difference	40.26
		VT SZWT	3	Purchase	273,874	9,084	No major difference	5.06
		VT JY	3	Purchase	128,746	4,270	No major difference	2.38
4	VT SZ	VT SZWT	3	Trade receivables	15,987	520	No major difference	0.38
		VT JY	3	Trade payables	20,898	680	No major difference	0.49
		VT SZWT	3	Trade payables	4,082	133	No major difference	0.10
		VT SZWT	3	Sales	144,137	4,781	No major difference	2.66
		VT JY	3	Sales	108,456	3,597	No major difference	2.00
		VT JY	3	Purchase	418,828	13,892	No major difference	7.74
		VT SZWT	3	Purchase	43,432	1,441	No major difference	0.80
		VT TW	3	Purchase	10,738	356	No major difference	0.20
5	VT JY	VT SZWT	3	Sales	13,119	435	No major difference	0.24
6	VT TW	VT USA	3	Trade receivables	69,033	2,247	No major difference	1.62
		VT USA	3	Sales	83,047	2,755	No major difference	1.53
		VT DE	3	Sales	14,173	470	No major difference	0.26
7	VLL	VIG SAMOA	3	Other receivables	115,253	3,752	No major difference	2.70

(Continued)

Note 1: The parent company is indicated by “0”, while all other numbers indicate subsidiaries.

Note 2: No. 1 represents the transactions from parent company to subsidiary.
No. 2 represents the transactions from subsidiary to parent company.
No. 3 represents the transactions between subsidiaries

Note 3: All intercompany transactions have been eliminated on consolidation.

(Concluded)